GateHouse Media, Inc.
Form 4
August 25, 2009

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Fortress Investment Group LLC

(Last) (First) (Middle)

1345 AVENUE OF THE AMERICAS,, 46TH FLOOR

(Street)

NEW YORK, NY 10105

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GateHouse Media, Inc. [GHSE]

3. Date of Earliest Transaction (Month/Day/Year)
08/21/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/21/2009		P		40,000	D	$ 0.2	1,208,911	I	Drawbridge Global Macro Master Fund Ltd (1) (2) (3)
Common Stock	08/21/2009		P		4,000	D	$ 0.2003	1,204,911	I	Drawbridge Global Macro Master Fund Ltd (1) (2) (3)
Common Stock	08/21/2009		P		300	D	$ 0.21	1,204,611	I	Drawbridge Global

									Macro Master Fund Ltd (1) (2) (3)
Common Stock	08/25/2009		P		50,000	D	$ 0.19	1,154,611	I	Drawbridge Global Macro Master Fund Ltd (1) (2) (3)
Common Stock	08/25/2009		P		46,150	D	$ 0.195	1,108,461	I	Drawbridge Global Macro Master Fund Ltd (1) (2) (3)
Common Stock	08/25/2009		P		54,050	D	$ 0.2	1,054,411	I	Drawbridge Global Macro Master Fund Ltd (1) (2) (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

Fortress Investment Group LLC
1345 AVENUE OF THE AMERICAS,
46TH FLOOR
NEW YORK, NY 10105

X

Signatures

/s/ David N. Brooks, as Authorized Signatory of Fortress Investment Group LLC 08/25/2009

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Wesley R. Edens may be deemed to beneficially own the shares listed as beneficially owned by Fortress Investment Group LLC ("FIG") or its affiliates. Mr. Edens disclaims beneficial ownership of all reported shares except to the extent of his pecuniary interest therein, and the inclusion of the shares in this report shall not be deemed an admission of beneficial ownership of all of the reported shares for purposes of Section 16 or otherwise. Similarly, each reporting person disclaims beneficial ownership of all reported shares except to the extent of its pecuniary interest therein, and the inclusion of the shares in this report shall not be deemed an admission of beneficial ownership of the reported shares for the purposes of Section 16 or otherwise.

(2) Drawbridge Global Macro Master Fund Ltd is owned by Drawbridge Global Macro Fund LP ("Global Macro LP"), DBGM Onshore LP, Drawbridge Global Macro Intermediate Fund L.P. ("Global Macro Intermediate"), DBGM Offshore Ltd, Drawbridge Global Alpha Intermediate Fund L.P. ("Alpha Intermediate"), and DBGM Alpha V Ltd. DBGM Onshore GP LLC is the general partner of DBGM Onshore LP, and DBGM Onshore GP LLC owns all of the management shares of DBGM Offshore Ltd and DBGM Alpha V Ltd. Drawbridge Global Macro GP LLC ("Global Macro GP") is the general partner of Global Macro LP. Drawbridge Global Macro Fund Ltd ("Global Macro Ltd") is the sole limited partner of Global Macro Intermediate. Drawbridge Global Alpha Fund V Ltd ("Alpha Fund V") is the sole limited partner of Alpha Intermediate. DBGM Associates LLC is the general partner of each of Global Macro Intermediate and Alpha Intermediate. Principal Holdings I LP is the sole managing member of DBGM Associates LLC. (Continued in Footnote 3)

(3) (Continued from Footnote 2) FIG Asset Co. LLC is the general partner of Principal Holdings I LP. Drawbridge Global Macro Advisors LLC ("Global Macro Advisors") is the investment advisor of each of Global Macro Intermediate, Global Macro LP, Global Macro Ltd, Alpha Intermediate, Alpha Fund V, DBGM Onshore LP, DBGM Offshore Ltd, DBGM Alpha V Ltd and Drawbridge Global Macro Master Fund Ltd. FIG LLC is the sole managing member of Global Macro Advisors. Fortress Operating Entity I LP ("FOE I") is the sole managing member of FIG LLC. Fortress Operating Entity II LP ("FOE II") is the sole managing member of each of Global Macro GP and DBGM Onshore GP LLC. FIG Corp. is the general partner of FOE I and FOE II. FIG Corp. and FIG Asset Co. LLC are wholly-owned by Fortress Investment Group LLC.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. n="left" valign="bottom" colspan="1">Liabilities Securities sold, not yet purchased, at fair value $124,044 $87,518Dividends payable on securities sold, not yet purchased 354 101Financial contracts payable, at fair value 8,640 722Loss and loss adjustment expense reserves 4,977 —Unearned premium reserves 47,546 —Reinsurance balances payable 4,236 —Accounts payable and accrued expenses 2,020 790Performance fee payable to related party 14,624 6,982Total liabilities 206,441 96,113Shareholders' equity Preferred share capital (par value $0.10; authorized, 50,000,000; none issued) —Ordinary share capital (Class A: par value $0.10; authorized, 100,000,000; issued and outstanding, 16,507,228 (2005: 16,181,666): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding 5,050,000) 2,156 2,123Additional paid-in capital 219,972 212,871Less: Related party promissory note receivable — (16,212) Retained earnings 90,039 33,040Total shareholders' equity 312,167 231,822Total liabilities and shareholders' equity $518,608 $327,935

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

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GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2006 and 2005 and for the period from July 13, 2004 (date of incorporation) to December 31, 2004
(expressed in thousands of U.S. dollars, except share and per share data)

	2006	2005	2004
Revenues			
Premiums written	$ 74,151	$ —	$ —
Change in unearned premiums reserves	(47,546)	—	—
Premiums earned	26,605	—	—
Net investment income	58,509	27,934	9,636
Interest income on related party promissory note receivable	1,034	1,323	516
Total revenues	86,148	29,257	10,152
Expenses			
Loss and loss adjustment expenses incurred	9,671	—	—
Acquisition costs	10,415	—	—
General and administrative expenses	9,063	2,992	3,377
Total expenses	29,149	2,992	3,377
Net income	$ 56,999	$ 26,265	$ 6,775
Earnings per share			
Basic	$ 2.67	$ 1.24	$ 0.32
Diluted	2.66	1.24	0.32
Weighted average number of ordinary shares used in the determination of:			
Basic	21,366,140	21,226,868	21,225,000
Diluted	21,457,443	21,265,801	21,234,350

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

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GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2006 and 2005 and for the period from July 13, 2004 (date of incorporation) to December 31, 2004
(expressed in thousands of U.S. dollars, except share and per share data)

	Ordinary shares issued		Additional paid-in capital	Related party promissory note receivable	Retained earnings	Total shareholders' equity
	Number of shares	Share capital				
Balance at July 13, 2004	—	$ —	$ —	$ —	$ —	$ —
Issue of Class A Ordinary share capital	16,175,000	1,617	160,133	—	—	161,750
Issue of Class B Ordinary share capital	5,050,000	505	49,995	(24,500)	—	26,000
Options and awards expense	—	—	1,999	—	—	1,999
Net income	—	—	—	—	6,775	6,775
Balance at December 31, 2004	21,225,000	2,122	212,127	(24,500)	6,775	196,524
Issue of Class A Ordinary share capital	6,666	1	(1)	—	—	—
Options and awards expense	—	—	745	—	—	745
Principal repayments received	—	—	—	8,288	—	8,288
Net income	—	—	—	—	26,265	26,265
Balance at December 31, 2005	21,231,666	$ 2,123	$ 212,871	$ (16,212)	$ 33,040	$ 231,822
Issue of Class A Ordinary share capital	325,562	33	4,237	—	—	4,270
Options and awards expense	—	—	2,864	—	—	2,864
Principal repayments received	—	—	—	16,212	—	16,212
Net income	—	—	—	—	56,999	56,999
Balance at December 31, 2006	21,557,228	$ 2,156	$ 219,972	$ —	$ 90,039	$ 312,167

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

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GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005 and for the period from July 13, 2004 (date of incorporation) to December 31, 2004
(expressed in thousands of U.S. dollars, except share and per share data)

	2006	(Restated) 2005	2004
Cash provided by (used in):			
Operating activities			

Net income	$ 56,999	$ 26,265	$ 6,775
Adjustments to reconcile net income to net cash provided by operating activities			
Net change in unrealized gains on securities	(12,499)	(22,202)	(15,438)
Net realized (gains) losses on securities	(65,692)	(12,544)	2,234
Stock options and stock awards expense	2,864	745	1,999
Depreciation	20	2	—
Purchase of securities	(244,645)	(174,138)	(155,627)
Proceeds on sale of securities	335,051	148,249	97,773
Change in:			
Restricted cash and cash equivalents	(55,001)	(2,928)	(96,791)
Investment income receivable	396	(702)	(148)
Reinsurance premiums receivable	(19,622)	—	—
Deferred acquisition costs	(16,282)	—	—
Other assets	(704)	20	(440)
Dividends payable on securities sold, not yet purchased	253	23	78
Financial contracts payable at fair value	7,918	722	—
Loss and loss adjustment expense reserves	4,977	—	—
Unearned premium reserves	47,546	—	—
Reinsurance balances payable	4,236	—	—
Accounts payable and accrued expenses	1,230	662	128
Performance fee payable to related party	7,642	4,095	2,887
Net cash provided by (used in) operating activities	54,687	(31,731)	(156,570)
Investing activities			
Purchase of fixed assets	(200)	(40)	—
Proceeds on disposal of fixed assets	38	—	—
Net cash used in investing activities	(162)	(40)	—
Financing activities			
Proceeds from share issue	4,270	—	187,750
Collection of related party promissory note receivable	16,212	8,288	—
Net change in interest receivable on related party promissory note receivable	479	37	(516)
Net cash provided by financing activities	20,961	8,325	187,234
Net increase (decrease) in cash and cash equivalents	75,486	(23,446)	30,664
Cash and cash equivalents at beginning of the period	7,218	30,664	—
Cash and cash equivalents at end of the period	$ 82,704	$ 7,218	$ 30,664
Supplementary information:			
Interest paid in cash	$ 2,121	$ 518	$ 108
Interest received in cash	1,513	2,676	270

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

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

1. DESCRIPTION OF BUSINESS

Greenlight Capital Re, Ltd. (the ‘‘Company’’) was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. The Company incorporated a wholly owned subsidiary, Greenlight Reinsurance, Ltd. (the ‘‘Subsidiary’’), to provide global property and casualty reinsurance. The Subsidiary has an unrestricted Class ‘‘B’’ insurance license under Section 4(2) of the Cayman Islands Insurance Law.

Effective August 11, 2004, the Company raised $212.2 million in a private placement, of which $24.5 million was paid for with a note receivable (see note 7). The Company invested a portion of the above noted proceeds into its Subsidiary. The Subsidiary commenced underwriting in April 2006.

2. Significant accounting policies

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (‘‘U.S. GAAP’’). The significant accounting policies adopted by the Company are as follows:

Basis of Presentation

The consolidated financial statements include the accounts of the Company and the Subsidiary. All significant intercompany transactions are eliminated on consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and certain short-term, highly liquid investments with original maturity dates of three months or less.

Premium Revenue Recognition

The Company accounts for reinsurance contracts that it writes in accordance with SFAS No. 60, ‘‘Accounting and Reporting by Insurance Enterprises’’ and SFAS No. 113, ‘‘Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts.’’ In the event that a reinsurance contract does not transfer sufficient risk, deposit accounting will be used and the contract will be reported as a deposit liability.

Premiums are recorded when written and include an estimate for premiums receivable at period end. Changes in premium estimates are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume of clients is obtained. Any subsequent differences arising on such estimates are recorded in the period they are determined.

Premiums written are generally recognized as revenue over the contract period in proportion to the period of protection. Unearned premiums consist of the unexpired portion of reinsurance provided.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

2. Significant accounting policies (Continued)

Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to and vary with the writing of reinsurance contracts. These costs are deferred and amortized over the same period as premiums earned, and are limited to their estimated realizable value based on the related unearned premium, anticipated claims expenses and investment income. Acquisition costs also include profit commissions which are expensed when incurred.

Loss and Loss Adjustment Expense Reserves

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported. These estimated ultimate reserves are based on reports received from ceding companies, historical experience as well as the Company's own actuarial estimates. These estimates are continually reviewed and adjusted when necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates are recorded in the period they are determined.

Financial Instruments

Investments in Securities and Securities Sold, Not Yet Purchased

The Company's investments in bonds and equities classified as ''trading securities'' are valued based on the last reported sales price on the balance sheet dates as reported by a recognized exchange. Securities for which recognized exchange quotations are not readily available (e.g., private equity) are reported as other investments and are valued at management's best estimate (utilizing the services of an investment advisor) of the fair market value based on prices received from market makers when available.

Premiums and discounts on fixed income securities are amortized into net investment income over the life of the security.

For securities classified as trading securities, any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost and amortized cost, as appropriate) and included in net investment income in the consolidated statements of income.

For securities for which exchange quotations are not readily available, any realized and unrealized gains or losses are determined on the basis of the specific identification method. Realized gains and losses are reported in net investment income in the consolidated statements of income. Unrealized gains and losses, if any, are included in accumulated other comprehensive income as a separate component of shareholder's equity. A decline in market value of a security below cost that is deemed other than temporary is charged to earnings and results in the establishment of a new cost basis of the security.

Dividend income and expense are recorded on the ex-dividend date.

Interest income and interest expense are recorded on an accrual basis.

Investments in Options

Amounts invested in exchange traded call and put options are recorded as an asset or liability at inception. Subsequent to initial recognition, unexpired option contracts are recorded at fair market value which is based upon the last quoted prices of the call and put options. Realized and unrealized gains and losses are included in net investment income in the consolidated statements of income.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

2. Significant accounting policies (Continued)
Investments in Total Return Swap Agreements

Total return swap agreements, included in financial contracts payable, are derivative financial instruments entered into whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company does not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on either interest rate, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair market value movements of the underlying security together with any other payments due. These contracts are carried at estimated fair value, with the resultant unrealized gains and losses reflected in net investment income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in net investment income.

Derivative Financial Instruments

Statement of Financial Accounting Standards (SFAS) No. 133, ‘‘Accounting for Derivative Instruments and Hedging Activities,’’ establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives in the balance sheet at fair value. It also requires that unrealized gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. Derivative financial instrument assets are generally included in investments in securities or financial contracts receivable. Derivative financial instrument liabilities are generally included in financial contracts payable. The Company’s derivatives do not constitute hedges for financial reporting purposes.

Share-Based Compensation

The Company has established a Stock Incentive Plan for directors, employees and consultants. In addition, the Company granted share purchase options in 2004 to a service provider in exchange for services received (see note 7).

In 2004, the Company adopted SFAS No. 123 (Revised 2004) (''SFAS 123R''), ''Share-Based Payment,'' to account for the Company's Stock Incentive Plan. SFAS 123R requires the Company to recognize share-based compensation transactions using the fair value at the grant date of the award. Determining the fair value of share-based awards at the grant date requires significant estimation and judgment. The Company uses an option-pricing model (Black-Scholes pricing model) to assist in the calculation of fair value. Due to the limited history of the Company, the Company also uses the ''calculated value method'' which relies on historical industry volatility and uses the full life of the option, ten years, as the estimated term of the option. The Company uses a sample peer group of companies in the reinsurance industry to calculate the historical volatility. Additionally, the Company has assumed that dividends will not be paid. If actual results differ significantly from these estimates and assumptions, particularly in relation to our estimation of volatility which requires the most judgment due to our limited operating history, share-based compensation expense, primarily with respect to future share-based awards, could be materially impacted.

Service provider share purchase options issued in 2004 were expensed in the consolidated statements of income when services were rendered. For the employee Stock Incentive Plan, compensation cost is calculated and expensed over the vesting periods on a graded vesting basis (see note 7).

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

2. Significant accounting policies (Continued)

Director Stock Awards

In 2004, the Company granted certain directors a total of 20,000 Class A Ordinary shares which vest over a three-year period. The directors paid $0.10 per share and each share was valued at $10.00 per share. Director stock awards are expensed on a straight-line basis over the vesting period.

Foreign Exchange

The reporting currency of the Company is the U.S. dollar. Transactions in foreign currencies are recorded in United States dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the exchange rate in effect at the balance sheet date and translation exchange gains and losses, if any, are included in the statement of income.

Other Assets

Other assets consist primarily of prepaid expenses and fixed assets. Fixed assets are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

Comprehensive Income

The Company has no comprehensive income other than the net income disclosed in the consolidated statements of income and, as applicable, unrealized gains and losses on other investments for which exchange quotations are not readily available.

Earnings Per Share

Basic earnings per share is based on weighted average ordinary shares outstanding and excludes dilutive effects of stock options and stock awards. Diluted earnings per share assumes the exercise of all dilutive stock options and stock awards using the treasury stock method.

	2006	2005	2004
Weighted average shares outstanding	21,366,140	21,226,868	21,225,000
Effect of dilutive service provider stock options	89,093	36,859	8,035
Effect of dilutive employee and director options and stock awards	2,210	2,074	1,315
	21,457,443	21,265,801	21,234,350

There were 1,131,000 and 530,000 anti-dilutive stock options outstanding as of December 31, 2006 and 2005, respectively.

Segment Information

Under SFAS No. 131, ''Disclosures about Segments of an Enterprise and Related Information'' (''SFAS 131''), operating segments are based on the internal organization management uses for allocating resources to and assessing performance as the source of the Company's reportable segments.

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance, in accordance with the qualitative and quantitative criteria established by SFAS 131.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

2. Significant accounting policies (Continued)
Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, ''Fair Value Measurements.'' The Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, the Board having previously concluded in those accounting pronouncements that permit fair value as the relevant measurement attribute. This Statement does not require any new fair value measurements. This Statement is effective for the Company beginning January 1, 2008. Management has not completed its review of the new guidance; however, the effect of the Statement's implementation is not expected to be material to the Company's financial statements or results of operations.

In February 2007, the FASB issued SFAS No. 159, ‘‘The Fair Value Option for Financial Assets and Financial Liabilities.’’ The Statement permits entities to choose to measure eligible items at fair value at specified election dates. For items for which the fair value option has been elected, unrealized gains and losses are to be reported in earnings at each subsequent reporting date. The fair value option is irrevocable unless a new election date occurs, may be applied instrument by instrument, with a few exceptions, and applies only to entire instruments and not to portions of instruments. This Statement provides an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. SFAS No. 159 is effective for the Company beginning January 1, 2008 with early adoption permitted beginning January 1, 2007, subject to certain conditions. Management has not completed its review of the new guidance; however, the effect of the Statement’s implementation is not expected to be material to the Company’s results of operations or financial position.

3. Financial Instruments

In the normal course of its business, the Company purchases and sells various financial instruments which include listed and unlisted bonds, equities, put and call options and similar instruments sold, not yet purchased. These financial instruments may result in market and credit risks, the amounts of which are not apparent from the financial statements.

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realized upon the sale of its holdings. Management utilizes the services of the Company’s investment advisor to monitor the Company’s positions to reduce the risk of potential loss due to changes in market values.

Purchases and sales of investments are disclosed in the consolidated statements of cash flows. Net realized gains on the sale of investments and investments sold, not yet purchased during the period were $65.7 million (2005; net realized gains of $12.5 million, 2004: net realized losses of $2.2 million). Gross realized gains were $77.2 million (2005: $29.8 million, 2004: $2.3 million) and gross realized losses were $11.5 million (2005: $17.3 million, 2004: $4.5 million).

At December 31, 2006 investments with a fair market value of $193.9 million have been pledged as security against letters of credit issued.

At December 31, 2006 and 2005, the Company’s only investment in excess of 10% of shareholders’ equity was an investment in Lanxess AG with a fair value of $34.0 million and $24.0 million, respectively.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004
(expressed in thousands of U.S. dollars, except per share and share amounts)

3. Financial Instruments (Continued)

Investments in Securities

Investment in Bond and Equity Securities, Trading

At December 31, 2006 and 2005, included in investment securities, trading are the following long positions:

2006	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair market value
Equities—listed	$ 173,597	$ 70,308	$ (5,106)	$ 238,799

2005	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair market value
Non-U.S. corporate bonds	$ 241	$ 3	$ (6)	$ 238
Equities—listed	177,945	46,709	(7,952)	216,702
	$ 178,186	$ 46,712	$ (7,958)	$ 216,940

Other Investments

Other investments includes bonds and equities for which fair value is not readily determined as well as options. Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying security at a specified price on or before a specified date. The Company enters into exchange traded option contracts to meet certain investment objectives. For these exchange traded option contracts, the exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions.

At December 31, 2006, included in other investments are the following securities:

	Cost	Unrealized gains (losses)	Fair market value
Equities—unlisted	$ 4,032	$ (28)	$ 4,004
Call options	367	352	719
Put options	123	(123)	—
	$ 4,522	$ 201	$ 4,723

At December 31, 2005, included in other investments are the following securities:

	Cost	Unrealized gain/(loss)	Fair market value
Equities—unlisted	$ 1,777	—	$ 1,777
Call options	87	$ 365	452
Put options	123	(81)	42
	$ 1,987	$ 284	$ 2,271

During the years ended December 31, 2006 and 2005, other-than-temporary impairment losses on unlisted equities of $1,454 and $1,453 respectively, was reported in net investment income.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. Financial Instruments (Continued)
Investments in Securities Sold, not yet purchased

	2006 Fair market value	2005 Fair market value
Equities	$ 124,043	$ 87,075
Options	1	443
	$ 124,044	$ 87,518

Securities sold, not yet purchased are securities sold that the Company does not own in anticipation of a decline in the market value of the security. The Company’s risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased may exceed the amount recorded in the consolidated balance sheet as the Company is obligated to purchase the securities sold, not yet purchased in the market at prevailing prices to settle its obligations. To sell a security, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealized gain or loss is recorded. At the time the transaction is closed, the Company realizes a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

At December 31, 2006 and 2005, the Company’s investment portfolio includes the following equities sold, not yet purchased:

2006	Proceeds	Unrealized gains	Unrealized losses	Fair market value
Equities—listed	$ 111,635	$ (6,350)	$ 18,758	$ 124,043

2005	Proceeds	Unrealized gains	Unrealized losses	Fair market

				value
Equities—listed	$ 86,447	$ (5,351)	$ 5,979	$ 87,075

At December 31, 2006, included in the securities sold, not yet purchased are the following call and put options written:

	Proceeds	Unrealized (gains) losses	Fair market value
Call options	$ —	$ —	$ —
Put options	53	(52)	1
	$ 53	$ (52)	$ 1

At December 31, 2005, included in the securities sold, not yet purchased are the following call and put options written:

	Proceeds	Unrealized (gains) losses	Fair market value
Call options	$ 103	$ 321	$ 424
Put options	53	(34)	19
	$ 156	$ 287	$ 443

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3. Financial Instruments (Continued)
Investment in Total Return Swap Contracts

During the periods, the Company entered into total return swap contracts with various financial institutions. Under the terms of each of these swap contacts, the Company is either entitled to receive or obligated to make payments which are based on the product of a formula contained within the contract that includes the change in the fair market value of the underlying security. Each total return swap contract relates to a specified security. The Company enters into total return swap contracts to meet certain investment objectives.

The fair value of total return swaps outstanding at December 31, 2006 is as follows:

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

Underlying security	Position	Listing currency	Fair market value of underlying	Obligations on swap contracts
Equities—listed	Long	USD	$ 30,904	$ 5,977
Non-U.S equities—listed	Short	JPY	(10,285)	1,909
Non-U.S equities—listed	Short	SEK	(2,586)	754
				$ 8,640

The fair value of total return swaps outstanding at December 31, 2005 is as follows:

Underlying security	Position	Listing currency	Fair market value of underlying	Obligations on swap contracts
Equities—listed	Long	USD	$ 5,692	$ 76
Non-U.S Equities—listed	Short	JPY	(14,179)	332
Non-U.S Equities—listed	Short	SEK	(2,900)	314
				$ 722

The Company is subject to market risk on the underlying security as the Company may incur an obligation if the market price of the security changes. Management utilizes the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of potential loss.

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash at banks	$ 3,291	$ 4,124
Cash held with brokers	72,864	(49)
Money market funds held with brokers	6,549	3,143
	$ 82,704	$ 7,218

Due to the short term nature of cash and cash equivalents, management believes the above noted carrying values approximate their fair market value.

5. RESTRICTED CASH AND CASH EQUIVALENTS
The Company is required to maintain certain cash in segregated accounts with prime brokers and swap counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased. The amount of cash encumbered varies

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5. RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

depending on the market value of the securities sold, not yet purchased. Swap counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying security.

	2006	2005
Cash held by prime brokers	$ 126,275	$ 88,979
Cash held by swap counter-parties	28,445	10,740
	$ 154,720	$ 99,719

The net change in restricted cash and cash equivalents relating to securities sold, not yet purchased and swaps is reported as an operating activity in the consolidated statement of cash flows. Accordingly, the 2005 and 2004 consolidated statements of cash flow have been reclassified to more appropriately reflect the activity to which the restricted cash and cash equivalents relate.

6. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

A summary of changes in outstanding loss and loss adjustment expense reserves is as follows:

	2006	2005
Gross balance at January 1	$ —	$ —
Incurred losses related to:		
Current year	9,671	—
Prior year	—	—
Total incurred	9,671	—
Paid losses related to:		
Current year	(4,694)	—
Prior year	—	—
Total paid	(4,694)	—
Gross balance at December 31	$ 4,977	$ —

7. Share capital

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the assets of the Company, after payment of all debts and liabilities of the Company and after liquidation of any issued and outstanding preferred shares. At December 31, 2006, no preferred shares had been issued or outstanding. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate.

The Second Amended and Restated Memorandum and Articles of Association (the ‘‘Articles’’) provides that the holders of Class A Ordinary shares generally are entitled to one vote per share. However, except upon unanimous consent of the Board of Directors, no Class A shareholder is permitted to vote an amount of shares which would cause any United States person to own (directly, indirectly or constructively under applicable United States tax attribution and constructive ownership rules) 9.9% or more of the total voting power of all issued and outstanding ordinary shares. The Articles further provide that the holder of Class B Ordinary shares generally are entitled to ten votes

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7. Share capital (Continued)
per share. However, holders of Class B Ordinary shares, together with their affiliates, are limited to voting that number of Class B Ordinary shares equal to 23.0% of the total voting power of the total issued and outstanding ordinary shares.

Subsequent to December 31, 2006, the Company’s shareholders approved amendments to the Articles. The amendments included a revision which limits the Class B Ordinary shares voting power to 9.5% of the total voting power of the issued and outstanding ordinary shares.

The holders of the Ordinary shares have certain registration rights pursuant to the Shareholders’ Agreement, dated August 11, 2004. Subject to certain conditions, the holders of at least 50% of the current outstanding shares may request at certain times to have all or part of their shares registered. The registration rights require the Company to use commercially reasonable best efforts to have the registration statement declared effective. The registration rights were not deemed to be liabilities; therefore, there has been no recognition in these financial statements of the registration rights.

Shares reserved for issuance is comprised of 400,000 Class A Ordinary shares in relation to share purchase options granted to a service provider and 1,273,000 Class A Ordinary shares reserved for the Company’s Stock Incentive Plan for eligible directors, employees and consultants. The Stock Incentive Plan is administered by the compensation committee of the Board of Directors.

During the year ended December 31, 2004, the Company issued 5,050,000 Class B Ordinary shares valued at $50.5 million to Greenlight Capital Investors, LLC (‘‘GCI’’), an affiliated company. The Company received $26.0 million in cash and the remaining balance of $24.5 million was secured by a promissory note receivable provided that GCI was to pay interest calculated as the one-year London Interbank Offered Rate (‘‘LIBOR’’) plus 3% per annum and accrued daily. Interest is to be paid annually on the anniversary date (August 11), and the principal is to be repaid no later than August 11, 2009. During the year ended December 31, 2006, GCI repaid the remaining principal balance of $16.2 million (2005: $8.3 million) and $1.5 million (2005: $1.4 million) of interest relating to the promissory note receivable.

During the year ended December 31, 2006, 318,900 Class A Ordinary shares were issued to certain directors and employees for a total cash consideration of $4.1 million. Additionally, the Company issued 6,662 (2005: 6,666) Class A Ordinary shares representing the vesting of directors’ stock awards.

Subsequent to December 31, 2006, 1,426,630 Class B Ordinary shares were transferred from GCI to its underlying owners and automatically converted into an equal number of Class A Ordinary shares on a one-for-one basis, upon transfer. The remaining 3,623,370 Class B Ordinary shares were transferred from GCI to Mr. David Einhorn and remained as Class B Ordinary shares.

The Subsidiary is subject to a minimum shareholder’s equity balance of $120 as determined by the Cayman Islands Monetary Authority.

Additional paid-in capital includes the premium per share paid by the subscribing shareholders for Class A and B Ordinary shares which have a par value of $0.10 each. It also includes stock options expense and stock awards earned not yet issued.

Service Provider Share Purchase Options

An affiliate of GCI entered into a consulting agreement (the ‘‘Consulting Agreement’’) with First International Securities Ltd. (‘‘First International’’) in August 2002. First International received a cash payment of $75 for the preparation and delivery of a feasibility study relating to the formation,

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7. Share capital (Continued)

capitalization, licensing and operation of the Company. Additionally, upon consummation of the initial private offering, First International Capital Holdings Ltd., the successor to First International, received a 10-year share purchase option to purchase 400,000 Class A ordinary shares. These share purchase options were granted on September 20, 2004 and have an exercise price of $10 per share.

Employee and Director Stock Options

The Company has a Stock Incentive Plan for directors, employees and consultants. As of December 31, 2006, the Company had reserved for issuance 1,273,000 Class A Ordinary shares for eligible participants. During the year ended December 31, 2006, certain employees and directors were granted options to purchase a total of 601,000 (2005: 530,000) Class A Ordinary shares. These options vest over three years and expire 10 years from grant date. The Company uses the Black-Scholes option pricing model to determine the valuation of these options. Subsequent to December 31, 2006, the Company increased the Class A Ordinary shares reserved for issuance to 2,000,000.

The options have been valued at $5.57 - $7.18 (2005: $5.57) per share option using a risk free rate varying between 4.36% - 5.14% (2005: 4.36%), an estimated volatility of 30% and an expected term of 10 years. If actual results differ significantly from these estimates and assumptions, particularly in relation to our estimation of volatility which requires the most judgment due to our limited operating history, share-based compensation expense, primarily with respect to future share-based awards, could be materially impacted.

At the present time, the Board of Directors does not anticipate any dividends will be declared during the expected term of the options. The Company uses graded vesting for expensing employee stock options. The total compensation cost expensed for the period ended December 31, 2006 under the Stock Incentive Plan was $2.9 million (2005: $0.7 million). At December 31, 2006, the total compensation cost related to non-vested options not yet recognized was $3.2 million (2005: $2.3 million) to be recognized over a weighted average period of 2.01 (2005: 2.63) years assuming the employees complete their service period for vesting of the options.

Employee stock option activity during periods was as follows:

	Number of shares	Weighted average exercise price	Weighted average grant date fair value
Balance at December 31, 2004	—	$ —	$ —
Granted	530,000	11.12	5.57
Exercised	—	—	—
Forfeited	—	—	—
Expired	—	—	—
Balance at December 31, 2005	530,000	$ 11.12	$ 5.57
Granted	601,000	12.47	6.40
Exercised	—	—	—
Forfeited	—	—	—
Expired	—	—	—
Balance at December 31, 2006	1,131,000	$ 11.83	$ 6.01

At December 31, 2006, the weighted-average remaining contractual term for options outstanding was 9.03 years.

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7. Share capital (Continued)

At December 31, 2006, 176,667 stock options were exercisable. These options had a weighted-average exercise price of $11.12 and a weighted-average remaining contractual term of 8.63 years.

The aggregate intrinsic value for options outstanding and options exercisable at December 31, 2006 was $2,741 and $556, respectively. During the year ended December 31, 2006, 183,331 (2005: 6,664) options vested.

8. NET INVESTMENT INCOME

	2006	2005	2004
Change in net unrealized gains	$ 12,499	$ 22,202	$ 15,438
Net realized gains (losses) on securities	65,692	12,544	(2,234)
Dividend and interest income, net of withholding taxes	12,213	6,842	912
Interest and other investment expenses	(2,434)	(698)	(161)
Change in financial contracts	(7,918)	(722)	—
Dividends paid on securities sold, not yet purchased	(2,851)	(2,051)	(802)
Investment fees to a related party (see note 11)	(18,692)	(10,183)	(3,517)

	$ 58,509	$ 27,934	$ 9,636

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005	2004
General expenses	$ 6,199	$ 2,247	$ 393
Stock compensation expense	2,864	745	1,999
Organizational costs	—	—	985
	$ 9,063	$ 2,992	$ 3,377

10. TAXATION
Under current Cayman Islands law, no corporate entity, including the Company, is obligated to pay any taxes in the Cayman Islands on either income or capital gains. The Company has an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Law, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to the Company or its operations, or to the Class A or Class B Ordinary Shares or obligations, for a period of 20 years from February 1, 2005.

11. Related party transactions
Director Stock Awards

During the year ended December 31, 2004, certain directors received a stock award of 5,000 Class A Ordinary shares, vesting equally over three years. The directors each paid five hundred dollars to acquire the right to the stock award.

During the year ended December 31, 2006, 6,662 (2005: 6,666) shares vested and were issued to the directors and as a result, $67 (2005: $67, 2004: $17) has been expensed and added to shareholders' equity.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Related party transactions (Continued)
Director Fees

During the year ended December 31, 2006, director fees of $113 (2005: $76, 2004: $116) were paid. The amount was split among the four non-employee directors not affiliated with GCI.

Investment Advisory Agreement

The Company has entered into an Investment Advisory Agreement (the ''Investment Agreement'') with DME Advisors, LP (''DME''). DME is a related party and an affiliate of David Einhorn, the Chairman of the Company's Board of Directors and a principal shareholder of the Company.

Pursuant to the Investment Agreement, a performance fee equal to 20% of the net income of the account managed by DME is payable, subject to a loss carryforward provision, to DME. Included in investment fees (see note 8) is a performance fee of $14.6 million (2005: $7.0 million, 2004: $2.4 million) all of which remains payable at December 31, 2006 and 2005.

Additionally, pursuant to the Investment Agreement, a monthly management fee equal to 0.125% (1.5% on an annual basis) of the account managed by DME is paid to DME. Included in investment fees (see note 8) are management fees of $4.1 million (2005: $3.2 million, 2004: $1.1 million). The investment fees have been fully paid as of December 31, 2006 and 2005.

Other Transactions

Included in the consolidated statements of income is interest income of $1.0 million (2005: $1.3 million, 2004: $0.5 million) relating to the related party promissory note issued by GCI in exchange for Class B Ordinary shares (see note 7). During 2006 this promissory note was fully repaid by GCI, including both principal and interest.

12. Commitments and contingencies
Operating Lease

Effective September 1, 2005, the Company entered into a five-year non-cancelable lease agreement to rent office space. The total rent expense charged for the year ended December 31, 2006 was $89 (2005: $49, 2004: $nil).

The following is a schedule of future minimum rental payments required under the operating lease for the next five years:

Year		Total
2007	$	90
2008		95
2009		99
2010		69
2011		—
	$	353

Private Equity

Periodically, the Company makes investments in private equity vehicles. As part of the Company’s participation in such private equity investments, the Company may make funding commitments. As of December 31, 2006, the Company had commitments to invest an additional $6.8 million in private equity investments.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

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

12. Commitments and contingencies (Continued)
Letters of Credit

Effective October 15, 2005, the Company signed a letter of credit agreement with an S&P AA rated U.S. bank, for a facility of up to $200 million. At December 31, 2006, letters of credit totaling $89.2 million had been issued.

There were no letters of credit issued at December 31, 2005.

Litigation

In the normal course of business, the Company may become involved in various claims litigation and legal proceedings. As of December 31, 2006, the Company was not a party to any litigation or arbitration proceedings.

13. SEGMENT REPORTING
The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance.

The following tables provide a breakdown of the Company's premiums written by line of business and by geographic area of risks insured for the years indicated:

Premiums Written by Line

	Year Ended December 31, 2006 ($ in millions)	
Homeowners'	$ 58.1	78.3%
Property Catastrophe	9.9	13.3%
Casualty Clash	4.4	5.9%
Marine	1.8	2.5%
	$ 74.2	100.0%

Premiums Written by Geographic Area of Risks Insured

	Year Ended December 31, 2006 ($ in millions)	
USA	$ 64.4	86.9%
Worldwide(1)	4.4	5.9%
Europe	3.5	4.8%
Japan	1.4	1.8%
Caribbean	0.5	0.6%
	$ 74.2	100.0%

(1) ''Worldwide'' risk comprise individual policies that insure risks on a worldwide basis.

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GREENLIGHT CAPITAL RE, LTD.
Condensed Consolidated Balance Sheets

March 31, 2007 and December 31, 2006
(expressed in thousands of U.S. dollars, except per share and share amounts)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Investments in securities:		
Fixed maturities, trading at fair value	$ 770	$ —
Equity investments, trading at fair value	250,337	238,799
Other investments, at estimated fair value	8,655	4,723
Total investments in securities	259,762	243,522
Cash and cash equivalents	54,039	82,704
Restricted cash and cash equivalents	191,927	154,720
Financial contracts receivable, at fair value	20	—
Investment income receivable	270	454
Reinsurance premiums receivable	25,876	19,622
Loss and loss adjustment expense recoverables	2,753	—
Deferred acquisition costs	16,523	16,282
Unearned premiums ceded	10,306	—
Other assets	2,101	1,304
Total assets	$ 563,577	$ 518,608
Liabilities and shareholders' equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 141,762	$ 124,044
Dividends payable on securities sold, not yet purchased	519	354
Financial contracts payable, at fair value	24,396	8,640
Loss and loss adjustment expense reserves	16,717	4,977
Unearned premium reserves	61,262	47,546
Reinsurance balances payable	16,240	4,236
Funds withheld	1,638	—
Accounts payable and accrued expenses	1,310	2,020
Performance and management fees payable to related party	5	14,624
Total liabilities	263,849	206,441
Shareholders' equity		
Preferred share capital (par value $0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value $0.10; authorized, 100,000,000; issued and outstanding 18,041,023 (2006: 16,507,228) Class B: par value $0.10; authorized 25,000,000; issued and outstanding 3,623,370 (2006: 5,050,000))	2,166	2,156

Additional paid-in capital	220,663	219,972
Retained earnings	76,899	90,039
Total shareholders’ equity	299,728	312,167
Total liabilities and shareholders’ equity	$ 563,577	$ 518,608

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

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

For the three months ended March 31, 2007 and 2006
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2007	2006
Revenues		
Gross premiums written	$ 38,064	$ —
Gross premiums ceded	(13,743)	—
Net premiums written	24,321	—
Change in net unearned premium reserves	(3,400)	—
Net premiums earned	20,921	—
Net investment (loss) income	(14,381)	17,196
Interest income on related party promissory note receivable	—	289
Total revenues	6,540	17,485
Expenses		
Loss and loss adjustment expenses incurred	8,988	—
Acquisition costs	7,712	—
General and administrative expenses	2,980	2,015
Total expenses	19,680	2,015
Net (loss) income	$ (13,140)	$ 15,470
(Loss) earnings per share		
Basic	$ (0.61)	$ 0.73
Diluted	(0.61)	0.73
Weighted average number of ordinary shares used in the determination of:		
Basic	21,558,915	21,227,222
Diluted	21,558,915	21,302,904

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

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

For the three months ended March 31, 2007 and 2006
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Ordinary shares issued		Additional paid-in capital	Related party promissory note receivable	Retained earnings	Total shareholders’ equity
	Number of shares	Share capital				
Balance at December 31, 2005	21,231,666	$ 2,123	$ 212,871	$ (16,212)	$ 33,040	$ 231,822
Issuance of Class A Ordinary share capital	91,800	9	1,098	—	—	1,107
Options and awards expense	—	—	715	—	—	715
Principal repayments received	—	—	—	1,262	—	1,262
Net income	—	—	—	—	15,470	15,470
Balance at March 31, 2006	21,323,466	2,132	214,684	(14,950)	48,510	250,376
Balance at December 31, 2006	21,557,228	2,156	219,972	—	90,039	312,167
Issuance of Class A Ordinary share capital	107,165	10	—	—	—	10
Options and awards expense	—	—	691	—	—	691
Net loss	—	—	—	—	(13,140)	(13,140)
Balance at March 31, 2007	21,664,393	$ 2,166	$ 220,663	$ —	$ 76,899	$ 299,728

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

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

For the three months ended March 31, 2007 and 2006
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2007	2006
Cash provided by (used in):		

Operating activities		
Net (loss) income	$(13,140)	$ 15,470
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Net change in unrealized gains on securities	13,659	(13,358)
Net realized gains on securities	(13,849)	(7,173)
Stock options and stock awards expense	691	715
Depreciation	10	4
Purchase of securities	(90,642)	(34,790)
Proceeds on sale of securities	92,310	53,850
Change in:		
Restricted cash and cash equivalents	(37,207)	(15,444)
Financial contracts receivable, at fair value	(20)	(877)
Investment income receivable	184	(303)
Reinsurance premiums receivable	(6,254)	—
Loss and loss adjustment expense recoverables	(2,753)	—
Deferred acquisition costs	(241)	—
Unearned premiums ceded	(10,306)	—
Other assets	(807)	133
Dividends payable on securities sold, not yet purchased	165	319
Financial contracts payable, at fair value	15,756	(722)
Loss and loss adjustment expense reserves	11,740	—
Unearned premium reserves	13,716	—
Reinsurance balances payable	12,004	—
Funds withheld	1,638	—
Accounts payable and accrued expenses	(710)	4,739
Performance and management fee payable to related party	(14,619)	(6,956)
Net cash used in operating activities	(28,675)	(4,393)
Investing activities		
Purchase of fixed assets	—	(60)
Net cash used in investing activities	—	(60)
Financing activities		
Proceeds from share issue	10	1,107
Collection of related party promissory note receivable	—	1,262
Net change in interest receivable on related party promissory note receivable	—	(237)
Net cash provided by financing activities	10	2,132
Net decrease in cash and cash equivalents	(28,665)	(2,321)
Cash and cash equivalents at beginning of the period	82,704	7,218
Cash and cash equivalents at end of the period	$ 54,039	$ 4,897
Supplementary information:		
Interest paid in cash	$ 720	$ 332
Interest received in cash	2,845	968

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

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2007 and 2006
(expressed in thousands of U.S. dollars, except per share and share amounts)

1. GENERAL

Greenlight Capital Re, Ltd. (the ‘‘Company’’) was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. The Company incorporated a wholly owned subsidiary, Greenlight Reinsurance, Ltd. (the ‘‘Subsidiary’’), to provide global property and casualty reinsurance. The Subsidiary has an unrestricted Class ‘‘B’’ insurance license under Section 4(2) of the Cayman Islands Insurance Law. The Subsidiary commenced underwriting in April 2006.

These unaudited interim condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (‘‘U.S. GAAP’’) and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited condensed consolidated financial statements for the year ended December 31, 2006. In the opinion of management, these unaudited consolidated financial statements reflect all the normal recurring adjustments considered necessary for a fair presentation of the Company’s financial position and results of operations as of the dates and for the periods presented.

The results for the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year.

2. Significant accounting policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

Financial Instruments

Investments in Securities and Securities Sold, Not Yet Purchased

The Company’s investments in bonds and equities classified as ‘‘trading securities’’ are valued based on the last reported sales price on the balance sheet dates as reported by a recognized exchange. Securities for which recognized exchange quotations are not readily available (e.g., private equity) are reported as other investments and are valued at management’s best estimate (utilizing the services of an investment advisor) of the fair market value based on prices received from market makers when available.

Premiums and discounts on fixed income securities are amortized into net investment income over the life of the security.

For securities classified as trading securities, any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost and amortized cost, as appropriate) and included in net investment income in the consolidated statements of income.

For securities for which exchange quotations are not readily available, any realized and unrealized gains or losses are determined on the basis of the specific identification method. Realized gains and

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2. Significant accounting policies (Continued)

losses are reported in net investment income in the consolidated statements of income. Unrealized gains and losses, if any, are included in accumulated other comprehensive income as a separate component of shareholders' equity. A decline in market value of a security below cost that is deemed other than temporary, is charged to earnings and results in the establishment of a new cost basis of the security.

Dividend income and expense are recorded on the ex-dividend date.

Interest income and interest expense are recorded on an accrual basis.

Investments in Options

Amounts invested in exchange traded call and put options are recorded as an asset or liability at inception. Subsequent to initial recognition, unexpired option contracts are recorded at fair market value which is based upon the last quoted prices of the call and put options. Realized and unrealized gains and losses are included in net investment income in the consolidated statements of income.

Investments in Total Return Swap Agreements

Total return swap agreements, included in financial contracts payable, are derivative financial instruments entered into whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company does not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on either interest rate, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair market value movements of the underlying security together with any other payments due. These contracts are carried at estimated fair value, with the resultant unrealized gains and losses reflected in net investment income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in net investment income.

Earnings Per Share

Basic earnings per share is based on weighted average ordinary shares outstanding and excludes dilutive effects of stock options and unvested stock awards. Diluted earnings per share assumes the exercise of all dilutive stock options and unvested stock awards using the treasury stock method.

	Quarter ended March 31,	
	2007	2006
Weighted average ordinary shares outstanding	21,558,915	21,227,222
Effect of dilutive service provider stock options	—	66,389
Effect of dilutive employee and director options and stock awards	—	9,293
	21,558,915	21,302,904

Due to the Company’s net loss for the three-month period ended March 31, 2007, 1,233,160 stock options and stock awards were excluded from the computation of diluted loss per share as their inclusion would have been anti-dilutive for the period. For the three-month period ended March 31, 2006, there were 788,000 anti-dilutive stock options and stock awards outstanding.

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2. Significant accounting policies (Continued)
Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, ‘‘Fair Value Measurements.’’ The Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement applies to other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. This Statement does not require any new fair value measurements. This Statement is effective for the Company beginning January 1, 2008. Management has not completed its review of the new guidance; however, the effect of the Statement’s implementation is not expected to be material to the Company’s financial statements or results of operations.

In February 2007, the FASB issued SFAS No. 159, ‘‘The Fair Value Option for Financial Assets and Financial Liabilities.’’ The Statement permits entities to choose to measure eligible items at fair value at specified election dates. For items for which the fair value option has been elected, unrealized gains and losses are to be reported in earnings at each subsequent reporting date. The fair value option is irrevocable unless a new election date occurs, may be applied instrument by instrument, with a few exceptions, and applies only to entire instruments and not to portions of instruments. This Statement provides an opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. SFAS No. 159 is effective for the Company beginning January 1, 2008 with early adoption permitted beginning January 1, 2007, subject to certain conditions. The Company did not elect early adoption. Management has not completed its review of the new guidance; however, the effect of the Statement’s implementation is not expected to be material to the Company’s results of operations or financial position.

Additionally, SFAS No. 159 amends SFAS No. 115, ‘‘Accounting for Certain Investments in Debt and Equity Securities,’’ such that cash flows relating to trading securities must be classified in the Consolidated Statement of Cash

Flows based on the nature and purpose for which the securities were acquired. Currently, the Company classifies cash flows from trading securities as operating activities. While the Company's management has not completed its review of SFAS No. 159, the Company anticipates that cash flows relating to trading securities may be classified as investing activities rather than operating activies beginning January 1, 2008.

3. REINSURANCE

The Company utilizes retrocession agreements to reduce the risk of loss on business assumed. The Company currently has in place coverages that provide for recovery of a portion of certain loss and loss expenses incurred on a specific contract. Loss and loss adjustment expense recoverables from the reinsurers are recorded as assets. Loss and loss adjustment expenses incurred are net of loss and loss expenses recoverable of $2,753 (2006: $0). Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of its reinsurers. The Company has loss recoverables of $0.8 million with a reinsurer rated ''A (excellent)'' by A.M. Best Company. Additionally the Company has loss recoverables of $2.0 million with an unrated reinsurer. The Company retains funds as collateral from the unrated reinsurer amounting to approximately 109.0% of the loss recoverable asset.

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4. Financial instruments

Other Investments

Other investments includes bonds and equities for which fair value is not readily determined, as well as options. Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying security at a specified price on or before a specified date. The Company enters into exchange traded option contracts to meet certain investment objectives. For these exchange traded option contracts, the exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions.

At March 31, 2007, included in other investments are the following securities:

	Cost	Unrealized gains (losses)	Fair market value
Equities—unlisted	$ 7,522	$ (28)	$ 7,494
Call options	341	820	1,161
	$ 7,863	$ 792	$ 8,655

At December 31, 2006, included in other investments are the following securities:

	Cost	Unrealized gains (losses)	Fair market value
Equities—unlisted	$ 4,032	$ (28)	$ 4,004
Call options	367	352	719
Put options	123	(123)	—
	$ 4,522	$ 201	$ 4,723

During the three-month period ended March 31, 2007 other-than-temporary impairment losses on unlisted equities of $323 were reported in net investment income. There were no other-than- temporary impairment losses reported during the comparable period.

5. Share capital

During the three months ended March 31, 2007, 102,160 restricted shares of Class A Ordinary shares were issued to employees as part of the Company’s stock incentive plan. These shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these restricted shares will vest on March 15, 2010, subject to the grantee’s continued service with the Company. The Company recognizes compensation expense on a straight line basis over the vesting period using the fair value of the shares awarded, at the time of the grant. Fair value for the restricted stock issued was determined based on the mid-point of anticipated book value multiples for the Company’s upcoming initial public offering relative to the Company’s diluted book value per share as of the grant date. Additionally, the Company issued 5,005 Class A Ordinary shares representing the vesting of directors’ stock awards.

On January 10, 2007, 1,426,630 Class B Ordinary shares were transferred from Greenlight Capital Investors, LLC (‘‘GCI’’) to its underlying owners and automatically converted into an equal number of Class A Ordinary shares on a one-for-one basis, upon transfer. The remaining Class B Ordinary shares were transferred from GCI to Mr. David Einhorn and remained as Class B Ordinary shares.

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6. Related party transactions

Director Stock Awards

During the year ended December 31, 2004, certain directors received a stock award of 5,000 Class A Ordinary shares, vesting equally over three years. The directors each paid five hundred dollars to acquire the right to the stock award.

During the three months ended March 31, 2007, 5,005 (2006: 0) shares vested and were issued to the directors and, as a result, $1 (2006: $0) has been expensed and added to shareholders’ equity.

Director Fees

During the three months ended March 31, 2007, director fees of $32 (2006: $13) were paid. The amount was split among the four non-employee directors not affiliated with GCI.

Investment Advisory Agreement

The Company has entered into an Investment Advisory Agreement (the ‘‘Investment Agreement’’) with DME Advisors, LP (‘‘DME’’). DME is a related party and an affiliate of David Einhorn, the Chairman of the Company’s Board of Directors and a principal shareholder of the Company.

Pursuant to the Investment Agreement, a performance fee equal to 20% of the net income of the account managed by DME is payable, subject to a loss carryforward provision, to DME. Included in investment fees is a performance fee of $0 (2006: $4.3 million). The 2006 performance fee remained payable at March 31, 2006.

Additionally, pursuant to the Investment Agreement, a monthly management fee equal to 0.125% (1.5% on an annual basis) of the account managed by DME is paid to DME. Included in investment fees are management fees of $1.3 million (2006: $0.8 million). As of March 31, 2007 and 2006, $5 and $600, respectively, of the investment management fees remained payable.

Other Transactions

Included in the consolidated statements of income is interest income of $0 (2006: $0.3 million) relating to the related party promissory note issued by GCI in exchange for Class B Ordinary shares. During fiscal 2006 this promissory note was fully repaid by GCI, including both principal and interest.

7. Commitments and contingencies

Operating Lease

Effective September 1, 2005, the Company entered into a five-year non-cancelable lease agreement to rent office space. The total rent expense charged for the three months ended March 31, 2007 was $22 (2006: $22).

The following is a schedule of future minimum rental payments required under the operating lease for the next five years:

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7. Commitments and contingencies (Continued)

Year	Total

2007	$ 68
2008	95
2009	99
2010	69
2011	—
	$ 331

Private Equity

Periodically, the Company makes investments in private equity vehicles. As part of the Company's participation in such private equity investments, the Company may make funding commitments. As of March 31, 2007, the Company had commitments to invest an additional $2.2 million in private equity investments.

Letters of Credit

Effective October 15, 2005, the Company signed a letter of credit agreement with an S&P AA rated U.S. bank, for a facility of up to $200 million. At March 31, 2007 letters of credit totaling $65.6 million (2006: $5.0 million) had been issued.

Litigation

In the normal course of business, the Company may become involved in various claims, litigation and legal proceedings. As of March 31, 2007 the Company was not a party to any litigation or arbitration proceedings.

8. SEGMENT REPORTING

The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance.

The following tables provide a breakdown of the Company's gross premiums written by line of business and by geographic area of risks insured for the quarter ended March 31, 2007:

Gross Premiums Written by Line

	Quarter Ended March 31, 2007 ($ millions)	
Homeowners'	$ 15.0	39.4%
Health	14.2	37.3%
Property Catastrophe	4.7	12.4%
Medical Malpractice	3.7	9.6%
Casualty Clash	0.5	1.3%
	$ 38.1	100.0%

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8. SEGMENT REPORTING (Continued)
Gross Premiums Written by Geographic Area of Risks Insured

	Quarter Ended March 31, 2007 ($ millions)	
USA	$ 33.0	86.6%
Worldwide[1]	5.0	13.1%
Caribbean	0.1	0.3%
	$ 38.1	100.0%

[1] ''Worldwide'' risk comprise individual policies that insure risks on a worldwide basis.
There were no gross premiums written during the three months ended March 31, 2006.

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SCHEDULE I

GREENLIGHT CAPITAL RE, LTD.
Summary of Investments—Other than Investments in Related Parties

as of December 31, 2006
(expressed in thousands of U.S. dollars)

Type of Investment	Cost	Fair Value	Balance Sheet Value
Equity investments, trading at fair value			
Common stocks, listed	$ 173,597	$ 238,799	$ 238,799
Total investments, trading	$ 173,597	$ 238,799	$ 238,799
Other investments; at estimated fair value			
Equities, unlisted	4,032	4,004	4,004
Call options	367	719	719
Put options	123	—	—
Total other investments	4,522	4,723	4,723
Total investments	$ 178,119	$ 243,522	$ 243,522

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SCHEDULE II

GREENLIGHT CAPITAL RE, LTD.
Condensed Financial Information of Registrant
Condensed Balance Sheet—Parent company only

(expressed in thousands of U.S. dollars)

	December 31, 2006	December 31, 2005
Assets		
Cash and cash equivalents	$ 23	$ 186
Interest receivable on related party promissory note	—	479
Investment in subsidiary	312,144	231,216
Total assets	$ 312,167	$ 231,881
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ —	$ 59
Shareholders' equity		
Share capital	2,156	2,123
Additional paid in capital	219,972	212,871
Less: Related party promissory note receivable	—	(16,212)
Retained earnings	90,039	33,040
	312,167	231,822
Total liabilities and shareholders' equity	$ 312,167	$ 231,881

GREENLIGHT CAPITAL RE, LTD.
Condensed Financial Information of Registrant
Condensed Statement of Income—parent company only

(expressed in thousands of U.S. dollars)

	Year Ended December 31, 2006	Year Ended December 31, 2005	Period from July 13, 2004 (date of incorporation) to December 31, 2004

Revenue			
Investment income	$ 1,050	$ 1,326	$ 532
Expenses			
General and administrative expenses	3,007	1,949	3,335
Net loss before equity in earnings of consolidated subsidiary	(1,957)	(623)	(2,803)
Equity in earnings of consolidated subsidiary	58,956	26,888	9,578
Consolidated net income	$ 56,999	$ 26,265	$ 6,775

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SCHEDULE II (continued)

Condensed Financial Information of Registrant
Condensed Statement of Cash Flows—parent company only

(expressed in thousands of U.S. dollars)

	Year Ended December 31, 2006	Year Ended December 31, 2005	Period from July 13, 2004 (date of incorporation) to December 31, 2004
Operating activities			
Net income	$ 56,999	$ 26,265	$ 6,775
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Equity in earnings of consolidated subsidiary	(58,956)	(26,888)	(9,578)
Stock options and stock awards expense	2,864	745	1,999
Change in other assets	—	440	(440)
Change in accounts payable and accrued expenses	(59)	14	45
	848	576	(1,199)
Investing activity			
Contributed surplus to subsidiary	(21,972)	(9,550)	(185,200)
Financing activities			
Proceeds from share issue	4,270	—	187,750
Collection of related party promissory note receivable	16,212	8,288	—
Change in interest receivable on related party promissory note receivable	479	37	(516)
	20,961	8,325	187,234
Net (decrease) increase in cash and cash equivalents	(163)	(649)	835
Cash and cash equivalents at beginning of the period	186	835	—
Cash and cash equivalents at end of the period	$ 23	$ 186	$ 835

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GLOSSARY OF SELECTED REINSURANCE TERMS

Acquisition costs	Ceding commission, brokerage fees, premium taxes and other direct expenses relating directly to the production of premiums.
Acquisition cost ratio	A ratio calculated by dividing the acquisition expenses by the net premiums earned.
Actuary	A person professionally trained in the mathematical and technical aspects of insurance and related fields particularly in the calculation of premiums, actuarial liabilities and other values.
Broker	An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered, between (1) a policyholder and a primary insurer, on behalf of the policyholder, (2) a primary insurer and a reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.
Capacity	Capacity is the percentage of surplus, that an insurer or reinsurer is willing or able to place at risk or the dollar amount of exposure it is willing to assume. Capacity may apply to a single risk, a program, a line of business or an entire book of business. Capacity may be constrained by legal restrictions, corporate restrictions, or indirect financial restrictions such as capital adequacy requirements.
Casualty clash	Casualty clash primarily covers a single third party event that can affect multiple casualty policies. For example, a collapse of a building could give rise to a multiple claims under Engineering Errors and Omissions, Architect's Errors and Omissions, and General Liability policies. The combined losses for all affected policies could give rise to a casualty clash loss.
Casualty reinsurance	Casualty reinsurance is primarily concerned with the losses caused by injuries to third persons (persons other than the policyholder) and the legal liability imposed on the policyholder resulting therefrom. This includes, but is not limited to workers' compensation, automobile liability, and general liability. A greater degree of unpredictability is generally associated with casualty risks known as ''long-tail risks,'' where losses take time to become known and a claim may be separated from the circumstances that

caused it by several years. An example of a long-tail casualty risk includes the use of certain drugs that may cause cancer or birth defects. There tends to be greater delay in the reporting and settlement of casualty reinsurance claims due to the long-tail nature of the underlying casualty risks and their greater potential for litigation.

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Catastrophe	A severe loss, typically involving multiple claimants. Common perils include earthquakes, hurricanes, tsunamis, hailstorms, tornados, severe winter weather, floods, fires, explosions, volcanic eruptions and other natural or man-made disasters. Catastrophe losses may also arise from acts of war, acts of terrorism and political instability.
Cede	When a party reinsures its liability to another party, it ‘‘cedes’’ business to the reinsurer and is referred to as the ‘‘client.’’
Claim	Request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.
Client	A party whose liability is reinsured by a reinsurer. Also known as a cedent.
Combined ratio	The ratio of underwriting losses and loss adjustment expenses, acquisition expenses and general and administrative expenses to net premiums earned, or equivalently, the sum of the loss ratio, acquisition cost ratio, and expense ratio. The combined ratio of an insurance company is generally viewed as an indication of underwriting profitability of that insurance company, but does not take into account the effect of investing activities on net income.
Composite ratio	The sum of the underwriting losses incurred and acquisition costs divided by the net premiums earned or equivalently, the sum of the loss ratio and acquisition cost ratio.
Co-participation	The payment by the insured of a predetermined proportion of all losses above the predetermined amount.
Development	The difference between the amount of reserves for losses and loss adjustment expenses initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.
Excess of loss reinsurance	Reinsurance that indemnifies the reinsured against all or a specified portion of losses in excess of a specified dollar or percentage loss ratio amount.

Financial strength rating	The opinion of rating agencies regarding the financial ability of an insurance or reinsurance company to meet its financial obligations under its policies.
Frequency business	Insurance/reinsurance that is characterized by contracts containing a potential large number of smaller losses emanating from multiple events.
Gross premiums written	Total premiums for assumed reinsurance during a given period.

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Health insurance	Insurance against loss by illness or bodily injury. Health insurance provides coverage for medicine, visits to the doctor or emergency room, hospital stays and other medical expenses.
Incurred but not reported (IBNR)	Reserves for estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer, including unknown future developments on loss and loss adjustment expenses which are known to the insurer or reinsurer.
Internal expense ratio	A ratio calculated by dividing general and administrative expenses by premiums earned.
Loss adjustment expenses	The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs. Also known as claim adjustment expenses.
Loss ratio	A ratio calculated by dividing underwriting losses incurred and loss adjustment expenses by premiums earned.
Loss reserves and loss adjustment expense reserves	Liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance contracts it has written. Reserves are established for losses and for loss adjustment expenses, and consist of reserves established with respect to individual reported claims and incurred but not reported losses.
Medical malpractice insurance	Medical malpractice insurance provides an indemnity to physicians and their employees for losses related to patient injuries arising from medical advice rendered or procedures performed.
Net premiums written	An insurer’s gross premiums written less premiums ceded to reinsurers.
Non-admitted insurers	An insurer not licensed to do business in the jurisdiction in question. Also known as an unauthorized insurer and unlicensed insurer.

Premiums; written, earned and unearned	Premiums represent the cost of insurance that is paid by the cedent or insurer to the insurer or reinsurer. Written represents the complete amount of premiums received, and earned represents the amount recognized as income over a period of time. Unearned is the difference between written and earned premiums.
Probable maximum loss	The maximum amount of loss that one would expect under ordinary circumstances based on computer or actuarial modeling techniques.

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Professional liability insurance	Professional liability insurance protects a company and its representatives against legal claims arising from error or misconduct in providing or failing to provide professional services. This type of coverage includes errors and/or omissions policies, directors and officers coverage and specialty coverage like employment practices liability insurance.
Profit commission	A commission paid by a reinsurer to a ceding insurer based on a predetermined percentage of the profit realized by the reinsurer on the ceded business.
Property insurance	Property insurance covers a business's building and its contents—money and securities, records, inventory, furniture, machinery, supplies and even intangible assets such as trademarks—when damage, theft or loss occurs. Peril reinsurance is a subset of property reinsurance.
Property catastrophe reinsurance	Property catastrophe reinsurance contracts are typically ''all risk'' in nature, meaning that they protect against losses from natural and man-made catastrophes. Losses on these contracts typically stem from direct property damage and business interruption.
Proportional reinsurance	All forms of reinsurance in which the reinsurer shares a proportional part of the original premiums and losses of the reinsured. In proportional reinsurance, the reinsurer generally pays the client a ceding commission. The ceding commission generally is based on the client's cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expenses) and also may include a profit component. Frequently referred to as quota-share reinsurance.
Quota-share reinsurance	A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each underlying insurance contract being reinsured.
Regulation 114 trusts	A three way investment trust agreement involving a cedent or client, a financial institution and a non-admitted

	reinsurer governed by Regulation 114 of the Official Compilation of Codes, Rules and Regulations (11 NYCRR4) of the New York State Insurance Department. Regulation 114 Trusts, also known as Reg 114 Trusts, must be maintained in the United States in an approved financial institution. Securities used to collateralize the trust are limited to cash and cash equivalents, U.S. Treasury securities, and fixed income securities rated ''A'' or higher.
Reinstatement premium	A Premium charged for the reinstatement of the amount of reinsurance coverage to its full amount reduced as a result of a reinsurance loss payment.

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Reinsurance	An arrangement in which a reinsurer agrees to indemnify an insurance company, the client, against all or a portion of the insurance risks underwritten by the client under one or more policies. Reinsurance can provide a client with several benefits, including a reduction in net liability on individual risks and catastrophe protection from large or multiple losses. Reinsurance also provides a client with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without a related increase in capital and surplus, and facilitates the maintenance of acceptable financial ratios by the client. Reinsurance does not legally discharge the client from its liability with respect to its obligations to the insured.
Reinsurer	An insurance company that assumes part of the risk in exchange for part of the premium to a primary insurer.
Retrocession; retrocessional coverage	A transaction whereby a reinsurer cedes to another reinsurer, commonly referred to as the retrocessionaire, all or part of the reinsurance that the first reinsurer has assumed. Retrocessional reinsurance does not legally discharge the ceding reinsurer from its liability with respect to its obligations to the reinsured.
Risk-free rate	The interest rate on a riskless, or safe, asset, usually taken to be a short-term U.S. government security.
Risk transfer	The shifting of all or a part of a risk to another party.
Self-insured retention	A potential loss retained by an organization, i.e. not insured. The self-insured retention (SIR) differs from a deductible because the insured performs all the functions normally undertaken by an insurance company for losses within the SIR, including claims adjusting and audits, funding and paying claims, and complying with applicable state and federal laws and regulations.

Severity business	Insurance/reinsurance that is characterized by contracts containing the potential for significant losses emanating from one event.
Surety and fidelity insurance	Surety and fidelity includes (1) insurance guaranteeing the fidelity of persons holding positions of public or private trust; (2) insurance guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings and contracts of suretyship; and (3) insurance indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss.

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Underwriter	An employee of an insurance or reinsurance company who examines, accepts or rejects risks and classifies risks in order to charge an appropriate premium for each accepted risk.
Underwriting	The process of evaluating, defining, and pricing reinsurance risks including, where appropriate, the rejection of such risks, and the acceptance of the obligation to pay the reinsured under the terms of the contract.
Workers' compensation insurance	Workers' compensation insurance provides medical, disability and lost-wage benefits to employees for injuries and illness sustained in the course of their employment.

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10,250,000 shares

Class A Ordinary Shares

Prospectus

May 24, 2007

Explanation of Responses:

LEHMAN BROTHERS UBS Investment Bank

Citi Dowling & Partners Securities Fox-Pitt, Kelton