MITCHELL JAMES P
Form 4
February 12, 2007

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
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MITCHELL JAMES P
(Last) (First) (Middle)
16825 NORTHCHASE DRIVE, SUITE 400
(Street)
HOUSTON, TX 77060
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SWIFT ENERGY CO [SFY]

3. Date of Earliest Transaction (Month/Day/Year)
02/08/2007

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

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)
Sr VP-CT&Land

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			
SFY Common Stock-401(k)								1,588	I	401(k) Plan
SFY Cmmn Stock-ESOP Holding								1,163	I	ESOP Plan
Swift Energy Common Stock	02/08/2007		F		189	D	$ 41.67	13,877	D	

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

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SEC 1474 (9-02)

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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
MITCHELL JAMES P 16825 NORTHCHASE DRIVE, SUITE 400 HOUSTON, TX 77060			Sr VP-CT&Land	

Signatures

James P. Mitchell	02/12/2007
**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).

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. EFT: 0pt; TEXT-INDENT: 0pt; MARGIN-RIGHT: 0pt" align="right">7.7
%

13,052

5.9

%
Specialty Risk and Extended Warranty

45,653

16.7
%

45,039

20.3
%
Total AmTrust Quota Share

110,313

40.4
%

92,168

41.6
%
ACAC Quota Share

Automobile liability

33,565

12.2
%

–

–
%
Automobile physical damage

25,105

9.2
%

–

–
%
Total ACAC Quota share

58,670

21.4
%

Explanation of Responses:

–

–
%

$
273,435

100.0
%

$
221,400

100.0
%

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MAIDEN HOLDINGS, LTD.

Notes to Unaudited Condensed Consolidated Financial Statements
(In Thousands of United States Dollars, Except Par Value and Per Share Data)
(Unaudited)

12. Segments (continued)

	For the Nine Months Ended September 30, 2010		For the Nine Months Ended September 30, 2009	
	Total	% of Total	Total	% of Total
Net premiums written				
Diversified Reinsurance				
Property	$ 131,800	14.7%	$ 105,650	13.3%
Casualty	238,194	26.5%	331,685	41.6%
Accident and Health	39,081	4.4%	91,628	11.5%
Total Diversified Reinsurance	409,075	45.6%	528,963	66.4%
AmTrust Quota Share				
Small Commercial Business	147,494	16.4%	132,985	16.7%
Specialty Program Business	51,897	5.8%	35,044	4.4%
Specialty Risk and Extended Warranty	141,601	15.8%	99,312	12.5%
Total AmTrust Quota Share	340,992	38.0%	267,341	33.6%
ACAC Quota Share				
Automobile liability	84,524	9.4%	–	–%
Automobile physical damage	63,185	7.0%	–	–%
Total ACAC Quota Share	147,709	16.4%	–	–%
	$ 897,776	100.0%	$ 796,304	100.0%

	For the Three Months Ended September 30, 2010		For the Three Months Ended September 30, 2009	
	Total	% of Total	Total	% of Total
Net premiums earned				
Diversified Reinsurance				
Property	$ 42,800	13.8%	$ 33,948	14.3%
Casualty	86,028	27.8%	87,043	36.7%
Accident and Health	13,591	4.4%	26,885	11.3%
Total Diversified Reinsurance	142,419	46.0%	147,876	62.3%
AmTrust Quota Share				
Small Commercial Business	46,744	15.1%	50,896	21.4%
Specialty Program Business	21,494	6.9%	11,426	4.9%
Specialty Risk and Extended Warranty	52,509	17.0%	27,152	11.4%
Total AmTrust Quota Share	120,747	39.0%	89,474	37.7%
ACAC Quota Share				
Automobile liability	26,001	8.4%	–	–%
Automobile physical damage	20,426	6.6%	–	–%
Total ACAC Quota Share	46,427	15.0%	–	–%
	$ 309,593	100.0%	$ 237,350	100.0%

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MAIDEN HOLDINGS, LTD.

Notes to Unaudited Condensed Consolidated Financial Statements
(In Thousands of United States Dollars, Except Par Value and Per Share Data)
(Unaudited)

12. Segments (continued)

	For the Nine Months Ended September 30, 2010		For the Nine Months Ended September 30, 2009	
	Total	% of Total	Total	% of Total
Net premiums earned				
Diversified Reinsurance				
Property	$ 132,138	15.4%	$ 99,525	14.8%
Casualty	270,103	31.5%	224,737	33.5%
Accident and Health	53,137	6.2%	77,499	11.5%
Total Diversified Reinsurance	455,378	53.1%	401,761	59.8%
AmTrust Quota Share				
Small Commercial Business	154,884	18.1%	157,645	23.5%
Specialty Program Business	52,948	6.2%	37,844	5.7%
Specialty Risk and Extended Warranty	125,238	14.6%	74,033	11.0%
Total AmTrust Quota Share	333,070	38.9%	269,522	40.2%
ACAC Quota Share				
Automobile liability	38,595	4.5%	–	–%
Automobile physical damage	30,263	3.5%	–	–%
Total ACAC Quota Share	68,858	8.0%	–	–%
	$ 857,306	100.0%	$ 671,283	100.0%

13. Subsequent Events

Dividends

On November 4, 2010, the Company declared a quarterly dividend of $0.07 per common share, payable on January 18, 2011 to shareholders of record on January 3, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q. References in this Form 10-Q to the terms "we," "us," "our," "the Company" or other similar terms mean the consolidated operations of Maiden Holdings, Ltd. and its subsidiaries, unless the context requires otherwise. References in this Form 10-Q to the term "Holdings" means Maiden Holdings, Ltd. only.

Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q and other publicly available documents may include, and our officers and representatives may from time to time make, projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 and are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, our strategy for growth, product development, financial results and reserves. Actual results and financial condition may differ, possibly materially, from these projections and statements and therefore you should not place undue reliance on them. Factors that could cause our actual results to differ, possibly materially, from those in the specific projections and statements are discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations and in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 16, 2010. Since the Company commenced operations in 2007, the Company has engaged in a number of significant transactions, including entering into the AmTrust Quota Share in 2007, the GMAC Acquisition in 2008, the TRUPS Offering in 2009 and the ACAC Transaction and pending GMAC International Insurance Services, Ltd. Reinsurance acquisition in 2010, each discussed below that significantly affect the comparability of results of operations from year to year. The projections and statements in this Report speak only as of the date of this Report and those in other publicly available documents or made by our officers and representatives from time to time speak only as of their respective dates and we undertake no obligation to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by law.

Overview

We are a Bermuda-based holding company formed in June 2007 primarily focused on serving the needs of regional and specialty insurers in the United States and Europe by providing innovative reinsurance solutions designed to support their capital needs. We specialize in reinsurance solutions that optimize financing by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper.

We provide reinsurance through our wholly owned subsidiaries, Maiden Reinsurance Company ("Maiden US") and Maiden Bermuda and have operations in the United States and Bermuda. On a more limited basis, Maiden Specialty, a wholly owned subsidiary of Maiden US, provides primary insurance on a surplus lines basis focusing on non-catastrophe inland marine and property coverage. Maiden Bermuda does not underwrite any primary insurance business.

We historically have managed our business through two operating segments: Diversified Reinsurance and the AmTrust Quota Share. In the first quarter of 2010, we added a third segment, ACAC Quota Share, as a result of the

ACAC Transaction discussed below. As of September 30, 2010, we had approximately $758.4 million of total shareholders' equity and $973.5 million in total capital, which includes shareholders' equity and junior subordinated debt.

The market conditions in which we operate have historically been cyclical, experiencing cycles of price erosion followed by rate strengthening as a result of catastrophes or other significant losses that affect the overall capacity of the industry to provide coverage. During the period covered by this discussion, the reinsurance market has been characterized by significant competition in most lines of business.

During 2009 and 2010, there were a number of events that impacted the property and casualty industry generally. While natural and man-made catastrophes occur each year affecting reinsurance industry results, 2009 generally featured fewer such events, favorably impacting industry performance. Further, despite the ongoing global economic recession, industry investments in risk assets performed significantly better in 2009, increasing both statutory and generally accepted accounting principles in the United States ("GAAP") capital at the individual market participant level and in the aggregate across the reinsurance industry more generally. In the first nine months of 2010, a series of significant natural and man-made catastrophes occurred, including a major earthquake in Chile, damaging windstorms in Europe (Xynthia), a series of severe winter storms in the northeastern United States and the Deepwater Horizon explosion and oil spill in the Gulf of Mexico. Consistent with its business model, the Company experienced no losses from the Chilean earthquake, Deepwater Horizon explosion or European windstorms, while losses from the United States winter storms, if any, are expected to be immaterial.

In addition, the property and casualty industry invest significant portions of its premiums and retained underwriting profits in fixed income maturities, the yields on which continue to perform at historically low levels. Continued existence of these conditions, including the possibility of even lower yields in the near-term will increasingly adversely impact the results of the property and casualty industry generally, placing additional pressure on companies underwriting results at a time that market conditions are not supportive of additional pricing measures which would stabilize underwriting trends. Nonetheless, capital positions across the industry remain sufficiently strong that despite the unfavorable pricing and investment environment, competitive conditions appear unlikely to change in the immediately foreseeable future, although the ultimate impact remains unclear. As market conditions continue to develop and competition further increases, we continue to maintain our adherence to underwriting standards by declining business when pricing, terms and conditions do not meet our underwriting standards.

Recent Developments

GMAC International Insurance Services, Ltd. Reinsurance Acquisition (“IIS Acquisition”)

On July 6, 2010, the Company announced that it entered into a definitive agreement to acquire the majority of the reinsurance-related infrastructure, assets and liabilities of U.K.-based GMAC International Insurance Services, Ltd. (“IIS”), including renewal rights on nearly $100 million of predominantly personal auto quota share reinsurance, as well as the supporting business development subsidiaries. The transaction includes the assumption of more than $100 million of loss reserves and net unearned premiums which will be funded by a transfer of cash and investments. IIS primarily focuses on providing branded auto and auto-related insurance products through its insurer partners to retail customers in the European Union and other global markets.

The Company presently expects the proposed transaction to close by the end of November 2010. The Company also expects the transaction to be accretive to 2011 earnings, and to generally perform within its overall stated targets of a 96% combined ratio and medium-term ROE target of 15%.

ACAC Transaction

In November 2009, we announced an agreement in principal with American Capital Acquisition Corporation ("ACAC") regarding a multi-year 25% quota share agreement expected to generate over $200 million in annual revenue. The contract commenced on March 1, 2010 after final regulatory approval and the closing of ACAC's acquisition of the GMACI Holdings, LLC (“GMACI”) U.S. consumer property and casualty insurance business, as well as a small amount of commercial auto business. This business generated over $1.0 billion in net written premium in each of 2008 and 2009. ACAC is owned by one of our Founding Shareholders, Michael Karfunkel, and the Michael Karfunkel 2005 Grantor Retained Annuity Trust (the “Trust"), which is controlled by Michael Karfunkel. The Trust currently owns 72.4% of ACAC's issued and outstanding common stock, Michael Karfunkel currently owns 27.6% of ACAC's issued and outstanding common stock, and AmTrust owns preferred shares convertible into 21.25% of the issued and outstanding common stock of ACAC.

Management of this business is treated as a separate segment captioned ACAC Quota Share.

GMAC Acquisition

On October 31, 2008, we acquired the reinsurance operations of GMACI which included the following components, and the sum of which are referred to as the "GMAC Acquisition":

- GMAC RE LLC ("GMAC RE"), a reinsurance managing general agent writing business on behalf of Motors Insurance Corporation ("Motors") and the renewal rights for the business written through GMAC RE (which was subsequently renamed Maiden Re Insurance Services, LLC ("Maiden Re"));

- GMAC Direct Insurance Company ("GMAC Direct") (which was subsequently renamed Maiden Reinsurance Company); and

- Integon Specialty Insurance Company ("Integon") (which was subsequently renamed Maiden Specialty Insurance Company).

In conjunction with the acquisition of GMAC RE, on October 31, 2008, the Company and Motors entered into a Portfolio Transfer and Quota Share Reinsurance Agreement ("Motors Agreement") under which the Company reinsures (i) all of the existing contracts written by GMAC RE pursuant to a loss portfolio transfer and (ii) contracts written pursuant to a fronting arrangement with Motors. According to the loss portfolio transfer provisions of the Motors Agreement, the Company assumed the loss reserves of $755.6 million associated with the GMAC RE business as of October 31, 2008. The Company also assumed unearned premium of approximately $169.9 million. As a result of assumption of these liabilities, the Company initially received cash and investments of approximately $956.3 million from Motors. The Company now assumes one hundred percent (100%) of all premiums and losses for which Motors is otherwise entitled to or liable in respect of the reinsurance contracts.

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To support the businesses acquired in the GMAC Acquisition and Maiden Holdings North America, Ltd. (“Maiden NA”), on January 20, 2009, we completed an offering of approximately $260.1 million in the form of junior subordinated debentures (the "Debentures") issued by Maiden Capital Financing Trust, a trust established by Maiden NA, and also issued 11,700,000 common shares to the purchasers (“TRUPS Offering”). The Debentures mature in 2039 and carry an interest rate of 14%. Approximately 61% of these securities were placed privately with two of our Founding Shareholders (Michael Karfunkel and George Karfunkel), and the remainder with existing institutional investors.

2010 Financial Highlights

2010 Consolidated Results of Operations

- Net income available to common shareholders of $18.5 million and $50.7 million, or $0.26 and $0.72 basic and diluted for the three and nine months ended September 30, 2010 as compared to $15.0 million and $44.3 million, or $0.21 basic and diluted and $0.64 basic and $0.63 diluted earnings per share, for the same periods in 2009, respectively.

- Operating earnings (1) of $18.1 million and $55.5 million, or $0.26 and $0.79 basic and diluted operating earnings per share, for the three and nine months ended September 30, 2010 compared to $16.5 million and $47.3 million, or $0.24 basic and $0.23 diluted and $0.68 basic and diluted operating earnings per share, in the same periods in 2009, respectively. (1)

- Gross premiums written of $952.0 million in 2010 as compared to $796.3 million in 2009.

- Net premiums earned of $857.3 million in 2010 as compared to $671.3 million in 2009.

- Underwriting income of $12.9 million and $36.5 million and combined ratios of 97.0% and 96.8% for the three and nine months ended September 30, 2010 compared to $12.3 million and $33.7 million and combined ratios of 96.3% and 96.1%, respectively for the same periods in 2009 (1)

- Net investment income of $54.0 million as compared to $46.2 million in 2009.

2010 Consolidated Financial Condition

- Annualized operating return on equity of 10.3% for the nine months ended September 30, 2010 as compared to 10.8% for the same period in 2009. (1)

- Common shareholders' equity of $758.4 million; book value per common share of $10.52.

- Total investments of $1.6 billion; fixed maturities and short-term securities comprising 99.7% of total investments, of which 55.9% have a credit rating of AAA and an overall average credit rating of AA.

- Total assets of $2.8 billion.

- Reserve for losses and loss expenses of $1.1 billion.

- Total debt of $215.2 million and a debt to total capitalization ratio of 22.1%.

(1) Operating earnings, operating earnings per share, underwriting income, combined ratio and book value per share are non-GAAP financial measures. See "Non-GAAP Financial Measures" for additional information

and a reconciliation to the nearest GAAP financial measure (net income).

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Non-GAAP Financial Measures

In presenting the Company's results, management has included and discussed certain non-GAAP financial measures. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain the Company's results of operations in a manner that allows for a more complete understanding of the underlying trends in the Company's business. However these measures should not be viewed as a substitute for those determined in accordance with GAAP. These non-GAAP measures are:

Operating Earnings and Operating Earnings per Share: In addition to presenting net income determined in accordance with GAAP, we believe that showing operating earnings enables investors, analysts, rating agencies and other users of our financial information to more easily analyze our results of operations in a manner similar to how management analyzes our underlying business performance. Operating earnings should not be viewed as a substitute for GAAP net income. Operating earnings are an internal performance measure used in the management of our operations and represents operating results excluding, as applicable, realized investment gains or losses, foreign exchange gain or loss, the amortization of intangible assets, deferred tax expenses and in 2010, transaction expenses related to the IIS Acquisition. We exclude net realized investment gains or losses and foreign exchange gain or loss as we believe that both are heavily influenced in part by market opportunities and other factors. We do not believe amortizations of intangible assets are representative of our ongoing business. We believe all of these amounts are largely independent of our business and underwriting process and including them distorts the analysis of trends in our operations. The following is a reconciliation of operating earnings to its most closely related GAAP measure, net income.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	($ in Millions)			
Net income	$ 18.5	$ 15.0	$ 50.7	$ 44.3
Add (subtract):				
Net realized and unrealized investment (gains) losses	(1.6)	0.1	(2.5)	0.5
Amortization of intangible assets	1.4	1.6	4.4	4.9
IIS transaction expenses	0.6	–	1.5	–
Foreign exchange and other (gains) losses	(1.2)	(0.2)	0.4	(2.4)
Income tax expense	0.4	–	1.0	–
Operating earnings	$ 18.1	$ 16.5	$ 55.5	$ 47.3
Operating earnings per common share:				
Basic operating earnings per share	$ 0.26	$ 0.24	$ 0.79	$ 0.68
Diluted operating earnings per share	$ 0.26	$ 0.23	$ 0.79	$ 0.68

Underwriting Income and Combined Ratio: The combined ratio is used in the insurance and reinsurance industry as a measure of underwriting profitability. The combined ratio is the sum of the loss and loss expense ratio and the expense ratio. A combined ratio under 100% indicates underwriting profitability, as the total losses and loss expenses, acquisition costs and general and administrative expenses are less than the premiums earned on that business. We have generated underwriting income in each year since our inception. Underwriting income is calculated by subtracting losses and loss adjustment expenses, commissions and other acquisition expenses and applicable general and administrative expenses from the net earned premium and is the monetized counterpart of the combined ratio. While an important metric of success, underwriting income and combined ratio do not reflect all components of profitability, as it does not recognize the impact of investment income earned on premiums between the time premiums are received and the time loss payments are ultimately paid to clients. Please refer to Relevant Factors for further information on the components and computation of combined ratio.

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Operating Return on Equity ("Operating ROE"): Management uses operating return on average shareholders' equity as a measure of profitability that focuses on the return to common shareholders. It is calculated using operating earnings available to common shareholders (realized gains or losses on investments, foreign exchange gain and other (gains) losses, amortization of intangibles, and amortization of intangible assets) divided by average common shareholders' equity. Management has set as a target a long-term average of 15% Operating ROE, which management believes provides an attractive return to shareholders for the risk assumed. Given the current interest rate environment this target may take somewhat longer to achieve. Operating ROE for the three and nine months ended September 30, 2010 and 2009 is computed as follows:

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
	($ in Millions)			
Operating earnings	$ 18.1	$ 16.5	$ 55.5	$ 47.3
Opening shareholders' equity	$ 724.8	$ 605.4	$ 676.5	$ 509.8
Ending shareholders' equity	$ 758.4	$ 664.6	$ 758.4	$ 664.6
Average shareholders' equity	$ 741.6	$ 635.0	$ 717.5	$ 587.2
Operating return on equity	2.4%	2.6%	7.7%	8.1%
Annualized operating return on equity	9.7%	10.3%	10.3%	10.8%

Book Value per Share: Management uses growth in book value per share as a prime measure of the value the Company is generating for its common shareholders, as management believes that growth in the Company's book value per share ultimately translates into growth in the Company's stock price. Book value per share is calculated using common shareholders' equity divided by the number of common shares outstanding. Book value per share is impacted by the Company's net income and external factors such as interest rates, which can drive changes in unrealized gains or losses on its investment portfolio. Book value per share as of September 30, 2010 and December 31, 2009 is computed as follows:

	September 30, 2010	December 31, 2009
	($ in Millions)	
Ending shareholders' equity	$ 758.4	$ 676.5
Common shares outstanding	72,105,694	70,291,289
Book value per share	$ 10.52	$ 9.62

Relevant Factors

Revenues

We derive our revenues primarily from premiums on our insurance policies and reinsurance contracts, net of any reinsurance or retrocessional coverage purchased. Insurance and reinsurance premiums are a function of the amounts and types of policies and contracts we write, as well as prevailing market prices. Our prices are determined before our ultimate costs, which may extend far into the future, are known.

The Company's revenues also include income generated from its investment portfolio. The Company's investment portfolio is comprised of fixed maturity investments, short term investments and other investments that are held as available for sale. In accordance with GAAP, these investments are carried at fair market value and unrealized gains and losses on the Company's investments are generally excluded from earnings. These unrealized gains and losses are included on the Company's balance sheet in accumulated other comprehensive (loss) income as a separate component of shareholders' equity. If unrealized losses are considered to be other-than-temporarily impaired, such losses are included in earnings as a realized loss.

Expenses

Our expenses consist largely of net losses and loss expenses, commissions and other acquisition costs, general and administrative expenses, amortization of intangible assets and foreign exchange gains or losses. Net losses and loss expenses incurred are comprised of three main components;

· losses paid, which are actual cash payments to insureds, net of recoveries from reinsurers;

· change in outstanding loss or case reserves, which represent management's best estimate of the likely settlement amount for known claims, less the portion that can be recovered from reinsurers; and

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- change in Incurred but Not Reported (“IBNR”) reserves, which are reserves established by us for changes in the values of claims that have been reported to us but are not yet settled, as well as claims that have occurred but have not yet been reported. The portion recoverable from reinsurers is deducted from the gross estimated loss.

Acquisition costs are comprised of commissions, brokerage fees and insurance taxes. Commissions and brokerage fees are usually calculated as a percentage of premiums and depend on the market and line of business and can, in certain instances, vary based on loss sensitive features of reinsurance contracts. Acquisition costs are reported after (1) deducting commissions received on ceded reinsurance, (2) deducting the part of acquisition costs relating to unearned premiums and (3) including the amortization of previously deferred acquisition costs.

General and administrative expenses include personnel expenses including share-based compensation charges, rent expense, professional fees, information technology costs and other general operating expenses. We are experiencing increases in general and administrative expenses resulting from additional staff, increased share-based compensation expense, increased rent expense for our offices and increased professional fees. As the Company continues to expand and diversify in 2010, particularly through the ACAC Transaction, the pending IIS Acquisition and other initiatives across both its US and Bermuda platforms, we expect this trend to continue.

Combined Ratio Components

Management measures underwriting results on an overall basis and for each segment on the basis of the "combined ratio." The "combined ratio" is the sum of the loss and loss expense ratio and expense ratio. The individual components of the combined ratio include the "loss and loss expense ratio," "acquisition cost ratio," and the "general and administrative expense ratio." Because we do not manage our assets by segment, investment income, interest expense and total assets are not allocated to individual reportable segments. General and administrative expenses are allocated to segments based on various factors, including staff count and each segment's proportional share of gross premiums written. The "loss and loss expense ratio" is derived by dividing net losses and loss expenses by net premiums earned. The "acquisition cost ratio" is derived by dividing acquisition costs by net premiums earned. The "general and administrative expense ratio" is derived by dividing general and administrative expenses by net premiums earned. The "expense ratio" is the sum of the acquisition cost ratio and the general and administrative expense ratio.

Critical Accounting Policies

It is important to understand our accounting policies in order to understand our financial position and results of operations. The Company's Consolidated Financial Statements have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following presents a discussion of those accounting policies and estimates that Management believes are the most critical to its operations and require the most difficult, subjective and complex judgment. If actual events differ significantly from the underlying assumptions and estimates used by Management, there could be material adjustments to prior estimates that could potentially adversely affect the Company's results of operations, financial condition and liquidity. These critical accounting policies and estimates should be read in conjunction with the Company's Notes to Consolidated Financial Statements, including Note 2, Significant Accounting Policies, for a full understanding of the Company's accounting policies. For a detailed discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC. There were no material changes in the application of our critical accounting estimates subsequent to that report. However, the Company is amending its disclosure with regard to Fair Value of Financial Instruments to include the following:

- For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in the Level 1 hierarchy. To date we have only included U.S. government fixed maturity investments as Level 1. The Company receives the quoted market prices from a third party, nationally recognized pricing service (“Pricing Service”). When quoted market prices are unavailable, the Company utilizes the Pricing Service to determine an estimate of fair value. The fair value estimates are included in the Level 2 hierarchy. The Pricing Service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data. The Pricing Service’s evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations. In addition, the Pricing Service uses model processes, such as the Option Adjusted Spread model to assess interest rate impact and develop prepayment scenarios. The market inputs that the Pricing Service normally seeks for evaluations of securities, listed in approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

- The Company utilizes the fair values received from the Pricing Service. If quoted market prices and an estimate from the Pricing Service are unavailable, the Company produces an estimate of fair value based on dealer quotations for recent activity in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. Depending on the level of observable inputs, the Company will then determine if the estimate is Level 2 or Level 3 hierarchy. Approximately 96.8% of the Company’s fixed maturity investments are categorized as Level 2 within the fair value hierarchy. As of September 30, 2010 and December 31, 2009, we have not adjusted any prices provided by the Pricing Service.

- The Company will challenge any prices for its investments that are not considered to represent fair value. If a fair value is challenged, the Company will obtain a non-binding quote from a broker-dealer; multiple quotations are not typically sought. As of September 30, 2010 and December 31, 2009, only one security valued using the market approach at approximately $8.6 million and $7.9 million, respectively, was priced using a quotation from a broker as opposed to the Pricing Service. As of September 30, 2010, we have not adjusted any pricing provided by the broker-dealers based on the review performed by our investment managers.

- To validate prices, the Company compares the fair value estimates to its knowledge of the current market and will investigate prices that it considers not to be representative of fair value. In addition, our process to validate the market prices obtained from the Pricing Service includes, but is not limited to, periodic evaluation of model pricing methodologies and analytical reviews of certain prices. We also periodically perform testing of the market to determine trading activity, or lack of trading activity, as well as evaluating the variability of market prices. Securities sold during the quarter are also “back-tested” (i.e., the sales prices are compared to the previous month end reported market price to determine the reasonableness of the reported market price). There were no material differences between the prices from the Pricing Service and the prices obtained from our validation procedures as of September 30, 2010 and December 31, 2009.

Results of Operations

Net Income

Net income for the three months ended September 30, 2010 was $18.5 million compared to net income of $15.0 million for the same period in 2009. Net income for the nine months ended September 30, 2010 was $50.7 million compared to net income of $44.3 million for the same period in 2009.

The improvement in net income for the three months ended September 30, 2010 as compared to the same period in 2009 was principally the result of increased investment income and net realized investment gains as the Company's invested asset base continued to increase in 2010 compared to 2009. In addition, underwriting income improved as a result of the Company's continuing growth despite a marginally higher combined ratio. Certain non-recurring expenses totaling $0.6 million related to the IIS Transaction offset these improvements.

The improvement in net income for the nine months ended September 30, 2010 as compared to the same period in 2009 was principally the result of increased investment income and net realized investment gains as the Company's invested asset base continued to increase in 2010 compared to 2009. In addition, underwriting income improved as a result of the Company's continuing growth despite a marginally higher combined ratio. These improvements were partially offset by higher operating expenses, particularly as a result of the non-recurring expenses associated with the IIS Transaction, higher interest expense from the TRUPS Offering (which commenced in 2009), a foreign exchange loss, and deferred tax expenses.

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The following table sets forth our selected consolidated statement of operations data for each of the periods indicated:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	($ in Millions)			
Gross premiums written	$ 289.8	$ 221.4	$ 952.0	$ 796.3
Net premiums written	$ 273.4	$ 221.4	$ 897.8	$ 796.3
Net earned premium	$ 309.6	$ 237.3	$ 857.3	$ 671.3
Loss and loss adjustment expenses	(200.6)	(165.1)	(546.3)	(462.5)
Commissions and other acquisition expenses	(89.0)	(55.3)	(254.8)	(159.6)
General and administrative expenses	(7.1)	(4.6)	(19.7)	(15.5)
Total underwriting income	12.9	12.3	36.5	33.7
Other operating expenses	(3.7)	(3.4)	(9.1)	(7.3)
Net investment income	17.5	16.8	54.0	46.2
Net realized and unrealized investment gains (losses)	1.6	(0.1)	2.4	(0.5)
Amortization of intangible assets	(1.5)	(1.7)	(4.4)	(4.9)
Foreign exchange and other (loss) gains	1.2	0.2	(0.4)	2.4
Junior subordinated debt interest expense	(9.1)	(9.1)	(27.3)	(25.3)
Deferred tax expense	(0.4)	–	(1.0)	–
Net income	$ 18.5	$ 15.0	$ 50.7	$ 44.3

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Selected Consolidated Ratios:				
Loss and loss expense ratio	64.8%	69.6%	63.7%	68.9%
Acquisition cost ratio	28.7%	23.3%	29.7%	23.8%
General and administrative expense ratio	3.5%	3.4%	3.4%	3.4%
Expense ratio	32.2%	26.7%	33.1%	27.2%
Combined ratio	97.0%	96.3%	96.8%	96.1%

Comparison of Three and Nine Months Ended September 30, 2010 and 2009

Premiums. We evaluate our business by segment. The ACAC Quota Share segment commenced in March 2010. As premiums associated with the ACAC Quota Share continue to increase during 2010, the mix of business among the segments will continue to shift and become more diverse, reducing the percentage of premiums and losses from the Diversified Reinsurance and AmTrust Quota Share segments. The following tables detail the mix of our business on both a net premiums written and net premiums earned basis for the three and nine months ended September 30, 2010 and 2009:

	Net Premiums Written Three Months Ended September 30, 2010	Net Premiums Written Three Months Ended September 30, 2009	Net Premiums Earned Three Months Ended September 30, 2010	Net Premiums Earned Three Months Ended September 30, 2009
Diversified Reinsurance	38.2%	58.4%	46.0%	62.3%
AmTrust Quota Share	40.4%	41.6%	39.0%	37.7%
ACAC Quota Share	21.4%	–%	15.0%	–%

Total	100.0%	100.0%	100.0%	100.0%

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	Net Premiums Written Nine Months Ended September 30,		Net Premiums Earned Nine Months Ended September 30,	
	2010	2009	2010	2009
Diversified Reinsurance	45.6%	66.4%	53.1%	59.8%
AmTrust Quota Share	38.0%	33.6%	38.9%	40.2%
ACAC Quota Share	16.4%	–%	8.0%	–%
Total	100.0%	100.0%	100.0%	100.0%

Net Premiums Written. Net premiums written increased by $52.0 million or 23.5% for the three months ended September 30, 2010 as compared to the same period in 2009 and increased $101.5 million or 12.7% for the nine months ended September 30, 2010 as compared to the same period in 2009. The increase in net premiums written in the respective periods was primarily the result of the following:

· Commencement of the ACAC Quota Share on March 1, 2010. Premiums associated with this segment totaled $58.7 million and $147.7 million for the three and nine months ended September 30, 2010, accounting for the majority of the net increase in premiums.

· Continuing strong growth in our AmTrust Quota Share segment. The AmTrust Quota Share segment increased by $18.1 million or 19.7% in the three months ended September 30, 2010 as compared to the same period in 2009, and $73.7 million or 27.5% in the nine months ended September 30, 2010 as compared to the same period in 2009. For the three months ended September 30, the increase is the result of significant growth in the Specialty Program and Small Commercial lines of business, with slower growth experienced in the Specialty Risk and Extended Warranty line. For the nine months ended September 30, the increase was primarily due to a substantial increase in the Specialty Risk and Extended Warranty line of business, where AmTrust continues to expand, particularly internationally.

· A decrease in premium written in the Diversified Reinsurance Agreement. The Company did not renew certain large accounts as part of its disciplined underwriting practice and also some clients chose to retain more risk and did not renew accounts, as a result, premiums written decreased by $24.8 million or 19.2% and $119.9 million or 22.7% for the three and nine months ended September 30, 2010 as compared to the same periods in 2009, respectively.

Net Premiums Earned. Net premiums increased by $72.2 million or 30.4% for the three months ended September 30, 2010 as compared to the same period in 2009 and increased $186.0 million or 27.7% for the nine months ended September 30, 2010 as compared to the same period in 2009.

The increases were primarily attributable to the commencement of the ACAC Quota Share segment in 2010 along with continuing growth in the AmTrust Quota Share. In the Diversified Reinsurance segments, the impact of the unearned premium assumed from the GMAC Acquisition which was acquired net of acquisition costs, still represented a significant portion of the premium earned in 2009, which resulted in lower earned premium in that period and thus also affects comparability from period to period.

Net Investment Income. Net investment income increased by $0.7 million or 4.3% and $7.8 million or 16.9% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. Average invested assets for the periods were approximately $2.1 billion and $2.0 billion for the three and nine months ended September 30, 2010, as compared to $1.9 billion and $1.8 billion for the same periods in 2009. The average yields were approximately 3.4% and 3.5% as compared to 3.6% and 3.4%. Continued growth in the overall book of business combined with positive cash flow from operations over the last twelve months contributed to the growth in invested assets. Further, the Company has continued to deploy the cash obtained through the GMAC Acquisition and also from the proceeds from the TRUPS Offering. Despite the Company's premium growth and the increase in average invested assets, investment income grew at a slower rate in the three months ended September 30, 2010 as compared to recent quarters. This slower growth reflects the significant accumulation of cash and cash equivalents, which are yielding historically low levels. Please refer to Liquidity and Capital Resources for a more detailed discussion of the Company's investing position relative to the continuing accumulation of cash and cash equivalents, along with the Company's operating and investing cash flow results.

Net Realized Investment Gains (Losses). Net realized gains on investments were $1.6 million and $2.5 million for the three and nine months ended September 30, 2010, compared to net realized losses of ($0.1) million and ($0.5) million for the three and nine months ended September 30, 2009, respectively. For additional information on the Company's investments and realized gains and losses, please refer to Liquidity and Capital Resources.

Loss and Loss Adjustment Expenses. Loss and loss adjustment expenses increased by $35.5 million or 21.5% and $83.8 million or 18.1% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. The Company's loss ratio decreased to 64.8% and 63.7% for the three and nine months ended September 30, 2010 compared to 69.6% and 68.9% for the same periods in 2009. As of September 30, 2009, the Company's earned premium in the Diversified Reinsurance segment from the GMAC Acquisition had not yet completed its first full year and was still increasing and thus comparability is affected. Accordingly, the 2010 ratios more accurately reflect recurring loss ratios as the transition from the GMAC Acquisition was completed near the end of 2009.

Commission and Other Acquisition Expenses. Commission and other acquisition expenses increased by $33.7 million or 60.8% and $95.2 million or 59.6% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. This increase was primarily due to the increase in Commission and Other Acquisition Expenses associated with the Diversified Reinsurance segment, which was driven by the following: 1) 2009 reflects only a partial year of earned premiums in this segment as the first full year of operations from the GMAC Acquisition had not yet been completed; 2) the unearned premium portfolio assumed as part of the GMAC Acquisition was acquired net of acquisition costs; 3) the Diversified Reinsurance segment's mix of business continues to shift from excess of loss to pro rata business which has a higher acquisition cost ratio; and 4) increased commissions accruals on the 2009 and 2010 underwriting years due to lower loss ratios. In addition, growth in the AmTrust Quota Share segment and the commencement of the ACAC Quota Share segment contributed to the increases as well. As a result, the acquisition cost ratio increased to 28.7% and 29.7% for the three and nine months ended September 30, 2010 as compared to 23.3% and 23.8% for the same periods in 2009, respectively. The 2010 ratios more accurately reflect recurring acquisition ratios as the transition from the GMAC Acquisition was completed near the end of 2009.

General and Administrative Expenses. Other operating expenses include general and administrative expenses which are segregated for analytical purposes as a component of underwriting income. Other operating expenses consist of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	($ in Millions)			
General and administrative expenses – segments	$ 7.1	$ 4.6	$ 19.7	$ 15.5
Other operating expenses – corporate	3.7	3.4	9.1	7.3
Total	$ 10.8	$ 8.0	$ 28.8	$ 22.8
General and administrative expense ratio	3.5%	3.4%	3.4%	3.4%

The increase in other operating expenses reflects the overall growth of the Company over the last twelve months, including increases in headcount, professional services, information technology and other related infrastructure costs. In 2010, other operating expenses for the three and nine months ended September 30, 2010, include $0.6 million and $1.5 million of non-recurring expenses incurred to date as a result of the IIS Transaction, respectively. Excluding these non-recurring expenses, the Company's general and administrative expense ratio, which is a measure of its efficiency, decreased to 3.3% and 3.2% for the three and nine months ended September 30, 2010 compared to 3.4% in both of the same periods in 2009, respectively.

Junior Subordinated Debt Interest Expense. The TRUPS Offering was completed in January 2009 and the interest expense was $9.1 million in the three months ended September 30, 2010 and 2009, and $27.3 million and $25.3 million in the nine months ended September 30, 2010 and 2009, respectively.

Underwriting Results by Segment

The results of operations for our three business segments, Diversified Reinsurance, AmTrust Quota Share and ACAC Quota Share are discussed below. As noted previously, the Company added a third business segment in the first quarter of 2010, ACAC Quota Share. Please refer to the section within Recent Developments captioned ACAC Transaction for further details on this new segment.

Diversified Reinsurance Segment

Underwriting income decreased slightly in the three and nine months ended September 30, 2010 as compared to the same period in 2009. This was primarily due to a slightly higher combined ratio in both periods, which increased to 95.8% in the three months ended September 30, 2010 as compared to 94.9% for the same period in 2009, and 95.6%

in the nine months ended September 30, 2010 as compared to 94.3% for the same period in 2009.

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The following table summarizes the underwriting results and associated ratios for the Diversified Reinsurance segment:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	($ in Millions)			
Net premiums written	$ 104.5	$ 129.2	$ 409.1	$ 529.0
Net premiums earned	142.4	147.9	455.4	401.7
Net losses and loss expenses	(95.4)	(110.4)	(294.1)	(294.0)
Commissions and other acquisition expenses	(34.2)	(26.1)	(123.1)	(71.2)
General and administrative expenses	(6.8)	(3.8)	(18.3)	(13.6)
Underwriting income	$ 6.0	$ 7.6	$ 19.9	$ 22.9
Loss and loss expense ratio	67.0%	74.7%	64.6%	73.2%
Acquisition cost ratio	24.0%	17.6%	27.0%	17.7%
General and administrative expense ratio	4.8%	2.6%	4.0%	3.4%
Expense ratio	28.8%	20.2%	31.0%	21.1%
Combined ratio	95.8%	94.9%	95.6%	94.3%

Premiums. Net premiums written decreased by $24.7 million, or 19.2% for the three months ended September 30, 2010 compared to the three months ended September 30, 2009. The table below details net premiums written by line of business in this segment for the three months ended September 30, 2010 and 2009:

	Three Months Ended September 30,			
	2010	2009	$ Change	% Change
	($ in Millions)			
Property	$ 37.5	$ 28.7	$ 8.8	30.6%
Casualty	54.2	76.4	(22.2)	(29.1)%
Accident and Health	12.8	24.1	(11.3)	(47.0)%
Total Diversified Reinsurance	$ 104.5	$ 129.2	$ (24.7)	(19.2)%

The Company continued to maintain its disciplined underwriting approach in the face of continuing competitive market conditions during the three months ended September 30, 2010. In addition, the Company did not renew certain Casualty and Accident and Health accounts that were either underperforming or did not meet the Company's pricing requirements relative to the exposures reinsured. In addition, some clients chose to retain more risk and did not renew accounts. These factors contributed to the decrease in net premium written in the three months ended September 30, 2010 as compared to the same period in 2009.

Net premiums written decreased by $119.9 million, or 22.7% for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. The table below details net premiums written by line of business in this segment for the nine months ended September 30, 2010 and 2009:

	Nine Months Ended September 30,			
	2010	2009	$ Change	% Change
	($ in Millions)			
Property	$ 131.8	$ 105.7	$ 26.1	24.8%
Casualty	238.2	331.7	(93.5)	(28.2)%

Accident and Health		39.1		91.6		(52.5)	(57.3)%
Total Diversified Reinsurance	$	409.1	$	529.0	$	(119.9)	(22.7)%

Consistent with its disciplined underwriting approach, the Company did not renew certain large Casualty accounts that did not meet its pricing requirements. Due to the nature of certain of these non-renewals, the Company does not anticipate similar non-renewals during the remainder of 2010. In addition, the Company did renew more than 85% of its accounts at its January 1 renewal in this segment. Finally, the Company did not renew certain underperforming Accident and Health accounts as well. These factors contributed to the decrease in net premium written in the nine months ended September 30, 2010 as compared to the same period in 2009.

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Net premium earned decreased by $5.5 million, or 3.7% for the three months ended September 30, 2010 compared to the three months ended September 30, 2009. The table below details net premiums earned by line of business in this segment for the three months ended September 30, 2010 and 2009:

	Three Months Ended September 30,			
	2010	2009	$ Change	% Change
		($ in Millions)		
Property	$ 42.8	$ 34.0	$ 8.8	26.1%
Casualty	86.0	87.0	(1.0)	(1.2)%
Accident and Health	13.6	26.9	(13.3)	(49.4)%
Total Diversified Reinsurance	$ 142.4	$ 147.9	$ (5.5)	(3.7)%

The decrease in Accident and Health written premiums caused the decline in earned premiums, which were partially offset by increases in Property earned premiums due to increases in writings and the ongoing implementation of the GMAC Acquisition in 2009, which were assumed net of acquisition costs and which had not yet completed its first full year of operations. These premiums represented a significant portion of the premium earned in 2009, which resulted in lower earned premium in that period and thus also affects comparability from period to period with 2010.

Net premium earned increased by $53.7 million, or 13.3% for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. The table below details net premiums earned by line of business in this segment for the nine months ended September 30, 2010 and 2009:

	Nine Months Ended September 30,			
	2010	2009	$ Change	% Change
		($ in Millions)		
Property	$ 132.2	$ 99.5	$ 32.7	32.8%
Casualty	270.1	224.7	45.4	20.2 %
Accident and Health	53.1	77.5	(24.4)	(31.4)%
Total Diversified Reinsurance	$ 455.4	$ 401.7	$ 53.7	13.3%

Despite the decrease in net premiums written, earned premiums increased in 2010 as compared to 2009 due to the ongoing implementation of the GMAC Acquisition in 2009, which were assumed net of acquisition costs and which had not yet completed its first full year of operations. These premiums represented a significant portion of the premium earned in 2009, which resulted in lower earned premium in that period and thus also affects comparability from period to period with 2010.

Loss and Loss Adjustment Expenses. Loss and loss adjustment expenses decreased by $15.0 million or 13.6% and increased by $0.04 million or less than 1% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. The segments loss ratio decreased to 67.0% and 64.6% for the three and nine months ended September 30, 2010 compared to 74.7% and 73.2% for the same periods in 2009. The decrease in loss and loss adjustment expenses reflects the decrease in the segments premiums in 2010 as compared to 2009. Earned premiums increased in 2010 as compared to 2009 due to the ongoing implementation of the GMAC Acquisition in 2009, as the unearned premiums associated with that transaction were assumed net of acquisition costs and which had not yet completed its first full year of operations. These premiums represented the majority of the premium earned in 2009, which resulted in lower earned premium in that period and thus produced higher loss ratios during 2009. The 2010 ratios more accurately reflect recurring loss ratios as the transition from the GMAC Acquisition was completed near the end of 2009.

In connection with the GMAC Acquisition, Maiden Bermuda entered in a loss portfolio transfer agreement with Motors whereby it assumed the outstanding loss reserves, including a provision for IBNR reserves associated with the

GMAC RE business ($755.6 million at October 31, 2008). The loss reserves assumed by Maiden Bermuda from Motors represented the estimate of the unpaid losses to be paid on all of the reinsurance contracts produced by GMAC RE from 1983 until October 31, 2008. These losses are treated as retroactive reinsurance under applicable GAAP. Accordingly, any subsequent change in the estimate of the subject losses since the date of transfer are amortized into the Company's results of operations based upon the cumulative payment of actual claims in relation to the subject losses transferred.

The Company amortized gains in this segment as a reduction of losses incurred of $8.8 million and $20.4 million for the three and nine months ended September 30, 2010 as compared to $1.8 million and $7.6 million, in the same periods in 2009, respectively. The total favorable development relating to the loss portfolio transfer since the closing of the GMAC Acquisition has been $43.2 million through September 30, 2010 as compared to $18.2 million through December 31, 2009. The remaining unamortized deferred gain recorded as an addition to the Company's loss reserves are $10.5 million as of September 30, 2010 as compared to $5.7 million as of December 31, 2009.

Commission and Other Acquisition Expenses. Commission and other acquisition expenses increased by $8.2 million or 31.3% and $51.9 million or 72.9% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. This increase was primarily due to the increase in Commission and Other Acquisition Expenses associated with the Diversified Reinsurance segment, which was driven by the following: 1) 2009 reflects only a partial year of earned premiums in this segment as the first full year of operations from the GMAC Acquisition had not yet been completed; 2) the unearned premium portfolio assumed as part of the GMAC Acquisition was acquired net of acquisition costs and thus acquisition costs in 2009 were reduced; and 3) the segments mix of business continues to shift from excess of loss to pro rata business which has a higher acquisition cost ratio. As a result, the acquisition cost ratio increased to 24.0% and 27.0% for the three and nine months ended September 30, 2010 as compared to 17.6% and 17.7% for the same periods in 2009, respectively. The 2010 ratios more accurately reflect recurring acquisition ratios as the transition from the GMAC Acquisition was completed near the end of 2009.

General and Administrative Expenses. General and administrative expenses increased by $3.0 million or 78.2% and $4.7 million or 34.9%, for the three and nine months ended September 30, 2010 compared to same period in 2009, respectively. The general and administrative expense ratio was 4.8% and 4.0% for the three and nine months ended September 30, 2010 compared to 2.6% and 3.4% in the same periods in 2009, respectively. The overall expense ratio (including acquisition costs) was 28.8% and 31.0% for the three and nine months ended September 30, 2010 compared to 20.2% and 21.1% in the same periods in 2009, respectively. The increase in the ratio is due to the factors cited under Commissions and Other Acquisition Expenses.

AmTrust Quota Share Segment

Underwriting income improved significantly in the three and nine months ended September 30, 2010, as compared to the same period in 2009, due to ongoing premium growth in the segment combined with generally stable combined ratios. The combined ratio for the segment was 95.6% in the three months ended September 30, 2010 as compared to 94.7% for the same period in 2009, and 95.7% in the nine months ended September 30, 2010 as compared to 96.0% for the same period in 2009. The following table summarizes the underwriting results and associated ratios for the AmTrust Quota Share segment for the three and nine months ended September 30, 2010 and 2009:

	For the Three Months Ended September 30,		For the period March 1, to September 30,	
	2010	2009	2010	2009
	($ in Millions)			
Net premiums written	$ 110.3	$ 92.2	$ 341.0	$ 267.3
Net premiums earned	$ 120.7	$ 89.5	$ 333.1	$ 269.5
Net losses and loss expenses	(76.2)	(54.7)	(209.2)	(168.4)
Commissions and other acquisition expenses	(39.0)	(29.3)	(108.3)	(88.4)
General and administrative expenses	(0.2)	(0.8)	(1.3)	(1.9)
Underwriting income	$ 5.3	$ 4.7	$ 14.3	$ 10.8
Net loss and loss expense ratio	63.1%	61.1%	62.8%	62.5%
Acquisition cost ratio	32.3%	32.7%	32.5%	32.8%
General and administrative expense ratio	0.2%	0.9%	0.4%	0.7%
Expense ratio	32.5%	33.6%	32.9%	33.5%
Combined ratio	95.6%	94.7%	95.7%	96.0%

Premiums Written. Net premiums written increased by $18.1 million or 19.7% for the nine months ended September 30, 2010 as compared to the same period in 2009. The increase in net premiums written in the three months ended September 30, 2010 compared to the same period in 2009 is primarily the result of significant growth in the Specialty Program and Small Commercial lines of business, with slower growth experienced in the Specialty Risk and Extended Warranty line. The table below details components of net premiums written for the three months ended September 30, 2010 as compared to the same period in 2009:

	Three Months Ended September 30,			
	2010	2009	$ Change	% Change
	($ in Millions)			
Small Commercial Business	$ 43.7	$ 34.1	$ 9.6	28.1%
Specialty Program Business	21.0	13.1	7.9	60.9%
Specialty Risk and Extended Warranty	45.6	45.0	0.6	1.4%
Total AmTrust Quota Share	$ 110.3	$ 92.2	$ 18.1	19.7%

Net premiums written increased by $73.7 million or 27.5% for the nine months ended September 30, 2010 as compared to the same period in 2009. For the nine months ended September 30, 2010 compared to the same period in 2009, the increase was primarily due to a substantial increase in the Specialty Risk and Extended Warranty line of business, where AmTrust continues expand, particularly internationally, along with growth in its Specialty Program business. The table below details components of net premiums written for the nine months ended September 30, 2010 as compared to the same period in 2009:

	Nine Months Ended September 30,			
	2010	2009	$ Change	% Change
	($ in Millions)			
Small Commercial Business	$ 147.5	$ 133.0	$ 14.5	10.9%
Specialty Program Business	51.9	35.0	16.9	48.1%
Specialty Risk and Extended Warranty	141.6	99.3	42.3	42.6%
Total AmTrust Quota Share	$ 341.0	$ 267.3	$ 73.7	27.5%

Premiums Earned. Net premiums earned increased by $31.2 million or 35.0% for the three months ended September 30, 2010 as compared to the same period in 2009. The increase in net premiums earned in the three months ended September 30, 2010 compared to the same period in 2009 is primarily the result of significant growth in the Specialty Program and Small Commercial lines of business, with slower growth experienced in the Specialty Risk and Extended Warranty line. For the nine months ended September 30, 2010 compared to the same period in 2009, the increase was primarily due to a substantial increase in the Specialty Risk and Extended Warranty line of business, where AmTrust continues expand, particularly internationally, along with growth in its Specialty Program business. The table below details components of net premiums earned for the three months ended September 30, 2010 as compared to the same period in 2009:

	Three Months Ended September 30,			
	2010	2009	$ Change	% Change
	($ in Millions)			
Small Commercial Business	$ 46.7	$ 50.9	$ (4.2)	(8.2)%
Specialty Program Business	21.5	11.4	10.1	88.1%
Specialty Risk and Extended Warranty	52.5	27.2	25.3	93.4%
Total AmTrust Quota Share	$ 120.7	$ 89.5	$ 31.2	35.0%

Net premiums earned increased by $63.6 million or 23.6% for the nine months ended September 30, 2010 as compared to the same period in 2009. The table below details components of net premiums earned for the nine months ended September 30, 2010 as compared to the same period in 2009:

	Nine Months Ended September 30			
	2010	2009	$ Change	% Change
	($ in Millions)			
Small Commercial Business	$ 154.9	$ 157.6	$ (2.7)	(1.8)%
Specialty Program Business	53.0	37.9	15.1	39.9%
Specialty Risk and Extended Warranty	125.2	74.0	51.2	69.2%
Total AmTrust Quota Share	$ 333.1	$ 269.5	$ 63.6	23.6%

Loss and Loss Adjustment Expenses. Net losses and loss expenses increased by $21.5 million or 39.3% and $40.7 million or 24.2% for the three and nine months ended September 30, 2010 as compared to the same periods in 2009, respectively. The segments loss ratio increased to 63.1% and 62.8% for the three and nine months ended September 30, 2010 compared to 61.1% and 62.5% for the same periods in 2009.

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Commission and Other Acquisition Expenses. Commission and other acquisition expenses increased by $9.8 million or 33.4% and $19.9 million or 22.5% for the three and nine months ended September 30, 2010 compared to the same periods in 2009, respectively. The increase in commissions and other acquisition expenses is consistent with the increase in earned premiums.

General and Administrative Expenses. General and administrative expenses decreased by $0.6 million for the three and nine months ended September 30, 2010 compared to the same period in 2009. The decrease reflects the continued diversification of the Company's overall book of business among different segments and the resulting decreased allocation of overhead expenses to this segment in 2010 as compared to 2009.

ACAC Quota Share Segment

This segment commenced on March 1, 2010. Please refer to the above discussion of the ACAC Transaction. For the three months ended September 30, 2010, the combined ratio was 96.6% and for the period from March 1 to September 30, 2010, the combined ratio was 96.7%, consisting of a loss ratio of 62.5% and an expense ratio of 34.2%.

	For the Three Months Ended September 30,		For the period March 1, to September 30,	
	2010	2009	2010	2009
	($ in Millions)			
Net premiums written	$ 58.7	$ —	$ 147.7	$ —
Net premiums earned	$ 46.4	$ —	$ 68.8	$ —
Net losses and loss expenses	(29.0)	—	(43.0)	—
Commissions and other acquisition expenses	(15.7)	—	(23.4)	—
General and administrative expenses	(0.1)	$ —	(0.1)	—
Underwriting income	$ 1.6	$ —	$ 2.3	$ —
Net loss and loss expense ratio	62.5%	—%	62.5%	—%
Acquisition cost ratio	33.9%	—%	34.0%	—%
General and administrative expense ratio	0.2%	—%	0.2%	—%
Expense ratio	34.1%	— %	34.2%	— %
Combined ratio	96.6%	— %	96.7%	— %

Premiums. The table below details components of net premiums written and earned for the three months ended September 30, 2010 and for the period from March 1 to September 30, 2010:

	For the Three Months Ended September 30,		For the period March 1, to September 30,	
	Written Premium 2010	Earned Premium 2010	Written Premium 2010	Earned Premium 2010
	($ in Millions)			
Automobile liability	$ 33.6	$ 26.0	$ 84.5	$ 38.6
Automobile physical damage	25.1	20.4	63.2	30.2
Total ACAC Quota Share	$ 58.7	$ 46.4	$ 147.7	$ 68.8

Liquidity and Capital Resources

Liquidity

Maiden Holdings is a holding company and transacts no business of its own. We therefore rely on cash flows to Maiden Holdings in the form of dividends, advances and loans and other permitted distributions from its subsidiary companies to make dividend payments on its common shares.

The jurisdictions in which our operating subsidiaries are licensed to write business impose regulations requiring companies to maintain or meet various defined statutory ratios, including solvency and liquidity requirements. Some jurisdictions also place restrictions on the declaration and payment of dividends and other distributions.

The payment of dividends from Maiden Holdings' Bermuda-domiciled operating subsidiary Maiden Bermuda is, under certain circumstances, limited under Bermuda law, which requires our Bermuda operating subsidiary to maintain certain measures of solvency and liquidity. In addition, Bermuda regulations require prior approval from the Bermuda Monetary Authority for any reduction of capital in excess of 15% of statutory capital, as defined in the Bermuda Insurance Act of 1978 and related regulations. At September 30, 2010, the statutory capital and surplus of Maiden Bermuda was $655.9 million, and the amount of capital and surplus required to be maintained was $484.7 million. During 2010 and 2009, Maiden Bermuda paid no dividends to Holdings.

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Maiden Holdings' U.S. domiciled operating subsidiaries, Maiden US and Maiden Specialty, are subject to significant regulatory restrictions limiting their ability to declare and pay dividends by their states of domicile, which are Missouri and North Carolina, respectively. In addition, there are restrictions based on risk-based capital tests which are the threshold that constitutes the authorized control level. If Maiden US or Maiden Specialty's statutory capital and surplus falls below the authorized control level, their respective domiciliary insurance regulators are authorized to take whatever regulatory actions are considered necessary to protect policyholders and creditors. The inability of the subsidiaries of Maiden Holdings to pay dividends and other permitted distributions could have a material adverse effect on Maiden Holdings' cash requirements and ability to make principal, interest and dividend payments on its senior notes and common shares. During 2010 and 2009, Maiden US and Maiden Specialty paid no dividends.

Our sources of funds primarily consist of premium receipts net of commissions, investment income, net proceeds from capital raising activities, which may include the issuance of common shares, and proceeds from sales and redemption of investments. Cash is used primarily to pay losses and loss expenses, general and administrative expenses and dividends, with the remainder made available to our investment managers for investment in accordance with our investment policy. A summary of cash flows from and (used) in operating, investing and financing activities for the nine months ended September 30, 2010 and 2009 is as follows:

	September 30, 2010	September 30, 2009
	($ in Millions)	
Operating activities	$ 114.2	$ (11.2)
Investing activities	87.6	(144.2)
Financing activities	(39.4)	117.2
Effect of foreign exchange on cash	(0.3)	0.9
Total increase in cash and cash equivalents	$ 162.1	$ (37.3)

Cash flows provided by operations for the nine months ended September 30, 2010 were $114.2 million compared to cash flow used in operations of $11.2 million for the nine months ended September 30, 2009. The increase in net premiums written offset by a slightly higher combined ratio accounted for the change in operating cash flow.

Investing cash flows consist primarily of proceeds on the sale of investments and payments for investments acquired. We generated $87.6 million in net cash from investing activities during the nine months ended September 30, 2010 compared to using $144.2 million for the nine months ended September 30, 2009. This reflects the sales of certain securities which had not been reinvested by quarter-end due to the decline in interest rates which limited our reinvestment opportunities along with increased prepayments of certain mortgage-backed securities, also brought about by the decline in interest rates.

Cash flows used by financing activities were $39.4 million for the nine months ended September 30, 2010 compared to $117.2 million provided by financing activities for the nine months ended September 30, 2009. In 2010, cash flow used consisted of dividends paid of $13.7 million and the repayment of $25.7 million of the proceeds from the securities sold under agreements to repurchase, at contract value. Cash flows provided by financing activities for the nine months ended September 30, 2009 were the TRUPS Offering (net of expenses) of $255.7 million, reduced by dividends paid of $12.0 million and the repayment of $126.6 million of the proceeds from the securities sold under agreements to repurchase, at contract value.

At September 30, 2010, the Company has cash and cash equivalents (including restricted cash and cash equivalents) totaling $488.4 million, which was an increase from $347.5 million at June 30, 2010 and $252.3 million at December 31, 2009. The increase was due to a significant increase in cash flow from operations and investing activities in the three and nine months ended September 30, 2010. The continuing increase in cash and cash equivalents reflects a challenging fixed income security market place, where significant price appreciation has reduced yields to historically low levels. The continuing sharp decline in interest rates, the combined result of slower than anticipated economic growth particularly in the United States and aggressive monetary policy by central banks worldwide, both of which are expected to continue for the foreseeable future, has limited the amount and type of fixed income investments the Company has made and believes are consistent with its investment philosophy. Further, the Company believes the current interest rate environment presents significant interest rate risk over the intermediate term, making longer duration fixed income investments potentially more volatile than both historical and recent experience would indicate.

As a result, the Company has been deploying its accumulated cash and cash equivalents in a measured and deliberate manner, as to date it continues to believe that its investment philosophy and the portfolio's duration are appropriate. As a result, despite the continuing increase in the Company's investable assets, now totaling $2.2 billion as of September 30, 2010 as compared to $2.1 billion as of December 31, 2009, the Company's investment income declined in the third quarter 2010 compared to the second quarter 2010 and prospectively may not grow at a pace commensurate with the increase in investable assets over the coming quarters. The Company will continue to deploy its cash as quickly and as prudently as investment opportunities consistent with its investment philosophy present themselves.

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Restrictions, Collateral and Specific Requirements

Maiden Bermuda is neither licensed nor admitted as an insurer, nor is it accredited as a reinsurer, in any jurisdiction in the United States. As a result, it is generally required to post collateral security with respect to any reinsurance liabilities it assumes from ceding insurers domiciled in the United States in order for U.S. ceding companies to obtain credit on their U.S. statutory financial statements with respect to insurance liabilities ceded to them. Under applicable statutory provisions, the security arrangements may be in the form of letters of credit, reinsurance trusts maintained by trustees or funds-withheld arrangements where assets are held by the ceding company.

At this time, Maiden Bermuda uses trust accounts primarily to meet collateral requirements – cash equivalents and investments pledged in favor of ceding companies in order to comply with relevant insurance regulations.

Maiden US also offers to its clients, on a voluntary basis, the ability to collateralize certain liabilities related to the reinsurance contracts it issues. Under these arrangements, Maiden U.S. retains broad investment discretion in order to achieve its business objectives while offering clients the additional security a collateralized arrangement offers. We believe this offers the Company a significant competitive advantage and improves the Company's retention of high-quality clients. As a result of the transition of relationships as a result of the GMAC Acquisition, as of September 30, 2010, certain of these liabilities and collateralized arrangements are recorded in Maiden Bermuda while the remaining are recorded in Maiden US.

As of September 30, 2010, total trust account deposits were $1,468.5 million compared to $1,375.6 million as of December 31, 2009. The following table details additional information on the trust account deposits by segment and by underlying asset as of September 30, 2010 and December 31, 2009:

	September 30, 2010			December 31, 2009		
	Cash & Equivalents	Fixed Maturities	Total	Cash & Equivalents	Fixed Maturities	Total
			($ in Millions)			
Maiden US	$ 79.0	$ 483.7	$ 562.7	$ 38.6	$ 258.9	$ 297.5
Maiden Bermuda	85.1	478.5	563.6	94.8	776.3	871.1
Total Diversified Reinsurance Segment	164.1	962.2	1,126.3	133.4	1,035.2	1,168.6
Maiden Bermuda	54.8	287.4	342.2	11.5	195.5	207.0
Total AmTrust Quota Share Segment	54.8	287.4	342.2	11.5	195.5	207.0
Total	$ 218.9	$ 1,249.6	$ 1,468.5	$ 144.9	$ 1,230.7	$ 1,375.6

As part of the AmTrust Quota Share, Maiden Bermuda has also loaned funds totaling $168.0 million as of September 30, 2010 and December 31, 2009, respectively, to AII to satisfy collateral requirements. In addition, Maiden Bermuda has outstanding letters of credit totaling $23.2 million and $19.6 million as of September 30, 2010 and December 31, 2009, respectively.

Collateral arrangements with ceding insurers may subject our assets to security interests or require that a portion of our assets be pledged to, or otherwise held by, third parties. Both our trust accounts and letter of credit are fully collateralized by assets held in custodial accounts. Although the investment income derived from our assets while held in trust accrues to our benefit, the investment of these assets is governed by the terms of the letter of credit facilities or the investment regulations of the state or territory of domicile of the ceding insurer, which may be more restrictive than the investment regulations applicable to us under Bermuda law. The restrictions may result in lower investment yields on these assets, which may adversely affect our profitability.

We do not currently anticipate that the restrictions on liquidity resulting from restrictions on the payments of dividends by our subsidiary companies or from assets committed in trust accounts or to collateralize the letter of credit facilities will have a material impact on our ability to carry out our normal business activities, including, our ability to make dividend payments on our common shares.

Investments

Our funds are primarily invested in liquid, high-grade fixed income securities. The table below shows the aggregate amounts of our invested assets at fair value at September 30, 2010 and December 31, 2009:

September 30, 2010	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		($ in Millions)		
Fixed Maturities:				
U.S. Treasury bonds	$ 43.6	$ 1.6	$ —	$ 45.2
U.S. Agency bonds – mortgage and asset-backed	678.9	27.5	—	706.4
U.S. Agency bonds – other	67.7	2.4	—	70.1
Corporate fixed maturities	674.2	57.8	(13.8)	718.2
Municipal bonds	41.0	1.5	—	42.5
Total available-for-sale fixed maturities	1,505.4	90.8	(13.8)	1,582.4
Other investments	5.5	—	—	5.5
Total investments	$ 1,510.9	$ 90.8	$ (13.8)	$ 1,587.9

December 31, 2009	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Gains	Fair Value
		($ in Millions)		
Fixed Maturities:				
U.S. Treasury bonds	$ 39.3	$ 0.2	$ (0.3)	$ 39.2
U.S. Agency bonds – mortgage and asset-backed	779.4	17.5	(2.3)	794.6
U.S. Agency bonds – other	217.2	4.8	(0.5)	221.5
Corporate fixed maturities	564.8	38.0	(20.1)	582.7
Municipal bonds	22.7	1.0	—	23.7
Total available-for-sale fixed maturities	1,623.4	61.5	(23.2)	1,661.7
Other investments	5.7	—	(0.1)	5.6
Total investments	$ 1,629.1	$ 61.5	$ (23.3)	$ 1,667.3

Despite the growth in premium and significant improvement in cash flow from operations in 2010 as compared to 2009, total investments in fixed maturities were relatively unchanged at September 30, 2010 as compared to 2009. As noted in the section on Liquidity and Cash Flow, the Company experienced a significant increase in cash flow from operations and investing activities in the three and nine months ended September 30, 2010 as compared to the same periods in 2009, respectively, but had not as yet fully invested this cash flow in fixed maturity investments. This increase in cash and cash and equivalents may limit the continuing increases in investment income until these elevated levels of cash and cash equivalents are fully invested.

The Company may, from time to time, engage in investment activity that will be considered trading activity, in amounts generally less than $100 million. This trading activity is generally focused on taking long or short positions in United States Treasury securities. These activities, which commenced in the second quarter of 2010 are classified as trading for the purpose of augmenting where possible investment returns. As of September 30, 2010, the Company maintained one open position in a U.S. treasury bond sold but not yet purchased valued at $54.3 million which resulted in an unrealized loss of $2.0 million and $4.7 million for the three and nine months ended September 30, 2010, which is recorded in net realized and unrealized gains (losses) on the Company’s consolidated statements of income.

As noted in the section in Liquidity and Cash Flow, the company has sold certain securities with shorter durations and embedded gains while also trading certain U.S. Treasury securities in both long and short positions, which has resulted in increased trades with gain and loss activity. These gains and losses can be further analyzed as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Realized gains (losses) on available-for-sale securities	$ 3.5	$ —	$ 7.7	$ (0.3)
Realized gains (losses) from trading securities	0.3	—	(0.3)	—
Other investments	(0.3)	(0.1)	(0.2)	(0.1)
Unrealized loss from investment sold but not yet purchased	(1.9)	—	(4.7)	—
Total	$ 1.6	$ (0.1)	$ 2.5	$ (0.4)

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The following table presents information regarding our invested assets that were in an unrealized loss position at September 30, 2010 and December 31, 2009 by the amount of time in a continuous unrealized loss position:

September 30, 2010	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
			($ in Millions)			
Available-for-sale securities:						
U.S. treasury bonds	$ –	$ –	$ –	$ –	$ –	$ –
U.S. agency bonds – mortgage and asset - backed	2.5	–	1.9	–	4.4	–
U.S. agency bonds – other	–	–	–	–	–	–
Corporate fixed maturities	36.6	(0.9)	153.4	(12.9)	190.0	(13.8)
Municipal bonds	9.2	–	–	–	9.2	–
Total available-for-sale fixed maturities	$ 48.3	$ (0.9)	$ 155.3	$ (12.9)	$ 203.6	$ (13.8)
Other investments	$ 4.7	$ –	$ –	$ –	$ 4.7	$ –
Total	$ 53.0	$ (0.9)	$ 155.3	$ (12.9)	$ 208.3	$ (13.8)

As of September 30, 2010, there were approximately 20 securities in an unrealized loss position with a fair value of $208.3 million and unrealized losses of $13.8 million. Of these securities, there are 10 securities that have been in an unrealized loss position for 12 months or greater with a fair value of $155.3 million and unrealized losses of $12.9 million.

December 31, 2009	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
			($ in Millions)			
Available-for-sale securities:						
U.S. treasury bonds	$ 8.6	$ (0.3)	$ –	$ –	$ 8.6	$ (0.3)
U.S. agency bonds – mortgage and asset - backed	235.0	(2.3)	0.7	–	235.7	(2.3)
U.S. agency bonds – other	59.5	(0.5)	–	–	59.5	(0.5)
Corporate fixed maturities	11.7	(0.6)	193.7	(19.5)	205.4	(20.1)
Total available-for-sale fixed maturities	$ 314.8	$ (3.7)	$ 194.4	$ (19.5)	$ 509.2	$ (23.2)
Other investments	$ –	$ –	$ 4.9	$ (0.1)	$ 4.9	$ (0.1)
Total	$ 314.8	$ (3.7)	$ 199.3	$ (19.6)	$ 514.1	$ (23.3)

As of December 31, 2009, there were approximately 34 securities in an unrealized loss position with a fair value of $514.1 million and unrealized losses of $23.3 million. Of these securities, there are 14 securities that have been in an unrealized loss position for 12 months or greater with a fair value of $199.3 million and unrealized losses of $19.6 million.

The following table summarizes the fair value by contractual maturity of our fixed maturity investment maturity distribution of our fixed income portfolio (on a fair value basis) as of September 30, 2010 and December 31, 2009 was as follows:

	September 30, 2010	December 31, 2009

	($ in Millions)	% of Total	($ in Millions)	% of Total
Due in one year or less	$ 97.1	6.1%	$ 159.4	9.6%
Due after one year through five years	175.3	11.1%	222.4	13.4%
Due after five years through ten years	525.1	33.2%	366.7	22.1%
Due after ten years	78.5	5.0%	118.6	7.1%
U.S. agency bonds - mortgage-backed securities	706.4	44.6%	794.6	47.8%
Total	$ 1,582.4	100.0%	$ 1,661.7	100.0%

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As of September 30, 2010 and December 31, 2009, more than 99% of our fixed income portfolio consisted of investment grade securities. We define a security as being below-investment grade if it has an S&P credit rating of BB or less. The following table summarizes the composition of the fair value of our fixed maturity investments at the dates indicated by ratings as assigned by Standard & Poor's ("S&P") and/or other rating agencies when S&P ratings were not available:

Ratings as of September 30, 2010	Amortized Cost	Fair Market Value ($ in Millions)	% of Total Fair Market Value
U.S. treasury bonds	$ 43.6	$ 45.2	2.9%
AAA U.S. agency bonds – mortgage backed securities	678.9	706.4	44.6%
AAA	129.2	136.1	8.6%
AA+, AA, AA-	72.7	79.0	5.0%
A+, A, A-	326.6	333.5	21.1%
BBB+, BBB, BBB-	248.3	275.6	17.4%
B or lower	6.1	6.6	0.4%
Total	$ 1,505.4	$ 1,582.4	100.0%

Ratings as of December 31, 2009	Amortized Cost	Fair Market Value ($ in Millions)	% of Total Fair Market Value
U.S. treasury bonds	$ 39.3	$ 39.2	2.4%
AAA U.S. agency bonds – mortgage backed securities	779.4	796.6	47.9%
AAA	265.6	272.2	16.4%
AA+, AA, AA-	51.6	57.4	3.4%
A+, A, A-	290.0	285.4	17.2%
BBB+, BBB, BBB-	187.6	201.4	12.1%
B or lower	9.9	9.5	0.6%
Total	$ 1,623.4	$ 1,661.7	100.0%

The Company holds no asset-backed securities or sovereign securities of foreign governments. The majority of the Company's U.S. government agency-based securities holdings are mortgage-backed securities. Additional details on the mortgage-backed securities component of our U.S. government agency-based investment portfolio at September 30, 2010 and December 31, 2009 are provided below:

	September 30, 2010		December 31, 2009	
	Fair Value	% of Total	Fair Value	% of Total
	($ in Millions)			
Mortgage-backed securities				
Residential mortgage-backed (RMBS)				
GNMA – Fixed Rate	$ 302.9	39.0%	$ 333.1	32.8%
FNMA – Fixed Rate	151.9	19.6%	125.5	12.3%
FNMA – Variable Rate	87.7	11.3%	135.7	13.4%
FHLMC – Fixed Rate	162.0	20.9%	200.3	19.7%
FHLMC – Variable Rate	1.9	0.2%	–	–%
Total agency RMBS	706.4	91.0%	794.6	78.2%
Commercial mortgage-backed	–	–%	–	–%
Total mortgage-backed securities	706.4	91.0%	794.6	78.2%

Non-MBS fixed rate Agency securities		70.1	9.0%		221.5	21.8%
Total U.S. Agency bonds	$	776.5	100.0%	$	1,016.1	100.0%

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The Company has also increased its holdings of corporate securities in 2010 and 2009 to take advantage of various investment opportunities in this asset class. As of September 30, 2010 and December 31, 2009, 34.3% and 46.8% of its corporate securities were variable rate securities. Security holdings by sector in this asset class as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010		December 31, 2009	
	Fair Value	% of Total	Fair Value	% of Total
Corporate Securities		($ in Millions)		
Financial Institutions	$ 525.2	73.1%	$ 430.4	73.9%
Industrials	138.4	19.3%	108.6	18.6%
Utilities/Other	54.6	7.6%	43.7	7.5%
Total Corporate Securities	$ 718.2	100.0%	$ 582.7	100.0%

As of September 30, 2010 and December 31, 2009, the Company has $2.6 million and $0, respectively, in fixed maturity investments that are guaranteed by third parties all of which are guaranteed by Assured Guaranty Corp. The Company also has no direct exposure to third party guarantors as of September 30, 2010 or December 31, 2009.

Financial Strength Ratings

Financial strength ratings represent the opinions of rating agencies on our capacity to meet our obligations. Some of our reinsurance treaties contain special funding and termination clauses that are triggered in the event that we or one of our subsidiaries is downgraded by one of the major rating agencies to levels specified in the treaties, or our capital is significantly reduced. If such an event were to happen, we would be required, in certain instances, to post collateral in the form of letters of credit and/or trust accounts against existing outstanding losses, if any, related to the treaty. In a limited number of instances, the subject treaties could be cancelled retroactively or commuted by the cedant and might affect our ability to write business. As of September 30, 2010, our financial strength rating from A.M. Best was A-.

Other Material Changes in Financial Position

The following summarizes other material changes in the financial position of the Company as of September 30, 2010 and December 31, 2009.

	September 30, 2010	December 31, 2009
	($ in Millions)	
Reinsurance balances receivable	$ 244.4	$ 211.3
Prepaid reinsurance	31.6	28.8
Deferred acquisition costs	187.2	173.0
Reserve for loss and loss adjustment expenses	(1,093.9)	(1,006.3)
Unearned premiums	(628.2)	(583.5)

The increase in reinsurance balances receivable and unearned premium reflects the growth in net premiums written in the AmTrust and ACAC Quota Shares in the first nine months of 2010.

Capital Resources

Capital resources consist of funds deployed or available to be deployed in support of our business operations. Our total capital resources at September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010	December 31, 2009
	($ in Millions)	
Junior subordinated debt	$ 215.2	$ 215.1
Shareholders' equity	758.4	676.5
Total capital resources	$ 973.6	$ 891.6
Ratio of debt to total capitalization	22.1%	24.1%

As of September 30, 2010, our shareholders' equity was $758.4 million, a 12.1% increase compared to $676.5 million as of December 31, 2009. The increase was due primarily to net income for the nine months ended September 30, 2010 of $50.7 million and unrealized gains on investments of $44.2 million offset by dividends declared of $13.8 million.

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On January 20, 2009, as part of the TRUPS Offering the Company established a special purpose trust for the purpose of issuing trust preferred securities. This involved private placement of 260,000 units (the “Units”), each Unit consisting of $1,000 principal amount of capital securities (the “Trust Preferred Securities”) of Maiden Capital Financing Trust (the “Trust”) and 45 common shares, $.01 par value, of the Company (the “Common Shares”), for a purchase price of $1,000.45 per Unit.

As part of the transaction, the Company issued 11,700,000 common shares to the purchasers of the Trust Preferred Securities. The Trust Preferred Securities mature in 2039 and carry an interest rate of 14% and an effective rate of interest of 16.76%. The proceeds from such issuances, together with the proceeds of the related issuances of common securities of the trusts, were invested by the trusts in subordinated debentures issued by the Company. The gross proceeds to the Company were approximately $260.1 million in the form of junior subordinated debt, before approximately $4.3 million of placement agent fees and expenses.

Under the terms of the TRUPS Offering, the Company can repay the principal balance in full or in part at any time. However, if the Company repays such principal within five years of the date of issuance, it is required to pay an additional amount equal to one full year of interest on the amount of Trust Preferred Securities repaid. If the full amount of the Trust Preferred Securities were repaid within five years of the date of issuance, the additional amount due would be $36.4 million, which would be a reduction in earnings.

Further, the value of the common shares issued to purchasers of the Trust Preferred Securities are being carried as a reduction of the liability for the Trust Preferred Securities with the value being amortized against the Company’s earnings over the 30-year term of the Trust Preferred Securities. At September 30, 2010, the unamortized amount carried as a reduction of the Company’s liability for the Trust Preferred Securities was $44.8 million. If the Company were to repay the Trust Preferred Securities in full or in part at any time prior to their maturity date, the Company would have to recognize a commensurate amount as a reduction of earnings at that time.

On September 20, 2010 (the “Effective Date”), the Company entered into separate Warrant Exchange Agreement with each of its founders, namely Barry Zyskind, a director of the Company, Michael Karfunkel, and George Karfunkel. Michael Karfunkel and George Karfunkel are not directors, officers, employees or consultants of the Company. Under the terms of the Warrant Exchange Agreements, each individual agreed to surrender the warrant held by him issued by the Company on June 14, 2007 for the purchase of an aggregate of 1,350,000 of the Company’s common shares at $10.00 per share, in exchange for 600,000 of the Company’s common shares. On the Effective Date, the warrants were accepted for exchange by the Company, and the Company issued the common shares to the individuals listed above. The shares are subject to a Lockup Agreement, as described below. The terms of the exchange of the warrants and issuance of the common shares were negotiated and unanimously approved by the Audit and Compensation Committees of the Company’s Board of Directors. In connection with their review, the Committees were advised by independent legal counsel and obtained an independent appraisal of the fair value of the warrants and the restricted shares.

On September 20, 2010, as a condition to the exchange for common shares, the Company entered into separate Lockup Agreements with each of the individuals listed above. Under the terms of the Lockup Agreements with Messrs. Zyskind, Karfunkel and Karfunkel, pursuant to which each individual agreed that for a period of 36 months following the Effective Date he will not, without the prior written consent of the Company, directly or indirectly, (A) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares acquired by the shareholder as a result of the warrant exchange, or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the shares acquired in the warrant exchange.

Currency and Foreign Exchange

The Company's reporting currency is the U.S. dollar. The Company has exposure to foreign currency risk as certain portions of the Diversified Reinsurance and AmTrust Quota Share segment, including underwriting reinsurance exposures, collecting premiums and paying claims and other operating expenses in currencies other than the U.S. dollar and holding certain net assets in such currencies. The Company's most significant foreign currency exposure is to the British pound. The Company may, from time to time, experience losses resulting from fluctuations in the values of foreign currencies, which could have an effect on the Company's results of operations. During 2010, foreign exchange markets have experienced elevated levels of volatility due to ongoing and deepening structural governmental deficits in many countries around the world, which may continue in the near term based on consensus economic outlooks.

We measure monetary assets and liabilities denominated in foreign currencies at year end exchange rates, with the resulting foreign exchange gains and losses recognized in the Consolidated Statements of Operations. Revenues and expenses in foreign currencies are converted at average exchange rates during the year. The effect of the translation adjustments for foreign operations is included in accumulated other comprehensive income.

Net foreign exchange gains and (losses) amounted to $1.2 million and $(0.4) million during the three and nine months ended September 30, 2010 compared to gains of $0.2 million and $2.4 million during the same periods in 2009, respectively.

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Effects of Inflation

The effects of inflation are considered implicitly in pricing and estimating reserves for unpaid losses and loss expenses. The effects of inflation could cause the severity of claims to rise in the future. To the extent inflation causes these costs, particularly medical treatments and litigation costs, to increase above reserves established for these claims, the Company will be required to increase the reserve for losses and loss expenses with a corresponding reduction in its earnings in the period in which the deficiency is identified. The actual effects of inflation on the results of operations of the Company cannot be accurately known until claims are ultimately settled.

Off-Balance Sheet Arrangements

As of September 30, 2010, we did not have any off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Recent Accounting Pronouncements

See Item 1, Note 2 to the Consolidated Financial Statements for a discussion on recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk that we will incur losses in our investments due to adverse changes in market rates and prices. Market risk is directly influenced by the volatility and liquidity in the market in which the related underlying assets are invested. We believe that we are principally exposed to two types of market risk: changes in interest rates and changes in credit quality of issuers of investment securities and reinsurers.

Interest Rate Risk

Interest rate risk is the risk that we may incur economic losses due to adverse changes in interest rates. The primary market risk to the investment portfolio is interest rate risk associated with investments in fixed maturity securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. At September 30, 2010, we had fixed maturity securities with a fair value of $1,582.4 million that are subject to interest rate risk.

The table below summarizes the interest rate risk associated with our fixed maturity securities by illustrating the sensitivity of the fair value and carrying value of our fixed maturity securities as of September 30, 2010 to selected hypothetical changes in interest rates, and the associated impact on our stockholders' equity. Temporary changes in the fair value of our fixed maturity securities that are held as available-for-sale do impact the carrying value of these securities and are reported in our shareholders' equity as a component of other comprehensive income. The selected scenarios in the table below are not predictions of future events, but rather are intended to illustrate the effect such events may have on the fair value and carrying value of our fixed maturity securities and on our shareholders' equity, as of September 30, 2010.

Hypothetical Change in Interest Rates	Fair Value	Estimated Change in Fair Value	Hypothetical Percentage Increase (Decrease) in Shareholders' Equity
	($ in Millions)		
200 basis point increase	$ 1,479.3	$ (103.1)	(13.6)%

100 basis point increase	1,534.2	(48.2)	(6.4)%
No change	1,582.4	—	—%
100 basis point decrease	1,620.5	38.1	5.0%
200 basis point decrease	1,647.2	64.8	8.5%

The impact of a hypothetical change in interest rates on the $168 million loan to related party, which carries an interest rate of one month LIBOR plus 90 basis points, of a fluctuation of 100 and 200 basis points in LIBOR would be an increase or decrease in our earnings and cash flows of $1.7 million and $3.4 million, respectively, on an annual basis, depending on the direction of the change in LIBOR, but it would not increase or decrease the carrying value of the loan.

Credit Risk

In providing reinsurance, we will have premiums receivable subject to credit risk of the ceding company. The Company has exposure to credit risk as it relates to its reinsurance balances receivable and reinsurance recoverable on paid and unpaid losses. Reinsurance balances receivable from the Company's clients at September 30, 2010 were $244.4 million, including balances currently due and accrued. The Company believes that credit risk related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process and monitoring of aged receivable balances. In addition, as the vast majority of its reinsurance agreements permit the Company the right to offset reinsurance balances receivable from clients against losses payable to them, the Company believes that the credit risk in this area is substantially reduced. Our credit risk results from our insureds' potential inability to meet their premium obligations.

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We also are exposed to credit risk on our investment portfolio. Our credit risk is the potential loss in market value resulting from adverse change in the borrower's ability to repay its obligations. Our investment objectives are to preserve capital, generate investment income and maintain adequate liquidity for the payment of claims and debt service, if any. We seek to achieve these goals by investing in a diversified portfolio of securities. We manage credit risk through regular review and analysis of the creditworthiness of all investments and potential investments. If we retrocede business to other reinsurers, we will have reinsurance recoverables subject to credit risk. To mitigate the risk of these counterparties' nonpayment of amounts due, we will establish business and financial standards for reinsurer approval, incorporating ratings and outlook by major rating agencies and considering then-current market information.

Further, we are subject to the credit risk that AII and/or AmTrust will fail to perform their obligations to pay interest on and repay principal of amounts loaned to AII pursuant to its loan agreement with Maiden Bermuda, and to reimburse Maiden Bermuda for any assets or other collateral of Maiden that AmTrust's U.S. insurance company subsidiaries apply or retain, and income on those assets.

Given the recent turmoil in the financial markets, we believe that there continues to be the potential for significant write-downs of our, and other insurers', invested assets in future periods if the ongoing turmoil in the financial markets were to persist for an extended period of time.

The U.S. dollar is our reporting currency and the functional currency of all of our operating subsidiaries. We enter into insurance and reinsurance contracts where the premiums receivable and losses payable are denominated in currencies other than the U.S. dollar. Assets in non-U.S. currencies are generally converted into U.S. dollars at the time of receipt. When we incur a liability in a non-U.S. currency, we carry such liability on our books in the original currency. These liabilities are converted from the non-U.S. currency to U.S. dollars at the time of payment. As a result, we have an exposure to foreign currency risk resulting from fluctuations in exchange rates. During 2010, foreign exchange markets have experienced elevated levels of volatility due to ongoing and deepening structural governmental deficits in many countries around the world, which may continue in the near term based on consensus economic outlooks.

As of September 30, 2010, 0.5% of our total investments and cash and cash equivalents were denominated in currencies other than the U.S. dollar compared to 0.6% as of December 31, 2009. For the nine months ended September 30, 2010 and 2009, approximately 12.4% and 10.9%, respectively, of our business written was denominated in currencies other than the U.S. dollar.

Our foreign exchange gains and (losses) for the three and nine months ended September 30, 2010 were $1.2 million and $(0.4) million in 2010 compared to gains of $0.2 million and $2.4 million for the same periods in 2009, respectively.

Off-Balance Sheet Transactions

We have no off-balance sheet arrangements or transactions with unconsolidated, special purpose entities.

Item 4. Controls and Procedures

Our management, with the participation and under the supervision of our principal executive officer and principal financial officer, has evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and has concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective. During the most recent fiscal quarter, there were no changes in the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit Number	Description
10.1	Warrant Exchange Agreement by and between Michael Karfunkel and Maiden Holdings, Ltd. as of September 20, 2010.
10.2	Warrant Exchange Agreement by and between George Karfunkel and Maiden Holdings, Ltd. as of September 20, 2010.
10.3	Warrant Exchange Agreement by and between Barry Zyskind and Maiden Holdings, Ltd. as of September 20, 2010.
10.4	Lockup Agreement by and between Michael Karfunkel and Maiden Holdings, Ltd. as of September 20, 2010.
10.5	Lockup Agreement by and between George Karfunkel and Maiden Holdings, Ltd. as of September 20, 2010.
10.6	Lockup Agreement by and between Barry Zyskind and Maiden Holdings, Ltd. as of September 20, 2010.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended September 30, 2010.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the quarter ended September 30, 2010.
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, for the quarter ended September 30, 2010.
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, for the quarter ended September 30, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAIDEN HOLDINGS, LTD.
(Registrant)

Date: November 9, 2010

/s/ ARTURO M. RASCHBAUM
Arturo M. Raschbaum
President and Chief Executive Officer
(Principal Executive Officer)

/s/ JOHN MARSHALECK
John Marshaleck
Chief Financial Officer
(Principal Financial and Accounting Officer)