

OXBRIDGE RE HOLDINGS Ltd  
Form 10-Q  
May 15, 2017

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended March 31, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-36346

OXBRIDGE RE HOLDINGS LIMITED  
(Exact name of registrant as specified in its charter)

Cayman Islands  
(State or other jurisdiction of  
incorporation or organization)

98-1150254  
(I.R.S. Employer  
Identification No.)

Strathvale House, 2nd Floor 90 North Church Street, Georgetown P.O. Box 469  
Grand Cayman, Cayman Islands  
(Address of principal executive offices)

KY1-9006  
(Zip Code)

Registrant's telephone number, including area code: (345) 749-7570

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

Yes            No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes            No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes            No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 12, 2017; 5,836,643 ordinary shares, par value \$0.001 per share, were outstanding.



OXBRIDGE RE HOLDINGS LIMITED

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

## Consolidated Balance Sheets

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

	At March 31, 2017	At December 31, 2016
	(Unaudited)	
Assets		
Investments:		
Fixed-maturity securities, available for sale, at fair value (amortized cost: \$10,027 and \$6,060, respectively)	\$10,021	6,051
Equity securities, available for sale, at fair value (cost: \$4,799 and \$5,543, respectively)	4,351	4,941
Total investments	14,372	10,992
Cash and cash equivalents	15,338	12,242
Restricted cash and cash equivalents	15,871	23,440
Accrued interest and dividend receivable	34	48
Premiums receivable	1,637	4,038
Deferred policy acquisition costs	68	88
Prepayment and other receivables	111	98
Property and equipment, net	49	54
Total assets	\$47,480	51,000
Liabilities and Shareholders' Equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$5,684	8,702
Loss experience refund payable	2,218	1,470
Unearned premiums reserve	2,044	3,461
Accounts payable and other liabilities	156	204
Total liabilities	10,102	13,837
Shareholders' equity:		
Ordinary share capital, (par value \$0.001, 50,000,000 shares authorized; 5,861,872 and 5,916,149 shares issued and outstanding)	6	6
Additional paid-in capital	32,727	33,034
Retained earnings	5,099	4,534

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Accumulated other comprehensive loss	(454)	(411)
Total shareholders' equity	37,378	37,163
Total liabilities and shareholders' equity	\$47,480	51,000

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





## OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

## Consolidated Statements of Income

(Unaudited)

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

	Three Months Ended	
	March 31,	
	2017	2016
Revenue		
Assumed premiums	\$880	503
Change in loss experience refund payable	(748)	(2,088)
Change in unearned premiums reserve	1,416	2,966
Net premiums earned	1,548	1,381
Net realized investment gains	2	56
Net investment income	86	94
Total revenue	1,636	1,531
Expenses		
Losses and loss adjustment expenses	(32)	63
Policy acquisition costs and underwriting expenses	63	61
General and administrative expenses	335	364
Total expenses	366	488
Net income	\$1,270	1,043
Earnings per share		
Basic and Diluted	\$0.22	0.17
Dividends paid per share	\$0.12	0.12

The accompanying Notes to Consolidated Financial Statements are an integral

part of the Consolidated Financial Statements.

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY  
 Consolidated Statements of Comprehensive Income  
 (Unaudited)  
 (expressed in thousands of U.S. Dollars)

	Three Months Ended	
	March 31,	
	2017	2016
Net income	\$1,270	1,043
Other comprehensive (loss) income:		
Change in unrealized loss on investments:		
Unrealized (loss) gain arising during the period	(41)	344
Reclassification adjustment for net realized gains included in net income	(2)	(56)
Net change in unrealized loss	(43)	288
Total other comprehensive (loss) income	(43)	288
Comprehensive income	\$1,227	1,331

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



## OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

## Consolidated Statements of Cash Flows

(Unaudited)

(expressed in thousands of U.S. Dollars)

	Three Months Ended	
	March 31,	
	2017	2016
Operating activities		
Net income	\$1,270	1,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	31	30
Net amortization of premiums on investments in fixed-maturity securities	21	-
Depreciation and amortization	5	5
Net realized investment gains	(2)	(56)
Change in operating assets and liabilities:		
Accrued interest and dividend receivable	14	(6)
Premiums receivable	2,401	2,462
Deferred policy acquisition costs	20	35
Prepayment and other receivables	(13)	(2)
Reserve for losses and loss adjustment expenses	(3,018)	63
Loss experience refund payable	748	2,088
Unearned premiums reserve	(1,417)	(2,965)
Accounts payable and other liabilities	(48)	(72)
Net cash provided by operating activities	\$12	2,625
Investing activities		
Change in restricted cash and cash equivalents	7,569	1,479
Purchase of fixed-maturity securities	(3,987)	(3,111)
Purchase of equity securities	(3,032)	(1,683)
Proceeds from sale of fixed-maturity and equity securities	3,577	1,447
Net cash provided by (used in) investing activities	\$4,127	(1,868)
Financing activities		
Repurchases of common stock under share repurchase plan	(338)	-
Dividends paid	(705)	(727)

Net cash used in financing activities	\$(1,043) (727)
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## OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Consolidated Statements of Cash Flows, continued

(Unaudited)

(expressed in thousands of U.S. Dollars)

	Three Months Ended	
	March 31,	
	2017	2016
Net change in cash and cash equivalents	3,096	30
Cash and cash equivalents at beginning of period	12,242	8,584
Cash and cash equivalents at end of period	\$15,338	8,614
Supplemental disclosure of cash flow information		
Interest paid	-	-
Income taxes paid	-	-
Non-cash investing activities		
Net change in unrealized loss on securities available for sale	(43)	288

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



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY  
Consolidated Statements of Changes in Shareholders' Equity (unaudited)  
Three Months Ended March 31, 2017 and 2016  
(expressed in thousands of U.S. Dollars, except per share and share amounts)

	Ordinary Share Capital		Additional Paid-in	Retained	Accumulated Other	Total Shareholders'
	Shares	Amount	Capital	Earnings	Comprehensive Loss	Equity
Balance at December 31, 2015	6,060,000	6	33,657	4,838	(1,474)	37,027
Cash dividends paid	-	-	-	(727)	-	(727)
Net income for the period	-	-	-	1,043	-	1,043
Stock-based compensation	-	-	30	-	-	30
Total other comprehensive income	-	-	-	-	288	288
Balance at March 31, 2016	6,060,000	6	33,687	5,154	(1,186)	37,661
Balance at December 31, 2016	5,916,149	6	33,034	4,534	(411)	37,163
Cash dividends paid	-	-	-	(705)	-	(705)
Repurchase and retirement of common stock under share repurchase plan	(54,277)	-	(338)	-	-	(338)
Net income for the period	-	-	-	1,270	-	1,270
Stock-based compensation	-	-	31	-	-	31
Total other comprehensive loss	-	-	-	-	(43)	(43)
Balance at March 31, 2017	5,861,872	6	32,727	5,099	(454)	37,378

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



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

1.

ORGANIZATION AND BASIS OF PRESENTATION

(a)

Organization

Oxbridge Re Holdings Limited was incorporated as an exempted company on April 4, 2013 under the laws of the Cayman Islands. Oxbridge Re Holdings Limited owns 100% of the equity interest in Oxbridge Reinsurance Limited (the "Subsidiary"), an entity incorporated on April 23, 2013 under the laws of the Cayman Islands and for which a Class "C" Insurer's license was granted on April 29, 2013 under the provisions of the Cayman Islands Insurance Law. Oxbridge Re Holdings Limited and the Subsidiary (collectively, the "Company") have their registered offices at P.O. Box 309, Uglan House, Grand Cayman, Cayman Islands.

The Company's ordinary shares and warrants are listed on The NASDAQ Capital Market under the symbols "OXBR" and "OXBRW," respectively.

The Company operates as a single business segment through the Subsidiary, which provides collateralized reinsurance to cover excess of loss catastrophe risks of various affiliated and non-affiliated ceding insurers, including Claddaugh Casualty Insurance Company, Ltd. ("Claddaugh") and Homeowners Choice Property & Casualty Insurance Company ("HCPCI"), which are related-party entities domiciled in Bermuda and Florida, respectively.

(b)

Basis of Presentation

The accompanying unaudited, consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and the Securities and Exchange Commission ("SEC") rules for interim financial reporting. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying interim consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the Company's consolidated financial position as of March 31, 2017 and the consolidated results of operations and cash flows for the periods presented. The consolidated results of operations for interim periods are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the fiscal year ended December 31, 2017. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 included in the Company's Form 10-K, which was filed with the SEC on March 13, 2017.

In preparing the interim unaudited consolidated financial statements, management was required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the financial reporting date and throughout the periods being reported upon. Certain of the estimates result from judgments that can be subjective and complex and consequently actual results may differ from these estimates, which would be reflected in future periods.



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the reserve for losses and loss adjustment expenses, which include amounts estimated for claims incurred but not yet reported. The Company uses various assumptions and actuarial data it believes to be reasonable under the circumstances to make these estimates. In addition, accounting policies specific to valuation of investments, assessment of other-than-temporary impairment ("OTTI") and loss experience refund payable involve significant judgments and estimates material to the Company's consolidated financial statements. Although considerable variability is likely to be inherent in these estimates, management believes that the amounts provided are reasonable. These estimates are continually reviewed and adjusted if necessary. Such adjustments are reflected in current operations.

All significant intercompany balances and transactions have been eliminated.

2.

SIGNIFICANT ACCOUNTING POLICIES

**Cash and cash equivalents:** Cash and cash equivalents are comprised of cash and short term investments with original maturities of three months or less.

**Restricted cash and cash equivalents:** Restricted cash and cash equivalents represent funds held in accordance with the Company's trust agreements with ceding insurers and trustees, which requires the Company to maintain collateral with a market value greater than or equal to the limit of liability, less unpaid premium.

**Investments:** The Company's investments consist of fixed-maturity securities and equity securities, and are classified as available-for-sale. The Company's investments are carried at fair value with changes in fair value included as a separate component of accumulated other comprehensive loss in shareholders' equity.

Unrealized gains or losses are determined by comparing the fair market value of the securities with their cost or amortized cost. Realized gains and losses on investments are recorded on the trade date and are included in the consolidated statements of income. The cost of securities sold is based on the specified identification method. Investment income is recognized as earned and discounts or premiums arising from the purchase of debt securities are recognized in investment income using the interest method over the remaining term of the security.

The Company reviews all securities for other-than-temporary impairment ("OTTI") on a quarterly basis and more frequently when economic or market conditions warrant such review. When the fair value of any investment is lower than its cost, an assessment is made to see whether the decline is temporary or other-than-temporary. If the decline is determined to be other-than-temporary the investment is written down to fair value and an impairment charge is recognized in income in the period in which the Company makes such determination. For a debt security that the Company does not intend to sell nor is it more likely than not that the Company will be required to sell before recovery of its amortized cost, only the credit loss component is recognized in income, while impairment related to all other factors is recognized in other comprehensive (loss) income. The Company considers various factors in determining whether an individual security is other-than-temporarily impaired (see Note 4).





OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

Fair value measurement: GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are as follows:

Level 1. Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2. Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3. Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. For debt securities, inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, broker quotes for similar securities and other factors. The fair value of investments in common stocks and exchange-traded funds is based on the last traded price. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company's investment custodians. The investment custodians consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant markets. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument.

Deferred policy acquisition costs ("DAC"): Policy acquisition costs consist of brokerage fees, federal excise taxes and other costs related directly to the successful acquisition of new or renewal insurance contracts, and are deferred and amortized over the terms of the reinsurance agreements to which they relate. The Company evaluates the recoverability of DAC by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognized. At March 31, 2017, the DAC was considered fully recoverable and no premium deficiency loss was recorded.

Property and equipment: Property and equipment are recorded at cost when acquired. Property and equipment are comprised of motor vehicles, furniture and fixtures, computer equipment and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for furniture and fixtures and computer equipment and four years for motor vehicles. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or remaining lease term. The Company periodically reviews property and equipment that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows. For the three-month period ended March 31, 2017, there were no impairments in property and equipment.



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

Allowance for uncollectible receivables: Management evaluates credit quality by evaluating the exposure to individual counterparties; where warranted management also considers the credit rating or financial position, operating results and/or payment history of the counterparty. Management establishes an allowance for amounts for which collection is considered doubtful. Adjustments to previous assessments are recognized as income in the year in which they are determined. At March 31, 2017, no receivables were determined to be overdue or impaired and, accordingly, no allowance for uncollectible receivables has been established.

Reserves for losses and loss adjustment expenses: The Company determines its reserves for losses and loss adjustment expenses on the basis of the claims reported by the Company's ceding insurers and for losses incurred but not reported ("IBNR"), management uses the assistance of an independent actuary. The reserves for losses and loss adjustment expenses represent management's best estimate of the ultimate settlement costs of all losses and loss adjustment expenses. Management believes that the amounts are adequate; however, the inherent impossibility of predicting future events with precision, results in uncertainty as to the amount which will ultimately be required for the settlement of losses and loss expenses, and the differences could be material. Adjustments are reflected in the consolidated statements of income in the period in which they are determined.

Loss experience refund payable: Certain contracts include retrospective provisions that adjust premiums or result in profit commissions in the event losses are minimal or zero. In accordance with GAAP, the Company will recognize a liability in the period in which the absence of loss experience obligates the Company to pay cash or other consideration under the contracts. On the contrary, the Company will derecognize such liability in the period in which a loss experience arises. Such adjustments to the liability, which accrue throughout the contract terms, will reduce the liability should a catastrophic loss event covered by the Company occur.

Premiums assumed: The Company records premiums assumed, net of loss experience refunds, as earned pro-rata over the terms of the reinsurance agreements and the unearned portion at the consolidated balance sheet date is recorded as unearned premiums reserve. A reserve is made for estimated premium deficiencies to the extent that estimated losses and loss adjustment expenses exceed related unearned premiums. Investment income is not considered in determining whether or not a deficiency exists.

Subsequent adjustments of premiums assumed, based on reports of actual premium by the ceding companies, or revisions in estimates of ultimate premium, are recorded in the period in which they are determined. Such adjustments are generally determined after the associated risk periods have expired, in which case the premium adjustments are fully earned when assumed.

Certain contracts allow for reinstatement premiums in the event of a full limit loss prior to the expiration of the contract. A reinstatement premium is not due until there is a full limit loss event and therefore, in accordance with GAAP, the Company records a reinstatement premium as written only in the event that the reinsured incurs a full limit loss on the contract and the contract allows for a reinstatement of coverage upon payment of an additional premium. For catastrophe contracts which contractually require the payment of a reinstatement premium equal to or greater than the original premium upon the occurrence of a full limit loss, the reinstatement premiums are earned over the original contract period. Reinstatement premiums that are contractually calculated on a pro-rata basis of the original premiums are earned over the remaining coverage period.



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

**Uncertain income tax positions:** The authoritative GAAP guidance on accounting for, and disclosure of, uncertainty in income tax positions requires the Company to determine whether an income tax position of the Company is more likely than not to be sustained upon examination by the relevant tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For income tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements, if any, is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The application of this authoritative guidance has had no effect on the Company's consolidated financial statements because the Company had no uncertain tax positions at March 31, 2017.

**Earnings per share:** Basic earnings per share has been computed on the basis of the weighted-average number of ordinary shares outstanding during the periods presented. Diluted earnings per share is computed based on the weighted-average number of ordinary shares outstanding and reflects the assumed exercise or conversion of diluted securities, such as stock options and warrants, computed using the treasury stock method.

**Stock-Based Compensation:** The Company accounts for stock-based compensation under the fair value recognition provisions of GAAP which requires the measurement and recognition of compensation for all stock-based awards made to employees and directors, including stock options and restricted stock issuances based on estimated fair values. The Company measures compensation for restricted stock based on the price of the Company's ordinary shares at the grant date. Determining the fair value of share purchase options at the grant date requires significant estimation and judgment. The Company uses an option-pricing model (Black-Scholes option pricing model) to assist in the calculation of fair value for share purchase options. The Company's shares have not been publicly traded for a sufficient length of time to solely use the Company's performance to reasonably estimate the expected volatility. Therefore, when estimating the expected volatility, the Company takes into consideration the historical volatility of similar entities. The Company considers factors such as an entity's industry, stage of life cycle, size and financial leverage when selecting similar entities. The Company uses a sample peer group of companies in the reinsurance industry as well as the Company's own historical volatility in determining the expected volatility. Additionally, the Company uses the full life of the options, ten years, as the estimated term of the options, and has assumed no forfeitures during the life of the options.

The Company uses the straight-line attribution method for all grants that include only a service condition. Compensation expense related to all awards is included in general and administrative expenses.



OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

Recent accounting pronouncements:

Accounting Standards Update No. 2016-18. In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Board ("ASU") 2016-18, "Statements of Cash Flows - Restricted Cash (Topic 230)" ("ASU 2016-18"). ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents in the consolidated statement of cash flows and disclose the nature of the restrictions on cash and cash equivalents. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company currently separately discloses the restrictions on cash and cash equivalents in Note 3 of the consolidated financial statements and expects to continue these disclosures since ASU 2016-18 does not change the requirement in Regulation S-X (Rule 5-02) to separately disclose cash and cash equivalents that have restrictions on withdrawal or use. The Company currently presents changes in restricted cash and cash equivalents under investing activities in the consolidated statements of cash flows. Upon adoption of ASU 2016-18, the Company will amend the presentation in the consolidated statement of cash flows to include the restricted cash and cash equivalents with cash and cash equivalents in the statements of cash flows and will retrospectively reclassify all periods presented.

Accounting Standards Update No. 2016-13. In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the guidance on reporting credit losses and affects loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have the contractual right to receive cash. The amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization for annual periods beginning after December 15, 2018 and interim periods within those annual periods. The Company is in the process of evaluating the impact of the requirements of ASU 2016-13 on the Company's consolidated financial statements and anticipates implementing ASU 2016-13 during the first quarter of fiscal year 2020.

Accounting Standards Update No. 2016-09. In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718), which affects all entities that issue share-based awards to their employees. Among the amendments affecting share-based payment transactions are their income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for all public entities for reporting periods beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company does not expect a material impact of this guidance on the Company's consolidated financial statements.

Accounting Standards Update No. 2016-02. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840 and creates the new lease accounting standards for lessees and lessors, primarily related to the recognition of lease assets and liabilities by lessees for leases classified as operating leases. ASU 2016-02 is effective for all public entities for reporting periods beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this guidance on the Company's consolidated financial statements.





## OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

March 31, 2017

Accounting Standards Update No. 2016-01. In January 2016, the FASB issued ASU 2016-01, Financial Instruments (Subtopic 825-10), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the changes is to require certain equity investments to be measured at fair value with changes in fair value recognized in net income. ASU 2016-01 is effective for all public entities for reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. For all other entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact of this guidance on the Company's consolidated financial statements.

Segment Information: Under GAAP, operating segments are based on the internal information that management uses for allocating resources and assessing performance as the source of the Company's reportable segments. The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance, in accordance with the qualitative and quantitative criteria established under GAAP.

Reclassifications: Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

## 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

	At March 31,	At December 31,
	2017	2016
	(in thousands)	
Cash on deposit	\$9,234	\$6,868
Cash held with custodians	6,104	5,374
Restricted cash held in trust	15,871	23,440
Total	31,209	35,682

Cash and cash equivalents are held by large and reputable counterparties in the United States of America and in the Cayman Islands. Restricted cash held in trust is custodied with Bank of New York Mellon and Wells Fargo Bank and is held in accordance with the Company's trust agreements with the ceding insurers and trustees, which require that the Company provide collateral having a market value greater than or equal to the limit of liability, less unpaid premium.

## 4. INVESTMENTS

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The Company holds investments in fixed-maturity securities and equity securities that are classified as available-for-sale. At March 31, 2017 and December 31, 2016, the cost or amortized cost, gross unrealized gains and losses, and estimated fair value of the Company's available-for-sale securities by security type were as follows:

	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value (\$000)
	(\$ in thousands)			
As of March 31, 2017				
Fixed-maturity securities				
U.S. Treasury and agency securities	\$10,027	\$27	\$(33)	\$10,021
Total fixed-maturity securities	10,027	27	(33)	10,021
Mutual funds	400	5	(1)	404
Preferred stocks	785	17	(1)	801
Common stocks	3,614	90	(558)	3,146
Total equity securities	4,799	112	(560)	4,351
Total available for sale securities	\$14,826	\$139	\$(593)	\$14,372
As of December 31, 2016				
Fixed-maturity securities				
U.S. Treasury and agency securities	\$6,060	\$28	\$(37)	\$6,051
Total fixed-maturity securities	6,060	28	(37)	6,051
Mutual funds	400	2	(6)	396
Preferred stocks	687	8	(4)	691
Common stocks	4,256	126	(528)	3,854
Total equity securities	5,343	136	(538)	4,941
Total available for sale securities	\$11,403	\$164	\$(575)	\$10,992

At March 31, 2017 and December 31, 2016, available-for-sale securities with fair value of \$7,484,000 and \$3,502,000, respectively, are held in trust accounts as collateral under reinsurance contacts with the Company's ceding insurers.



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INVESTMENTS (continued)

Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties. The scheduled contractual maturities of fixed-maturity securities at March 31, 2017 and December 31, 2016 are as follows:

	Amortized	Estimated
	Cost	Fair Value

(\$ in thousands)

As of March 31, 2017

Available for sale

Due within one year	\$6,040	6,036
Due after one year through five years	3,987	3,985
	\$10,027	\$10,021

As of December 31, 2016

Available for sale

Due within one year	\$2,970	\$2,998
Due after one year through five years	3,090	3,053
	\$6,060	\$6,051

Proceeds received, and the gross realized gains and losses from sales of available-for-sale securities, for the three months ended March 31, 2017 and 2016 were as follows:

	Gross	Gross	Gross
	proceeds from	Realized	Realized

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sales                      Gains                      Losses

(\$ in thousands)

Three Months Ended March 31, 2017

Fixed-maturity securities	\$-	\$-	\$-
Equity securities	\$3,577	\$192	\$(190)

Three Months Ended March 31, 2016

Fixed-maturity securities	\$-	\$-	\$-
Equity securities	\$1,447	\$188	\$(132)





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INVESTMENTS (continued)

The Company regularly reviews its individual investment securities for OTTI. The Company considers various factors in determining whether each individual security is other-than-temporarily impaired, including:

the financial condition and near-term prospects of the issuer, including any specific events that may affect its operations or income;

the length of time and the extent to which the market value of the security has been below its cost or amortized cost;

general market conditions and industry or sector specific factors;

nonpayment by the issuer of its contractually obligated interest and principal payments; and

the Company's intent and ability to hold the investment for a period of time sufficient to allow for the recovery of costs.

Securities with gross unrealized loss positions at March 31, 2017 and December 31, 2016, aggregated by investment category and length of time the individual securities have been in a continuous loss position, are as follows:

	Less Than Twelve		Twelve Months or		Total	
	Months	Greater	Months	Greater	Months	Greater
	Gross	Estimated	Gross	Estimated	Gross	Estimated
	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
	Loss	Value	Loss	Value	Loss	Value
	(\$ in thousands)		(\$ in thousands)		(\$ in thousands)	
As of March 31, 2017						

Fixed maturity securities

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U.S. Treasury and agency securities	3	3,985	30	3,039	33	7,024
Total fixed-maturity securities	3	3,985	30	3,039	33	7,024
Equity securities						
Mutual funds	1	199	-	-	1	199
Preferred stocks	1	199	-	-	1	199
All other common stocks	30	538	528	1,004	558	1,542
Total equity securities	32	936	528	1,004	560	1,940
Total available for sale securities \$	35	\$4,921	\$558	\$4,043	\$593	\$8,964

At March 31, 2017, there were 15 securities in an unrealized loss position of which 6 of these positions had been in an unrealized loss position for 12 months or greater.



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INVESTMENTS (continued)

	Less Than Twelve		Twelve Months or		Total	
	Months		Greater			
	Gross	Estimated	Gross	Estimated	Gross	Estimated
	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
As of December 31, 2016	Loss	Value	Loss	Value	Loss	Value
	(\$ in thousands)		(\$ in thousands)		(\$ in thousands)	
Fixed maturity securities						
U.S. Treasury and agency securities	37	3,053	-	-	37	3,053
Total fixed-maturity securities	37	3,053	-	-	37	3,053
Equity securities						
Mutual funds	6	193	-	-	6	193
Preferred stocks	4	396	-	-	4	396
All other common stocks	84	1,142	444	1,088	528	2,230
Total equity securities	94	1,731	444	1,088	538	2,819
Total available for sale securities \$	131	\$4,784	\$444	\$1,088	\$575	\$5,872

At December 31, 2016, there were 17 securities in an unrealized loss position of which 5 of these positions had been in an unrealized loss position for 12 months or greater.

The Company believes there were no fundamental issues such as credit losses or other factors with respect to its fixed-maturity securities. It is expected that the securities would not be settled at a price less than the par value of the

investments and because the Company has the ability and intent to hold these securities and it is probable that the Company will not be required to sell these securities until a market price recovery or maturity, the Company does not consider any of its fixed-maturity securities to be other-than-temporarily impaired at March 31, 2017 and December 31, 2016.

In determining whether equity securities are other than temporarily impaired, the Company considers its intent and ability to hold a security for a period of time sufficient to allow for the recovery of cost, along with factors including the length of time each security had been in an unrealized loss position, the extent of the decline and the near term prospect for recovery. Based on management's evaluation, the Company does not consider any of its equity securities to be other-than-temporarily impaired at March 31, 2017 and December 31, 2016.



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INVESTMENTS (continued)

Assets Measured at Estimated Fair Value on a Recurring Basis

The following table presents information about the Company's financial assets measured at estimated fair value on a recurring basis that is reflected in the consolidated balance sheets at carrying value. The table indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value as of March 31, 2017 and December 31, 2016:

Fair Value  
Measurements  
Using