

Greenlight Capital Re, Ltd.
Form S-1/A
May 22, 2007
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As filed with the Securities and Exchange Commission on May 22, 2007

Registration No. 333-139993

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

AMENDMENT NO. 5 TO FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Greenlight Capital Re, Ltd.

(Exact name of registrant as specified in its charter)

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

6331
(Primary Standard Industrial
Classification Number)

Not Applicable
(IRS Employer
Identification No.)

802 West Bay Road, The Grand Pavilion
Grand Cayman, KY1-1205
Cayman Islands

Telephone: (345) 745-4573

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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New York, New York 10036-6710
Telephone: (212) 299-5600

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

⁽²⁾Previously paid.

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

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

Subject to Completion, dated May 22, 2007

Preliminary Prospectus

10,250,000 shares

Class A Ordinary Shares

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

We applied to have our Class A Ordinary Shares included for quotation on the Nasdaq Global Select Market under the symbol "GLRE." Nasdaq has approved the Class A Ordinary Shares for listing, subject to notice of issuance, under the symbol "GLRE". We anticipate that the initial public offering price will be between \$16.00 and \$18.00 per share.

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

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

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

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

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

CITI
, 2007

DOWLING & PARTNERS SECURITIES

FOX-PITT, KELTON

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

of the time of delivery of this prospectus or of any sale of our Class A Ordinary Shares.

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

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

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

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

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

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

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

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SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A Ordinary Shares. You should carefully read

the entire prospectus, including “Risk Factors” and our financial statements and related notes, before you decide whether to invest in our Class A Ordinary Shares. References to “we,” “our,” “our company,” “us,” “Greenlight Re,” or “the Company” refer to Greenlight Capital Re, Ltd. and our wholly-owned subsidiary, Greenlight Reinsurance, Ltd., unless the context dictates otherwise. References to our “Ordinary Shares” refers collectively to our Class A Ordinary Shares and Class B Ordinary Shares. References to our “Articles” refer to the third amended and restated memorandum and articles of association of Greenlight Re. Investing in our Class A Ordinary Shares involves risks. See “Risk Factors.” For your convenience, we have included a glossary beginning on page G-1 of selected reinsurance terms. All dollar amounts referred to in this prospectus are in U.S. dollars unless otherwise indicated. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Greenlight Capital Re, Ltd.

Company Overview

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

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

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

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

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

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

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

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

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

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

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

How We Are Different from Traditional Reinsurers

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

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

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

Market Trends and Opportunities

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

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

business will present us with opportunities for the following reasons:

- a limited number of reinsurers underwrite casualty clash reinsurance;

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

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

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

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

Our Competitive Strengths

We believe we distinguish ourselves as follows:

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

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

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

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

Risks That Could Impact Our Business and Competitive Strengths

We face the following risks that could impact our business and competitive strengths:

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

investment portfolio is likely to be more volatile than traditional fixed-income portfolios that produce stable streams of income and the risk of loss is greater when compared with other reinsurance companies.

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

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

Our Strategy

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

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

to capitalize on attractive opportunities more efficiently than our competitors and provide superior client service.

Additional Risks Relating to Our Business and This Offering

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

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

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developments which may affect the industry’s and our profitability. These include trends of courts granting increasingly larger awards for certain damages, natural disasters, fluctuations in interest rates, changes in laws, changes in the investment environment that affect market prices of investments, inflationary pressures and other events that affect the size of premiums or losses companies and primary insurers experience.

- **We Are Dependent upon Letter of Credit Facilities.** Certain of our clients require us to obtain letters of credit or provide other collateral through funds withheld or trust arrangements as the jurisdictions in which they are incorporated will not permit them to take credit on their statutory financial statements without us posting a letter of credit or providing other collateral. The inability to renew, maintain or increase our letter of credit facility will significantly limit the amount of reinsurance we can write and may require us to modify our investment strategy. If we fail to renew, maintain or increase our letter of credit facilities, our ability to implement our business strategy could be significantly and negatively affected. We have established a \$200.0 million letter of credit facility. As of March 31, 2007, \$65.6 million in letters of credit were issued.
- **Exposure to Natural and Man-made Disasters May Expose Us to Significant Claims.** Our reinsurance operations expose us to claims arising out of unpredictable catastrophic events, such as hurricanes, hailstorms, tornados, windstorms, severe winter weather, earthquakes, floods, fires, explosions, volcanic eruptions and other natural and man-made disasters. Claims from catastrophic events could cause substantial volatility in our financial results and could have a material adverse effect on our financial condition and results of operations. As of March 31, 2007, our property catastrophe and casualty clash contracts accounted for 12.4% and 1.3% of our premiums written, respectively.
- **We May Not Qualify for an Exemption from the Investment Company Act.** We rely upon an exception under the Investment Company Act for a company organized and regulated as a foreign insurance company primarily and predominantly engaged in the reinsurance business. If this exception were deemed inapplicable, we would have to register under the Investment Company Act as an investment company, and as a result we likely would not be permitted to operate our business in the manner in which we currently operate.
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We May be Deemed to be a Passive Foreign Investment Company. Significant adverse tax consequences could result to our shareholders if either Greenlight Re or Greenlight Reinsurance, Ltd. is characterized as a passive foreign investment company, or PFIC. The determination is factual in nature and conducted annually, and we cannot assure you that we will not currently or in the future be characterized as a PFIC. We believe that we were a PFIC in 2006, 2005 and 2004. We do not believe, although we cannot assure you, that we will be a PFIC for 2007 or any future taxable year.

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The Offering

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

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

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

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

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Summary Financial Data

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

Analysis of Financial Condition and Results of Operations.”

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

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

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

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

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

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

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	As of March 31, 2007	As of December 31, 2006 2005	
	(\$ in thousands, except share and per share data)		
Summary Balance Sheet Data:			
Fixed maturities, trading at fair value	\$ 770	\$ —	\$ 238
Equity investments, trading at fair value	250,337	238,799	216,702
Other investments, at estimated fair value	8,655	4,723	2,271
Total investments in securities	259,762	243,522	219,211
Cash and cash equivalents	54,039	82,704	7,218
Restricted cash and cash equivalents	191,927		