

OXBRIDGE RE HOLDINGS Ltd
Form 10-Q
November 14, 2016

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 September 30, 2016

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 98-1150254
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Strathvale House, 2nd Floor 90 North Church Street, Georgetown P.O. Box 469 KY1-9006
Grand Cayman, Cayman Islands
(Address of principal executive offices) (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

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(§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). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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 October 24, 2016; 5,960,324 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 September 30, 2016	At December 31, 2015
	(Unaudited)	
Assets		
Investments:		
Fixed-maturity securities, available for sale, at fair value (amortized cost: \$6,081 and \$3,080, respectively)	\$6,074	3,096
Equity securities, available for sale, at fair value (cost: \$6,801 and \$7,742, respectively)	6,359	6,252
Total investments	12,433	9,348
Cash and cash equivalents	9,478	8,584
Restricted cash and cash equivalents	26,296	30,368
Accrued interest and dividend receivable	26	25
Premiums receivable	9,448	4,117
Deferred policy acquisition costs	162	90
Prepayment and other receivables	95	91
Property and equipment, net	59	64
Total assets	\$57,997	52,687
Liabilities and Shareholders' Equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$972	-
Loss experience refund payable	6,818	9,913

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Unearned premiums reserve	9,526	5,571
Accounts payable and other liabilities	212	176
Total liabilities	17,528	15,660
Shareholders' equity:		
Ordinary share capital, (par value \$0.001, 50,000,000 shares authorized; 5,981,613 and 6,060,000 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively)	6	6
Additional paid-in capital	33,348	33,657
Retained earnings	7,564	4,838
Accumulated other comprehensive loss	(449)	(1,474)
Total shareholders' equity	40,469	37,027
Total liabilities and shareholders' equity	\$57,997	52,687

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 Nine Months Ended			
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Revenue				
Assumed premiums	\$-	-	\$15,065	14,888
Change in loss experience refund payable	(2,089)	(2,089)	(4,465)	(6,204)
Change in unearned premiums reserve	4,007	3,881	(3,955)	(3,708)
Net premiums earned	1,918	1,792	6,645	4,976
Net realized investment gain / (loss)	122	(303)	256	673
Net investment income	126	90	327	262
Other-than-temporary impairment losses	-	(399)	-	(399)
Total revenue	2,166	1,180	7,228	5,512
Expenses				
Losses and loss adjustment expenses (credit)	(1,248)	-	1,030	-
Policy acquisition costs and underwriting expenses	83	85	211	259
General and administrative expenses	346	353	1,087	1,024

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Total expenses (credit)	(819)	438	2,328	1,283
Net income	\$2,985	742	\$4,900	4,229
Earnings per share Basic and Diluted	\$0.50	0.12	\$0.81	0.70
Dividends paid per share	\$0.12	0.12	\$0.36	0.36

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 Comprehensive Income (unaudited)

(expressed in thousands of U.S. Dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Net income	\$2,985	742	\$4,900	4,229
Other comprehensive income:				
Change in unrealized gain on investments:				
Unrealized gain / (loss) arising during the period	304	(1,209)	1,281	(1,967)
Other-than-temporary impairment losses	-	399	-	399
Reclassification adjustment for net realized (gain) / loss included in net income	(122)	303	(256)	(673)
Net change in unrealized gain / (loss)	182	(507)	1,025	(2,241)
Total other comprehensive income / (loss)	182	(507)	1,025	(2,241)
Comprehensive income	3,167	235	5,925	1,988

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)

	Nine Months Ended	
	September 30,	
	2016	2015
Operating activities		
Net income	\$4,900	4,229
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	90	88
Depreciation and amortization	16	12
Net realized investment gains	(256)	(673)
Other-than-temporary impairment losses	-	399
Change in operating assets and liabilities:		
Accrued interest and dividend receivable	(1)	(6)
Premiums receivable	(5,331)	(2,648)
Deferred policy acquisition costs	(72)	(43)
Prepayment and other receivables	(4)	(41)
Reserve for loss and loss adjustment expenses	972	-
Loss experience refund payable	(3,095)	691
Unearned premiums reserve	3,955	3,708
Accounts payable and other liabilities	36	(6)
Net cash provided by operating activities	\$1,210	5,710
Investing activities		
Change in restricted cash and cash equivalents	4,072	(1,974)
Purchase of fixed-maturity securities	(3,111)	(1,101)
Purchase of equity securities	(8,030)	(10,814)
Proceeds from sale of fixed-maturity and equity securities	9,337	11,477
Purchase of property and equipment	(11)	(25)

Net cash provided by / (used in) investing activities	\$2,257	(2,437)
Financing activities		
Repurchases of common stock under share repurchase plan	(399)	-
Cash dividends paid	(2,174)	(2,182)
Net cash used in financing activities	\$(2,573)	(2,182)

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Consolidated Statements of Cash Flows

(expressed in thousands of U.S. Dollars)

	Nine Months Ended	
	September 30,	
	2016	2015
Net change in cash and cash equivalents	894	1,091
Cash and cash equivalents at beginning of period	8,584	5,317
Cash and cash equivalents at end of period	\$9,478	6,408
Supplemental disclosure of cash flow information		
Interest paid	-	-
Income taxes paid	-	-
Non-cash investing activities		
Net change in unrealized gain (loss) on securities available for sale	1,025	(2,241)

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

Nine Months Ended September 30, 2016 and 2015 (unaudited)

(expressed in thousands of U.S. Dollars, except number of shares)

	Ordinary Share Capital		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2014	6,000,000	6	33,540	3,145	17	36,708
Cash dividends	-	-	-	(2,182)	-	(2,182)
Net income for the period	-	-	-	4,229	-	4,229
Issuance of restricted stock	60,000	-	-	-	-	-
Stock-based compensation	-	-	88	-	-	88
Total other comprehensive loss	-	-	-	-	(2,241)	(2,241)
Balance at September 30, 2015	6,060,000	6	33,628	5,192	(2,224)	36,602
Balance at December 31, 2015	6,060,000	6	33,657	4,838	(1,474)	37,027
Cash dividends	-	-	-	(2,174)	-	(2,174)
Repurchase and retirement of common stock under share repurchase plan	(78,387)	-	(399)	-	-	(399)
Net income for the period	-	-	-	4,900	-	4,900
Stock-based compensation	-	-	90	-	-	90
Total other comprehensive income	-	-	-	-	1,025	1,025

Balance at September 30, 2016	5,981,613	6	33,348	7,564	(449)	40,469
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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)

September 30, 2016

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, Ugland 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 nonaffiliated 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 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 September 30, 2016 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, 2016. 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, 2015 included in the Company's Form 10-K, which was filed with the SEC on March 17, 2016.

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)

September 30, 2016

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 require 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 income (loss). 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)

September 30, 2016

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 September 30, 2016, 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 and nine-month periods ended September 30, 2016, there were no impairments in property and equipment.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

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 September 30, 2016, 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 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.

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)

September 30, 2016

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 consolidated 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 September 30, 2016.

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)

September 30, 2016

Recent accounting pronouncements:

Accounting Standards Update No. 2016-09. In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-09 (“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. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this guidance on the Company’s consolidated financial statements.

Accounting Standards Update No. 2016-02. In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (“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. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this guidance on the Company’s consolidated financial statements.

Accounting Standards Update No. 2016-01. In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (“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.

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

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

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

At September 30, At December 31,

2016 2015

(in thousands)

Cash on deposit	\$5,649	\$3,567
Cash held with custodians	3,829	5,017
Restricted cash held in trust	26,296	30,368
Total	35,774	38,952

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.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

4. INVESTMENTS

The Company holds investments in fixed-maturity securities and equity securities that are classified as available-for-sale. At September 30, 2016 and December 31, 2015, 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	Gross	Gross	Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gain	Loss	Value
				(\$000)

(\$ in thousands)

As of September 30, 2016

Fixed-maturity securities

U.S. Treasury and agency securities	\$6,081	\$29	\$(36)	\$6,074
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Total fixed-maturity securities	6,081	29	(36)	6,074
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Mutual funds	400	-	(10)	390
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Preferred stocks	963	25	(11)	977
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Common stocks	5,438	233	(679)	4,992
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Total equity securities	6,801	258	(700)	6,359
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Total available for sale securities	\$12,882	\$287	\$(736)	\$12,433
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As of December 31, 2015

Fixed-maturity securities

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U.S. Treasury and agency securities	\$2,969	\$12	\$-	\$2,981
Exchange-traded debt securities	111	4	-	115
Total fixed-maturity securities	3,080	16	-	3,096
Preferred stocks	1,674	15	(174)	1,515
Common stocks	6,068	158	(1,489)	4,737
Total equity securities	7,742	173	(1,663)	6,252
Total available for sale securities	\$10,822	\$189	\$(1,663)	\$9,348

At September 30, 2016 and December 31, 2015, available-for-sale securities with fair value of \$3,524,000 and \$3,638,000, respectively, are held in trust accounts as collateral under reinsurance contacts with the Company's ceding insurers.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

4.

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 September 30, 2016 and December 31, 2015 are as follows:

Amortized Estimated

Cost Fair Value

(\$ in thousands)

As of September 30, 2016

Available for sale

Due after one year through five years	\$6,081	\$6,074
---------------------------------------	---------	---------

	\$6,081	\$6,074
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As of December 31, 2015

Available for sale

Due after one year through five years	\$2,969	\$2,981
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Due after ten years	111	115
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	\$3,080	\$3,096
--	---------	---------

Proceeds received, and the gross realized gains and losses from sales of available-for-sale securities, for the three and nine-month periods ended September 30, 2016 and 2015 were as follows:

Gross proceeds	Gross	Gross
from	Realized	Realized
	Gains	Losses

sales

(\$ in thousands)

Three Months Ended September 30, 2016

Fixed-maturity securities	\$-	\$-	\$-
Equity securities	\$4,099	\$368	\$(246)

Nine Months Ended September 30, 2016

Fixed-maturity securities	\$119	\$8	\$-
Equity securities	\$9,218	\$867	\$(619)

Three Months Ended September 30, 2015

Fixed-maturity securities	\$-	\$-	\$-
Equity securities	\$773	\$5	\$(308)

Nine Months Ended September 30, 2015

Fixed-maturity securities	\$775	\$75	\$-
Equity securities	\$10,702	\$914	\$(316)

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

4.

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 September 30, 2016 and December 31, 2015, 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			
As of September 30, 2016	Gross	Estimated	Gross	Estimated	Gross	Estimated
	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
	Loss	Value	Loss	Value	Loss	Value
	(\$ in thousands)		(\$ in thousands)		(\$ in thousands)	

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U.S. Treasury and agency securities	36	3,075	-	-	36	3,075
Total fixed-maturity securities	36	3,075	-	-	36	3,075
Equity securities						
Mutual funds	10	390	-	-	10	390
Preferred stocks	11	465	-	-	11	465
All other common stocks	225	2,008	454	1,080	679	3,088
Total equity securities	246	2,863	454	1,080	700	3,943
Total available for sale securities \$	282	\$5,938	\$454	\$1,080	\$736	\$7,018

At September 30, 2016, there were 22 securities in an unrealized loss position of which 5 of these positions had been in an unrealized loss position for 12 months or greater.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
September 30, 2016

4.
INVESTMENTS (continued)

	Less Than Twelve		Twelve Months or		Total	
	Months		Greater			
As of December 31, 2015	Gross	Estimated	Gross	Estimated	Gross	Estimated
	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair
	Loss	Value	Loss	Value	Loss	Value
	(\$ in thousands)		(\$ in thousands)		(\$ in thousands)	
Equity securities						
Preferred stocks	174	1,054	-	-	174	1,054
All other common stocks	1,405	3,274	84	316	1,489	3,590
Total equity securities	1,579	4,328	84	316	1,663	4,644
Total available for sale securities \$	1,579	\$4,328	\$84	\$316	\$1,663	\$4,644

At December 31, 2015, there were 24 securities in an unrealized loss position of which 2 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 September 30, 2016 and December 31, 2015.

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. In the three and nine months ended September 30, 2015, the Company determined that two equity securities were other-than-temporarily impaired after considering factors such as 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 alongside other factors. As a result, the Company recognized impairment losses of \$399,000 for the three and nine months ended September 30, 2015. There were no impairment losses recorded in the three and nine months ended September 30, 2016. Based on management's evaluation, the Company does not consider any of its equity securities to be other-than-temporarily impaired at September 30, 2016 and December 31, 2015.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

4.

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 September 30, 2016 and December 31, 2015:

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
As of September 30, 2016	(\$ in thousands)			
Financial Assets:				
Cash and cash equivalents	\$9,478	\$-	\$-	\$9,478
Restricted cash and cash equivalents	\$26,296	\$-	\$-	\$26,296
Fixed-maturity securities:				
U.S. Treasury and agency securities	6,074	-	-	6,074
Total fixed-maturity securities	6,074	-	-	6,074
Mutual funds	390	-	-	390
Preferred stocks	977	-	-	977
All other common stocks	4,992	-	-	4,992
Total equity securities	6,359	-	-	6,359
Total available for sale securities	12,433	-	-	12,433
Total	\$48,207	\$-	\$-	\$48,207

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
September 30, 2016

4.
INVESTMENTS (continued)

Fair Value Measurements Using

	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2015	(\$ in thousands)			
Financial Assets:				
Cash and cash equivalents	\$8,584	\$-	\$-	\$8,584
Restricted cash and cash equivalents	\$30,368	\$-	\$-	\$30,368
Fixed-maturity securities:				
U.S. Treasury and agency securities	2,981	-	-	2,981
Exchange-traded debt securities	115	-	-	115
Total fixed-maturity securities	3,096	-	-	3,096
Preferred stocks	1,515	-	-	1,515
All other common stocks	4,737	-	-	4,737
Total equity securities	6,252	-	-	6,252
Total available for sale securities	9,348	-	-	9,348
Total	\$48,300	\$-	\$-	\$48,300

5. TAXATION

Under current Cayman Islands law, no corporate entity, including the Company and the Subsidiary, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company and the Subsidiary have an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Law, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to the Company and the Subsidiary or their operations, or to the ordinary shares or related obligations, until April 23, 2033 and May 17, 2033, respectively.

The Company and its subsidiary intend to conduct substantially all of their operations in the Cayman Islands in a manner such that they will not be engaged in a trade or business in the U.S. However, because there is no definitive authority regarding activities that constitute being engaged in a trade or business in the U.S. for federal income tax purposes, the Company cannot assure that the U.S. Internal Revenue Service will not contend, perhaps successfully, that the Company or its subsidiary is engaged in a trade or business in the U.S. A foreign corporation deemed to be so engaged would be subject to U.S. federal income tax, as well as branch profits tax, on its income that is treated as effectively connected with the conduct of that trade or business unless the corporation is entitled to relief under an applicable tax treaty.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

6. LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table summarizes the Company's loss and loss adjustment expenses ("LAE") and the reserve for loss and LAE reserve movements for the three and nine-month periods ending September 30, 2016 and 2015:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(\$ in thousands)		(\$ in thousands)	
Balance, beginning of period	\$2,250	-	\$-	-
Incurred related to:				
Current period	(1,248)	-	1,030	-
Prior period	-	-	-	-
Total incurred	(1,248)	-	1,030	-
Paid related to:				
Current period	(30)	-	(58)	-
Prior period	-	-	-	-
Total paid	(30)	-	(58)	-
Balance, end of period	\$972	-	\$972	-

The reserves for losses and LAE are comprised of case reserves (which are based on claims that have been reported) and incurred but not reported ("IBNR") reserves (which are based on losses that are believed to have occurred but for which claims have not yet been reported and may include a provision for expected future development on existing case reserves).

The uncertainties inherent in the reserving process and potential delays by cedants and brokers in the reporting of loss information, together with the potential for unforeseen adverse developments, may result in the reserve for losses and LAE ultimately being significantly greater or less than the reserve provided at the end of any given reporting period. The degree of uncertainty is further increased when a significant loss event takes place near the end of a reporting period. Reserve for losses and LAE estimates are reviewed periodically on a contract by contract basis and updated as new information becomes known. Any resulting adjustments are reflected in income in the period in which they

become known.

The Company's reserving process is highly dependent on the timing of loss information received from its cedants and related brokers.

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

7. EARNINGS PER SHARE

A summary of the numerator and denominator of the basic and diluted earnings per share is presented below (dollars in thousands except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Numerator:				
Net earnings	\$2,985	742	\$4,900	4,229
Denominator:				
Weighted average shares - basic	6,026,172	6,060,000	6,048,163	6,054,945
Effect of dilutive securities - Stock options	-	-	-	-
Shares issuable upon conversion of warrants	-	-	-	-
Weighted average shares - diluted	6,026,172	6,060,000	6,048,163	6,054,945
Earnings per shares - basic	\$0.50	0.12	\$0.81	0.70
Earnings per shares - diluted	\$0.50	0.12	\$0.81	0.70

For the three and nine-month periods ended September 30, 2016 and 2015, 215,000 options to purchase 215,000 ordinary shares and 180,000 options to purchase 180,000 ordinary shares, respectively, were anti-dilutive as the sum of the proceeds, including unrecognized compensation expense, exceeded the average market price of the Company's ordinary share during the periods presented.

For the three and nine-month periods ended September 30, 2016 and 2015, 8,230,700 warrants to purchase an aggregate of 8,230,700 ordinary shares were not dilutive because the exercise price of \$7.50 exceeded the average market price of the Company's ordinary share during the periods presented.

GAAP requires the Company to use the two-class method in computing basic earnings per share since holders of the Company's restricted stock have the right to share in dividends, if declared, equally with common stockholders. These participating securities effect the computation of both basic and diluted earnings per share during periods of net income.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

8. SHAREHOLDERS' EQUITY

On February 28, 2014, the Company's Registration Statement on Form S-1, as amended, relating to the initial public offering of the Company's units was declared effective by the SEC. The Registration Statement covered the offer and sale by the Company of 4,884,650 units, each consisting of one ordinary share and one warrant ("Unit"), which were sold to the public on March 26, 2014 at a price of \$6.00 per Unit. The ordinary shares and warrants comprising the Units began separate trading on May 9, 2014. The ordinary shares and warrants are traded on the Nasdaq Capital Market under the symbols "OXBR" and "OXBRW," respectively. One warrant may be exercised to acquire one ordinary share at an exercise price equal to \$7.50 per share on or before March 26, 2019. At any time after September 26, 2014 and before the expiration of the warrants, the Company at its option may cancel the warrants in whole or in part, provided that the closing price per ordinary share has exceeded \$9.38 for at least ten trading days within any period of twenty consecutive trading days, including the last trading day of the period.

The initial public offering resulted in aggregate gross proceeds to the Company of approximately \$29.3 million (of which approximately \$5 million related to the fair value proceeds on the warrants issued) and net proceeds of approximately \$26.9 million after deducting underwriting commissions and offering expenses.

The fair value of the warrants issued in the initial public offering and initial private placement offering of \$1.04 per warrant was determined by the Black-Scholes pricing model using the following assumptions: volatility of 48%, an expected life of 5 years, expected dividend yield of 8% and a risk-free interest rate of 1.69%. There were 8,230,700 warrants outstanding at September 30, 2016 and 2015. No warrants were exercised during the three and nine-month periods ended September 30, 2016 and 2015.

On January 20, 2016, our Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on March 30, 2016 to shareholders of record on March 1, 2016.

On May 12, 2016, our Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on June 30, 2016 to shareholders of record on June 20, 2016.

On August 13, 2016, our Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on September 30, 2016 to shareholders of record on September 23, 2016.

On November 12, 2016, our Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on December 30, 2016 to shareholders of record on December 23, 2016.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

8. SHAREHOLDERS' EQUITY (continued)

In May 2016, the Company's Board of Directors authorized a plan to repurchase up to \$2,000,000 of the Company's common shares, inclusive of commissions and fees. During the nine months ended September 30, 2016, the Company repurchased and retired a total of 78,387 shares at a weighted average price per share of \$5.05 under this authorized repurchase plan. The total cost of shares repurchased, inclusive of fees and commissions, during the nine months ended September 30, 2016 was \$399,000, or \$5.09 per share.

As of September 30, 2016, none of the Company's retained earnings were restricted from payment of dividends to the Company's shareholders. However, since most of the Company's capital and retained earnings may be invested in the Subsidiary, a dividend from the Subsidiary would likely be required in order to fund a dividend to the Company's shareholders and would require notification to the Cayman Islands Monetary Authority ("CIMA").

Under Cayman Islands law, the use of additional paid-in capital is restricted, and the Company will not be allowed to pay dividends out of additional paid-in capital if such payments result in breaches of the prescribed and minimum capital requirement. See also Note 10.

9.

SHARE-BASED COMPENSATION

The Company currently has outstanding stock-based awards granted under the 2014 Omnibus Incentive Plan (the "Plan"). Under the Plan, the Company has discretion to grant equity and cash incentive awards to eligible individuals, including the issuance of up to 1,000,000 of the Company's ordinary shares. At September 30, 2016, there were 725,000 shares available for grant under the Plan.

Stock options

The Company accounts for share-based compensation under the fair value recognition provisions of ASC Topic 718 – "Compensation – Stock Compensation." Stock options granted and outstanding under the Plan vests quarterly over four years, and are exercisable over the contractual term of ten years.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

September 30, 2016

9.

SHARE-BASED COMPENSATION (continued)

A summary of the stock option activity for the three and nine-month periods ended September 30, 2016 and 2015 is as follows (option amounts not in thousands):

		Weighted-		
	Number	Weighted- Average	Remaining	Aggregate
	of	Exercise	Contractual	Intrinsic
	Options	Price	Term	Value (\$000)
Outstanding at January 1, 2016	180,000			
Granted	35,000			
Outstanding at March 31, 2016	215,000	\$6	8.9 years	\$-
Outstanding at June 30, 2016	215,000	\$6	8.7 years	\$-
Outstanding at September 30, 2016	215,000	\$6	8.4 years	\$-
Exercisable at September 30, 2016	85,312	\$6	8.4 years	\$-