OXBRIDGE RE HOLDINGS Ltd
Form 10-Q
May 16, 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 March 31, 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 (State or other jurisdiction of incorporation or organization)	98-1150254 (I.R.S. Employer Identification No.)
Strathvale House, 2nd Floor90 North Church Street, GeorgetownP.O. Box 469 Grand Cayman, Cayman Islands (Address of principal executive offices)	KY1-9006 (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

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

Larege accelerated	Accelerated
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 May 9, 2016; 6,060,000 ordinary shares, par value $0.001 per share, were outstanding.

OXBRIDGE RE HOLDINGS LIMITED

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY

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

	At March 31, 2016	At December 31, 2015
	(Unaudited)	
Assets		
Investments:		
Fixed-maturity securities, available for sale, at fair value (amortized cost: $6,192 and $3,080, respectively)	$6,219	3,096
Equity securities, available for sale, at fair value (cost: $8,033 and $7,742, respectively)	6,820	6,252
Total investments	13,039	9,348
Cash and cash equivalents	8,614	8,584
Restricted cash and cash equivalents	28,889	30,368
Accrued interest and dividend receivable	31	25
Premiums receivable	1,655	4,117
Deferred policy acquisition costs	55	90
Prepayment and other receivables	93	91
Property and equipment, net	59	64
Total assets	$52,435	52,687
Liabilities and Shareholders' Equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$63	-
Loss experience refund payable	12,001	9,913
Unearned premiums reserve	2,606	5,571
Accounts payable and other liabilities	104	176
Total liabilities	14,774	15,660
Shareholders' equity:		
Ordinary share capital, (par value $0.001, 50,000,000 shares authorized; 6,060,000 shares issued and outstanding)	6	6
Additional paid-in capital	33,687	33,657
Retained earnings	5,154	4,838
Accumulated other comprehensive loss	(1,186)	(1,474)

Total shareholders' equity	37,661	37,027
Total liabilities and shareholders' equity	$52,435	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 March 31,	
	2016	2015
Revenue		
Assumed premiums	$503	600
Change in loss experience refund payable	(2,088)	(2,052)
Change in unearned premiums reserve	2,966	2,999
Net premiums earned	1,381	1,547
Net realized investment gains	56	644
Net investment income	94	76
Total revenue	1,531	2,267
Expenses		
Losses and loss adjustment expenses	63	-
Policy acquisition costs and underwriting expenses	61	87
General and administrative expenses	364	350
Total expenses	488	437
Net income	$1,043	1,830
Earnings per share		
Basic and Diluted	$0.17	0.30
Weighted-average shares outstanding		
Basic and Diluted	6,060,000	6,044,667
Dividends paid per share	$0.12	0.12

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 March 31,	
	2016	2015
Net income	$1,043	1,830
Other comprehensive income (loss):		
Change in unrealized gain on investments:		
Unrealized gain arising during the period	344	285
Reclassification adjustment for net realized gains) included in net income	(56)	(644)
Net change in unrealized gain (loss)	288	(359)
Total other comprehensive income (loss)	288	(359)
Comprehensive income	$ 1,331	1,471

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

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

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net income	$1,043	1,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	30	29
Depreciation and amortization	5	4
Net realized investment gains	(56)	(644)
Change in operating assets and liabilities:		
Accrued interest and dividend receivable	(6)	(3)
Premiums receivable	2,462	2,082
Deferred policy acquisition costs	35	57
Prepayment and other receivables	(2)	(11)
Reserve for losses and loss adjustment expenses	63	-
Loss experience refund payable	2,088	2,052
Unearned premiums reserve	(2,965)	(2,999)
Accounts payable and other liabilities	(72)	(38)
Net cash provided by operating activities	$2,625	2,359
Investing activities		
Change in restricted cash and cash equivalents	1,479	(1,824)
Purchase of fixed-maturity securities	(3,111)	(1,101)
Purchase of equity securities	(1,683)	(7,125)
Proceeds from sale of fixed-maturity and equity securities	1,447	6,912
Purchase of property and equipment	-	(5)
Net cash used in investing activities	$(1,868)	(3,143)
Financing activities		
Dividends paid	(727)	(727)
Net cash used in financing activities	$(727)	(727)

(continued)

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Consolidated Statements of Cash Flows, continued
(Unaudited)
(expressed in thousands of U.S. Dollars)

	March 31,	
	2016	2015
Net change in cash and cash equivalents	30	(1,511)
Cash and cash equivalents at beginning of period	8,584	5,317
Cash and cash equivalents at end of period	$8,614	3,806
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	288	(359)

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

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity (unaudited)
Three Months Ended March 31, 2016 and 2015
(expressed in thousands of U.S. Dollars, except per share and share amounts)

	Ordinary Share Capital		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Equity
Balance at December 31, 2014	6,000,000	6	33,540	3,145	17	36,708
Cash dividends paid	-	-	-	(727)	-	(727)
Net income for the period	-	-	-	1,830	-	1,830
Issuance of restricted stock	60,000	-	-	-	-	-
Stock-based compensation		-	29	-	-	29
Total other comprehensive loss	-	-	-	-	(359)	(359)
Balance at March 31, 2015	6,060,000	6	33,569	4,248	(342)	37,481
Balance at December 31, 2015	6,060,000	6	33,657	4,838	(1,474)	37,027
Cash dividends paid	-	-	-	(727)	-	(727)
Net income for the period	-	-	-	1,043	-	1,043
Stock-based compensation	-	-	30	-	-	30
Total other comprehensive income	-	-	-	-	288	288
Balance at March 31, 2016	6,060,000	6	33,687	5,154	(1,186)	37,661

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

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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 non-affiliated ceding insurers, including Claddaugh Casualty Insurance Company, Ltd. ("Claddaugh") and Homeowners Choice Property & Casualty Insurance Company ("HCPCI"), which are related-party entities domiciled in Bermuda and Florida, respectively.
(b)
Basis of Presentation

The accompanying unaudited, consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and the Securities and Exchange Commission ("SEC") rules for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying interim consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the Company's consolidated financial position as of March 31, 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)
March 31, 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, valuation of investments and assessment of other-than-temporary impairment (“OTTI”) and loss experience refund payable. Although considerable variability is likely to be inherent in these estimates, management believes that the amounts provided are reasonable. These estimates are continually reviewed and adjusted if necessary. Such adjustments are reflected in current operations.
All significant intercompany balances and transactions have been eliminated.

2.
SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents: Cash and cash equivalents are comprised of cash and short term investments with original maturities of three months or less.
Restricted cash and cash equivalents: Restricted cash and cash equivalents represent funds held in accordance with the Company’s trust agreements with ceding insurers and trustees, which requires the Company to maintain collateral with a market value greater than or equal to the limit of liability, less unpaid premium.

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

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

The Company reviews all securities for other-than-temporary impairment ("OTTI") on a quarterly basis and more frequently when economic or market conditions warrant such review. When the fair value of any investment is lower than its cost, an assessment is made to see whether the decline is temporary of 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)
March 31, 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 March 31, 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 period ended March 31, 2016, there were no impairments in property and equipment.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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 March 31, 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. Incurred but not reported ("IBNR") reserves are estimated by management using various actuarial methods in addition to the ceding insurer's estimated IBNR, historical industry loss experience and management's professional judgment. 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)
March 31, 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 financial statements, if any, is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The application of this authoritative guidance has had no effect on the Company's consolidated financial statements because the Company had no uncertain tax positions at March 31, 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.
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 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 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 financial statements.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016

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

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

	At March 31,	At December 31,
	2016	2015
	(in thousands)	
Cash on deposit	$6,868	$3,567
Cash held with custodians	1,746	5,017
Restricted cash held in trust	28,889	30,368
Total	37,503	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)
March 31, 2016

4. INVESTMENTS

The Company holds investments in fixed-maturity securities and equity securities that are classified as available-for-sale. At March 31, 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 Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value ($000)
	($ in thousands)			
As of March 31, 2016				
Fixed-maturity securities				
U.S. Treasury and agency securities	$6,081	$27	$(9)	$6,099
Exchange-traded debt securities	111	9	-	120
Total fixed-maturity securities	6,192	36	(9)	6,219
Preferred stocks	1,888	36	(139)	1,785
Common stocks	6,145	160	(1,270)	5,035
Total equity securities	8,033	196	(1,409)	6,820
Total available for sale securities	$14,225	$232	$(1,418)	$13,039
As of December 31, 2015				
Fixed-maturity securities				
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 March 31, 2016 and December 31, 2015, available-for-sale securities with fair value of $3,655,493 and $3,637,628, 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)
March 31, 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 March 31, 2016 and December 31, 2015 are as follows:

	Amortized Cost	Estimated Fair Value
	($ in thousands)	
As of March 31, 2016		
Available for sale		
Due after one year through five years	$6,081	$6,099
Due after five years through ten years	111	120
	$6,192	$6,219
As of December 31, 2015		
Available for sale		
Due after one year through five years	$2,969	$2,981
Due after ten years	111	115
	$3,080	$3,096

Proceeds received, and the gross realized gains and losses from sales of available-for-sale securities, for the three months ended March 31, 2016 and 2015 were as follows:

	Gross Proceeds from sales	Gross Realized Gains	Gross Realized Losses

	($ in thousands)		
Three Months Ended March 31, 2016			
Fixed-maturity securities	$-	$-	$-
Equity securities	$1,447	$188	$(132)
Three Months Ended March 31, 2015			
Fixed-maturity securities	$775	$75	$-
Equity securities	$6,137	$573	$4

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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 March 31, 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 Months		Twelve Months or Greater		Total	
As of March 31, 2016	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value
	($ in thousands)		($ in thousands)		($ in thousands)	
Fixed maturity securities						
U.S. Treasury and agency securities	9	3,103	-	-	9	3,103
Total fixed-maturity securities	9	3,103	-	-	9	3,103

Equity securities						
Preferred stocks	100	1,127	39	161	139	1,288
All other common stocks	805	2,031	465	951	1,270	2,982
Total equity securities	905	3,158	504	1,112	1,409	4,270
Total available for sale securities	$914	$6,261	$504	$1,112	$1,418	$7,373

At March 31, 2016, there were 25 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)
March 31, 2016
4. INVESTMENTS (continued)

	Less Than Twelve Months		Twelve Months or Greater		Total	
As of December 31, 2015	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair 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 March 31, 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. Based on management’s evaluation, the Company does not consider any of its equity securities to be other-than-temporarily impaired at March 31, 2016 and December 31, 2015.

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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 March 31, 2016 and December 31, 2015:

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
As of March 31, 2016	($ in thousands)			
Financial Assets:				
Cash and cash equivalents	$8,614	$-	$-	$8,614
Restricted cash and cash equivalents	$28,889	$-	$-	$28,889
Fixed-maturity securities:				
U.S. Treasury and agency securities	6,099	-	-	6,099
Exchange-traded debt securities	120	-	-	120
Total fixed-maturity securities	6,219	-	-	6,219
Preferred stocks	1,785	-	-	1,785
All other common stocks	5,035	-	-	5,035
Total equity securities	6,820	-	-	6,820
Total available for sale securities	13,039	-	-	13,039
Total	$50,542	$-	$-	$50,542

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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-month periods ending March 31, 2016 and 2015:

	At March 31, 2016	At March 31, 2015
	(in thousands)	
Balance, beginning of period	$-	$-
Incurred related to:		
Current period	63	-
Prior period	-	-
Total incurred	63	-
Paid related to:		
Current period	-	-
Prior period	-	-
Total paid	-	-
Balance, end of period	$63	$-

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 regularly reviewed 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.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 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 March 31,	
	2016	2015
Numerator:		
Net earnings	$1,106	1,830
Denominator:		
Weighted average shares - basic	6,060,000	6,044,667
Effect of dilutive securities - Stock options	-	-
Shares issuable upon conversion of warrants	-	-
Weighted average shares - diluted	6,060,000	6,044,667
Earnings per shares - basic	$0.18	0.30
Earnings per shares - diluted	$0.18	0.30

For the three-month periods ended March 31, 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-month periods ended March 31, 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)
March 31, 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 March 31, 2016 and 2015. No warrants were exercised during the three-month periods ended March 31, 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 17, 2016.
As of March 31, 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 9.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016

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 March 31, 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.

A summary of the stock option activity for the three-month periods ended March 31, 2016 and 2015 is as follows (option amounts not in thousands):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Outstanding at January 1, 2016	180,000			
Granted	35,000			
Outstanding at March 31, 2016	215,000	$6	8.9 years	$-
Exercisable at March 31, 2016	58,438	$6	8.9 years	$-
Outstanding at January 1, 2015	-			
Granted	180,000	$6		
Outstanding at March 31, 2015	180,000	$6	9.75 years	$-
Exercisable at March 31, 2015	11,250	$6	9.75 years	$-

Compensation expense recognized for the three-month periods ended March 31, 2016 and 2015 totaled $8,000 and $7,000, respectively, and is included in general and administrative expenses. At March 31, 2016, there was approximately $91,000 unrecognized compensation expense related to non-vested stock options granted under the Plan, which the Company expects to recognize over a weighted-average period of thirty five (35) months.

During the three-month periods ended March 31, 2016 and 2015, 180,000 options and 35,000 options, respectively, were granted with fair value estimated on the date of grant using the following assumptions and the Black-Scholes option pricing model:

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016

9. SHARE-BASED COMPENSATION (continued)

	2016	2015
Expected dividend yield	9.6%	8%
Expected volatility	35%	35%
Risk-free interest rate	2.03%	1.81%
Expected life (in years)	10	10
Per share grant date fair value of options issued	$0.34	$0.64

Restricted Stock Awards

The Company has granted and may grant restricted stock awards to eligible individuals in connection with their service to the Company. The terms of the Company's outstanding restricted stock grants may include service, performance and market-based conditions. The fair value of the awards with market-based conditions is determined using a Monte Carlo simulation method, which calculates many potential outcomes for an award and then establishes fair value based on the most likely outcome. The determination of fair value with respect to the awards with only performance or service-based conditions is based on the value of the Company's stock on the grant date.

Information with respect to the activity of unvested restricted stock awards during the three-month periods ended March 31, 2016 and 2015 is as follows (share amounts not in thousands):

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	45,000	$5.86
Vested	(3,750)	

Nonvested at March 31, 2016	41,250	$5.86
Nonvested at January 1, 2015	-	
Granted	60,000	$5.86
Vested	(3,750)	
Nonvested at March 31, 2015	56,250	$5.86

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016
9. SHARE-BASED COMPENSATION (continued)

Compensation expense recognized for the three-month periods ended March 31, 2016 and 2015 totaled $22,000 and $22,000, respectively, and is included in general and administrative expenses. At March 31, 2016, there was approximately $242,000 unrecognized compensation expense related to non-vested restricted stock granted under the Plan, which the Company expects to recognize over a weighted-average period of thirty three (33) months.

10. NET WORTH FOR REGULATORY PURPOSES

The Subsidiary is subject to a minimum and prescribed capital requirement as established by CIMA. Under the terms of its license, the Subsidiary is required to maintain a minimum and prescribed capital requirement of $500 in accordance with the Subsidiary's approved business plan filed with CIMA. At March 31, 2016, the Subsidiary's net worth of $24.6 million exceeded the minimum and prescribed capital requirement. For the three-month periods ended March 31, 2016 and 2015, the Subsidiary's net income was approximately $873 thousand $1.1 million, respectively. The Subsidiary is not required to prepare separate statutory financial statements for filing with CIMA, and there were no material differences between the Subsidiary's GAAP capital, surplus and net income, and its statutory capital, surplus and net income as of March 31, 2016 or for the periods then ended.

11. FAIR VALUE AND CERTAIN RISKS AND UNCERTAINTIES

Fair values

With the exception of balances in respect of insurance contracts (which are specifically excluded from fair value disclosures under GAAP) and investment securities as disclosed in Note 4 of these consolidated financial statements, the carrying amounts of all other financial instruments, which consist of cash and cash equivalents, restricted cash and cash equivalents, accrued interest and dividends receivable, premiums receivable and other receivables and accounts payable and accruals, approximate their fair values due to their short-term nature.
Concentration of underwriting risk

A substantial portion of the Company's current reinsurance business ultimately relates to the risks of two entities domiciled in Florida in the United States, one of which is under common directorship; accordingly the Company's underwriting risks are not significantly diversified.

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016

11. FAIR VALUE AND CERTAIN RISKS AND UNCERTAINTIES (continued)

Credit risk

The Company is exposed to credit risk in relation to counterparties that may default on their obligations to the Company. The amount of counterparty credit risk predominantly relates to premiums receivable and assets held with counterparties. The Company mitigates its counterparty credit risk by using several counterparties which decreases the likelihood of any significant concentration of credit risk with any one counterparty. In addition, the Company is exposed to credit risk on fixed-maturity debt instruments to the extent that the debtors may default on their debt obligations.

Market risk

Market risk exists to the extent that the values of the Company's monetary assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities or their respective issuers, or factors affecting all securities traded in a particular market. Relevant factors for the Company are both volatility and liquidity of specific securities and markets in which the Company holds investments. The Company has established investment guidelines that seek to mitigate significant exposure to market risk.

12. COMMITMENTS AND CONTINGENCIES

The Company has an operating lease for office space located at Strathvale House,
2nd Floor, 90 North Church Street, Grand Cayman, Cayman Islands. The term of the lease is thirty-eight months and commenced on April 17, 2015. Rent expense under this lease for the three-month period ended March 31, 2016 was $13,300, and lease commitments at March 31, 2016 were $131,700.

The Company also has an operating lease for residential space at Britannia Villas #616, Grand Cayman, Cayman Islands that runs through October 31, 2017. Rent expense under this lease for the three month periods ended March 31, 2016 and 2015 was $12,900 and $12,600, respectively, and lease commitments at March 31, 2016 were $81,700.

13. RELATED PARTY TRANSACTIONS

The Company has entered into reinsurance agreements with Claddaugh and HCPCI, both of which are related entities through common directorships. At March 31, 2016 and December 31, 2015, included within premiums receivable, loss experience refund payable and unearned premiums reserve on the consolidated balance sheets are the following related-party amounts:

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
March 31, 2016

13. RELATED PARTY TRANSACTIONS (continued)

	At March 31, 2016	At December 31, 2015
	(in thousands)	
Premiums receivable	$-	$-
Loss experience refund payable	$7,140	$6,510
Unearned premiums reserve	$557	$1,392

During the three-month periods ended March 31, 2016 and 2015, included within assumed premiums, change in loss experience refund payable and change in unearned premiums reserve on the consolidated statements of income are the following related-party amounts:

	Three Months Ended March 31,	
	2016	2015
	(in thousands)	
Revenue		
Assumed premiums	$-	$-
Change in loss experience refund payable	$(630)	$(674)
Change in unearned premiums reserve	$835	$1,268

14. SUBSEQUENT EVENTS

We evaluate all subsequent events and transactions for potential recognition or disclosure in our financial statements.

Except as disclosed in Note 8 of these consolidated financial statements, there were no other events subsequent to March 31, 2016 for which disclosure was required.

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

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, including in this Management's Discussion and Analysis, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements generally are identified by the words "believe," "project," "predict," "expect," "anticipate," "estimate," "intend," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result, " an expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" contained in our Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 18, 2015. We undertake no obligation to publicly update or revise any forward -looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on the forward -looking statements which speak only to the dates on which they were made.

GENERAL

The following is a discussion and analysis of our results of operations for the three- month periods ended March 31, 2016 and 2015 and our financial condition as of March 31, 2016 and December 31, 2015. The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in our Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 17, 2016. References to "we," "us," "our," "our company," or "the Company" refer to Oxbridge Re Holdings Limited a its wholly-owned subsidiary, Oxbridge Reinsurance Limited, unless the context dictates otherwise.

Overview

We are a Cayman Islands specialty property and casualty reinsurer that provides reinsurance solutions through our subsidiary, Oxbridge Reinsurance Limited. We focus on underwriting fully-collateralized reinsurance contracts primarily for property and casualty insurance companies in the Gulf Coast region of the United States, with an emphasis on Florida. We specialize in underwriting medium frequency, high severity risks, where we believe sufficient data exists to analyze effectively the risk/return profile of reinsurance contracts.

We underwrite reinsurance contracts on a selective and opportunistic basis as opportunities arise based on our goal of achieving favorable long-term returns on equity for our shareholders. Our goal is to achieve long-term growth in book value per share by writing business that generates attractive underwriting profits relative to the risk we bear. Unlike other insurance and reinsurance companies, we do not intend to pursue an aggressive investment strategy and instead will focus our business on underwriting profits rather than investment profits. However, we intend to complement our underwriting profits with investment profits on an opportunistic basis. Our primary business focus is on fully collateralized reinsurance contracts for property catastrophes, primarily in the Gulf Coast region of the United States, with an emphasis on Florida. Within that market and risk category, we attempt to select the most economically attractive opportunities across a variety of property and casualty insurers. As our capital base grows, however, we expect that we will consider growth opportunities in other geographic areas and risk categories.

Our level of profitability is primarily determined by how adequately our premiums assumed and investment income cover our costs and expenses, which consist primarily of acquisition costs and other underwriting expenses, claim payments and general and administrative expenses. One factor leading to variation in our operational results is the timing and magnitude of any follow-on offerings we undertake (if any), as we are able to deploy new capital to collateralize new reinsurance treaties and consequently, earn additional premium revenue. In addition, our results of operations may be seasonal in that hurricanes and other tropical storms typically occur during the period from June 1 through November 30. Further, our results of operations may be subject to significant variations due to factors affecting the property and casualty insurance industry in general, which include competition, legislation, regulation, general economic conditions, judicial trends, and fluctuations in interest rates and other changes in the investment environment.

Because we employ an opportunistic underwriting and investment philosophy, period-to-period comparisons of our underwriting results may not be meaningful. In addition, our historical investment results may not necessarily be indicative of future performance. Due to the nature of our reinsurance and investment strategies, our operating results will likely fluctuate from period to period.

PRINCIPAL REVENUE AND EXPENSE ITEMS

Revenues

We derive our revenues from two principal sources:

- premiums assumed from reinsurance on property and casualty business; and
- income from investments.

Premiums assumed include all premiums received by a reinsurance company during a specified accounting period, even if the policy provides coverage beyond the end of the period. Premiums are earned over the term of the related policies. At the end of each accounting period, the portion of the premiums that are not yet earned are included in the unearned premiums reserve and are realized as revenue in subsequent periods over the remaining term of the policy. Our policies typically have a term of twelve months. Thus, for example, for a policy that is written on July 1, 2015, one-half of the premiums will be earned in 2015 and the other half will be earned during 2016.

Premiums from reinsurance on property and casualty business assumed are directly related to the number, type and pricing of contracts we write.

Premiums assumed are recorded net of change in loss experience refund, which consists of changes in amounts due to the cedants under two of our reinsurance contracts. These contracts contain retrospective provisions that adjust premiums in the event losses are minimal or zero. We recognize a liability pro-rata over the period in which the absence of loss experience obligates us to refund premiums under the contracts, and we will derecognize such liability in the period in which a loss experience arises. The change in loss experience refund is negatively correlated to loss and loss adjustment expenses described below.

Income from our investments is primarily comprised of interest income, dividends and net realized gains on investment securities. Such income is primarily from the Company's investment capital, some of which is held in trust accounts that collateralize the reinsurance policies that we write. The investment parameters for capital held in such trust accounts is generally be established by the cedant for the relevant policy.

Expenses

Our expenses consist primarily of the following:

- losses and loss adjustment expenses;
- policy acquisition costs and underwriting expenses; and
- general and administrative expenses.

Loss and loss adjustment expenses are a function of the amount and type of reinsurance contracts we write and of the loss experience of the underlying coverage. As described below, loss and loss adjustment expenses are based on the claims reported by our company's ceding insurers, and where necessary, may include an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Depending on the nature of the contract, loss and loss adjustment expenses may be paid over a period of years.

Policy acquisition costs and underwriting expenses consist primarily of brokerage fees, ceding commissions, premium taxes and other direct expenses that relate to our writing of reinsurance contracts. We amortize deferred acquisition costs over the related contract term.

General and administrative expenses consist of salaries and benefits and related costs, including costs associated with our professional fees, rent and other general operating expenses consistent with operating as a public company.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the three-month periods ended March 31, 2016 and 2015 (dollars in thousands, except per share amounts):

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY
Consolidated Statements of Income (unaudited)
(expressed in thousands of U.S. Dollars, except per share and share amounts)

	Three Months Ended March 31,	
	2016	2015
Revenue		
Assumed premiums	$503	600
Change in loss experience refund payable	(2,088)	(2,052)
Change in unearned premiums reserve	2,966	2,999
Net premiums earned	1,381	1,547
Net realized investment gains	56	644
Net investment income	94	76
Total revenue	1,531	2,267
Expenses		
Loss and loss adjustment expenses	63	-
Policy acquisition costs and underwriting expenses	61	87
General and administrative expenses	364	350
Total expenses	488	437
Net income	$1,043	1,830
Earnings per share		
Basic and Diluted	$0.17	0.30
Weighted-average shares outstanding		
Basic and Diluted	6,060,000	6,044,667
Dividends paid per share	$0.12	0.12

Performance ratios to net premiums earned:		
Loss ratio	4.6 %	0%
Acquisition cost ratio	4.4%	5.6%
Expense ratio	30.8%	28.2%
Combined ratio	35.3%	28.2%

General. Net income for the quarter ended March 31, 2016 was $1.04 million, or $0.17 per basic and diluted share, compared to a net income of $1.8 million, or $0.30 per basic and diluted share, for the quarter ended March 31, 2015. The decrease in net income from $1.8 million to $1.04 million was primarily due to lower net realized investment gains during the quarter ended March 31, 2016 compared with the previous quarter, as well as the recording of losses and loss adjustment expenses during the quarter ending March 31, 2016.

Premium Income. Premiums earned reflects the pro rata inclusion into income of premiums assumed (net of loss experience refund) over the life of the reinsurance contracts.
Net premiums earned for the quarter ended March 31, 2016 decreased $166 thousand, or 11%, to $1.38 million, from $1.55 million for the quarter ended March 31, 2015. The decrease in net premiums earned was as a result of lower rates on policies in force during the quarter ended March 31, 2016, compared with the previous quarter.
Losses Incurred. Losses incurred for the quarter ended March 31, 2016 increased $63 thousand as a result of the establishment of reserves for losses and loss adjustment expenses for losses expected under one of our contracts. There were no losses incurred for the three months ended March 31, 2015.
Policy Acquisition Costs and Underwriting Expenses. Acquisition costs represent the amortization of the brokerage fees and federal excise taxes incurred on reinsurance contracts placed. Policy acquisition costs and underwriting expenses for the quarter ended March 31, 2016 decreased $25 thousand, or 29%, to 62 thousand from $87 thousand for the quarter ended March 31, 2015. The decrease is the result of both decreased net premiums earned and the lower weighted-average acquisition costs on reinsurance contracts in force during the quarter ended March 31, 2016, when compared with the previous quarter.
General and Administrative Expenses. General and administrative expenses for the quarter ended March 31, 2016 increased $14 thousand, or 4%, to $364 thousand, from $350 thousand for the quarter ended March 31, 2015. The increase is not considered material and simply represents random fluctuation in general and administrative expenses between the quarters represented.

MEASUREMENT OF RESULTS

We use various measures to analyze the growth and profitability of business operations. For our reinsurance business, we measure growth in terms of premiums assumed and we measure underwriting profitability by examining our loss, underwriting expense and combined ratios. We analyze and measure profitability in terms of net income and return on average equity.
Premiums Assumed. We use gross premiums assumed to measure our sales of reinsurance products. Gross premiums assumed also correlates to our ability to generate net premiums earned. See also the analysis above relating to the growth in premiums assumed.
Loss Ratio. The loss ratio is the ratio of losses and loss adjustment expenses incurred to premiums earned and measures the underwriting profitability of our reinsurance business. The loss ratio increased from 0% for the quarter ended March 31, 2015 to 4.6% for the quarter ended March 31, 2016. The increase is wholly due to the establishment of a reserve for losses and loss adjustment expenses for losses expected due to a covered event occurring during the quarter ended March 31, 2016.
Acquisition Cost Ratio. The acquisition cost ratio is the ratio of policy acquisition costs and other underwriting expenses to net premiums earned. The acquisition cost ratio measures our operational efficiency in producing, underwriting and administering our reinsurance business. The acquisition cost ratio decreased from 5.6% for the quarter ended March 31, 2015 to 4.5% for the quarter ended March 31, 2016. The decrease is due to the overall lower weighted-average acquisition costs on reinsurance contracts in force during the three-month period ended March 31, 2016, compared with three-month period ended March 31, 2015.
Expense Ratio. The expense ratio is the ratio of policy acquisition costs, other underwriting expenses and other administrative expenses to net premiums earned. We use the expense ratio to measure our operating performance. The expense ratio increased from 28.2% for the three-month period ended March 31, 2015 to 30.8% for the three-month period ended March 31, 2016. The increase is due to a less than commensurate decrease in general and administrative

expenses when compared with the decrease in net premiums earned, as the correlation between these financial statements items are relatively low.

Combined Ratio. We use the combined ratio to measure our underwriting performance. The combined ratio is the sum of the loss ratio and the expense ratio. If the combined ratio is at or above 100%, we are not underwriting profitably and may not be profitable. The combined ratio increased from 28.2% for the three-month period ended March 31, 2015 to 35.3% for the three-month period ended March 31, 2016. The increase in the combined ratio is due to the factor mentioned in expense ratio above, as well as due to the recording of loss reserves for the quarter ending March 31, 2016, compared with none for the quarter ending March 31, 2015.

FINANCIAL CONDITION – MARCH 31, 2016 COMPARED TO DECEMBER 31, 2015

Restricted Cash and Cash Equivalents. As of March 31, 2016, our restricted cash and cash equivalents decreased by $1.5 million, or 5%, to $28.8 million, from $30.4 million as of December 31, 2015. The decrease is the net result of collateral returned on the expiration of three of our reinsurance contracts during the three-month period ended March 31, 2016, offset by funds placed as collateral under our a new contract written during the quarter.

Investments. As of March 31, 2016, our available-for-sale securities increased by $3.7 million, or 39%, to $13 million, from $9.3 million as of December 31, 2015. The increase is primarily a result of net purchases of fixed-maturity and equity securities during the three-month period ended March 31, 2016.

Premiums Receivable. As of March 31, 2016, our premiums receivable decreased by approximately $2.5 million, or 60%, to $1.6 million, from $4.1 million as of December 31, 2015. The decrease is due to the receipt of premium installments during the three-month period ended March 31, 2016.

Loss Experience Refund Payable. As of March 31, 2016, our loss experience refund payable increased by $2.1 million, or 21%, to $12 million, from $9.9 million at December 31, 2015. The increase is due primarily to the recognition of a pro-rated liability over the three-month period ended March 31, 2016, because the absence of loss experience under two of our reinsurance contracts obligates us to refund premium to two of our ceding reinsurers.

Unearned Premiums Reserve. As of March 31, 2016, our unearned premiums reserve decreased by $3 million, or 53%, to $2.6 million, from $5.6 million at December 31, 2015. The decrease is due wholly to the recognition of premium income on in-force reinsurance contracts during the three-month period ended March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

General

We are organized as a holding company with substantially no operations at the holding company level. Our operations are conducted through our sole reinsurance subsidiary, Oxbridge Reinsurance Limited, which underwrites risks associated with our property and casualty reinsurance programs. We have minimal continuing cash needs at the holding company level, with such expenses principally being related to the payment of administrative expenses and shareholder dividends. There are restrictions on Oxbridge Reinsurance Limited's ability to pay dividends which are described in more detail below.

Sources and Uses of Funds

Our sources of funds primarily consist of premium receipts (net of brokerage fees and federal excise taxes, where applicable) and investment income, including interest, dividends and realized gains. We use cash to pay losses and loss adjustment expenses, other underwriting expenses, dividends, and general and administrative expenses. Substantially all of our surplus funds, net of funds required for cash liquidity purposes, are invested in accordance with our investment guidelines. Our investment portfolio is primarily comprised of cash and highly liquid securities, which can be liquidated, if necessary, to meet current liabilities. We believe that we have sufficient flexibility to liquidate any long-term securities that we own in a rising market to generate liquidity.

As of March 31, 2016, we believe we had sufficient cash flows from operations to meet our liquidity requirements. We expect that our operational needs for liquidity will be met by cash, investment income and funds generated from underwriting activities. We have no plans to issue debt and expect to fund our operations for the foreseeable future from operating cash flows, as well as from potential future equity offerings. However, we cannot provide assurances that in the future we will not incur indebtedness to implement our business strategy, pay claims or make acquisitions. Although Oxbridge Re Holdings Limited is not subject to any significant legal prohibitions on the payment of dividends, Oxbridge Reinsurance Limited is subject to Cayman Islands regulatory constraints that affect its ability to pay dividends to us and include a minimum net worth requirement. Currently, the minimum net worth requirement for Oxbridge Reinsurance Limited is $500. As of March 31, 2016, Oxbridge Reinsurance Limited exceeded the minimum required. By law, Oxbridge Reinsurance Limited is restricted from paying a dividend if such a dividend would cause its net worth to drop to less than the required minimum.

Cash Flows

Our cash flows from operating, investing and financing activities for the three-month periods ended March 31, 2016 and 2015 are summarized below.

Cash Flows for the Three months ended March 31, 2016 (in thousands)

Net cash provided by operating activities for the three months ended March 31, 2016 totaled $2,625, which consisted primarily of cash received from net written premiums less cash disbursed for operating expenses. Net cash used in investing activities of $1,868 was primarily due to the net purchases of available-for-sale securities of $3,347, offset by net return of collateral of $1,479. Net cash used in financing activities totaled $727 representing cash dividend payments.

Cash Flows for the Three months ended March 31, 2015 (in thousands)

Net cash provided by operating activities for the three months ended March 31, 2016 totaled $2,359, which consisted primarily of cash received from net written premiums less cash disbursed for operating expenses. Net cash used in investing activities of $3,143 was primarily due to the purchases of available-for-sale securities of $8,226 and increased collateral funding of $1,824, offset by proceeds from sales of available-for-sale securities of $6,912. Net cash used in financing activities totaled $727 representing cash dividend payments.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2016, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

EXPOSURE TO CATASTROPHES

As with other reinsurers, our operating results and financial condition could be adversely affected by volatile and unpredictable natural and man-made disasters, such as hurricanes, windstorms, earthquakes, floods, fires, riots and explosions. Although we attempt to limit our exposure to levels we believe are acceptable, it is possible that an actual catastrophic event or multiple catastrophic events could have a material adverse effect on our financial condition, results of operations and cash flows. As described under “CRITICAL ACCOUNTING POLICIES—Reserves for Losses and Loss Adjustment Expenses” below, under GAAP, we are not permitted to establish loss reserves with respect to losses that may be incurred under reinsurance contracts until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date may be established, with no provision for a contingency reserve to account for expected future losses.

CRITICAL ACCOUNTING POLICIES

We are required to make estimates and assumptions in certain circumstances that affect amounts reported in our consolidated financial statements and related footnotes. We evaluate these estimates and assumptions on an on-going basis based on historical developments, market conditions, industry trends and other information that we believe to be reasonable under the circumstances. These accounting policies pertain to premium revenues and risk transfer, reserve for loss and loss adjustment expenses and the reporting of deferred acquisition costs.

Premium Revenue and Risk Transfer. We record premiums revenue 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.

We account for reinsurance contracts in accordance with ASC 944, ‘‘Financial Services – Insurance. ” Assessing whether or not a reinsurance contract meets the conditions for risk transfer requires judgment. The determination of risk transfer is critical to reporting premiums written. If we determine that a reinsurance contract does not transfer sufficient risk, we must account for the contract as a deposit liability.

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. Under such contracts, the Company expects to recognize aggregate liabilities payable to the ceding insurers assuming no losses occur during the contract period. 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 contract. 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 term, will reduce the liability should a catastrophic loss event covered by the Company occur.

Reserves for Losses and Loss Adjustment Expenses. We determine our reserves for losses and loss adjustment expenses on the basis of the claims reported by our ceding insurers. Incurred but not reported (“IBNR”) reserves are estimated by management using various actuarial methods in addition to the ceding insurer’s estimated IBNR, historical industry loss experience and our professional judgment. 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. We believe 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.

Under GAAP, we are not permitted to establish loss reserves until the occurrence of an actual loss event. As a result, only loss reserves applicable to losses incurred up to the reporting date may be recorded, with no allowance for the provision of a contingency reserve to account for expected future losses. Losses arising from future events, which could be substantial, are estimated and recognized at the time the loss is incurred.

As at March 31, 2016 our best estimate for reserves for loss and loss adjustment expenses was $63 thousand, with IBNR representing approximately 12% of such reserves.

Our reserving methodology does not lend itself well to a statistical calculation of a range of estimates surrounding the best point estimate of our reserve for losses and loss adjustment expense. Due to the low frequency and high severity nature of claims within much of our business, our reserving methodology principally involves arriving at a specific point estimate for the ultimate expected loss on a contract by contract basis, and our aggregate loss reserves are the sum of the individual loss reserves established.

Deferred Acquisition Costs. We defer certain expenses that are directly related to and vary with producing reinsurance business, including brokerage fees on gross premiums assumed, premium taxes and certain other costs related to the acquisition of reinsurance contracts. These costs are capitalized and the resulting asset, deferred acquisition costs, is amortized and charged to expense in future periods as premiums assumed are earned. The method followed in computing deferred acquisition costs limits the amount of such deferral to its estimated realizable value. The ultimate recoverability of deferred acquisition costs is dependent on the continued profitability of our reinsurance underwriting. If our underwriting ceases to be profitable, we may have to write off a portion of our deferred acquisition costs, resulting in a further charge to income in the period in which the underwriting losses are recognized.

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.

Item 3.
Quantitative and Qualitative Disclosures About Market Risk
Because we are a smaller reporting company, we are not required to provide this information.
Item 4.
Controls and Procedures
Evaluation of Disclosure Controls and Procedures
Under the supervision and with the participation of our Chief Executive Officer (our principal executive officer) and our Financial Controller (our principal financial officer), we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and our Financial Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.
Changes in Internal Control Over Financial Reporting
There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1.
Legal Proceedings
We are not currently involved in any litigation or arbitration. We anticipate that, similar to the rest of the insurance and reinsurance industry, we will be subject to litigation and arbitration in the ordinary course of business.
Item 1A.
Risk Factors
There have been no material changes to the risk factors previously disclosed in the section entitled “Risk Factors” in our Form 10-K, which was filed with the Securities and Exchange Commission on March 17, 2016.
Item 2.
Unregistered Sales of Equity Securities and Use of Proceeds
(a)
Sales of Unregistered Securities
None.
(b)
Repurchases of Equity Securities
None.
(c)
Use of Proceeds
None.
Item 3.
Defaults Upon Senior Securities

None.
Item 4.
Mine Safety Disclosures

Not applicable.

Item 5.
Other Information

None.

Item 6.
Exhibits

The following exhibits are filed herewith:

Exhibit No.	Document
31.1	Certifications of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certifications of the Financial Controller pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32	Written Statement of the Chief Executive Officer and Financial Controller pursuant to 18 U.S.C. §1350.
101	The following materials from Oxbridge Re Holdings Limited's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Shareholders' Equity and (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

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

OXBRIDGE RE HOLDINGS LIMITED

Date: May 16, 2016	By: /s/ JAY MADHU Jay Madhu Chief Executive Officer and President (Principal Executive Officer)
Date: May 16, 2016	By: /s/ WRENDON TIMOTHY Wrendon Timothy Financial Controller and Secretary (Principal Financial Officer and PrincipalAccounting Officer)

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