

DILLARDS INC
Form 8-K
February 23, 2011

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

FORM 8-K

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

Date of report (Date of earliest event reported): **February 22, 2011**

Dillard's, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-6140

(Commission File Number)

71-0388071

(I.R.S. Employer

Identification No.)

1600 Cantrell Road

Little Rock, Arkansas

(Address of Principal Executive Offices)

72201

(Zip Code)

(501) 376-5200

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

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Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 **Other Events**

On February 22, 2011 the registrant issued a press release announcing that the Company's board had authorized a \$250 million share repurchase program and the issuance of a dividend payable on the Company's Class A and Class B Common Stock.

Item 9.01 **Financial Statements and Exhibits**

99 Press Release dated February 22, 2011

SIGNATURE

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

DILLARD'S, INC.

DATED: February 22, 2011 By: /s/ James I. Freeman
Name: James I. Freeman
Title: Senior Vice President & Chief Financial Officer

EXHIBIT INDEX

Exhibit No. Description

99 Press Release dated February 22, 2011

ew Roman;vertical-align:bottom;display:inline-block;width:10%;padding-bottom:2px;font-size:13px;">

35,682

Cash and cash equivalents are held by large and reputable counterparties in the United States of America and in the Cayman Islands. Restricted cash held in trust is custodied with Bank of New York Mellon and SunTrust Bank N.A. 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.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

4. INVESTMENTS

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

	Cost or Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value (\$000)
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(\$ in thousands)

As of December 31, 2017

Fixed-maturity securities

U.S. Treasury and agency securities	\$4,450	\$-	\$(17)	\$4,433
Total fixed-maturity securities	4,450	-	(17)	4,433
Mutual funds	400	29	-	429
Preferred stocks	200	-	(1)	199
Common stocks	1,458	12	(62)	1,408
Total equity securities	2,058	41	(63)	2,036
Total available for sale securities	\$6,508	\$41	\$(80)	\$6,469

As of December 31, 2016

Fixed-maturity securities

U.S. Treasury and agency securities	\$6,060	\$28	\$(37)	\$6,051
Total fixed-maturity securities	6,060	28	(37)	6,051

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Mutual funds	400	2	(6)	396
Preferred stocks	687	8	(4)	691
Common stocks	4,256	126	(528)	3,854
Total equity securities	5,343	136	(538)	4,941
Total available for sale securities	\$11,403	\$164	\$(575)	\$10,992

At December 31, 2017 and 2016, securities with a fair value of \$1,430,000 and \$3,502,000, respectively, are held in trust accounts as collateral under reinsurance contracts with the Company's ceding insurers.

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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 December 31, 2017 and 2016 are as follows:

	Amortized Cost	Estimated Fair Value
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(\$ in thousands)

As of December 31, 2017

Available for sale

Due within one year	\$3,007	3,003
Due after one year through five years	1,443	1,430
	\$4,450	\$4,433

As of December 31, 2016

Available for sale

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

Gross proceeds received, and the gross realized gains and losses from sales of available-for-sale securities, for the years ended December 31, 2017 and 2016 are as follows:

	Gross Realized Gains	Gross Realized Losses
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(\$ in thousands)

Year ended December 31, 2017

Fixed-maturity securities	\$5,538	\$30	\$(7)
Equity securities	\$21,782	\$1,422	\$(1,583)

Year ended December 31, 2016

Fixed-maturity securities	\$119	\$8	\$-
Equity securities	\$12,968	\$1,663	\$(1,117)

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INVESTMENTS (continued)

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

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

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

general market conditions and industry or sector specific factors;

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

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

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

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

Fixed maturity securities

U.S. Treasury and agency securities	13	1,428	4	3,003	17	4,431
Total fixed-maturity securities	13	1,428	4	3,003	17	4,431

Equity securities

Preferred stocks	1	199	-	-	1	199
All other common stocks	36	769	26	174	62	943
Total equity securities	37	968	26	174	63	1,142

Total available for sale securities	\$50	\$2,396	\$30	\$3,177	\$80	\$5,573
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At December 31, 2017, there were 8 securities in an unrealized loss position of which 2 of these positions had been in an unrealized loss position for 12 months or greater.

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INVESTMENTS (continued)

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

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

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

Company will not be required to sell these securities until a market price recovery or maturity, the Company does not consider any of its fixed-maturity securities to be other-than-temporarily impaired at December 31, 2017 and 2016.

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

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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 December 31, 2017 and 2016:

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2017	(\$ in thousands)			
Financial Assets:				
Cash and cash equivalents	\$7,763	\$-	\$-	\$7,763
Restricted cash and cash equivalents	\$3,124	\$-	\$-	\$3,124
Fixed-maturity securities:				
U.S. Treasury and agency securities	4,433	-	-	4,433
Total fixed-maturity securities	4,433	-	-	4,433
Mutual funds	429	-	-	429
Preferred stocks	199	-	-	199
All other common stocks	1,408	-	-	1,408
Total equity securities	2,036	-	-	2,036
Total available for sale securities	6,469	-	-	6,469
Total	\$17,356	\$-	\$-	\$17,356

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Fair Value Measurements Using

(Level 1) (Level 2) (Level 3) Total

As of December 31, 2016

(\$ in thousands)

Financial Assets:

Cash and cash equivalents	\$12,242	\$-	\$-	\$12,242
Restricted cash and cash equivalents	\$23,440	\$-	\$-	\$23,440
Fixed-maturity securities:				
U.S. Treasury and agency securities	6,051	-	-	6,051
Total fixed-maturity securities	6,051	-	-	6,051
Mutual funds	396	-	-	396
Preferred stocks	691	-	-	691
All other common stocks	3,854	-	-	3,854
Total equity securities	4,941	-	-	4,941
Total available for sale securities	10,992	-	-	10,992
Total	\$46,674	\$-	\$-	\$46,674

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5.

TAXATION

Under current Cayman Islands law, no corporate entity, including the Company and the licensed subsidiary, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company and the licensed 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 licensed 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 subsidiaries 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 subsidiaries 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.

6.

RESERVE FOR 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 years ending December 31, 2017 and 2016.

	December 31,	
	2017	2016
	(\$ in thousands)	
Gross balance, beginning of year	\$8,702	-
Incurred, net of reinsurance, related to:		
Current period	38,401	14,775
Prior period	4,026	-
Total incurred, net of reinsurance	42,427	14,775
Paid, net of reinsurance, related to:		
Current period	(36,293)	(6,073)
Prior period	(10,000)	-
Total paid, net of reinsurance	(46,293)	(6,073)

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Net balance, end of year	\$4,836	8,702
Add: reinsurance recoverable	-	-
Gross balance, end of period	\$4,836	8,702

The reserves for losses and LAE are comprised of case reserves (which are based on claims that have been reported) and IBNR reserves (which are based on losses that are believed to have occurred but for which claims have not yet been reported and include a provision for expected future development on existing case reserves). The Company uses the assistance of an independent actuary in the determination of IBNR and expected future development of existing case reserves.

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For the years ended December 31, 2017 and 2016

6.

RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (continued)

During the year ended December 31, 2017, the Company experienced significant limit losses on all its policies due to the individual and aggregate impact of Hurricanes Harvey, Irma and Maria. Additionally, during 2017 the Company experienced unfavorable loss development of \$4,026, which pertain to claims in the 2016 loss year, primarily Hurricane Matthew.

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 SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

6.

RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (continued)

The following table discloses information about the Company's incurred and paid claims development as of December 31, 2017, as well as cumulative claim frequency and the total of incurred-but-not-reporting and expected development on reported claims included within the net incurred claims amounts. A claim is defined as a reported loss from a cedant on an excess-of-loss reinsurance contract arising from a loss event for which the Company records a paid loss or case reserve. The Company operates a single business segment, being property catastrophe reinsurance.

Property Catastrophe Reinsurance
(in thousands)Incurred
Losses and
Loss
Adjustment
ExpensesAs of
December 31, 2017Total of Incurred-but-Not-Reported Liabilities Plus
Expected Development on Reported ClaimsCumulative Number of
Reported Claims

(dollars in thousands)

Accident Year	2016	2017		
2016	\$14,775	\$18,801	\$1,269	5
2017		\$38,401	\$25	8
Total		\$57,202	\$1,294	

Cumulative Paid Losses and Loss Adjustment Expenses
For the Years Ended December 31,
(in thousands)

Accident Year 2016 2017

2016	\$6,073	\$16,073
2017		\$36,293
Total		\$52,366

Reserve for loss and
loss adjustment
expenses at December 31, 2017, net of
reinsurance \$4,836

During the year ended December 31, 2017, the Company entered into a retrocession arrangement with one rated reinsurer. However, during the year ended December 31, 2017, the Company received full payment from its reinsurer with respect to losses hedged by the Company, and as such, there are no reinsurance recoverables on unpaid claims at December 31, 2017. Therefore, the Company's gross and net reserve for losses and loss adjustment expenses at December 31, 2017 are both \$4,836,000 as recorded on the consolidated balance sheets.

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

6.
RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (continued)

The following table shows the historical average annual percentage payout of claims as at December 31, 2017.

Years	Average Annual Percentage Payout of Incurred Claims by Age	
	1	2
Property Catastrophe Reinsurance	63.4%	53.2%

7.
EARNINGS PER SHARE

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

	Years ended December 31	
	2017	2016
Numerator:		
Net (loss) earnings	\$(20,592)	2,581
Denominator:		
Weighted average shares - basic	5,808,354	6,022,985
Effect of dilutive securities - Stock options	-	-
Shares issuable upon conversion of warrants	-	-
Weighted average shares - diluted	5,808,354	6,022,985
Basic (loss) earnings per share	\$(3.55)	0.43
Diluted (loss) earnings per share	\$(3.55)	0.43

For the years ended December 31, 2017 and 2016, 250,000 options to purchase 250,000 ordinary shares and 215,000 options to purchase 215,000 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 years ended December 31, 2017 and 2016, 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 (loss) 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 (loss) income.

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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 December 31, 2017 and 2016. No warrants were exercised during the years ended December 31, 2017 and 2016.

The Company declared and paid quarterly cash dividends of \$0.12 per ordinary share during the first three quarters of the year ended December 31, 2017, and for each of the quarters during 2016. The total amount of such dividends declared and paid during 2017 and 2016 were approximately \$2.1 million and \$2.9 million, respectively.

In May 2016, the Company's Board of Directors authorized a plan to repurchase up to \$2,000,000 of the Company's ordinary shares, inclusive of commissions and fees (the "Share Repurchase Program"). During the year ended December 31, 2017, the Company repurchased and retired a total of 182,562 shares at a weighted-average price per share of \$5.77. During the year ended December 31, 2016, the Company repurchased and retired a total of 143,851 shares at a weighted average price per share of \$5.16 under this Share Repurchase Program. The total cost of shares repurchased, inclusive of fees and commissions, during the year ended December 31, 2017 and 2016 were \$1,061,000 and \$742,000, respectively.

The Share Repurchase Program was discontinued effective September 28, 2017. Through September 28, 2017, the Company had repurchased an aggregate of 326,413 shares for an aggregate cost of \$1,803,568 under the Share Repurchase Program.

As of December 31, 2017 and 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 its licenced subsidiary, a dividend from the licensed subsidiary would likely be required in order to fund a dividend to the Company's shareholders and would require notification to 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.

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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 December 31, 2017, there were 690,000 shares available for grant under the Plan.

Stock options

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 years ended December 31, 2017 and 2016 is as follows (option amounts not in thousands):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intinsic Value (\$000)
Outstanding at January 1, 2016	180,000			
Granted	35,000	\$6.00		
Outstanding at December 31, 2016	215,000	\$6.00	9 years	\$-
Granted	35,000	\$6.06		
Outstanding at December 31, 2017	250,000	\$6.01	7.4 years	\$-
Exercisable at December 31, 2017	161,250	\$6.01	7.4 years	\$-

Compensation expense recognized for the years ended December 31, 2017 and 2016 totaled \$39,000 and \$31,000, respectively, and is included in general and administrative expenses. At December 31, 2017 and 2016, there was approximately \$54,000 and \$67,000, respectively, of total unrecognized compensation expense related to non-vested stock options granted under the Plan. The Company expects to recognize the remaining compensation expense over a weighted-average period of seventeen (17) months.

During each of the years ended December 31, 2017 and 2016, 35,000 options were granted with fair value estimated on the date of grant using the following assumptions and the Black-Scholes option pricing model:

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	2017	2016
Expected dividend yield	8%	9.6%
Expected volatility	35%	35%
Risk-free interest rate	2.48%	2.03%
Expected life (in years)	10	10
Per share grant date fair value of options issued	\$0.73	\$0.34

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9.

SHARE-BASED COMPENSATION (continued)

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. Restricted stock awards granted and outstanding under the Plan vests quarterly over four years.

Information with respect to the activity of unvested restricted stock awards during the years ended December 31, 2017 and 2016 is as follows (share amounts not in thousands):

	Weighted-Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	45,000	\$5.86
Vested	(15,000)	
Nonvested at December 31, 2016	30,000	\$5.86
Nonvested at January 1, 2017	30,000	\$5.86
Vested	(15,000)	
Nonvested at December 31, 2017	15,000	\$5.86

Compensation expense recognized for the years ended December 31, 2017 and 2016 totaled \$88,000 and is included in general and administrative expenses. At December 31, 2017 and 2016, there was approximately \$88,000 and \$176,000, respectively, of total unrecognized compensation expense related to non-vested restricted stock granted under the Plan. The Company expects to recognize the remaining compensation expense over a weighted-average period of twelve (12) months.

10.

NET WORTH FOR REGULATORY PURPOSES

The Company's licensed subsidiary, Oxbridge Reinsurance Limited is subject to a minimum and prescribed capital requirement as established by CIMA. Under the terms of its license, the Oxbridge Reinsurance Limited is required to maintain a minimum and prescribed capital requirement of \$500 in accordance with its approved business plan filed with CIMA. At December 31, 2017 and 2016, the Oxbridge Reinsurance Limited's net worth of \$2.7 million and \$22.9

million, respectively, exceeded the minimum and prescribed capital requirement. For the years ended December 31, 2017 and 2016, the its net (loss) income was approximately (\$21) million and \$1.2 million, respectively.

Oxbridge Reinsurance Limited is not required to prepare separate statutory financial statements for filing with CIMA, and there were no material differences between its GAAP capital, surplus and net (loss) income, and its statutory capital, surplus and net (loss) income as of December 31, 2017 and 2016 or for the years then ended.

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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

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, reinsurance recoverable and assets held with counterparties. The Company mitigates its credit risk by using several counterparties which decreases the likelihood of any significant concentration of credit risk with any one counterparty, as well as using reputable and highly rated counterparties. 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 year ended December 31, 2017 and 2016 was \$62,000 and \$59,000, respectively, and lease commitments at December 31, 2017 were \$32,000.

The Company also had an operating lease for residential space at Britannia Villas #616, Grand Cayman, Cayman Islands that expired on October 31, 2017, and currently runs on a month-to-month basis. Rent expense under this lease for the years ended December 31, 2017 and 2016 was \$51,600 each. There are currently no lease commitments under

this lease as at December 31, 2017.

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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 December 31, 2017 and 2016, included within loss experience refund payable and unearned premiums reserve on the consolidated balance sheets are the following related-party amounts:

	December 31,	
	2017	2016
	(in thousands)	
Loss experience refund payable	\$135	\$1,470
Unearned premiums reserve	\$2,012	\$1,417

During the years ended December 31, 2017 and 2016, 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:

	December 31,	
	2017	2016
	(in thousands)	
Revenue		
Assumed premiums	\$3,400	\$3,400
Change in loss experience refund payable	\$1,335	\$(2,520)
Change in unearned premiums reserve	\$2,805	\$(25)

14.

PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following (in thousands):

At December
31,

2017 2016

Leasehold improvements	\$21	21
Furniture and Fixtures	38	38
Motor vehicle	21	21
Computer equipment and software	32	26
Total, at cost	112	106
less accumulated depreciation and amortization	(76)	(52)
Property and equipment, net	\$36	54

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OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

15.

SUBSEQUENT EVENTS

We evaluate all subsequent events and transactions for potential recognition or disclosure in our financial statements. There were no other events subsequent to December 31, 2017 for which disclosure was required.

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SCHEDULE I

OXBRIDGE RE
HOLDINGS
LIMITED AND
SUBSIDIARIES
SUMMARY
OF
INVESTMENTS
- OTHER
THAN
INVESTMENTS
IN
RELATED
PARTIES
AS OF
DECEMBER
31, 2017

(expressed in
thousands of
U.S. dollars)

Type of investment	Cost or Amortized Cost	Fair Value	Balance Sheet Value
Fixed-maturity securities			
U.S. Treasury and agency securities	\$4,450	\$4,433	\$4,433
Total fixed-maturity securities	4,450	4,433	4,433
Mutual Funds	400	429	429
Preferred stocks	200	199	199
Common stocks	1,458	1,408	1,408
Total equity securities	2,058	2,036	2,036
Total investments	\$6,508	\$6,469	6,469

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SCHEDULE II

OXBRIDGE RE HOLDINGS LIMITED

CONDENSED FINANCIAL INFORMATION OF
REGISTRANTCONDENSED BALANCE SHEET - PARENT COMPANY
ONLY

(expressed in thousands of U.S. Dollars)

At December 31,

2017 2016

Assets

Cash and cash equivalents	4,251	6,360
Investments, available for sale, at fair value	5,039	7,490
Investment in subsidiaries	2,698	22,894
Accrued interest and dividend receivable	35	41
Due from subsidiaries	1,857	439
Prepayment and other receivables	108	89
Property and equipment, net	36	54
Total assets	\$14,024	37,367

Liabilities and Shareholders' Equity

Liabilities:

Accounts payable and other liabilities	106	204
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Shareholders' equity:

Total shareholders' equity	13,918	37,163
Total liabilities and shareholders' equity	\$14,024	37,367

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SCHEDULE II (continued)

	Years Ended December 31,	
	2017	2016
Revenue		
Net investment income	\$298	413
Net realized investment (losses) gains	(175)	646
Other income	1,644	1,776
Operating expenses	(1,316)	(1,410)
Income before equity in (loss) earnings of subsidiary	451	1,425
Equity in (loss) earnings of subsidiary	(21,043)	1,156
Net (loss) income	\$(20,592)	2,581

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SCHEDULE II (continued)

OXBRIDGE RE HOLDINGS LIMITED

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENT OF CASH - PARENT COMPANY ONLY

(expressed in thousands of U.S. Dollars)

	Years Ended December 31,	
	2017	2016
Operating activities		
Net (loss) income	\$(20,592)	2,581
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Equity in (loss) earnings of subsidiary	21,043	(1,156)
Stock-based compensation	127	119
Net amortization of premiums on investments in fixed-maturity securities	84	21
Depreciation	24	21
Net realized investment losses (gains)	175	(646)
Change in operating assets and liabilities:		
Accrued interest and dividend receivable	6	(23)
Due from subsidiary	(1,418)	915
Prepayment and other receivables	(19)	(7)
Accounts payable and other liabilities	(98)	29
Net cash (used in) / provided by operating activities	\$(668)	1,854
Investing activities		
Investment in subsidiary	(3,000)	-
Dividends from subsidiary	2,108	2,880
Purchase of available for sale securities	(18,659)	(13,136)
Proceeds from sale of available for sale securities	21,268	12,857
Purchase of property and equipment	(6)	(11)
Net cash provided by investing activities	\$1,711	2,590

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Financing activities		
Repurchases of common stock under share repurchase plan	(1,061)	(742)
Cash dividends paid	(2,091)	(2,885)
Net cash used in financing activities	\$(3,152)	(3,627)
Net change in cash and cash equivalents	(2,109)	817
Cash and cash equivalents at beginning of year	6,360	5,543
Cash and cash equivalents at end of year	\$4,251	6,360

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SCHEDULE III
OXBRIDGE RE
HOLDINGS
LIMITED AND
SUBSIDIARIES
SUPPLEMENTARY
INSURANCE
INFORMATION
FOR THE YEARS
ENDED
DECEMBER 31,
2017 AND 2016
(expressed in
thousands of U.S.
dollars)

Year	Segment	Reserves					Net losses, Amortization			
		Deferred acquisition expenses, net	adjustment – gross	Unearned premiums – gross	Net premiums earned	Investment income (loss)	and loss expenses	of deferred acquisition costs	Gross Operating premiums written	
2017	Property & Casualty	\$48	\$4,836	\$2,012	\$23,567	\$274	\$42,427	\$681	\$1,325	\$18,263
2016	Property & Casualty	\$88	\$8,702	\$3,461	\$18,058	\$1,004	\$14,775	\$286	\$1,420	\$15,065

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SCHEDULE IV

OXBRIDGE RE
HOLDINGS
LIMITED AND
SUBSIDIARIES
REINSURANCE
INFORMATION
FOR THE
YEARS ENDED
DECEMBER 31,
2017 AND 2016
(expressed in
thousands of U.S.
dollars)

Year	Segment	Direct Gross Premiums	Premiums ceded to other companies	Premiums assumed from other companies	Net amount	Percentage of amount assumed to net
2017	Property & Casualty	\$-	\$880	\$18,263	\$17,383	105%
2016	Property & Casualty	\$-	\$-	\$15,065	\$15,065	100%

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