

# Report on the Transfer of business from Pedigree Livestock Insurance Ltd to AmTrust Europe Ltd

Supplementary Report of  
the Independent Expert

**Michael Tripp FIA**

21 May 2019

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## 1. Introduction

- 1.1 I, Michael Tripp, prepared an Independent Expert Report (“my Report”) for the Court, dated 25 February 2019, entitled “Report on the transfer of business from Pedigree Livestock Insurance Ltd to AmTrust Europe Ltd”. A copy of my Report has been made available on this website: [www.amtrustinternational.com/en-GB/portfoliotransfers](http://www.amtrustinternational.com/en-GB/portfoliotransfers)
- 1.2 This Supplementary Report has been prepared since I completed my Report to update the Court with more recent information surrounding the actual positions of Pedigree Livestock Insurance Limited (“PLI”) and AmTrust Europe Limited (“AEL”, “AmTrust”) pre- and post-transfer. In addition, I comment on other developments that I believe would be of interest to the Court, including my opinion on any issues raised by the affected policyholders. This work enables me to confirm that there have not been any changes to the main conclusions set out in my Report.
- 1.3 This Supplementary Report should be read alongside my Report as its findings relate to the conclusions of my Report. The important reliances, limitations, assumptions and sources of uncertainty in my Report also apply to this Supplementary Report. Appendix A contains definitions of certain terms used throughout this Supplementary Report.
- 1.4 Data provided to me by AmTrust for the purpose of compiling my Supplementary Report is set out in Appendix B.
- 1.5 This Supplementary Report, when read together with my Independent Expert Report, has been prepared in compliance with the requirements of the relevant Technical Actuarial Standards (“TAS”) issued by the Financial Reporting Council (“FRC”), TAS 100: Principles of Technical Actuarial Work and TAS 200: Insurance. This report has also been produced in line with the requirements of Actuarial Professional Standard (“APS”) X2: Review of Actuarial Work; and APS X3: The Actuary as an Expert in Legal Proceedings produced by the Institute and Faculty of Actuaries.

## 2. Executive Summary

### Changes to the Scheme and other developments

- 2.1 There have been no changes to the Scheme since my Report.
- 2.2 As indicated in my Report, AEL has proposed to undertake another Part VII transfer of the UK insurance business of AMT Mortgage Insurance Limited (“AMIL”) which it is proposed to become effective at or around the same time as the PLI transfer. The Directions Hearing occurred on 19 March 2019. I am satisfied that this transfer still does not change my overall conclusions regarding the Part VII transfer of PLI business in to AEL (“the Transfer”).
- 2.3 **There have been no changes to the Scheme, nor material developments in other AmTrust Part VII transfers, that change my conclusions regarding the Transfer.**

### Changes to the financial strength of PLI and AEL

- 2.4 I have reviewed the draft financial statements of PLI (final and audited) and AEL (draft) as at 31 December 2018. I have also reviewed reserve movements, revised business plans and key changes in risk profile.
- 2.5 Signed financial statements were not yet available for AEL at the time of writing this Supplementary Report. However, should there be any material changes to the figures shown in the following sections, we would inform the Court in advance of the Sanctions Hearing.
- 2.6 There has been no change to PLI’s financial position during 2018.
- 2.7 AEL’s regulatory capital requirement increased during 2018, driven by mainly an increase in technical provisions due to reserve strengthening during the year and an increase in the market risk. As a result, the coverage ratio decreased from 152% in 2017 to 130%. During Q1 2019, AEL have taken actions to reduce their regulatory capital requirement for market risk. This is discussed further in Section 3. Had this action been taken prior to year-end, the coverage ratio would have been 141%.
- 2.8 In addition, AmTrust have confirmed that should their coverage ratio fall below their target of 140% they would receive a capital injection from their parent company within 3-6 months to remediate this. This has led me to conclude that AEL is a sufficiently-capitalised company<sup>1</sup>.
- 2.9 Based on my review and discussions with AmTrust, I am satisfied that there have been no financial or non-financial developments that cause me to change any of my conclusions.
- 2.10 **I have concluded that changes to the financial strength of these companies since the position set out in my Report do not change my overall conclusions regarding the Transfer.**

## Communications

- 2.11 At the Directions Hearing on 19 March 2019, the Court was made aware that AmTrust would no longer be advertising in one of the proposed pet industry trade publications as it recently ceased publication. The other forms of communication regarding the Transfer of PLI business to AEL continue as planned. I do not believe this is a material change to the communication exercise anticipated and conclude that the strategy remains proportionate given the size and implications of the Transfer.
- 2.12 **I have concluded that there have been no material changes in the approach to publicity arrangements from those set out in my Report.**
- 2.13 I have reviewed the implementation of the policyholder communications work carried out by AmTrust. While I have not carried out a detailed audit of this exercise, I have reviewed information provided by AmTrust regarding the communication exercise carried out.
- 2.14 As outlined in Section 5, I am satisfied that there is sufficient time for the affected policyholders to review material, consider whether they may be adversely affected and if necessary raise concerns and objections with AmTrust.
- 2.15 AmTrust have confirmed that as at 11 April 2019 it has received no objections or material policyholder complaints regarding the Transfer.
- 2.16 **Based on my review, I am satisfied that the work has been carried out in line with the descriptions in the First Witness Statement and that no material issues have arisen that have led me to change my conclusions.**

## Expert's declaration

- 2.17 I confirm that I fully understand my overriding duty to the Court and that I must help the Court on matters within my expertise. My duty to the Court overrides any obligation to those from whom I have received instructions or by whom I am paid. I believe that I have complied, and will continue to comply, with this duty.
- 2.18 I confirm that I am aware of the requirements of Part 35 and Practice Direction 35 of the Civil Procedure Rules, and the Guidance for the Instruction of Experts in Civil Claims 2014.
- 2.19 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions that I have expressed and conclusions that I have drawn represent my true and complete professional opinions on the matters to which they refer.



Michael Tripp FIA

Head of Actuarial, Mazars UK LLP

### 3. Financial Updates

3.1 This section covers the following matters:

- Updated financial performance and financial positions of PLI and AEL
- Updated financial strength of PLI and AEL

3.2 Prior to setting out my conclusions relating to these financial matters, I confirm that there have been no financial developments in PLI or AEL since the data received for my analysis that have caused me to change my conclusions.

3.3 Note that while the financial position of the PLI and AEL contained in my Report was as at 31 December 2017, no developments after this date relating to the companies' financial strength have changed my conclusions.

#### Updated financial performance and financial positions of PLI and AEL

3.4 My Report considered the financial positions of PLI and AEL based on the audited financial statements as at 31 December 2017. In the following sections I have considered the change in PLI and AEL's financial position during 2018.

##### PLI

3.5 Table 3.1 shows PLI's balance sheet as at 31 December 2018, based on the financial statements on a UK GAAP basis. This is also compared to the prior year.

**Table 3.1: PLI UK GAAP Balance sheet (£000's)**

	UK GAAP	
	2017	2018
<b>Assets:</b>		
Investments	-	-
Reinsurance assets	-	-
Other assets	3.9	4.0
<b>Total Assets</b>	<b>3.9</b>	<b>4.0</b>
<b>Liabilities:</b>		
Capital & reserves	3.9	4.0
Insurance liabilities	-	-
Other liabilities	-	-
<b>Total Liabilities</b>	<b>3.9</b>	<b>4.0</b>

3.6 Table 3.2 shows the Solvency II balance sheet of PLI as at 31 December 2018 compared to the prior year. Post-Transfer there will be no assets or liabilities remaining in PLI.

**Table 3.2: PLI Solvency II Balance Sheet (£000's)**

	2017		2018	
	Pre-Transfer	Post-Transfer	Pre-Transfer	Post-Transfer
<b>Assets:</b>				
Cash	3.9	-	4.0	-
Investments	-	-	-	-
Other assets	-	-	-	-
<b>Total Assets</b>	<b>3.9</b>	<b>-</b>	<b>4.0</b>	<b>-</b>
<b>Liabilities:</b>				
Insurance liabilities	-	-	-	-
Other liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity</b>	<b>3.9</b>	<b>-</b>	<b>4.0</b>	<b>-</b>

3.7 The PLI balance sheets above are converted from EUR to GBP using the respective year-end exchange rates:

- 31 December 2017: £1 = €1.126
- 31 December 2018: £1 = €1.112

3.8 There is no movement in PLI's financial position over the year in EUR; the movements seen in Table 3.1 and 3.2 are driven purely by the change in exchange rate.

3.9 **I am satisfied that the financial position of PLI at 31 December 2018 does not cause me to change the conclusions made in my Report.**

#### **AEL**

3.10 AEL made a total profit of £1m during the year (2017 - £70m). As discussed in their draft financial statements, this decrease in profit is driven by a loss on revaluation of subsidiary undertakings relating to an Italian subsidiary of AEL.

3.11 Table 3.3 shows AEL's balance sheet as at 31 December 2018, based on the draft financial statements on a UK GAAP basis. This is also compared to the prior year.



**Table 3.3: AEL UK GAAP Balance sheet (£000's)**

	UK GAAP	
	2017	2018
<b>Assets:</b>		
Investments	524.4	568.9
Reinsurance assets	824.4	737.2
Other assets	609.4	629.9
<b>Total Assets</b>	<b>1,958.2</b>	<b>1,936.0</b>
<b>Liabilities:</b>		
Capital & reserves	382.4	380.9
Insurance liabilities	1,276.1	1,294.3
Other liabilities	299.7	260.8
<b>Total Liabilities</b>	<b>1,958.2</b>	<b>1,936.0</b>

3.12 During 2018, total assets remained materially the same on a UK GAAP basis (a reduction of 1%).

3.13 Table 3.4 shows the Solvency II balance sheet of AEL as at 31 December 2018 compared to the prior year. This is shown both pre- and post-Transfer of PLI in to AEL.

**Table 3.4: AEL Solvency II Balance sheet (£000's)**

	2017		2018	
	Pre-Transfer	Post-Transfer	Pre-Transfer	Post-Transfer
<b>Assets:</b>				
Cash	54.8	58.8	62.2	66.2
Investments	377.8	377.8	444.1	444.1
Value of subsidiaries	135.4	131.5	111.5	107.6
Reinsurance assets	665.3	665.3	652.5	652.5
Other assets	203.1	203.1	297.2	297.2
<b>Total Assets</b>	<b>1,436.4</b>	<b>1,436.4</b>	<b>1,567.5</b>	<b>1,567.5</b>
<b>Liabilities:</b>				
Insurance liabilities	963.0	963.0	1,069.9	1,069.9
Other liabilities	121.0	121.0	149.8	149.8
<b>Total Liabilities</b>	<b>1,084.0</b>	<b>1,084.0</b>	<b>1,219.6</b>	<b>1,219.6</b>
<b>Equity</b>	<b>352.4</b>	<b>352.4</b>	<b>347.9</b>	<b>347.9</b>

3.14 AEL's post-Transfer balance sheet as at 31 December 2018 assuming both the PLI and AMIL transfers happen in parallel can be found in Appendix C.

3.15 On a Solvency II basis, pre-Transfer net assets or equity decreased by 1% over 2018. However, technical provisions increased by 11%. This is driven by the deterioration of prior year reserves (underwriting year 2017 and prior) by c. £33.8m. There were reserve deteriorations across all lines of business except 'Legal Expenses – Commercial' for which there was a release. I have discussed the reasons behind the prior year reserves deteriorations with AEL actuaries and the deteriorations were mainly driven by data and events emerging after year-end 2017. I am satisfied that the booked reserves as at year-end 2018 lies within a reasonable range of best estimates.

- 3.16 There is no movement in net assets as a result of the Transfer, which is the same impact as using the 2017 year-end data.
- 3.17 **I am satisfied that the change in the financial position and performance of AEL at 31 December 2018 does not cause me to change the conclusions made in my Report.**

## Updated financial strength of PLI and AEL

### PLI

- 3.18 Table 3.5 shows the capital position of PLI as at 31 December 2018 compared to prior year. There has been no change in coverage ratio over the year.

**Table 3.5: PLI capital position (£000's)**

	Pre-Transfer	
	2017	2018
Own Funds / Equity	3.9	4.0
SCR	3.3	3.3
<b>Coverage ratio</b>	<b>121%</b>	<b>121%</b>
<b>Excess capital</b>	<b>0.7</b>	<b>0.7</b>

- 3.19 PLI is a sufficiently-capitalised company pre-Transfer.
- 3.20 **There has been no change to PLI's financial strength since I prepared my Report.**

### AEL

- 3.21 Table 3.6 shows the capital position of AEL as at 31 December 2018 compared to prior year. The coverage ratio has decreased from 152% to 130%.

**Table 3.6: AEL capital position (£000's)**

	2017		2018	
	Pre-Transfer	Post-Transfer	Pre-Transfer	Post-Transfer
Own Funds / Equity	352.4	352.4	347.9	347.9
SCR	232.3	232.3	266.9	266.9
<b>Coverage ratio</b>	<b>152%</b>	<b>152%</b>	<b>130%</b>	<b>130%</b>
<b>Excess capital</b>	<b>120.1</b>	<b>120.1</b>	<b>81.0</b>	<b>81.0</b>

- 3.22 In paragraph 8.27 of my Report, I noted that the coverage ratio does not change as a result of the Transfer. I am satisfied that this remains the case; based on 31 December 2018 data provided by AmTrust, the post-Transfer coverage ratio remains at 130%.
- 3.23 Although the pre-Transfer coverage ratio of AEL at 31 December 2018 is lower than it was at 31 December 2017, I do not expect the existing AEL policyholders to be materially disadvantaged as a result of the Transfer as there will be no reduction in AEL's coverage ratio.

- 3.24 The PLI policyholders will be transferring in to a company that is sufficiently-capitalised and with a credit rating of A- (Excellent) from A.M. Best. Although AEL has experienced a reduction in coverage ratio and a downgrade in credit rating since 31 December 2017, in my opinion their financial strength remains strong. AEL is still sufficiently-capitalised and their credit rating is Excellent. Hence, the conclusion made in paragraph 8.28 of my Report has not changed.
- 3.25 I have reviewed AEL's business plan and its recently completed ORSA for 2018. AEL has made several changes to its risk management framework and ORSA process since prior year. Some of AEL's key priorities in executing their strategy include:
- Focus on underwriting in the UK and non-EU market through the implementation of future Part VII transfers in the next few years;
  - Maintain and strengthen their capital base by monitoring risks and opportunities;
  - Review their reinsurance strategy; and
  - Strengthen modelling capabilities and risk management controls.
- 3.26 In my view, the improvement in terms of governance, controls and expenses reduction described in the ORSA and business plan is beneficial for the transferring PLI policyholders. Currently, in my opinion, AEL is sufficiently-capitalised, and they plan to strengthen their capital position in future years; the business plan coverage ratio increases above their target of 140% by 2019.
- 3.27 AEL's coverage ratio of 130% at year-end 2019 is below their own target coverage ratio of 140%. During Q1 2019, AEL have taken actions to reduce their regulatory capital requirement, by moving a c. £38m loan from an unrated to an A- rated intercompany exposure. This has a large impact on both spread risk and concentration risk, hence the SCR reduces by c. £20m. I have reviewed the recalculation of the SCR performed by AmTrust and am satisfied that had this action been taken prior to year-end, the coverage ratio as at 31 December 2018 would have been 141%.
- 3.28 AEL's reserves have recently been subject to an external independent review. The preliminary results of this review are such that the coverage ratio may decrease to 137% from 141% (i.e. the coverage ratio described in paragraph 3.27 above). However, this review has not yet been finalised. AmTrust have confirmed that if this were the case and the coverage ratio dropped below the 140% target, AEL would receive a capital injection from their parent company AmTrust International Insurance Limited to remediate this. I am therefore satisfied that AEL would remain sufficiently-capitalised and above their target coverage ratio should the reserves selected by the external independent review be booked by AEL at Q1 2019.
- 3.29 AmTrust has informed me of possible plans to pay a dividend from AMIL (a wholly-owned subsidiary) to AEL prior to the effective date of the Transfer. At the time of writing this Supplementary Report this dividend is still being considered and has not been approved however I believe it is prudent to consider the impact of this potential dividend on the coverage ratio of AEL. A dividend of £21.9m, the maximum amount proposed by AmTrust, would increase AEL's pre-Transfer coverage ratio as at 31 December 2018 from 130% to 139% (not including the impact of the two actions discussed in paragraph 3.37 and 3.38). Post-dividend, AEL's financial strength would improve.
- 3.30 **Based on my analysis, I believe it remains appropriate to regard AEL as a sufficiently-capitalised company. My conclusions, made in paragraphs 8.27 and**

**8.28 of my Report, that the transferring PLI policyholders and the existing policyholders of AEL will not be materially disadvantaged as a result of the Transfer, have not changed.**

## **Absence of Other Material Recent Developments**

- 3.31 AmTrust have confirmed that no material changes to AEL's net assets and risk profile have arisen since 31 December 2018, the date of the company's financial data upon which I have based my analysis in this Supplementary Report.
- 3.32 Similarly, AmTrust have confirmed that no material changes to PLI's net assets and risk profile have arisen since 31 December 2018, the date of the company's financial data upon which I have based my analysis in this Supplementary Report.
- 3.33 While it is inevitable that there may be some small changes to AEL's net assets between 31 December 2018 and the effective date of the Transfer, 30 June 2019, other than those indicated in this Supplementary Report, I do not anticipate that such changes will change my conclusions.

## **Conclusions**

- 3.34 Based on this updated analysis, I have concluded that:
- The financial strength of AEL both pre- and post-Transfer has reduced since 31 December 2017. However, AEL remains a sufficiently-capitalised company. Therefore, the conclusions made in my Report remain unchanged.
  - There has been no change to the financial strength of PLI.
- 3.35 **As a result of this, I am satisfied that no changes are required to my conclusions in Section 10 of my Report regarding the financial impact of the Transfer on the affected policyholders.**

## 4. Non-financial Updates and other significant issues

- 4.1 Other than the financial matters discussed in Section 3, there were no other areas in my Report which I intended to re-visit in my Supplementary Report. However, this section provides an update on to the following other relevant matters:
- Brexit;
  - AmTrust Financial Services, Inc.; and
  - Maiden.
- 4.2 Following discussions with AmTrust, a review of the Second Witness Statement, and consideration of the wider insurance market and this Transfer, I have not identified any other non-financial matters that have led me to change any of the conclusions in my Report.

### Brexit

- 4.3 The UK did not leave the European Union (“EU”) on the 29 March 2019 as planned and as stated in paragraph 9.14 of my Report. The UK government and EU leaders have now agreed an extension to Brexit, up to 31 October 2019. However there remains ongoing political uncertainties surrounding Brexit at the time of writing this Supplementary Report.
- 4.4 However, as mentioned in paragraph 9.19 of my Report, the policyholders of PLI are UK-based and will be transferring in to another UK regulated entity, AEL. Brexit will have the same impact on PLI and AEL policyholders regardless of the Transfer. Hence my conclusions set out in paragraph 9.19 of my Report still apply.

### AmTrust Financial Services, Inc.

- 4.5 AmTrust Financial Services, Inc. (“AFSI”) is AEL’s ultimate holding company, incorporated in Delaware, USA. It is stated in AEL’s 2018 ORSA report that 45% of AFSI shares were acquired by a private entity, Evergreen Parent, L.P., as part of a strategic step for the AmTrust Group. This referred to by AmTrust as the “go-private” transaction.
- 4.6 AmTrust has informed me that this transaction has no material impact on the policyholders affected by the Transfer, since it has not affected how any of the European AmTrust entities (including AEL and PLI) are managed. For this reason, this go-private transaction does not affect any of the conclusions made in my Report.

### Maiden

- 4.7 As mentioned in paragraph 8.13 of my Report, AEL hold quota share reinsurance with Maiden Reinsurance Ltd. (“Maiden”), an arrangement which provides additional security for AEL policyholders. During 2018, Maiden was downgraded from A- to B++ rated by A.M. Best.
- 4.8 Maiden has since formally removed their rating from A.M. Best and therefore the impact on AEL’s solvency is calculated based on Maiden’s solvency ratio which remains well

over 100%. AmTrust have modelled the impact and state in their recent business plan that the result of the downgrade is a c.1% reduction in AEL's coverage ratio, which has been reflected in all the coverage ratios quoted in this Supplementary Report.

- 4.9 I am satisfied that the impact of the downgrade of Maiden has no material impact, either financially or non-financially, on the policyholders affected by the Transfer. Therefore, this downgrade does not affect any of the conclusions made in my Report.

## Conclusions

- 4.10 **Based on this analysis, I am satisfied that there have been no non-financial matters or other significant issues arising since my Report that have led me to amend my conclusions regarding the Transfer.**

## 5. Communications

### Update on approach

- 5.1 AmTrust has notified us that at the Directions Hearing on 19 March 2019, the Court was made aware that AmTrust would no longer be advertising in one of the proposed pet industry trade publications as it recently ceased publication. The other forms of communication regarding the Transfer of PLI business to AEL continued as planned, as discussed in paragraph 5.7.
- 5.2 I do not believe this is a material change to the communication exercise I anticipated and conclude that the strategy remains proportionate given the size and implications of the Transfer.
- 5.3 **Overall, I have concluded that there have been no material changes in the approach to notification and publicity arrangements from that set out in my Report.**

### Implementation of publicity and notification exercise

- 5.4 This analysis has been based on my review of the Witness Statements and other discussions with AmTrust.
- 5.5 As set out in the First Witness Statement of Jeremy Cadle (Director of PLI), dispensation was sought from the requirement to notify PLI and AEL policyholders of the Transfer. This was approved by the PRA on 6 March 2019. In my view, this meets the requirement of Regulation 3(2)(b)<sup>1</sup>.
- 5.6 The other forms of communication were carried out as planned, other than the pet industry trade publication discussed in paragraph 5.2. In my view, the publishing of notices in the Gazettes and in the Sun, the Times, the international edition of the Financial Times and Insurance Day is appropriate to meet the requirements of Regulations 3(2)(a)(i) and (ii)<sup>2</sup>. The publishing in two pet industry publications is in addition to the normal publicity requirements.
- 5.7 While I have not carried out a detailed audit of the policyholder communications exercise, I have reviewed the summary of publications that was prepared for the Court. I am satisfied that the notices placed in newspapers and websites is consistent with what I anticipated, and what was described in Section 9 of my Report.
- 5.8 I am satisfied that the publications were completed over 6 weeks prior to the Sanctions Hearing, between 29 March and 11 April 2019. I am satisfied that there is sufficient time for the affected policyholders to review the material, consider whether they may be adversely affected and if necessary raise any concerns or objections with AmTrust.

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<sup>1</sup> As set out in the Financial Services Markets Act 2000 (Control of Business Transfer) (Requirements on Applicants) Regulations 2001 (Statutory Instruments 2001 No. 3625) and subsequent amendments.

- 5.9 AmTrust has confirmed that as at 11 April 2019 it has not received any objections to or material comments regarding the Transfer of PLI business.
- 5.10 **Based on this analysis, I am satisfied that AmTrust carried out its publicity exercises appropriately and in line with my expectations as set out in my Report.**



## Appendix A: Glossary

<b>AEL</b>	AmTrust Europe Limited
<b>AFSI</b>	AmTrust Financial Services, Inc.
<b>AIIL</b>	AmTrust International Insurance Limited
<b>AMIL</b>	AMT Mortgage Insurance Limited
<b>APS</b>	Actuarial Professional Standard
<b>Capital requirements</b>	The level of funds that an insurance or reinsurance undertaking is required to hold
<b>Claims reserve</b>	Funds held for the payment of future claims
<b>Effective Date</b>	The date at which the Transfer becomes legally binding
<b>EU</b>	European Union
<b>FCA</b>	UK Financial Conduct Authority
<b>FRC</b>	UK Financial Reporting Council
<b>FSA</b>	UK Financial Services Authority, which regulated insurers before the PRA and FCA were formed
<b>FSCS</b>	UK Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>FOS</b>	Financial Ombudsman Service
<b>Gross</b>	Excluding the effect of reinsurance arrangements. For example, 'gross insurance liabilities' refers to insurance liabilities before taking in to account any offsetting reinsurance assets
<b>IFoA</b>	Institute and Faculty of Actuaries
<b>Independent Expert</b>	The suitably qualified person appointed to produce an independent report on the Transfer, in accordance with FSMA
<b>Internal model</b>	A bespoke model developed by an insurance or reinsurance undertaking to calculate its SCR under Solvency II. All insurers are required to calculate their SCR using either an Internal Model or the Standard Formula
<b>Maiden</b>	Maiden Reinsurance Ltd.

<b>MCR</b>	Minimum Capital Requirement, a formulaic calculation of the capital requirement as part of the European Solvency II regulations for insurers
<b>ORSA</b>	Own Risk & Solvency Assessment, a reporting requirement where management consider their own assessment of risks and associated economic capital needs as part of the European Solvency II regulations for insurers
<b>Own Funds</b>	Available capital to meet capital requirements under Solvency II
<b>PLI</b>	Pedigree Livestock Insurance Limited
<b>PRA</b>	Prudential Regulation Authority
<b>Reinsurance</b>	An arrangement with another insurer or reinsurer whereby risks are shared
<b>Risk Margin</b>	The risk margin is the cost of providing an amount of capital necessary to support the obligations, on the assumption that they are transferred to a “reference undertaking” in accordance with the approach set out in the Delegated Acts.
<b>Run-off</b>	A line of insurance business that no longer accepts new business but continues to provide coverage for claims arising on its policies still in force, and that makes payments for claims that have occurred on policies that have expired
<b>SCR</b>	Solvency Capital Requirement, amount of capital insurers are required to hold under European Solvency II requirements. If an insurer’s capital falls below the SCR, it will trigger regulatory intervention with the intention of remedying that position
<b>SFCR</b>	Solvency and Financial Condition Report
<b>Solvency II or SII</b>	An updated set of regulatory requirements for EU insurers which apply from 1 January 2016
<b>Standard Formula</b>	A standardised calculation for the SCR and MCR of an insurance undertaking, as prescribed under Solvency II
<b>TAS</b>	Technical Actuarial Standards
<b>The Transfer</b>	The insurance business Transfer from PLI to AEL
<b>Transfer Companies</b>	AEL and PLI
<b>TP</b>	Technical provisions
<b>UK</b>	United Kingdom
<b>UK GAAP</b>	UK Generally Accepted Accounting Practice



**ULR** Ultimate Loss Ratio

**UPR** Unearned Premium Reserve

## Appendix B: Summary of additional information received

### Information provided by AmTrust

#### AEL

- Financial statements on a UK GAAP basis for the year ended 31 December 2018
- Balance sheet on a SII basis as at year-end 2018
- Actuarial Reserve Report as at year-end 2018
- ORSA report 2018
- SFCR report 2018
- Actuarial loss ratio estimates for Q4 2018
- Results of Actuarial Valuation as at Q4 2018
- Rate change summary

#### PLI

- Financial statements on a UK GAAP basis for the year ended 31 December 2018
- Balance sheet on a SII basis as at year-end 2018 – split by transferring UK business and remaining post-Transfer
- SFCR report 2018

### Legal documentation provided

- Court Bundle from Directions Hearing
- Second witness statements (draft)
- Final sanctions order (draft)

## Appendix C: Balance sheet updates

Given below is the simplified Solvency II balance sheet of the post-Transfer combined company, updated from Appendix M of my Report. This is based on the balance sheets as at 31 December 2018, assuming that the Transfer of AMIL UK insurance business to AEL is successful in parallel to the Transfer of PLI insurance business to AEL.

	Prior to transfers			Post transfers		
	AMIL	PLI	AEL	AMIL	PLI	AEL
<b>Assets:</b>						
Cash	4.1	4.0	62.2	4.1	-	66.2
Investments	120.9	-	444.1	119.0	-	446.1
Value of subsidiaries	4.0	-	111.5	4.0	-	106.4
Reinsurance assets	3.7	-	652.5	3.0	-	653.3
Other assets	2.2	-	297.2	1.8	-	297.6
<b>Total Assets</b>	<b>135.0</b>	<b>4.0</b>	<b>1,567.5</b>	<b>131.8</b>	<b>-</b>	<b>1,569.5</b>
<b>Liabilities:</b>						
Insurance liabilities	46.5	-	1,069.9	44.8	-	1,071.6
Other liabilities	13.4	-	149.8	13.1	-	150.0
<b>Total Liabilities</b>	<b>59.9</b>	<b>-</b>	<b>1,219.6</b>	<b>57.9</b>	<b>-</b>	<b>1,221.6</b>
<b>Equity</b>	<b>75.1</b>	<b>4.0</b>	<b>347.9</b>	<b>73.9</b>	<b>-</b>	<b>347.9</b>