AmTrust Europe Limited

Revised Solvency and Financial Condition Report

For the year ended 31 December 2020

AmTrust Europe

An AmTrust Financial Company

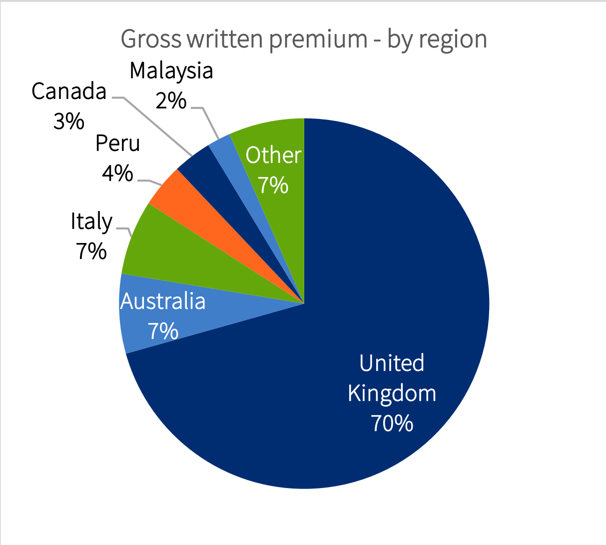
AmTrust Europe
An AmTrust Financial Company

Summary

Overview of the Company and Context of this Revised Report

Business Model

AmTrust Europe Limited ('AEL' or the 'Company') is a UK-registered insurance company, which writes multiple lines of business across the UK, Europe (to the end of July 2020), Asia Pacific and the Americas. Its primary markets are shown in the chart below.



The Company's primary underwriting activities are within the following material lines of business:

- General liability
  - Medical malpractice (through July 2020)
  - Professional indemnity
- Miscellaneous financial loss
  - Warranty
- Legal expenses
- Fire and other damage to property
  - Property
- Other
  - Accident and health
  - Mortgage and credit

The Company is a member of the AmTrust Financial Services Inc. group ('AmTrust Group'), a privately held company as of 29 November 2018. The AmTrust Group is a multinational property and casualty insurer specialising in coverage for small businesses.

Material Changes to the Business Model

The Company has been developing and implementing plans to: ensure continuity of its business in European Economic Area ('EEA') countries post-Brexit; improve its systems of governance and controls, stand-alone operating capabilities and delegated underwriting model; and strengthen its financial condition and stability of its capital. These initiatives have resulted in the following changes to the Company's business model in 2020:

- Reduced underwriting volumes by focusing on fewer lines of business and geographies – Through the execution of its "Fix/Exit/Brexit" strategy, the Company has been transferring business in EEA countries to the European based companies within the AmTrust Group and exiting lines of business (e.g. structural defects and UK liability) or coverholders (primarily in the legal expenses, warranty and A&H lines of business) which have not achieved its target profitability measures. These actions resulted in a reduction in gross premiums written in 2020 of £80m or 19% to £346m (2019: £426m).
- Prepared for continuing operations post-Brexit – In order to ensure the AIL Group would be able to provide continuity of service to its current policyholders in EEA countries after the end of the Brexit transition period on 31 December 2020, the Company moved its new business and renewals in these countries to AmTrust International Underwriters Designated Activity Company ('AIU'), the AmTrust Group's Irish based insurer, and on 31 July 2020 completed the transfer of its remaining active policies to AIU and AmTrust Assicurazioni ('AA'), the AmTrust Group's Italian based insurer. These transfers were conducted through a court-sanctioned legal transfer of the respective policies to AA and AIU governed by Part VII of the Financial Services and Markets Act 2000 with supplementary guidance set out in SUP 18 of the FSA handbook ('Part VII Transfers').
- Further progressed the strategy to dispose of subsidiary undertakings to minimise volatility in capital – During 2019, the Company dissolved or sold all of its subsidiary undertakings except for AMT Mortgage Insurance Limited ('AMIL') and AmTrust Europe Legal Limited ('AELL'). The Company took the following additional actions in 2020 to dissolve these remaining two undertakings:
  - AELL is in run-off following the transfer of its remaining business into the Company in 2019. In 2020, AELL was de-authorised by the FCA and AELL filed for dissolution with the UK Companies House. The dissolution was completed effective 5 January 2021.

- In preparation for the planned dissolution of AMIL in 2021, AMIL completed a Part VII transfer of its remaining insurance business to AIU on 30 October 2020 and sold 100% of its holding in AMT Mortgage Services Limited, its wholly-owned service company, to AIL on the same day. AMIL has subsequently filed an application with the FCA and the PRA to be de-authorised.

- Improved delegated authority and conduct framework – During 2019, the Company began the implementation of a formal Delegated Authority and Conduct Framework. This includes a range of improved 1st Line of Defence controls including formal conduct risk appetites, a Board Conduct Risk Committee and a dedicated workflow management tool ('DART'). The Company has also strengthened resourcing in the delegated authority due diligence and coverholder audit teams and the in-house complaints team. The Company has also put in place a new conduct team, moving this key 1st Line of Defence control from the compliance department and allowing that team to focus on 2nd Line of Defence oversight and monitoring.

Business Performance

2020	Total
	£'000
Gross premiums written	346,099
Reinsurers' share	149,736
Net premiums written	**196,363**
Gross premiums earned	347,504
Reinsurers' share	138,649
Net premiums earned	**208,855**
Gross claims incurred	279,774
Reinsurers' share	141,568
Net claims incurred	**138,206**
Net operating expenses	**100,090**
Net technical result	**(29,441)**

The Company's net technical result in 2020 was a loss of £29m, primarily driven by reserve strengthening on certain exited lines of business and losses on travel policies impacted by the emergence of the coronavirus (or COVID-19) pandemic.

Further information on The Company's business and performance is included in section A.

Solvency II

As a regulated insurance company, AEL is subject to the regulatory rules and principles adopted by the UK and the EU, which came into effect on 1 January 2016. Solvency II is a regulatory regime which is designed to set a level of capital that appropriately reflects the specific risk profile of insurance companies within the regime.

As an insurance company, the biggest source of risk in the Company's business model relates to the uncertainty around forecasting the Company's future claims for the insurance policies that it has underwritten. Some of these liabilities could be realised many years after the original policy incepted and the associated premium was collected. Regulatory capital is designed to act as a buffer, which is to be held within the Company's assets and liabilities, and provides a safety mechanism to protect policyholders should the Company incorrectly estimate its future liabilities, or if unforeseen stressed events occur which impact the markets in which the Company operates.

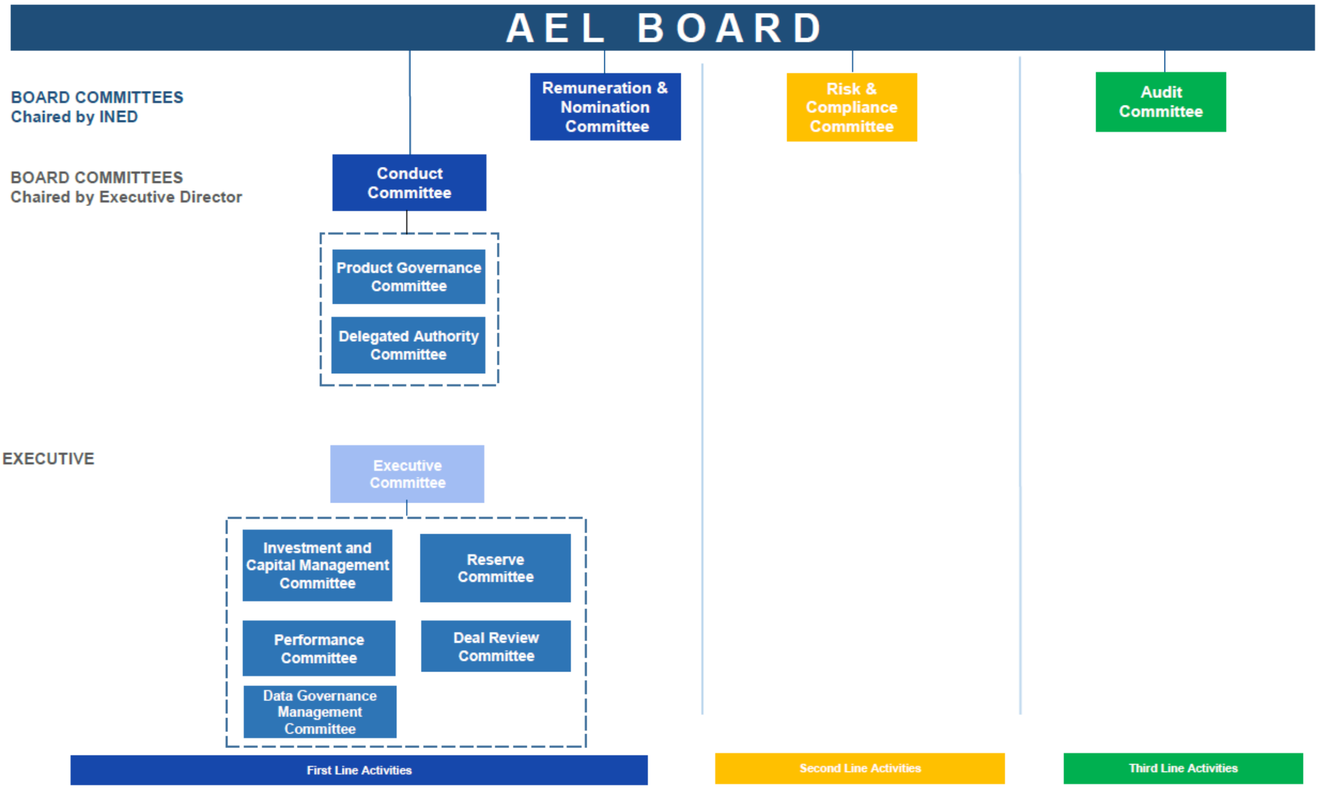
This report is a Solvency II requirement, which is designed to give the Company's external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. It is prepared on a solo entity basis and it covers the year ended 31 December 2020.

Systems of Governance

The Company has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.

The Board bears the ultimate responsibility for setting and achieving the Company's strategy and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with the established best practices within the Insurance market, the Company follows the "three lines of defence" model of corporate governance.

The Company's key committees are depicted below within the three lines of defence model. Committees have clear lines of authority and responsibilities that are documented in formal terms of reference. Committee responsibilities are broadly split between those that support decision-making (1st line) versus those that challenge and review the systems and controls that manage risk within the Company's business model (2nd and 3rd lines).



Further information on the system of governance is included in section B.

Risk Profile

The Company calculates its required capital from a regulatory (Solvency II Standard Formula) and from an internal economic capital perspective by reference to certain risk categories that it is exposed to within its business model. The main risks that the Company is exposed to are:

- Underwriting risk;
- Market risk; and
- Credit risk.

For each risk category, the Company has articulated how much risk it is willing and able to accept based on its strategic profile and capital position. The Company has put in place systems and controls to manage its risk profile within its risk appetite statements. The Company uses a suite of key risk indicators to monitor its exposure to the various risks to which it is exposed and these are evaluated each quarter by the Risk and Compliance Management Committee and the Risk and Compliance Committee.

Underwriting Risk

The Company's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; and reserve risk is the risk that on-going claims are settled at a higher value than previously expected. The majority of the Company's material underwriting risk exposure comes from the professional indemnity, legal expenses and warranty lines of business, which represented 67% of the Company's total GWP in 2020.

The Company manages its exposure to underwriting risk through the Risk and Compliance Working Group, various Management Committees (Deal Review, Performance and Reserve) and the Board.

Market Risk

Market risk is the risk of loss of income or decrease in the value of assets caused by movements in the level and prices of financial instruments. Market risk includes factors such as equity values, property values, interest rates and foreign exchange risk.

The Company's material exposures to market risk are interest rate and spread risk on its bond portfolio, foreign exchange risk on its currency exposures and concentration and spread risk on intra-group loans.

The Company manages its exposure to market risk primarily through the Investment and Capital Management Committee, Risk and Compliance Working Group and the Board.

Credit Risk

Credit risk is the potential loss arising principally from adverse changes in the financial condition of intermediaries who sell the Company's policies, the issuers of fixed maturity securities and the financial condition of the Company's reinsurers.

The Company is subject to material risk exposures with respect to its reinsurers, banks and intermediary counterparties. The Company's largest credit risk exposures are to two of its reinsurers, AIIL (55% of total exposure) and Swiss Re (20% of total exposure). The exposure to AIIL is fully collateralised and the Swiss Re quota share agreement is on a reserves withheld basis, reducing the net exposure.

The Company manages its exposure to credit risk primarily through the Investment and Capital Management and Risk and Compliance Management Committees and the Board.

Other Risks

The Company is also exposed to the following other risks:

- Liquidity risk;
- Operational risk; and
- Legal and regulatory risk.

Further information on the Company's risk profile is included in section C.

Valuation for Solvency Purposes

Under Solvency II valuation principles, items in the Company's balance sheet are valued at the amount for which the assets and liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction. This differs from the valuation methods used in the Company's financial statements, which are based on Generally Accepted Accounting Principles ('GAAP') in the UK.

As at 31 December 2020, the Company's net assets were valued at £210m under Solvency II, compared with £200m under UK GAAP. The difference of £10m was primarily due to the valuation of technical provisions (including reinsurer's share and deferred acquisition costs).

Further detail on the valuation for solvency purposes is included in section D.

Capital Management

The Company's capital management objective is to maintain sufficient capital to safeguard its ability to continue as a going concern and to protect the interests of its stakeholders while also efficiently deploying capital and managing risk to sustain ongoing business development. The Company maintains a prudent buffer over the Solvency Capital Requirement ('SCR').

The Company calculates its SCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters ('USPs') allowed under Solvency II.

Following the publication of the Company's Solvency and Financial Condition Report on 14 April 2021 an error in the calculation of future premium volume measures in health and non-life underwriting risk was identified. While correcting for this error, the Company has also taken the opportunity to include previously unallocated net reinsurer receivable balances in its Type 1 Counterparty Default Risk calculation. These errors resulted in an understatement of the SCR by £13m and overstatement of own funds by £2m, which have been corrected in this revised Solvency and Financial Condition Report. The effect on SCR, Own Funds and Solvency Ratio of these two changes are further detailed in Section E. Own Funds decreased by £129m and the SCR decreased by £85m in 2020 primarily due to the impact of the Part VII transfers undertaken by the Company during the year.

Capital Requirements	2020	Coverage	2019	Coverage
As at 31 December	*£'000*	*%*	*£'000*	*%*
Own funds	210,143		339,204	
SCR	164,896	127%	249,376	136%
MCR	49,476	415%	90,665	363%

The Company's SCR split by risk module as of 31 December 2020 and 2019 are shown in the table below.

SCR by Risk Module	2020	2019	Variance	
As at 31 December	*£'000*	*£'000*	£'000	%
Health NSLT underwriting risk	974	1,506	(532)	(35%)
Non-Life underwriting risk	130,264	180,205	(49,941)	(28%)
Market risk	30,106	67,260	(37,154)	(55%)
Counterparty default risk	15,300	17,438	(2,138)	(12%)
Undiversified Basic SCR	**176,644**	**266,409**	**(89,765)**	**(34%)**
Diversification credit	(27,258)	(49,253)	21,995	45%
Basic SCR	**149,386**	**217,156**	**(67,770)**	**(31%)**
Operational risk	15,510	32,220	(16,710)	(52%)
Standard Formula SCR	**164,896**	**249,376**	**(84,480)**	**(34%)**

Further information on capital management can be found in section E.

Event After the Statement of Financial Position Date

Following the identification of the error in the calculation of future premium volume measures in health and non-life underwriting risk and inclusion of previously unallocated net reinsurer receivable balances in its Type 1 Counterparty Default Risk calculation, the Company's immediate parent undertaking, AIL, made a capital contribution of £17m on 29th June 2021 to the Company This transaction took place to ensure that the Company's solvency ratio from Q2 2021 onwards was in line with its risk appetite. The Company's solvency ratio at Q3 2021 was 136%.

Directors' Statement of Responsibilities in Respect of the revised Solvency and Financial Condition Report

The Directors acknowledge their responsibility for preparing the revised Solvency and Financial Condition Report, as agreed with the PRA in all material respects in accordance with the PRA rules and the Solvency II Regulations.

The Directors are satisfied that:

- Throughout the financial year in question, the Company has complied in all material respects with the relevant requirements of the PRA Rules and the Solvency II Regulations; and
- It is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in the future.

Approved on behalf of the Board by:

A Mas Murcia (Director)

11 February 2022

Report of the external independent auditor to the Directors of AmTrust Europe Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the revised Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by AmTrust Europe Limited as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the revised Solvency and Financial Condition Report of AmTrust Europe Limited as at 31 December 2020, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the revised Solvency and Financial Condition Report**'. The revised Solvency and Financial Condition Report replaces the original Solvency and Financial Condition Report approved by the Directors on 14 April 2021.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the revised Solvency and Financial Condition Report;

- Company templates S05.01.02, S05.02.01, S19.01.21; and

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the revised Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the Relevant Elements of the revised Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the revised Solvency and Financial Condition Report of AmTrust Europe Limited as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of AmTrust Europe Limited in accordance with the ethical requirements that are relevant to our audit of the revised Solvency and Financial Condition Report in the UK, including the FRC Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the revised Solvency and Financial Condition Report, which describe the basis of accounting. The revised Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The revised Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the revised Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Revision of Solvency Capital Requirement

In forming our opinion on the revised Solvency and Financial Condition Report, which is not modified, we have considered the adequacy of the disclosures made in sections E1 and E2.1 to the revised Solvency and Financial Condition Report concerning the need to revise the solvency capital requirement, minimal capital requirement, own funds, risk margin of technical provisions and deferred tax assets. The original Solvency and Financial Condition Report was approved on 14 April 2021 and our previous report was signed on that date.

Going concern

The Directors have prepared the revised Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the revised Solvency and Financial Condition Report ("the going concern period").

We used our knowledge of the Company, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Company's available financial resources over this period were:

- adverse insurance reserves development, potentially caused by the impacts of the COVID-19 pandemic; and
- a deterioration in the valuation of the Company's investments arising from a significant change in the economic environment;

We considered whether these risks could plausibly affect the liquidity, profitability or solvency in the going concern period by performing our sensitivity analysis taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the revised Solvency and Financial Condition Report is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit, legal and risk, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board committee, Risk committee, Reserving committee, Remuneration committee and Audit committee minutes.

- Considering remuneration incentive schemes and performance targets for management and directors.

- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet solvency targets, we perform procedures to address the risk of management override of controls, in particular the risk that the Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the Solvency II technical provisions. We do not believe there is a fraud risk related to revenue recognition because the revised Solvency and Financial Condition Report is a balance sheet driven report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Evaluating the business purpose of significant unusual transactions; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the revised Solvency and Financial Condition Report from our general commercial and sector experience, and through discussion with the those charged with governance and management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with those charged with governance and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the revised Solvency and Financial Condition Report varies considerably.

The Company is subject to laws and regulations that directly affect the revised Solvency and Financial Condition Report including regulatory capital and liquidity legislation and we assessed the extent of compliance with the PRA Rules and Solvency II regulations as part of our procedures on the revised Solvency and Financial Condition Report.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance could have a material effect on amounts or disclosures in the revised Solvency and Financial Condition Report, other than those in respect of financial reporting legislation, recognising the regulated nature of the Company and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the revised Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the revised Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the revised Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the revised Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the revised Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the revised Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the revised Solvency and Financial Condition Report

The Directors are responsible for the preparation of the revised Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a revised Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the revised Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the revised Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the revised Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Relevant Elements of the revised Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of AmTrust Europe Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Ben Priestley

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

11 February 2022

Appendix – relevant elements of the revised Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the revised Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Business and Performance

Section A

A. Business and Performance

A.1 Business

A.1.1 Name and Legal Form of Undertaking

AmTrust Europe Limited ('AEL' or the 'Company') is a company limited by shares (Company Number 01229676).

The Company's registered address is as follows:

AmTrust Europe Limited
Market Square House,
St James's Street,
Nottingham,
NG1 6FG

A.1.2 Supervisory Authority

The Company is regulated by the Prudential Regulation Authority ('PRA'). The PRA was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA's objectives are set out in the Financial Services and Markets Act 2000.

The PRA's registered address is as follows:

Prudential Regulation Authority,
Bank of England,
Threadneedle St,
London,
EC2R 8AH
Tel 020 7061 4878
enquiries@bankofengland.co.uk

The Company belongs to the AmTrust International Limited ('AIL') group of companies (the 'AIL Group'). The AIL Group is also supervised by the PRA.

The Company is also regulated by the Financial Conduct Authority ('FCA').

The FCA's registered address is as follows:

Financial Conduct Authority,
12 Endeavour Square
Stratford
E20 1JN

A.1.3 External Auditor

The Company, together with the wider AmTrust Group, is audited by KPMG LLP. KPMG's UK office is located at:

KPMG LLP,
15 Canada Square,
London,
E14 5GL

A.1.4 Shareholders of Qualifying Holding in the Undertaking

The Company is a wholly owned subsidiary of AIL which is a UK Limited Company.

AIL is the UK holding company for the AmTrust Group's International insurance operations, whose principal entities are: AEL, UK; Car Care Plan Holdings, including Motors Insurance Company Limited, UK; AmTrust Syndicates Limited, UK; and AMT Mortgage Insurance Limited ('AMIL'), UK. AIL also owns a number of ancillary service companies worldwide.

AIL's registered address is as follows:

AmTrust International Limited
Market Square House,
St James's Street,
Nottingham,
NG1 6FG

The Company's ultimate parent is Evergreen Parent GP, LLC ('Evergreen'), a Delaware registered US limited liability company. Evergreen is an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of the AmTrust Group, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family').

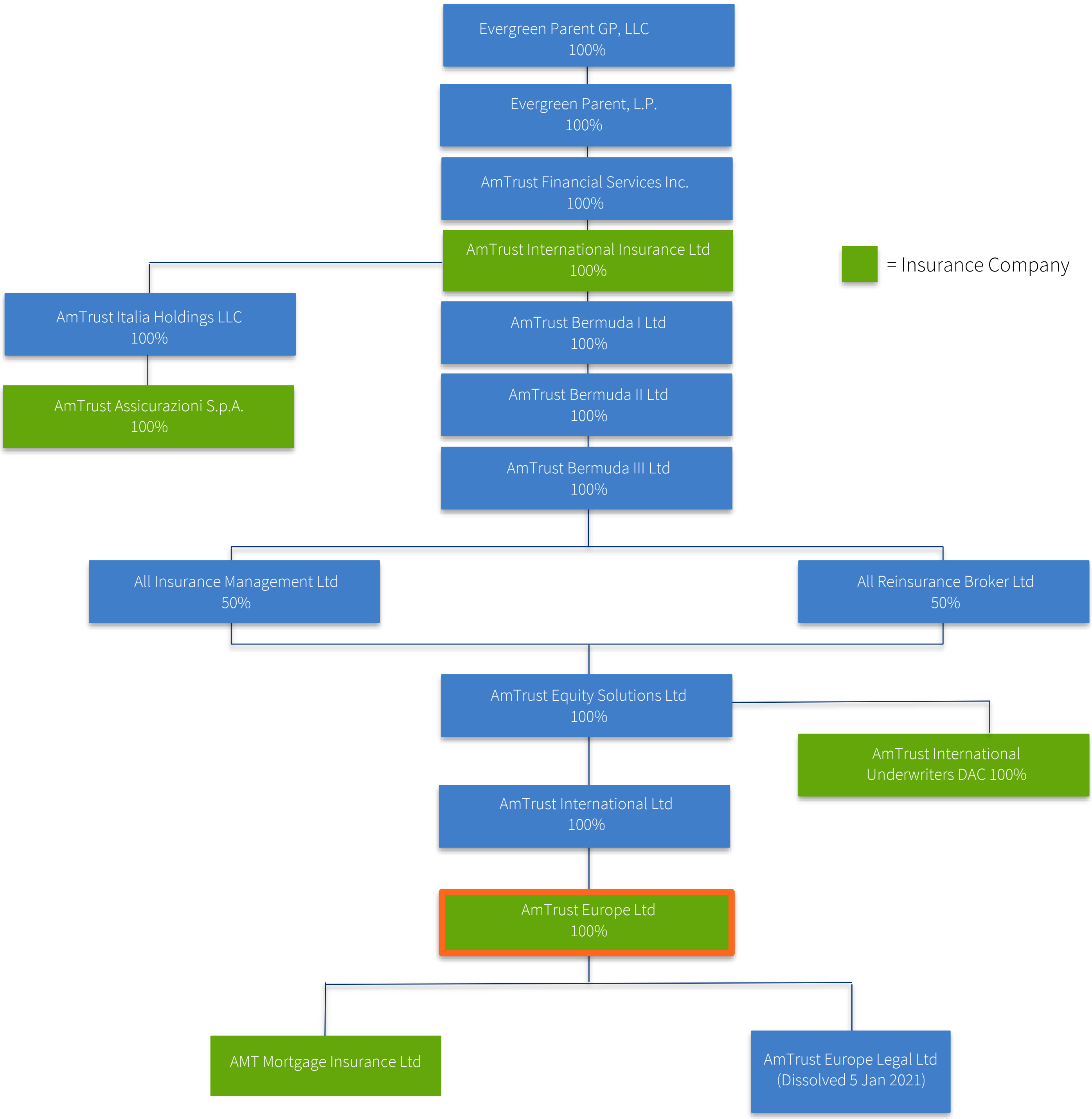
Evergreen's registered address is as follows:

Evergreen Parent GP, LLC
c/o AmTrust Financial Services, Inc.
59 Maiden Lane, 43rd Floor
New York, New York 10038

As a member of the AmTrust Group, the Company benefits from financial, operational and management support. The AmTrust Group is a multinational property and casualty insurance group specialising in small to medium sized businesses. With extensive underwriting experience and a prestigious 'A-' (Excellent) Financial Size 'XV' rating from A.M. Best for most of its insurance companies. Commitment to excellence is a common thread connecting each of the AmTrust Group companies. The AmTrust Group's business model focuses on achieving targeted returns and profitable growth with the careful management of risk. The AmTrust Group pursues these goals through geographic and product diversification, as well as, an in-depth understanding of its insured exposure. The product mix primarily includes workers' compensation, extended warranty and other commercial property/casualty insurance products, including title insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. The AmTrust Group has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

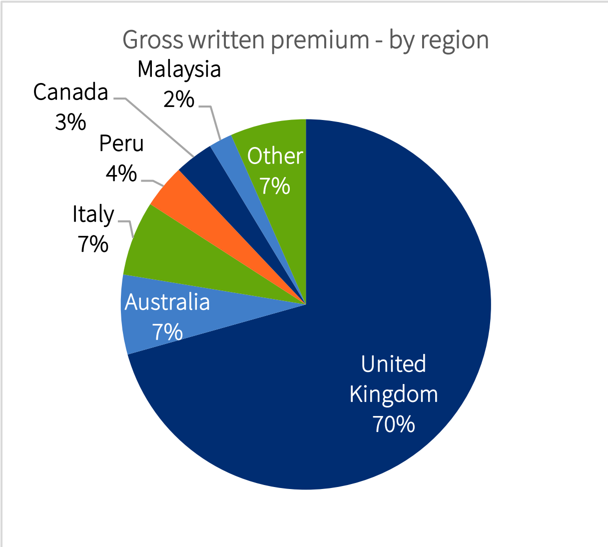
A.1.5 Position Within the Legal Structure of the AmTrust Group

The following simplified group structure chart shows where the Company sits within the wider AmTrust Group.



A.1.6 Material Lines of Business and Geographical Areas in which the Company Conducts Business

The principal activity of the Company is the underwriting of general insurance business across the UK, Europe (to the end of July 2020), Asia Pacific and the Americas. Its primary markets are shown in the chart below.



The Company's primary underwriting activities are within the following material lines of business.

A.1.6.1. Warranty

The Company offers a variety of warranty products including, but not limited to, motor, electrical device, home emergency and plant and equipment. The portfolio is balanced between coverholder-managing general agent ('MGA') arrangements and reinsurance/contractual liability insurance policies ('CLIPs'); taking into account the conduct and compliance resources required to manage the business effectively. The majority of the portfolio is dedicated to consumer programmes, typically where the general public are purchasing insurable products from the Company's clients. The Company also offers warranties on commercial plant and machinery, where customers are small or large businesses.

Profitability in sub-segments has been steady, supported by receipt and analysis of detailed performance information. The Company's aim is to manage a smaller number of higher premium accounts, targeting a balanced portfolio mix in relation to short- and long-term risks.

A.1.6.2. Legal Expenses

The Company's legal expenses portfolio consists of a wide variety of products that fall into before the event ('BTE'), commercial and personal after the event ('ATE') and litigation funding business segments. The Company predominately utilises coverholder-MGAs to write BTE legal expenses business; and mainly distributes directly or via brokers without delegation for ATE and Litigation Funding business. These products are primarily targeted at consumer and commercial customers; however, circa 25-30% of the consumer BTE business is through inwards reinsurance. Distribution varies, with BTE and Personal ATE geographically focused in the UK; whilst Commercial ATE and Litigation Funding targets both the UK and overseas.

This business continued to be a specific area of growth for the 2020 year and will continue to be so for the foreseeable future; and as an 'A-' rated insurer, the Company is well positioned to take advantage of this market. The Company has a broad range of experience and skills that have allowed the development of innovative solutions suited to its current customer base. Across segments, the Company's strategic objective is to be the leading provider, ensuring competitive edge is maintained through quality underwriting, providing a bespoke rather than commoditised service where possible and ensuring distribution is well considered.

Profitability in sub-segments has been steady. The markets for BTE and commercial ATE are highly competitive, whilst the personal ATE market has consolidated following government reforms.

A.1.6.3. Professional Indemnity ('PI')

The Company's PI product protects professionals against their legal liability for claims arising as a result of negligence during the course of carrying out their professional duties. The Company distributes PI through brokers, binders and an AmTrust Group owned MGA, Collegiate Management Services Limited. These products almost exclusively targets UK SMEs. The Company target UK domiciled companies.

Profitability in one sub-segment of this line of business, the solicitors' book, was impacted by an increase in buyer funded development claims (mostly from the 2015, 2016 & 2018 underwriting years) which related primarily to two firms of solicitors. The issues related to these claims are not prevalent in the remainder of the Company's other business in this class. The Company has been focused on growing the PI book as rates have hardened considerably in the last 18 months (particularly in the solicitors and construction sectors presenting opportunities, albeit paying appropriate attention to the conduct risk associated with the SME client base. The Company has continued to improve the renewal book through underwriting and risk selection.

A.1.6.4. Accident and Health ('A&H')

The Company offers a wide range of products that sit within the A&H/supplemental health insurance area including Private Medical Insurance, Dental Insurance plus Group Personal Accident and Business Travel cover. The Company currently distributes A&H products through coverholder-MGAs directly and via wholesale brokers. The Company also writes quota share treaty and excess of loss facultative reinsurance. Primary insurances are targeted mostly at commercial/SME customers with some retail consumer business.

The Company offers a suite of A&H products which allows the coverholder-MGAs to match products with clear customer needs in niche health related markets. Many of these niches arise due to changing and reducing levels of state health provision. Within these niches, the Company offers products in the more attractive segment risks based on incidence and severity, within a clearly defined risk appetite.

The Company wrote A&H programs in the UK plus international reinsurance placed in London, and Europe. In 2020 the Company moved its new and renewal business in EEA countries to AIU, due to Brexit. The Company also took the decision to exit Middle Eastern Medical Reinsurance and subscale coverholders that resulted in the written premiums for this class of business being reduced. The core product lines remain profitable and the Company will look to grow these going forward.

A.1.6.5. Property

The Company offers a wide range of specialist property insurance products, all of which are currently underwritten by coverholder-MGAs. Although the Company remains a small player in the overall property insurance sector, it is established in a number of smaller sub-segments of the market such as caravan, residential let (commercial and retail), tenants' contents, and unoccupied property insurance.

The Company also writes commercial property insurance covering predominantly small to medium size commercial premises and targeted at a mixture of retail and SME commercial customers. The Company is, however, close to launching products on a Direct / Reinsurance basis writing predominately excess of loss commercial Property business for Corporate Customers.

The majority of the Company's customers are based in the UK with currently only 2 Coverholders having no UK business.

The sub-segments of caravan and residential let are underserved niches in the market that have relatively low competition and have proved to be consistently profitable. The Company's strategic aim in the property insurance market is to grow its presence in existing niche segments where it operates (e.g. unoccupied, caravan) paying appropriate attention to the conduct risk associated with its client base.

A.1.6.6. Mortgage and Credit ('M&C')

The Company's M&C products protect banks, building societies and consumers. The Company transacts the mortgage products directly; whilst the credit products are provided in conjunction with delegated partners through brokers. Starting in 2021, mortgage products will be transacted through a newly created AmTrust Group MGA, Qualis U.K. Limited. The Company's target mortgage insurance channels are mainly small to medium-sized banks and building societies in the UK and globally through reinsurance contracts in non-EEA countries. The Company's target credit customers are consumers within the UK purchasing income protection products.

Profitability in sub-segments has been steady. Because of the impacts of the COVID-19 pandemic, the Company reduced overall production within the mortgage insurance segment whilst consolidating within the credit segment applying pricing corrections.

A.1.6.7. Medical Malpractice

The Company's medical malpractice products protect hospitals, smaller associations and individual doctors. As part of the AmTrust Group's Brexit strategy, the Company is no longer responding to new medical malpractice tenders in Italy. Business written in the Company in 2020 was limited to renewals and extensions of contracts with existing hospitals and policies for smaller associations and individual doctors. Further, the Company completed a Part VII FSMA 2000 transfer of its remaining medical malpractice business to AA in July 2020 and has no further exposure to this class of business.

The impact of this change on the Company is expected to be minimal in the medium to long term as the Company is expanding its business in other profitable lines.

A.1.6.8. Surety

The AmTrust Group sold its wholly owned managing agent in Spain, and the surety business generated by it, to Liberty Mutual Insurance Company in October 2019. The Company will continue to run-off its existing policies but is not originating new business in the UK or mainland Europe.

AEL is still participating in the reinsurance inwards business from Latin America ('LATAM'). In line with the Company's risk appetite both quota share and excess of loss reinsurance is utilised to protect the account. The account is overseen by a professional team including lawyers, economists and accountants. The new LATAM business is classified under the M&C business line.

A.1.6.9. Structural Defects

The Company elected to exit the structural defects market in 2019 and issued notice of termination on its remaining contracts. All accounts were terminated during 2019 except for one, which terminated in March 2020. This is long-tail business with up to ten years cover, so the business will be in run-off up until 2030.

As is described in detail within section A.1.7 "Material Events" below, in preparation for Brexit, the Company transferred its Italian medical malpractice business and other business written in EEA countries to other AmTrust Group companies in July 2020. Further, the Company has taken actions over the last couple of years to exit certain lines of business which failed to achieve the Company's target profitability measures. As a result, the Company's business mix in terms of lines of business and geographical exposure has changed during the course of the year and will continue to do so.

A.1.7 Material Events

The following material events impacted the Company during the year:

- Reduced underwriting volumes by focusing on fewer lines of business and geographies – Through the execution of its "Fix/Exit/Brexit" strategy, the Company has been transferring business in EEA countries to the European based companies within the AmTrust Group and exiting lines of business (e.g. structural defects and UK liability) or coverholders (primarily in the legal expenses, warranty and A&H lines of business) which have not achieved its target profitability measures. These actions resulted in a reduction in gross premiums written in 2020 of £80m or 19% to £346m (2019: £426m).
- Prepared for continuing operations post-Brexit – In order to ensure the AIL Group would be able to provide continuity of service to its current policyholders in EEA countries after the end of the Brexit transition period on 31 December 2020, the Company moved its new business and renewals in these countries to AmTrust International Underwriters Designated Activity Company ('AIU'), the AmTrust Group's Irish based insurer, and on 31 July 2020 completed the transfer of its remaining active policies to AIU and AmTrust Assicurazioni ('AA'), the AmTrust Group's Italian based insurer. These transfers were conducted through a court-sanctioned legal transfer of the respective policies to AA and AIU governed by Part VII of the Financial Services and Markets Act 2000 with supplementary guidance set out in SUP 18 of the FSA handbook ('Part VII Transfers').
- Further progressed its strategy to dispose of its subsidiary undertakings to minimise volatility in capital – During 2019, the Company dissolved or sold all of its subsidiary undertakings except for AMT Mortgage Insurance Limited ('AMIL') and AmTrust Europe Legal Limited ('AELL'). The Company took the following additional actions in 2020 to dissolve these remaining two undertakings:

- AELL is in run-off following the transfer of its remaining business into the Company in 2019. In 2020, AELL was de-authorised by the FCA and AELL filed for dissolution with the UK Companies House. The dissolution was completed effective 5 January 2021.
- In preparation for the planned dissolution of AMIL in 2021, AMIL completed a Part VII transfer of its remaining insurance business to AIU on 30 October 2020 and sold 100% of its holding in AMT Mortgage Services Limited, its wholly-owned service company, to AIL on the same day. AMIL has subsequently filed an application with the FCA and the PRA to be de-authorised.

- Received dividends from subsidiary undertakings – During the year, the Company received dividends of €60m from AMIL which generated capital in excess of its Minimum Capital Requirement as a result of its insurance de-risking activities in 2020. A portion of these of these funds (€15m) was transferred to the Company's shareholder, AIL, in the form of an intercompany transaction repayable on demand.
- Outbreak of Coronavirus ('COVID-19') – As the effects of the coronavirus pandemic have been felt on a global scale, the Company, as with many of its policyholders, distribution partners and vendors, took steps to alter or reduce normal business activity to help control the spread of the outbreak. Some of the steps which the Company took involved:
  - The implementation of business continuity plans which included the temporary closure of the Company's offices and strong encouragement of employees to work from home;
  - Increased communication and coordination with the Company's stakeholders and shared service partners; and
  - Increased monitoring of debtor collection periods to ensure the Company maintains adequate cash to honour its commitment to policyholders, employees and vendors.

Given that the Company's insurance portfolio is diversified across six lines of business, and that these lines do not demonstrate a high level of correlation in performance, the Directors believe that this helped balance the impact of this event from both a top line (gross written premium) and bottom line (technical account) perspective. Management conducted a review of the Company's insurance portfolio risks with a deep dive analysis of exposed subsegments. The Company did not identify any segments of the portfolio that represented a substantial challenge to the Company's business model sustainability.

The Directors anticipate that there may be some near- to mid-term impact on the Company's financial, liquidity and solvency positions from changes in the external environment. These impacts are based on forecasts performed on the prior quarters' data and projected results for an 18 month period. As part of its 2022 Business Plan presented to the board in December 2021, the Directors have performed several sensitivity tests on a capital forecast without the benefit of the restructured PI reinsurance programs. In December 2021, AEL has signed an additional cover with AII removing significant loss exposure in the PI Line of Business, reinsuring losses in excess of a 100% loss ratio – reducing the CAT losses for AEL and therefore Solvency risk. The stress scenarios considered are as follows:

1. Uncontrolled Production where All lines of business overwrite by 10% over Business Plan
2. A one-off reduction in assets that could be an asset shock, applying European Central Bank's asset haircut stress to AEL's investment portfolio as at Q2 2021 and forecasting over the next 3 years, would result in circa £14m loss in value of total assets
3. 1-in-5 stress to ultimate loss ratios on both existing and new business for each line of business and its impact on claims reserves and premium provisions: and
4. Stress to Run-off Lines of Business, stressing the impact of the Run-off ULRs increase by 20% vs. Business Plan

Under the first two possible stresses, uncontrolled production (#1) and the one-off reduction in assets, the Company's solvency position is negatively impacted but its SCR solvency ratio remained at 130% or greater. This is before the impact of any Management actions to mitigate these effects.

Assessment of potential causes for a 1-in-5 increase to ultimate loss are not anticipated to result in a loss of such magnitude as to reduce the Solvency Ratio to 100%. Given the maintenance of a 100% SCR Solvency Ratio after incorporating this stress scenario, it would indicate that the Company could continue to honour its obligations through an additional loss stress scenario.

The impact of an increase in run off ULR is immaterial for the business over the forecast period, with SCR remaining above 140%.

A.2 Underwriting Performance

A.2.1 Material Lines of Business

2020	General liability	Miscellaneous financial loss	Legal expenses	Fire and other damage to property	Other Solvency II classes	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gross premiums written	130,125	60,034	102,158	29,215	24,567	346,099
Reinsurers' share	47,302	26,985	52,586	10,296	12,567	149,736
Net premiums written	82,823	33,049	49,572	18,919	12,000	196,363
Gross premiums earned	110,610	96,709	87,851	25,974	26,360	347,504
Reinsurers' share	41,571	37,649	37,769	8,489	13,171	138,649
Net premiums earned	69,039	59,060	50,082	17,485	13,189	208,855
Gross claims incurred	114,128	74,327	73,926	7,638	9,755	279,774
Reinsurers' share	67,785	29,021	34,328	4,284	6,150	141,568
Net claims incurred	46,343	45,306	39,598	3,354	3,605	138,206
Net operating expenses	42,336	10,899	33,290	9,813	3,752	100,090
Net technical result	(19,640)	2,855	(22,806)	4,318	5,832	(29,441)

2019	General liability	Miscellaneous financial loss	Legal expenses	Fire and other damage to property	Other Solvency II classes	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gross premiums written	125,067	135,974	103,461	27,452	34,279	426,233
Reinsurers' share	32,778	33,279	32,980	7,666	13,499	120,202
Net premiums written	92,289	102,695	70,481	19,786	20,780	306,031
Gross premiums earned	137,145	119,101	61,798	34,216	41,983	394,243
Reinsurers' share	37,040	33,325	16,901	7,873	15,086	110,225
Net premiums earned	100,105	85,776	44,897	26,343	26,897	284,018
Gross claims incurred	154,267	92,711	43,940	18,684	34,843	344,445
Reinsurers' share	77,616	30,038	13,787	4,271	16,396	142,108
Net claims incurred	76,651	62,673	30,153	14,413	18,447	202,337
Net operating expenses	44,898	33,485	19,436	11,841	8,036	117,696
Net technical result	(21,444)	(10,382)	(4,692)	89	414	(36,015)

Note, in 2020 the Company reclassified the structural defects class of business from miscellaneous financial loss to general liability to better align with the treatment of similar business in other AIL Group companies. As a result, the 2019 results have been adjusted to reflect this reclassification (2019 result prior to reclassification: loss of £22m in general liability; loss of £10m in miscellaneous financial loss).

The Company had a net technical loss of £29m in 2020 (2019: loss of £36m) which is primarily driven by legal expenses (loss of £23m in 2020; loss of £5m in 2019) and general liability (loss of £20m in 2020; loss of £21m in 2019). These losses were offset by profit in fire and other damage to property (profit of £4m in 2020; profit of £0m in 2019), miscellaneous financial loss (profit of £3m in 2020; loss of £10m in 2019) and other business (profit of £6m in 2020; profit of £0m in 2019).

Net premiums written in 2020 were down £110m versus prior year at £196m (2019: £306m) in miscellaneous financial loss (£33m in 2020; £103m in 2019), legal expenses (£50m in 2020; £70m in 2019), general liability (£83m in 2020; £92m in 2019), fire and other damage to property (£19m in 2020; £20m in 2019) and other solvency II classes (£12m in 2020; £21m in 2019). These reductions were as a result of the execution of the Company's 'Fix/Exit/Brexit' plan and an increase in the quota share reinsurance cessions from an average of about 30% to 50% based on the programme changes executed in mid-2019. Net premiums earned is lower by £75m in 2020 (£209m in 2020; £284m in 2019) primarily due to the impacts on net written premiums described above.

Net claims incurred decreased by £64m versus prior year at £138m in 2020 (2019: £202m) primarily in general liability (£46m in 2020; £77m in 2019), miscellaneous financial loss (£45m in 2020; £63m in 2019), fire and other property damage (£3m in 2020; £14m in 2019) and other business lines (£4m in 2020; £18m in 2019), offset by an increase in legal expenses (£40m in 2020; £30m in 2019). These movements were primarily due to a reduction in business volumes as a result of the Company's 'Fix/Exit/Brexit' plan partially offset by reserve strengthening in 2020 in certain exited lines of business in 2020.

Net operating expenses decreased by £18m versus prior year at £100m in 2020 (2019: £118m) primarily from a reduction in net acquisition costs (from lower premiums) which are included in net operating expenses.

A.2.2 Material Geographic Areas

Performance in the top six countries in which the Company operates is summarised in the table below.

2020	United Kingdom	Australia	Italy	Malaysia	Canada	Peru	Other countries	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gross premiums written	242,335	24,549	23,055	13,560	11,976	7,226	23,398	346,099
Reinsurers' share	102,900	9,492	11,793	7,145	4,595	4,165	9,646	149,736
Net premiums written	**139,435**	**15,057**	**11,262**	**6,415**	**7,381**	**3,061**	**13,752**	**196,363**
Gross premiums earned	246,646	14,281	15,027	13,865	7,063	14,306	36,316	347,504
Reinsurers' share	97,991	4,356	7,256	7,661	2,135	4,910	14,340	138,649
Net premiums earned	**148,655**	**9,925**	**7,771**	**6,204**	**4,928**	**9,396**	**21,976**	**208,855**
Gross claims incurred	211,188	4,992	13,647	3,550	2,707	19,940	23,750	279,774
Reinsurers' share	110,718	1,616	5,814	1,963	925	6,397	14,135	141,568
Net claims incurred	**100,470**	**3,376**	**7,833**	**1,587**	**1,782**	**13,543**	**9,615**	**138,206**
Net operating expenses	**62,439**	**8,936**	**1,501**	**4,455**	**4,304**	**(727)**	**19,182**	**100,090**
Net technical result	**(14,254)**	**(2,387)**	**(1,563)**	**162**	**(1,158)**	**(3,420)**	**(6,821)**	**(29,441)**

2019	United Kingdom	Australia	Italy	Malaysia	Canada	Peru	Other countries	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	235,533	6,743	61,909	29,516	3,368	12,580	76,584	426,233
Reinsurers' share	71,328	2,534	14,174	6,635	1,315	6,750	17,466	120,202
Net premiums written	**164,205**	**4,209**	**47,735**	**22,881**	**2,053**	**5,830**	**59,118**	**306,031**
Gross premiums earned	195,375	1,764	76,213	21,952	1,084	13,833	84,022	394,243
Reinsurers' share	56,903	447	17,224	4,941	353	7,308	23,049	110,225
Net premiums earned	**138,472**	**1,317**	**58,989**	**17,011**	**731**	**6,525**	**60,973**	**284,018**
Gross claims incurred	158,113	1,261	98,692	16,900	231	3,912	65,336	344,445
Reinsurers' share	61,171	717	48,759	4,217	89	2,334	24,822	142,109
Net claims incurred	**96,942**	**544**	**49,933**	**12,683**	**142**	**1,578**	**40,514**	**202,336**
Net operating expenses	**57,668**	**443**	**19,038**	**6,232**	**279**	**5,451**	**28,586**	**117,697**
Net technical result	**(16,138)**	**330**	**(9,982)**	**(1,904)**	**310**	**(504)**	**(8,127)**	**(36,015)**

The geographical split shows that net premiums written have decreased in:

- Other Countries by £45m versus prior year to £14m in 2020 (2019: £59m), represented by the movement of Norwegian home warranty and other business renewals to AIU as part of the Company's Brexit plans;
- Italy by £37m versus prior year to £11m in 2020 (2019: £48m), reflecting the movement of Italian medical malpractice renewals to AA as part of the Company's Brexit plans;
- The United Kingdom by £25m versus prior year to £139m (2019: £164m), due to reducing legal expenses business and increased quota share reinsurance cessions due to the full year impact of programme changes executed in mid-2019, offset by an increase in professional indemnity business;
- Malaysia by £17m versus prior year to £6m in 2020 (2019: £23m), as a result of a decrease in accepted proportional reinsurance A&H (personal accident) business written in that country in 2020; and
- Peru by £3m versus prior year to £3m in 2020 (2019: £6m), related to accepted proportional reinsurance credit (surety bond) business after the AmTrust Group sold the majority of its surety business to Liberty Mutual in 2019;

Conversely, net premiums written have increased due to increased legal expenses business in:

- Australia by £11m versus prior year to £15m in 2020 (2019: £4m); and
- Canada by £5m versus prior year to £7m in 2020 (2019: £2m).

A.3 Investment Performance

The Company has an investment portfolio consisting of bonds (corporate and government), an equity participation, property, subsidiary undertakings and loans from affiliates.

The management of the bond portfolio and the equity participation is outsourced to another company within the AmTrust Group which has a dedicated team of investment managers. A set of investment management guidelines has been drawn up, adherence to which is monitored by the Investment and Capital Management Committee and the Board.

Income and expenses during the year are shown in the table below.

2020	Bonds and equity	Property	Investment in subsidiaries	Other Investments	Total
	£'000	£'000	£'000	£'000	£'000
Net income (expense) from investments	11,757	617	0	3,552	15,926
Unrealised loss on investments	(4,525)	(2,845)	(54,903)	0	(62,273)
Realised gain on sale of investments	7,924	0	0	0	7,924
Dividend income from subsidiaries	0	0	57,595	0	57,595
Investment management and other expenses	(2,297)	0	0	(172)	(2,469)
Total	12,859	(2,228)	2,692	3,380	16,703

2019	Bonds and equity	Property	Investment in subsidiaries	Other Investments	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Net income (expense) from investments	9,751	639	0	1,863	12,253
Unrealised gain/(loss) on investments	1,597	339	(35,201)	0	(33,265)
Realised gain on sale of investments	9,271	0	5,631	0	14,902
Dividend income from subsidiaries	0	0	29,614	0	29,614
Investment management and other expenses	(3,590)	(155)	0	(150)	(3,895)
Total	17,029	823	44	1,713	19,609

Net income from the bond and equity investments was lower by £4m versus prior year at £13m in 2020 (2019: £17m). This represents interest income, net of investment expenses, of £9m (2019: £6m), unrealised losses of £5m (2019: gain of £2m) and realised gains on sale of £8m (2019: £9m). The decrease in net income from these investments year on year was primarily related to the impact of COVID-19 on bond valuations in the countries in which the Company invests and the relative valuation of the Pounds Sterling in relation to foreign currencies in which some of the investments are denominated.

The property investment is a building in Nottingham, which the Company occupies and rents out the remaining floors to other local businesses.

The Company's material subsidiary is AMIL, a regulated insurance company. AMIL completed a Part VII Transfer of its insurance business to AIU on 30 October 2020 and no longer has any insurance business; following this transfer AMIL filed an application to the PRA and the FCA for de-authorisation. The unrealised loss on investment relates to a reduction in carrying value of AMIL as a result of a dividend received in October 2020.

A.4 Performance of Other Activities

The Company did not undertake any other activities during the year.

A.5 Any Other Information

None noted.

System of Governance

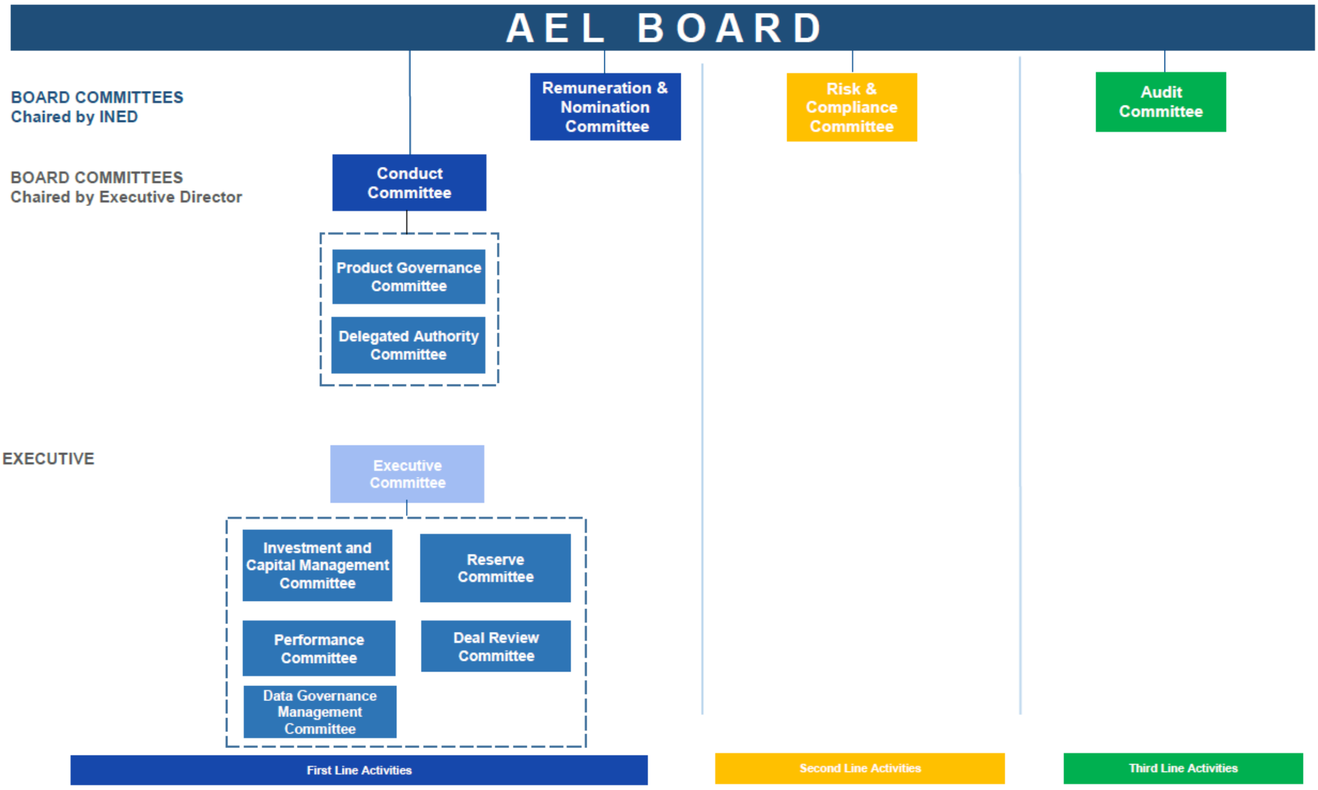
Section B

B System of Governance

B.1 General Information on the System of Governance

B.1.1 The Board and System of Governance

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure. The Board and its sub-committees are shown in the diagram below.



The Company employs a "three lines of defence" governance model to ensure that risk management is effective, appropriate decisions are made, and best practices are implemented in a proportional manner. Broadly, the responsibility of the three lines is as follows:

- First Line of Defence – the primary risk taking and decision-making activities take place here. It represents the bulk of the Company's people, systems and controls that are integral to achieving the Company's strategy.
- Second Line of Defence - responsible for reviewing risks across the first line. No risk-taking activities take place here. Key control functions such as Risk Management and Compliance reside here.
- Third Line of Defence – the first and second lines together form the Company's system of governance and internal control. The third Line is independent of the first and second lines, and its primary objective is to provide assurance on the robustness of the risk management framework and the appropriateness and effectiveness of the Company's governance and internal control systems. The Company has an independent Internal Audit function which resides here.

B.1.1.1 Key Functions

The four key functions are Risk Management, Compliance, Internal Audit and Actuarial. Further information on each of these key functions is detailed in sections B.3.2, B.4.1 and B.5 and B.6 respectively.

B.1.1.2 Board Responsibilities

The Board currently includes an independent Non-Executive Chair, one other independent Non-Executive Director ('INED'), two Non-Executive Directors ('NEDs') and two Executive Directors. In addition to the Non-Executive Chair, the AEL board would ordinarily include two INEDs, however, there was a vacancy following the resignation of one INED in May 2020. AEL has identified a replacement who will be formally appointed in May 2021, subject to regulatory approval. The AEL Board normally meets four times a year and more often, as required. Minutes of all Board and Committee meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

The Board closely monitors developments in corporate governance and assesses how these can be applied to the Company. The Company's governance arrangements continue to be reviewed in line with developments in best practice. The Board believes the existing structure is appropriate for the size and complexity of the Company.

The Board is responsible for the oversight of the management of the Company, including:

- Setting the Company's strategic direction, within AIL Group Risk Appetite;
- Developing and maintaining the Company's business model while ensuring that local regulation, legislation or market practice is also met;
- Determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and setting the risk appetite;
- Oversight of the Company's operations, ensuring effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company;
- Ensuring the appropriate and necessary financial and human resources are in place to meet the Company's objectives;
- Providing constructive challenge to the Executive Directors and senior management;
- Ensuring the highest standards of governance are followed;
- Promoting the success of the Company; and
- Developing the Company's culture.

AEL maintains comprehensive set of Statements of Responsibilities for each key executive and the Chairperson for the Board, Audit Committee and the Risk & Compliance Committees. The following sections summarise some of the key responsibilities.

B.1.1.3 The Role of the Chair

The Chair is responsible for the leadership of the Board and is pivotal in the creation of the conditions necessary for overall Board and individual Director effectiveness, both in and outside the boardroom, including:

- The leadership of the Board and ensuring its effectiveness on all aspects of its role;
- Ensuring effective Board governance;
- Setting agendas;
- Requiring that the Executive provide to members of the Board accurate, timely and clear information;
- Managing the Board to ensure sufficient time is allowed for discussion of key risks and issues;
- Facilitating contributions from INEDs;
- Considering and addressing the development needs (induction, training and professional development) of individual directors and the Board as a whole;
- Leading the development of the Company's culture by the Board as a whole; and
- Overseeing the development and implementation of the Company's remuneration policies and practices.

B.1.1.4 The Role of the Independent Non-Executive Directors and Non-Executive Directors

The role of the INEDs and NEDs includes the following key elements:

- Constructively challenging and helping to develop proposals on longer term direction and strategy;
- Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance; and
- Satisfying themselves on the integrity of financial information, and that financial controls and systems of risk management are robust and effective.

B.1.1.5 The Role of the Executive Directors

The role of the Executive Directors includes the following key elements:

- To bring internal operational and business understanding to the Board's activities; and
- To play their part in relation to developing and implementing strategy and performance, identifying and managing risks and management of resources.

B.1.1.6 The Role of the Chief Executive Officer

The Chief Executive Officer ('CEO') manages the Company in accordance with the business plans approved by the Board and in accordance with the Company's strategy and plans. The CEO leads the setting and execution of the Company's business strategy and is accountable for:

- Ensuring the Company remains solvent at all times and that customers are treated fairly;
- Ensuring the Company is compliant with all law and regulations affecting its business, its policyholders and its staff, including fulfilling all relevant obligations as required under the Senior Managers and Certification Regime ('SMCR');
- Managing the Company's risk profile, in line with the extent and categories of risk identified as acceptable by the Board;
- Approving the apportionment and allocation of roles and responsibilities of the executive management team of the Company; and
- Approving all capital and revenue transactions, including acquisitions and disposals, not specifically reserved for the Board.

B.1.1.7 Board Composition

During the year, the Board consisted of 6 members, including the Chair of the Board as follows:

Board Member	Board Role	Board	Remuneration & Nominations	Risk and Compliance	Audit	Conduct
Chairman of The Board	Independent	Chair	Chair	Chair (Interim)	X	
INED	Independent	X	X	X	Chair	
INED (through Q1 2020, resigned)	Independent	X (resigned)	X (resigned)	Chair (resigned)	X (resigned)	
Non-Executive Director	Group Role	X	X			
Non-Executive Director	Group Role	X	X			
Chief Executive Officer	Executive	X	X			Chair
Chief Finance Officer	Executive	X				

One INED resigned in May 2020 and a replacement has been identified who will be formally appointed in May 2021, subject to regulatory approval.

B.1.2 Responsibilities and Reporting Lines

B.1.2.1 First Line Board Appointed Committees

B.1.2.1.1 *Remuneration and Nominations Committee*

The key purpose of this committee is to approve the Company's performance review arrangements, including criteria for any performance related pay elements, as well as to lead the process for Board appointments and make recommendations to the Board.

The committee consists of six members, one of whom is the Chair of the committee and is an INED. The other members of the committee are two INEDs (recognizing one vacancy throughout 2020), the two NEDs and the CEO.

The Chair is responsible for overseeing the performance of the committee and the oversight of the development and implementation of the Company's remuneration policies and practices.

The committee reports on Executive compensation; reviews succession and leadership plans for all Executive Management; sets remuneration and compensation policies and proposes compensation arrangements for Executive Management and the CEO for Board approval.

The committee is responsible for the oversight of the Company's Remuneration Policy as implemented by senior management and is authorised to review and approve the remuneration plans and programs that fall within the Remuneration Policy. It is authorised to review and approve all payments and awards pursuant to the remuneration plans at either an aggregate or individual employee level as designated by the Remuneration Policy and the Remuneration and Nominations Committee's Terms of Reference.

B.1.2.1.2 *Conduct Committee*

The Conduct Committee overseas the conduct of business across the entirety of AEL's operations, to ensure appropriate management of Conduct Risk and safeguard the needs of AEL's customers. The key responsibilities of this committee are summarised below:

- Monitor the performance of AEL and its Delegated Partners against the firm's Conduct Risk Appetite and Customer Outcome Statements;
- Approve the onboarding and renewal of "High" risk-rated Delegated Partners;
- Approve or revert new and existing insurance products that are rated as having a "High" risk rating;
- Maintaining oversight of AEL's Delegated Authority and Product Governance Frameworks, and making recommendations for improvements to these Frameworks;
- Taking appropriate action, including escalation to the Board, where the Committee judges AEL to be outside of its stated Risk Appetite or unaligned to its Customer Outcomes Statements; and
- Review Conduct MI Suite against Risk Appetite

B.1.2.2 Conduct Sub-Committees

There are two sub-committees in place to support the Conduct Committee in discharging its duties. These committees are chaired by a member of the Company's Executive Management team. The committees are as follows:

- Delegated Underwriting Committee – chaired by the Chief Underwriting Officer ('CUO')
- Product Governance Committee – chaired by the CUO

B.1.2.2.1 *Delegated Underwriting Committee*

The purpose of the committee is to oversee the Company's delegation of underwriting, claims and complaints handling authority and the partners to whom the Company delegates, or aims to delegate, authority.

The committee consists of five members: the Chief Claims Officer ('CCO'), Head of Compliance, Chief Operating Officer ('COO'), CUO and the Underwriting Governance and Performance Manager.

B.1.2.2.2 *Product Governance Committee*

The key purpose of the committee is to monitor conduct risk, including the Company's Product Governance Framework and to ensure that it is treating customers fairly. The key responsibilities of the committee are to review any "High" Treating Customers Fairly ('TCF') risks and to review the Product Governance Control Framework and monitoring procedures relating to incepted and renewed risks.

The committee consists of five members: the COO, Head of Compliance, CUO, CCO and the Underwriting Governance and Performance Manager.

B.1.2.3 First Line Management Committees

B.1.2.3.1 *Executive Committee*

The key purpose of the committee is to support the CEO in delivering the Company's strategic goals and objectives. The key responsibilities of the committee are to develop and implement the strategy, operational plans, policies, procedures and budgets, as well as to assess and monitor operational and financial performance and control risks, and to advise on prioritisations and allocation of resources.

The committee is made up of the CEO, the Chief Finance Officer ('CFO'), the COO, the Chief Risk Officer ('CRO'), the CUO, the CCO and the General Counsel.

There are several sub-committees in place to support the Executive Committee in discharging its duties. These committees are chaired by members of the Company's Executive Management team. The committees are as follows:

- Deal Review Committee – chaired by the CEO
- Performance Committee – chaired by the CEO
- Investment and Capital Management Committee – chaired by the CFO
- Reserve Committee – chaired by the CFO
- Data Governance Management Committee – chaired by the COO

Each committee is governed by an approved terms of reference and meets at least quarterly. Details of the responsibilities and membership of each committee is set out below.

B.1.2.3.2 *Deal Review Committee*

The purpose of the committee is to review and approve new or renewing programs that exceed the underwriting authority limits granted to underwriters as well as programs that are likely to cause AEL to exceed its annual Board approved Business Plan, either at the entity level or by line of business. This committee also reviews and approves reinsurance purchases.

The committee consists of six members: the CEO, CUO, CRO, General Counsel, CFO and CCO.

B.1.2.3.3 *Underwriting Management Committee*

The key purpose of the committee is to monitor and manage underwriting performance, portfolio mix, pricing adequacy and the execution of business plans. The key responsibilities of the committee are:

- To monitor and review the Company's underwriting policies, guidelines, authorities, processes and procedures to ensure they meet its underwriting risk appetite and approved business plan;
- To advise and monitor on insurance and reinsurance risk profile and exposures;
- To monitor claims movements and large losses;
- To monitor pricing adequacy and underwriting performance; and
- To assess the Company's underwriting opportunities within its chosen markets.
- To review and approve reinsurance purchases.

The committee consists of the CUO, Underwriting Governance and Performance Manager, Chief Claims Officer, Chief Operating Officer. The lead underwriters for the core lines of business are regular attendees along with the Pricing Actuary, Underwriting Governance Assistant and Head of Financial Planning & Analysis.

B.1.2.3.4 *Investment and Capital Management Committee*

The key responsibilities and duties of the committee are to:

- Supervise the day to day stewardship of invested assets by its appointed internal and external investment managers;
- Establish the investment strategy, policies and procedures, and monitor these according to the Company's agreed risk appetite and risk tolerances supporting the Risk Management and Compliance Functions;
- Make recommendations to the Executive Committee for those items requiring their consultation and approval or for further recommendation to the Board;
- Review the credit quality of the collateral posted by AIL each quarter;
- Review, approve and / or monitor capital model development, capital results and forecasts; and
- Ensure that the Company's capital remains within the risk appetite approved by the Board.

The committee consists of five members: the CFO, Head of Risk, Head of Capital Management, Chief Actuary and the CEO.

B.1.2.3.5 *Reserve Committee*

Setting adequate reserves for policies underwritten represents the largest risk to an insurance company. The key purpose of the committee is to ensure effective reserving processes are in place at the Company and that the level of reserves booked by the Company are appropriate. The key responsibilities of the committee are:

- To present and discuss the reserving performance and position;
- To review the appropriateness of assumptions and expert judgement applied within the calculations of technical provisions;
- To ensure that the reserving policy reflects current technical requirements;
- To provide direction to the finance department on the level of reserves to be booked in the Company's accounts; and
- To review the performance of the claims function and make reports and recommendations to the Executive Committee regarding claims.

The Company maintains an actuarial function that projects an independent actuarial estimate of the reserves for each class of business. These are presented at the committee to challenge management's view of the reserves. The discussions and challenges around the reserve setting process are formally minuted.

The committee consists of five members, who are the CEO, CRO, CFO, CUO and the Head of UK Finance and Reporting.

B.1.2.3.6 *Data Governance Management Committee*

The key responsibilities and duties of the committee are to implement and maintain an effective Data Governance Framework that ensures data received, used, and provided externally is of a quality necessary to inform objective decision-making and to meet the relevant regulatory requirements.

The committee consists of five members: the COO, Head of Risk, Head of UK Finance and Reporting, Head of Capital Management and Head of Operations.

B.1.2.4 Second Line Board Committees

B.1.2.4.1 *Risk and Compliance Committee*

The key duties and responsibilities of the committee in relation to risk management are:

- To oversee all aspects of the Company's risk management and to support the Board in the implementation of a robust risk management framework, including identifying, monitoring and managing risks to assist the Board in the delivery of the strategic objectives and business plans; and
- To advise the Board on the risk strategy, including risk appetite and tolerance levels, and to ensure that the risk management framework is appropriate and adequately resourced.

The key duties and responsibilities of the committee in relation to compliance are:

- To oversee and advise the Board on the current compliance exposures of the Company and to ensure implementation of the annual Compliance Plan;
- To review the Company's systems and controls around prevention and detection of fraud, anti-money laundering and bribery in accordance with regulatory requirements; and
- To ensure the compliance function is adequately resourced.

The committee consists of three members, including the Chair of the Board and the INEDs (recognising the resignation of one INED during 2020).

B.1.2.5 Third Line Board Committees

B.1.2.5.1 *Audit Committee*

The key purpose of the committee is to provide independent assurance on the design and effectiveness of the overall system of internal control, including risk management and compliance.

The key responsibilities of the committee are:

- To oversee the firm's policies and processes for financial and prudential regulatory reporting, and ensure the propriety and effectiveness of internal and external audit arrangements;
- To monitor the effectiveness of the internal financial controls regarding the financial report;
- To approve the Internal Audit Plan, and receive reports from internal audit on the effectiveness of internal controls;
- To monitor the statutory audit of the annual financial statements, in particular, its performance, taking into account, where applicable, any findings and conclusions of the Financial Reporting Council, pursuant to Article 26(6) of the Statutory Audit Regulation;
- To make a recommendation for the appointment of the external audit firm;
- To review and monitor the external auditor's qualifications and independence;
- To review and monitor the suitability of the provision of non-audit services to the Company in accordance with Article 5 of the Statutory Audit Regulation;
- To review and monitor compliance by the Company with legal and regulatory requirements relating to audit and financial reporting functions; and review and monitor the Company's internal audit function; and
- To review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The committee consists of three members, the Chair of the Board and the two INEDs (recognising the resignation of one INED during 2020).

B.1.3 Changes in the System of Governance

The following changes were made to the Company's governance structures during 2020:

- The Investment Committee and Capital Management Committee were consolidated to form the Investment and Capital Management Committee.
- A Conduct Committee was formed to provide oversight of all conduct related matters;
- The Remuneration Committee was reconstituted as the Remuneration and Nominations Committee, with the membership of the committee expanded to include the other INED and the CEO; and
- The Risk and Compliance Management Committee was converted into a working group.

The Company continues to make improvements in its governance structures and has plans to appoint a new Chair for the Risk and Compliance Committee in 2021.

B.1.4 Remuneration Policy

The Board is responsible for the establishment and implementation by management of the Remuneration Policies for the Company and is authorised to review and approve the remuneration plans and programs that fall within the Remuneration Policies. Policies, plans and programs are either defined at the AIL Group level or follow the AmTrust Group principles with variation as appropriate to the Company with regard to prevailing regulatory and/or legislative requirements.

B.1.4.1 Key Principles

- Provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees. Individual pay rates may fall above or below market median based upon experience, tenure and performance in the role as well as the market supply and demand for a particular skill set;
- Enable the Company to attract and retain the right talent for the business at a business-appropriate and sustainable cost;
- Provide market-appropriate pay structures which includes a role-appropriate level of variable pay in line with market norms and an appropriate benefits programme;
- Ensure that pay programs are aligned as applicable to business strategy, risk appetite statements, codes of conduct and applicable regulations; and reward only appropriate behaviour with both short and long-term performance taken into consideration as appropriate;
- Ensure the appropriate governance and independence as it relates to pay decisions and the appropriate scrutiny as it relates to key employees including those designated as Solvency II employees; and
- No member of the Remuneration Committee is involved in deliberations or decision making on his/her own pay or the pay of the other members of the Remuneration Committee.

B.1.4.2 Variable Pay

- Variable pay and the associated programs and awards are structured according to the nature of the role and its position within the business;
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed base pay as relevant to remit and seniority;
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice;
- Variable pay awards are designed to take into consideration both individual and business performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the applicable competency framework. Business performance is aligned to agreed financial metrics and the individual component is designed to drive certain behaviours, including the exhibiting of the Company's values, advancing its culture and complying with the requirements of the regulatory regimes under which it operates;
- All variable pay programs allow for no awards to be made based upon either individual and/or company performance;

- The variable pay structures ensure that AmTrust's senior employees are aligned not only to the annual goals but also to the long-term success of the relevant business and the AmTrust Group through deferral and long-term incentive arrangements linked to AmTrust Group performance over a multi-year period, typically 4 years; and
- All programs allow flexibility and discretion to ensure alignment to risk and performance of the business with provisions as applicable to the business and/or population enabling the relevant Boards or Remuneration Committees to make a downward adjustment to proposed awards at either aggregate or individual level or to prevent the vesting of some or all of a tranche of a deferred award in line with the performance of either the individual or business.

B.1.4.3 Supplementary Pension Scheme for Board Members

Board members who are also employees of the Company are entitled to join an applicable and appropriate workplace pension scheme. The Company does not provide any supplementary pension to its INEDs.

B.1.5 Material Transactions with Shareholders, Persons with Significant Influence and Board Members

On 31 December 2020, the Company transferred €15m in cash to its shareholder, AIL, in error. At year-end 2020, these funds have been classified as a debtor to an affiliate and were repaid during Q1 2021.

B.1.6 Adequacy of the System of Governance

The Board is satisfied that the system of governance of the Company is adequate for to the nature, scale and complexity of the risks inherent in its business. The Board conducted an external review of Board effectiveness in 2019, the findings of which were assessed and relevant actions implemented during 2020.

B.2 Fit and Proper Requirements

The PRA and FCA expect that individuals performing Senior Management Function ('SMF') or Certified Person roles remain fit and proper to undertake the role. The Company has a Fit and Proper Policy in place that outlines the various checks at recruitment and throughout employment. In particular, when deciding whether a person is fit and proper, an assessment is made as to whether the individual:

- has the personal characteristics (including being of good repute and integrity);
- possesses the level of competence, knowledge and experience;
- has the qualifications to undertake the role; and
- has undergone or is undergoing all training required to enable such person to perform their key function effectively and in accordance with any relevant regulatory requirements, and to enable sound and prudent management of the Company.

When deciding whether the Board is fit and proper, the Company considers whether, collectively, the directors possess appropriate qualifications, experience and knowledge of:

- insurance and financial markets;
- business strategy and business model;
- systems of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

The Fit and Proper Policy addresses these matters.

Fitness and propriety is checked at recruitment stage through appropriate due diligence and challenge of an individual's experience, skills and competencies. Appropriate financial and criminal checks are carried out prior to recruitment of an individual and probation periods are set commensurate with the role. Ongoing assessment of fitness and propriety of all employees is assessed through the annual appraisal process. Performance of the Board is also assessed annually through the Board performance review process.

Directors have a duty to advise of any circumstances that might affect their fitness and propriety. Should an Approved Person become aware of an issue that has affected or potentially might affect their fitness and propriety, they must inform the Chair of the Board.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

B.3.1 Risk Management Strategy

The Board is ultimately responsible for ensuring the effectiveness of the risk management system, setting the Company's risk appetite and approving the main risk management strategies and policies. Each risk category is assigned to a member of the Executive Committee, who has overall responsibility for managing risks within it. The risk management department co-ordinates risk management activities within the Company through the Enterprise Risk Management ('ERM') system, which consists of procedures to identify, measure, manage, monitor and report risk.

B.3.2 The Risk Management Function

The key function holder for the risk management function is the CRO.

The risk management process at the Company begins with the strategy and corresponding risk appetites set by the Board. Using a "top-down" risk assessment approach, the risk management function forms an understanding of how inherent risk is created and managed within the business model.

A detailed risk register is maintained by the risk management function and kept up to date through an ongoing process. Regular reporting against the risk appetite is conducted through a set of carefully selected key risk indicators, which inform the Board. The controls that respond to inherent risk are also tested through a programme of monitoring.

Annual formal assessments of the Company's Economic Capital are performed via the Own Risk and Solvency Assessment ('ORSA') process (see section B.3.4 below), and the capital position is stressed to test for the Company's resilience to unexpected events. The ORSA process brings together all aspects of risk management and capital management.

Through risk management's various reporting mechanisms, the Board is kept informed and the strategy is reviewed at least annually in light of the Company's risk profile. The key aspects of its risk management processes are:

B.3.2.1 Risk and Control Self-Assessments

Risk and Control Self Assessments ('RCSAs') are performed by each department, under the oversight of the risk management function. Risks and controls are recorded in the Company's risk register. All risks are given an inherent, residual and target rating, using a risk matrix. RCSAs are reviewed regularly, with an in-depth review meeting with the risk department at least annually.

In addition to this process, all employees are encouraged to report any additional risk to the risk management function as soon as possible after it is identified.

B.3.2.2 Emerging Risks Monitoring

The Company has developed an Emerging Risk Framework with the objective of identifying external factors that give rise to new challenges, uncertainties and opportunities which are already having, or may at some stage in the future have an impact on the Company's strategic objectives. The risk management function maintains a log of all identified emerging risks and associated action plans and provide quarterly updates to the Risk and Compliance Committee.

B.3.2.3 Annual Strategic Planning Process

The Company's Board and senior management team, including the CRO, attend a business planning session to review the Company's strategy and develop a business plan taking into consideration the Company's strategic issues, market challenges and business opportunities. A "top-down" risk assessment is performed as part of the review. Conclusions are summarised in a presentation that is approved by the Board.

B.3.2.4 Risk Register

All risks and controls are recorded in the Company's risk management information system. Each risk is assigned an owner, who is responsible for assessing the risk or performing the control.

B.3.2.5 Risk Appetites and Key Risk Indicator Reporting

Key Risk Indicators ('KRIs') are used to measure whether the Company remains within the Board's stated Risk Appetite. KRIs are monitored by the Risk and Compliance Committee every quarter. KRIs are designed to show the level of exposure to a risk and provide an early warning system.

B.3.2.6 Stress Testing

Stress tests are applied to the Company's business plan at least annually. The Company's risk management and capital management functions work collaboratively to consider a range of scenarios based on the risks identified in the RCSAs and the top-down risk assessment. The scenarios that produce the biggest losses are further stressed, to produce Reverse Stress Tests ('RSTs') to determine the point at which the Company would fail.

Stress tests are performed whenever there is a material change in risk profile, which would include, but is not limited to: material change to reinsurance agreements; entry into a new class of business; change in Investment Policy; and purchase of a subsidiary by the Company.

B.3.2.7 Incident Reporting and Escalation

The Company operates an Incident Reporting and Escalation Framework designed to capture operational risk events for the purpose of analysis, reporting and improvement of internal controls.

Once identified, incidents are reported to the risk management function. Incidents are recorded in the risk management system and this acts as the main repository for incident reporting. Incidents are reviewed by the risk management function and an action plan put in place. Incidents are escalated to the appropriate level, depending on their severity. An overview of incidents recorded during each quarter is included in the CRO's report to the Risk and Compliance Committee.

Risks that are not already recognised in the risk management information system will be recorded, to ensure that the risk register is as comprehensive as possible.

B.3.2.8 Controls and Compliance Monitoring

The design and operational effectiveness of key controls is assessed independently through audit, monitoring and other oversight activities performed by the risk management function, the internal audit function, the compliance function and other support functions within the Company. Key controls are prioritised for regular assessment, with the remainder of the control framework being subject to annual or biennial assessment as a minimum.

B.3.2.9 Capital Modelling

The Company has developed an internal stochastic capital model to assess Economic Capital. The stochastic capital model is run in parallel with the Standard Formula to provide a second view of capital to compare with the Solvency Capital Requirement (SCR) and to facilitate an ongoing validation of the SCR. On a quarterly basis results are discussed at the Investment and Capital Management Committee with representation from both the risk management and capital management functions to ensure all material risks are considered.

B.3.2.10 Capital Allocation

The Company has developed a framework to assess the relative performance of its classes of business. The framework considers each line of business in detail, including the market environment, the combined ratio and the Return on Equity based on the Standard Formula SCR.

B.3.2.11 Recovery and Resolution Plans

The Company maintains recovery and resolution plans, which are updated annually. The Recovery Plan aims to prevent the business from failing while it is a going concern and includes: triggers at which point the plan would be invoked; example scenarios that would cause the triggers to be breached; and a set of management actions which can be used to restore the solvency and liquidity position and allow the Company to continue its operations. The objective of the Resolution Plan is to ensure orderly closure of a business in the event of failure and includes identification of critical economic functions; key dependencies between entities and functions; and preferred resolution strategies and their implications. Both plans are formulated with input from the capital management function.

B.3.3 Risk Exposure

The significant risks to which the Company is exposed are covered in more detail in section C of this report. The Company has developed an internal stochastic capital model to assess Economic Capital that incorporates these risks which is used to set its Solvency Risk Appetite. The Board determines the Company's risk appetite as a 1-in-10 probability of the regulatory solvency ratio falling below 100% over a 1-year time horizon. The Solvency Risk Appetite is then set in terms of the solvency ratio required to be held over the Standard Formula SCR in order to achieve this, based on the expected losses at that percentile determined by the capital model. The calculations and results of this calibration are set out in the ORSA report.

B.3.4 Own Risk and Solvency Assessment

The ORSA brings together the ERM processes described above, enabling the Board to assess, monitor, manage, and report the short and long term risks that the Company faces or may face and to determine the Own Funds necessary to ensure the Company's overall solvency needs are met at all times.

The ORSA process is strongly linked to the Board's approval of the Company's strategy and business plans, which ensures that the ORSA is embedded in strategy and decision-making. Risks identified through the RCSA process and the "top-down" risk assessment form the basis of stress test scenarios, which are selected by the Investment and Capital Management Committee and approved by the Board. This allows the Company to test risks to its strategy.

The Company completes its full ORSA process annually following the approval by the Board of its strategy and business plan, or whenever there is a material change in its risk profile or capital projections. Changes in risk profile are monitored through the quarterly KRI process. The ORSA report, which documents the output of the process, is approved by the Board.

The Company determines its overall solvency needs by determining its projected regulatory capital requirements and adding a loading to this figure. This combined with stress and scenario testing gives the Board comfort that the Company has sufficient capital resources to fulfil its strategy.

B.4 Internal Control System

Internal control is integral to risk management and the principal means by which risk is managed.

Primary responsibility for the identification, monitoring, control and reporting of significant risk rests with the heads of the various business functions on an on-going basis. Risk and control owners are identified for all significant risks and control. The ERM framework ensures that these risks and controls are reviewed on a regular basis.

The system of internal control constitutes the first and second lines of the "three lines of defence" risk management model (referred to above).

The Internal Audit function is responsible for auditing the control environment as part of the internal audit plan agreed by the Audit Committee.

On behalf of the Board, the Audit Committee and the Risk and Compliance Committee regularly review the Company's system of internal controls. The review covers all controls, including financial, operational and compliance controls, completeness and accuracy of data and the risk management process. Necessary actions are taken to remedy any significant control failings or weaknesses identified.

B.4.1 Compliance Function

The key function holder for the compliance function is the Head of Compliance.

The AIL Group compliance function operates under a shared service arrangement and services the Company via a dedicated compliance function based in London.

This dedicated function provides second line oversight and advice in accordance with the Company's compliance terms of reference and annual Compliance Plan, with the Head of Compliance also driving regulatory change programs, and supporting the CEO both in the management of the relationship with the FCA and regulatory remediation programs.

The objectives of the compliance function are to:

- Advise the Company on the identification, measurement and management of its compliance risks, including those regarding regulation and conduct;
- Oversee the effectiveness of the first line of defence functions over Delegated Underwriting, Claims and Complaints Authority; and
- Provide assurance reporting to the Risk and Compliance Committee.

In respect of the Company's compliance with Solvency II, the compliance function:

- Provide input into the ORSA with regards to FCA, Insurance Distribution Directive ('IDD'), Conduct and Delegated Underwriting, Claims and Complaints Authority related regulatory risks; and
- Use operational risk model outputs to inform compliance monitoring activities.

The Compliance Function maintains its independence through the reporting line of the SMF16 and Head of Compliance to the Chief Compliance Officer for the AmTrust Group, with a dotted line to the AEL CEO, and unfettered access to the Chair of the Risk and Compliance Committee.

B.5 Internal Audit Function

The key function holder for the internal audit function is the Head of Internal Audit.

The internal audit function is a global AmTrust Group function which reports independently to each entity's Audit Committee. Internal audit provides senior management and the Audit Committees with information, analysis and recommendations about the adequacy, effectiveness and efficiency of the business operations and internal control environment.

The mission of the internal audit function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation.

This is achieved by:

- Assessing whether all significant risks are identified and appropriately reported by management and the risk function to the Board and Executive Management;
- Assessing whether they are adequately controlled; and
- Challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit is independent from the business and is directly responsible to the Chair of the Audit Committee, with a day-to-day administrative reporting line to the AmTrust Group Chief Audit Officer. Internal audit has free and unrestricted access to the Chair of the Board, the Chair of the Audit Committee and the CEO. The Head of Internal Audit has full and free access to the Audit Committee including attending all Audit Committee meetings, meeting privately with members at least annually (or more frequently as needed), and individual meetings on a regular basis.

Those working within the internal audit function are not permitted to perform day-to-day control procedures or take operational responsibility for any part of the Company's operations outside of internal audit. Management is responsible for the establishment and ongoing operation of the internal control system. The Audit Committee reviews the scope and nature of the work performed by internal audit to confirm its independence.

B.6 Actuarial Function

The key function holder for the actuarial function is the Chief Actuary.

The Chief Actuary is a qualified actuary and a member of the Institute and Faculty of Actuaries. Other members of the team are either qualified actuaries; working towards becoming a qualified actuary; or sufficiently qualified by experience to undertake the duties assigned to the individual.

The purpose of the actuarial function within the Company is to provide support in many areas including reserving, pricing and capital management. In addition to the core actuarial work, other statistical and management information support is provided where necessary. This work is required to be undertaken in an objective and independent manner whilst incorporating feedback from the business where appropriate.

The Chief Actuary or an appropriate representative attends the Performance Committee, the Investment and Capital Management Committee and the Reserve Committee. The actuarial function is also involved in the reinsurance purchasing process where appropriate. The Chief Actuary will rely on work produced by other members of the actuarial function to fulfil the necessary roles and responsibilities.

The actuarial function has the following specific responsibilities:

- Production of the technical provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate for the specific lines of business of the undertaking and for the way the business is managed, having regard to the available data;

- Assessment of whether the information technology systems used in the calculation of the technical provisions sufficiently support the actuarial and statistical procedures;
- Monitoring the actuarial best estimate reserves against actual experience;
- Reporting to the entity-level Boards on the reliability and adequacy of the technical provisions calculation;
- Expressing an opinion regarding the Underwriting Policy at entity level;
- Providing a statistical framework to price various lines of business;
- Reviewing new business opportunities and providing feedback on the underlying models and assumptions or any external actuarial models used;
- Working with underwriters to provide support on product performance;
- Providing input to the Performance Committee as appropriate;
- Providing assistance in the preparation of the business plans including independent input into the ultimate loss ratios for each line of business;
- Providing inputs into the calculation of the Standard Formula SCR;
- Working closely with the risk management function to facilitate the implementation of an effective risk management system;
- Support to the risk management function to quantify the risks identified;
- Assessment of risk parameters used in the Economic Capital model;
- Validating the inputs into the Economic Capital model; and
- Reviewing reinsurance arrangements.

Annually, the Chief Actuary prepares and submits an Actuarial Function Report to the Board that sets out the actuarial function's work in the above areas and, in particular expresses an opinion on underwriting policy and reinsurance adequacy in accordance with Solvency II requirements.

B.7 Outsourcing

Outsourcing is an important aspect of the Company's business model. The majority of the Company's key outsourcing risk lies in its use of third-party coverholders, agents and brokers in its claims management, underwriting, and complaints handling.

Key outsourcing risk refers to those functions that are performed by external or intra-group providers, which are essential to the Company's operations, and without which, the Company would be unable to deliver its services to policyholders.

The PRA requires insurance companies to take reasonable steps to avoid undue additional operational risk and not to undertake the outsourcing of key functions in such a way as to either impair the Company's internal controls, or increase risks associated with the PRA's ability to monitor the Company's compliance obligations under the regulatory system.

The Company's outsourcing internal control framework includes, but is not limited to:

- Due diligence undertaken of a prospective provider in order to identify the potential operational, prudential and conduct of business regulatory risks that may be associated with the placement of the outsourced function to specific provider(s);
- Formal and disciplined authorities for the appointment of coverholders;
- Supervision of each outsourced relationship by a nominated individual within the Company;
- Formal management and monitoring of intra-group service level agreements;
- Routine management attestation as to continuous control compliance in relation to outsourcing; and
- Independent internal monitoring by the compliance function, internal audit, and the Company's third-party audit coverage as routinely approved and monitored by the Risk and Compliance Committee.

B.8 Any Other Information

None noted.

Risk Profile

Section C

C Risk Profile

Overview of Risk Exposure

The Company is exposed to a broad landscape of risks. These include core risks that are taken as part of the Company's insurance operations and are quantified in the Company's Standard Formula model. In addition to these modelled risks, the Company is exposed to further risks that arise from undertaking business, including liquidity, strategic, regulatory and reputational risk.

Measures Used to Assess Risks

The Company uses the Solvency II Standard Formula (SF) to calculate all the components of its Solvency Capital Requirement (SCR). The table below shows the mapping of the risks covered by the Standard Formula (SF) to the Company's risk taxonomy.

Mapping of AEL Risk Categories to SF risks per AEL Risk Management Policy

Risk		Sub-categories	SF risk type
1	Market	• Equity, property, IR, spread, FX	• Equity, property, IR, spread, FX, market risk concentration
2	Credit	• Investments and intra-group counterparties • Intermediaries, banks • Reinsurers, tenants, collateral	• Spread • Counter-party default
3	Underwriting	• Volume, exposure, pricing • Segments and concentration	• Non-life & Health (premium, lapse, CAT)
4	Reserving	• Reserving	• Reserve risk
5	Operational	• Processes, data and systems • Reputation, conduct, fraud • Outsourcing	• Operational risk
6	Liquidity	• Liquidity	• Not included in SCR calculation • These are risks for which insurers do not typically hold capital
7	Legal, strategic, governance	• Legal and regulatory • Strategic and governance	
8	Group, solvency	• Group • Solvency	

Material Changes to the Risk Profile

In 2020, AmTrust International took another step forward to simplify its business, comply with implications of Brexit and realign portfolios through a series of portfolio transfers. AEL's (non-medical malpractice) European Economic Area business transferred to AIU DAC and AEL's Italian medical malpractice business transferred to AA. These transfers significantly changed the Company's risk profile and, ultimately, reduced the risk of the portfolio.

Quantification of Modelled Risks by Risk Category

The table below sets out the quantification as at 31 December 2020 of the Company's modelled risk categories and the related movements over the preceding twelve months. The figures represent the loss for each risk category that is likely to be exceeded only once in two hundred years. Due to diversification, the total risk of the Company is lower than the sum of the individual categories.

AEL SCR Risk Source	One Year Regulatory SCR (£'000)			
	2020	2019	Change (Y/Y)	% change
Health NSLT underwriting risk	974	1,506	(532)	(35%)
Non-Life underwriting risk	130,264	180,205	(49,941)	(28%)
Market risk	30,106	67,260	(37,154)	(55%)
Counterparty default risk	15,300	17,438	(2,138)	(12%)
Undiversified Basic SCR	**176,644**	**266,409**	**(89,765)**	**(34%)**
Diversification credit	(27,258)	(49,253)	21,995	45%
Basic SCR	**149,386**	**217,156**	**(67,770)**	**(31%)**
Operational risk	15,510	32,220	(16,710)	(52%)
Standard Formula SCR	**164,896**	**249,376**	**(84,480)**	**(34%)**
MCR	**49,476**	**90,665**	**(41,189)**	**(45%)**
Own Funds	**210,143**	**339,204**	**(128,965)**	**(38%)**
Ratio of Own Funds to SCR	**127%**	**136%**	**(9%)**	**(7)%**

The main impacts of the portfolio transfers on the movements between 31 December 2020 and 2019 are summarised below:

- reduction of insurance liabilities relating to the policies transferred, driving a significant reduction in both Non-Life Reserve Risk and Operational Risk;
- reduction in Default Type 1 exposures mainly driven by a reduction in the reinsurance recoverable assets linked with the policies transferred; and
- reduction of investment balances (mostly debt instruments) made to support the transfer of insurance liabilities, which drove a reduction to the spread risk charge.

The diversification benefit also increased as the resulting portfolio after the transfers was less diversified. The following sections describe each risk category.

C.1 Underwriting Risk

Underwriting risk refers to fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Company at the time of underwriting.

The Company uses a suite of KRIs to monitor its exposure to underwriting risk that are evaluated each quarter. These include volume of premium underwritten by class of business; priced loss ratios in comparison with plan; ultimate loss ratios in comparison with plan; concentration of premium and profit contribution by class; and deterioration in prior year reserves.

C.1.1 Material Risk Exposures

The Company is exposed to premium risk (the risk that premiums are insufficient to cover the value of claims made) and reserve risk (the risk that on-going claims are settled at a higher value than previously expected). The Company's material underwriting risk exposure comes from professional indemnity, legal expenses and warranty lines of business. These lines of business account for approximately 67% of the Company's total GWP for 2020. Professional indemnity is a form of casualty insurance, and the underlying claims exposures can take a long time to realise properly, hence there is a material risk of adverse reserve development on all current and prior underwriting years where the Company underwrote professional indemnity policies. The SCR quantifies the potential for adverse development as part of the calculation of the premium and reserve risk. The Company believes its book of business is exposed to limited catastrophe risk. Man-made general liability catastrophes are the most material element of AEL's catastrophe risk and is relatively small relative to other risk exposures. AEL has also developed a Climate Change Financial Risk Management Framework which will further assess loss exposure from several risk factors relating to the changing global climate.

C.1.2 Material Risk Concentrations

The Company's underwriting risk exposure is concentrated in legal expenses lines of business. Approximately 31% of the Company's 2020 GWP is attributable to legal expenses.

C.1.3 Material Risk Mitigation

AEL takes on underwriting risks in order to generate a return. The Company will only write (re)insurance business in areas where the major, composite insurers have neither focus nor predominance, and only where the Company can develop long-term relationships with its clients. All business should be written in line with the underwriting guidelines.

This risk is mitigated through a range of management controls. The actuarial pricing team review new business to determine that rates are adequate. Within underwriting teams, a peer review also takes place. There is constant monitoring of underwriting performance by management, which allows corrective action to be taken if a piece of business is not performing as expected.

The Company also uses reinsurance to mitigate underwriting risk. For capacity to write new business, the Company utilises a 50% whole account quota share with Swiss Re, an "AA-" rated global third party reinsurer. The current contract ends on 30 June 2021, although the Company intends to renew either with Swiss Re or with an alternative partner. On its back book, AEL is reliant on quota share arrangements with AIIL, an "A-" rated affiliated reinsurance company domiciled in Bermuda, with whom it has exposures that are protected by collateral.

The reinsurance strategy is reviewed by management and the Risk and Compliance Committee on a regular basis to ensure it remains effective and appropriate and is approved by the Board at least annually.

C.1.4 Risk Sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.5.

C.1.5 Other Material information

The Company completed a Part VII Transfer of Italian medical malpractice business to AA and the Company's other European business to AIU on 31 July 2020 as part of its Brexit Strategy.

C.2 Market Risk

Market risk is the risk of loss of income or decrease in the value of assets caused by movements in the level and prices of financial instruments. Market risk includes factors such as equity values, property values, interest rates, foreign exchange and spread risk.

The KRI process identifies and measures the key market risk exposures by closely monitoring the currency and duration mismatch to capture exposure to currency and interest rate risks, as well as the composition of the bond portfolio holdings by credit ratings to capture exposure to spread risk.

Investments are reviewed quarterly through the Investment and Capital Management Committee and at the Risk and Compliance Committee.

C.2.1 Material Risk Exposures

The Company's material exposures to market risk relate to interest rate risk and spread risk on its bond portfolio, foreign exchange risk on its currency exposures and concentration and spread risk due to intra-group loans.

The bond portfolio consists of corporate and government bonds. It is exposed to interest rate risk, as well as to credit spread risk. Fluctuations in rates of inflation influence interest rates, which in turn impact the market value of the investment portfolio and yields on new investments. Thus, rising interest rates would have an adverse impact on the bond portfolio and would drive the value of the bonds down. Whereas, widening credit spreads would also negatively impact the value of the bond portfolio.

Property comprises less than 5% of the investment portfolio and does not pose any material risk to the business.

The Company manages its foreign exchange risk against its functional currency, which is presented in Pounds Sterling. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. This applies both to assets and liabilities held directly by AEL.

C.2.2 Material Risk Concentrations

The Company's material market risk exposures are concentration risk due to intra-group loans and the exposure of its predominantly fixed rate corporate bond investment portfolio to spread risk.

C.2.3 Material Risk Mitigation

The Company invests primarily in fixed rate government and corporate bonds, money market deposits and cash. The Company has no appetite for investments in equities (other than wholly owned subsidiaries) and complex investments such as derivatives. By investing in assets where the risk can be properly identified, the Company fulfils the Prudent Person principle.

Investment management is outsourced to another company within the AmTrust Group. A set of Investment Management Guidelines are in place which governs the investment management process, adherence to which is monitored by the Investment and Capital Management Committee.

The Company monitors interest rate risk as part of its KRI reporting process by monitoring duration of assets and liabilities. Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

The Company invests in property that it occupies but has no appetite to invest in properties that it does not occupy or intend to occupy in future, at least in part.

The Company is exposed to foreign exchange risk, by operating in multiple currencies. The Company seeks to mitigate the currency risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. The Company's currency matching strategy is well protected against depreciation of Pounds Sterling.

C.2.4 Risk Sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.5.

C.2.5 Other Material Information

Following the completion of a Part VII Transfer of Italian medical malpractice business to AA and the Company's other European business to AIU on 31 July 2020, the level of investment assets held by the Company reduced.

C.3 Credit Risk

Credit risk is the potential loss arising principally from adverse changes in the financial condition of intermediaries that sell the Company's policies, the issuers of fixed maturity securities, banks with which the Company holds cash, custodians of the investment portfolio and collateral provided by certain reinsurers and the financial condition of third party reinsurers.

Management identifies and measures the key credit risk exposure by monitoring rating of bank, rating of reinsurer, bond rating, exposure to individual external reinsurer counterparty, exposure to single bank as percentage of SCR, credit extended to intermediaries compared with limits set by finance, exposure to individual tenant, and length of time overdue.

C.3.1 Material Risk Exposures

The Company is subject to material risk exposures with respect to its reinsurers, banks and bond counterparties.

C.3.2 Material Risk Concentrations

The Company's primary exposure is to credit risk in relation to material accounts with its Reinsurance counterparties: AIIL (£152m or 55% of AEL's total exposure) and Swiss Re (£55m or 20% of AEL's total exposure). AIIL is a subsidiary within the wider AmTrust Group.

AEL is exposed to general economic, business and industry conditions. Adverse general economic conditions may cause, among other things, significant reductions in available capital and liquidity from banks and other credit providers. The Company's largest bank exposures are to JP Morgan (£21m or 8% of AEL's total exposure), Lloyd's Bank (£6m or 2% of AEL's total exposure) and Eurobank Ergasias AE (£4m or 2% of AEL's total exposure).

The Company's largest corporate bond exposure is to Procter & Gamble, making up of 4% of the investment portfolio. Other large bond exposures are to Total Capital International SA, Westpac Banking, Bank of America and National Australia Bank.

C.3.3 Material Risk Mitigation

In order to reduce the Company's exposure to reinsurance credit risk, the financial condition of reinsurers is evaluated, and reinsurance is placed with a diverse group of companies and syndicates that are believed to be financially sound. Large exposure to AIIL is fully collateralised. The Swiss Re quota share contract that renewed on 1 July 2020 is on reserves withheld basis, reducing the net exposure. The credit quality of reinsurers is monitored when placing new and renewal reinsurance, as well as on an ongoing, current basis. The Company uses objective criteria to select and retain its reinsurers, including requiring a financial strength rating of "A-" or better from A.M. Best Company, or the posting of acceptable collateral.

To reduce credit risk, the Company performs ongoing evaluations of its counterparties' financial condition.

Credit risk related to the issuers of fixed maturity securities is addressed by investing primarily in fixed maturity securities that are rated "A-" or higher by Standard & Poor's. Exposure is limited by the employment of diversification policies that limit the credit exposure to any single issuer.

The Company manages the levels of credit risk it accepts by reviewing exposures regularly and reporting to management of significant counterparty exposures. Credit limits are also in place for certain counterparties as is deemed appropriate within the Company.

Exposures to banks are limited to those whose credit ratings are "A-" or higher, except where required for business reasons, typically in jurisdictions where there are no "A-" rated banks available. In this case exposures are kept to a minimum.

C.3.4 Risk Sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.5.

C.3.5 Other Material Information

None noted.

C.4 Liquidity Risk

Liquidity risk represents the Company's potential inability to meet all payment obligations when they become due and the risk stemming from the lack of marketability of an investment security that cannot be bought or sold to realise cash.

Through the KRI process, a liquidity ratio is monitored to identify and measure liquidity risk exposures. The finance team carries out regular cash-flow forecasting and analysis to monitor the Company's liquidity needs.

This KRI compares current liabilities with assets, but assets are subject to an allowance based on how liquid they are. For example, 90% of the value of the corporate bond portfolio is included and only 50% of the value of investments in group undertakings, taking into account the relative likelihood of realising their full value.

C.4.1 Material Risk Exposures

There is a material exposure to liquidity risk through investments in times of severe market stress. If premium payments are not received from coverholders and policyholders, this could also lead to a liquidity risk event. In any such event, the Company increases the frequency of its cashflow forecast updates and increase cash holding when deemed appropriate to ensure it is in a position to honour all eligible obligations to all of its stakeholders as they come due. Reinsurance may additionally pose a residual liquidity risk with delays in payment by the reinsurer or their default which, while classed as a credit risk event, would also pose major liquidity issues for the Company.

C.4.2 Material Risk Concentrations

The Company's liquidity risk exposure is concentrated in reinsurance contracts, financial assets (bonds) and property.

C.4.3 Material Risk Mitigation

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within an Asset Liability Management ('ALM') Framework that has been developed to minimise the risk of significant deterioration of the investment portfolio while earning profitable returns from those investments.

The Company has developed a Liquidity Risk Management Policy which details the requirements to be implemented by the Company in relation to managing liquidity risk. This includes cash flow monitoring over various time horizons and monitoring of the Company's liquidity ratio.

The Company invests mainly in corporate bonds, which are normally highly liquid, so it holds relatively small amounts of cash. It accepts the risk that during times of stress, there may be market value losses realised by liquidating bonds.

The Company maintains enough cash and highly rated marketable securities to fund claim payments and operations.

C.4.4 Expected Profit in Future Premiums

The value of expected profit in future premiums is £9m. This amount is highly illiquid, but represents less than 5% of the value of own funds.

C.4.5 Risk Sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.5.

C.4.6 Other Material Information

None noted.

C.5 Operational Risk

Operational risk is the risk that the Company will not be able to operate in a fashion whereby the strategic objectives of the Company can be met due to inadequate or failed internal processes, people and systems, or external events. It arises out of actions undertaken within the Company, brokers, investment management companies or outsourced agencies and individuals.

The Company has risk management processes in place, such as third-party audit, internal audit, controls testing, project management, RCSA, and data governance to assess and monitor operational risk exposures.

C.5.1 Material Risk Exposures

The Company is exposed to operational risk through IT, data, outsourcing, underwriting, reinsurance, fraud and conduct.

As a result of limitations inherent in all control systems, it may not be possible to adequately prevent fraud or errors from occurring. Judgments in decision-making can be faulty and breakdowns may occur through simple human error.

In addition, any ineffectiveness in internal controls could have a material adverse effect on the Company's business. For instance, failure to maintain pricing disciplines and robust underwriting controls; poor quality Management Information or IT systems to capture data and business performance; failure to identify appropriate opportunities in a soft insurance cycle and prolonged competition; a potential reduction of control over the actions of third parties operating on its behalf (outsourcing).

During the current COVID-19 pandemic, the Company has demonstrated its ability to continue its operations remotely. However, there are additional operational risks associated with this mode of working, including reliance on IT and communications.

C.5.2 Material Risk Concentrations

The Company's material risk concentrations are in IT and outsourcing.

The majority of AEL's core lines are sold through independent third-party brokers, agents, retailers or administrators, many of whom the Company has worked with for several years, in particular in the legal expenses, property and warranty lines of business.

IT is an integral aspect of the Company's day-to-day business operations and as such, any system failure can pose a serious threat to operations. This reliance was even greater during 2020 when the Company's offices were closed and employees were working remotely.

C.5.3 Material Risk Mitigation

The Company does not seek to take on operational risk in order to generate a return. However, it recognises that some degree of operational risk is an unavoidable consequence of remaining in business. It therefore seeks to mitigate this risk through its corporate governance and internal control mechanisms, due diligence and business continuity.

All of the Company's operational risks are captured within its Risk Register. The risk management function carries out a risk and control self-assessment exercise where meetings are held with each key risk owner to review and update the risk registers with new risks and controls, as well as judging whether the ratings for inherent and residual risks are still valid.

C.5.4 Risk Sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.5.

C.5.5 Other Material Information

None noted.

C.6 Other Material Risks

C.6.1 Legal and Regulatory Risks

Legal and regulatory risks are the risks of non-compliance with regulation and legislation.

The Company does not seek to take on legal and regulatory risk in order to generate a return. However, it recognises that some degree of legal and regulatory risk is an unavoidable consequence of remaining in business. It therefore seeks to mitigate these risks through its corporate governance and internal control mechanisms. Awareness of the risks and the Company's control mechanisms are maintained through its policies and procedures framework and training programs.

C.6.2 Strategic Risk

Strategic risk arises from the Company's failure to sufficiently define its direction and objectives, together with the resourcing and monitoring of the achievement of the same.

The Company has a well-developed business planning process and its business plans are approved by the Board. The business plans are also used in the ORSA process.

C.6.3 Governance Risk

Governance risk arises from the Company's failure to demonstrate its independent and proper stewardship of its affairs in order to safeguard the assets of its shareholders and the overall interests of its stakeholders.

The Company regards a strong governance framework to be vital in the achieving its objectives as well as providing transparency and accountability to its various stakeholders. A system of internal control and governance has been developed using the "three lines of defence" model.

C.6.4 Other Group Risks

Other Group risks arise from the Company's interaction with or reliance on other parts of the AmTrust Group, through parental influence, changes in overall A.M. Best rating, or direct contagion.

The Company maintains a good relationship with its ultimate parent and expects that, at all times, it will remain suitably apprised of all of the material risks within the AmTrust Group that may, if crystallised, have negative impact upon its business strategy and/or cause detriment to its customers. Furthermore, the Board stays informed of the current and emerging risks at the AmTrust Group through the NEDs who sit on the Board.

C.6.5 Solvency Risk

Solvency Risk is the risk that the Company fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

The Company ensures it is solvent at all times through: monitoring its solvency position; financial accounts; and quarterly solvency forecasting (including the annual ORSA process) and prior to any strategic decision making.

C.6.6 Reputational Risk

Reputational Risk relates to potential losses of the Company resulting from damages to the Company's reputation, which could be manifested in terms of lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value.

The Company manages reputational risk by operating to high standards across its business activities, and continuously monitoring feedback from its key stakeholders, including customers and regulators.

C.7 Any Other Information

C.7.1 Risk Sensitivities

The Company has performed sensitivity tests to show the impact on SCR, Own Funds and SCR solvency coverage by changing the assumptions associated with each risk type in the Solvency II Standard Formula calculation. These are independent stresses to individual risks, although in practice risks may occur in combination, but the impact would differ from the combination of impacts of the individual stresses. No future management actions, which could mitigate the impacts shown, have been taken into account. The impacts of each stress are non-linear and the results shown should not be used to extrapolate the effects of larger or smaller changes in the assumptions.

The Company has performed the following sensitivity tests on its solvency position.

Risk category	Test	SCR/change		Own funds/change		Solvency ratio/change	
As at 31 December 2020		*£'m*	*£'m*	*£'m*	*£'m*	*%*	*%*
Solvency position		164.9	N/A	210.1	N/A	1274%	N/A
Underwriting	25% increase in volume of GWP in next 12 months	171.6	6.7	210.1	-	122.5%	(5.0%)
Underwriting	25% decrease in volume of GWP in next 12 months	158.9	(6.0)	210.1	-	132.3%	4.8%
Underwriting	25% increase in Claims provisions	175.9	11.0	174.4	(35.8)	99.1%	(28.3%)
Underwriting	25% decrease in Claims provisions	155.2	(9.7)	245.6	35.4	158.2%	30.8%
Market	25% increase in asset durations	165.7	0.8	210.1	-	126.8%	(0.6%)
Market	25% decrease in asset durations	164.2	(0.6)	210.1	-	128.0%	0.5%
Market	10% increase in asset concentrations	165.1	0.3	210.1	-	127.2%	(0.2%)
Market	Yield Curve Upshock	163.6	(1.3)	210.6	0.5	128.7%	1.3%
Credit	Fall in rating of one credit step for three largest insurers	166.1	1.2	210.1	-	126.5%	(0.9%)
Operational	50% increase in TP expenses	165.9	1.0	202.6	(7.5)	122.1%	(5.3%)

The risk with the largest effect on the SCR is underwriting risk, in particular with respect to increases and decreases in claims provisions, which have the biggest impact on solvency ratio. The Company has robust procedures in place for setting reserve levels, as described in section B.1.2.3.5.

Valuation for Solvency Purposes

Section D

D Valuation for Solvency Purposes

This section highlights the way the Company's assets and liabilities are valued differently when calculating own funds (net equity on a Solvency II basis) and when preparing its statutory accounts. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles ('GAAP') in the UK.

The valuation rules from the Solvency II Directive use International Financial Reporting Standards ('IFRS') as a starting position with various changes applied to move to an economic balance sheet position. UK GAAP is largely equivalent to the accounting principles applied under IFRS, although differences do exist.

The tables below show the valuation on a Solvency II basis of the Company's assets, and liabilities as at 31 December 2020. The risk margin and deferred tax asset have also been revised as a consequence of the errors being corrected in this revised report.

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	*£'000*	*£'000*	*£'000*
Assets				
Deferred acquisition costs	67,500		(67,500)	0
Deferred tax asset	6,936		(2,288)	4,647
Property, plant and equipment held for own use	2,031			2,031
Investments (other than assets held for index-linked and unit-linked contracts):				0
Property (other than for own use)	4,911			4,911
Holdings in related undertakings, including participations	3,314			3,314
Equities:				
Equities - unlisted	3,446			3,446
Bonds:				0
Government bonds	188,684			188,684
Corporate bonds	172,739		(33)	172,706
Collateralised securities	805			805
Loans and mortgages	78,125		542	78,667
Reinsurance recoverables from:				0
Non-life excluding health	335,387	(57,475)	(10,376)	267,536
Health similar to non-life	0		593	593
Insurance and intermediaries receivables	170,742	(170,742)		0
Reinsurance receivables	32,891			32,891
Receivables (trade, not insurance)	48,157	20,125		68,282
Cash and cash equivalents	32,734			32,734
Any other assets, not elsewhere shown	42		(42)	0
Total assets	*1,148,444*	*(208,092)*	*(79,104)*	*861,248*

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	*£'000*	*£'000*	*£'000*
Liabilities				
Technical provisions – non-life:	734,358	(122,570)	(611,788)	0
Technical provisions – non-life (excluding health):				
Best estimate			515,131	515,131
Risk margin			22,854	22,854
Technical provisions - health (similar to non-life):				0
Best estimate			1,863	1,863
Risk margin			117	117
Provisions other than technical provisions	5,313			5,313
Insurance and intermediaries payables	46,159	(35,436)		10,722
Reinsurance payables	95,515	(57,475)	(17,036)	21,004
Payables (trade, not insurance)	0			0
Any other liabilities, not elsewhere shown	66,711	7,389		74,100
Total liabilities	*948,056*	*(208,092)*	*(88,859)*	*651,105*
Excess of assets over liabilities	*200,388*	*0*	*9,851*	*210,143*

Going Concern

The Company has considerable financial resources and a balanced book of business. After review of the key performance indicators, financial and solvency (as determined under the Solvency II regime) forecasts and budgets, and the key risks as outlined in section C, the Directors have a reasonable expectation that the Company has adequate resources available to continue in operational existence for the foreseeable future.

Management prepares a number of risk assessment documents which are reviewed by the Board and shared with the PRA as appropriate. These documents also consider the Company's responses to mitigate these risks. No significant shortfalls are currently considered to exist in the Company's governance and controls environment.

In addition, the Directors have considered the ability of the Company to withstand the inevitable stresses which have arisen from the rapid global spread of the coronavirus (or COVID-19) pandemic on its capital and liquidity. These stresses considered the impact on the Company of both a projected reasonable stress, as well as reverse stressing the business up to the point at which the Company's SCR solvency ratio reduces to 100%.

The Directors have evaluated the results of the assessments conducted by management, including stresses as described in section A.1.7 "Material Events" and believe that the going concern basis of preparing the 31 December 2020 financial statements is appropriate.

D.1 Assets

D.1.1 Deferred Acquisition Costs

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Deferred acquisition costs	67,500		(67,500)	0

Deferred acquisition costs are valued at nil for Solvency II purposes. Instead, all cashflows related to expenses due to servicing recognised insurance obligations are considered in the best estimate technical provisions.

D.1.2 Deferred Tax Asset

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Deferred tax asset	6,936		(2,288)	4,647

Deferred taxation is provided in full on timing differences which result in an obligation at the date of this report to pay more tax, or a right to pay less tax, at a future date. These timing differences have resulted in a deferred tax asset in the statutory accounts.

As a result of adjusting the UK GAAP balance sheet to an economic balance sheet for Solvency II, additional gains and losses are created within the Company. The Solvency II framework permits deferred tax balances to be created on the differences between the tax base of assets and or liabilities and the value based on Solvency II principles.

The adjustments at the year-end resulted in an overall increase in the tax base of net assets and therefore a valuation adjustment to reduce the deferred tax asset has been made at the appropriate rate. The recoverability of this asset has been assessed against the future profitability of the Company, which is considered sufficient to justify its carrying value.

D.1.3 Property, Plant and Equipment Held

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Property, plant and equipment held for own use	2,031			2,031
Property (other than for own use)	4,911			4,911

Under Solvency II the valuation methodology for property, plant and equipment is to use a reliable estimate for the amount which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

Within the UK GAAP annual accounts, property held other than for own use is valued at fair market value while property held for own use is valued at fair market value less accumulated depreciation. The latest valuation was performed as part of the year end process for 31 December 2020.

Plant and equipment is valued in the UK GAAP accounts at cost less accumulated depreciation.

The fair market value which the Company's property is carried at within the UK GAAP accounts is considered to be a consistent valuation methodology to the Solvency II guidelines. As the fair value is not arrived at using a quoted market price, nor adjusted quoted market price, the valuation technique is considered an alternative valuation method under Solvency II. This is described in more detail section D.4 below.

Less than £1m is held within plant and equipment and, as a result, management does not believe that using depreciated cost would generate a materially incorrect position against the market value.

D.1.4 Investments

D.1.4.1 Holdings in Related Undertakings

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Holdings in related undertakings	3,314			3,314

As mentioned within the summary section, the Company has investments in wholly owned subsidiaries. In accordance with Delegated Regulation (EU) 2015/35 Article 13, it is valuing its holdings in related undertakings, in accordance with the following order of hierarchy:

- Level 1 - values based on quoted prices in active markets where available.
- Level 2 - where quoted prices in active markets are not available, valued on an adjusted equity method. This is based either on (a) a Solvency II valuation of underlying net assets or, for related undertakings other than insurers where this is not practicable, (b) on a IFRS basis with the deduction of goodwill and intangibles.
- Level 3 - for related undertakings other than subsidiaries, where quoted prices in active markets are not available and where it is not possible to apply an adjusted equity method, an alternative valuation method (e.g. mark to model) may be used.

As none of the related undertakings is listed and all are subsidiary entities, those entities which are subsidiaries are valued on the adjusted equity method.

For the purpose of subsidiaries which are insurance entities, the adjusted equity method means using the excess of assets over liabilities applying Solvency II valuation principles (Article 13(4)).

For the purpose of subsidiaries other than insurance entities, the adjusted equity method means using the excess of assets over liabilities applying International Accounting Standards excluding any value in goodwill, intangibles or prepayments (Article 13(5)). For this purpose, the Company has concluded there are no material differences between the UK GAAP position which its subsidiaries report, and IFRS.

These valuation methods are a departure from the approach used under UK GAAP and therefore an adjustment is made to arrive at the Solvency II balance sheet.

D.1.4.2 Bonds and Equity Securities

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Bonds:				
Government bonds	188,684			188,684
Corporate bonds	172,739		(33)	172,706
Collateralised securities	805			805
Equities:				
Equities – unlisted	3,446			3,446

The Company's investment portfolio consists primarily of corporate and government bonds.

The Company elects to carry its investments at fair value through the profit and loss account at inception. These assets are managed and their performance evaluated on a fair value basis, and information about their fair values is provided internally to key management personnel on a regular basis including the Board and Investment Committee.

Investments are classified into three tiers of fair value hierarchy based on the characteristics of inputs available in the marketplace. The following valuation hierarchy is used:

- Level 1 – Quoted market prices in active markets for the same assets.
- Level 2 – Quoted market prices in active markets for similar assets with adjustments to reflect differences. The adjustments reflect factors specific to the asset including the condition or location of the asset, the extent to which inputs relate to items that are comparable with the asset and the volume or level of activity in the markets within which the inputs are observed.
- Level 3 – Alternative valuation methods which make use of relevant market inputs including:
    - Quoted proves for identical or similar assets which are not active;
    - Inputs other than quoted prices that are observable for the asset, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads; and
    - Market-corroborated inputs, which may not be directly observable but are based on or supported by observable market data.

At 31 December 2020, the Company had £362m of Level 1 investments.

No adjustment is made to move accrued interest which is included for both UK GAAP and Solvency II purposes within the value of the bonds.

A valuation adjustment is made to corporate bonds to adjust for differences in foreign exchange rates between the financial accounts and the investment management reports.

D.1.5 Loans and Mortgages

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Loans and mortgages	78,125		542	78,667

Based on the valuation hierarchy described in section D.1.4.2, loans and mortgages are measured at amortised cost using the effective interest method for UK GAAP and at fair value using the income approach through the discounted cash flow method for the purpose of Solvency II. Therefore, a valuation adjustment is required from the UK GAAP basis.

A valuation adjustment of +£0.5m was made to loans and mortgages at the balance sheet date in line with the Company's discounted cash flow method of valuation for loans and mortgages. The favourable adjustment is due to the effect of negative EIOPA risk-free interest rate term structures used in the discounted future cash flow calculation used to value loans and mortgages assets in line with the Company's valuation methodology.

Note, the Company does not have any mortgages as at 31 December 2020.

D.1.6 Reinsurance Recoverables

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Reinsurance recoverables from:				
Non-life excluding health	335,387	(57,475)	(10,376)	267,536
Health similar to non-life	0		593	593

Reinsurance recoverables are valued as part of technical provisions and separated out for disclosure purposes on the Solvency II balance sheet. Most reinsurance cover is provided by quota share contracts and the recoverables are calculated as a fixed proportion of the gross liabilities. For the non-proportional cover, the recoverable amount has been estimated judgementally, by class, based on the attachment point and limits of each contract and a review of the historical recoveries made under each contract.

An adjustment is made in respect of future premiums amounts held within reinsurance payables in the UK GAAP balance sheet. These balances are reclassified within technical provisions on the Solvency II balance sheet.

Further valuation adjustments made to reinsurance recoverables are described within section D.2.3.

D.1.7 Insurance and Intermediaries Receivables, Reinsurance Receivables and Non-Insurance Trade Receivables

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Insurance and intermediaries receivables	170,742	(170,742)		0
Reinsurance receivables	32,891			32,891
Receivables (trade, not insurance)	48,157	20,125		68,282

Receivables relating to insurance and intermediaries, reinsurance and other trade are valued at amortised cost, consistent with the approach under UK GAAP, which is not considered to be materially different from the fair value approach under Solvency II valuation principles, since debtor balances are short term, with no discounting impact and convertible into a cash balance.

Receivables that are not yet due are reclassified and dealt with as part of the technical provisions, described below.

There are a number of other reclassifications made between the UK GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

D.1.8 Cash and Other Assets

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	32,734			32,734
Any other assets, not elsewhere shown	42		(42)	0

Cash and cash equivalents comprise cash in hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value.

The valuation adjustment made to any other assets is in respect of prepayment balances included in the statutory accounts, which are not convertible into a cash balance and are therefore written off the Solvency II balance sheet.

D.2 Technical Provisions

Technical provisions represent a valuation of the Company's obligations towards policyholders. Under Solvency II these are required to be calculated as the sum of:

- best estimate equal to the probability-weighted average of all future cash-flows, taking account of the time value of money; and
- a risk margin equivalent to the amount that an insurance undertaking would be expected to require in order to take over and meet the technical provision obligations.

On a Solvency II basis the total technical provisions, including the risk margin, were £272m compared to £357m on a UK GAAP basis, a difference of 24.6%.

The following tables show a summary of the Company's technical provisions under Solvency II:

31 December 2020 Class	Gross of Reinsurance (£'000)	Recoverable from Reinsurance (£'000)	Net of Reinsurance (£'000)	Risk Margin (£'000)	Total Technical Provisions (£'000)
Assistance	(997)	(669)	(328)	0	(328)
Credit and suretyship	15,232	7,329	7,903	729	8,632
Fire and other damage to property	14,485	7,252	7,233	668	7,901
Legal expenses	106,023	66,090	39,933	3,686	43,619
Medical expense	1,863	593	1,270	117	1,387
Miscellaneous financial loss	90,907	34,861	56,046	5,173	61,219
Other motor	0	0	0	0	0
Motor vehicle liability	0	0	0	0	0
General liability	289,481	152,673	136,808	12,598	149,406
Total	*516,994*	*268,129*	*248,865*	22,971	271,836

31 December 2019 Class	Gross of Reinsurance (£'000)	Recoverable from Reinsurance (£'000)	Net of Reinsurance (£'000)	Risk Margin (£'000)	Total Technical Provisions (£'000)
Assistance	771	630	141	14	155
Credit and suretyship	19,632	11,125	8,507	839	9,346
Fire and other damage to property	20,216	7,398	12,818	1,264	14,082
Legal expenses	75,141	40,712	34,429	3,394	37,823
Medical expense	(445)	35	(480)	40	(440)
Miscellaneous financial loss	287,561	134,347	153,214	15,111	168,325
Other motor	595	659	(64)	14	(50)
Motor vehicle liability	15,183	7,264	7,919	781	8,700
General liability	655,348	438,267	217,081	21,280	238,361
Total	*1,074,002*	*640,437*	*433,565*	*42,737*	*476,302*

The reduction in net technical provisions of £204m (£272m in 2020; £476m in 2019) is primarily due to the Part VII Transfer of Italian medical malpractice business to AA and the Company's other European business to AIU on 31 July 2020.

The Company's UK GAAP Reserving Policy requires the actuarial function to calculate ultimate loss ratios with no margins for prudence or optimism. These loss ratios are calculated at the homogenous class of business level, which is consistent with the way the business is underwritten and managed. This provides an estimate of the expected future cash outflows from earned business and expected future cash inflows from any associated reinsurance as at the valuation date. An explicit additional margin is added based on the Reserving Committee's recommendations.

D.2.1 Underlying Uncertainties

The actuarial function has employed techniques and assumptions that it believes are appropriate for estimating the technical provisions. However, the results of these techniques are subject to uncertainty and it should be recognised that future claim emergence is likely to deviate, perhaps materially, from the estimates. The uncertainties in the estimates for the Company are increased due to:

- the ongoing uncertainties which have arisen from the rapid global spread of the COVID-19 pandemic;
- the small size of some (sub)lines of business;
- the lack of development history and hence reliance on benchmarks in some classes;
- an increased reserve uncertainty on long-tailed lines of business;
- uncertainty over the losses on remaining unearned exposures, particularly for the classes earning over extended periods such as the structural defects business or the warranty business;
- uncertainty over the number and magnitude of potential large losses on long-tailed business; and
- the existence of profit caps and profit shares for some programs which also adds to the uncertainty in aggregate estimates.

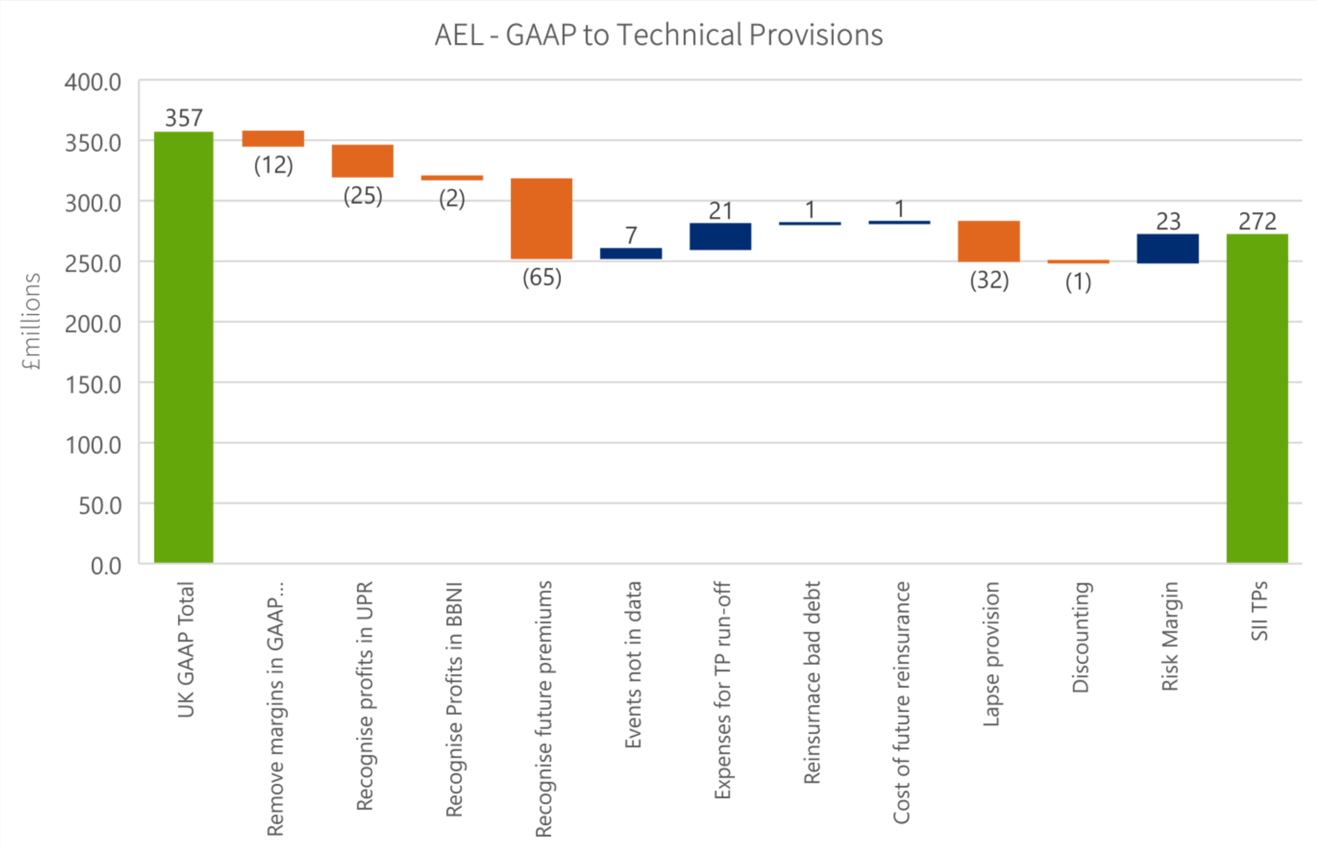
D.2.2 Solvency II Related Uncertainties

Additional uncertainties because of the Solvency II adjustments include:

- uncertainty over the number and magnitude of potential large losses (and catastrophes) on all business that is unexpired at the valuation date;
- uncertainty over the provision for Events Not in Data ('ENIDs') where, by their very nature, there is no data available;
- potential for deviation in the expected profits on un-incepted and unearned business;
- potential for deviation in payment patterns from expectations, resulting in an over or under-estimation of the level of discount;
- uncertainty over the volume of un-incepted business;
- uncertainty surrounding the future premium receivable; and
- estimation of the risk margin due to uncertainty in the run-off of the capital requirements.

D.2.3 Differences Between Solvency II Valuation and Financial Statements

Solvency II technical provisions are evaluated on a best estimate cash flow basis with items such as unearned premium reserves removed. To move the UK GAAP estimates to a Solvency II basis the following adjustments are made.



D.2.3.1 Removal of Margins in the UK GAAP Reserves

The Board holds an additional margin above the actuarial best estimate to allow for the uncertainty in the estimates.

D.2.3.2 Recognition of Profit in the Unearned Premium Reserve

The full amount of unearned premiums is removed from the technical provisions. The best estimate of the claims liabilities associated with the Unearned Premium Reserve ('UPR') are added back, and expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

D.2.3.3 Recognition of Profits in Business Written Prior to, but Incepting After, the Valuation Date

The premium Bound But Not Incepted ('BBNI') serves to reduce the technical provisions. The best estimate of the claims liabilities associated with these premiums are added to the technical provisions. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

D.2.3.4 Allowance for Future Premiums

Future premium cash flows are derived from the Company's financial systems for both gross cash inflows and reinsurance cash outflows.

D.2.3.5 Allowance for Events Not in Data

Under UK GAAP, technical provisions only make allowance for items that are implicitly included within the data or are "reasonably foreseeable". Under Solvency II, the best estimate must have reference to "all possible outcomes" including latent claims or very extreme high severity, low probability claims. Gross and ceded technical provisions are estimated separately.

D.2.3.6 Allowance for Expenses Required to Service the Run-Off of the Technical Provisions

All expenses expected to be incurred in running-off the technical provisions including a proportion of fixed overheads are allowed for. These have been estimated using the latest financial projections and an estimate of the expected time to run-off the technical provisions based on the estimated claims payment patterns.

D.2.3.7 Allowance for Reinsurance Bad Debt (Non-Recoverable Reinsurance)

An allowance for reinsurance bad debt is calculated by allowing for the probability of default using external credit ratings. The expected default under Solvency II takes into account the timing of the expected payment by reinsurer and allows for a change in rating over time.

D.2.3.8 Allowance for the Future Cost of Reinsurance in Respect of Written Business

Some future reinsurance purchases will benefit business written at the valuation date and the expected cost of this spend is included in the technical provisions.

D.2.3.9 Allowance for the Impact of Policies Lapsing

Some lines of business are subject to policies lapsing (or being cancelled) before the policy has expired or a claim has been made. An allowance for this reduction in future profits (or losses) is made based on historical data.

D.2.3.10 Allowance for Future Investment Income (Discounting)

This is determined by calculating the present value of the future cash flows using a defined yield curve. The yield curves (discount rates) for major currencies which are used to discount the cash flows are provided by EIOPA.

D.2.3.11 Allowance for a Risk Margin

This adjustment increases the overall value of the technical provisions from the discounted best estimate to an amount equivalent to the theoretical level needed to transfer the obligations to another insurance undertaking. It is calculated based on a discounted cost-of-capital approach where the initial capital required to support the technical provisions is assumed to run-off in proportion to the run-off of the technical provisions, and a standard cost of capital of 6% is used in accordance with Solvency II requirements.

D.2.4 Reinsurance

Effective 30 June 2019, the Company terminated its 20% whole account quota share reinsurance arrangement with AIIL, an affiliated reinsurance company domiciled in Bermuda. This reinsurance arrangement was replaced with a 50% whole account quota share with Swiss Re, an “AA-” Standard and Poor’s rated global third-party reinsurer, for all new business from 1 July 2019 with the exception of business related to the credit and suretyship Solvency II line of business, in particular mortgage and credit, which has its own third-party 50% quota share arrangements, and certain lines of business in which the Company is in process of exiting. The reinsurance arrangement in place with Swiss Re renewed during 2020.

Other lines such as surety (part of the credit and suretyship Solvency II line of business) are also covered by a significant external quota share (50%). The Solvency II technical provisions also make allowance for potential recoveries from non-proportional reinsurance with the most significant covering the general liability, in particular PI and liability, and fire and other damage to property classes.

D.2.5 Significant Changes in Assumptions

The most significant changes in the assumptions used to calculate the technical provisions are:

- General liability – increase in reserves on the Structural Defects class of business for fire and safety (cladding) issues identified in the year;
- Miscellaneous Financial Loss – reserve deterioration on the A&H class in travel lines due to late reporting of data on two programs; and
- The credit for discounting has reduced due to the reduction in the yield curves (as provided by EIOPA).

D.3 Other Liabilities

D.3.1 Provisions Other than Technical Provisions

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Liabilities	*£'000*	*£'000*	*£'000*	*£'000*
Provisions other than technical provisions	5,313			5,313

Included within provisions other than technical provisions are amounts due to agents for profit sharing and similar agreements. These provisions are based on management's best estimates of the amounts due under those contracts.

D.3.2 Loans, Payables and Other Liabilities

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Liabilities	*£'000*	*£'000*	*£'000*	*£'000*
Insurance and intermediaries payables	46,159	(35,436)		10,722
Reinsurance payables	95,515	(57,475)	(17,036)	21,004
Payables (trade, not insurance)	0			0
Any other liabilities, not elsewhere shown	66,711	7,389		74,100

Payables to insurance and intermediaries, reinsurance and other trade, as well as the other liabilities, are valued at amortised cost, consistent with the approach under UK GAAP. This is not considered to be materially different from the Solvency II valuation principle since creditor balances are short term (payable within 6 months), with no discounting impact and convertible into a cash balance.

Management have concluded there is no material estimation uncertainty surrounding the loans, payables and other liabilities due to the nature of the liabilities, which are largely short-term and do not contain complex terms. The longer-term debts owed to credit institutions have fixed repayment terms and are not considered to carry material estimation uncertainty.

Payables which are not yet due, are reclassified and dealt with as part of the technical provisions, described above. These reclassification adjustments are shown within Insurance and intermediaries payables and reinsurance payables.

There are a number of other reclassifications made between the UK GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

The valuation adjustment to reinsurance payables is in respect of deferred reinsurance commissions, which are valued at nil for Solvency II purposes.

D.4 Alternative Methods for Valuation

D.4.1 Property, Plant and Equipment Held

Within the UK GAAP annual accounts, property held other than for own use is valued at fair market value while property held for own use is valued at fair market value less accumulated depreciation. The latest valuation was performed as at 31 December 2020.

Valuations are performed by an independent, professionally qualified valuer who has applied a traditional income capitalisation method, having regard to appropriate yields to the various income streams.

The above method is used as an approximation to derive Solvency II values.

D.4.2 Loans and Mortgages

Within the UK GAAP annual accounts, loans and mortgages are measured at amortised cost using the effective interest rate method. Under Solvency II loans and mortgages are measured at fair value using the income approach through the discounted cash flow method.

The Solvency II valuation has been performed with reference to contractual interest rates and discounted using the prevailing EIOPA risk-free interest rate term structures at the date of valuation, in line with Solvency II guidelines.

D.5 Any Other Information

Following the identification of the error in the calculation of future premium volume measures in health and non-life underwriting risk, the Company's immediate parent undertaking, AIL, made a capital contribution of £17m on 29th June 2021 to the Company.

Capital Management

Section E

E Capital Management

Following the publication of the Company's Solvency and Financial Condition Report on 14 April 2021 an error in the calculation of future premium volume measures in health and non-life underwriting risk was identified. While correcting for this error, the Company has also taken the opportunity to include previously unallocated net reinsurer receivable balances in its Type 1 Counterparty Default Risk calculation. These errors resulted in an understatement of the SCR by £13m and overstatement of own funds by £2m, which have been corrected in this revised Solvency and Financial Condition Report. The following table shows the effect of these two changes (including the related risk margin and deferred tax asset impacts) on SCR, Own Funds and Solvency Ratio as at 31 December 2020:

£'000	Original Submission	Correcting Premium Risk	Including unallocated Reinsurer balances
SCR	150,959	164,286	164,896
Own Funds	212,125	210,143	210,143
Solvency Ratio	141%	128%	127%

E.1 Own Funds

The Company's capital management objective is to maintain sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of all of its customers, investors, regulators and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development. The Company maintains a prudent buffer over the SCR.

The Company's capital position is kept under constant review and is reported quarterly to the Board and to the PRA as part of Solvency II reporting.

The Company manages its Own Funds with the objective of always being able to satisfy both the Minimum Capital Requirement ('MCR') and the SCR plus a buffer. The target ratio for available capital in excess of the Solvency II SCR is agreed and signed off by the Board. There have been no significant changes to the capital management objectives over the period of this report.

In 2016, the Company sought and was granted a voluntary variation of permission, which requires it to gain written consent from the PRA prior to paying a dividend and prior to entering into any transaction, arrangement or other agreement that is likely to take its SCR coverage below 120%. With this in mind, the Company prepares solvency projections for the following 3 years as part of its business planning process, which form part of the ORSA. The baseline forecasts and certain stress scenarios are updated quarterly and shared with the Risk and Compliance Committee. In addition, short-term solvency projections are calculated whenever a significant transaction is considered by the Company.

Solvency calculations are prepared following the end of each quarter and compared with available Own Funds; this is included in the risk function's report to the Risk and Compliance Committee.

The Company's capital resources are made up of Tier 1 and Tier 3 capital instruments. Tier 1 comprises fully paid ordinary share capital, fully paid share premium plus the reconciliation reserve (accumulated profits on a Solvency II valuation basis). Deferred tax assets are considered Tier 3 Own Funds and are therefore removed from the reconciliation reserve. Tier 3 Own Funds can contribute up to 15% of the amount of the SCR and when combined with eligible amounts of Tier 2 items shall not exceed 50% of the amount of the SCR. The deferred tax asset in the Company's balance sheet is well below these thresholds and therefore, is fully used within the SCR coverage, but is excluded from Own Funds eligible to cover the MCR.

While the structure of Own Funds has remained consistent during the year, with no share issues being undertaken, the significant reduction of £129m (£210m in 2020; £339m in 2019) is attributed to the effect of the Part VII Transfer of business to AA and AIU on 31 July 2020. As part of this transaction, the Company paid dividends totalling £122m during the year. In addition, the Company received a dividend of £54m from its wholly owned subsidiary AMIL after the completion of a Part VII Transfer of AMILs insurance business to AIU on 31 October 2020.

The Company's Revised Solvency II capital at the end of the year and the prior year is shown in the table below.

£'000	2020	2019
Ordinary share capital	75,044	75,044
Share premium	11,642	11,642
Reconciliation reserve	118,810	242,068
An amount equal to the value of net deferred tax assets	4,647	10,450
Own Funds	210,143	339,204

The Company's amount of Own Funds eligible to cover its SCR as of 31 December 2020 and 2019 are listed in the tables below.

Solvency Overview, as of 31 December 2020					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 164,896	1	205,495	100%	205,495	
	2	0	0	0	
	3	4,647	100%	4,647	
	Total	210,143		210,143	127%

Solvency Overview, as of 31 December 2019					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 249,376	1	328,754	100%	328,754	
	2	0	0	0	
	3	10,450	100%	10,450	
	Total	339,204		339,204	136%

The Company's amount of Own Funds eligible to cover its MCR as of 31 December 2020 and 2019 are listed in the tables below.

Solvency Overview, as of 31 December 2020					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR 49,476	1	205,495	100%	205,495	
	2	0	0	0	
	3	4,647	0%	0	
	Total	210,143		205,495	415%

Solvency Overview, as of 31 December 2019					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR 90,665	1	328,754	100%	328,754	
	2	0	0	0	
	3	10,450	0%	0	
	Total	339,204		328,754	363%

There are certain differences between the value of Own Funds under Solvency II and the value of Shareholder's Funds shown in the Company's UK GAAP Financial Statements. These arise due to the difference in valuation of assets and liabilities described in section D of this report. A reconciliation is shown in the table below.

	2020	2019
	£'000	*£'000*
Equity per financial statements	200,388	352,045
Differences in valuation of technical provision related items	11,577	(10,870)
Solvency II valuation adjustments to assets and liabilities	(1,822)	(971)
Solvency II own funds	210,143	339,204

None of the Company's Own Funds are subject to transitional arrangements. The Company does not have any Ancillary Own Funds or ring-fenced funds and no deductions are made from Own Funds, nor is there any restriction affecting the availability and transferability of Own Funds within the Company.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company uses an off-the-shelf system, Solvency Tool, to calculate its SCR using the Standard Formula. The Company does not use any USPs. The final amount of SCR is subject to supervisory assessment.

Capital Requirements	2020	2019
	£'000	*£'000*
SCR	164,896	249,376
MCR	49,476	90,665

E.2.1 Revised Solvency Capital Requirement

SCR by Risk Module	2020	2019	Variance	
	£'000	*£'000*	*£'000*	*%*
Health NSLT underwriting risk	974	1,506	(532)	(35%)
Non-Life underwriting risk	130,264	180,205	(49,941)	(28%)
Market risk	30,106	67,260	(37,154)	(55%)
Counterparty default risk	15,300	17,438	(2,138)	(12%)
Undiversified Basic SCR	**176,644**	**266,409**	**(89,765)**	**(34%)**
Diversification credit	(27,258)	(49,253)	21,995	45%
Basic SCR	**149,386**	**217,156**	**(67,770)**	**(31%)**
Operational risk	15,510	32,220	(16,710)	(52%)
Standard Formula SCR	**164,896**	**249,376**	**(84,480)**	**(34%)**

E.2.2 Revised Solvency Capital RequirementE.2.2. Revised Minimum Capital Requirement

The Company calculates its linear MCR using the prescribed formula. This is then compared with the Absolute floor of the MCR, the MCR cap and the MCR floor. Both the cap and floor are determined using the Standard Formula SCR.

Overall MCR calculation	2020	2019
	£'000	*£'000*
Linear MCR	49,476	90,665
SCR	164,896	249,376
MCR cap	74,203	109,614
MCR floor	41,224	60,897
Combined MCR	49,476	90,665
Absolute floor of the MCR	3,338	3,181
Minimum Capital requirement	49,476	90,665

The inputs for the linear MCR are shown in the table below; prescribed factors are applied to these figures to calculate the linear MCR.

MCR inputs (£'000)	Net (of reinsurance) best estimate technical provision		Net (of reinsurance) written premiums in the last 12 months	
	2020	*2019*	*2020*	*2019*
Medical expenses	1,270	0	1,926	5,015
Motor vehicle liability	0	7,919	0	91
Other motor	0	0	0	0
Fire and other damage to property	7,233	12,818	18,818	19,786
General liability	136,808	217,081	66,847	72,846
Credit and suretyship	7,903	8,507	4,328	11,679
Legal expenses	39,933	34,429	56,033	70,481
Assistance	(328)	141	369	4,119
Miscellaneous financial loss	56,046	153,214	31,413	122,245

E.2.3 Material Change in SCR and MCR

Solvency coverage has decreased to 127% at 31 December 2020 from 136% at 31 December 2019. This movement is principally due to the following factors in the year:

- The Part VII Transfer of Italian medical malpractice business to AA and the Company's other European business to AIU on 31 July 2020 materially reduced the Company's investment assets and technical reserves within own funds, which resulted in a significant reduction in non-life underwriting risk, market currency and spread risk and health NSLT underwriting risk;
- The Company paid dividends to AA and AIU following the Part VII Transfer of business to these entities in order that capital was redistributed around the international group to support the transferring liabilities. This reduced the Company's own funds;
- The valuation of the Company's investment in subsidiaries, AELL and AMIL, reduced significantly during the year due to actions taken prior to AELL's dissolution on 5 January 2021 and AMIL's Part VII Transfer of its insurance business to AIU on 31 October 2020. This significantly reduced the Company's market equity risk;
- The level of outstanding and overdue debt increased in the year, which resulted in an increase in default type 2 charge in counterparty default risk, however this was outweighed by the reduction in default type 1 charge as a result of the Part VII transfer of business;
- Reserve strengthening across a number of lines of business during 2020 has adversely impacted on Own Funds, as well as increased the reserve risk charge in the non-life underwriting risk calculation;
- The partial repayment of AIIL loans assets and reduction in carrying value of the AELL investment in subsidiary reduced market concentration risk; and
- The proportion of Government bond holdings of the total investment portfolio increased during the year, which led to a fall in both market spread and concentration risk.

E.3 Use of Duration-Based Equity Risk Sub-Module in the Calculation of Solvency Capital Requirement

The Company does not use the duration-based equity risk sub-module in the calculation of its SCR.

E.4 Difference Between the Standard Formula and the Internal Model Used

The Company does not use an Internal Model to calculate its SCR.

E.5 Non-Compliance with the Minimum and Solvency Capital Requirements

The Company has been in compliance with the MCR and SCR throughout the reporting period.

E.6 Any Other Information

Following the identification of the error in the calculation of future premium volume measures in health and non-life underwriting risk and inclusion of previously unallocated net reinsurer receivable balances in its Type 1 Counterparty Default Risk calculation, the Company's immediate parent undertaking, AIL, made a capital contribution of £17m on 29th June 2021 to the Company. This transaction took place to ensure that the Company's solvency ratio from Q2 2021 onwards was in line with its risk appetite. The Company's solvency ratio on 30th September 2021 was 136%.

Annex

Quantitative Reporting Templates

Annex 1
S.02.01.02
Balance Sheet

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	4,647
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	2,031
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	373,865
Property (other than for own use)	R0080	4,911
Holdings in related undertakings, including participations	R0090	3,314
Equities	R0100	3,446
Equities — listed	R0110	0
Equities — unlisted	R0120	3,446
Bonds	R0130	362,194
Government Bonds	R0140	188,684
Corporate Bonds	R0150	172,706
Structured notes	R0160	0
Collateralised securities	R0170	805
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	78,667
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	78,667
Reinsurance recoverables from:	R0270	268,130
Non-life and health similar to non-life	R0280	268,130
Non-life excluding health	R0290	267,536
Health similar to non-life	R0300	593
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	0
Reinsurance receivables	R0370	32,891
Receivables (trade, not insurance)	R0380	68,282
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	32,734
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	861,248

Annex 1
S.02.01.02
Balance Sheet

Liabilities		Solvency II value
		C0010
Technical provisions — non-life	R0510	539,965
Technical provisions — non-life (excluding health)	R0520	537,984
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	515,131
Risk margin	R0550	22,854
Technical provisions — health (similar to non-life)	R0560	1,981
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	1,863
Risk margin	R0590	117
Technical provisions — life (excluding index-linked and unit-linked)	R0600	0
Technical provisions — health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions — index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	5,313
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	10,722
Reinsurance payables	R0830	21,004
Payables (trade, not insurance)	R0840	0
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	74,101
Total liabilities	R0900	651,105
Excess of Assets over Liabilities	R1000	210,143

Annex 1

S.05.01.02 (unaudited)

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110	4,651	0	0	1,662	(0)	0	29,215	130,000	7,262
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	125	11,168
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	(182)	0	0	1,502	(0)	0	10,296	47,302	10,931
Net	R0200	4,833	0	0	160	(0)	0	18,920	82,823	7,499
Premiums earned										
Gross - Direct Business	R0210	4,887	0	0	1,261	117	0	25,974	110,518	5,384
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	92	13,654
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	(213)	0	0	1,115	74	0	8,489	41,571	11,635
Net	R0300	5,101	0	0	145	43	0	17,485	69,039	7,402
Claims incurred										
Gross - Direct Business	R0310	2,046	0	0	2,624	62	0	7,630	113,381	1,955
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	8	747	3,073
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	1,062	0	0	1,708	44	0	4,284	67,785	3,102
Net	R0400	983	0	0	916	19	0	3,355	46,343	1,926
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550	1,740	0	0	545	(19)	0	9,837	42,439	1,679
Other expenses	R1200									
Total expenses	R1300									

Annex 1
S.05.01.02 (unaudited)
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110	94,173	(175)	47,710					314,497
Gross - Proportional reinsurance accepted	R0120	7,985	0	12,324					31,602
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140	52,586	317	26,985					149,736
Net	R0200	49,572	(492)	33,048					196,363
Premiums earned									
Gross - Direct Business	R0210	79,960	1,058	70,218					299,377
Gross - Proportional reinsurance accepted	R0220	7,890	0	26,491					48,127
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	37,769	560	37,649					138,649
Net	R0300	50,082	498	59,060					208,856
Claims incurred									
Gross - Direct Business	R0310	63,781	(4)	37,284					228,759
Gross - Proportional reinsurance accepted	R0320	10,145	(1)	37,043					51,015
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340	34,328	234	29,021					141,568
Net	R0400	39,598	(239)	45,305					138,206
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550	33,371	(173)	10,946					100,365
Other expenses	R1200								0
Total expenses	R1300								100,365

Annex 1
S.05.02.01 (unaudited)
Premiums, claims and expenses by country

Non-life obligations for home country		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		IT (by amount of gross premiums written)	MY (by amount of gross premiums written)	NO (by amount of gross premiums written)	PE (by amount of gross premiums written)	SE (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
		C0080	C0090	C0100	C110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	224,628	24,549	23,047	1,184	11,976	0	285,385
Gross - Proportional reinsurance accepted	R0120	17,707	0	8	12,376	0	7,226	37,317
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	102,900	9,492	11,793	7,145	4,595	4,165	140,089
Net	R0200	139,435	15,057	11,263	6,415	7,381	3,062	182,612
Premiums earned								
Gross - Direct Business	R0210	226,470	14,281	15,005	1,211	7,063	0	264,030
Gross - Proportional reinsurance accepted	R0220	20,176	0	22	12,654	0	14,306	47,158
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	97,991	4,356	7,256	7,661	2,135	4,910	124,308
Net	R0300	148,655	9,925	7,771	6,205	4,928	9,397	186,880
Claims incurred								
Gross - Direct Business	R0310	201,285	4,992	13,645	310	2,707	0	222,938
Gross - Proportional reinsurance accepted	R0320	9,904	0	2	3,240	0	19,940	33,086
Gross - Non-proportional reinsurance accepted	R0330		0	0	0	0	0	0
Reinsurers' share	R0340	110,718	1,616	5,814	1,963	925	6,397	127,433
Net	R0400	100,471	3,377	7,832	1,588	1,781	13,543	128,591
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	62,438	8,936	1,501	4,455	4,304	(727)	80,906
Other expenses	R1200							0
Total expenses	R1300							80,906

AmTrust Europe
An AmTrust Financial Company

Annex 1
S.17.01.02
Non-Life technical provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross — Total	R0060	58	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	46	0	0	0	0	0
Net Best Estimate of Premium Provisions	R0150	12	0	0	0	0	0
Claims provisions							
Gross — Total	R0160	1,806	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	548	0	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	1,258	0	0	0	0	0
Total Best estimate — gross	R0260	1,863	0	0	0	0	0
Total Best estimate — net	R0270	1,270	0	0	0	0	0
Risk margin	R0280	117	0	0	0	0	0
Amount of the transitional on Technical Provisions							
TP as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical Provisions							
Technical provisions - total	R0320	1,981	0	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	593	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	1,387	0	0	0	0	0

Annex 1
S.17.01.02
Non-Life technical provisions

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross — Total	R0060	2,293	93,166	228	29,020	179	46,575
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1,163	39,986	149	25,359	90	17,519
Net Best Estimate of Premium Provisions	R0150	1,130	53,181	79	3,661	90	29,056
Claims provisions							
Gross — Total	R0160	12,192	196,315	15,004	77,003	(1,176)	44,332
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	6,089	112,686	7,181	40,731	(758)	17,342
Net Best Estimate of Claims Provisions	R0250	6,103	83,629	7,823	36,272	(418)	26,989
Total Best estimate — gross	R0260	14,485	289,481	15,232	106,023	(997)	90,907
Total Best estimate — net	R0270	7,233	136,809	7,902	39,933	(328)	56,045
Risk margin	R0280	668	12,598	729	3,686	0	5,173
Amount of the transitional on Technical Provisions							
TP as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical Provisions							
Technical provisions - total	R0320	15,153	302,079	15,961	109,709	(997)	96,080
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	7,252	152,672	7,329	66,090	(669)	34,861
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	7,900	149,407	8,632	43,619	(328)	61,218

Annex 1
S.17.01.02
Non-Life technical provisions

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Premium provisions						
Gross — Total	R0060	0	0	0	0	171,519
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	84,311
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	87,208
Claims provisions						
Gross — Total	R0160	0	0	0	0	345,475
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	183,818
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	161,657
Total Best estimate — gross	R0260	0	0	0	0	516,994
Total Best estimate — net	R0270	0	0	0	0	248,865
Risk margin	R0280	0	0	0	0	22,971
Amount of the transitional on Technical Provisions						
TP as a whole	R0290	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0
Technical Provisions						
Technical provisions - total	R0320	0	0	0	0	539,965
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	0	0	0	0	268,130
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	0	0	0	0	271,836

Annex 1

S.19.01.21 (unaudited)

Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	2 - Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +			In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											27,948		R0100	27,948	180,704
N-9	R0160	4,310	18,338	12,108	15,466	12,368	6,936	3,885	2,719	2,492	1,625			R0160	1,625	80,248
N-8	R0170	6,969	17,443	14,323	12,089	10,018	5,507	4,257	5,529	986				R0170	986	77,119
N-7	R0180	5,557	25,385	24,146	18,356	11,101	7,704	5,968	4,462					R0180	4,462	102,679
N-6	R0190	13,223	34,776	17,313	11,785	11,882	7,632	6,381						R0190	6,381	102,991
N-5	R0200	10,875	30,838	17,678	16,267	8,938	8,219							R0200	8,219	92,815
N-4	R0210	9,422	29,203	30,354	17,244	12,841								R0210	12,841	99,065
N-3	R0220	12,963	42,241	25,137	13,582									R0220	13,582	93,924
N-2	R0230	15,629	46,468	39,828										R0230	39,828	101,926
N-1	R0240	11,049	54,939											R0240	54,939	65,988
N	R0250	11,661												R0250	11,661	11,661
													Total	R0260	182,472	1,009,120

Annex 1
S.19.01.21 (unaudited)
Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	2 - Underwriting Year

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +			Year end discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											4,019		R0100	4,021
N-9	R0160	0	0	0	0	0	0	0	0	0	19,873			R0160	19,554
N-8	R0170	0	0	0	0	0	0	0	0	7,613				R0170	7,512
N-7	R0180	0	0	0	0	0	0	0	11,312					R0180	11,176
N-6	R0190	0	0	0	0	0	0	14,913						R0190	14,752
N-5	R0200	0	0	0	0	0	33,684							R0200	33,401
N-4	R0210	0	0	0	0	44,281								R0210	43,978
N-3	R0220	0	0	0	34,639									R0220	34,517
N-2	R0230	0	0	64,905										R0230	64,740
N-1	R0240	0	95,788											R0240	95,614
N	R0250	64,281												R0250	64,177
													Total	R0260	393,441

Annex 1
S.23.01.01
Own funds

		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	75,044	75,044		0	
Share premium account related to ordinary share capital	R0030	11,642	11,642		0	
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	118,810	118,810			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	4,647				4,647
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230		0	0	0	
Total basic own funds after deductions	R0290	210,143	205,495	0	0	4,647
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	
Other ancillary own funds	R0390	0			0	0

AmTrust Europe
An AmTrust Financial Company

Annex 1
S.23.01.01
Own funds

		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	210,143	205,495	0	0	4,647
Total available own funds to meet the MCR	R0510	205,495	205,495	0	0	
Total eligible own funds to meet the SCR	R0540	210,143	205,495	0	0	4,647
Total eligible own funds to meet the MCR	R0550	205,495	205,495	0	0	
SCR	R0580	164,896				
MCR	R0600	49,476				
Ratio of Eligible own funds to SCR	R0620	127%				
Ratio of Eligible own funds to MCR	R0640	415%				

		Total	
		C0060	
Reconciliation reserve			
Excess of Assets over Liabilities	R0700	210,143	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	91,333	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	118,810	
Expected Profits			
Expected profits included in future premiums (EPIFP) — Life business	R0770	0	
Expected profits included in future premiums (EPIFP) — Non- life business	R0780	25,269	
Total Expected profits included in future premiums (EPIFP)	R0790	25,269	

AmTrust Europe
An AmTrust Financial Company

Annex 1
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	30,106		0
Counterparty default risk	R0020	15,300		
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	974	0	0
Non-life underwriting risk	R0050	130,264	0	0
Diversification	R0060	(27,258)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	149,386		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	15,510
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	164,896
Capital add-ons already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	R0220	164,896
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex 1
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	49,476

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1,270	1,926
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	7,233	18,818
General liability insurance and proportional reinsurance	R0090	136,808	66,847
Credit and suretyship insurance and proportional reinsurance	R0100	7,903	4,328
Legal expenses insurance and proportional reinsurance	R0110	39,933	56,033
Assistance and proportional reinsurance	R0120	(328)	369
Miscellaneous financial loss insurance and proportional reinsurance	R0130	56,046	31,413
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	49,476
SCR	R0310	164,896
MCR cap	R0320	74,203
MCR floor	R0330	41,224
Combined MCR	R0340	49,476
Absolute floor of the MCR	R0350	3,338
		C0070
Minimum Capital Requirement	R0400	49,476

AmTrust Europe Limited
Market Square House,
St James's Street,
Nottingham,
NG1 6FG

AmTrust Europe
An AmTrust Financial Company