AmTrust Europe Limited

Solvency and Financial Condition Report

For the year ended 31 December 2021

AmTrust Europe

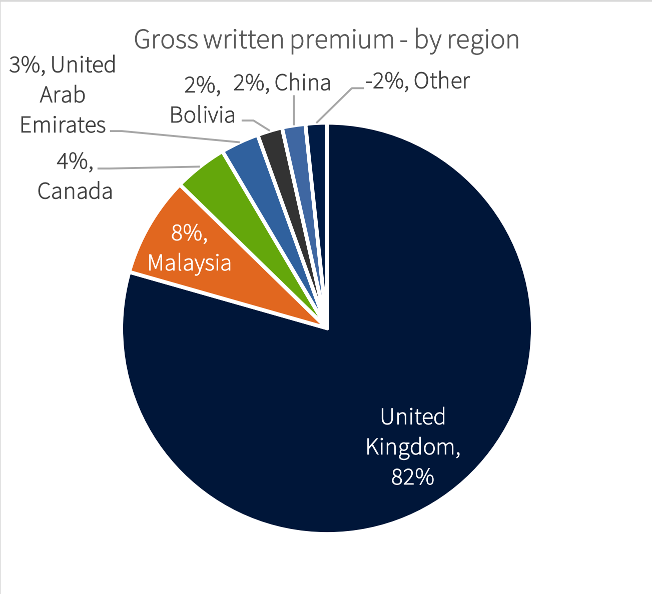
An AmTrust Financial Company

Summary

Overview of the Company and Context of this 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, 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
    - 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 since 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 through a period of consolidation over the last 12 months, after a period of significant change in 2020. We have focused on further enhancing and embedding our governance, processes and control environment. We have successfully weathered the storm of Covid, maintaining good oversight of our underwriting portfolio both from a profitability and a conduct perspective.

The strategy intends to offer continuity and stability on the same focus and priorities AEL has had over the last two to three years. The Company is not proposing any sharp deviation from the strategies of prior years – the focus will remain on the same core lines of business without significant deviations into new product areas.

The Company has been developing and implementing plans to: 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 2021:

- Reduced underwriting volumes by focusing on fewer lines of business and geographies – During the last two years the company has continued to focus its business on the long-term profitable lines of business. Through the execution of its "Fix/Exit/Brexit" strategy, the Company has transferred 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 2021 of £22m or 6% to £324m (2020: £346m). The reduction is significantly lower than in prior year as we had taken actions to exit certain prior lines in 2020 and 2021 saw a consolidation of focus and a steady growth in core business lines.
- Further progressed the strategy to dispose of subsidiary undertakings to minimise volatility in capital – During 2021, the Company continued to execute its plan of disposing of its subsidiary undertakings. Its subsidiary, AMT Mortgage Insurance Limited ('AMIL') was deauthorised by the FCA and the PRA and submitted an application to be struck-off and dissolved on 1st November 2021. The company was struck-off in March 2022.

- 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 the compliance team to focus on 2nd Line of Defence oversight and monitoring.

Business Performance

2021	Total
	£'000
Gross premiums written	324,207
Reinsurers' share	125,929
Net premiums written	198,278
Gross premiums earned	316,987
Reinsurers' share	127,386
Net premiums earned	189,601
Gross claims incurred	205,742
Reinsurers' share	104,525
Net claims incurred	101,217
Net operating expenses	88,426
Net technical result	(42)

The Company's net technical result in 2021 was a small loss of £42k, primarily driven by reserve strengthening on certain exited lines of business.

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, 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.

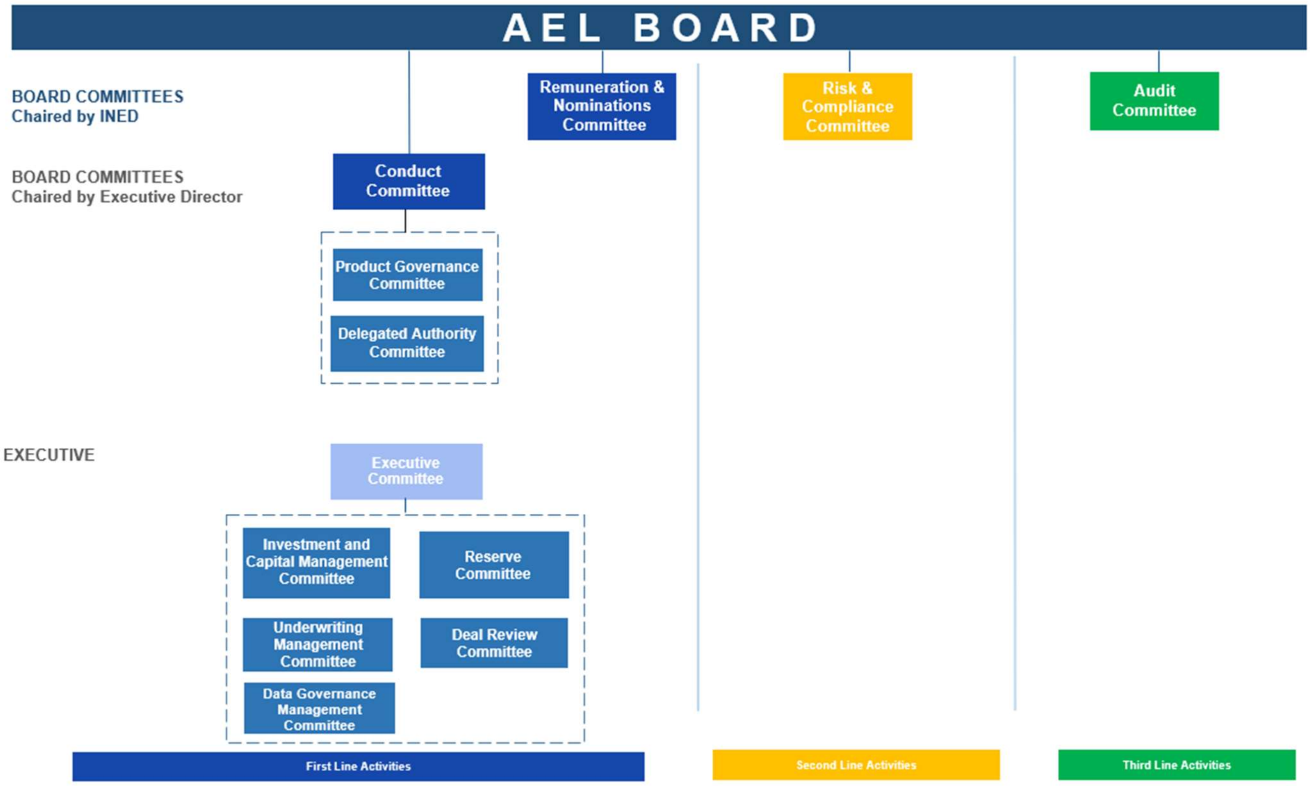
This report is Prudential Regulation Authority (PRA) requirement, which is designed to give the Company's external stakeholders, including policyholders, an insight into the solvency and financial condition of the Company. It is prepared on a solo entity basis and it covers the year ended 31 December 2021.

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 Committee on behalf of the Board.

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 77% of the Company's total GWP in 2021.

The Company manages its exposure to underwriting risk through various Management Committees (Deal Review, Underwriting and Reserve), the Risk and Compliance Committee 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 Committee 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, AmTrust International Insurance Limited (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 Committee, Risk and Compliance Committee 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 2021, the Company's net assets were valued at £216.1m under Solvency II, compared with £216.1m under UK GAAP.

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.

Capital Requirements	2021	Coverage	2020	Coverage
As at 31 December	*£'000*	*%*	*£'000*	*%*
Own funds	216,122		210,143	
SCR	149,417	145%	164,896	127%
MCR	54,806	389%	49,476	415%

The Company's SCR split by risk module as of 31 December 2021 and 2020 are shown in the table below.

SCR by Risk Module	2021	2020	Variance	
As at 31 December	*£'000*	*£'000*	£'000	%
Health NSLT underwriting risk	767	974	(207)	(21%)
Non-Life underwriting risk	119,256	130,264	(11,008)	(8%)
Market risk	18,780	30,106	(11,326)	(38%)
Counterparty default risk	14,423	15,300	(877)	(6%)
Undiversified Basic SCR	153,226	176,644	(23,418)	(13%)
Diversification credit	(19,917)	(27,258)	7,341	(27%)
Basic SCR	133,309	149,386	(16,077)	(11%)
Operational risk	16,108	15,510	598	4%
Standard Formula SCR	149,417	164,896	(15,479)	(9%)

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

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

The Directors acknowledge their responsibility for preparing the Solvency and Financial Condition Report 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)

8 April 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 Solvency and Financial Condition Report[1]

Opinion

Except as stated below, we have audited the following documents prepared by AmTrust Europe Limited ('the Company') as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of AmTrust Europe Limited as at 31 December 2021, ('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 Solvency and Financial Condition Report'.

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 Solvency and Financial Condition Report;

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

- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report [where disclosed];

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

To the extent the information subject to audit in the Relevant Elements of the 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 Solvency and Financial Condition Report of AmTrust Europe Limited as at 31 December 2021 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 the [Company] in accordance with the ethical requirements that are relevant to our audit of the 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 Solvency and Financial Condition Report, which describe the basis of accounting. The 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 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 Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors have prepared the 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 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 risk that was considered most likely to adversely affect the Company's available financial resources over this period was the valuation of technical provisions given the estimation and judgement involved in setting these reserves.

We considered whether this risk 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 this 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 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.

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 Solvency and Financial Condition Report is a balance sheet driven report.

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 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 Solvency and Financial Condition Report varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the 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 Solvency and Financial Condition Report.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity legislation, GDPR legislation, anti-bribery, corruption and fraud, employment law, money laundering and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities 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 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 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 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 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 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 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 Solvency and Financial Condition Report

The Directors are responsible for the preparation of the 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 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 Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the 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 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 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.

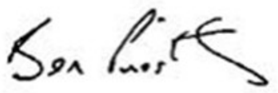
Report on Other Legal and Regulatory Requirements

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 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

8 April 2022

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

Solo standard formula

The Relevant Elements of the 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,
20 Moorgate,London,
EC2R 6DA
Tel 020 7601 4444

PRA.FirmEnquiries@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, and Car Care Plan Holdings, including Motors Insurance Company Limited. 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 Chief Executive Officer ('CEO') of the AmTrust Group, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family').

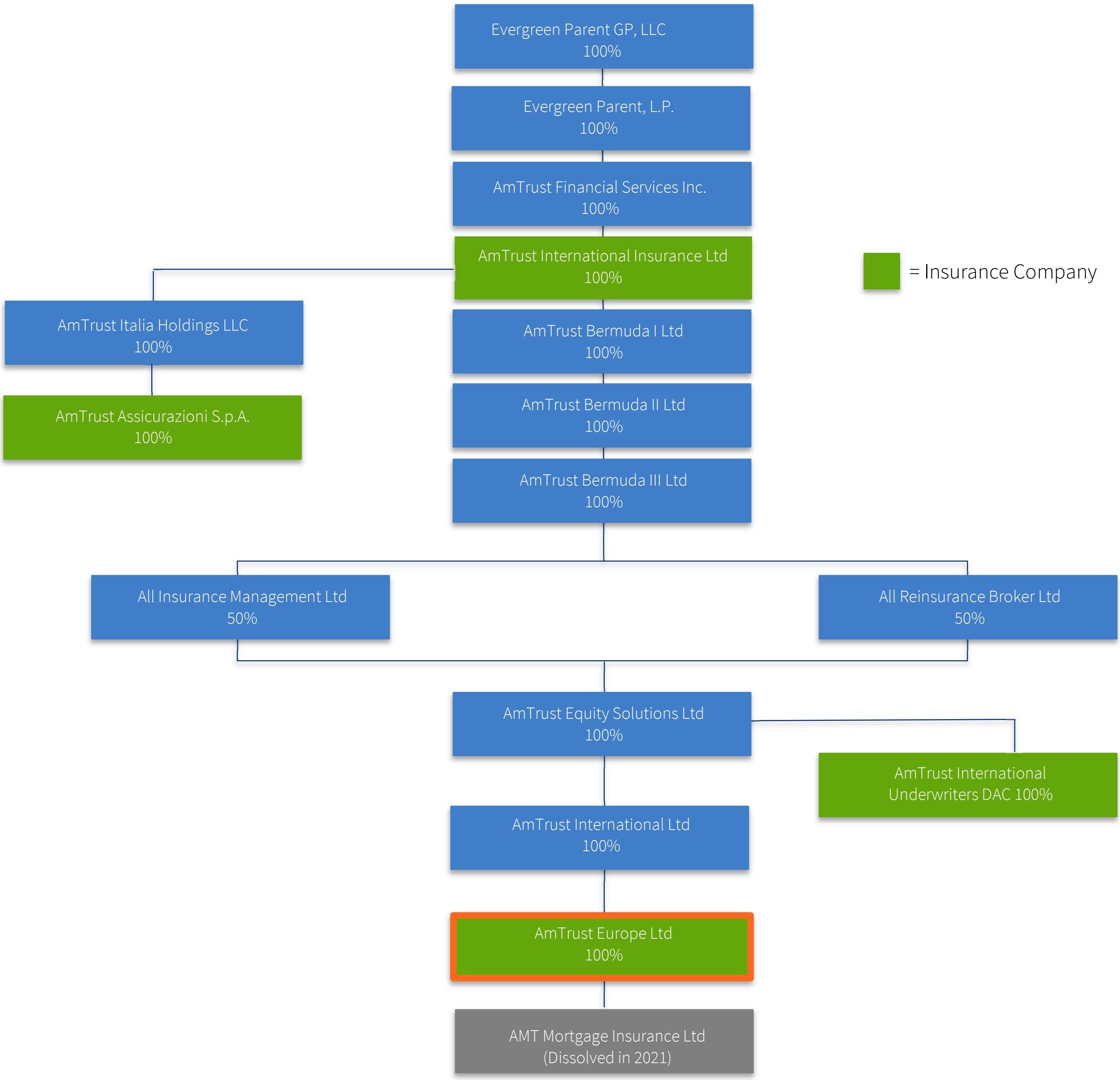
Evergreen's registered address is as follows:

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.

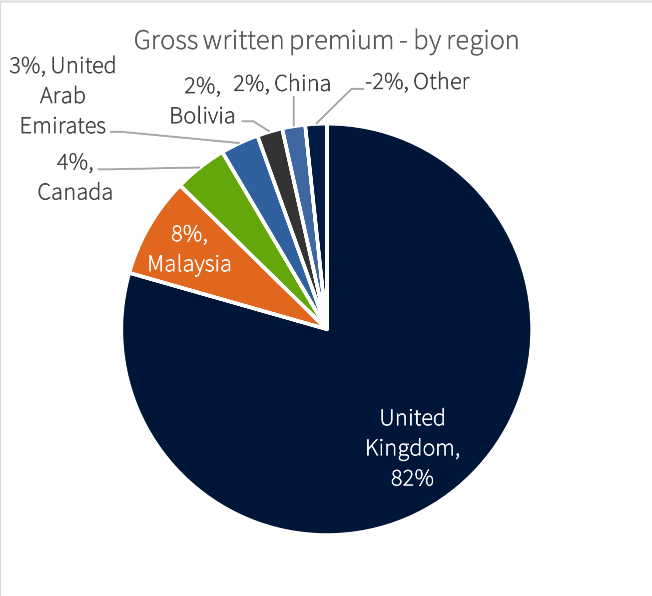
A.1.5 Position Within the Legal Structure of the AmTrust Group

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, 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 for different products and is primarily focused in the UK, Canada and Australian market.

This business continued to be a specific area of growth for the 2021 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 target UK SMEs. The Company targets 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 year 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. In 2021, the Company distributed A&H products through coverholder-MGAs directly and via wholesale brokers. The Company also wrote quota share treaty and excess of loss facultative reinsurance.

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 AmTrust International Underwriters DAC (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.

In the 4th quarter of 2021, the Company decided to exit from the A&H line. The Company is intensely focused on ensuring an orderly transition of accounts off AEL paper with customer outcomes to front of mind. We will work closely with our clients and our Conduct team to ensure that we achieve beneficial outcomes for our partners and their customers.

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 two 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 have been 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 no longer underwrites medical malpractice. The Company completed a Part VII FSMA 2000 transfer of its remaining medical malpractice business to AmTrust Assicurazioni S.p.A (AA) in July 2020 and has no further exposure to this class of business. 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.

A.1.6.8. Surety

The Company participates 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 uses 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.

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 – During the last two years the company has continued to focus its business on the long-term profitable lines of business. 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 2021 of £22m or 6% to £324m (2020: £346m). The reduction is significantly lower than in prior year as we had taken actions to exit certain prior lines in 2020 and 2021 saw a consolidation of focus and a steady growth in core business lines.

  Further progressed its strategy to dispose of its subsidiary undertakings to minimise volatility in capital – During 2021, the Company continued to execute its plan of disposing of its subsidiary undertakings. Its subsidiary, AMT Mortgage Insurance Limited ('AMIL') was deauthorised by the FCA and the PRA and submitted an application to be struck-off and dissolved on 1st November 2021. All assets and liabilities were transferred the Company during 2021. The pension liability was then sold to a third party in Q4 2021. The company was dissolved during 2021 and struck off in March 2022.
- Received dividends from subsidiary undertakings – During the year, the Company received dividends of €4m from AMIL as part of the steps taken to dissolve AMIL.
- 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 a 36-month period. As part of its 2022 Business Plan presented to the Board in December 2021, the Directors performed several sensitivity tests on a capital forecast. Also, in the Company's Own Risk and Solvency Assessment ('ORSA'), the Directors consider further risk scenarios that could impact the entity's solvency. The assessment of the potential causes for all the stress scenarios events are not anticipated to result in loss of such magnitude as to reduce Solvency Ratio to below 100% on a medium to long term basis and management have developed a robust Recovery Plan that identified the capital levers that could be utilised during times of stress. The scenarios considered covered a broad range of risks and are detailed in the ORSA report for the Company.

The stress scenarios are designed to simulate major and catastrophic shocks to the assets and liabilities included in the capital calculations and the outcome is considered before the impact of any management actions to mitigate these effects. The Directors will continue to monitor the Solvency Ratio, as part of its Risk Appetite Statement assessments on a quarterly basis at the Risk & Compliance Committee.

The shareholder is committed to support the company in the event of additional capital being required and the company has a Net Worth Maintenance agreement in place with the shareholder, covering the period up to 31 of December 2022.

A.2 Underwriting Performance

A.2.1 Material Lines of Business

2021	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	118,002	81,167	79,459	32,255	13,324	324,207
Reinsurers' share	38,375	31,235	39,178	11,151	5,990	125,929
Net premiums written	79,627	49,932	40,281	21,104	7,334	198,278
Gross premiums earned	119,083	65,662	85,125	30,359	16,758	316,987
Reinsurers' share	43,463	24,506	41,254	10,776	7,387	127,386
Net premiums earned	75,620	41,156	43,871	19,583	9,371	189,601
Gross claims incurred	74,264	47,358	61,395	17,921	4,804	205,742
Reinsurers' share	39,255	20,152	34,412	8,434	2,272	104,525
Net claims incurred	35,009	27,206	26,983	9,487	2,532	101,217
Net operating expenses	43,767	16,254	13,422	12,235	2,748	88,426
Net technical result	(3,156)	(2,304)	3,466	(2,139)	4,091	(42)

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)

The Company made a small technical loss in 2021 (2020: loss of £29m) which is primarily driven by a strengthening of reserves for losses relating to Structural Defects, included in General Liability. Losses were reported in general liability (£3m in 2021), miscellaneous financial loss (£2m in 2021) and fire and other damage property (£2m in 2021). These losses were offset by profit in legal expenses (profit of £3m in 2021) and other classes (£4m in 2021).

Net premiums written in 2021 were up by £2m versus prior year. 2020 includes business for the first seven months of the year that was transferred as a result of the part VII transfer of business to AIU. Miscellaneous financial loss is £17m up on prior year (£50m in 2021; £33m in 2020), partially offset by legal expenses down £10m (£40m in 2021; £50m in 2020) and general liability down £3m (£80m in 2021; £83m in 2020). Net premiums earned is lower by £19m in 2021 (£190m in 2021; £209m in 2020) primarily due to the impacts on net written premiums described above.

Net claims incurred decreased by £37m versus prior year at £101m in 2021 (2020: £138m) primarily in general liability (£35m in 2021; £46m in 2020) driven by lower losses in the structural defects book, miscellaneous financial loss (£27m in 2021; £45m in 2020), and legal expenses (£27m in 2021; £40m in 2020).This is offset by an increase in fire and other damage to property (£9m in 2021; £3m in 2020). These movements were primarily due to a reduction in business volumes as a result of the Company's 'Fix/Exit/Brexit' plan partially and the higher reserve strengthening in 2020 in certain exited lines of business in 2020.

Net operating expenses decreased by £12m versus prior year at £88m in 2021 (2020: £100m) 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.

2021	United Kingdom	Malaysia	Canada	United Arab Emirates	Bolivia	China	Other countries	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	266,476	26,479	14,034	10,095	6,653	6,107	(5,637)	324,207
Reinsurers' share	102,792	9,733	4,765	3,386	4,331	2,571	(1,649)	125,929
Net premiums written	163,684	16,746	9,269	6,709	2,322	3,536	(3,988)	198,278
Gross premiums earned	265,158	3,909	12,940	9,691	6,410	2,634	16,245	316,987
Reinsurers' share	106,597	1,411	5,339	3,184	4,209	1,217	5,429	127,386
Net premiums earned	158,561	2,498	7,601	6,507	2,201	1,417	10,816	189,601
Gross claims incurred	179,019	817	670	6,214	0	2,122	16,900	205,742
Reinsurers' share	93,560	703	268	2,522	0	1,034	6,438	104,525
Net claims incurred	85,459	114	402	3,692	0	1,088	10,462	101,217
Net operating expenses	77,350	3,629	4,146	695	(501)	627	2,480	88,426
Net technical result	(4,248)	(1,245)	3,053	2,120	2,702	(298)	(2,126)	(42)

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)

The geographical split shows in net premiums written in the above tables reflect the changes in business mix but also the impact of the part VII transfer of European business to AIU. In total the year-on-year movement is an increase of £2m at £198m, which is explained by:

- The United Kingdom increased by £25m to £164m (2020: £139m), due to growth in core business lines including Legal Expenses and PI;
- Malaysia increased by £11m to £17m (2020: £6m), reflecting the increasing Warranty business underwritten in the country;

- Australia reduced by £15m to £0m (2020: £15m) due to lower legal expenses business written in the country;
- Italy reduced by £11m to £0m (2020: £11m) following the transfer of medical malpractice business to AA;
- Other Countries reduced by £18m to -£4m (2020: £14m) because of the movement of business renewals to AIU as part of the Company's Brexit plans; and
- Movements in other geographies (Bolivia, Canada, China, Peru, UAE) as a result of the changes in geographical mix for core business lines.

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.

2021	Bonds and equity	Property	Investment in subsidiaries	Other Investments	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Net income from investments	9,012	520	0	1,844	11,376
Unrealised gain/(loss) on investments	(7,792)	264	(3,804)	0	(11,332)
Realised loss on sale of investments	(4,297)	0	0	(128)	(4,425)
Dividend income from subsidiaries	0	0	3,748	0	3,748
Investment management and other expenses	(804)	0	0	(622)	(1,426)
Total	(3,881)	784	(56)	1,094	(2,059)

2020	Bonds and equity	Property	Investment in subsidiaries	Other Investments	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Net income 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

Net income from the bond and equity investments recorded a loss in the year primarily due to unrealised losses and realised losses on sale of investments (£2m loss in 2021 versus £17m income in 2020). This represents interest income, net of investment expenses, of £11m (2020: £16m), unrealised losses of £11m (2010: loss of £62m) and realised losses of £4m (2020: gain £8m). Dividend income reduced from £58m in 2020 to £4m in 2021. The losses on investments in the year were primarily as a result of the general market volatility and the valuation of fixed term bonds.

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

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

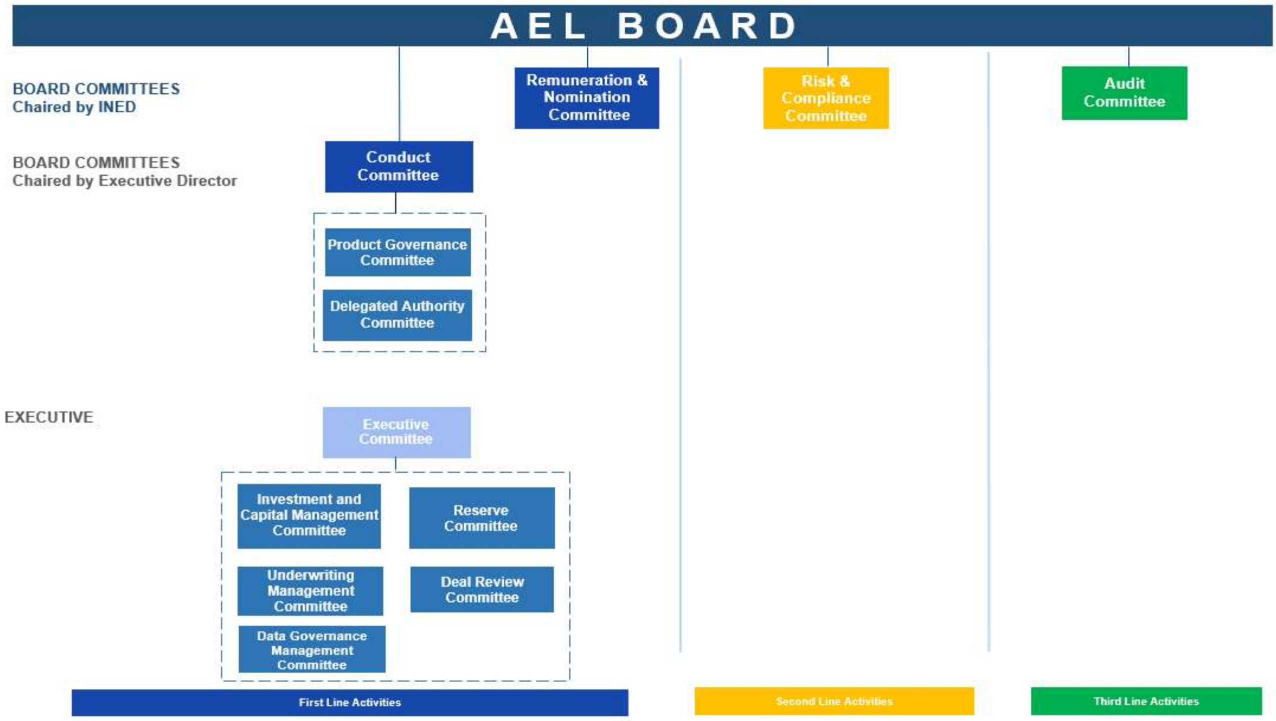
Section B

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 putting an appropriate risk management framework in place to ensure risks across the first line are identified, measured, managed, monitored and reported. 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, two other independent Non-Executive Directors ('INED'), two Non-Executive Directors ('NEDs') and two Executive Directors. 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 a comprehensive set of Statements of Responsibilities for each key executive and the Chairperson for the Board, Audit Committee, Remuneration and Nominations Committee and the Risk and Compliance Committee. 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 and other internal 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 seven 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	X (Interim Chair until May 2021)	X	
INED	Independent	X	X	X	Chair	
INED (from May 2021)	Independent	X	X	Chair	X	
Non-Executive Director	Group Role	X	X			
Non-Executive Director	Group Role	X	X (until Sept 2021)			
Chief Executive Officer	Executive	X	X (until Sept 2021)			Chair
Chief Financial Officer	Executive	X				

One INED was formally appointed to the Board in May 2021 following a resignation in May 2020. A NED and the CEO were removed from the membership of the Remuneration and Nominations Committee in September 2021 following a review of the committee's Terms of Reference.

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 key responsibilities of the committee span the following areas, the detail of which is set out within the Committee Terms of Reference:

- Remuneration
- Nominations
- Pension and Other Benefits Arrangements
- Performance Evaluation
- Succession Planning
- People and Culture
- Policy and Risk Metrics, and
- Legal and Regulatory matters relevant to the remit of the committee

The committee consists of four members, three INEDs (one of whom is the Chair of the committee) and an AmTrust International Group NED, the Head of AmTrust International.

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.

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 to:

- 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;
- Take 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

The committee consists of six members: the CEO, the Interim Chief Operating and Claims Officer ('COCO'), the Chief Risk Officer ('CRO'), Head of Compliance, Chief Underwriting Officer ('CUO') and General Counsel.

B.1.2.2 Conduct Sub-Committees

There are two sub-committees in place to support the Conduct Committee in discharging its duties. The committees are as follows:

- Delegated Authority Committee – chaired by the Operational Underwriting Manager
- Product Governance Committee – chaired by the Operational Underwriting Manager

B.1.2.2.1 *Delegated Authority 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 seven members:

- Operational Underwriting Manager
- Agency, Audit and Quality Assurance Manager
- Conduct Risk Manager
- Head of Claims Operations and Delegated Authority
- Head of Compliance Advice
- Customer Relations Manager
- Head of Operations

B.1.2.2.2 *Product Governance Committee*

The key purpose of the committee is to oversee the Company's product risk assessment and review customer outcomes across the customer journey, challenging whether evidence demonstrates delivery of fair outcomes. The Committee reviews the performance of AEL's products against its Conduct Risk Appetites and Customer Outcome Statements. It also reviews, approves or escalates new or existing products depending on their residual risk rating.

The committee consists of six members:

- Operational Underwriting Manager
- Conduct Risk Manager
- Agency, Audit and Quality Assurance Manager
- Head of Claims Operations and Delegated Authority
- Head of Compliance Advice
- Customer Relations 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 six members: the CEO, the Chief Financial Officer ('CFO'), the CRO, the CUO, the COCO 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
- Underwriting Management Committee – chaired by the CUO
- Investment and Capital Management Committee – chaired by the CFO
- Reserve Committee – chaired by the CFO
- Data Governance Management Committee – chaired by the COCO

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.

The committee consists of seven members: the CEO, CUO, CRO, General Counsel, CFO, COCO and the Underwriting Performance and Governance Manager.

B.1.2.3.3 *Underwriting Management Committee*

The key responsibilities of the committee are:

- To monitor underwriting performance and pricing adequacy of each line of business against the approved risk appetite and business plan; and report any exceptions to the Executive Committee;
- To monitor reinsurance programme adequacy and usage;
- To monitor adherence to the Company's underwriting policies, guidelines, authorities, processes and procedures; and report any exceptions to the Executive Committee and/or the Conduct Committee as appropriate;
- To monitor the insurance and reinsurance underwriting risk profile and exposures at risk and aggregate level; and steps to monitor such exposures;
- To monitor claims movements and large losses;
- To monitor bordereau receipt and processing
- To monitor credit risk associated with underwriting; including counterparty default risk and credit exposures and
- To monitor Independent Expert Review reports and recommended actions; and
- To escalate issues in accordance with the approved Business Plan Escalation Matrix.

The committee consists of four members: the CUO, Underwriting Performance and Governance Manager, COCO and CFO. The lead underwriters for the core lines of business are regular attendees.

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 AIIL each quarter;
- Review and approval of the quarterly reporting templates (QRTs) to the PRA
- 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, CRO, Head of Capital Management, Chief Actuary and the CEO.

B.1.2.3.5 *Reserve Committee*

The key responsibilities of the committee are:

- To ensure the Company books appropriate loss ratios on a gross and net basis (i.e. after reinsurance) and hence maintains appropriate levels of reserves.
- To ensure the accuracy of the Company earning patterns and hence maintains appropriate levels of reserves.
- To determine and recommend reserving methodology for the business underwritten by the Company;
- To ensure the reserving process for the Company is effective in providing the board with the agreed level of comfort that the reserves in the Financial Statements are appropriate;
- To ensure the process is conducted in accordance with agreed timelines; and
- To ensure that the process for establishing the SII technical provisions is appropriate.

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 four members, who are the CEO, CRO, CFO and CUO.

B.1.2.3.6 *Data Governance Management Committee*

The key responsibilities and duties of the committee are:-

- Development of the Data Management Policy, procedures and standards;
- To ensure data quality procedures provide adequate allocation of responsibilities and independent review;
- To monitor and evaluate the accuracy of the Data Directory and associated data flow documentation;
- To monitor and report by exception to the Executive Committee on compliance with all relevant regulatory data requirements (excluding General Data Protection Regulation and Data Protection issues which will be monitored separately under the management of the Data Protection Officer);
- To collate and monitor progress with all recommendations/action points related to data quality arising from:
    - Self-Assessments
    - Internal Audits
    - External Audits

B.1.2.4 The committee consists of five members: the CCO, CFO, Head of Risk, Head of Capital Management and Head of Operations. 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 oversee the adequacy of resourcing of the Compliance function.

The committee consists of three members, including the Chair of the Board and the INEDs.

B.1.2.5 Third Line Board Committees

B.1.2.5.1 *Audit Committee*

The key purpose of the committee is oversight of the integrity of the Company's financial reporting, the external and internal audit processes and internal financial controls.

The key responsibilities of the committee are:

- To oversee the Company'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 reporting;
- 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.

B.1.3 Changes in the System of Governance

The following changes were made to the Company's governance structures during 2021:

- A new INED was appointed in May 2021 who has assumed the position of Chair of the Risk and Compliance Committee. The membership of the Remuneration and Nominations Committee was reduced in September 2021 to remove the CEO and one of the NEDs.

- The Company continues to make improvements in its governance structures.

B.1.4 Remuneration Policy

The Remuneration and Nominations Committee is responsible for the establishment and implementation by management of the Remuneration Policy for the Company and is authorised to review and approve the remuneration plans and programs that fall within the Remuneration Policy. Plans and programmes 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 include 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;
- 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: and
- Pay must be affordable and sustainable with any remuneration awards not threatening the Company's ability to maintain an adequate capital base.

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 Board or Remuneration and Nominations Committee 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 and increased exposure to current or future risk.

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 29th June 2021, the Shareholder injected £17m into the Company by way of capital contribution.

B.1.6 Adequacy of the System of Governance

The Board is satisfied that the system of governance of the Company is adequate for the nature, scale and complexity of the risks inherent in its business.

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 models;
- systems of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

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 during the course of their employment as applicable to the role, 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 with a periodic formal re-assessment conducted for any role holders where there is a regulatory requirement to do so. Performance of the Board is also assessed annually through the Board performance review process.

Office Holders and employees have a duty to advise the Company of any circumstances that might affect their fitness and propriety. Appropriate actions and notifications will be made to the Board and regulator as applicable to the remit fulfilled by the post-holder.

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.

All risks and controls are recorded in Risk and Control Self Assessment templates. Each risk is assigned an owner, who is responsible for assessing the risk, with corresponding controls.

B.3.2.2 Emerging Risks

The Company has developed an Emerging Risk Framework with the objective of identifying new, unforeseen or changing risks whose potential for harm or loss is not fully known. Emerging Risks are assessed and measured based on their perceived severity and how quickly the expected exposure is likely to occur. This in turn determines the intensity of monitoring, investigation and actions required. The risk management function maintains a log of all identified emerging risks and associated action plans and provides quarterly updates to the Risk and Compliance Committee.

B.3.2.3 Annual Strategic Planning

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 Climate Change

The Risk Management Function has developed a Climate Change Financial Risk Framework ("CCFRF") which sets out a framework to identify, measure, manage, monitor and report upon the financial impact to AEL resulting from climate change, including the expected impact of the population's perception of these risks along with logical market activity.

By assessing the inherent risk attached to a set of defined key risk categories, the Company identifies core risk factors that have a high or moderate inherent risk and develops a proportionate strategy, including relevant risk appetites and key risk indicators (KRIs). These KRIs, along with the results of an assessment of residual climate change risk are reported to executive management and the Board.

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. 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 operational effectiveness of key controls is assessed through the RCSA, audits, reviews and SOX testing. 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 reviewed 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 the Company can be closed in an orderly manner in the event it is no longer considered a viable business. The plan 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 controls. 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:

- Provides input into the ORSA with regards to FCA, Insurance Distribution Directive ('IDD'), Conduct and Delegated Underwriting, Claims and Complaints Authority related regulatory risks; and
- Uses 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. The Compliance function additionally supports, where required, in PRA initiatives which are led by the General Counsel.

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 Underwriting Management 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 duties.

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 Underwriting Management 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 and providing an opinion on the adequacy of those 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 Company's key outsourcing risk lies in (but is not limited to) its use of third-party coverholders, agents and brokers in its claims management, underwriting, complaints handling and IT.

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. It includes all arrangements within the definition of material outsourced arrangements as set out by the PRA in SS2/21.

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;
- Each material or key outsourced arrangement undergoes regular due diligence, auditing, and monitoring processes with clear routes of escalation available if issues are uncovered ;
- Formal management and monitoring of intra-group service level agreements; and
- Independent internal monitoring is provided by the risk, compliance and internal audit functions. Monitoring findings are reported to the Risk and Compliance Committee or the Audit Committee as appropriate.

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, Interest Rate (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

There were no material changes to the risk profile in 2021.

Quantification of Modelled Risks by Risk Category

The table below sets out the quantification as at 31 December 2021 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)			
	2021	2020	Change (Y/Y)	% change
Health NSLT underwriting risk	767	974	(207)	(21%)
Non-Life underwriting risk	119,256	130,264	(11,008)	(8%)
Market risk	18,780	30,106	(11,326)	(38%)
Counterparty default risk	14,423	15,300	(877)	(6%)
Undiversified Basic SCR	153,226	176,644	(23,418)	(13%)
Diversification credit	(19,917)	(27,258)	7,341	(27%)
Basic SCR	133,309	149,386	(16,077)	(11%)
Operational risk	16,108	15,510	598	4%
Standard Formula SCR	149,417	164,896	(15,479)	(9%)
MCR	54,806	49,476	5,330	11%
Own Funds	216,122	210,143	5,979	3%
Ratio of Own Funds to SCR	145%	127%	18%	

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 77% of the Company's total GWP for 2021. 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 assesses 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 and PI lines of business. Approximately 55% of the Company's 2021 GWP is attributable to legal expenses and PI.

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 uses a 50% whole account quota share with Swiss Re, an “AA-” rated global third party reinsurer. The current contract ends on 30 June 2022, 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.57.

C.1.5 Other Material information

None noted.

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 limited appetite for investments in equities 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.7.

C.2.5 Other Material Information

None noted.

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 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 (£137m or 50% of AEL's total exposure) and Swiss Re (£41m or 15% 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 Lloyd's Bank (£57m or 21% 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 3% of the investment portfolio. Other large bond exposures are to Total Energies Capital International SA, Westpac Banking, Bank of America and The Bank of Nova Scotia.

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 2021 is on a 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 corporate or government bonds that are rated "A-" by the Company's nominated external credit assessment institutions. 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.57.

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 increases 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 government and 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 £28m. This amount is highly illiquid, but represents less than 13% 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.57.

C.4.6 Other Material Information

None noted.

C.5 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or external events. It arises out of actions undertaken, or events occurring, 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 a number of avenues, such as IT, data, outsourcing, underwriting, reinsurance, fraud and conduct.

As a result of limitations inherent in all control systems, it is not possible to fully prevent fraud or errors from occurring. Judgments in decision-making can be faulty and breakdowns may occur through simple human error. The Company looks to minimise such errors and risk through its internal risk and control framework.

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 COVID-19 pandemic, the Company demonstrated its ability to continue its operations remotely and provide services and products to its customers. However, there are additional operational risks associated with this mode of working, including reliance on IT and communications, which will continue to be monitored and managed as the Company adopts a hybrid working model, i.e. a combination of office and remote working.

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 when the Company's offices were closed during the pandemic 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 pursuing its strategic objectives and carrying out its day-to-day operations. 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 material operational risks are captured within its Risk Register. The Risk Management function carries out a regular RCSA 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.7.

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 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 a 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, the production of 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 2021		*£'m*	*£'m*	*£'m*	*£'m*	*%*	*%*
Solvency position		149.4	N/A	216.1	N/A	144.6%	N/A
Underwriting	25% increase in volume of GWP in next 12 months	153.6	4.2	216.1	-	140.7%	(3.9%)
Underwriting	25% decrease in volume of GWP in next 12 months	147.1	(2.3)	216.1	-	146.9%	2.3%
Underwriting	25% increase in Claims provisions	160.6	11.2	179.1	(37.0)	111.5%	(33.1%)
Underwriting	25% decrease in Claims provisions	138.9	(10.5)	253.2	37.0	182.2%	37.6%
Market	25% increase in asset durations	150.3	0.9	216.1	-	143.8%	(0.8%)
Market	25% decrease in asset durations	148.7	(0.7)	216.1	-	145.3%	0.7%
Market	10% increase in asset concentrations	150.0	0.6	216.1	-	144.1%	(0.5%)
Market	Yield Curve Upshock	147.6	(1.8)	216.3	0.2	146.5%	1.9%
Credit	Fall in rating of one credit step for three largest insurers	150.3	0.9	216.0	(0.1)	143.7%	(0.9%)
Operational	50% increase in TP expenses	150.4	1.0	207.2	(8.9)	137.8%	(6.8%)

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 2021.

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	*£'000*	*£'000*	*£'000*
Assets				
Deferred acquisition costs	68,149		(68,149)	0
Deferred tax asset	3,143		(7)	3,136
Property, plant and equipment held for own use	1,950		738	2,688
Investments (other than assets held for index-linked and unit-linked contracts):				0
Property (other than for own use)	5,174			5,174
Holdings in related undertakings, including participations				
Equities:				
Equities - unlisted	5,160			5,160
Bonds:				0
Government bonds	244,346			244,346
Corporate bonds	174,112			174,112
Collateralised securities				
Loans and mortgages	74,249		(1,076)	73,173
Reinsurance recoverables from:				0
Non-life excluding health	359,847	(67,403)	(29,087)	263,357
Health similar to non-life			1,728	1,728
Insurance and intermediaries receivables	214,891	(214,891)		0
Reinsurance receivables	34,256			34,256
Receivables (trade, not insurance)	9,684	21,787		31,471
Cash and cash equivalents	62,050			62,050
Any other assets, not elsewhere shown				0
Total assets	*1,257,011*	*(260,507)*	*(95,853)*	*900,651*

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Liabilities				
Technical provisions – non-life:	788,644	(147,428)	(641,216)	0
Technical provisions – non-life (excluding health):				
Best estimate			534,589	534,589
Risk margin			24,319	24,319
Technical provisions - health (similar to non-life):				0
Best estimate			2,353	2,353
Risk margin			56	56
Deposits from reinsurers	87,762			87,762
Provisions other than technical provisions	8,247			8,247
Insurance and intermediaries payables	54,679	(45,806)		8,873
Reinsurance payables	87,714	(67,403)	(15,985)	4,326
Payables (trade, not insurance)				0
Any other liabilities, not elsewhere shown	13,874	130		14,004
Total liabilities	*1,040,920*	*(260,507)*	*(95,884)*	*684,529*
Excess of assets over liabilities	*216,091*	*0*	*31*	*216,122*

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 2021 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	68,149		(68,149)	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	3,143		(7)	3,136

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 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	1,950		738	2,688
Property (other than for own use)	5,174			5,174

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 2021.

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.

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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	0			0

As mentioned within the summary section, AMIL was deauthorised by the FCA and the PRA and submitted an application to be struck-off and dissolved on 1st November 2021. As a result, the Company no longer has any subsidiaries.

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	244,346			244,346
Corporate bonds	174,112			174,112
Collateralised securities				
Equities:				
Equities – unlisted	5,160			5,160

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 prices 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 2021, the Company had £418m 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.

D.1.5 Loans and Mortgages

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	£'000	£'000	£'000	£'000
Loans and mortgages	74,249		(1,076)	73,173

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 -£1.1m 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 unfavourable adjustment is due to the effect of positive PRA 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 2021.

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	359,847	(67,403)	(29,087)	263,357
Health similar to non-life			1,728	1,728

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 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	214,891	(214,891)		0
Reinsurance receivables	34,256			34,256
Receivables (trade, not insurance)	9,684	21,787		31,471

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	62,050			62,050
Any other assets, not elsewhere shown	0			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.

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 £296m compared to £384m on a UK GAAP basis, a difference of 22.9.%.

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

31 December 2021 Class	Gross of Reinsurance (£'000)	Recoverable from Reinsurance (£'000)	Net of Reinsurance (£'000)	Risk Margin (£'000)	Total Technical Provisions (£'000)
Assistance	558	170	388	35	423
Credit and suretyship	14,245	5,972	8,273	742	9,015
Fire and other damage to property	22,935	10,934	12,001	1,076	13,077
Legal expenses	83,347	39,959	43,388	3,890	47,278
Medical expense	2,353	1,728	625	56	681
Miscellaneous financial loss	92,388	40,028	52,360	4,695	57,055
General liability	321,116	166,294	154,822	13,881	168,703
Total	*536,942*	*265,085*	*271,857*	24,375	296,232

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
General liability	289,481	152,673	136,808	12,598	149,406
Total	*516,994*	*268,129*	*248,865*	22,971	271,836

The Company's UK GAAP Reserving Policy requires the actuarial function to calculate ultimate loss ratios including margins for prudence/uncertainty. For Solvency II purposes the Technical Provisions exclude these margins. The 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 Reserve 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.
- the increase in inflation impacting a number of lines of business.

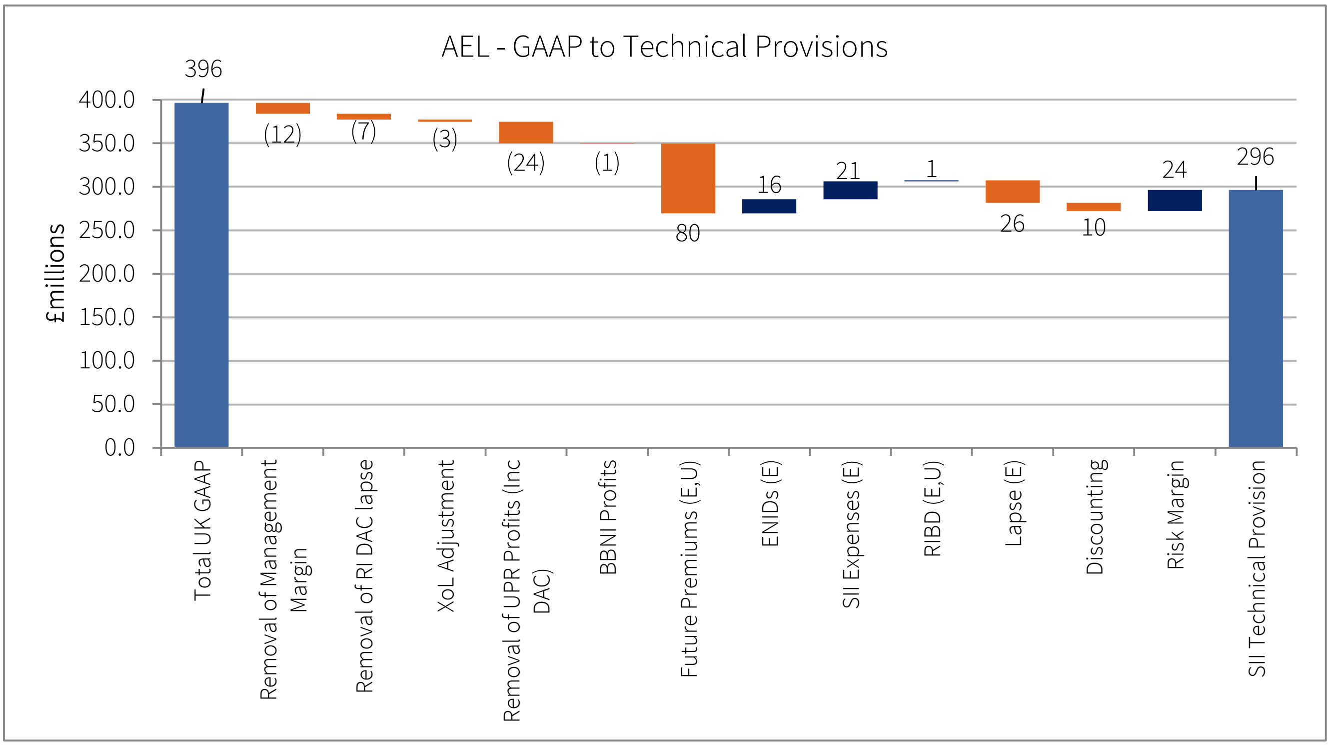
D.2.2 Solvency II Related Uncertainties

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 Removal 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') is 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 Bound But Not Incepted ('BBNI') profits 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. AEL also makes allowance for specific events increasing this uncertainty such as the potential for a period of higher than anticipated inflation. 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 the PRA.

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 approximating the individual risks and sub-risks within all modules and sub modules to be used for the calculation of future solvency capital requirements.

D.2.4 Reinsurance

The Company has a 50% whole account quota share with Swiss Re, an "AA-" Standard and Poor's rated global third-party reinsurer 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 2021.

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 for the Professional Indemnity, Property and Structural Defects 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 non-fire and safety claims due to severity and frequency increases during the year;
- The credit for discounting has moved in line with the increase in the yield curves (as provided by PRA).

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	8,247			8,247

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
Deposits from reinsurers	87,762			87,762
Insurance and intermediaries payables	54,679	(45,806)		8,873
Reinsurance payables	87,714	(67,403)	(15,985)	4,326
Payables (trade, not insurance)	0			0
Any other liabilities, not elsewhere shown	13,874	130		14,004

Payables to insurance and intermediaries, reinsurance and deposits from reinsurers, 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.

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.

Capital Management

Section E

E Capital Management

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 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 regulatory 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.

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

£'000	2021	2020
Ordinary share capital	75,044	75,044
Share premium	11,642	11,642
Reconciliation reserve	126,300	118,810
An amount equal to the value of net deferred tax assets	3,136	4,647
Own Funds	**216,122**	**210,143**

The Company's amount of Own Funds eligible to cover its SCR as of 31 December 2021 and 2020 are listed in the tables below.

Solvency Overview, as of 31 December 2021					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 149,417	1	212,986	100%	212,986	
	2	0	0	0	
	3	3,136	100%	3,136	
	Total	216,122		216,122	145%

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%

The Company's amount of Own Funds eligible to cover its MCR as of 31 December 2021 and 2020 are listed in the tables below.

Solvency Overview, as of 31 December 2021					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR 54,806	1	212,986	100%	212,986	
	2	0	0	0	
	3	3,136	0%	0	
	Total	216,122		212,986	389%

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%

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.

	2021	2020
	£'000	*£'000*
Equity per financial statements	216,091	200,388
Differences in valuation of technical provision related items	375	11,577
Solvency II valuation adjustments to assets and liabilities	(344)	(1,822)
Solvency II own funds	216,122	210,143

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	2021	2020
	£'000	*£'000*
SCR	149,417	164,896
MCR	54,806	49,476

E.2.1 Solvency Capital Requirement

SCR by Risk Module	2021	2020	Variance	
	£'000	*£'000*	*£'000*	*%*
Health NSLT underwriting risk	767	974	(207)	(21%)
Non-Life underwriting risk	119,256	130,264	(11,008)	(8%)
Market risk	18,780	30,106	(11,326)	(38%)
Counterparty default risk	14,423	15,300	(877)	(6%)
Undiversified Basic SCR	153,226	176,644	(23,418)	(13%)
Diversification credit	(19,917)	(27,258)	7,341	(27%)
Basic SCR	133,309	149,386	(16,077)	(11%)
Operational risk	16,108	15,510	598	4%
Standard Formula SCR	149,417	164,896	(15,479)	(9%)

E.2.2 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	2021	2020
	£'000	*£'000*
Linear MCR	54,806	49,476
SCR	149,417	164,896
MCR cap	67,238	74,203
MCR floor	37,354	41,224
Combined MCR	54,806	49,476
Absolute floor of the MCR	3,126	3,338
Minimum Capital requirement	54,806	49,476

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	
	2021	*2020*	*2021*	*2020*
Medical expenses	625	1,270	916	1,926
Motor vehicle liability	0	0	0	0
Other motor	0	0	0	0
Fire and other damage to property	12,001	7,233	21,104	18,818
General liability	154,822	136,808	79,627	66,847
Credit and suretyship	8,273	7,903	6,112	4,328
Legal expenses	43,388	39,933	40,281	56,033
Assistance	387	(328)	307	369
Miscellaneous financial loss	52,360	56,046	49,932	31,413

E.2.3 Material Change in SCR and MCR

Solvency coverage has increased to 145% at 31 December 2021 from 127% at 31 December 2020. This movement is principally due to the following factors in the year:

- During 2021, the Company continued to execute its plan of disposing of its subsidiary undertakings. Its subsidiary, AMIL was deauthorised by the FCA and the PRA and submitted an application to be struck-off and dissolved on 1st November 2021. The company was struck-off in March 2022. This significantly reduced the Company's market equity and currency risk;
- During the year, Euro intercompany receivables in relation to the Part VII Transfer were cleared down. This significantly reduced currency risk;
- The level of outstanding and overdue debt reduced in the year, which resulted in a reduction in default type 2 charge in counterparty default risk;
- Reserve strengthening across a number of lines of business during 2021 has adversely impacted on Own Funds, as well as increased the reserve risk charge in the non-life underwriting risk calculation;
- Overall, non-life underwriting risk has reduced, largely due to the implementation of a risk mitigation programme on the Professional Indemnity class of business which reduced non-life catastrophe risk significantly.
- The partial repayment of AIIL loans assets 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. Duration on corporate and government bond holdings also reduced during the year resulting in a fall in both market spread and concentration risk.
- During the year, the Shareholder injected £17m into the Company by way of capital contribution.

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

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	3,136
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	2,688
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	428,792
Property (other than for own use)	R0080	5,174
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	5,160
Equities - listed	R0110	0
Equities - unlisted	R0120	5,160
Bonds	R0130	418,458
Government Bonds	R0140	244,346
Corporate Bonds	R0150	174,112
Structured notes	R0160	0
Collateralised securities	R0170	0
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	73,173
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	73,173
Reinsurance recoverables from:	R0270	265,085
Non-life and health similar to non-life	R0280	265,085
Non-life excluding health	R0290	263,357
Health similar to non-life	R0300	1,728
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	34,256
Receivables (trade, not insurance)	R0380	31,471
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	62,050
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	900,651

Annex 1
S.02.01.01
Balance sheet

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	561,317
Technical provisions – non-life (excluding health)	R0520	558,908
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	534,589
Risk margin	R0550	24,319
Technical provisions - health (similar to non-life)	R0560	2,409
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	2,353
Risk margin	R0590	56
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
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	8,247
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	87,762
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	8,873
Reinsurance payables	R0830	4,326
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	14,004
Total liabilities	R0900	684,529
Excess of assets over liabilities	R1000	216,122

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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	221	0	0	0	0	0	27,418	117,312	-6,111
Gross - Proportional reinsurance accepted	R0120	1,386	0	0	0	0	0	4,837	690	17,264
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	691	0	0	0	0	0	11,151	38,375	5,041
Net	R0200	916	0	0	0	0	0	21,104	79,627	6,112
Premiums earned										
Gross - Direct Business	R0210	169	0	0	0	0	0	28,500	118,394	-3,019
Gross - Proportional reinsurance accepted	R0220	1,032	0	0	0	0	0	1,859	689	18,041
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	516	0	0	0	0	0	10,776	43,463	6,628
Net	R0300	685	0	0	0	0	0	19,583	75,620	8,394
Claims incurred										
Gross - Direct Business	R0310	-453	0	0	0	0	0	16,892	74,132	-1,064
Gross - Proportional reinsurance accepted	R0320	706	0	0	0	0	0	1,029	132	5,281
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	902	0	0	0	0	0	8,434	39,255	1,195
Net	R0400	-649	0	0	0	0	0	9,487	35,009	3,022
Changes in other technical provisions										
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	311	0	0	0	0	0	12,240	43,786	2,358
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	71,700	564	44,639					255,744
Gross - Proportional reinsurance accepted	R0120	7,759	0	36,528					68,463
Gross - Non-proportional reinsurance accepted	R0130				0	0	0	0	
Reinsurers' share	R0140	39,178	258	31,235	0	0	0	0	125,929
Net	R0200	40,281	306	49,932	0	0	0	0	198,278
Premiums earned									
Gross - Direct Business	R0210	77,965	534	53,666					276,209
Gross - Proportional reinsurance accepted	R0220	7,160	0	11,997					40,779
Gross - Non-proportional reinsurance accepted	R0230				0	0	0	0	
Reinsurers' share	R0240	41,254	243	24,506	0	0	0	0	127,386
Net	R0300	43,871	291	41,157	0	0	0	0	189,602
Claims incurred									
Gross - Direct Business	R0310	55,671	334	35,190					180,700
Gross - Proportional reinsurance accepted	R0320	5,724	0	12,169					25,042
Gross - Non-proportional reinsurance accepted	R0330				0	0	0	0	
Reinsurers' share	R0340	34,412	175	20,152	0	0	0	0	104,525
Net	R0400	26,983	159	27,207	0	0	0	0	101,217
Changes in other technical provisions									
Gross - Direct Business	R0410	0	0	0					0
Gross - Proportional reinsurance accepted	R0420	0	0	0					0
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550	13,434	82	16,266	0	0	0	0	88,476
Other expenses	R1200								0
Total expenses	R1300								88,476

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		MY (by amount of gross premiums written)	CA (by amount of gross premiums written)	AE (by amount of gross premiums written)	BO (by amount of gross premiums written)	CN (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	253,192	0	14,034	0	0	0	267,226
Gross - Proportional reinsurance accepted	R0120	13,285	26,479	0	10,095	6,653	6,107	62,619
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	102,792	9,733	4,765	3,386	4,331	2,571	127,578
Net	R0200	163,685	16,746	9,269	6,709	2,322	3,536	202,267
Premiums earned								
Gross - Direct Business	R0210	255,353	0	12,940	0	0	0	268,293
Gross - Proportional reinsurance accepted	R0220	9,806	3,909	0	9,691	6,410	2,634	32,450
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	106,597	1,411	5,339	3,184	4,209	1,217	121,957
Net	R0300	158,562	2,498	7,601	6,507	2,201	1,417	178,786
Claims incurred								
Gross - Direct Business	R0310	171,323	-2	670	0	0	0	171,991
Gross - Proportional reinsurance accepted	R0320	7,697	819	0	6,214	0	2,122	16,852
Gross - Non-proportional reinsurance accepted	R0330		0	0	0	0	0	0
Reinsurers' share	R0340	93,560	703	268	2,522	0	1,034	98,087
Net	R0400	85,460	114	402	3,692	0	1,088	90,756
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	77,350	3,629	4,146	695	-501	627	85,946
Other expenses	R1200							0
Total expenses	R1300							85,946

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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 recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium Provisions							
Gross - Total	R0060	500	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	261	0	0	0	0	0
Net Best Estimate of Premium Provisions	R0150	239	0	0	0	0	0
Claims provisions							
Gross - Total	R0160	1,853	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,467	0	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	386	0	0	0	0	0
Total Best estimate - Gross	R0260	2,353	0	0	0	0	0
Total Best estimate - Net	R0270	625	0	0	0	0	0
Risk margin	R0280	56	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	2,409	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	1,728	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	681	0	0	0	0	0

Annex 1

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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 recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium Provisions							
Gross - Total	R0060	4,621	110,933	-158	14,691	275	52,878
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	2,203	48,156	-159	6,486	134	22,676
Net Best Estimate of Premium Provisions	R0150	2,418	62,777	1	8,205	141	30,202
Claims provisions							
Gross - Total	R0160	18,314	210,183	14,403	68,656	283	39,510
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	8,731	118,138	6,131	33,473	36	17,352
Net Best Estimate of Claims Provisions	R0250	9,583	92,045	8,272	35,183	247	22,158
Total Best estimate - Gross	R0260	22,935	321,116	14,245	83,347	558	92,388
Total Best estimate - Net	R0270	12,001	154,822	8,273	43,388	388	52,360
Risk margin	R0280	1,076	13,881	742	3,890	35	4,695
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	24,011	334,997	14,987	87,237	593	97,083
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	10,934	166,294	5,972	39,959	170	40,028
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	13,077	168,703	9,015	47,278	423	57,055

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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 recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default	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	183,739
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	79,757
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	103,982
Claims provisions						
Gross - Total	R0160	0	0	0	0	353,203
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	185,328
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	167,875
Total Best estimate - Gross	R0260	0	0	0	0	536,942
Total Best estimate - Net	R0270	0	0	0	0	271,857
Risk margin	R0280	0	0	0	0	24,375
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	561,317
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	265,085
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	0	0	0	0	296,232

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 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											31,424
N-9	R0160	4,310	18,338	12,108	15,466	12,368	6,936	3,885	2,719	2,492	2,705	
N-8	R0170	6,969	17,443	14,323	12,089	10,018	5,507	4,257	5,529	2,007		
N-7	R0180	5,557	25,385	24,146	18,356	11,101	7,704	5,968	12,710			
N-6	R0190	13,223	34,776	17,313	11,785	11,882	7,632	17,671				
N-5	R0200	10,875	30,838	17,678	16,267	8,938	19,076					
N-4	R0210	9,422	29,203	30,354	17,244	23,446						
N-3	R0220	12,963	42,241	25,137	37,200							
N-2	R0230	15,629	46,468	73,795								
N-1	R0240	11,049	99,446									
N	R0250	25,875										

		In current year	Sum of years (cumulative)
		C0170	C0180
	R0100	31,424	184,180
	R0160	2,705	81,328
	R0170	2,007	78,141
	R0180	12,710	110,927
	R0190	17,671	114,281
	R0200	19,076	103,672
	R0210	23,446	109,670
	R0220	37,200	117,542
	R0230	73,795	135,893
	R0240	99,446	110,496
	R0250	25,875	25,875
Total	R0260	345,355	1,172,004

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											28,822		R0100	27,627
N-9	R0160	0	0	0	0	0	0	0	0	0	8,929			R0160	8,407
N-8	R0170	0	0	0	0	0	0	0	0	11,605				R0170	11,150
N-7	R0180	0	0	0	0	0	0	0	9,185					R0180	8,613
N-6	R0190	0	0	0	0	0	0	21,642						R0190	20,847
N-5	R0200	0	0	0	0	0	46,881							R0200	45,404
N-4	R0210	0	0	0	0	32,421								R0210	31,442
N-3	R0220	0	0	0	54,501									R0220	53,336
N-2	R0230	0	0	85,309										R0230	83,425
N-1	R0240	0	95,608											R0240	93,760
N	R0250	64,018												R0250	62,521
													Total	R0260	446,531

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	126,300	126,300			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	3,136				3,136
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	0	
Total basic own funds after deductions	R0290	216,122	212,986	0	0	3,136
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

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	216,122	212,986	0	0	3,136
Total available own funds to meet the MCR	R0510	212,986	212,986	0	0	
Total eligible own funds to meet the SCR	R0540	216,122	212,986	0	0	3,136
Total eligible own funds to meet the MCR	R0550	212,986	212,986	0	0	
SCR	R0580	149,417				
MCR	R0600	54,806				
Ratio of Eligible own funds to SCR	R0620	145%				
Ratio of Eligible own funds to MCR	R0640	389%				

		Total	
		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	216,122	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	89,822	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	126,300	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	27,567	
Total Expected profits included in future premiums (EPIFP)	R0790	27,567	

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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	18,780		0
Counterparty default risk	R0020	14,423		
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	767	0	0
Non-life underwriting risk	R0050	119,256	0	0
Diversification	R0060	(19,917)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	133,309		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	16,108
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	149,417
Capital add-on already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	R0220	149,417
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	54,806

		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	625	916
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	91
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	12,001	21,104
General liability insurance and proportional reinsurance	R0090	154,822	79,627
Credit and suretyship insurance and proportional reinsurance	R0100	8,273	6,112
Legal expenses insurance and proportional reinsurance	R0110	43,388	40,281
Assistance and proportional reinsurance	R0120	387	307
Miscellaneous financial loss insurance and proportional reinsurance	R0130	52,360	49,932
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	54,806
SCR	R0310	149,417
MCR cap	R0320	67,238
MCR floor	R0330	37,354
Combined MCR	R0340	54,806
Absolute floor of the MCR	R0350	3,126
		C0070
Minimum Capital Requirement	R0400	54,806

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

AmTrust Europe
An AmTrust Financial Company