AmTrust Europe Limited

Solvency and Financial Condition Report

For the year ended 31 December 2022

AmTrust Europe

An AmTrust Financial Company

AmTrust Europe
An AmTrust Financial Company

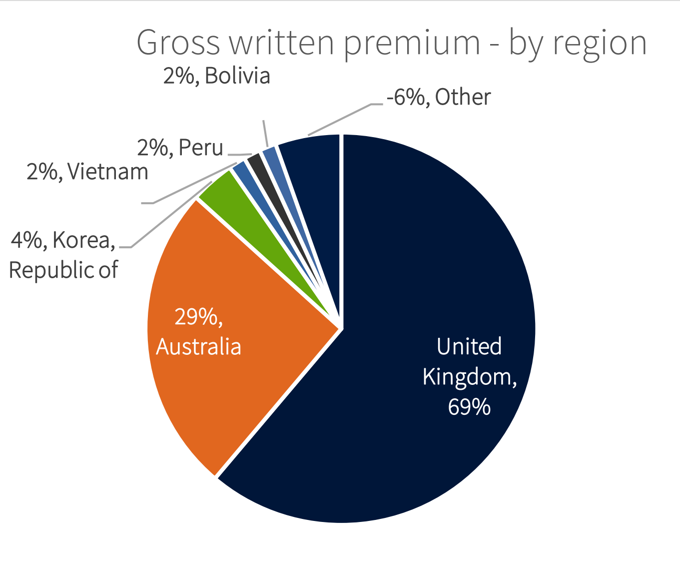
AmTrust Europe
An AmTrust Financial Company

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
  - 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

In 2022, AmTrust Europe Limited ("AEL" or the "Company") has seen another year of consolidation and embedding of controls. During the year we further reduced our line of business participation with our exit from A&H allowing us to focus on 5 key product lines. This reflected our continued determination to rationalise our portfolio and focus on our strengths. Similarly, we terminated our participation in the Title market and continued our controlled exit from Solicitors PI. In each case our decision-making was aided by an understanding of the risk adjusted profitability through our Return on Capital modelling.

The split of our portfolio into Active lines and Run-Off has proved successful – we have created distinct strategies to manage both growth and exited portfolios.

The strategy intends to offer continuity and stability on the same focus and priorities the Company has had over the last few 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. Our intention has been to build a solid platform from which to regain momentum for profitable, sustainable growth.

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 2022:

- Improved capital stability and Solvency Ratio Coverage –the Company entered into a reinsurance arrangement with AmTrust International Insurance Limited ("AIIL"), which is a related undertaking, to achieve operational finality on its legacy book (business underwritten 2019 and prior) and Run-Off Book and as a result significantly improved the company's capital position (2022: 185% 2021: 145%)and it's capital stability. The counterparty exposure risk is managed through an arrangement where funds are withheld or collateral is held in trust for the full reinsurance exposure.

  The specific insurance policies to be covered under this initial quota share arrangement will include:

  (a) All policies, regardless of underwriting year, designated as "Run-Off" block (i.e. Structural defects, Liability, Title, A&H and certain Legal Expenses programmes); and

(b) All other business with an underwriting year designated as being 2019 or prior.

- 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

2022	Total
	£'000
Gross premiums written	277,028
Reinsurers' share	129,475
Net premiums written	**147,553**
Gross premiums earned	317,816
Reinsurers' share	140,845
Net premiums earned	**176,971**
Gross claims incurred	247,047
Reinsurers' share	142,530
Net claims incurred	**104,517**
Net operating expenses	**82,305**
Net technical result	**(9,851)**

The Company's net technical result in 2022 was a loss of £9.9m (2021: loss of £42k), primarily driven by the loss recognised on the AIIL reinsurance agreement.

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

Solvency II

As a regulated insurance company, the Company 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.

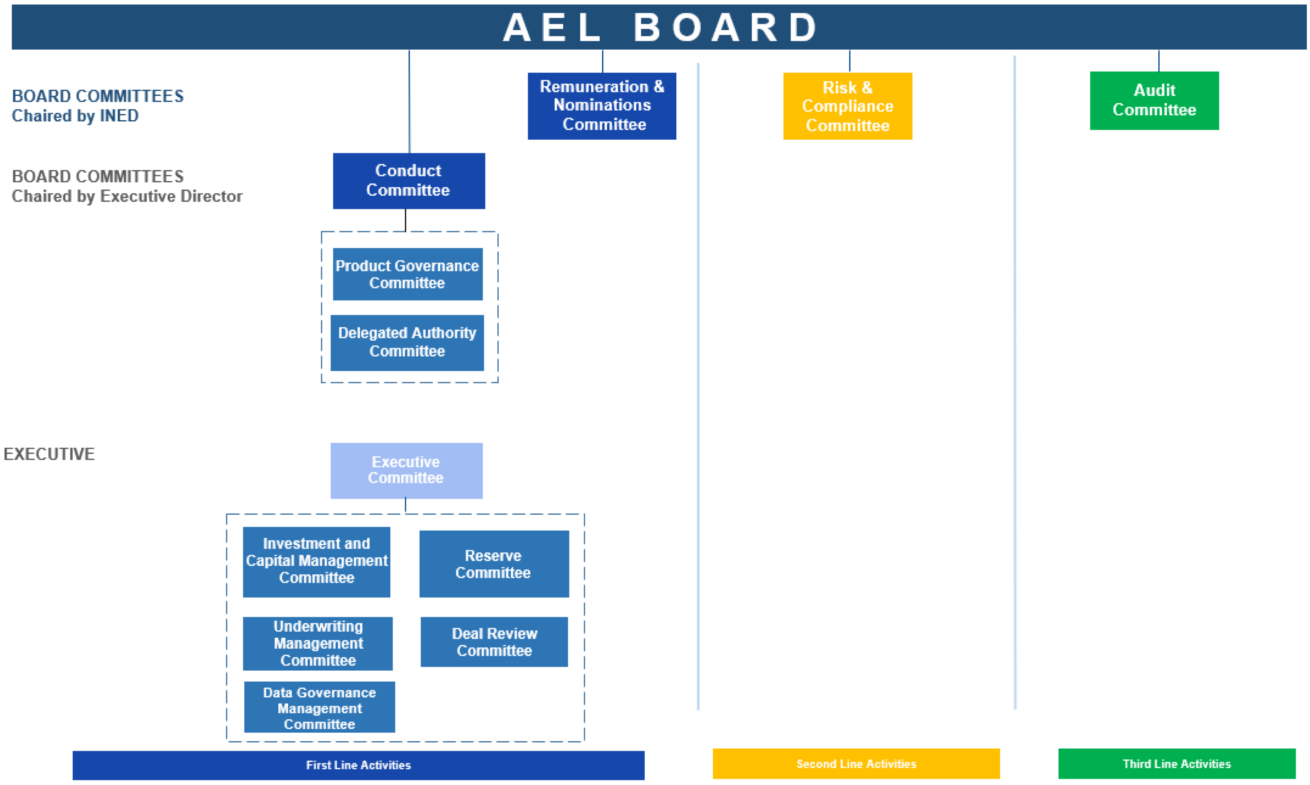
This report is a Prudential Regulation Authority (PRA) requirement, which is designed to give the Company's external stakeholders, including policyholders, an insight into the solvency and financial condition of the Company. It is prepared on a solo entity basis and it covers the year ended 31 December 2022.

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 general liability, Legal expenses and Warranty lines of business, which represented 83% of the Company's total GWP in 2022.

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 is to one of its reinsurers, AIIL (50% of total exposure) and to two of it's banking partners, Lloyds Banking Group Plc (13% of total exposure) and JP Morgan (3% of total exposure). The exposure to the historic AIIL quota share is fully collateralised and the new reinsurance arrangement with AIIL is on a funds withheld or collateral basis. 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 2022, the Company's net assets were valued at £211.4m under Solvency II, compared with £200.5m 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	2022	Coverage	2021	Coverage
As at 31 December	*£'000*	*%*	*£'000*	*%*
Own funds	211,448		216,122	
SCR	114,455	185%	149,417	145%
MCR	32,226	656%	54,806	389%

The Company's SCR split by risk module as of 31 December 2022 and 2021 are shown in the table below.

SCR by Risk Module	2022	2021	Variance	
As at 31 December	*£'000*	*£'000*	£'000	%
Health NSLT underwriting risk	45	767	(722)	(94%)
Non-Life underwriting risk	84,158	119,256	(35,098)	(29%)
Market risk	17,855	18,780	(925)	(5%)
Counterparty default risk	10,795	14,423	(3,628)	(25%)
Undiversified Basic SCR	**112,853**	**153,226**	**(40,373)**	**(26%)**
Diversification credit	(16,547)	(19,917)	3,370	(17%)
Basic SCR	**96,306**	**133,309**	**(37,003)**	**(28%)**
Operational risk	18,149	16,108	2,041	13%
Standard Formula SCR	**114,455**	**149,417**	**(34,962)**	**(23%)**

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)

6th April 2023

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

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

Opinion

Except as stated below, we have audited the following documents prepared by Amtrust Europe Limited ('the Company') as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2022, ('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;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations in effect as at the date of approval of the Solvency and Financial Condition Report.

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', 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report. 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 information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements 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 information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements of 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 noncompliance throughout the audit.

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements of 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 information subject to audit in the Relevant Elements of 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 information subject to audit in 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 information subject to audit in the Relevant Elements 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 information subject to audit in 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 information subject to audit 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 information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is 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 information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is 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 information subject to audit in 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 also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements for the year ended 31 December 2022. 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.

This engagement is separate from the audit of the annual financial statements of the Company and the report here relates only to the matters specified and does not extend to the Company's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report 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 and the Company's members as a body for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

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.

Umar Jamil

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

6 April 2023

Appendix to 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 – 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:

- 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'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,
London,
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.

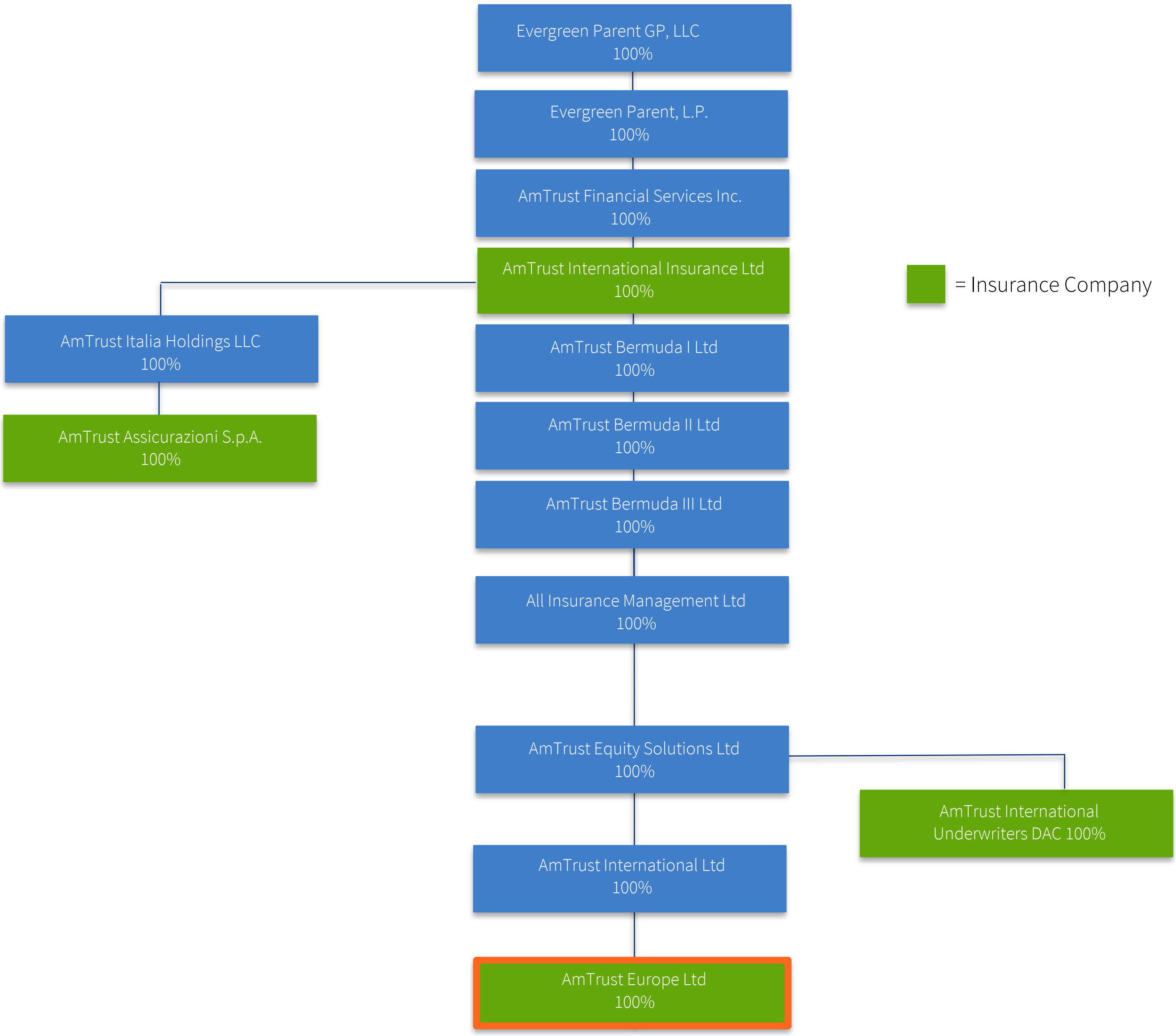
Evergreen's registered address is as follows:

Evergreen Parent GP, LLC
Corporation Trust Center,
1209 Orange Street,
Wilmington, DE, 19801

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.

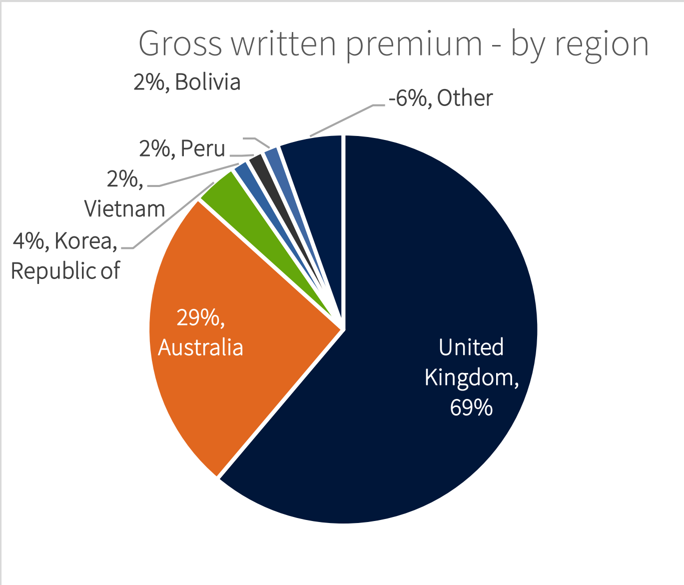
A.1.5 Position Within the Legal Structure of the AmTrust Group

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, Canadian and Australian market.

This business continued to be a specific area of growth 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. 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.1.6.5. 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.

A.1.6.6. 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.1.6.7. 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 premiums relating to this business will continue to be written up until 2030.

A.2 Underwriting Performance

A.2.1 Material Lines of Business

2022	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	105,191	52,641	71,320	33,752	14,124	277,028
Reinsurers' share	45,484	23,790	36,357	14,942	8,902	129,475
Net premiums written	59,707	28,851	34,963	18,810	5,222	147,553
Gross premiums earned	121,833	65,428	85,624	29,046	15,885	317,816
Reinsurers' share	51,314	30,280	39,403	10,334	9,514	140,845
Net premiums earned	70,519	35,148	46,221	18,712	6,371	176,971
Gross claims incurred	137,735	40,347	51,341	11,817	5,807	247,047
Reinsurers' share	91,294	12,698	29,220	5,832	3,486	142,530
Net claims incurred	46,441	27,649	22,121	5,985	2,321	104,517
Net operating expenses	39,029	11,377	12,394	14,397	5,108	82,305
Net technical result	(14,951)	(3,878)	11,706	(1,670)	(1,058)	(9,851)

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)

The Company made a technical loss in 2022 of £9.9m (2021: loss of £42k) 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 (£15.0m in 2022), miscellaneous financial loss (£3.9m in 2022) and fire and other damage property (£1.7m in 2022). These losses were offset by profit in legal expenses (profit of £11.7m in 2022).

Net premiums written in 2022 were down by £50.7m versus prior year. Miscellaneous financial loss is £21.1m down on prior year (£28.9m in 2022; £49.9m in 2021), legal expenses is down £5.3m (£35.0m in 2022; £40.3m in 2021) and general liability down £19.9m (£59.7m in 2022; £79.6m in 2021). Net premiums earned is lower by £12.6m in 2022 (£177.0m in 2022; £189.6m in 2021) primarily due to the impacts on net written premiums described above.

Net claims incurred increased by £3.3m versus prior year at £104.5m in 2022 (2021: £101.2m). This was primarily due to general liability (£46.4min 2022; £35.0m in 2021) driven by higher losses in structural defects and professional indemnity, offset by lower losses in fire and other property damage (£6.0m in 2022; £9.5m in 2021), and legal expenses (£22.1m in 2022; £27.0m in 2021). 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 2022 in certain exited lines of business.

Net operating expenses decreased by £6.1m versus prior year at £82.3m in 2022 (2021: £88.4m) 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.

2022	United Kingdom	Australia	Korea,Republic of	Vietnam	Peru	Bolivia	Other countries	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	190,199	79,320	11,387	4,385	4,372	4,321	(16,956)	277,028
Reinsurers' share	89,838	31,724	8,146	2,211	2,598	3,298	(8,340)	129,475
Net premiums written	**100,361**	**47,596**	**3,241**	**2,174**	**1,774**	**1,023**	**(8,616)**	**147,553**
Gross premiums earned	271,531	31,984	9,698	1,877	5,869	3,692	(6,835)	317,816
Reinsurers' share	118,250	9,659	7,590	901	3,162	3,285	(2,002)	140,845
Net premiums earned	**153,281**	**22,325**	**2,108**	**976**	**2,707**	**407**	**(4,833)**	**176,971**
Gross claims incurred	206,374	31,565	955	(3,915)	4,470	268	7,330	247,047
Reinsurers' share	122,101	13,984	477	(1,191)	2,736	244	4,179	142,530
Net claims incurred	**84,273**	**17,581**	**478**	**(2,724)**	**1,734**	**24**	**3,151**	**104,517**
Net operating expenses	**66,221**	**16,978**	**1,463**	**559**	**2,357**	**574**	**(5,847)**	**82,305**
Net technical result	**2,787**	**(12,234)**	**167**	**3,141**	**(1,384)**	**(191)**	**(2,137)**	**(9,851)**

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)**

The geographical split shown 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 a reduction of £50.7m at £198.3m, which is explained by:

- The United Kingdom decreased by £63.4m to £100.3m (2021: £163.7m), due to lower volume in core business lines including Legal Expenses and Property;
- Australia increased by £56.6m to £47.6m(2021:£-9.0m), resulting from legal expenses business written in the country;
- Korea increased to £3.3m(2021:£0), resulting from new business;
- Bolivia decreased by £1.3m to £1m (2021: £2.3m).

- Other Countries at -£8.6m reflecting the movements in other geographies (Canada, Malasya and the UAE) as a result of the changes in geographical mix for core business lines. Canada lower business volume in 2022 and cancelations from prior years, driving the negative gross and net written premiums.

A.3 Investment Performance

The Company has an investment portfolio consisting of bonds (corporate and government), an equity participation, property 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. The investment managers follow investment management guidelines set by the Company, 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.

2022	Bonds and equity	Property	Investment in subsidiaries	Other Investments	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Net income from investments	5,810	431	0	3,056	9,297
Unrealised gain/(loss) on investments	(14,397)	(136)	0	0	(14,533)
Realised loss on sale of investments	(2,649)	0	0	0	(2,649)
Dividend income from subsidiaries	0	0	0	0	0
Investment management and other expenses	(1,026)	0	0	(1,676)	(2,702)
Total	(12,262)	295	0	1,380	(10,587)

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)

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 (£11m loss in 2022 versus £2m loss in 2021). This represents interest income, net of investment expenses of £9m (2022: £11m), unrealised losses of £15m (2022: loss of £11m) and realised losses of £3m (2022: loss £4m). 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

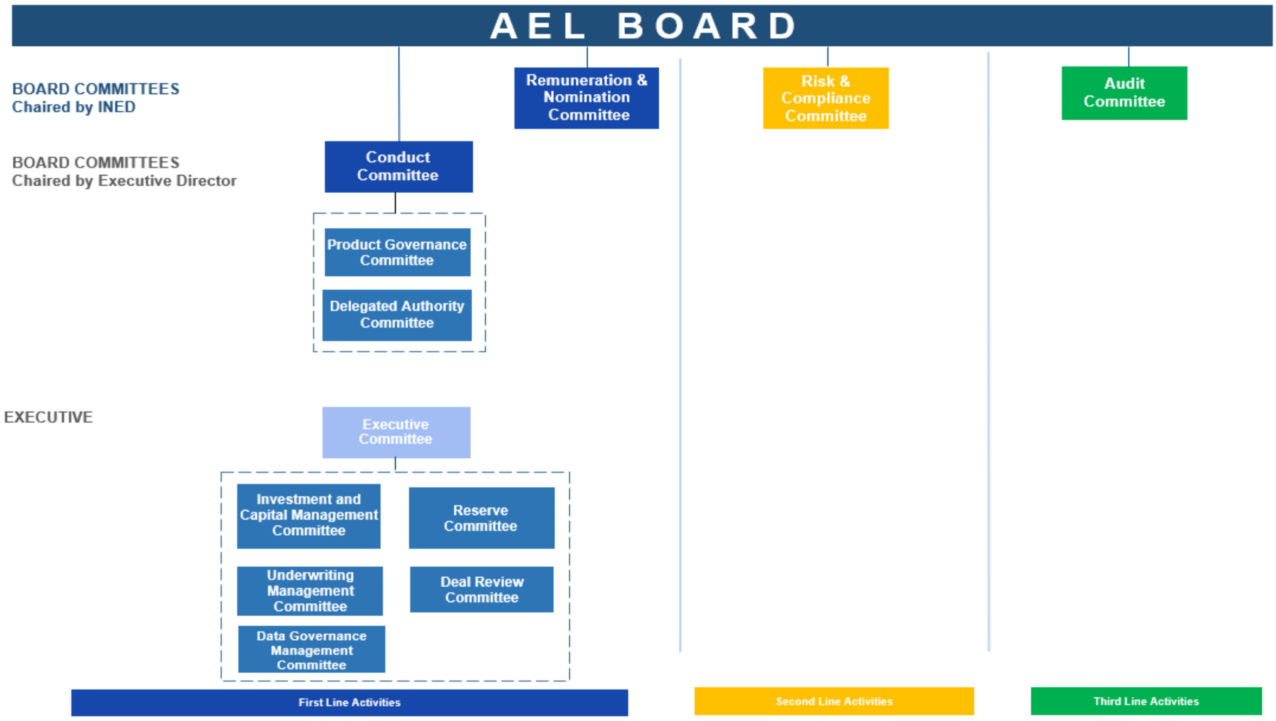
Section B

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 0, 0 and 0 and 0 respectively.

B.1.1.2 Board Responsibilities

The Board currently includes an independent Non-Executive Chair, two other independent Non-Executive Directors ('INEDs'), two Non-Executive Directors ('NEDs') and two Executive Directors. The Company's Board normally meets four times a year and at other times, 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.

The Company maintains comprehensive Statements of Responsibilities for each key executive and the Chair for the Board, Audit Committee, Remuneration and Nomination 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.

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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 The Role of the Chief Financial Officer

The Chief Financial Officer ('CFO') manages the Company's financial resources, reporting to the Board and its committees on the Company's financial affairs. The CFO leads and reports to the Board on:

- The development and implementation of financial strategy, financial planning (including capital, investments and solvency) and reporting (including regulatory financial reporting);
- The financial business-planning model including profit and loss, balance sheet and cash flow;
- The monitoring and ongoing improvement of business plans, budgets, cash flow forecasts and solvency margins and the performance of stress testing; and
- Solvency, liquidity and credit to ensure regulatory requirements and Board approved risk appetites are adhered to.

B.1.1.8 Board Composition

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

		1st Line			2nd Line	3rd Line
Board Member	Board Role	Board	Conduct	Remuneration & Nomination	Risk & Compliance	Audit
Chair of The Board (resigned April 2022)	Independent	Chair (until resignation)		Chair (until resignation)	X (until resignation)	X (until resignation)
INED (resigned Dec 2022)	Independent	X (until resignation)		X (until resignation)	X (until resignation)	Chair (until resignation)
INED (Chair of The Board from April 2022)	Independent	X (Chair from April 2022)		X (Chair from April 2022)	Chair (until Oct 2022)	X
INED (appointed April 2022)	Independent	X		X	X (Chair from Oct 2022)	X
NED	Group Role	X		X		
NED	Group Role	X				
CEO	Executive	X	Chair			
CFO	Executive	X				

One INED was formally appointed to the Board in April 2022 following the resignation of the Chair of the Board. An existing INED was appointed as the new Chair of the Board and Chair of the Remuneration and Nomination Committee. The newly appointed INED became Chair of the Risk and Compliance Committee in October 2022. The INED Chair of the Audit Committee resigned in December 2022, with a replacement appointed in January 2023. A new CFO dedicated to the Company was appointed to the Board in March 2022.

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:

- 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 the Company's operations, to ensure appropriate management of conduct risk and safeguard the needs of the Company's customers. The key responsibilities of this committee are to:

- Monitor the performance of the Company 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 the Company'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 the Company to be outside of its stated risk appetite or unaligned to its Customer Outcomes Statements; and
- Review the conduct MI suite against risk appetite.

The committee consists of six members: the CEO (the Chair), Chief Operating and Claims Officer ('COCO'), Chief Risk Officer ('CRO'), Interim 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 (Chair);
- Agency, Audit and Quality Assurance Manager;
- Conduct Risk Manager;
- Head of Claims Operations and Delegated Authority;
- Head of Compliance Advice;
- Customer Relations Manager; and
- 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 the Company'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(Chair);
- Conduct Risk Manager;
- Agency, Audit and Quality Assurance Manager;
- Head of Claims Operations and Delegated Authority;
- Head of Compliance Advice; and
- 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 consists of six members: the CEO, CFO, CRO, CUO, COCO and 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; and
- 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 programmes that exceed the underwriting authority limits granted to underwriters as well as programmes that are likely to cause the Company 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;
- Monitor reinsurance programme adequacy and usage;
- 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;
- Monitor the insurance and reinsurance underwriting risk profile and exposures at risk and aggregate level and the steps that have been taken to monitor and control such exposures;
- Monitor claims movements and large losses;
- Monitor bordereau receipt and processing;
- Monitor credit risk associated with underwriting, including counterparty default risk and credit exposures;
- Monitor Independent Expert Review reports and recommended actions; and
- 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, approve and / or monitor capital model development, capital results and forecasts; and
- Ensure that the Company's capital remains within the risk appetite approved by the Board.

The committee consists of five members: the CFO, Head of Risk, Head of Capital Management, Chief Actuary and 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;
- Ensure the accuracy of the Company earning patterns and hence maintains appropriate levels of reserves;
- Determine and recommend reserving methodology for the business underwritten by the Company;
- 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;
- Ensure the process is conducted in accordance with agreed timelines; and
- 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: the CEO, CRO, CFO and CUO.

B.1.2.3.6 *Data Governance Management Committee*

The committee is responsible for managing the Company's data in a responsible, proportionate manner in order to protect and enhance the value of the Company. This includes:

- Setting and communicating clear minimum standards;
- Defining accountability for source data and key activities including data handovers;
- Providing a mechanism for monitoring adherence to the related requirements;
- Alignment to AIL's Data Management Policy;
- Ensuring all data quality regulatory requirements are met; and
- Reviewing and reporting data errors and assessing their likely probability and impact.

The committee consists of nine members: the COCO, CRO, CUO, Head of Operations, Financial Controller, Head of Reserving, Head of Data Governance, Data Privacy Officer and Head of Claims Operations and Delegated Authority.

B.1.2.4 Second Line Board Committees

B.1.2.4.1 *Risk and Compliance Committee*

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

- Oversee all aspects of the Company's risk management and to support the Board in the implementation of a robust risk management framework, including identifying, monitoring and managing risks to assist the Board in the delivery of the strategic objectives and business plans; and
- 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;
- Review the Company's systems and controls around prevention and detection of fraud, anti-money laundering and bribery in accordance with regulatory requirements; and
- Oversee the adequacy of resourcing of the Compliance function.

The committee consists of three members: the Chair of the Board and the two 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;
- Monitor the effectiveness of the internal financial controls regarding financial reporting;
- Approve the Internal Audit Plan, and receive reports from Internal Audit on the effectiveness of internal controls;
- 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;
- Make a recommendation for the appointment of the external audit firm;
- Review and monitor the external auditor's qualifications and independence;
- 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;
- 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
- 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 2022:

- The Chair of the Board resigned in April 2022. An existing INED was appointed as the new Chair of the Board and Chair of the Remuneration and Nomination Committee in April 2022.
- A new INED was appointed in April 2022 who has assumed the position of Chair of the Risk and Compliance Committee from October 2022.

Further detail on the changes to Board composition is included in B.1.1.8.

B.1.4 Remuneration Policy

The Remuneration and Nominations Committee is responsible for the adoption and oversight of a fit for purpose Remuneration Policy for the Company. The committee is authorised to review and approve the remuneration plans and programmes that fall within the Remuneration Policy. These are typically either defined at the AIL Group level or follow the AmTrust Group principles with variation as appropriate to the Company and 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 programmes 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 committee is involved in deliberations or decision making on his/her own pay or the pay of the other members of the 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 programmes 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. Performance is assessed against agreed goals (financial and non-financial) and are in line with the applicable value-based competency framework designed to drive desired behaviours, including advancing the Company's culture, risk management and complying with the requirements of the applicable regulatory regimes;
- All variable pay programmes allow for no awards to be made based upon either individual and/or business 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 three years; and
- All programmes 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 management and the 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

During 2022, the Company formally executed on a 100% reinsurance treaty with AIIL to cover any further claims deterioration on the 2019 and prior underwriting books of business as well as any policies deemed to be in Run Off by the Company. This transaction at the end of 2022 benefits from a funds withheld contractual arrangement for 100% of the exposure.

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 Company is committed to employing individuals with the necessary skills, expertise and integrity to fulfil the role, duties and responsibilities for which they are employed in order to protect the interests of the policyholders, shareholders and other stakeholders.

In particular, the Company ensures that it is satisfied that a person performing a Senior Management Function ('SMF') or Certified Person role always meets the following requirements:

- 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 assessing whether members of the Board are fit and proper, the Company take account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the undertaking is managed and overseen in a professional manner, noting that the Board should collectively possess appropriate qualifications, experience and knowledge about at least:

- Insurance and financial markets;
- Business strategy and business models;
- Systems of governance;
- Financial and actuarial analysis; and
- Fegulatory 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 Management function 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 RCSA templates. Each risk is assigned an owner, who is responsible for assessing the risk or performing the control.

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.2.3.3 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 framework to identify, measure, manage, monitor and report upon the financial impact to the Company 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

Risk appetites and associated thresholds are set out in a series of Risk Appetite Statements, along with actions required following a material breach of appetite limits. This includes risk appetites for climate change risk through the above framework. Risk appetites are reviewed and approved by the AEL Board at least annually.

B.3.2.6 Stress and Scenario 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 and recorded in the risk management information 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 performed by risk management as well as through audits, reviews, SOX testing and other monitoring activities performed by Internal Audit, Compliance and other functions within the Company. Key controls are prioritised for regular assessment, with the remainder of the control framework being subject to annual or biennial assessment as a minimum.

B.3.2.9 Economic Capital Modelling

The Company has developed a stochastic capital model to assess Economic Capital. The stochastic capital model provides a second view of capital to compare with the Standard Formula Solvency Capital Requirement ('SCR') and facilitates an ongoing validation of the SCR.

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 is resolved in an orderly manner in the event it is no longer considered viable. 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.3.2.12 Risk Reporting

The Risk Management function report quarterly to the Risk and Compliance Committee through the CRO report. The report includes updates on the outputs of the above processes, including: performance against risk appetites through agreed KRIs; updates on new and evolving emerging risks; updates on new and evolving incidents; and any risk issues identified during the quarter.

The Company completes its full ORSA process (culminating in a full-scope ORSA Report) annually or whenever there is a material change in its risk profile or capital projections. The report, which documents the output of the process, is approved by the AEL Board and is shared with the regulator.

Finally, the CRO produces a report, at least annually, for the Remuneration and Nomination Committee with respect to the alignment of remuneration policies with the risk appetite and risk culture objectives of the Company.

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 a 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 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 Own Risk and Solvency Assessment ('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 always met.

The ORSA process flows directly from 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 compliance oversight is the Head of AEL Compliance. The Company has a dedicated compliance team, with advisory and monitoring sub-teams.

The function provides second line oversight, challenge and advice in accordance with the compliance terms of reference and the annual Compliance Plan, with the Head of Compliance advising on regulatory change programs and leading the management of the relationship with the FCA.

The objectives of the compliance function are to:

- Advise the Company on the identification and management of its compliance risks; and
- Monitor the effectiveness of the first line of defence functions.

Management of the PRA relationship and associated actions are overseen by the UK General Counsel. Compliance supports this work where appropriate and provides horizon scanning in relation to new/altered PRA regulations.

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

B.5 Internal Audit Function

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

The Internal Audit function is a global AmTrust Group function which reports independently to each entity's Audit Committee. Internal Audit provides senior management and the Audit Committees with information, analysis and recommendations about the adequacy, effectiveness and sustainability 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 Management 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, Head of Pricing 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 planned 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 assist in quantifying the risks identified;
- Assessment of risk parameters used in 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 and is governed by an Outsourcing Policy, approved by the Company's Board, which sets out how the Company oversees and manages the risk associated with outsourcing effectively and proportionately. The company also comply with Group policies on third party risk management and procurement which outline important aspects of risk assessment and vendor management.

Critical and important outsourcersare 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 Management, Compliance and Internal Audit functions. Monitoring findings are reported to the Risk and Compliance Committee or the Audit Committee as appropriate.

The Company outsources a range of critical and important activities both within the Group and externally. Intra-group arrangements include the provision of actuarial, legal, procurement, IT, investment management and accounting activities, as well as delegated claims and complaints handling. These activities are mostly carried out in the UK. IT and investment management services outsourced within the Group are based in the USA. IT services include application development and support, project delivery, licensing and telecoms and network provision.

The Company also delegates authority to handle claimsand complaints for specific classes of business to third party coverholders, agents and brokers predominantly based in the UK. The provision of data centre and data storage services is outsourced to external third parties within the UK.

The Company does not outsource any of the four key functions (as defined by Solvency II) outside of the Group.

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 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, Collateral, Funds Withheld	• 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, Cyber security and Systems • Conduct, Financial Crime • Outsourcing • People	• Operational risk
6	Liquidity	• Liquidity	• Not included in SCR calculation • These are risks for which insurers do not typically hold capital
7	Legal, Strategic	• Legal and regulatory • Execution and Governance	
8	Group, Solvency	• Group • Solvency	

Material Changes to the Risk Profile

The execution of the new reinsurance arrangement with AIIL significantly reduces the risk of volatility in prior year development, reducing the Company's exposure to reserve risk. The transaction is on a funds withheld basis at December 2022. This mitigates the associated increased direct credit and currency risk of the related receivables, given that the funds remain with the Company.

Quantification of Modelled Risks by Risk Category

The table below sets out the quantification as at 31 December 2022 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)			
	2022	2021	Change (Y/Y)	% change
Health NSLT underwriting risk	45	767	(722)	(94%)
Non-Life underwriting risk	84,158	119,256	(35,098)	(29%)
Market risk	17,855	18,780	(925)	(5%)
Counterparty default risk	10,795	14,423	(3,628)	(25%)
Undiversified Basic SCR	**112,853**	**153,226**	**(40,373)**	**(26%)**
Diversification credit	(16,547)	(19,917)	3,370	(17%)
Basic SCR	**96,306**	**133,309**	**(37,003)**	**(28%)**
Operational risk	18,149	16,108	2,041	13%
Standard Formula SCR	**114,455**	**149,417**	**(34,962)**	**(23%)**
MCR	**32,226**	**54,806**	**(22,580)**	**(41%)**
Own Funds	**211,448**	**216,122**	**(4,674)**	**(2%)**
Ratio of Own Funds to SCR	**185%**	**145%**	**40%**	

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 the professional indemnity and legal expenses lines of business. These lines of business accounted for approximately 66% of the Company's total GWP for 2022. 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 the Company's catastrophe risk and is relatively small relative to other risk exposures. The Company has also developed 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 66% of the Company's 2022 GWP is attributable to legal expenses and PI.

C.1.3 Material Risk Mitigation

The Company takes on underwriting risks 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, a global third-party reinsurer rated “AA-” by Standard & Poor. The current contract ends on 30 June 2023, although the Company intends to renew either with Swiss Re or with an alternative partner. On its back book, the Company is reliant on quota share arrangements and the aforementioned new reinsurance arrangement with AIIL, an “A-“rated affiliated reinsurance company domiciled in Bermuda.

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 Company identifies and measures 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 risk 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 the Company.

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 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 and money market deposits. The Company has limited appetite for investments in equities and no appetite for 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 by tracking the 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 occupied or part-occupied by the Company or other entities within the AmTrust Group 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 the credit rating of banks, reinsurers and bonds, exposure to individual external reinsurer counterparties and banks as percentage of SCR and credit extended to intermediaries compared with limits set by the Finance function.

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 (£124m or 50% of the Compan's total exposure).

The Company 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 (£32m or 13% of The Company's total exposure) and JP Morgan (£9m or 3% of The Company's total exposure).

The Company's largest corporate bond exposure is to Procter & Gamble, making up of 2.1% of the investment portfolio (excluding cash). Other large bond exposures are to Total Energies Capital International SA, Westpac Banking and Bank of America.

C.3.3 Material Risk Mitigation

To reduce the Company's exposure to reinsurance credit risk, the financial condition of reinsurers is evaluated, and reinsurance is placed with companies and syndicates that are believed to be financially sound. The large exposure to the AIIL quota share is fully collateralised and the new reinsurance arrangement with AIIL is on a funds withheld basis at December 2022. The Swiss Re quota share contract that renewed on 1 July 2022 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 by the Company's nominated external credit assessment institutions ('ECAIs'), sufficient Solvency II (or equivalent) Solvency Ratio 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-" or better by the Company's nominated ECAIs. 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 are rated “A-“ or higher by the Company’s nominated ECAIs, 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 is the risk that the Company is unable to meet its payment obligations, when due, at a reasonable cost. The Company aims to maintain sufficient liquid assets to be able to meet its liabilities as they fall due.

The Company calculates a liquidity ratio based on comparing current assets with liabilities, to monitor and manage liquidity. Cash flow patterns are continuously monitored and liquidity is controlled by maintaining sufficient cash and highly marketable securities to maintain liquidity risk at acceptably low levels.

The liquidity ratio 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 holdings when deemed appropriate to ensure it is able 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 to minimise the risk of significant deterioration of the investment portfolio while earning profitable returns from those investments. This is monitored through the Investment and Capital Management Committee and KRI reporting.

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 £44m. This amount is highly illiquid, but represents less than 21% 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.

The liquidity stress tests performed as part of the ORSA process concluded that the Company can satisfy its contractual obligations in a stressed environment with its defined available liquidity.

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).

Following the COVID-19 pandemic, the Company has adopted a hybrid working model i.e. a combination of office and remote working, having demonstrated its ability to continue its operations remotely and provide services and products to its customers. The Company continues to monitor and manage the additional operational risks associated with this mode of working, including reliance on IT and communications.

C.5.2 Material Risk Concentrations

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

The majority of the Company'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.

C.5.3 Material Risk Mitigation

The Company does not seek to take on operational risk 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 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 credit 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 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 2022		*£'m*	*£'m*	*£'m*	*£'m*	*%*	*%*
Solvency position		114.5	N/A	213.0	N/A	186.1%	N/A
Underwriting	25% increase in volume of GWP in next 12 months	115.8	1.3	212.8	(0.2)	183.7%	(2.4)%
Underwriting	25% decrease in volume of GWP in next 12 months	113.2	(1.3)	213.1	0.1	188.3%	2.2%
Underwriting	25% increase in Claims provisions	123.4	8.9	183.9	(29.1)	149.1%	(37.0)%
Underwriting	25% decrease in Claims provisions	106.2	(8.3)	243.4	30.4	229.3%	43.2%
Market	Asset durations increase to match liability durations	126.8	12.3	213.0	-	168.0%	(18.1)%
Market	Asset durations increase to exceed liability durations by 25%	130.4	15.9	213.0	-	163.4%	(22.7)%
Market	Yield Curve Upshock	111.2	(3.3)	201.0	(12.0)	180.8%	(5.3)%
Market	Yield Curve Downshock	117.7	3.2	224.2	11.2	190.5%	4.4%
Credit	Fall in rating of one credit step for three largest reinsurers	115.4	0.9	212.9	(0.1)	184.5%	(1.6)%
Operational	50% increase in TP expenses	115.6	1.1	202.1	(10.9)	174.9%	(11.2)%

The risk with the largest effect on the solvency ratio is underwriting risk, in particular with respect to increases and decreases in claims provisions. 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 2022.

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	*£'000*	*£'000*	*£'000*
Assets				
Deferred acquisition costs	59,850		(59,850)	0
Deferred tax asset	2,828		(2,828)	0
Property, plant and equipment held for own	1,825		1,124	2,949
Investments (other than assets held for index-linked and unit-linked contracts):				0
Property (other than for own use)	5,038		0	5,038
Equities:				0
Equities - unlisted	5,005		0	5,005
Bonds:				0
Government bonds	339,483		0	339,483
Corporate bonds	174,076		4	174,080
Collateralised securities	0			0
Loans and mortgages	65,319		(1,204)	64,115
Reinsurance recoverables from:				0
Non-life excluding health	650,657	(106,495)	(73,381)	470,781
Health similar to non-life	0		1,439	1,439
Deposits to cedants	43			43
Insurance and intermediaries receivables	207,693	(207,693)	0	0
Reinsurance receivables	44,064		0	44,064
Receivables (trade, not insurance)	13,881	7,265	0	21,146
Cash and cash equivalents	42,004	(380)	3	41,627
Any other assets, not elsewhere shown	0	0	0	0
Total assets	1,611,766	(307,303)	(134,693)	1,169,770

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
	£'000	*£'000*	*£'000*	*£'000*
Liabilities				
Technical provisions – non-life:	879,485	(168,308)	(711,177)	0
Technical provisions – non-life (excluding health):				0
Best estimate			603,716	603,716
Risk margin			13,551	13,551
Technical provisions - health (similar to non-life):				0
Best estimate			1,274	1,274
Risk margin			(17)	(17)
Deposits from reinsurers	298,316		0	298,316
Deferred tax liabilities	0		838	838
Provisions other than technical provisions	7,458		0	7,458
Insurance and intermediaries payables	37,079	(35,000)	0	2,079
Reinsurance payables	177,054	(106,495)	(53,877)	16,682
Payables (trade, not insurance)	0		0	0
Any other liabilities, not elsewhere shown	11,925	2,500	0	14,425
Total liabilities	1,411,317	(307,303)	(145,692)	958,322
Excess of assets over liabilities	200,449	0	10,999	211,448

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 at least the following 12 months from the date of the approval of the SFCR.

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.

The Directors have evaluated the results of the assessments conducted by management, including stresses and believe that the going concern basis of preparing the 31 December 2022 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	59,850		(59,850)	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	2,828		(2,828)	0

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.

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	1,825		1,124	2,949
Property (other than for own use)	5,038		0	5,038

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 2022.

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 0 below.

D.1.4 Investments

D.1.4.1 Bonds and Equity Securities.

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Bonds:				0
Government bonds	339,483		0	339,483
Corporate bonds	174,076		4	174,080
Collateralised securities	0			0
Equities:				
Equities – unlisted	5,005		0	5,005

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 the Investment and Capital ManagementCommittee.

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 2022, the Company had £514m 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	65,319		(1,204)	64,115

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 (£1.2m) 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 2022.

D.1.6 Reinsurance Recoverables

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Reinsurance recoverables from:				0
Non-life excluding health	650,657	(106,495)	(73,381)	470,781
Health similar to non-life	0		1,439	1,439

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 0.

D.1.7 Deposits to cedants

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Deposits to cedants	43			43

D.1.8 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	207,693	(207,693)	0	0
Reinsurance receivables	44,064		0	44,064
Receivables (trade, not insurance)	13,881	7,265	0	21,146

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.1.9 Cash and Other Assets

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Assets	*£'000*	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	42,004	(380)	3	41,627
Any other assets, not elsewhere shown	0	0	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 £146.3m compared to £228.8m on a UK GAAP basis, a difference of 36.1%.

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

31 December 2022 Class	Gross of Reinsurance (£'000)	Recoverable from Reinsurance (£'000)	Net of Reinsurance (£'000)	Risk Margin (£'000)	Total Technical Provisions (£'000)
Assistance	262	121	141	14	155
Credit and suretyship	12,024	9,111	2,913	297	3,210
Fire and other damage to property	22,443	13,335	9,108	928	10,036
Legal expenses	54,973	35,637	19,336	1,971	21,307
Medical expense	1,274	1,439	(165)	(17)	(182)
Miscellaneous financial loss	82,766	53,557	29,209	2,978	32,187
General liability	431,248	359,020	72,228	7,363	79,591
Total	*604,990*	*472,220*	*132,770*	*13,534*	*146,304*

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	387	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

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 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;
- The existence of profit caps and profit shares for some programs which also adds to the uncertainty in aggregate estimates; and
- The increase in inflation impacting a number of lines of business.

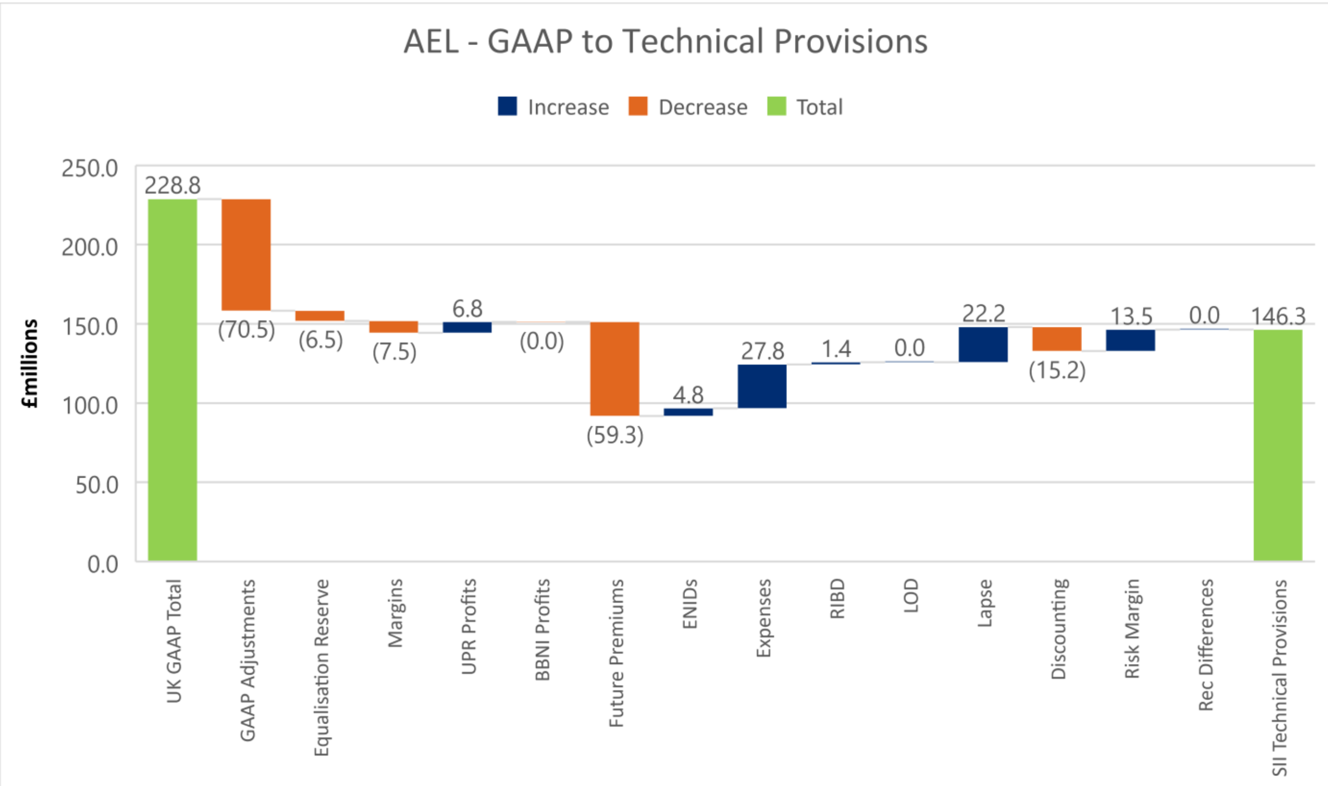
D.2.2 Solvency II Related Uncertainties

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 unincepted 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. The Company 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

Since 2019, the Company has had 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 2022.

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.

During 2022 a reinsurance agreement was put in place with AIIL. Under this arrangement all outstanding liabilities from underwriting years 2019 and prior are reinsured. In addition, the treaty also covers underwriting years 2020-2022 for the run-off lines of business.

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 increased claims development during the year.
- The credit for discounting has moved in line with the increase in the yield curves (as provided by PRA).
- Net liabilities have significantly reduced due to the reinsurance arrangement described in the section above.

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	7,458		0	7,458

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 Deferred tax liabilities

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Liabilities	*£'000*	*£'000*	*£'000*	*£'000*
Deferred tax liabilities	0		838	838

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. Due to the size of this increase, the Company has booked a deferred tax liability. This adjustment has been made at the appropriate rate.

D.3.3 Loans, Payables and Other Liabilities

	Statutory Accounts Value	Reclassification Adjustments	Valuation Adjustments	Solvency II Value
Liabilities	*£'000*	*£'000*	*£'000*	*£'000*
Deposits from reinsurers	298,316		0	298,316
Insurance and intermediaries payables	37,079	(35,000)	0	2,079
Reinsurance payables	177,054	(106,495)	(53,877)	16,682
Payables (trade, not insurance)	0		0	0
Any other liabilities, not elsewhere shown	11,925	2,500	0	14,425

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.

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

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

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

D.4 Alternative Methods for Valuation

D.4.1 Property, Plant and Equipment Held

Within the UK GAAP annual accounts, property held other than for own use is valued at fair market value while property held for own use is valued at fair market value less accumulated depreciation. The latest valuation was performed as at 31 December 2022.

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

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

D.4.2 Loans and Mortgages

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

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

D.5 Any Other Information

None noted.

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	2022	2021
Ordinary share capital	75,044	75,044
Share premium	11,642	11,642
Reconciliation reserve	124,762	126,300
An amount equal to the value of net deferred tax assets	0	3,136
Own Funds	**211,448**	**216,122**

The Company's amount of Own Funds eligible to cover its SCR as of 31 December 2022 and 2021 are listed in the tables below.

Solvency Overview, as of 31 December 2022					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 114,455	1	211,448	100%	211,448	
	2	0	0	0	
	3	0	0	0	
	Total	**211,448**		**211,448**	**185%**

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%

The Company's amount of Own Funds eligible to cover its MCR as of 31 December 2022 and 2021 are listed in the tables below.

Solvency Overview, as of 31 December 2022					
£'000	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR 32,226	1	211,448	100%	211,448	
	2	0	0	0	
	3	0	0%	0	
	Total	211,448		211,448	656%

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%

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.

	2022	2021
	£'000	*£'000*
Equity per financial statements	200,449	216,091
Differences in valuation of technical provision related items	14,738	375
Solvency II valuation adjustments to assets and liabilities	(3,739)	(344)
Solvency II own funds	211,448	216,122

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	2022	2021
	£'000	*£'000*
SCR	114,455	149,417
MCR	32,226	54,806

E.2.1 Solvency Capital Requirement

SCR by Risk Module	2022	2021	Variance	
	£'000	*£'000*	*£'000*	*%*
Health NSLT underwriting risk	45	767	(722)	(94%)
Non-Life underwriting risk	84,158	119,256	(35,098)	(29%)
Market risk	17,855	18,780	(925)	(5%)
Counterparty default risk	10,795	14,423	(3,628)	(25%)
Undiversified Basic SCR	**112,853**	**153,226**	**(40,373)**	**(26%)**
Diversification credit	(16,547)	(19,917)	3,370	(17%)
Basic SCR	**96,306**	**133,309**	**(37,003)**	**(28%)**
Operational risk	18,149	16,108	2,041	13%
Standard Formula SCR	**114,455**	**149,417**	**(34,962)**	**(23%)**

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	2022	2021
	£'000	*£'000*
Linear MCR	32,226	54,806
SCR	114,455	149,417
MCR cap	51,505	67,238
MCR floor	28,614	37,354
Combined MCR	32,226	54,806
Absolute floor of the MCR	3,445	3,126
Minimum Capital requirement	**32,226**	**54,806**

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	
	2022	*2021*	*2022*	*2021*
Medical expenses	0	625	59	916
Motor vehicle liability	0	0	0	0
Other motor	0	0	0	0
Fire and other damage to property	9,108	12,001	18,810	21,104
General liability	72,228	154,822	59,931	79,627
Credit and suretyship	2,913	8,273	2,625	6,112
Legal expenses	19,336	43,388	34,963	40,281
Assistance	140	387	293	306
Miscellaneous financial loss	29,210	52,360	28,851	49,932
Non-proportional property reinsurance	0	0	2,244	0

E.2.3 Material Change in SCR and MCR

Solvency coverage has increased to 185% at 31 December 2022 from 145% at 31 December 2021. This movement is principally due to the following factors in the year:

- During the year, the Company undertook a reinsurance arrangement on business underwritten in 2019 and prior years and 2020 – 2022 run-off classes to AIIL. This resulted in a significant reduction in the Company's premium and reserve risk, as well as non-life catastrophe 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;
- The Company experienced unfavourable market value movements on it's investment during 2022, as a result negatively impacting own funds;
- The partial repayment of AIIL loans assets reduced market concentration risk;
- Market risk interest rate risk increased during 2022, predominantely due to a significant increase in interest rates; and
- The proportion of government bond holdings of the total investment portfolio increased during the year, which led to a fall in market spread risk. Duration on corporate and government bond holdings also reduced during the year resulting in a fall in market spread risk.

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

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

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

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

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

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

E.6 Any Other Information

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	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	2,949
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	523,607
Property (other than for own use)	R0080	5,038
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	5,005
Equities - listed	R0110	0
Equities - unlisted	R0120	5,005
Bonds	R0130	513,563
Government Bonds	R0140	339,483
Corporate Bonds	R0150	174,080
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	64,115
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	64,115
Reinsurance recoverables from:	R0270	472,220
Non-life and health similar to non-life	R0280	472,220
Non-life excluding health	R0290	470,781
Health similar to non-life	R0300	1,439
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	43
Insurance and intermediaries receivables	R0360	0
Reinsurance receivables	R0370	44,064
Receivables (trade, not insurance)	R0380	21,146
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	41,625
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	1,169,770

Annex 1
S.02.01.01
Balance sheet

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	618,524
Technical provisions – non-life (excluding health)	R0520	617,267
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	603,716
Risk margin	R0550	13,551
Technical provisions - health (similar to non-life)	R0560	1,257
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	1,274
Risk margin	R0590	-17
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	7,458
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	298,316
Deferred tax liabilities	R0780	838
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	2,079
Reinsurance payables	R0830	16,682
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	14,425
Total liabilities	R0900	958,322
Excess of assets over liabilities	R1000	211,448

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	8	0	0	0	0	0	33,752	105,191	0
Gross - Proportional reinsurance accepted	R0120	131	0	0	0	0	0	0	0	9,365
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	79	0	0	0	0	0	14,942	45,484	6,739
Net	R0200	59	0	0	0	0	0	18,810	59,707	2,625
Premiums earned										
Gross - Direct Business	R0210	102	0	0	0	0	0	29,046	121,833	0
Gross - Proportional reinsurance accepted	R0220	484	0	0	0	0	0	0	0	10,347
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	278	0	0	0	0	0	10,334	51,314	7,352
Net	R0300	308	0	0	0	0	0	18,712	70,519	2,995
Claims incurred										
Gross - Direct Business	R0310	-868	0	0	0	0	0	11,817	137,742	-4
Gross - Proportional reinsurance accepted	R0320	173	0	0	0	0	0	0	-7	4,738
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	-404	0	0	0	0	0	5,832	91,294	2,978
Net	R0400	-291	0	0	0	0	0	5,985	46,441	1,756
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	74	0	0	0	0	0	14,397	39,029	3,256
Other expenses	R1200									
Total expenses	R1300									

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	61,929	659	25,572					227,110
Gross - Proportional reinsurance accepted	R0120	9,391		27,068					45,955
Gross - Non-proportional reinsurance accepted	R0130							3,963	3,963
Reinsurers' share	R0140	36,357	366	23,790				1,719	129,475
Net	R0200	34,963	293	28,851				2,244	147,552
Premiums earned									
Gross - Direct Business	R0210	75,767	602	44,841					272,191
Gross - Proportional reinsurance accepted	R0220	9,857	0	20,586					41,275
Gross - Non-proportional reinsurance accepted	R0230							4,351	4,351
Reinsurers' share	R0240	39,403	337	30,280				1,547	140,845
Net	R0300	46,221	265	35,148				2,804	176,971
Claims incurred									
Gross - Direct Business	R0310	41,238	282	28,759					218,965
Gross - Proportional reinsurance accepted	R0320	10,104	0	11,588					26,596
Gross - Non-proportional reinsurance accepted	R0330							1,486	1,486
Reinsurers' share	R0340	29,220	176	12,698				736	142,530
Net	R0400	22,122	106	27,649				749	104,517
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550	12,394	-34	11,377				1,812	82,305
Other expenses	R1200								

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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		AU (by amount of gross premiums written)	KR (by amount of gross premiums written)	VN (by amount of gross premiums written)	PE (by amount of gross premiums written)	BO (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	173,839	79,320	0	0	0	0	253,159
Gross - Proportional reinsurance accepted	R0120	12,398	0	11,387	4,385	4,372	4,321	36,863
Gross - Non-proportional reinsurance accepted	R0130	3,963	0	0	0	0	0	3,963
Reinsurers' share	R0140	89,838	31,724	8,146	2,211	2,598	3,298	137,814
Net	R0200	100,361	47,597	3,241	2,173	1,774	1,023	156,170
Premiums earned								
Gross - Direct Business	R0210	255,203	31,984	0	0	0	0	287,187
Gross - Proportional reinsurance accepted	R0220	11,977	0	9,698	1,877	5,869	3,692	33,113
Gross - Non-proportional reinsurance accepted	R0230	4,351	0	0	0	0	0	4,351
Reinsurers' share	R0240	118,250	9,659	7,590	901	3,162	3,285	142,847
Net	R0300	153,280	22,326	2,108	976	2,707	407	181,804
Claims incurred								
Gross - Direct Business	R0310	194,564	31,565	0	0	0	0	226,129
Gross - Proportional reinsurance accepted	R0320	10,324	0	955	-3,915	4,470	268	12,102
Gross - Non-proportional reinsurance accepted	R0330	1,486	0	0	0	0	0	1,486
Reinsurers' share	R0340	122,101	13,984	477	-1,191	2,736	244	138,352
Net	R0400	84,272	17,581	477	-2,723	1,734	24	101,365
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	66,221	16,978	1,463	559	2,357	574	88,152
Other expenses	R1200							0
Total expenses	R1300							88,152

Annex 1

S.17.01.02

Non-Life technical provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total 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	62	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	58	0	0	0	0	0
Net Best Estimate of Premium Provisions	R0150	4	0	0	0	0	0
Claims provisions							
Gross - Total	R0160	1,212	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,382	0	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	-170	0	0	0	0	0
Total Best estimate - Gross	R0260	1,274	0	0	0	0	0
Total Best estimate - Net	R0270	-165	0	0	0	0	0
Risk margin	R0280	-17	0	0	0	0	0
Amount of the transitional on Technical Provisions							
TP as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk Margin	R0310	0	0	0	0	0	0
Technical provisions							
Technical provisions - total	R0320	1,257	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	1,439	0	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-182	0	0	0	0	0

Annex 1
S.17.01.02
Non-Life technical provisions

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total 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	3,522	132,252	-145	-12,525	290	38,231
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1,566	118,620	-305	-7,499	182	24,273
Net Best Estimate of Premium Provisions	R0150	1,956	13,632	160	-5,025	108	13,958
Claims provisions							
Gross - Total	R0160	18,921	298,996	12,169	67,498	-28	44,535
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	11,769	240,400	9,416	43,137	-61	29,283
Net Best Estimate of Claims Provisions	R0250	7,151	58,596	2,753	24,361	32	15,252
Total Best estimate - Gross	R0260	22,443	431,248	12,024	54,973	262	82,766
Total Best estimate - Net	R0270	9,108	72,228	2,913	19,336	140	29,210
Risk margin	R0280	928	7,363	297	1,971	14	2,978
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	23,371	438,611	12,321	56,944	276	85,743
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	13,335	359,020	9,111	35,637	121	53,556
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	10,036	79,591	3,210	21,307	155	32,187

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	161,688
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	136,894
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	24,793
Claims provisions						
Gross - Total	R0160	0	0	0	0	443,302
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	335,326
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	107,977
Total Best estimate - Gross	R0260	0	0	0	0	604,990
Total Best estimate - Net	R0270	0	0	0	0	132,770
Risk margin	R0280	0	0	0	0	13,534
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	618,524
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	472,220
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	0	0	0	0	146,304

Annex 1

S.19.01.21 (unaudited)

Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	2 - Underwriting Year

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

	Year	0	1	2	3	4	5	6	7	8	9	10 & +			In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											104,982		R0100	104,982	380,839
N-9	R0160	5,557	25,385	24,146	18,356	11,101	7,704	5,968	4,462	1,021	2,460			R0160	2,460	106,160
N-8	R0170	13,223	34,776	17,313	11,786	11,882	7,632	6,380	8,248	3,429				R0170	3,429	114,667
N-7	R0180	10,875	30,865	17,714	16,272	8,948	8,142	11,290	4,952					R0180	4,952	109,056
N-6	R0190	9,431	29,390	30,812	17,492	11,991	10,857	14,439						R0190	14,439	124,412
N-5	R0200	12,970	42,571	26,119	12,291	10,605	12,283							R0200	12,283	116,838
N-4	R0210	15,629	46,468	39,828	23,618	11,195								R0210	11,195	136,739
N-3	R0220	11,049	54,900	34,005	20,725									R0220	20,725	120,680
N-2	R0230	11,649	44,520	20,101										R0230	20,101	76,270
N-1	R0240	14,214	23,376											R0240	23,376	37,590
N	R0250	5,862												R0250	5,862	5,862
													Total	R0260	223,802	1,329,113

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											48,018		R0100	38,439
N-9	R0160	0	0	0	0	0	0	0	0	0	12,044			R0160	9,559
N-8	R0170	0	0	0	0	0	0	0	0	17,128				R0170	13,019
N-7	R0180	0	0	0	0	0	0	0	27,077					R0180	22,770
N-6	R0190	0	0	0	0	0	0	62,691						R0190	54,057
N-5	R0200	0	0	0	0	0	29,671							R0200	25,739
N-4	R0210	0	0	0	0	53,881								R0210	49,325
N-3	R0220	0	0	0	76,640									R0220	70,709
N-2	R0230	0	0	92,142										R0230	85,707
N-1	R0240	0	116,885											R0240	107,952
N	R0250	71,558												R0250	64,602
													Total	R0260	541,878

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	124,762	124,762			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
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	211,448	211,448	0	0	0
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

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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	211,448	211,448	0	0	0
Total available own funds to meet the MCR	R0510	211,448	211,448	0	0	
Total eligible own funds to meet the SCR	R0540	211,448	211,448	0	0	0
Total eligible own funds to meet the MCR	R0550	211,448	211,448	0	0	
SCR	R0580	114,455				
MCR	R0600	32,226				
Ratio of Eligible own funds to SCR	R0620	185%				
Ratio of Eligible own funds to MCR	R0640	656%				

		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	211,448
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	86,686
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	124,762
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	43,997
Total Expected profits included in future premiums (EPIFP)	R0790	43,997

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	17,855		0
Counterparty default risk	R0020	10,795		
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	45	0	0
Non-life underwriting risk	R0050	84,158	0	0
Diversification	R0060	(16,547)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	96,305		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	18,150
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	114,455
Capital add-on already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	R0220	114,455
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

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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	32,226

		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	0	59
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	9,108	18,810
General liability insurance and proportional reinsurance	R0090	72,228	59,931
Credit and suretyship insurance and proportional reinsurance	R0100	2,913	2,625
Legal expenses insurance and proportional reinsurance	R0110	19,336	34,963
Assistance and proportional reinsurance	R0120	140	293
Miscellaneous financial loss insurance and proportional reinsurance	R0130	29,210	28,851
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	2,244

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	32,226
SCR	R0310	114,455
MCR cap	R0320	51,505
MCR floor	R0330	28,614
Combined MCR	R0340	32,226
Absolute floor of the MCR	R0350	3,445
		C0070
Minimum Capital Requirement	R0400	32,226

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