AmTrust International Underwriters DAC

Solvency and Financial Condition Report

For the year ending 31 December 2016

AmTrust International
An AmTrust Financial Company

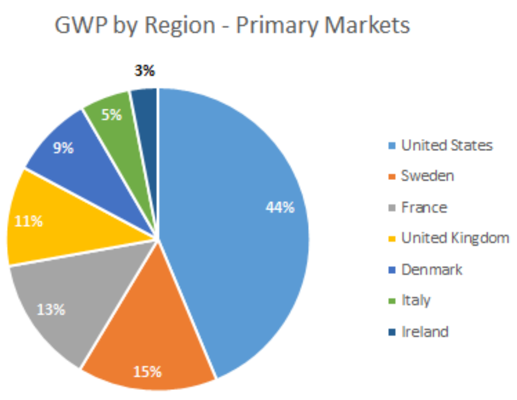
Contents

Summary

Overview of the Business and Context of this report

Business model

AmTrust International Underwriters Designated Activity Company ("AIU" or "the Company") is an Irish registered insurance company, which writes multiple lines of business across the EU, EEA and the USA. Its primary markets as at the end of December 2016 are shown in the chart below.



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

- European Liability;
- USA Liability;
- Medical Malpractice Liability;
- Warranty; and
- Specialty Risks.

The Company is a subsidiary of the AmTrust Financial Services Inc. group which is listed on the US NASDAQ exchange (ticker: AFSI). AFSI is a multinational property and casualty insurer specialising in coverage for small businesses.

Solvency II

As a regulated insurance company, the Company is subject to the regulatory rules and principles adopted by Ireland and the European Union, which came into effect on 1 January 2016. Solvency II is a regulatory regime which is designed to set an appropriate 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 its business model relates to the uncertainty around forecasting what the Company's future claims might be 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 collected. Regulatory capital is designed to act as 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 it operates.

This Solvency and Financial Condition Report ("SFCR") is a Solvency II requirement, which is designed to give the Company's external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. This is the first SFCR prepared by the Company. It is prepared on a solo entity basis and it covers the year ended 31 December 2016.

Material changes to the Company's business model

There have been no material changes in 2016 to the way that the Company conducts business in the lines of business within which it operates. However, the following significant events have impacted the Company during the year or are expected to impact it in the future:

- **Italian Branch:** The Company set up an Italian branch operation to better manage increased Italian business.
- **Brexit:** AIU maintained a risk-based analysis of the impacts of the UK's decision to leave the EU.
- **Outsourcing:** The Company transitioned its support functions to an AmTrust Management Services Ireland Ltd.
- **Status change:** In accordance with Irish Company Law, all financial services companies (which aren't publicly quoted) were required to change their status from "Limited" to "Designated Activity Company" or "DAC" as a shortened version.

Business performance

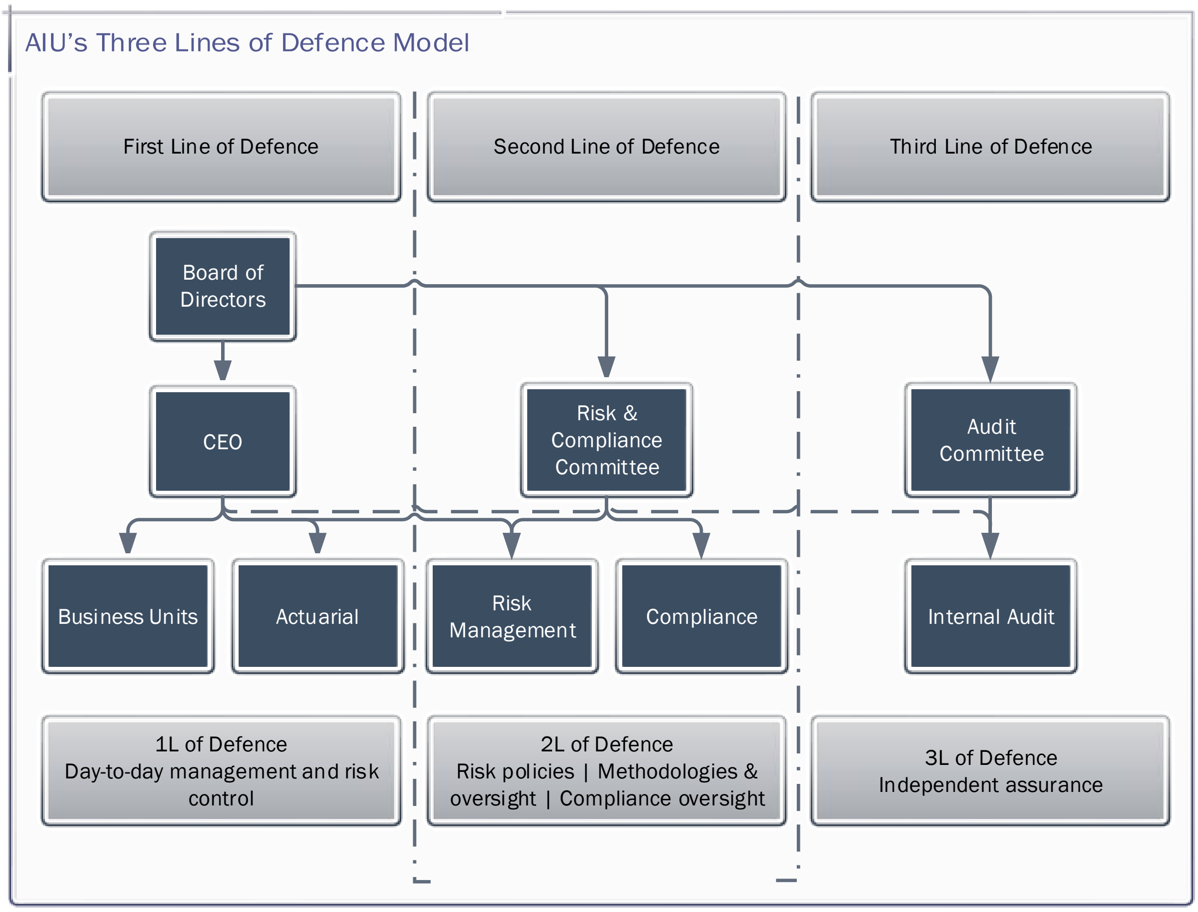
2016	Total €'000
Gross Written Premium	351,946
Gross Earned Premium	336,673
Gross Incurred Claims	(280,939)
Gross Operating Expenses	(44,719)
Gross Technical Result	11,015
Reinsurance Balance	10,082
Net technical result	21,097
Allocated Investment Income	15,994
Balance on Technical Account	37,091

The Company's 2016 projected written premium was slightly down on the prior year. However, when non-renewal business was considered the year-on-year comparison indicates a growth of approximately €25m primarily due to new business and organic growth in the Nordic region and organic growth of a number of the profitable surplus lines programmes.

The main classes of business contributing to the profitability and revenue growth of the Company were Casualty, Nordic business and the Medical Malpractice account.

The Company seeks to adopt clear risk appetites and underwriting disciplines in the lines of business in which it participates and employs experienced and professional underwriters that have a good track record of underwriting profitably throughout the insurance cycle.

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 above within the three lines of defence model. Committees have clear lines of authority and responsibilities which are documented in formal Terms of Reference (TORs). Responsibilities are broadly split between those that support decision making (first line) versus those that challenge and review the systems and controls that manage risk within the Company's business model (second and third line).

Risk Profile

The Company calculates its required capital from a regulatory perspective by reference to certain risk categories that it is exposed to within its business model. The main risks to which the Company is exposed 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 (KRIs) to monitor its exposure to the various risks to which it is exposed and these are evaluated on a quarterly basis.

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 US Casualty business by virtue of the fact that it represented the largest class of business during 2016.

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's material exposures to market risk are: interest rate risk and spread risk on its bond portfolio; foreign exchange risk on its currency exposures and equity risk on its strategic investments in subsidiaries.

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 third party reinsurers.

The Company is subject to material risk exposures with respect to its reinsurers, banks and bond counterparties. The Company is exposed to credit risk in relation to material accounts with Reinsurance counterparties: Maiden Insurance Company Limited and AmTrust International Insurance Limited (AII).

Other risks

The Company is also exposed to the following other risks:

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

Valuation for solvency purposes

The Company's assets and liabilities are valued differently when calculating its regulatory capital under Solvency II and when preparing its annual accounts for filing at the Companies Registration Office. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Irish Generally Accepted Accounting Principles ("Irish GAAP"). The Company also contributes to consolidated accounts prepared by the ultimate parent company, AFSI. These accounts are prepared using accounting standards in the US, referred to as US GAAP.

The valuation rules from the Solvency II Directive utilise International Financial Reporting Standards ("IFRS") as a starting position with various changes applied to move to an economic balance sheet position. Irish GAAP is largely equivalent to the accounting principles applied under IFRS, although differences do exist. Further differences can also occur when comparing Solvency II and Irish GAAP valuation approaches against US GAAP.

Assets and Other liabilities

According to Article 75 of Directive 2009/138/EC an insurance entity shall value assets and liabilities as follows:

(a) Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and

(b) Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

When valuing liabilities under point (b), no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made

The Company values its assets and liabilities in accordance with Irish GAAP with adjustments made where this is not consistent with the requirements of the Solvency II Directive. The key differences are described below and a full analysis of the valuation approaches used are included in Section D (Valuation for Solvency Purposes).

Holdings in related undertakings, including participations

The Company has investments in wholly owned subsidiaries which have been deemed to be strategic participations under the Solvency II guidelines. A strategic participation is defined as an equity investment which:

- is materially less volatile for the following twelve months than the value of other equities in the same period as a result of both the nature of the investment and the influence exercised by the Company;
- the nature is strategic, taking into account all relevant factors, including:
  - the existence of a clear decisive strategy to continue holding the investment for a long period;
  - the consistency of the strategy referred to above with the main policies guiding or limiting the actions of the undertaking;
  - the ability to continue holding the participation;
  - the existence of a durable link;
  - the consistency of the strategy of the investment with that of the group.

As none of the subsidiaries is listed, they are valued on the adjusted equity method.

The adjusted equity method means using the excess of assets over liabilities using Solvency II valuation principles.

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

Receivables and payables

Receivables and payables are valued at amortised cost, consistent with the approach under Irish GAAP, which is not considered to be materially different to the Solvency II valuation principal.

Receivables which 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 Irish GAAP balance sheet and the Solvency II balance sheet. These are purely descriptive in nature.

Technical Provisions ("TPs")

Technical provisions (TPs) represent a valuation of the Company's obligations towards policyholders. The value of technical provisions corresponds to the theoretical amount that the Company would have to pay if it were to transfer its insurance obligations immediately to another insurance company.

The following table shows a summary of the Company's total Technical Provisions as of Q4 2016.

Line of Business	Total Best Estimate Gross	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance Contacts	Total Technical Provisions Net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Income Protection	3,218	0	3,218	(3,975)	**(757)**
Fire and other damage	51,631	1,171	52,802	(44,084)	**8,718**
General Liability	338,059	7,747	345,806	(288,121)	**57,685**
Credit and suretyship	49,166	1,145	50,311	(41,785)	**8,526**
Assistance	2,015	47	2,062	(1,710)	**352**
Miscellaneous financial loss	124,417	1,526	125,943	(114,578)	**11,365**
Total	**568,506**	**11,636**	**580,142**	**(494,252)**	**85,889**

The Company's GAAP reserving policy requires the calculation by the Actuarial function of ultimate loss ratios with no margins for prudence or optimism. An explicit margin is added based on the Reserving Committee recommendations. Solvency II Technical Provisions are evaluated on a best estimate cash-flow basis with items such as unearned premium reserves removed. To convert the Company's Technical Provisions from a GAAP basis to a Solvency II basis, the following key adjustments are made:

- Removal of any margins in the GAAP reserves (including the equalisation reserve).
- Recognition of profit in the Unearned Premium Reserve.
- Recognition of profits in business written prior to but incepting after, the valuation date.
- Allowance for future premiums.
- Allowance for "Events Not In Data" (ENID).
- Allowance for expenses required to service the run-off of the Technical Provisions.
- Allowance for non-recoverable reinsurance.
- Allowance for the future cost of reinsurance in respect of written business.
- Allowance for the impact of policies lapsing.
- Allowance for future investment income (discounting).
- Allowance for a risk margin.

These adjustments are explained in further detail in Section D (Valuation for Solvency Purposes).

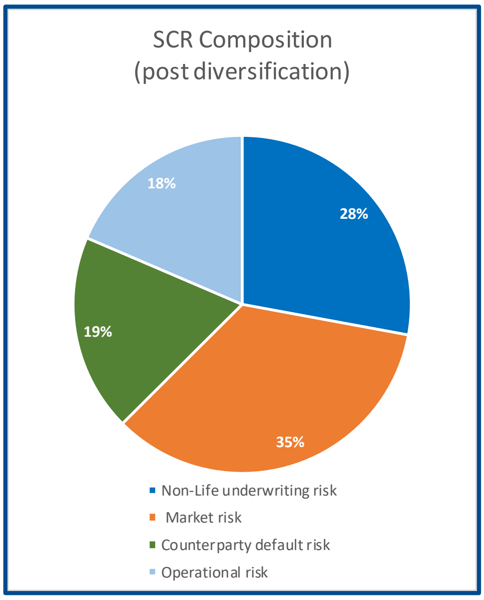
Capital Management

The Company uses an external system, VEGA, provided by Milliman to calculate its Solvency Capital Requirement ("SCR") and its Minimum Capital Requirements ("MCR"). The Company does not use any Undertaking Specific Parameters ("USPs") allowed under Solvency II, nor does it use simplified calculations for any of the risk modules.

Capital Requirements 31 Dec 2016	€'000
SCR	**92,167**
MCR	**23,042**

The Company's SCR split by risk module as at 31 December 2016 is shown in the table below.

Solvency Capital Requirement	€'000
Heath NSLT underwriting risk	361
Non-Life underwriting risk	34,540
Market risk	42,870
Counterparty default risk	23,410
Undiversified Basic SCR	**101,181**
Diversification credit	(26,070)
Basic SCR	**75,112**
Operational risk	17,055
Standard formula SCR	**92,167**



A. Business and Performance

A.1 Business

A.1.1 Name and legal form of undertaking

AmTrust International Underwriters Designated Activity Company ("AIU" or "the Company") is a Company limited by shares (Company Number 169384).

The Company's registered address is as follows:

AmTrust International Underwriters DAC,
40 Westland Row,
Dublin 2.
D02 HW74

A.1.2 Supervisory authority

The Company is regulated by the Central Bank of Ireland (the "Central Bank"). The Central Bank was created on 1 February 1943. The Central Bank Reform Act 2010 (the "Act") created the new single unitary body, the Central Bank, which replaced the previous related entities, the Central Bank and the Financial Services Authority of Ireland and the Financial Regulator. The Act commenced on 1 October 2010 the Central Bank's primary objectives are set out therein.

The Central Bank's registered address is as follows:

Central Bank of Ireland,
New Wapping Street,
North Wall Quay,
Dublin 1

Tel +353 (0) 1 224 6000
Fax +353 (0) 1 671 5550
enquiries@centralbank.ie

A.1.3 External auditor

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

KPMG,
1 Harbourmaster Place,
IFSC,
Dublin 1
Tel +353 1 410 1888

A.1.4 Shareholders of qualifying holding in the undertaking

The Company is a wholly owned subsidiary of AmTrust Equity Solutions which is a Bermuda based company. The Company's ultimate parent is AmTrust Financial Services Inc (AFSI) which is a Delaware registered US corporation.

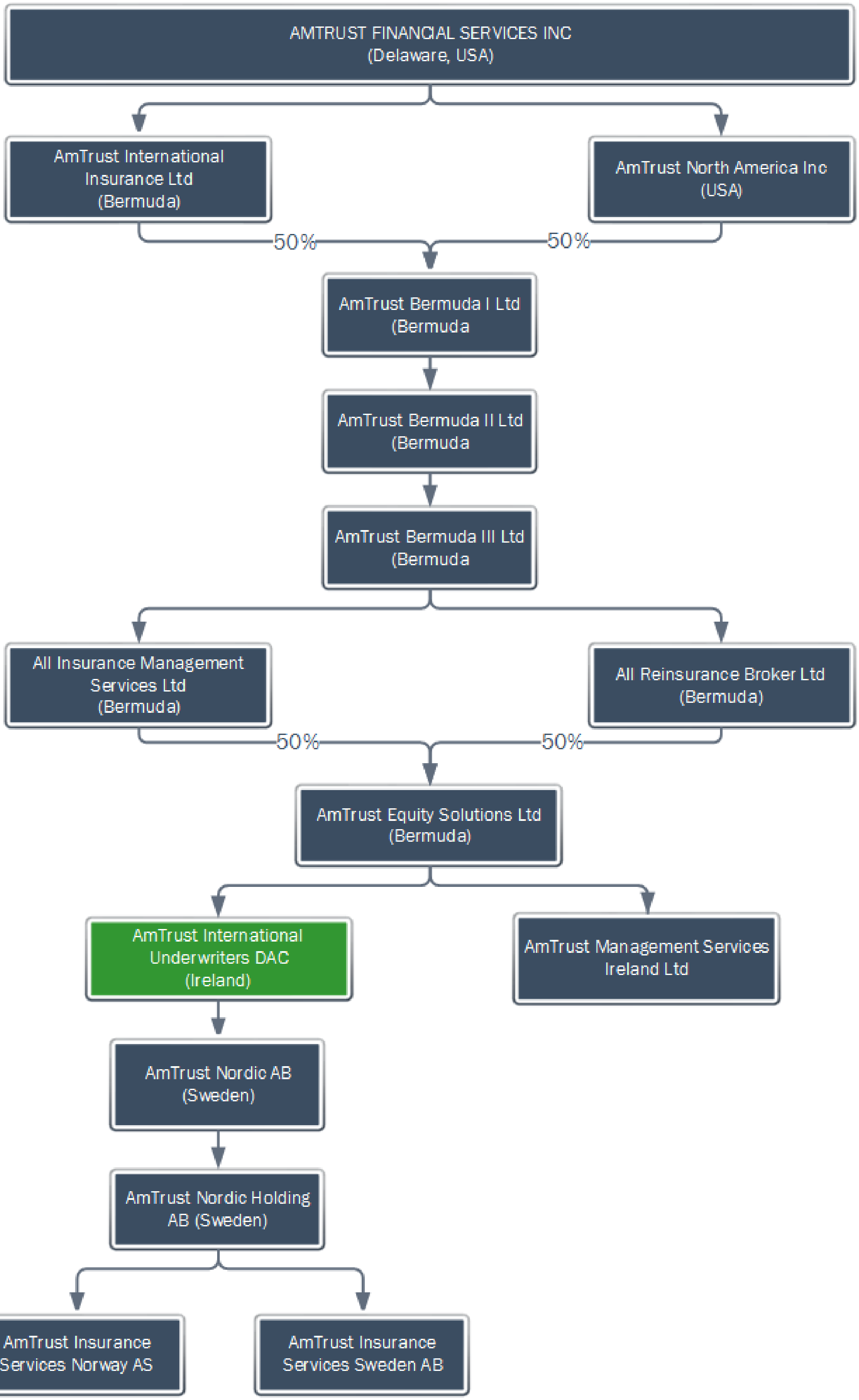
AFSI underwrites and provides property and casualty insurance products in the United States and internationally to niche customer groups that it believes are generally underserved within the broader insurance market.

As a subsidiary of AFSI (NASDAQ Global Market: AFSI) the Company benefits from financial, operational and management support. AFSI is a multinational property and casualty insurer specialising in small to medium-sized businesses. With extensive underwriting experience and a prestigious "A" (Excellent) Financial Size "XIV" rating from A.M. Best, AFSI has earned a reputation as an innovative, technology driven provider of insurance products. Commitment to excellence is a common thread connecting each of the AmTrust companies.

AFSI's business model focuses on achieving targeted returns and profit growth with the careful management of risk. The Global Group pursues these goals through geographic and product diversification, as well as an in-depth understanding of its insured exposure. The product mix includes, primarily: workers' compensation; extended warranty; and other commercial property/casualty insurance products, including title insurance and crop 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. AmTrust 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 group

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



A.1.6 Material lines of business and material geographical areas where the Company carries out business

The principal activity of the Company is the underwriting of general insurance business in Ireland, EU/EEA and USA. The Company's core product lines are European Liability, US Liability, Medical Malpractice Liability, Warranty and Specialty Risks.

A.1.7 Material events

The following material events impacted the Company during the year:

- **Establishment of Italian Branch** - In February 2016 the Company was authorised by the Central Bank under EU Freedom of Establishment rules to open a branch in Italy having operated previously for over five years on a Freedom of Service basis. The offices of the branch are located in Milan, Italy and are staffed by administrative, compliance, finance, claims, underwriting and management teams. The branch structure has provided the Company with greater control over the consideration and management of risks as well as the ability to react quickly to changing regulatory, legal and market conditions. The principle focus of the branch is in the general insurance areas of medical malpractice, liability, warranty and home assistance.
- **Brexit** - On 23 June 2016, the United Kingdom voted to leave the European Union. The Company carried out a detailed risk analysis of the potential Brexit impacts over the course of 2016. Because of a change in Group strategy consequent upon the UK's exit vote, The Company stands to materially profit from its location in Ireland and as the primary AmTrust EU-based insurance company.
- **AmTrust Management Services Ireland Ltd. -** During 2016 the Company, having consulted with the Central Bank, successfully outsourced support services to AmTrust Management Services Ireland Limited ("AMSIL"). This process ensured the Company's operations remained consistent with the wider AmTrust Group. Through focussing insurance activities in the Company and service support functions in AMSIL, both companies are able to operate to their key strengths. The Company can continue to concentrate on developing innovative, niche products to deliver to underserved markets and AMSIL focusses on providing excellent quality and speed of delivery to the Company's customers as well as other stakeholders such as intermediaries and coverholders. This development ensures that the Company is well positioned to take advantage of the future direction of insurance distribution as it becomes more dependent on technological advances.
- **Name Change:** The Company changed its name in accordance with the requirements of the Companies Act 2014 from AmTrust International Underwriters Limited to AmTrust International Underwriters Designated Activity Company (DAC). This necessitated a wide ranging communication process with all stakeholders and wholesale updating of marketing collaterals to give effect to this change. This process was completed within the deadline permitted under the legislation in 2016.

A.2 Underwriting Performance

A.2.1 Material lines of business

Line of Business	Total Best Estimate Gross €'000	Risk Margin €'000	Gross Technical Provisions €'000	Recoverables from Reinsurance Contacts €'000	Total Technical Provisions Net of Recoverables €'000
Income Protection	3,218	0	3,218	(3,975)	**(757)**
Fire and other damage	51,631	1,171	52,802	(44,084)	**8,718**
General Liability	338,059	7,747	345,806	(288,121)	**57,685**
Credit and suretyship	49,166	1,145	50,311	(41,785)	**8,526**
Assistance	2,015	47	2,062	(1,710)	**352**
Miscellaneous financial loss	124,417	1,526	125,943	(114,578)	**11,365**
Total	**568,506**	**11,636**	**580,142**	**(494,252)**	**85,889**

A.2.1.1 General liability

A.2.1.1.1 European Liability

The Company underwrites European liability accounts in Ireland, France, Spain, Germany and Italy of small and medium enterprises and related low to medium-hazard risks.

Business is underwritten on defined appetite and underwriting parameters on a programme or single account basis. The Company writes business in the relevant markets through associated group offices throughout Europe.

All business programmes require final sign-off and approval by the Company's Underwriting Committee ("UWC").

Current business has experienced improving loss ratios for the last three years compared to prior years, with reduced costs in the last eighteen months in part due to moving claims-handling 'in-house' and reducing commissions where appropriate.

A.2.1.1.2 US Liability

The United States surplus lines liability segment of the Company business is primarily public and products liability with a number of contractors programmes.

This business line is presented to the Company primarily through AmTrust's US offices. Some programmes underwritten in prior years are in run-off. The remaining renewable programmes have operated profitably during 2016 reflecting a positive outcome to the book review undertaken during 2015.

Actuarial review by U.S. actuarial team in conjunction with the European actuarial team is undertaken monthly. The business overall is reviewed on a quarterly basis through the Reserving Committee.

All business programmes require final sign off and approval by the UWC.

A.2.1.1.3 Medical Malpractice Liability

This product covers a combined package offering of medical malpractice, third party liability and employers liability for Italian and French hospitals.

The Company entered the Italian medical malpractice market in 2011 and the French medical malpractice market in 2012.

Medical malpractice business is generated through key partners in France and Italy with local market expertise residing in the AmTrust Lyon office and The Company's branch in Milan. The medical malpractice renewal window in both markets is predominately 1 January annually.

Claims handling is conducted by AmTrust with extensive medical malpractice claims experience retained in the AmTrust London, Lyon and Milan offices.

The medical malpractice loss-ratio currently runs in line with projections since entering both markets.

All business programmes require final sign off and approval by the UWC.

A.2.1.2 Miscellaneous financial loss

A.2.1.2.1 Specialty Risks

The specialty risks segment of the Company's business relates to a number of product covers in a business segment in which the Company has operated for many years.

The key covers provided within this segment are primarily home assistance, commercial credit, auto assistance, plant and equipment, income protection, structural defects and heating pumps with the predominant markets being the Nordic and UK regions.

Given the remedial action taken on poor performing programmes in prior years the outlook for all lines of covers within Specialty Risks is positive for 2017 and beyond.

The values in place within this product segment range from circa several hundred euro for covers such as auto and home assistance to a several hundred-thousand euro for plant and machinery and structural defects.

The Company has adequate reinsurance cover in place with respect to the higher values 'within segment' product areas of plant and machinery and structural defects.

All business programmes require final sign off and approval by the UWC.

A.2.1.3 Property

A.2.1.3.1 Warranty

The key covers provided within this segment are mobile phones, auto warranty and consumer electronics with the predominant markets being the Nordic and UK regions.

Monthly mobile phone cover is the majority of this product line. The auto warranty segment is primarily from business generated in the UK. The consumer electronics product segment business is generated in both the Nordic and UK markets with cover being offered for televisions, computers and portable tablets.

The UK and Nordic business is generated by the Stockholm and London offices both of which have extensive experience in this market segment.

The warranty business has performed consistently well over a number of years.

All business programmes require final sign off and approval by the UWC.

A.2.1.4 Other

A.2.2 Material geographic areas

Performance in Ireland and the top five countries in which the Company operates is summarised in the table below.

2016	USA	Sweden	France	UK	Denmark	Ireland
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Gross premiums written	144,499	49,275	44,418	35,194	29,154	10,023
Reinsurers' share	122,253	41,885	38,095	29,909	24,781	8,540
Net premiums written	**22,246**	**7,390**	**6,323**	**5,285**	**4,373**	**1,483**
Gross premiums earned	130,809	50,342	50,525	35,386	26,695	7,665
Reinsurers' share	110,526	42,752	42,822	30,060	22,900	6,192
Net premiums earned	**20,283**	**7,590**	**7,643**	**5,326**	**3,795**	**1,473**
Gross claims incurred	73,768	39,966	37,442	25,741	25,883	4,662
Reinsurers' share	62,703	33,863	31,826	21,879	22,001	3,963
Net claims incurred	**11,065**	**6,103**	**5,616**	**3,862**	**3,882**	**699**
Net operating expenses	**4,561**	**771**	**641**	**292**	**233**	**1,038**

A.3 Investment Performance

The Company invests in corporate and government bonds, property and a number of subsidiaries and associates.

The management of the bond portfolio is outsourced to another company within the Group, which has a dedicated team of investment managers. A set of investment management guidelines has been drawn up, adherence to which is monitored by the Investment Committee and the Audit Committee. Income and expenses during the year are shown in the table below.

The property investment comprises the Company's branch office building in Milan, Italy.

The Company has also provided an inter-company loan at commercial rates to another AmTrust entity.

The Company's material subsidiaries are AmTrust Nordic AB, based in Sweden and its subsidiaries based in Sweden and Norway.

2016	Corporate and Government Bonds	Equities	Loans and Receivables
	€'000	€'000	€'000
Income from other investments	6,479	4	282
Unrealised (loss)/gain on investments	6,559	111	0
Investment management expenses	(312)	0	0
Realised gain/(loss) on sale of investments	2,952	(82)	0
	15,678	33	282

A.4 Performance of other activities

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

A.5 Any other information

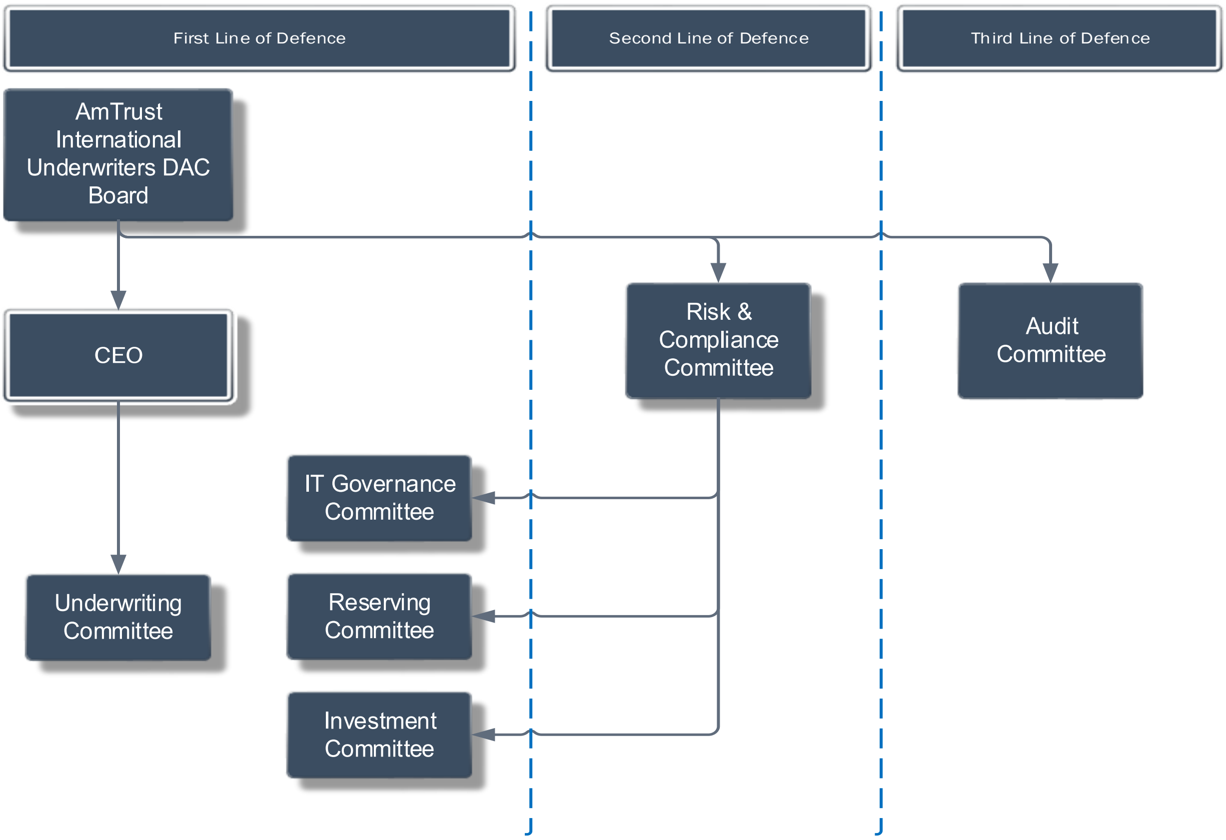
None noted.

B. System of Governance

B.1 General information on the system of governance

B.1.1 The Board and System of Governance

The Board and its sub-committees are shown in the diagram below.



The Company follows the “Three Lines of Defence” model of corporate governance. In summary, the key differences between the lines of defence are as follows:

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

The Company’s Board is collectively responsible for the long-term success of the Company and for compliance with all laws and regulations. Its role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The principal focus of the Company’s Board is on the overall policies, strategic plans, performance, annual budget, investment budgets, larger capital expenditure proposals and the Company’s overall system of internal controls, governance and compliance. The Board develops and promotes its collective vision of the Company’s purpose, its culture, its values and the behaviour it wishes to promote in conducting its business.

The Board of Directors consists of seven members, including the Chairman of the Board as follows:

Board Member	Board Balance	Key Role
Chairman of The Board	Independent	Member and Chair of the Board
Independent Non-Executive Director (INED)	Independent	Member of the Board, Chair of the Audit Committee
Independent Non-Executive Director (INED)	Independent	Member of the Board, Chair of the Risk and Compliance Committee
Independent Non-Executive Director (INED)	Independent	Member of the Board and Audit Committee
Non-Executive Director (NED)	Group Role	Member of the Board, Shareholder Representative
Non-Executive Director (NED)	Group Role	Member of the Board, Risk and Compliance Committee and Shareholder Representative
Chief Executive Officer (CEO)	Executive	Day to day running of the Company

B.1.1.1 First Line Committees

B.1.1.1.1 Management Committees

B.1.1.1.1.1 Reserving Committee

Setting adequate reserves for policies underwritten represents the largest risk to an insurance company. The key purpose of the Reserving Committee is to ensure appropriate reserving processes are in place at the Company and that the level of reserves booked by the Company is reasonable. The key responsibilities of the Committee are to present, discuss and review of the appropriateness of assumptions of reserving performance and positions and make reports and recommendations to the Risk and Compliance Committee and senior management team.

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 Reserving Committee to challenge management's view of the reserves. The discussions and challenges around the reserve setting process are formally minuted.

The Reserving Committee consists of four members, who are the Chief Executive Officer (CEO); Chief Finance Officer (CFO); the Head of Underwriting (HoU) and a Non-Executive Director (NED). The Head of Risk and Compliance (HoRC), Head of Claims (HoC) and the Head of Actuarial Finance (HoAF) are attendees.

B.1.1.1.1.2 Underwriting Committee

The key purpose of the Committee is to monitor and manage performance, against the business plan and the associated insurance risk, including reinsurance composition. The key responsibilities of the Committee are to review the Company's underwriting policies, guidelines, authorities, processes and procedures to meet its underwriting risk appetite; advise and monitor on insurance and reinsurance risk profile and exposures; review pricing adequacy and underwriting performance; and assess the Company's underwriting opportunities within its chosen markets.

The Underwriting Committee consists of three members, including the Chief Executive Officer (CEO), the Head of Underwriting (HoU) and the Head of Risk and Compliance (HoRC).

B.1.1.1.1.3 IT Governance Committee

The key responsibilities and duties of the Committee is to implement and maintain an effective IT governance framework, oversee the development of the Company's IT Systems, assess current IT system requirements and developments and forward proposals for the development of new systems or amendments to current systems.

The Committee consists of three members, including the Chief Executive Officer (CEO); Chief Finance Officer (CFO) and the IT, Operational Systems and Development Manager.

B.1.1.1.1.4 Investment Management Committee

The key responsibilities and duties of the Committee are to monitor investment risk and associated credit and liquidity risk.

The Committee consists of two members including the Chief Finance Officer (CFO) and the Group's Chief Investment Officer who has been approved by the Central Bank as a PCF-19, Head of Investment.

B.1.1.2 Second Line Committees

B.1.1.2.1 The Risk and Compliance Committee

The key purpose of the Committee is 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. The key responsibilities and duties of the Committee are to advise the Board on the risk strategy, including risk appetite and tolerance levels, for ensuring that the risk management framework is appropriate and adequately resourced.

The Committee consists of four members, including the Chairman of the Board, Chief Executive Officer (CEO), an independent Non-Executive Director and a Non-Executive Director. The Head of Risk and Compliance is an attendee.

B.1.1.3 Third Line Committee

B.1.1.3.1 Audit Committee

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

The key responsibilities of the Committee are to monitor the financial reporting process; to inform the Board of the outcome of the statutory audit; to make a recommendation for the appointment of the audit firm; and to review the appropriateness of the Company's Internal Audit function, internal data, systems, controls, and risk management as related to financial reporting.

The Committee consists of four independent Non-Executive Directors of the Board.

B.1.2 Changes in the System of Governance

In recognition of the growth and development of the Company, as well as in response to a higher level of regulatory oversight, a number of governance improvements were made during 2016. These included the following, which have all been reflected in the commentary above:

- Appointment of a new Head of Risk and Compliance.
- Appointment of a new Head of Underwriting.
- Appointment of a Business and Operations Manager.
- Appointment of a new Independent Non-Executive Director, with significant experience;
- Creation of one new Committee within the Company's Governance Structure:
    - IT Governance Committee;
- Revised Committee membership which reflected the above senior management and Board changes.

These changes significantly strengthened the Company's oversight and management framework resulting in further improvements to the management of risk.

B.1.3 Remuneration Policy

The Company's Remuneration Policy describes the overarching principles and framework for the employees that fall within its scope and operate on its behalf. In that regard the Remuneration Policy follows the requirements contained within the Central Bank's Corporate Requirements for Insurance Undertakings 2015 (the "Corporate Governance Requirements"). The Company's Board is responsible for the effective, prudent and ethical oversight of the insurance undertaking and inter alia is responsible for setting and overseeing a remuneration framework that is in line with the risk strategies of the

Company[1]. The Company's Board has decided in accordance with the provisions of the Corporate Governance Requirements not to establish a formal Remuneration Committee.

The Remuneration Policy is designed to support the appropriate management of employee compensation and act as reference for the Board and Management when making decisions on pay. The Remuneration Policy and the associated remuneration plans and programmes will be regularly reviewed to ensure that they remain fit for purpose in terms of business strategy and applicable regulations. The policy is designed to:

- help to attract, retain and motivate competent, experienced and skilled personnel;
- be competitive within the general insurance market;
- encourage and support a high performance culture;
- be consistent, fair and transparent;
- achieve a balance between short and long-term reward/fixed and variable pay to promote a long term focus;
- promote sound and effective risk management[2] to prevent excessive risk taking[3] that exceeds the risk appetite / tolerance limits;
- ensure that incentives are aligned, particularly in relation to decision-making and risk-taking behaviour, with the Company's overall business and risk management strategies and objectives;
- avoid rewarding failure;
- consider the overall assessment of an individual's performance, not just the performance of the Company or a particular business unit; and
- particularly in the case of senior managers, be aligned to the Shareholders' interests.

The Company aims for the following in respect of its remuneration practices:

- ensure consistent, equitable and transparent remuneration policies and practices;
- set base salary at the median level in the market;
- where appropriate reward upper quartile performance with upper quartile pay;
- with regard to variable pay:
    - introduce/maintain appropriate short and long term incentive schemes appropriate to the business strategy and risk management principles and objectives; and
    - align variable pay to the Company's Return on Equity ("ROE") goal;
    - where, appropriate the Line of Business ROE target(s); and
    - individual performance (including the adherence to its Corporate Conduct principles).
- ensure separate/specific arrangements for the various categories of staff; i.e.
    - those personnel whose professional activities have a material impact on the risk profile of the business (Board Members, key function holders, Underwriters);
    - those who may have a conflict of interest (e.g. Risk Management, Compliance, Actuarial, Claims, UW Support);
    - those who are unable to materially/directly affect the profitability of the organisation but who are crucial to its effective operation (e.g. Finance, IT, HR, etc.).
- defer the payment of a portion of the variable remuneration - in particular for Executive and Senior Professional/income generating personnel - in whatever vehicle(s) it deems appropriate (Long Term Incentive Plans, Restricted Stock Units, etc.) in line with its corporate strategy;
- provide a competitive package of benefits;
- benchmark total remuneration (cash and benefits) annually with relevant industry compensation surveys and be sensitive to pay and employment conditions elsewhere in the group and the market;
- review its remuneration policy and practices annually, update them as required and ensure these are published/available to all personnel.

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[1] *Corporate Governance Requirements for Insurance Undertakings 2015, section 13.1 e).*

[2] *Corporate Governance Requirements for Insurance Undertakings 2015, section 6.3.*

[3] *Corporate Governance Requirements for Insurance Undertakings 2015, section 15.7.*

In general, performance related bonuses are purely discretionary. This gives the Company a high degree of flexibility in rewarding the employee based on sustained performance.

Underwriters' bonuses are calculated using predominantly GAAP drivers (i.e. Accident Year accounting), whereas underwriters write business against an underwriting year. This has the effect that any deteriorations in back-year reserves is captured as a movement in the current reporting year.

As part of the agreements with all staff receiving Restricted Stock Units ("RSUs"), there are good and bad leaver provisions in the contracts.

With respect to claw backs, some employees do have specific claw back provisions in their contracts (including the CEO of the Company). These allow the Company to recover unvested RSUs that have been paid if underwriting performance subsequently deteriorates.

B.1.3.1 Pension scheme

The Company does not provide any supplementary pension to its Independent Non-Executive Directors.

The Company provides a workplace pension scheme where all eligible members are automatically enrolled into the scheme and non-eligible or entitled workers can opt in to join the scheme or enrol in a Personal Retirement Savings Account ("PRSA"). The pension scheme is a Group Flexible Retirement Plan which is designed to give members flexible ways to save for retirement. Both the employer and employee pay in a contribution which at the least meet the minimum legislative amount. The scheme has a default fund set up so members funds will automatically be invested in the default fund unless they actively choose their own investment funds.

B.1.3.2 Material transactions with shareholders, persons with significant influence and Board members

The Company has had no material transactions with shareholders, persons with significant influence nor members of Board during the reporting period.

B.2 Fit and Proper Requirements

The Central Bank mandates that individuals performing Pre-Approval Control Functions (PCF) or Controlled Function (CF) roles remain fit and proper to undertake the role. Central Bank regulations[4] provide for a comprehensive list of PCFs, e.g. Board Directors, CEO, CRO, CFO, HOAF all of which must be pre-approved by the Central Bank before they can take up a PCF position. The Company has a Fit and Proper Policy in place that outlines the various checks at recruitment and throughout employment. In particular, when deciding whether a person is fit and proper, the Company needs to be satisfied that the individual:

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

When deciding whether the Board is fit and proper, the Company seeks to ensure that the Directors collectively possess appropriate qualifications, experience and knowledge about at least:

- Insurance and financial markets;
- Business strategy and business model;
- Systems of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

[4] *Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010), as amended.*

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

B.3 Risk management system including the own risk 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. The Risk and Compliance function 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.

The Risk Management process at the Company begins with the strategy and corresponding risk appetites set by the Company’s Board. Using top down risk assessment tools, the Risk and Compliance team forms an understanding of how inherent risk is created and managed within the business model.

A detailed risk register is maintained 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 Capital are performed via the Own Risk and Solvency Assessment (“ORSA”) process and the capital position is stressed to test for the Company’s resilience to unforeseen events.

Through the Risk and Compliance team’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.

An overview of the key aspects of the Company’s risk management process is as follows:

AIU DAC Risk Management Process	Strategy	Appetite	Identification	Measurement	Management	Monitoring	Reporting
1. RCSAs			●	●			
2. Top-down risk assessment	●		●	●			
3. Risk Register			●	●		●	●
4. KRI Reporting		●		●		●	●
5. Stress tests		●		●			●
6. Incident reporting and escalation			●				●
7. Controls & Compliance Monitoring					●	●	●
8. Capital Modelling & Capital Allocation	●	●		●			●
9. ORSA	●	●	●	●		●	●
10. Risk Matrix	●	●	●	●	●	●	●

B.3.1.1 Risk and Control Self-assessments (RCSAs)

RCSAs are performed by each department, under the oversight of the Risk and Compliance team. 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 regularly reviewed with an in-depth review meeting with the risk department at least annually.

In addition to this processes, all employees are encouraged to report any additional risk to the Risk and Compliance team as soon as possible after it is identified.

B.3.1.2 Top-down risk assessment

At least once a year, members of the Senior Management team meet to perform a ‘top-down’ risk assessment as part of a strategy review. The Head of Risk and Compliance forms part of this process as a member of the Senior Management team and as facilitator to the risk assessment.

B.3.1.3 Risk register (Magique)

All risks and controls are recorded in the Magique system. The Magique System is an industry standard software tool that supports ERM. Each risk is assigned an owner, who is responsible for assessing the risk or performing the control.

B.3.1.4 Key Risk Indicator (KRI) reporting

KRIs are monitored and reported to the Risk and Compliance Committee every quarter.

B.3.1.5 Stress testing

Stress tests are applied to the Company's business plan at least annually. A range of scenarios is considered, based on the risks identified by senior management, the RCSAs and the top-down risk assessment. The scenarios which 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; purchase of a subsidiary by the Company.

B.3.1.6 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 and Compliance function. Incidents are recorded in the Magique risk management system and this acts as the main repository for incident reporting. Incidents will be reviewed by the risk department and an action plan put in place. Incidents will be escalated to the appropriate level, depending on their severity.

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

B.3.1.7 Controls and Compliance monitoring

The operating effectiveness of controls is assessed independently through audit, monitoring and other oversight activities performed by Risk, Compliance, Internal Audit and other key support functions within the Company. Key controls are prioritised for regular assessment, with the remainder of the control framework being subject to annual or biennial assessment as a minimum.

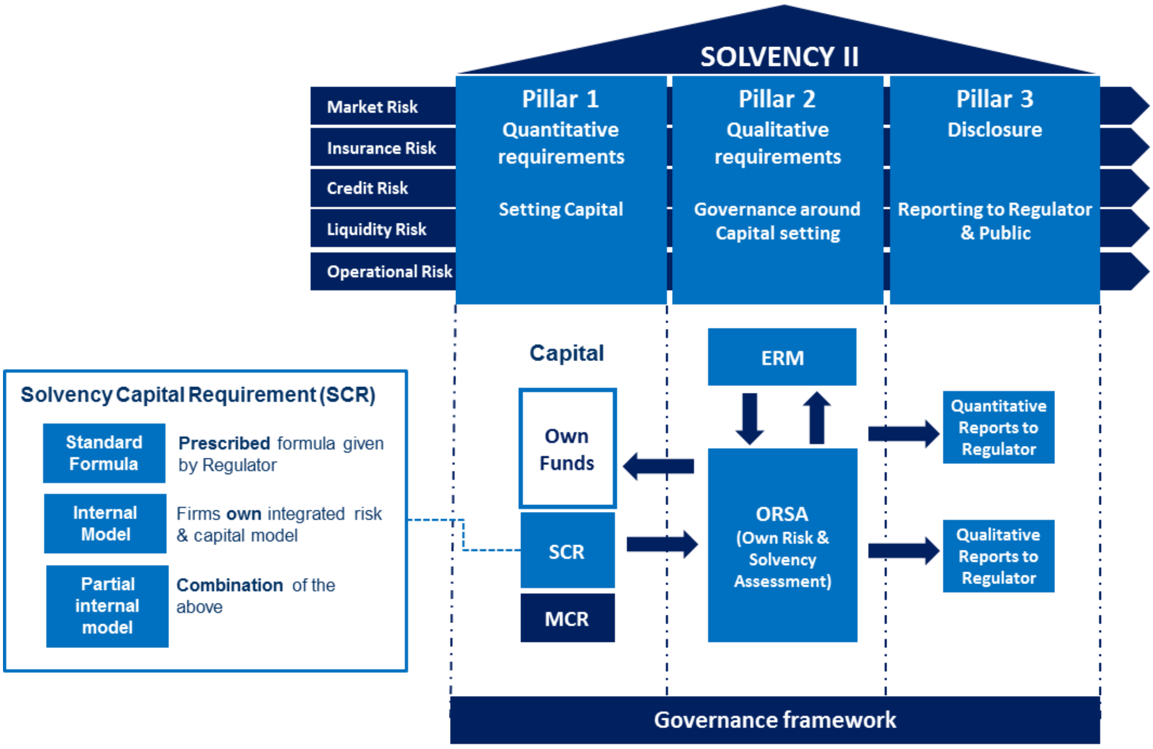
B.3.1.8 Capital modelling

The Company is building a stochastic capital model, which will be used to evaluate its capital requirements. Currently, capital is assessed as part of the ORSA process and effectively as a function of Regulatory Capital. The stochastic capital model will help the Board to define a clear risk adjusted return on capital target, as well as improving the general resilience of the Company's capital base.

B.3.1.9 Capital allocation

The Company currently allocates capital to classes of business at a high level. With the development of a stochastic capital model, the capital allocation process will be further strengthened. Risk Management supports the business in helping to embed this into the Company's underwriting disciplines.

B.3.2 Own Risk and Solvency Assessment (ORSA)



The above diagram shows how the various aspects of risk management, capital management and regulatory reporting under Solvency II fit together for the Company.

The Own Risk and Solvency Assessment forms a key part of Enterprise Risk Management at the Company and is performed at least annually. It is the process through which the Board and Management team assess the risks faced by the Company, both now and in the future and the Company's own assessment of the level of own funds that it believes are necessary to meet the strategic goals of the Company.

Regulatory capital is the Regulator's assessment of the Company's capital required to continue and meet the Regulator's objectives, which includes maintaining safety and soundness in the wider financial system. The Company's solvency risk appetite is that capital should always remain above a margin of these limits and has set this to be 140% of the Solvency Capital Requirement ("SCR") which is the regulatory capital requirement under Solvency II.

In broad terms, the ORSA process seeks to have a clear understanding of the Company's historic and prospective strategy and what risks this creates for the Company's balance sheet both now and in the future. Capital should then be held at a level that allows the Company to achieve this strategy and manage these risks.

The Company has historically used a deterministic model to calculate its economic capital, however this is limited in capturing risks, because it involves running a small number of scenarios which are binary in nature. The Company recognises that due to its historic growth and more complex risk profile, a more refined economic capital assessment is required. Therefore, the Company undertook a project in 2016 to build a Stochastic Capital Model which is capable of capturing a much wider range of risks, against which a vastly larger range of scenarios can be tested. This will inevitably lead to a more sophisticated approach to calculating the Company's capital.

For the purposes of the 2016 ORSA, the Company used a deterministic approach, quantifying the impact of scenarios on the balance sheet and comparing them with the Solvency II Regulatory Capital position. The Company chooses to hold its capital appetite at one-hundred and forty-percent, as it believes that the SCR under Solvency II is a prudent assessment of its capital. Therefore, it is assumed that:

AIU Capital Assessment = Regulatory Capital (SCR) x 140%

The Company has demonstrated that the Standard Formula is an appropriate measure of its risk profile for calculating Regulatory Capital. This gives the Board comfort that the SCR plus a buffer is a conservative approximation of the capital required, until such time as a Stochastic Model allows for a more sophisticated assessment.

The Company uses externally sourced software (Vega) to calculate its Solvency II Standard Formula solvency capital requirement (SCR) as well as populating the Solvency II quantitative reporting templates (QRTs).

The Company will complete its ORSA process annually, on a ‘business as usual’ basis or if there is a material change in its risk profile.

B.4 Internal control system

B.4.1 Internal Control system

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

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

An effective risk management system requires technical input from the Actuarial function in the quantification and modelling of certain risks. The Actuarial function is therefore responsible for providing expert technical advice and input to the Risk Management function to facilitate the implementation of elements of the risk management system.

The system of internal control constitutes the first and second Lines of Defence of the “Three Lines of Defence” risk management model (referred to above).

The Internal Audit function is responsible for auditing the control environment against the 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 control. 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.

By virtue of being a material overseas subsidiary of AFSI, the Company is subject to the legal requirements of the US Sarbanes-Oxley Act, Section 404 (‘SOX’). This Act requires the external auditor of AFSI and its management to report on the effectiveness of the Company’s internal controls under the Public Company Accounting Reform and Investor Protection Act 2002. A central SOX controls framework is developed at Group level which is cascaded down to all material subsidiaries within the AmTrust group. The controls within the Company’s SOX framework are routinely tested and attested by management. Management produce an internal control report as part of their annual report which assesses the effectiveness of the internal control structures and processes around financial reporting. The assessment is risk-focused and includes an:

- Assessment of the design and operating effectiveness of internal controls around significant accounts (i.e. where there is a risk of material misstatement) and relevant assertions;
- Understanding of the flow of transactions in order to identify points where a misstatement could arise;
- Assessment of entity-level controls;
- Fraud risk assessment;
- Evaluation of controls in place to mitigate the risk of fraud;
- Assessment of controls in place over the financial reporting process;
- Scales the assessment based on the size and complexity of the Company; and
- Conclusion on the adequacy of internal control over financial reporting.

Compliance with SOX is monitored by the Risk and Compliance function. The outcome of SOX monitoring is reported to the Audit Committee.

B.4.2 Compliance function

The Compliance function is responsible for advising the Board and management team on compliance with existing and emerging legal, regulatory and administrative provisions. In the Company, the Compliance function operates within the Risk and Compliance function and the Head of Risk and Compliance acts as the Chief Risk Officer and Head of Compliance.

The Compliance function has ultimate recourse to the Company's Board and has the right to escalate to the Board, directly or through its Committees, any instances of non-compliance.

The Compliance function takes responsibility for identifying and assessing the wide-ranging internal and external obligations the Company has. The Compliance function helps to ensure that the Company clearly understands its regulatory risks and the prevailing requirements.

The Compliance function undertakes checks to ensure that compliance obligations are being met after implementation through a systematic, disciplined and risk-based approach to evaluating the effectiveness of compliance controls.

B.5 Internal audit function

The mission of the AmTrust Internal Audit function is to help the Board and the management team to protect the assets, reputation and sustainability of the organisation.

This is achieved by:

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

Internal Audit is independent from the business and is directly responsible to the Chairman of the Audit Committee, with a day-to-day administrative reporting line to the Company's Chief Executive Officer. Internal Audit shall have free and unrestricted access to the Chairman of the Board, the Chairman of the Audit Committee and the Chief Executive Officer.

Those working within Internal Audit are not permitted to perform day-to-day control procedures or take operational responsibility for any part of the Company's operations outside 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 purpose of the Head of Actuarial function ("HoAF")[5] and Actuarial function within the Company is to provide support to the Company in many areas including reserving, pricing and capital management. Additionally, 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 Actuarial function is a Key Function, the HoAF being the Key Function holder. The HoAF is a qualified actuary and is a Fellow of the Society of Actuaries and reports to the Chief Executive Officer. 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 HoAF or his representative attends the Reserving Committee. The HoAF will rely on work produced by other members of the Actuarial function to fulfil the necessary roles and responsibilities.

The Actuarial function has the following specific responsibilities:

- Preparation of an Actuarial Functions report annually to the Board which reports on the activities of the Actuarial function;

[5] *Head of Actuarial Function, PCF 48, Fitness and Probity Regime for (Re)Insurance Undertakings under Solvency II.*

- Production of the Technical Provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate;
- Preparation of the Actuarial Report on Technical Provisions;
- Monitoring the best estimates against actual experience;
- Providing assistance for the pricing of insurance risks;
- Providing inputs into the calculation of the Solvency Capital Requirement ("SCR");
- Providing assistance for the preparation of business plans;
- Working closely with the Risk Management function ("RMF") to facilitate the implementation of an effective risk management system;
- Assessing the data quality used in actuarial functions;
- Reporting to the Board on the reliability and adequacy of the Technical Provisions calculation;
- Reviewing reinsurance arrangements;
- Contribute to the effective implementation of the Risk Management System;
- Opining on the ORSA process;
- Opining on the overall underwriting policy; and
- Opining on the adequacy of reinsurance arrangements.

B.7 Outsourcing

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

Key outsourcing risk refers to those functions that are required by the Company; either from external or from intra-group providers which are essential to the Company's operations and that the Company would otherwise be unable to deliver its services to policyholders without the outsourced function(s).

The Central Bank requires the Company 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: risk impairment of the firm's own internal control; or risks associated with the Central Bank's ability in monitoring 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 contract management and monitoring;
- Routine management attestation as to continuous control compliance in relation to outsourcing; and
- Independent internal monitoring by the Compliance function; internal audit; and the Company's third party audit programme as routinely approved and monitored by the Risk and Compliance Committee.

B.8 Any other information

Taking all of the above into account, the Company's assessment is that its system of governance is adequate for a company of its scale and complexity.

C. Risk Profile

C.1 Underwriting risk profile

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

The Company uses a suite of Key Risk Indicators (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, that is, 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 majority of the Company's material underwriting risk exposure comes from the US Surplus Lines business, which represented the largest class of business during 2016. This class is casualty insurance and underlying claims exposures can take a long-time to properly realise, hence there is a material risk of adverse reserve development on all current and prior underwriting years where The Company underwrote these programmes. The SCR quantifies the potential for adverse development as part of the calculation of the premium risk and reserve risk calculation. An additional component of the SCR which is driven primarily from the Company's US Surplus Lines business is the SCR component for catastrophe risk. Although the Company believes that this account and its other lines of business, are exposed to limited catastrophe risk, due to the treatment and classification of this account within the SCR calculation the Company receives a disproportionality high capital charge for Catastrophe Risk.

C.1.2 Material risk concentrations

The Company's underwriting risk exposure is concentrated in the General liability class of business. Around forty-two percent of the Company's premium is attributable to this class.

C.1.3 Material risk mitigation

This risk is mitigated through a range of management controls including the Risk Authorisation Form ("RAF") Process which is a key control. In addition to the RAF process, 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. This takes the form of a group quota-share agreement with AmTrust International Insurance Ltd (Bermuda) on all business written by the Company as well as quota share and excess of loss contracts on individual classes of business. All programmes must be approved by the Company's Underwriting Committee.

C.1.4 Risk sensitivities

Scenarios were devised during the ORSA process to measure the impact of an increase in the Medical Malpractice loss ratio by fifty percent and the failure of the Company's two largest business partners. The Company was able to withstand both these scenarios, which are considered to be highly unlikely.

C.1.5 Other material information

None noted.

C.2 Market risk

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

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

Investments are reviewed quarterly at the Audit Committee and through the Investment Committee.

C.2.1 Material risk exposures

The Company's material exposures to market risk are: interest rate risk and spread risk on its bond portfolio; foreign exchange risk on its currency exposures and equity risk on its strategic investments in subsidiaries.

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 of 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 five percent of the investment portfolio and doesn't pose any material risk to the Company's business.

The Company manages its foreign exchange risk against its functional currency, which is presented in euro. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than euro. The most significant currency to which the Company is exposed is the US Dollar.

The Company has a Swedish agency operation, whose net assets are exposed to foreign currency translation risk.

C.2.2 Material risk concentrations

The Company's material market risk exposures are to its foreign currency exposure to the US Dollar, Swedish Kroner and the exposure of its predominantly fixed rate corporate bond investment portfolio to spread risk.

C.2.3 Material risk mitigation

The Company operates a conservative investment strategy, investing primarily in fixed rate corporate bonds, money market deposits and cash. The Company has little appetite for investments in equities (other than wholly-owned subsidiaries) and complex investments such as derivatives. By investing in relatively simple assets, the Company fulfils the prudent person principle because it is able to properly understand its investment risks.

Investment management is outsourced to another company within the group. A set of investment management guidelines has been drawn up, adherence to which is monitored by the Investment Committee and the Audit Committee.

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

The Company has investments in property through ownership of a property in Milan which is occupied by its branch operation in Italy.

The Company equity investments are strategic in nature, being investments in subsidiaries and affiliates and are approved by the Board.

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 the euro.

C.2.4 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 the issuers of fixed maturity securities and the financial condition of third party reinsurers.

The risk and management team identifies and measures the key credit risk exposure by monitoring rating of bank, rating of reinsurer, bond rating, exposure to individual external reinsurer counterparty, exposure to single bank as percentage of Solvency Capital Requirement (SCR), credit extended to intermediaries compared with limits set by Finance and length of time overdue.

C.3.1 Material risk exposures

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

C.3.2 Material risk concentrations

The Company is exposed to credit risk in relation to material accounts with Reinsurance counterparties: Maiden Insurance Company Limited and AmTrust International Insurance Limited (AIIL).

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 BNP Paribas and JP Morgan Chase.

The Company's largest corporate bond exposure is to Vale Overseas Ltd, making up of just over six percent of the investment portfolio. Other large bond exposures are to the European Investment Bank and Fannie Mae.

C.3.3 Material risk mitigation

In order to reduce exposure to reinsurance credit risk, the financial condition of reinsurers is evaluated and reinsurance is placed with a diverse group of companies and syndicates that are believed to be financially sound. Larger exposures to AIIL and Maiden are fully collateralised. The credit quality of reinsurers is monitored when placing new and renewal reinsurance, as well as on an ongoing, current basis. The Company uses objective criteria to select and retain its reinsurers, including requiring a financial strength rating of "A-" or better from A.M. Best Company.

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

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

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

Exposures to individual policyholders and groups of policyholders are considered through the ongoing monitoring of the controls associated with regulatory solvency.

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

C.3.4 Risk sensitivities

None noted.

C.3.5 Other material information

None noted.

C.4 Liquidity risk

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

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

C.4.1 Material risk exposures

There are no material risk exposures to liquidity risk, as the majority of assets are invested in highly liquid corporate bonds.

However, the major threat to liquidity could occur during a catastrophe when a large number or claims are received at once or there may be a prospect of a major significantly large claim. The Company considers this scenario to be remote.

Reinsurance may additionally pose a residual liquidity risk through delays in payment by the reinsurer or its default which, while classed as a credit risk event would also present a potential liquidity issue.

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance. It manages these positions within an asset liability management (ALM) framework that has been developed to minimise the risk of significant deterioration of the investment portfolio while earning profitable returns from those investments.

The Company invests mainly in corporate bonds, which are normally readily convertible into cash, 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 sufficient 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 €1.9m. This amount is highly illiquid, but represents only 1.16% of the value of own funds.

C.4.5 Risk sensitivities

Unless there is a larger claim payment due to a major catastrophe event or a default in collecting reinsurance receivables due to adverse market conditions, the Company has no significant impact to its liquidity.

C.4.6 Other material information

None noted.

C.5 Operational risk

Operational risk is the risk that the Company will not be able to operate in a fashion whereby the strategic objectives of the Company can be met due to inadequate or failed internal processes, people and systems, or from external events. It arises out of actions undertaken within the Company, intermediaries, 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, Risk and Control Self-Assessment (RCSA), IT Governance Committee to assess and monitor operational risk exposures.

C.5.1 Material risk exposures

The Company is exposed to IT, Data, Outsourcing, Underwriting, Reinsurance, Fraud, Legal, and Reputation risks.

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

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

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 intermediaries, agents, retailers or administrators, many of whom the Company has worked with for several years, in particular in the Casualty and Warranty accounts.

IT is an integral aspect of the Company's day-to-day business operations and as such, any system failure can impose a serious threat to the Company operations.

C.5.3 Material risk mitigation

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

All of the Company's operational risks are captured within the Company's risk register through a system called "Magique". Risk Management carry out a risk and control self-assessment exercise where meetings are held with each key risk owner to review and update the risk registers with new risks and controls, as well as judging whether the ratings for inherent and residual risks are still valid.

C.5.4 Risk sensitivities

The Company has considered a number of operational risk scenarios.

C.5.5 Other material information

None noted.

C.6 Other material risks

C.6.1 Legal and Regulatory risks

The risk 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 this risk 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 programmes.

C.6.2 Strategic risk

Risks arising from failure to sufficiently define the direction and objectives of the entity, 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 Own Risk and Solvency Assessment (ORSA) process.

C.6.3 Governance risk

Risks arising from the failure to demonstrate independent and proper stewardship of the affairs of the entity in order to safeguard the assets of the entity's shareholders and the overall interests of its stakeholders.

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

C.6.4 Group risk

The risks arising from other parts of its group, through parental influence 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 group that may, if crystallised, have negative impact upon the business strategy and/or cause detriment to its customers.

There is regular engagement between executives and senior managers of AFSI and the Company. The AFSI Group CEO is also a PCF-2 under the Central Bank's Fitness and Probity regime and sits on the Company's Board. In addition, two of AFSI's other Board Directors are PCF-2 (Independent Non-Executive Directors) on the Board of the Company.

C.6.5 Solvency risk

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

The Company ensures it is solvent at all times through: monitoring of its solvency position; management accounts; solvency forecasting in ORSA and prior to any strategic decision making.

C.7 Any other information

None noted.

D. Valuation for solvency purposes

The table below shows the valuation on a Solvency II basis of the Company's assets and liabilities as at 31 December 2016.

€'000	Solvency II value (C1101)	Statutory accounts value (C0020)
Assets		
Deferred acquisition costs	0	35,562
Property, plant and equipment held for own use	11,337	11,156
Investments (other than assets held for index-linked and unit-linked contracts)	151,440	150,290
Bonds	150,251	149,105
Government Bonds	28,822	28,595
Corporate Bonds	93,654	92,815
Collateralised securities	27,774	27,694
Deposits other than cash equivalents	1,190	1,185
Loans and mortgages	34,994	34,711
Other loans and mortgages	34,994	34,711
Reinsurance recoverables from:	494,253	575,290
Non-life and health similar to non-life	494,253	575,290
Non-life excluding health	490,278	570,120
Health similar to non-life	3,975	5,170
Insurance and intermediaries receivables	7,522	96,297
Reinsurance receivables	3,866	0
Receivables (trade, not insurance)	20,680	22,671
Cash and cash equivalents	30,718	30,718
Total assets	***754,810***	***956,694***
Liabilities		
Technical provisions – non-life	580,142	677,702
Technical provisions – non-life (excluding health)	576,924	671,620
Best Estimate	565,288	0
Risk margin	11,636	0
Technical provisions - health (similar to non-life)	3,218	6,082
Best Estimate	3,218	0
Deposits from reinsurers	263	263
Insurance & intermediaries payables	0	2,104
Reinsurance payables	0	57,853
Payables (trade, not insurance)	14,042	44,651
Total liabilities	***594,447***	***782,573***
Excess of assets over liabilities	160,363	174,121

D.1 Assets

As a general principle, the Company's assets and liabilities are valued differently when calculating its regulatory capital (SCR) under Solvency II and when preparing its annual accounts for filing at the Companies Registration Office. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in Ireland.

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. Irish GAAP is largely equivalent to the accounting principles applied under IFRS, although differences do exist.

This section highlights the way AIU values its assets and liabilities using the Solvency II valuation principles and where relevant, explains any material differences to the Irish GAAP valuation approach followed in its last reported financial statements.

In general, the valuation method is aligned with Irish GAAP and so the basis of preparation aligns with the Irish GAAP accounting policies. Exceptions to these methods are outlined in the relevant sections below.

D.1.1 Deferred acquisition costs

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Deferred acquisition costs	0	35,561

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 Financial assets at fair value through the profit and loss

The Company has an investment portfolio made up of corporate and government bonds accrued interest is added to the GAAP amount to reach the Solvency II balance sheet.

D.1.3 Investments in subsidiaries and participations

In accordance with Delegated Regulation (EU) 2015/35 Article 13, the Company values its holdings in related undertakings, in accordance with the following order of hierarchy:

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

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

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

For the purpose of subsidiaries other than insurance entities, the adjusted equity method means using the excess of assets over liabilities using International Accounting Standards excluding any value in goodwill or intangibles (Article 13(5)). For this purpose, the entity has assumed the Irish GAAP position is a reasonable approximation for IFRS.

As equity holdings, the investments attract equity and concentration risk charges as appropriate.

D.1.4 Tangible fixed assets

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

Less than one million euro is held within plant and equipment and as a result, management do not believe that using depreciated cost would generate a materially incorrect position against the market value.

Property within the Company is material and is valued using fair value in the Irish GAAP accounts. As a result, this same approach is adopted within the Solvency II position.

For the purpose of the standard formula, property is subject to property risk while plant and equipment has been deemed to fall into the other assets included within the equity risk sub-module.

D.1.5 Insurance debtors and creditors

Insurance debtors and creditors are valued at amortised cost, consistent with the approach under Irish GAAP.

An adjustment is made to these balances for the impact of future premiums (including commissions and reinsurance as appropriate). Future premiums relate to the future collection or payment of cash relating to premiums and commissions which are dealt with as part of the wider technical provision calculation.

Future premiums relating to business written before the period close (claims provisions and premium provisions excluding Booked But Not Incepted ("BBNI")) effectively relate to cash movements relating to premiums already loaded in the GAAP accounts. As a result, insurance debtors and creditors have been reduced by the relevant future premium balances to avoid double counting the numbers within the SII accounts.

Future premiums relating to business bound but not incepted at the period close are not included within the GAAP accounts. As a result, this future premium is booked through the technical account.

D.1.6 Other

At present no further adjustments are made to the Irish GAAP balance sheet to move to Solvency II.

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:

a) best estimate equal to the probability-weighted average of all future cash-flows, taking account of the time value of money; and
b) 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 €85.9m compared to €96.7m on a statutory basis, a difference of 12.63%.

The following table shows a summarised the Company's total Technical Provisions as of Q4 2016.

Line of Business	Total Best Estimate Gross €'000	Risk Margin €'000	Gross Technical Provisions €'000	Recoverables from Reinsurance Contacts €'000	Total Technical Provisions Net of Recoverables €'000
Income Protection	3,218	0	3,218	(3,975)	**(757)**
Fire and other damage	51,631	1,171	52,802	(44,084)	**8,718**
General Liability	338,059	7,747	345,806	(288,121)	**57,685**
Credit and suretyship	49,166	1,145	50,311	(41,785)	**8,526**
Assistance	2,015	47	2,062	(1,710)	**352**
Miscellaneous financial loss	124,417	1,526	125,943	(114,578)	**11,365**
Total	**568,506**	**11,636**	**580,142**	**(494,252)**	**85,889**

D.2.1 Underlying Uncertainties

The Actuarial function has employed techniques and assumptions that it believes are appropriate for estimating the TPs. 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:

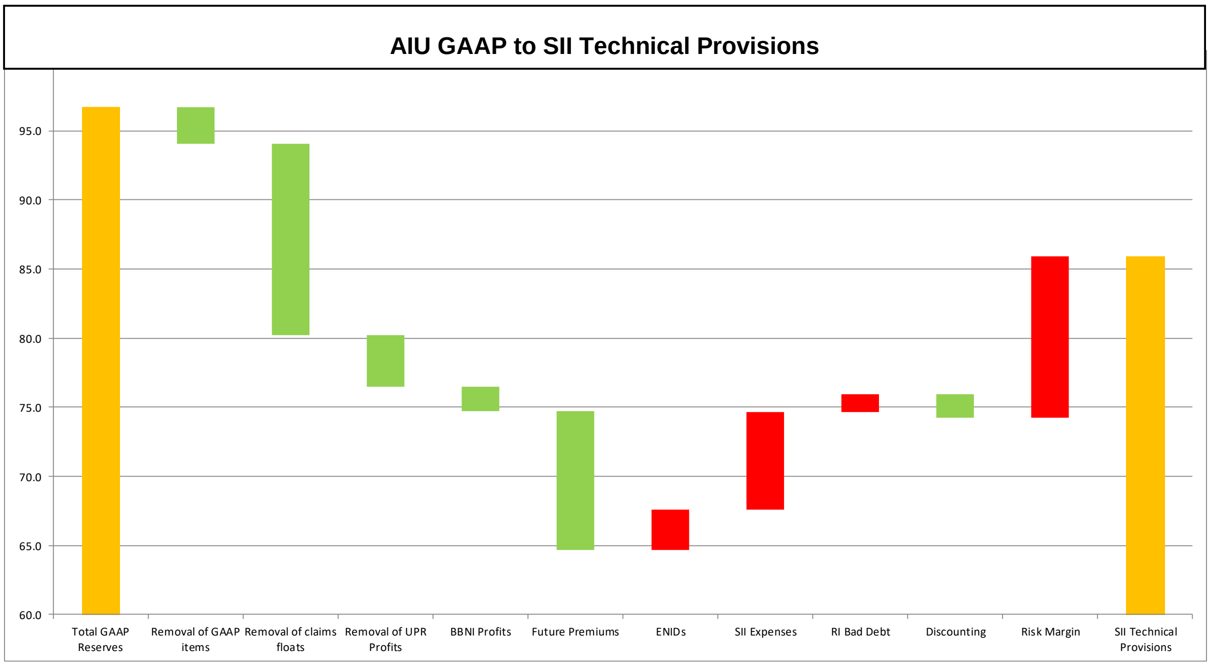
- The small size of some classes.
- The lack of development history and hence reliance on benchmarks in some classes.
- An increased reserve uncertainty on long-tailed classes. For example, the Medical Malpractice business is particularly long-tailed and has limited development history. Additionally, market results for this class have been particularly volatile increasing the uncertainty in the best estimates for this class.
- 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 programmes also adds to the uncertainty in the Company's aggregate estimates.

D.2.2 SII Related Uncertainties

Additional uncertainties because of the Solvency II adjustments include:

- Uncertainty over the number and magnitude of potential large losses (and catastrophes) on all business that is unexpired at the valuation date.
- Uncertainty over the provision for Events Not In Data ("ENIDs") where, by their very nature, there is no data available.
- Potential for deviation in the expected profits on un-incepted and unearned business.
- Potential for deviation in payment patterns from expectations, resulting in an over or under-estimation of the level of discount.
- Uncertainty over the volume of un-incepted business.
- Uncertainty surrounding the future premium receivable.
- Estimation of the Risk Margin.

D.2.3 Differences between Solvency II valuation and Financial statements



The Company's GAAP reserving policy requires the Actuarial function to calculate ultimate loss ratios with no margins for prudence or optimism. An explicit margin is added based on the reserving committee recommendations.

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

1. **Removal of any margins in the GAAP reserves**

   This includes specific items such as equalisation reserves. The Company's Board also holds an additional margin above the actuarial best estimate to allow for the uncertainty in the estimates. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

2. **Recognition of profit in the Unearned Premium Reserve**

   The full amount of unearned premiums is removed from the Technical Provisions. The best estimate of the claims liabilities associated with the UPR are added back, and expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

3. **Recognition of profits in business written prior to, but incepting after, the valuation date**

   The premium bound but not incepted serves to reduce the Technical Provisions. The best estimate of the claims liabilities associated with these premiums are added to the Technical Provisions. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

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.

5. **Allowance for Events Not In Data**

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

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.

7. **Allowance for Reinsurance Bad Debt (non-recoverable reinsurance)**

   Expected non-payment of reinsurance recoveries continues to be made but is calculated on a different basis. The expected default under Solvency II takes into account the timing of the expected payment by reinsurer and hence allows for a change in rating over time.

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.

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.

10. **Allowance for future investment income (discounting)**

    Cash flows are discounted for the time value of money based on the expected timing of all cash flows. The yield curves (discount rates) for major currencies which are used to discount the cash flows are provided by the supervisors.

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 a theoretical level, needed to transfer the obligations to another insurance undertaking. It is calculated based on a discounted cost-of-capital approach where the initial capital required to support the TPs is assumed to run-off in proportion to the run-off of the Technical Provisions, and a cost of capital of six percent is used.

Furthermore, the Company has significant reinsurance assets as most lines of business are covered by an eighty-five percent Quota Share. This cover is provided by AmTrust International Insurance Ltd (AIIL), which is another subsidiary company within the AmTrust Group. This quota share arrangement is fully collateralised.

Other lines such as Medical Malpractice are also covered by significant external quota shares (forty-five percent and forty percent). The Solvency II Technical Provisions also make allowance for potential recoveries from non-proportional reinsurance with the most significant covering the PI, Liability and Property classes.

D.2.4 Significant changes in assumptions

The most significant changes in the assumptions used to calculate the Technical Provisions are:

- Medical Malpractice – the underlying loss ratios for this class have increased during 2016.
- The credit for discounting has reduced due to the reduction in the yield curves (as provided by EIOPA).

D.3 Other liabilities

D.3.1 Deferred tax

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

The adjustments at the year-end resulted in an overall decrease. A deferred tax asset could be recognised but a prudent approach has been adopted and it has not been recognised.

D.3.2 Loans payables and other liabilities

	Solvency II Value	Statutory Accounts Value
Liabilities	€'000	€'000
Deposits from reinsurers	263	263
Insurance and intermediaries payables (Overdue)	0	2,104
Reinsurance payables	0	57,853
Payables (trade, not insurance)	14,042	44,651

Debts owed to credit institutions and payables to insurance and intermediaries, reinsurance and other trade, as well as the other liabilities, are valued at amortised cost, consistent with the approach under Irish GAAP, which is not considered to be materially different to the Solvency II valuation principal.

Receivables which 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 Irish GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information

None noted

E. Capital Management

E.1 Own funds

The Company manages its Own Funds with the objective of always being able to satisfy both the MCR and the SCR plus a buffer. The Company prepares solvency projections for the following three years as part of its business planning process, which form part of the ORSA. 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 and 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 capital instruments and comprise of fully paid ordinary share capital, preference shares plus the reconciliation reserve (accumulated profits on a Solvency II valuation basis.) There were no significant changes in the structure of Own Funds during the year; no share capital has been issued. There was one dividend payment of fifty-million euro approved by the Board.

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

€'000	Dec 2016	Dec 2015
Ordinary share capital	1,946	1,946
Members' contributions	21,856	21,856
Capital redemption reserve	13,270	13,270
Reconciliation reserve	123,291	147,848
Own funds	**160,363**	**184,920**

The Company's eligible amount of Own Funds eligible to cover the SCR as of 31 December 2016 is listed in the table below.

Solvency Overview (in €'000s), as of Dec					
	Tier	**Own Funds**	**Eligible %**	**Eligible Own Funds**	**Solvency Ratio**
SCR 92,167	1	138,507	100%	138,507	
	2	0	0	0	
	3	0	0	0	
	Total	**138,507**	**100%**	**138,507**	**150%**

The Company's eligible amount of Own Funds to cover the MCR as of December 31st 2016 is listed in the table below.

Solvency Overview (in €'000s)					
	Tier	**Own Funds**	**Eligible %**	**Eligible Own Funds**	**Solvency Ratio**
MCR 23,042	1	138,507	100%	138,507	
	2	0	0	0	
	3	0	0	0	
	Total	138,507	**100%**	138,507	**601%**

There are certain differences between the value of Own Funds under Solvency II and the value of Equity shown in the Company's 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.

	€'000
Equity per Financial Statements	174,121
Difference in SII TPs	- 13,916
Removal of Depreciation on Property	158
Solvency II Own Funds	160,363

None of the Company's Own Funds are subject to transitional arrangements. The Company has no Ancillary Own Funds. There are no ring-fenced 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

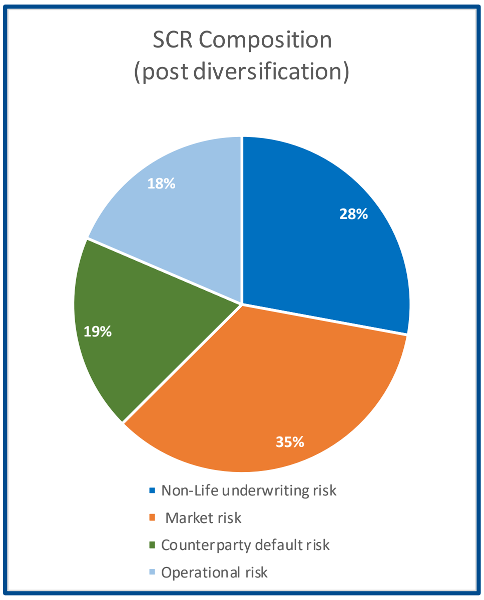
The Company uses an off-the-shelf system, VEGA, provided by Milliman to calculate its SCR and MCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters (USPs) nor does it use simplified calculations for any of the risk modules.

Capital Requirements 31 Dec 2016	€'000
SCR	**92,167**
MCR	**23,042**

E.2.1 Solvency Capital Requirement

The Company's SCR split by risk module as of December 31st 2016 is shown in the table below.

	€'000
Heath NSLT underwriting risk	361
Non-Life underwriting risk	34,540
Market risk	42,870
Counterparty default risk	23,410
Undiversified Basic SCR	**101,181**
Diversification credit	(26,070)
Basic SCR	**75,112**
Operational risk	17,055
Standard formula SCR	**92,167**



E.2.2 Solvency 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	€'000
Linear MCR	15,261
SCR	92,167
MCR cap	41,475
MCR floor	23,042
Combined MCR	23,042
Absolute floor of the MCR	2,500
Minimum Capital Requirement	23,042

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/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last twelve months
Income protection insurance and proportional reinsurance.	-	1,557
Fire and other damage to property insurance and proportional reinsurance.	7,547	6,364
General liability insurance and proportional reinsurance.	49,940	21,958
Credit and suretyship insurance and proportional reinsurance.	7,381	4,366
Assistance and proportional reinsurance.	304	632
Miscellaneous financial loss insurance and proportional reinsurance.	9,838	17,879

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 have an Internal Model to calculate its SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E.6 Any other information

None noted.

F. Appendix – QRTs

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	11,336,949
Investments (other than assets held for index-linked and unit-linked c	R0070	151,440,368
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	150,250,592
Government Bonds	R0140	28,822,385
Corporate Bonds	R0150	93,653,774
Structured notes	R0160	0
Collateralised securities	R0170	27,774,433
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	1,189,776
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	34,994,359
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	34,994,359
Reinsurance recoverables from:	R0270	494,252,608
Non-life and health similar to non-life	R0280	494,252,608
Non-life excluding health	R0290	490,277,598
Health similar to non-life	R0300	3,975,010
Life and health similar to life, excluding health and index-linked and	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	7,522,356
Reinsurance receivables	R0370	3,865,868
Receivables (trade, not insurance)	R0380	20,679,786
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but	R0400	0
Cash and cash equivalents	R0410	30,717,782
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	754,810,076

Annex 1
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	580,142,084
Technical provisions – non-life (excluding health)	R0520	576,924,040
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	565,288,455
Risk margin	R0550	11,635,585
Technical provisions - health (similar to non-life)	R0560	3,218,044
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	3,218,044
Risk margin	R0590	0
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 ur	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	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	262,902
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	0
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	14,041,963
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	0
Total liabilities	R0900	594,446,949
Excess of assets over liabilities	R1000	160,363,126

S.05.01.02
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	0	9,876,518	0	0	0	0	42,954,757	144,954,818	27,679,166
Gross - Proportional reinsurance accepted	R0120	0	492,491	0	0	0	0	0	1,771,391	0
Gross - Non-proportional reinsurance accepted	R0130		0							
Reinsurers' share	R0140	0	8,813,658	0	0	0	0	36,511,537	124,380,047	23,313,196
Net	R0200	0	1,555,352	0	0	0	0	6,443,220	22,346,162	4,365,970
Premiums earned										
Gross - Direct Business	R0210	0	9,785,240	0	0	0	0	41,249,145	125,007,341	27,568,021
Gross - Proportional reinsurance accepted	R0220	0	561,622	0	0	0	0	0	1,537,716	0
Gross - Non-proportional reinsurance accepted	R0230		0							
Reinsurers' share	R0240	0	8,795,187	0	0	0	0	35,208,607	107,334,509	23,212,979
Net	R0300	0	1,551,675	0	0	0	0	6,040,538	19,210,548	4,355,042
Claims incurred										
Gross - Direct Business	R0310	0	8,632,910	0	0	0	0	29,862,834	73,381,737	14,263,794
Gross - Proportional reinsurance accepted	R0320	0	742,769	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330		0							
Reinsurers' share	R0340	0	7,969,324	0	0	0	0	25,355,571	62,375,739	12,124,226
Net	R0400	0	1,406,355	0	0	0	0	4,507,262	11,005,997	2,139,568
Changes in other technical provisions										
Gross - Direct Business	R0410	0	-2,202,567	0	0	0	0	1,879,683	26,276,274	5,472,597
Gross - Proportional reinsurance accepted	R0420	0	-340,536	0	0	0	0	-1,907	1,558,956	0
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	0	-2,161,637	0	0	0	0	1,600,009	23,311,615	4,643,089
Net	R0500	0	-381,466	0	0	0	0	277,767	4,523,615	829,508
Expenses incurred	R0550	0	303,954	0	0	0	0	967,586	3,438,982	610,629
Other expenses	R1200									
Total expenses	R1300									

S.05.01.02
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	0	4,214,150	115,513,870					345,193,279
Gross - Proportional reinsurance accepted	R0120	0	0	4,487,981					6,751,863
Gross - Non-proportional reinsurance accepted	R0130				0	0	0	0	
Reinsurers' share	R0140	0	3,582,029	102,899,008	0	0	0	0	299,499,473
Net	R0200	0	632,122	17,102,844	0	0	0	0	52,445,669
Premiums earned									
Gross - Direct Business	R0210	0	4,564,060	122,675,458					330,849,264
Gross - Proportional reinsurance accepted	R0220	0	0	3,723,772					5,823,110
Gross - Non-proportional reinsurance accepted	R0230				0	0	0	0	0
Reinsurers' share	R0240	0	3,879,452	108,616,901	0	0	0	0	287,047,635
Net	R0300	0	684,608	17,782,329	0	0	0	0	49,624,739
Claims incurred									
Gross - Direct Business	R0310	0	3,802,415	115,158,543					245,102,232
Gross - Proportional reinsurance accepted	R0320	0	0	4,129,403					4,872,172
Gross - Non-proportional reinsurance accepted	R0330				0	0	0	0	0
Reinsurers' share	R0340	0	3,232,053	101,314,078	0	0	0	0	212,370,991
Net	R0400	0	570,362	17,973,868	0	0	0	0	37,603,413
Changes in other technical provisions									
Gross - Direct Business	R0410	0	537,052	-6,571,094					25,391,945
Gross - Proportional reinsurance accepted	R0420	0	0	-1,287,124					-70,611
Gross - Non- proportional reinsurance accepted	R0430				0	0	0	0	0
Reinsurers' share	R0440	0	456,494	-6,590,277	0	0	0	0	21,259,292
Net	R0500	0	80,558	-1,267,941	0	0	0	0	4,062,042
Expenses incurred	R0550	0	97,181	3,333,618	0	0	0	0	8,751,950
Other expenses	R1200								
Total expenses	R1300								8,751,950

S.05.02.01
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		US (by amount of gross premiums written)	SE (by amount of gross premiums written)	FR (by amount of gross premiums written)	GB (by amount of gross premiums written)	DK (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
		C0080	C0090	C0091	C0092	C0093	C0094	C0140
Premiums written								
Gross - Direct Business	R0110	10,022,837	142,729,801	49,275,111	44,874,251	35,194,103	26,692,029	308,788,131
Gross - Proportional reinsurance accepted	R0120	-	1,768,728	-	-56,149	-	2,462,454	4,175,033
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	8,539,408	122,252,428	41,884,581	38,095,387	29,909,303	24,781,314	265,462,421
Net	R0200	1,483,429	22,246,100	7,390,530	6,722,715	5,284,800	4,373,169	47,500,743
Premiums earned								
Gross - Direct Business	R0210	7,665,422	129,037,810	50,342,144	50,242,975	35,386,099	23,887,230	296,561,680
Gross - Proportional reinsurance accepted	R0220	-	1,770,994	-	282,353	-	2,808,111	4,861,458
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	6,192,025	110,525,802	42,751,705	42,822,442	30,059,883	22,899,985	255,251,842
Net	R0300	1,473,397	20,283,002	7,590,439	7,702,886	5,326,216	3,795,356	46,171,296
Claims incurred								
Gross - Direct Business	R0310	4,662,866	73,748,746	39,966,017	37,127,970	25,740,563	22,169,128	203,415,290
Gross - Proportional reinsurance accepted	R0320	-	19,456	-	314,561	-	3,713,844	4,047,861
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	3,963,437	62,703,386	33,862,748	31,826,147	21,879,473	22,000,526	176,235,718
Net	R0400	699,429	11,064,816	6,103,269	5,616,384	3,861,090	3,882,446	31,227,433
Changes in other technical provisions								
Gross - Direct Business	R0410	1,719,659	24,914,375	5,011,889	8,016,130	-1,041,920	-4,015,472	34,604,661
Gross - Proportional reinsurance accepted	R0420	-	1,774,964	-	286,393	-1,907	-1,702,678	356,772
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	1,461,725	22,328,967	4,285,259	7,057,049	-887,797	-4,860,425	29,384,778
Net	R0500	257,934	4,360,372	726,630	1,245,474	-156,030	-857,725	5,576,655
Expenses incurred	R0550	1,037,889	4,560,832	770,691	641,264	292,472	232,538	7,535,685
Other expenses	R1200							-
Total expenses	R1300							7,535,685

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	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	0.0	0.0	0.0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium Provisions							
Gross - Total	R0060	0.0	3,724	0.0	0.0	0.0	0.0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0.0	9,672	0.0	0.0	0.0	0.0
Net Best Estimate of Premium Provisions	R0150	0.0	-5,948	0.0	0.0	0.0	0.0
Claims provisions							
Gross - Total	R0160	0.0	3,214,320	0.0	0.0	0.0	0.0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0.0	3,965,337	0.0	0.0	0.0	0.0
Net Best Estimate of Claims Provisions	R0250	0.0	-751,018	0.0	0.0	0.0	0.0
Total Best estimate - Gross	R0260	0.0	3,218,044	0.0	0.0	0.0	0.0
Total Best estimate - Net	R0270	0.0	-756,966	0.0	0.0	0.0	0.0
Risk margin	R0280	0.0	0.0	0.0	0.0	0.0	0.0
Amount of the transitional on Technical Provisions							
TP as a whole	R0290	0.0	0.0	0.0	0.0	0.0	0.0
Best Estimate	R0300	0.0	0.0	0.0	0.0	0.0	0.0
Risk Margin	R0310	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions							
Technical provisions - total	R0320	0.0	3,218,044	0.0	0.0	0.0	0.0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0.0	3,975,010	0.0	0.0	0.0	0.0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-	R0340	0.0	-756,966	0.0	0.0	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	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	0.0	0.0	0.0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium Provisions							
Gross - Total	R0060	38,752,859	35,226,287	29,280,495	0.0	640,315	83,669,795
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	32,958,931	30,584,938	24,895,614	0.0	543,020	70,791,461
Net Best Estimate of Premium Provisions	R0150	5,793,928	4,641,349	4,384,881	0.0	97,295	12,878,335
Claims provisions							
Gross - Total	R0160	12,878,262	302,833,420	19,885,807	0.0	1,374,175	40,747,038
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	11,124,952	257,534,808	16,889,743	0.0	1,167,076	43,787,055
Net Best Estimate of Claims Provisions	R0250	1,753,310	45,298,612	2,996,064	0.0	207,100	-3,040,017
Total Best estimate - Gross	R0260	51,631,122	338,059,707	49,166,302	0.0	2,014,490	124,416,834
Total Best estimate - Net	R0270	7,547,238	49,939,961	7,380,945	0.0	304,395	9,838,318
Risk margin	R0280	1,170,718	7,746,621	1,144,922	0.0	47,217	1,526,107
Amount of the transitional on Technical Provisions							
TP as a whole	R0290	0.0	0.0	0.0	0.0	0.0	0.0
Best Estimate	R0300	0.0	0.0	0.0	0.0	0.0	0.0
Risk Margin	R0310	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions							
Technical provisions - total	R0320	52,801,839	345,806,328	50,311,224	0.0	2,061,708	125,942,941
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	44,083,883	288,119,746	41,785,357	0.0	1,710,096	114,578,516
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-	R0340	8,717,956	57,686,582	8,525,867	0.0	351,612	11,364,425

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	
Technical provisions calculated as a whole	**R0010**	0.0	0.0	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	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	0.0	0.0	187,573,476
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0.0	0.0	0.0	0.0	159,783,637
Net Best Estimate of Premium Provisions	**R0150**	0.0	0.0	0.0	0.0	27,789,840
Claims provisions						
Gross - Total	**R0160**	0.0	0.0	0.0	0.0	380,933,022
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0.0	0.0	0.0	0.0	334,468,971
Net Best Estimate of Claims Provisions	**R0250**	0.0	0.0	0.0	0.0	46,464,052
Total Best estimate - Gross	**R0260**	0.0	0.0	0.0	0.0	568,506,499
Total Best estimate - Net	**R0270**	0.0	0.0	0.0	0.0	74,253,891
Risk margin	**R0280**	0.0	0.0	0.0	0.0	11,635,585
Amount of the transitional on Technical Provisions						
TP as a whole	**R0290**	0.0	0.0	0.0	0.0	0.0
Best Estimate	**R0300**	0.0	0.0	0.0	0.0	0.0
Risk Margin	**R0310**	0.0	0.0	0.0	0.0	0.0
Technical provisions						
Technical provisions - total	**R0320**	0.0	0.0	0.0	0.0	580,142,084
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0.0	0.0	0.0	0.0	494,252,608
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-	**R0340**	0.0	0.0	0.0	0.0	85,889,476

Annex 1
S.19.01.21
Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	Underwriting Year

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

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											99,838
N-9	R0160	7,155,729	25,791,683	15,543,018	9,723,598	5,488,561	3,301,263	2,690,473	-1,199,510	377,755	887,542	
N-8	R0170	12,432,676	38,211,489	26,009,772	13,468,189	9,181,175	5,203,755	2,345,540	830,256	1,700,356		
N-7	R0180	12,401,954	47,684,716	20,811,610	9,494,546	6,342,265	5,303,536	4,138,808	1,526,588			
N-6	R0190	14,916,673	49,290,376	19,605,944	8,393,902	7,882,027	3,983,905	3,077,206				
N-5	R0200	19,098,557	53,057,566	20,152,480	12,092,666	12,898,377	8,052,121					
N-4	R0210	28,675,997	83,095,162	26,839,070	30,984,242	25,899,369						
N-3	R0220	27,051,177	80,530,965	39,744,424	40,933,478							
N-2	R0230	29,319,766	73,081,622	39,879,946								
N-1	R0240	34,908,531	81,141,481									
N	R0250	39,459,068										

		In current year	Sum of years (cumulative)
		C0170	C0180
	R0100	99,838	99,838
	R0160	887,542	69,760,112
	R0170	1,700,356	109,383,209
	R0180	1,526,588	107,704,022
	R0190	3,077,206	107,150,032
	R0200	8,052,121	125,351,767
	R0210	25,899,369	195,493,841
	R0220	40,933,478	188,260,044
	R0230	39,879,946	142,281,334
	R0240	81,141,481	116,050,013
	R0250	39,459,068	39,459,068
Total	R0260	242,656,993	1,200,993,280

Annex 1
S.19.01.21
Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	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 data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											4,400		R0100	4,293
N-9	R0160									382,537	287,999			R0160	280,986
N-8	R0170								1,351,117	373,603				R0170	364,505
N-7	R0180							1,400,301	1,199,165					R0180	1,169,962
N-6	R0190						2,874,586	1,991,691						R0190	1,943,188
N-5	R0200					18,276,682	12,921,125							R0200	12,606,464
N-4	R0210				45,863,539	36,748,516								R0210	35,853,600
N-3	R0220			119,729,416	108,503,145									R0220	105,860,829
N-2	R0230		84,898,407	84,223,424										R0230	82,172,379
N-1	R0240	53,612,995	86,332,955											R0240	84,230,537
N	R0250	57,855,194												R0250	56,446,279
													Total	R0260	380,933,022

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	1,946,008	1,946,008		0.0	
Share premium account related to ordinary share capital	R0030	0.0	0.0		0.0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0.0	
Subordinated mutual member accounts	R0050	0.0		0.0	0.0	0.0
Surplus funds	R0070	0.0	0.0			
Preference shares	R0090	0.0		0.0	0.0	0.0
Share premium account related to preference shares	R0110	13,270,299		13,270,299	0.0	0.0
Reconciliation reserve	R0130	145,146,819	145,146,819			
Subordinated liabilities	R0140	0.0		0.0	0.0	0.0
An amount equal to the value of net deferred tax assets	R0160	0.0				0.0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0.0	0.0	0.0	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	21,856,048				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.0	0.0	0.0	0.0	
Total basic own funds after deductions	R0290	138,507,078	125,236,779	13,270,299	0.0	0.0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.0			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			0.0	
Unpaid and uncalled preference shares callable on demand	R0320	0.0			0.0	0.0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.0			0.0	0.0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.0			0.0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.0			0.0	0.0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.0			0.0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.0			0.0	0.0
Other ancillary own funds	R0390	0.0			0.0	0.0

Annex 1
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	0.0			0.0	0.0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	138,507,078	125,236,779	13,270,299	0.0	0.0
Total available own funds to meet the MCR	R0510	138,507,078	125,236,779	13,270,299	0.0	
Total eligible own funds to meet the SCR	R0540	138,507,078	125,236,779	13,270,299	0.0	0.0
Total eligible own funds to meet the MCR	R0550	138,507,078	125,236,779	13,270,299	0.0	
SCR	R0580	92,166,757				
MCR	R0600	23,041,689				
Ratio of Eligible own funds to SCR	R0620	150.28%				
Ratio of Eligible own funds to MCR	R0640	601.12%				

		Total	
		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	160,363,126	
Own shares (held directly and indirectly)	R0710	0.0	
Foreseeable dividends, distributions and charges	R0720	0.0	
Other basic own fund items	R0730	15,216,307	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.0	
Reconciliation reserve	R0760	145,146,819	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0.0	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,855,203	
Total Expected profits included in future premiums (EPIFP)	R0790	1,855,203	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	42,870,026		0.0
Counterparty default risk	R0020	23,410,074		
Life underwriting risk	R0030	0.0	0.0	0.0
Health underwriting risk	R0040	360,714	0.0	0.0
Non-life underwriting risk	R0050	34,540,314	0.0	0.0
Diversification	R0060	-26,069,565		
Intangible asset risk	R0070	0.0		
Basic Solvency Capital Requirement	R0100	75,111,562		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	17,055,195
Loss-absorbing capacity of technical provisions	R0140	0.0
Loss-absorbing capacity of deferred taxes	R0150	0.0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.0
Solvency Capital Requirement excluding capital add-on	R0200	92,166,757
Capital add-on already set	R0210	0.0
Solvency capital requirement for undertakings under consolidated method	R0220	92,166,757
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0.0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0.0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.0

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	15,260,721

		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	0.0	0.0
Income protection insurance and proportional reinsurance	R0030	0.0	1,556,610
Workers' compensation insurance and proportional reinsurance	R0040	0.0	0.0
Motor vehicle liability insurance and proportional reinsurance	R0050	0.0	0.0
Other motor insurance and proportional reinsurance	R0060	0.0	0.0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.0	0.0
Fire and other damage to property insurance and proportional reinsurance	R0080	7,547,238	6,364,210
General liability insurance and proportional reinsurance	R0090	49,939,961	21,958,446
Credit and suretyship insurance and proportional reinsurance	R0100	7,380,945	4,365,992
Legal expenses insurance and proportional reinsurance	R0110	0.0	0.0
Assistance and proportional reinsurance	R0120	304,395	632,121
Miscellaneous financial loss insurance and proportional reinsurance	R0130	9,838,318	17,878,867
Non-proportional health reinsurance	R0140	0.0	0.0
Non-proportional casualty reinsurance	R0150	0.0	0.0
Non-proportional marine, aviation and transport reinsurance	R0160	0.0	0.0
Non-proportional property reinsurance	R0170	0.0	0.0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0.0

		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	0.0	
Obligations with profit participation - future discretionary benefits	R0220	0.0	
Index-linked and unit-linked insurance obligations	R0230	0.0	
Other life (re)insurance and health (re)insurance obligations	R0240	0.0	
Total capital at risk for all life (re)insurance obligations	R0250		0.0

Overall MCR calculation

		C0070
Linear MCR	R0300	15,260,721
SCR	R0310	92,166,757
MCR cap	R0320	41,475,041
MCR floor	R0330	23,041,689
Combined MCR	R0340	23,041,689
Absolute floor of the MCR	R0350	2,500,000
		C0070
Minimum Capital Requirement	R0400	23,041,689

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