AmTrust International Underwriters DAC

Solvency and Financial Condition Report

For the year ending 31 December 2020

AmTrust International
An AmTrust Financial Company

Contents

Glossary of Terms

AA	AmTrust Assicurazioni S.p.A.
AEL	AmTrust Europe Limited
AFSI	AmTrust Financial Services Inc.
AIIL	AmTrust International Insurance Limited
AMSL	AmTrust Management Services Limited
AMSIL	AmTrust Management Services Ireland Limited
AIU	AmTrust International Underwriters DAC
Board	Board of Directors of AIU
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
Company	AmTrust International Underwriters DAC
DAC	Deferred Acquisition Costs
DTA	Deferred Tax Asset
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not In Data
ERM	Enterprise Risk Management
EXEC	Executive Director
GNED	Group Non-Executive Director
HOAF	Head of Actuarial Function
INED	Independent Non-Executive Director
Irish GAAP	Irish Generally Accepted Accounting Principles
KRI	Key Risk Indicator
MCR	Minimum Capital Requirement
NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
Own Funds	Available capital under Solvency II
PCF	Pre-approval Control Function
QRT	Quantitative Reporting Template
RAF	Risk Authorisation Form
RCC	Risk and Compliance Committee
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SOX	Sarbanes-Oxley Act of 2002
TIC	Technology Insurance Company
TP's	Technical Provisions
UPR	Unearned Premium Reserve
USP	Underwriting Specific Parameter

Executive Summary

Overview of the Business

AmTrust International Underwriters Designated Activity Company ("AIU") is a non-life insurance company headquartered in Dublin, with branches in Sweden, Italy and France.

AIU writes multiple lines of business across the EU, EEA and the USA. Its primary lines of business during 2020 were medical malpractice, commercial credit, warranty, payment protection insurance, mortgage and accident and health.

The Company operates under the EU Solvency II framework and is regulated by the Central Bank of Ireland.

The Company is a wholly owned subsidiary of AmTrust Equity Solutions Limited ("AES") which is a company incorporated in Bermuda. The Company is a subsidiary within the AmTrust Financial Services Inc. group. The Company's ultimate parent is Evergreen Parent GP, LLC, a Delaware registered United States limited liability company. Evergreen is an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of the AmTrust Group, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family').

Solvency II

As a regulated insurance company, AIU 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 is a Solvency II requirement produced in accordance with Article 52 of Statutory Instrument 485 of 2015, Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B0S-15-109). The SFCR is designed to give the Company's customers and stakeholders an insight into the types of business the company writes, how it manages that business and the overall solvency and financial condition of the Company, including its solvency capital position.

This is the fifth SFCR prepared by the Company and covers the year ended 31 December 2020.

Capital Position and Financial Strength

Under the Solvency II framework a Company is required to hold sufficient economic capital to withstand the impact of an adverse 1-in-200 year event (or series / combination of events). This is known as the Company's Solvency Capital Requirement ("SCR"). AIU measures its SCR using the Standard Formula and each year obtains independent confirmation that it is appropriate to measure the SCR using this approach.

As at 31 December 2020, the Company's SCR ratio stood at 126% (2019 : 144%). The company's Solvency Capital Requirement stood at €197m and as at that date it had surplus funds of €52m.

At the year-end the Company was "A-" (Excellent) rated by A.M. Best.

COVID-19

The Coronavirus pandemic (or "COVID-19" pandemic) is an ongoing pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). It was first identified in December 2019 in Wuhan, China with the World Health Organization declaring the outbreak a Public Health Emergency of International Concern in January 2020 and declaring it a pandemic in March 2020. In March 2020, the Irish government announced a mandatory stay-at-home order and in the period since then, a series of lockdown measures and restrictions have impacted the general public and the business community both in Ireland and globally.

Since that date, the Company and many of its policyholders, distribution partners and vendors have taken steps to alter or reduce normal business activity to help control the spread of the outbreak. These actions have included the following:

- The implementation of business continuity plans which included the temporary closure of offices in Dublin, Sweden, Italy and France and the request for employees to work from home;
- Increased communication and coordination with the Company's stakeholders and shared service partners; and
- Increased liquidity to ensure the Company maintains adequate cash flow to honour its commitment to policyholders, employees and vendors.

While the pandemic continues to impact the Company at the date of this report, the Company has not suffered material adverse impacts on its capital base as a result of COVID-19 and has been able continue to operate with minimal disruption, albeit with its personnel working from home.

Business Strategy and Material Events

AIU is a multinational insurance company offering niche solutions to businesses and their customers. The Company seeks to exceed its stakeholders' expectations by utilising combined expertise and leadership to deliver market leading, innovative insurance solutions to its clients, with a focus on treating our customers fairly, whilst delivering and supporting the wider AmTrust group strategy.

AIU focuses on small commercial business, property, casualty, extended warranty and specialty programs. Working in partnership with its business partners, the Company strives to create a better customer experience with insurance solutions that match clients and partners business needs.

There were a number of underwriting developments in 2020 as the Company repositioned itself to focus on core territories and lines of business, as follows:

- The disposal and subsequent outward portfolio transfer of the Company's Surety business in Belgium and the Netherlands to Liberty Mutual Europe SE;

- An outward portfolio transfer of the Company's Italian Medical Malpractice business to another AmTrust entity in Italy, AmTrust Assicurazioni S.p.A.;
- An inward portfolio transfer of Eurozone business from another AmTrust entity in the United Kingdom, AmTrust Europe Limited;
- An inward portfolio transfer of Mortgage Business from AMT Mortgage Insurance Limited;
- The full reinsurance of any residual net exposures on US Commercial and Surplus Lines business; and
- Payment of a dividend of €40m to the Company's parent, AmTrust Equity Solutions Ltd.

From an operational perspective there were other core developments during the year as follows:

- Effective March 2020, the Company moved to working from home in response to the COVID-19 pandemic;
- Effective 31 March 2020, the closure of AIU's Dutch and Belgium branches;
- A capital contribution of €15m from the Company's parent, AmTrust Equity Solutions Ltd; and
- The exit of the United Kingdom from the EU and execution of the Company's Brexit contingency plans.

On 8th March 2021 the Company sold its Swedish subsidiary, AmTrust Nordic AB to a sister group company, AMT Intermediaries Limited. It is not anticipated that this will have any impact on the Company's business generated in that region by AmTrust Nordic AB, which operates as a managing general agent on its behalf.

Business and Performance (Section A)

The table below shows the Profit and Loss Account for the years ended 31st December 2020 and 31st December 2019 under Irish Generally Accepted Accounting Principles ("Irish GAAP")

Income Statement - Irish GAAP	2020 €'000	2019 €'000
Gross Written Premium	503,545	574,106
Gross Earned Premium	506,402	598,076
Net Earned Premium	177,391	168,650
Net Incurred Claims	(152,834)	(125,824)
Net Operating Expenses	(20,317)	(14,994)
Net Technical Result	4,240	27,832
Allocation of investment income	840	24,042
Balance on Technical Account	**5,080**	**51,874**
Non-Technical Income	2,880	8,597
Foreign Exchange (Loss) Gain	(4,563)	5,158
Gains on disposals of discontinued operations	0	80,075
Profit Before Tax	**3,397**	**145,704**

The Company's underwriting profit (shown as the Net Technical Result above) reduced during the year to €4.2m compared with €27.8m in the prior year. This was impacted by the following:

- An increase in net earned premium reflecting a reduction in the quota share reinsurance in early 2019 and the impact of this as it earns out in the premiums;
- An increase in net claims ratio during the year to 86% (2019: 75%). This was largely attributable to a strengthening in reserve levels on US surplus lines, commercial credit and payment protection insurance business; and
- An increase in net operating expenses as a result of reduced overrider commissions from the proportionately lower levels of quota share reinsurance.

Underwriting performance is reviewed in further detail in Section A.2.

Investment returns were impacted by reduced yields and the impact of COVID-19 on markets in early 2020. Further information is included in Section A.3.

The prior year results also included substantial gains arising on the disposal of a subsidiary operation, Nationale Waarborg B.V. on 2nd October 2019.

System of Governance (Section B)

The Board of Directors of AIU is responsible for the oversight of the management of the Company. Its responsibilities include (but are not limited to) agreeing the Company's strategic direction and objectives, compliance with applicable laws and regulations, ensuring the highest standards of governance are followed and ensuring that the management of the Company is both sound and prudent.

AIU's Board comprise an Independent Non-Executive Chairman, three other Independent Non-Executive Directors ("INED"), one Group Non-Executive Director ("GNED"), one Non-Executive Director ("NED") and one Executive Director ("EXEC"). The Board meets a minimum of six times a year and additionally as required. Board meetings are held in Dublin at the Company's head office, or by teleconference or videoconference, as may be required.

The Company employs a "three lines of defence" governance model to ensure that risk management is effective, appropriate decisions are made and best practice is implemented and maintained.

There were no material changes to the system of governance during the year, although during 2020 the Company (i) established a Remuneration and Nomination Committee; (ii) extended the scope of the existing Investment committee to include capital management, renaming it the Investment and Capital Management Committee, (iii) established a Branch Committee and (iv) established a Third Party Due Diligence Committee.

Risk Profile (Section C)

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 to monitor its exposure to the various risks to which it is exposed and these are evaluated on a quarterly basis by the Board Risk and Compliance Committee.

Underwriting Risk

The Company's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; 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 Warranty, Medical Malpractice and Other Specialist Products lines of business. The largest class of business for 2020 was Warranty.

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 relate to spread risk on its bond portfolio and foreign exchange risk on its currency exposures.

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 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.

Other risks

The Company is also exposed to the following other risks:

- Solvency risk;
- Liquidity risk;
- Operational risk;
- Legal and regulatory risk;
- Strategic risk;
- Group risk;
- Governance risk; and
- Reputational risk.

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

Valuation for Solvency Purposes (Section D)

Under Solvency II valuation principles, items in the Company's balance sheet are valued at the amount at which the assets and liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction. This differs from the valuation used in the Company's financial statements, which are valued under Irish GAAP.

As at 31 December 2020, the Company's assets less liabilities were valued at €249.7m, under Solvency II, compared with €271.4m under Irish GAAP. Further detail on the valuation for solvency purposes is included in Section D.

Capital Management (Section E)

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

The Company calculates its SCR using the Standard Formula. During 2020, the Company engaged Willis Towers Watson Limited ("WTW") to assist with an assessment of whether AIU's risk profile deviated from the assumptions underlying the Solvency II SCR as calculated according to the Standard Formula and whether these deviations were significant. This assessment is required as part of the Company's Own Risk and Solvency Assessment, in accordance with paragraph 1(c) of Article 45 of the Solvency II Framework Directive.

Based on the considerations set out in WTW's report, its view is that the Standard Formula provides an appropriate quantification of a one-year 99.5% value-at-risk for the Company, covering all material quantifiable risks to which AIU is exposed and covering existing business, as well as the new business expected to be written over the following twelve months.

The Company does not use any Undertaking Specific Parameters allowed under Solvency II, nor does it use simplified calculations for any of the risk modules.

The table below shows the Company's capital position at 31 December 2020 and 31 December 2019:

Solvency II Capital Requirements *As at 31st December*	2020 €'000	2019 €'000
Own Funds	249,739	266,184
Solvency Capital Requirement (SCR)	197,441	184,693
Minimum Capital Requirement (MCR)	54,004	46,173
SCR Coverage	126%	144%
MCR Coverage *	456%	576%

** Eligible Own Funds : MCR*

During 2020 there were no incidences of non-compliance with SCR or MCR requirements.

Information on the SFCR

SFCR Requirements

The Solvency and Financial Condition Report is produced in accordance with Article 52 of S.I. 485 of 2015, Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B05-15-09). The SFCR is required to be produced and made publicly available on an annual basis.

Article 5 of Commission Implementing Regulation (EU) 2015/2452 requires that certain Quantitative Reporting Templates are to be included in the SFCR. These are included in the Appendix to this report.

External Audit

The company's statutory auditors, KPMG, have audited the following QRT's:

- S02.01.02 : Balance Sheet
- S12.01.02 : Life and Health SLT Technical Provisions
- S17.01.02 : Non-Life Technical Provisions
- S19.01.21 : Non-Life Insurance Claims Information
- S23.01.01 : Own Funds

KPMG have also reviewed the narrative sections of this report (Sections D and E.1) for consistency with the related QRTs, in accordance with the Central Bank of Ireland's Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures.

Materiality

In preparing the SFCR information disclosed is considered to be material where omitting, misstating or obscuring that information could reasonably be expected to influence the decisions or judgment of the users of this document.

Approval

This SFCR report was reviewed and approved by the Board of Directors of AIU on 20 April 2021.

Business and Performance

Section A

AmTrust International Underwriters
An AmTrust Financial Company

A. Business and Performance

A.1 Business Profile

AIU is a non-life insurance Company headquartered in Dublin, Ireland.

As its principal activity, AIU writes non-life insurance business throughout Europe and the United States. Its primary lines of business during 2020 were Medical Malpractice, Commercial Credit, Warranty, Payment Protection Insurance, Mortgage and Accident and Health. AIU has branches in France, Italy and I Sweden. On 1st January 2021 the Company sold a wholly-owned Swedish subsidiary, AmTrust Nordic AB, to a fellow group company, AMT Intermediaries Limited. AmTrust Nordic AB continues to act as a general agent and is considered to be a branch of AIU as defined under the European Union (Insurance and Reinsurance) Regulations 2015.

AmTrust Financial Services Group

Until 29 November 2018, AIU's ultimate parent was AmTrust Financial Services Inc, a Delaware registered US corporation. On 29 November 2018 a merger transaction was completed in which Evergreen Parent GP, LLC, an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel, acquired the approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

This go-private transaction was a strategic step to focus on the operational excellence of AFSI and implement the long-term strategies that position the group for future success.

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 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 "XV" 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. 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.

The Company, which is licensed in Ireland, writes insurance throughout Europe and the United States, offering coverage for non-life insurance in Europe under classes 1, 2, 3, 7, 8, 9, 10, 13, 14, 15, 16, 17 and 18. AIU has branches in Sweden, France and Italy.

The Company is limited by shares and is wholly owned by AmTrust Equity Solutions Limited ("AES") which is a company incorporated in Bermuda its company number is 169384.

The Company's registered address is as follows:

AmTrust International Underwriters DAC,
6-8 College Green,
Dublin 2.
D02 VP48.
Tel : +353 (0) 775 2900
Email : dublin@amtrustgroup.com

A.1.1 Supervisory authority

The Company is regulated by the Central Bank of Ireland. The Central Bank of Ireland's registered address is as follows:

Central Bank of Ireland,
New Wapping Street,
North Wall Quay,
Dublin 1
D01 F7X3
Tel : +353 (0) 1 224 6000
Fax : +353 (0) 1 671 5550
Email : enquiries@centralbank.ie

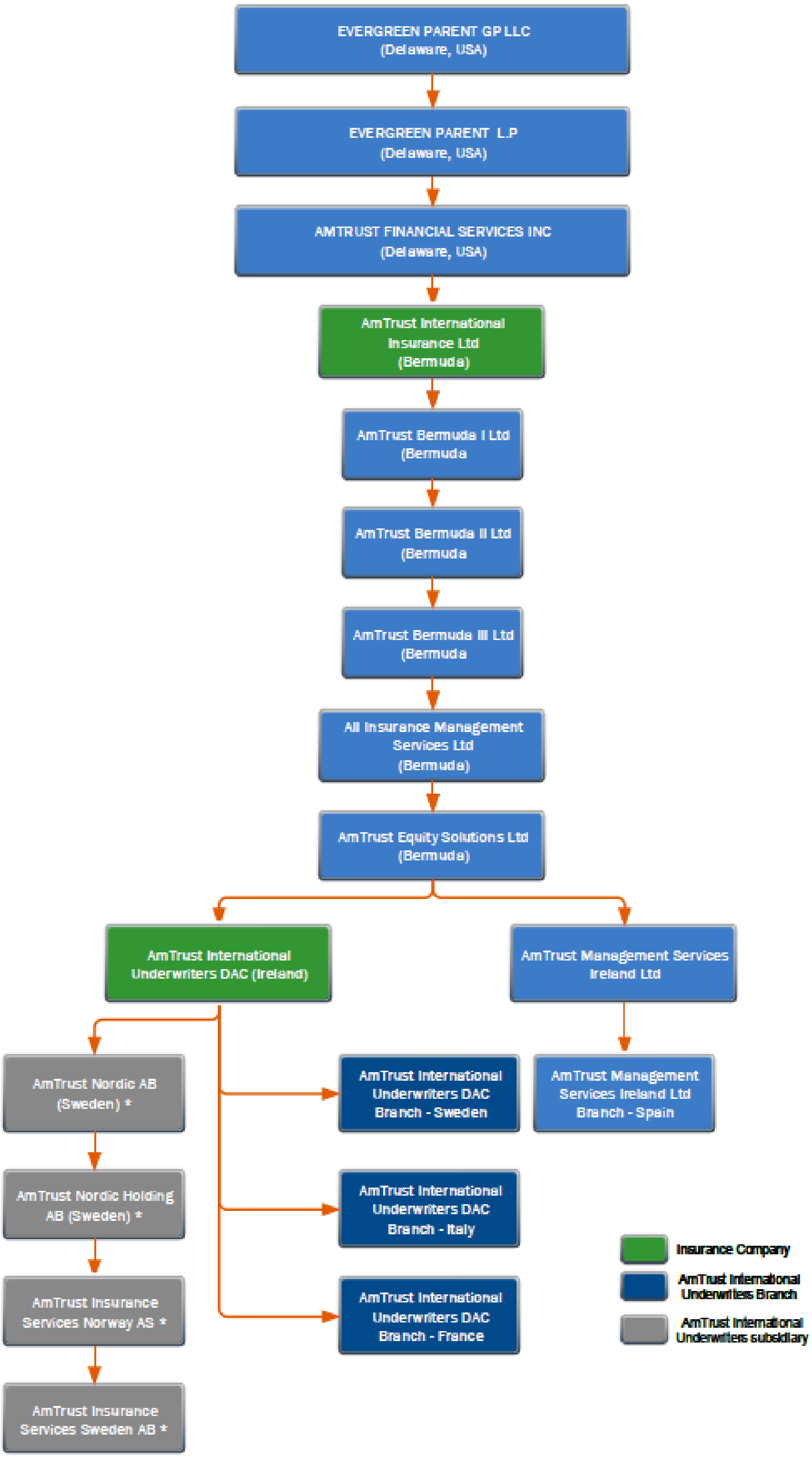
A.1.2 External auditor

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
D01 F6F5
Tel : +353 1 410 1000

A.1.3 Position within the legal structure of the group

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



* On 8 March 2021, these subsidiaries were sold to an AmTrust group company, AMT Intermediaries Limited.

A.1.4 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 in 2020 were Medical Malpractice, Commercial Credit, Warranty, Payment Protection Insurance, Mortgage and Accident and Health.

A.1.5 Material events

The outbreak of COVID-19 in early 2020 caused the business to implement its business continuity plans, including the temporary closure of offices in Dublin, Sweden, Italy and France. Employees were requested to work from home while the Company, many of its policyholders, distribution partners and vendors took steps to alter or reduce normal business activity to help control the spread of the pandemic. Notwithstanding the need to adapt working processes with relatively limited notice, the Company has remained fully functional and its operations robust. Management await further government guidance around the easing of lockdown measures as at the date of this report.

The outbreak of COVID-19 impacted underwriting performance by variable degrees, sometimes positively and in other cases adversely. Market reactions to the pandemic caused falls in investment values in the first quarter in particular albeit a significant reversal in this trend was seen subsequently. There was no significant impact on the recoverability of receivables attributable to the pandemic and in some cases the Company saw expense savings (e.g. with less business travel than usual).

The Company did not require nor seek a capital injection as a result of COVID-19 and maintained a Solvency Ratio throughout the year that was consistently above regulatory requirements.

During 2020 there were also a number of underwriting developments as the Company positioned itself to focus on core territories and lines of business:

- The disposal and subsequent outward portfolio transfer of the Company’s Surety business in Belgium and the Netherlands to Liberty Mutual Insurance Europe SE;
- An outward portfolio transfer of the Company’s Italian Medical Malpractice business to another AmTrust entity in Italy, AmTrust Assicurazioni S.p.A.;
- An inward portfolio transfer of Eurozone business from another AmTrust entity in the United Kingdom, AmTrust Europe Limited;
- An inward portfolio transfer of Mortgage Business from AMT Mortgage Insurance Limited;
- The full reinsurance of any residual net exposures on US Commercial and Surplus Lines business; and
- Payment of a dividend of €40m to the Company’s parent, AmTrust Equity Solutions Ltd.

From an operational perspective there were other core developments during the year:

- Effective March 2020 the Company moved to working from home in response to the COVID-19 pandemic;
- Effective 31 March 2020, the closure of AIU’s Dutch and Belgium branches;
- Receipt of a capital contribution of €15m from the Company’s parent, AmTrust Equity Solutions Ltd; and
- The exit of the United Kingdom from the EU and execution of the Company’s Brexit contingency plans.

On 8 March 2021 the Company has also sold its Swedish subsidiary, AmTrust Nordic AB to an AmTrust group company, AMT Intermediaries Limited.

A.2 Underwriting Performance

All values shown in this section are reported on the basis of Irish Generally Accepted Accounting Principles ("Irish GAAP") and are in thousands of Euro (€000).

The table below details the underwriting performance by Line of Business for 2020 and the prior year:

Income Statement 2020	General Liability €'000	Misc Financial Loss €'000	Income Protection €'000	Fire and Other Damage to Property €'000	Credit and Suretyship €'000	Other €'000	Total €'000
Gross premiums written	131,077	122,658	51,765	43,395	148,507	6,141	503,545
Reinsurers share	(74,012)	(62,206)	(20,580)	(21,007)	(117,517)	64	(295,257)
Net premiums written	57,066	60,453	31,185	22,388	30,990	6,205	208,288
Gross premiums earned	139,140	162,209	50,613	44,854	103,196	6,390	506,402
Reinsurers share	(86,301)	(100,022)	(25,658)	(21,824)	(93,985)	(1,221)	(329,011)
Net premiums earned	52,839	62,187	24,955	23,030	9,211	5,169	177,391
Gross claims incurred	(97,107)	(149,298)	(38,040)	(33,892)	(58,025)	(5,639)	(382,001)
Reinsurers share	51,168	92,181	20,033	15,811	54,875	351	234,419
Net claims incurred	(45,939)	(57,117)	(18,007)	(18,081)	(3,150)	(5,288)	(147,582)
Net operating expenses	(5,006)	(7,974)	(12,015)	(1,709)	2,296	(1,453)	(25,861)
Net technical result	1,894	(2,904)	(5,067)	3,240	8,357	(1,572)	3,948

Income Statement 2019	General Liability €'000	Misc Financial Loss €'000	Income Protection €'000	Fire and Other Damage to Property €'000	Credit and Suretyship €'000	Other €'000	Total €'000
Gross premiums written	219,638	136,732	40,497	44,118	131,154	1,966	574,106
Reinsurers share	(127,489)	(81,123)	(24,854)	(23,689)	(102,324)	(1,230)	(360,709)
Net premiums written	92,149	55,609	15,643	20,429	28,831	736	213,397
Gross premiums earned	237,975	147,392	38,015	44,086	128,351	2,258	598,076
Reinsurers share	(160,519)	(109,849)	(26,488)	(25,492)	(105,341)	(1,737)	(429,426)
Net premiums earned	77,456	37,543	11,526	18,594	23,010	521	168,650
Gross claims incurred	(221,285)	(123,921)	(23,208)	(30,722)	(50,220)	(2,289)	(451,645)
Reinsurers share	165,267	90,393	15,401	15,587	37,408	1,764	325,820
Net claims incurred	(56,018)	(33,528)	(7,807)	(15,135)	(12,812)	(525)	(125,824)
Net operating expenses	(32,122)	(3,501)	(4,940)	(241)	(5,535)	(173)	(46,511)
Net technical result	(10,684)	515	(1,220)	3,218	4,663	(177)	(3,685)

Gross written premium levels reduced by 12% to €503,545 (2019: €574,106). The transfer of the Italian Medical Malpractice business mid-year to AmTrust Assicurazioni S.p.A. substantially represented the largest reduction compared with the prior year. The disposal of Nationale Waarborg B.V further drove a significant reduction in Surety business written in 2020. Offsetting this the Company saw a significant growth in its Mortgage business as described in the 'Review of the business and future developments' section above.

Earned premium, net of reinsurance, was higher than the prior year at €177,391 (2019: €168,650) primarily due to the reduction of the quota share reinsurance cession to AIIL in 2019 resulting in a higher retained net insurance position as the premium on older years earns out.

The Company's net claims ratio increased during the year to 86% (2019: 75%). This was largely attributable to a strengthening in reserve levels on US surplus lines, commercial credit and payment protection insurance business.

The Company's combined ratio has increased during the year to 100% (2019: 81%). This was driven by the 11%-point increase in loss ratio above and an 8%-point increase in expense ratio. With the reduction in the quota share reinsurance cession with AIIL in 2019 there has been a commensurate decrease in the overrider received from AIIL and this was the primary reason for the variance on the prior year.

A.2.1 Material lines of business

A.2.1.1 General Liability

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. Following a portfolio transfer to AmTrust Assicurazioni S.p.A on 31 July 2020 the Company no longer writes Italian Medical Malpractice business.

Medical malpractice business is generated through key partners in France (and formerly Italy) with local market expertise residing in the Company's branches in France (Lyon) and Italy (Milan).

General Liability and Professional Indemnity

The Company stopped writing new general liability and professional indemnity business in the US at the start of 2019 and as a result, this business is now in run-off. With effect from 1 July 2020, all claims payable on US Surplus Lines liabilities are fully reinsured with AmTrust Group affiliates.

The company continues to write general liability and professional indemnity business in Europe.

A.2.1.2 Miscellaneous financial loss

Warranty

The key covers provided within this segment are consumer electronics, auto warranty, home emergency and plant and equipment.

The consumer electronics business segment includes cover in respect of mobile phones, televisions, computers and portable tablets.

The warranty business has performed consistently well over a number of years. The Company has extensive experience in the Nordic region and its business is generated by the Company's underwriters working closely with the Stockholm office. The disposal of the company's holdings in its subsidiary operations in Sweden post year-end is not anticipated to have any impact on the flow of business from this region.

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

A.2.1.3 Income Protection

Payment Protection Insurance (PPI)

The payment protection segment has shown good performance historically and the largest component part is the PPI business. This product provides income protection covering the loss of salary due to unemployment or bankruptcy for self-employed individuals. Currently the business is primarily focused on the Nordic region and mainly sourced through broker channels.

Accident and health

The Company offers a wide range of products that sit within the A&H/supplemental health insurance area. These include accident and sickness cover, including unemployment cover.

A.2.1.4 Fire and Other Damage to Property

The Company also began to underwrite a small portfolio of commercial and personal property in the Netherlands and Ireland during 2019 pursuant to its Brexit strategy. Coverage would include household, residential lettings, holiday homes and general commercial business. Distribution in Ireland is through selected retail and wholesale brokers, coverholders and affinity schemes.

A.2.1.5 Credit & Suretyship

Commercial Credit

The Company operates a large commercial credit programme in the United States traditionally dominated focused on offering protection to small and medium sized financial institutions in respect of auto loans. In the case of repossession and sale of the collateral vehicle, the insurance will reimburse the lender for a portion of the difference between the outstanding loan balance and the auction proceeds. The coverage has a loss limit per loan and requires the lender to attempt to prevent defaults as well as taking any appropriate actions / subrogation's against indirect originators prior to making a claim.

Mortgage Insurance

Mortgage & Credit business covers the credit default risk for lenders of residential mortgages. Premiums are paid by the Lenders (rather than the consumer) who are the insured party. Product offerings include 'Flow' insurance which provides prospective cover on a loan-by-loan basis and 'In Force' insurance, which provides cover to a portfolio of pre-existing loans. As a consequence of Brexit, the company received a transition of EEA mortgage business from an AmTrust affiliate (AMIL) during 2020.

Credit and Surety

Following the divestiture of the National Borg Surety business through a Group transaction with Liberty Mutual during 2019 and the subsequent portfolio transfer of this business during 2020, the Company's involvement in the Surety line of business significantly decreased in 2020. The company continues to write a select book of Spanish surety business.

A.2.1.6 Other

Other business lines comprise subsets of a number of different product offerings, none individually contributing significantly to the company's result for the year or prior year, and accounting for just over 1% of premium. As such these have not been separately analysed in this report.

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.

Income Statement 2020	Italy €'000	USA €'000	France €'000	Sweden €'000	Denmark €'000	Other €'000	Total €'000
Net Earned Premium	46,525	12,763	33,927	30,159	21,495	32,522	177,391
Net Claims Incurred	(29,761)	(9,722)	(32,600)	(18,149)	(26,718)	(30,632)	(147,582)
Technical expenses	(5,757)	(4,763)	(7,885)	(6,807)	(898)	249	(25,861)
Underwriting result	11,007	(1,722)	(6,558)	5,203	(6,121)	2,139	3,948

Income Statement 2019	Italy €'000	USA €'000	France €'000	Sweden €'000	Netherlands €'000	Other €'000	Total €'000
Net Earned Premium	62,818	24,191	14,384	22,350	8,221	36,686	168,650
Net Claims Incurred	(37,526)	(21,253)	(13,497)	(15,105)	(1,730)	(36,714)	(125,824)
Technical expenses	(25,562)	(7,969)	(1,899)	(2,843)	(2,784)	(5,455)	(46,511)
Underwriting result	(270)	(5,030)	(1,012)	4,402	3,707	(5,482)	(3,685)

A.3 Investment Performance

The Company invests predominantly in corporate and government bonds. The management of the bond portfolio is outsourced to another company within the Group, AFSI, which has a dedicated team of investment managers. A set of investment management guidelines has been drawn up, adherence to which is monitored by the Investment and Capital Management Committee and the Audit Committee.

During the year the Company also had a subsidiary operation owning 100% of the share capital of AmTrust Nordic AB, based in Sweden and its subsidiaries based in Sweden and Norway. As discussed above the Company has sold its ownership in this business on 8 March 2021. AmTrust Nordic AB nevertheless remains a regulatory branch of AIU as defined under the European Union (Insurance and Reinsurance) Regulations 2015.

The Company also owns its branch office building in Milan, Italy.

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

Investment Income 2020	Net Investment Income €'000	Net Investment Expense €'000	Net Realised Gain / (Loss) €'000	Changes in fair value €'000	Total €'000
Bonds	5,610	0	4,772	(9,294)	1,088
Loans and Receivables	926	0	(1)	0	925
Short term investments	117	0	(135)	(423)	(441)
Cash and cash equivalents	(226)	0	44	57	(125)
Other investment income (expense)	0	(607)	0	0	(607)
Total	6,427	(607)	4,680	(9,660)	840

Investment Income 2019	Net Investment Income €'000	Net Investment Expense €'000	Net Realised Gain / (Loss) €'000	Changes in fair value €'000	Total €'000
Bonds	8,426	0	4,360	12,219	25,005
Loans and Receivables	1,026	0	0	0	1,026
Short term investments	7	0	0	(8)	(1)
Cash and cash equivalents	(47)	0	0	10	(37)
Other investment income (expense)	130	(2,081)	0	0	(1,951)
Total	9,542	(2,081)	4,360	12,221	24,042

Overall investment income was significantly reduced on the prior year, predominantly driven by the company's bond portfolio. The valuations on these investments were impacted by COVID-19 and reducing yields during the year. The company maintains a high-grade investment portfolio with a primary focus on capital preservation.

A.4 Performance of other activities

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

A.5 Any other information

None noted.

System of Governance

Section B

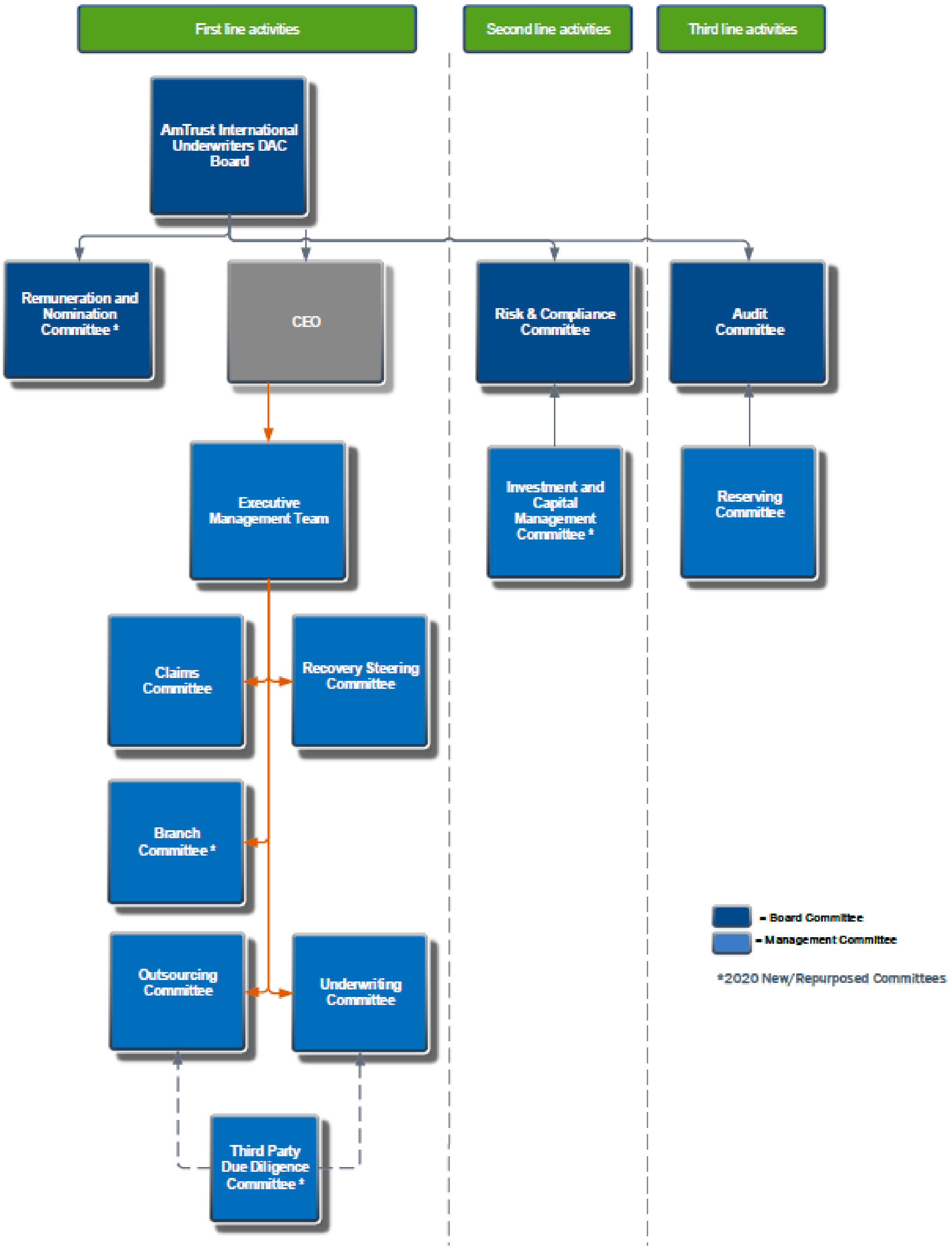
AmTrust International Underwriters
An AmTrust Financial Company

B. System of Governance

B.1 General information on the system of governance

B.1.1 The Board and System of Governance

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



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

- First Line of Defence – undertakes the primary risk taking and decision-making activities. It represents the bulk of the Company's people, systems and controls that are integral to achieving the Company's strategy. The senior manager is responsible for the identification and assessment of risks and controls in their relevant area, as well as for developing and implementing mitigation plans where necessary.
- Second Line of Defence – is responsible for reviewing risks across the first line. No risk-taking activities take place here. Key control functions such as Risk Management, Compliance and IT Risk & Security sit within this line of defence which are independent of personnel responsible for originating risk exposures. The Risk function provides support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans. The Compliance function is responsible for ensuring that the Company complies with applicable laws, and regulations as well as supporting business in designing new controls through review of control framework and recommendations from monitoring and testing.
- 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 robustness of the risk management framework and the appropriateness and effectiveness of the Company's governance and internal control systems. The Company has an independent Internal Audit function which resides in this line of defence.

B.1.1.1 Board responsibilities

The Board comprises an Independent Non-Executive Chairman, three other Independent Non-Executive Directors, one Group Non-Executive Directors, one Non-Executive Director and one Executive Director. It meets at a minimum six times a year and additionally as required. Minutes of all Board and committee meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

The Board closely monitors developments in corporate governance and assesses how these can be applied to the Company. The Company's governance arrangements continue to be reviewed in line with developments in best practice and as required by the CBI's Corporate Governance Requirements for Insurance Undertakings 2015. The Board believes the existing structure is appropriate for the size, nature and complexity of the Company.

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

- Agreeing the Company's long-term directions and objectives.
- Developing and maintaining the Company's business model and ensuring that local regulation, legislation or market practice is also met.
- Determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and setting the risk appetite.
- Oversight of the Company's operations.
- Ensuring the appropriate and necessary financial and human resources are in place to meet the Company's objectives.

- Providing constructive challenge to the executive directors and senior management.
- Ensuring the highest standards of governance are followed.
- Developing the Company's culture.

B.1.1.2 The role of the Chairman

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

- The leadership of the Board, encourage critical discussions and challenge mind-sets and ensuring Board effectiveness on all aspects of its role.
- Ensuring effective Board governance.
- Setting agendas.
- Ensuring that members of the Board receive accurate, timely and clear information.
- Managing the Board to ensure sufficient time is allowed for discussion of key risks and issues.
- Facilitating contributions from INEDs.
- Considering and addressing the development needs (induction, training and professional development) of individual directors and the Board as a whole.

B.1.1.3 The role of the Independent Non-Executive Directors

The role of the Independent Non-Executive Directors includes the following key elements:

- Bring an independent viewpoint and challenge to the deliberations of the Board that is objective and independent of the activities of the management and of the insurance undertaking.
- Have a knowledge and understanding of the business, risks and material activities of the insurance undertaking to enable them to contribute effectively.
- Constructively challenging and helping to develop proposals on longer-term direction and strategy.
- Scrutinising the performance of management in meeting agreed goals, objectives, and monitoring the reporting of performance.
- Satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and effective.

B.1.1.4 The role of the Non-Executive Directors

The role of the Non-Executive Directors is to provide an independent view on the running of the business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Company’s system of governance and the risk appetite set by the Board.

B.1.1.5 The role of the Chief Executive Officer

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

- Ensuring that the Company maintains a sufficient solvency margin and that customers are treated fairly
- Ensuring that the Company is compliant with all laws and regulations affecting its business, its policyholders and its staff, including fulfilling all relevant obligations as required under the Central Bank's Fitness and Probity Regime.
- Managing the Company's risk profile, in line with the extent and categories of risk identified as acceptable by the Board.
- Approving the apportionment and allocation of roles and responsibilities of the executive management team of the Company.
- Approving all capital and revenue transactions, including acquisitions and disposals, not specifically reserved to the Board.

At year-end 2020, the Board of Directors consisted of seven members, including the Chairman of the Board as follows:

Board Member	Board Balance	Key Role
Chairman of The Board	Independent	Chairing of the Board, member of the Risk and Compliance Committee, member of Remuneration & Nomination Committee.
Independent Non-Executive Director	Independent	Chairing the Audit Committee, Chairing the Remuneration and Nomination Committee and member of the Risk and Compliance Committee
Independent Non-Executive Director	Independent	Chairing the Risk & Compliance Committee member of the Audit Committee, member of Reserving Committee
Independent Non-Executive Director	Independent	Member of the Audit Committee
Non-Executive Director	Non-Executive	Non-Executive Director
Group Non-Executive Director	Group Role	Group Non-Executive Director, member of Remuneration & Nomination Committee
Chief Executive Officer	Executive	Member of Risk & Compliance Committee, Day-to-day running of the Company

B.1.1.6 First Line Committees

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of three members, one of whom is the Chairman of the Committee and is an independent Non-Executive Director (INED). The other two members of the Committee comprise of a Non-Executive Director (NED) and the Chairman of the Board (INED). The Chief Executive Officer, Head of Compliance and Human Resources are invitees.

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

The Committee reports on executive compensation; reviews successions and leadership plans for all Executive Management; sets remuneration and compensation policies and proposes compensation arrangements for Executive Management and the Chief Executive Officer for Board approval. In addition, the Committee is responsible for considering any proposed Pre-Approval Controlled Functions in line with Fit and Proper requirements for approval by the Board. The Committee ensures that the Company's remuneration practices do not promote excessive risk-taking. The Committee does not have authority to determine the pay of the Non-Executive Directors of the Board.

The Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes. The Committee established a written policy on diversity (Board Diversity Policy) with regard to selection of persons for nomination to become members of the Board. The Committee gives full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

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 this committee are to determine and recommend reserving levels for the business underwritten by the Company, ensure the reserving process is effective in providing the Board with the agreed level of comfort that the reserves in the Financial Statements are appropriate and to ensure that the Solvency II technical provisions are appropriate.

The Company maintains an Actuarial function that projects an independent actuarial estimate of the reserves for each class of business. These are presented and reviewed at the Reserving Committee to challenge management's view of the reserves. The discussions and changes to reserves are formally minuted.

The Reserving Committee consists of six members, who are the Chief Executive Officer, Chief Finance Officer, the Head of Underwriting, the Head of Claims, the Head of Actuarial Function and an Independent Non-Executive Director. The Head of Compliance is an invitee.

Underwriting Committee

The key purpose of this committee is to monitor and manage performance, against the business plan and the associated insurance risk. The key responsibilities of this committee are to review the Company's underwriting policies, guidelines, authorities, processes and procedures to meet its underwriting risk appetite; review underwriting performance; and assess the Company's underwriting opportunities within its chosen markets.

The Underwriting Committee consists of four members, including the Chief Executive Officer, the Head of Underwriting, the Chief Risk Officer and the Head of Claims. The Head of Compliance is an invitee to this committee. The Chair may request individual Company underwriters or other staff members to attend meetings, as and when required.

Investment and Capital Management Committee

The key responsibilities and duties of this committee are to monitor investment risk and associated credit and liquidity risk, review the credit quality of collateral, monitor capital results and forecasts and to review Solvency II quantitative reporting.

This committee consists of six members including the Chief Finance Officer, Chief Executive Officer, Head of Actuarial Function, Head of Investments, Chief Risk Officer and Head of Capital Management.

Executive Management Team

The purpose of this committee is to assist and advise the CEO in the management of the Company within the bounds of the authority granted to the CEO by the Company's Board of Directors, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- monitoring of operating and financial performance;
- monitoring of outsourced activities
- assessment and control of risk;
- the assessment and review of the control environment;
- assessment and control of the Company's branches;
- governance of relevant sub-committees;
- the prioritisation and allocation of resources.

The committee is comprised of Chief Executive Officer, Chief Finance Officer, Chief Risk Officer, Head of Compliance, Head of Business and Operations, Head of Underwriting, Head of Claims, Head of Legal and HR Manager.

Claims Committee

The key purpose of this committee is to ensure there is adequate oversight of claims across all lines of business and jurisdictions. Responsibilities of this committee include report and reviewing claims trends, large losses and any claims issues across all lines of business and jurisdictions and approving case reserve movements in line with claims authority limits.

The committee consists of five members, including the Chief Executive Officer, Chief Finance Officer, the Head of Underwriting, the Chief Risk Officer and the Head of Claims. The Head of Compliance, an

Actuarial Manager and Claims Team Lead are invitees. The Chair may request staff members to attend meetings as and when required.

Outsourcing Committee

The key purpose of the Outsourcing Committee is to provide governance, oversight, and advice/ recommendations to the Executive Management Team on matters relating to all outsourcing arrangements with third party and intragroup outsourcing service providers. This committee is also responsible for monitoring and reviewing the effectiveness of the internal controls required to manage outsourcing risk. The committee is chaired by the Audit & Outsourcing Manager and its membership is made up of representatives from each business unit including claims, underwriting, credit control, outsourcing, risk and compliance.

Recovery Steering Committee

The Company's Recovery and Resolution Plan identifies the process and timing for the establishment of a Recovery Steering Committee. It is chaired by the Chief Risk Officer and other members include the CEO, Chief Financial Officer and Head of Legal. The committee meets pursuant to certain defined trigger events referred to within the AIU Recovery and Resolution plan.

Branch Committee

The purpose of the Branch Management Committee is to assist the Company in fulfilling its statutory and fiduciary responsibilities in respect of any branch of the Company. The committee is to assist and advise the CEO in the management of the Company's branches within the bounds of the authority granted to the CEO by the AIU Board of Directors. The committee is comprised of the CEO, Head of Underwriting, Chief Risk Officer, Head of Compliance and Branch Managers.

B.1.1.7 Second Line Committees

The Risk & Compliance Committee

The committee is appointed by the Board of Directors. The key purpose of this committee in relation to Risk Management is:

- To have responsibility for oversight and advice to the Board on the current risk exposures of the Company and future risk strategy to ensure that the interests of its shareholders and customers are properly protected through the application of effective risk and capital management frameworks;
- To advise and make recommendations to the Board on the following:
    1. risk appetite and tolerance for future strategy, taking into account of the Board's overall risk appetite, the current financial position of the Company and, drawing on the work of the Audit Committee and the External Auditor, the capacity of the Company to manage control risks within the agreed strategy;
    2. the system and programme of risk management with the aim of identifying, measuring, controlling and reporting risks;

3. the company's risk management and compliance framework in order to establish that the First and Second Lines of Defence are efficient and effective and that the business complies with applicable laws and regulations;
4. the alignment of strategy with the Board's risk appetite; and
5. promoting and embedding a risk awareness culture within the Company.

The key purpose of this committee in relation to Compliance is:

- To oversee and advise the Board on the current compliance exposures of the Company and to ensure implementation of the annual Compliance Plan.
- To review the Company's systems and controls around prevention and detection of, anti-money laundering, financial sanctions and bribery in accordance with regulatory requirements.
- To ensure that the Compliance function is adequately resourced. The committee consists of four members, including the Chairman of the Board, Chief Executive Officer, and two independent Non-Executive Directors. The Chief Risk Officer, the Head of Compliance and the Chief Financial Officer are invitees.

B.1.1.8 Third Line Committee

Audit Committee

This committee is appointed by the Board of Directors. The key purpose of this committee is to assist the Board of AIU in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, internal controls and the independence and effectiveness of internal and external audit.

The key responsibilities of this 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 three Independent Non-Executive Directors of the Board.

B.1.2 Changes in the System of Governance [Changes to Directorships, Committee structures]

In recognition of the continued development of the Company, a number of changes were made to the Company's governance structures during 2020. These included the following:

- Establishment of a Board Remuneration and Nomination Committee;
- Establishment of an Executive Branch Committee;
- Establishment of an Executive Third=Party Due Diligence Committee;
- Extension of the scope of the existing Investment Committee to include capital management and renaming the committee the Investment and Capital Management Committee;
- Appointment of Mr Paul Newton as an additional director;
- Appointment of an Independent Non-Executive Director to the Reserving Committee; and

- Appointment of a new Chief Risk Officer and a new Chief Financial Officer

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 Remuneration & Nomination Committee reports to and has delegated authority from the Board to ensure that the Company has a business appropriate, Board approved Remuneration Policy that is compliant with applicable regulations. The Remuneration & Nomination Committee is responsible for the oversight of its implementation by the management of the Company and is authorised to review and approve the remuneration plans and programmes that fall within the Remuneration Policy. It is authorised to review and approve all payments and awards pursuant to the remuneration plans at either an aggregate or individual employee level as designated by the Remuneration Policy and the Remuneration & Nomination Committee's Terms of Reference

The 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 CBI'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 (via the Remuneration & Nomination Committee) that is in line with the risk strategies of the Company.

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

- provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in role as well as the market supply and demand for a particular skill set;
- enable the Company to attract and retain the right talent for the business at a business appropriate and sustainable cost;
- provide market appropriate pay structures that include a role appropriate level of fixed and variable pay in line with market norms and an appropriate benefits programme;
- ensure that pay programmes are aligned to the Company's business strategy, risk appetite statements, codes of conduct and applicable regulations and reward only appropriate behaviour. Ensure that both short and long-term performance is taken into consideration as appropriate; and
- ensure the appropriate governance and independence as it relates to pay decisions and the appropriate scrutiny as it relates to key employees including those designated as Solvency II employees.

The Board reviews INED fees on the renewal of contracts and if roles or duties materially change. The Company's policy is to pay sufficient fees to attract INEDs with the necessary skills and experience to provide effective input to the Board. In practice, fees are usually targeted at the market median for companies of similar business and size.

The Company aims for the following in respect of variable pay:

- Variable pay and the associated programmes and awards are structured according to the nature of the role and its position within the business.
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed form to be competitive with market median levels and appropriate on a role-by-role basis.
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice.
- Variable pay awards are designed to take into consideration both individual and Company performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the Company's competency framework. Company performance is aligned to agreed financial metrics.
- All variable pay programmes allow for no awards to be made based upon either individual or Company performance.
- All programmes allow flexibility and discretion, which permit the Board and management to ensure appropriate awards are made in all circumstances.

- Variable pay awards for Solvency II employees identified within the prescribed control functions, Risk, Compliance, Actuarial and Internal Audit functions, will not be determined using criteria which measures the performance of the business or operational unit subject to their control. Individual allocations are made based on the individual performance against functional objectives, to include adherence to all required controls and regulatory standards and codes of conduct.
- To ensure that the Company's senior employees (including Solvency II Employees) are aligned not only to the annual goals of the Company but equally as importantly, the long-term success of the business and group, the Company ensures that a portion for the required population, of variable compensation is in the form of a long-term deferred component.

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 Irish 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 long-term deferred components there are good and bad leaver provisions in the contracts.

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

B.1.4 Pension scheme

Board members who are also employees of the Company, that is all except Non-Executives, are entitled to join a workplace pension scheme. The Company does not provide any supplementary pension to its 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.

B.1.5 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.1.6 Adequacy of the system of governance

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

B.2 Fit and Proper Requirements

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

The CBI mandates that individuals performing Pre-Approval Control Functions (PCF) or Controlled Function (CF) roles remain fit and proper to undertake the role. CBI regulations provide for a comprehensive list of PCF roles, including but not limited to the Board Directors and CEO, all of which must be pre-approved by the CBI before they can take up a PCF position. The Company has a Fitness and Probity 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 satisfies itself 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 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.

Fitness and probity is checked at recruitment stage through appropriate due diligence and challenge of an individual's curriculum vitae ("CV"). Appropriate probity checks are carried out prior to recruitment of an individual, including reference checks, and probation periods are set commensurate with the role. Ongoing assessment of fitness and probity of all employees is assessed through the annual appraisal process and in relation to CF roles also through annual certification of their continued compliance with applicable fitness and probity standards. Performance of the Board is also assessed 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 Enterprise Risk Management ("ERM") function co-ordinates risk management activities within the Company through the ERM framework, which consists of procedures to identify, measure, manage, monitor and report risk.

B.3.2 The Risk Management Function

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 ERM function 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 (see Section B.3.3 below), and the capital position is stressed to test for the Company's resilience to unexpected events.

Through the ERM function'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:

B.3.2.1 Risk and Control Self-assessments (RCSAs)

RCSAs are performed by each department, under the oversight of the ERM function. Risks and controls are recorded in the Company 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 process, all employees are encouraged to report any additional risks, errors or near misses to the ERM function as soon as possible after it is identified.

B.3.2.2 Emerging risks monitoring

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

B.3.2.3 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 Chief Risk Officer forms part of this process as a member of the Senior Management team and as facilitator to the risk assessment. Conclusions are summarised in a Top Risk submission to the Board.

B.3.2.4 Risk register

Risks and controls are recorded in a dedicated risk management information system. This 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.3.2.5 Risk Appetite and Key Risk Indicator (KRI) reporting

KRIs are used to measure whether the Company remains within the Board's stated Risk Appetite. KRIs are monitored and reported to the Risk and Compliance Committee and the Board on a quarterly basis.

B.3.2.6 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 in the RCSAs and the top-down risk assessment. The scenarios which produce the biggest losses are further stressed to produce Reverse Stress Tests 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 or purchase of a subsidiary by the Company.

B.3.2.7 Incident reporting and escalation

The Company operates an incident reporting and escalation framework designed to capture the occurrence of operational risk events for the purpose of analysis, reporting and improvement of internal controls.

Once identified, incidents are reported to the ERM function. Incidents are recorded in the risk management information system and this acts as the main repository for incident reporting. Incidents are reviewed by the Risk function and an action plan put in place. Incidents are escalated to the appropriate level, depending on their severity.

B.2.3.8 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 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.2.3.9 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 is based on regulatory capital requirements. 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.2.3.10 Capital allocation

The Company currently allocates capital to classes of business at a high level. Capital needs are assessed as part of the ORSA process and the solvency forecasting activities. With the development of a stochastic capital model, the capital allocation process will be further strengthened.

B.2.3.11 Recovery and Resolution Plan

The Company maintains recovery and resolution plans, which are updated annually. The recovery plan aims to prevent the business from failing, while it is a going concern and includes: triggers at which point the recovery plan would be invoked; example scenarios that would cause the triggers to be breached;

and a set of management actions which can be used to restore the solvency and liquidity position and allow the Company to continue its operations. The object of the resolution plan is to ensure orderly failure of a business and includes: identification of critical economic functions; key dependencies between entities and functions; and preferred resolution strategies and their implications.

B.3.3 Own Risk and Solvency Assessment (ORSA)

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

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

The Company completes its full ORSA process on an annual basis and whenever there is a material change in its risk profile. Changes in risk profile are monitored through the quarterly Board reporting process.

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

The Company's has set a solvency risk appetite which is above a margin of these limits and the Solvency Capital Requirement ("SCR") which is the regulatory capital requirement under Solvency II.

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.

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.

Prior to AFSI becoming a private company, by virtue of being a material overseas subsidiary of AFSI, the Company was 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 was developed at Group level, which is cascaded down to all material subsidiaries within the AmTrust group. AFSI and accordingly, AIU is no longer obliged to comply with SOX. Nevertheless, the Company continues to adopt the SOX approach and the controls within the Company's framework are routinely tested and attested by management. Management produce an internal control 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 these controls under this process is monitored by the Internal Audit function. The outcomes of monitoring are reported to senior management and any control deficiencies identified at the Company are reported to management for consideration of the aggregate impact to the control framework of the Global group.

B.4.2 Compliance function

The Compliance function reports to the Head of Compliance and is responsible for advising the Executive and the Board on the Company's compliance with existing and emerging legal, regulatory and administrative provisions.

Compliance 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 regulatory compliance obligations of the Company and for promoting an organisational culture that encourages ethical behaviour. 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 Executive and the Board to protect the assets, reputation and sustainability of the organisation.

This is achieved by:

- Assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management;
- Assessing whether they are adequately controlled; and
- 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 of the AmTrust European Group of entities. Internal Audit has 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 AmTrust'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") 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.

Under Solvency II 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;
- Production of the Technical Provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate for the specific lines of business of the undertaking and for the way the business in managed, having regard to the available data;
- Assessment of whether the information technology systems used in the calculation of technical provisions sufficiently support the actuarial and statistical procedures;

- Preparation of the Actuarial Report on Technical Provisions;
- Monitoring the best estimates against actual experience;
- Reporting to the Board on the reliability and adequacy of the Technical Provisions calculation;
- Providing a statistical framework to price various lines of business;
- Reviewing new business opportunities and providing feedback on the underlying models and assumptions or any external actuarial models used;
- Work with underwriters to provide support on product performance;
- Providing independent input into the ULRs to be used in the business plans;
- Providing inputs into the calculation of the Solvency Capital Requirement ("SCR");
- Providing assistance with the preparation of business plans;
- Working closely with the Risk Management Function ("RMF") to facilitate the implementation of an effective risk management system;
- Support to the Risk Management Function to quantify the risks identified;
- Building a stochastic Internal Capital Model of the Company business; and
- Opining on the ORSA process;

B.7 Outsourcing

Outsourcing is an important aspect of the Company's business model.

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 Company's outsourcing risk lies in its use of external party coverholders and intermediaries in its underwriting and distribution processes and external and intra-group service providers in the provision of claims handling and operational support services.

The CBI 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: impair the Company's internal controls; or risks associated with the CBI'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 and disciplined authorities for the appointment of outsource partners;
- Formal contract management and monitoring;
- Contingency plans in the event that the service providers are unable to perform the service; and
- Independent internal monitoring by business operations, the control functions of risk, compliance and internal audit; and the Company's third-party audit coverage as routinely approved and monitored by the Executive Team.

During 2020, the Company further enhanced its Outsourcing internal control framework by embedding controls throughout the service lifecycle and established an Outsourcing Team to support the existing Audit and Due Diligence Teams.

The Company has designated the following outsourced functions as critical or important for both intra-group and external third-party service providers:

Outsourcing to Amtrust Group	
Activity or function that is outsourced	Location of Service Provider
Actuarial, internal audit and operational support	UK
Claims handling services	USA
Investment management services	USA
Operational support	Ireland
Operational support, claims handling services and complaints services	Sweden
Premium administration	Sweden
Premium administration, claims services and complaints services	France

Outsourcing to External Service Provider	
Activity or function that is outsourced	Location of Service Provider
Underwriting delegated authority	Denmark
Underwriting delegated authority	France
Underwriting delegated authority	USA
Premium administration, claims services and complaints services	Denmark

B.8 Any other information

None noted.

Risk Profile

Section C

AmTrust International Underwriters
An AmTrust Financial Company

C. Risk Profile

This section outlines the main risks the Company faces. These include risks which are captured under the Standard Formula in the calculation of the SCR and those material risks not covered explicitly under the Standard Formula.

The Company calculates its regulatory capital using the Standard Formula. A breakdown of the SCR result of €197.4m at December 31, 2020 is provided in section E.2.1. The Own Funds available to meet the SCR at December 31, 2020 were €249.7m and the solvency ratio was 126%. Therefore, the Company had excess Own Funds of €54.0m, over the SCR.

C.1 Underwriting risk

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 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 Warranty, Medical Malpractice and Other Specialist lines of business. The largest class of business during 2020 was Warranty. In addition, other material lines of business in terms of size are Mortgage & Credit and Accident & Health. 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 types of 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 Medical Malpractice 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 and credit and suretyship classes of business. Around fifty-six 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. Furthermore, underwriting performance is monitored against risk appetites in terms of volume of written premium, underwriting profit and concentration via the KRI reporting process.

The Company also uses reinsurance to mitigate underwriting risk. The comprehensive reinsurance programme is made up of quota share and excess of loss treaties, and a small number of facultative placements.

During the year, the Company reinsured its residual net exposures on its US Surplus Lines and Open Lending business to AmTrust International Insurance Limited ('AIIL'), an affiliated company domiciled in Bermuda. This additional quota share reinsurance arrangement allows the Company to reinsure 100% of its net retained liability for claims paid on or after 1 July 2020 and thereby effectively transfers all of its remaining liability for these lines of business to reinsurers.

In the prior year, the Company terminated its whole account quota share arrangement with AIIL. With effect from 1 July 2019, the company put in place a 50% quota share reinsurance treaty with an 'AA' rated global third-party reinsurer for new business written on certain lines of non-US business.

The Company also has quota share treaties in place for its US lines of business, ceding to AIIL and TIC, "A-" rated affiliated AmTrust companies. On its historic book, AIU is principally reliant on quota share arrangements with AIIL. Collateral is in place for these intra-group cessions reducing the reinsurance exposure.

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

C.1.4 Risk sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.7.1.

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 Risk Appetite Statement 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 via the Investment and Capital Management Committee; investments are also reviewed on a quarterly basis by the Board.

C.2.1 Material risk exposures

The Company's material exposures to market risk relate to spread risk on its bond portfolio and foreign exchange risk on its currency exposures.

The bond portfolio consists mainly 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.

AIU no longer holds any properties as investments at 31 December 2020, but does own its branch office in Italy. This does not however pose any material market risk to the Company's business.

The Company manages its foreign exchange risk against its functional currency, which is 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 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 assets where the risk can be properly identified, measured, monitored, managed, controlled and reported on, the Company fulfils the Prudent Person Principle.

Investment management is outsourced to another group company (as part of a shared services model). A set of investment management guidelines has been drawn up, adherence to which is monitored by the Investment and Capital Management Committee, Risk and Compliance Committee and the Board.

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's 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 Material risk sensitivities

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.7.1.

C.2.5 Other material information

None noted.

C.3 Credit risk

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

Management identifies and measures key credit risk exposures by monitoring rating of banks, ratings of reinsurers, bond ratings, exposure to individual external reinsurer counterparties, exposure to a single bank as percentage of the 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.

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.

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. 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. Ongoing adherence to this is reported to the Board through risk appetite monitoring.

To reduce credit risk, the Company performs ongoing evaluations of its intermediaries' 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 rating.

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

The Company has performed a series of sensitivity tests on its solvency position; these are shown in section C.7.1.

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 Risk Appetite Statement 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 of 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 and financial assets (bonds).

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 €711k. This amount is highly illiquid, but represents only 0.3% 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), an internal controls process that closely follows the SOX Framework and management governance committees 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 Reputational risks.

As a result of limitations inherent in all control systems, it may not be possible to adequately prevent all fraud or errors from occurring, however the control environment has been designed with the intent of being able to prevent or detect material incidents. 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 appropriately account for reserves, 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 Systems 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.

Information Technology ("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. IT is a global function, aspects of which are managed and maintained centrally via teams in the US and UK. IT has many components including Infrastructure Operations and Engineering; Security; Data Governance; System Development; Governance and 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 Sarbanes-Oxley controls.

All of the Company's operational risks are captured within the Company's risk register. 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 performed a series of sensitivity tests on its solvency position; these are shown in section C.7.1.

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 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 crystalised, 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.

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.6.6 Reputational risk

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

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

C.7 Any other information

Risk Sensitivities

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

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

Risk category	Test	SCR/Change (£m)		Own Funds/Change (£m)		Solvency Ratio/Change	
Underwriting	25% increase in volume of GWP in next 12 months	208.5	11.0	249.7	-	119.8%	-6.7%
Underwriting	25% decrease in volume of GWP in next 12 months	187.9	(9.6)	249.7	-	132.9%	6.4%
Underwriting	25% increase in Claims provisions	211.9	14.5	207.0	(42.8)	97.7%	-28.8%
Underwriting	25% decrease in Claims provisions	183.7	(13.7)	292.5	42.8	159.2%	32.7%
Market	25% increase in asset durations	198.4	0.9	249.7	-	125.9%	-0.6%
Market	25% decrease in asset durations	196.5	(0.9)	249.7	-	127.1%	0.6%
Market	10% increase in asset concentrations	197.5	0.0	249.7	-	126.5%	0.0%
Market	Yield Curve Upshock	195.0	(2.5)	252.3	2.6	129.4%	2.9%
Credit	Fall in rating of one credit step for three largest insurers	207.2	9.8	249.7	-	120.5%	-6.0%
Operational	50% increase in TP expenses	200.7	3.2	228.5	(21.3)	113.9%	-12.6%

The tests highlight a material sensitivity in terms of solvency ratio to increases and decreases in claims provisions. Claim reserve movements are monitored via detailed reporting to the Reserving Committee and the Claims Committee. The Company has robust controls in place to ensure the reserves are appropriate, as set out in section B.1.1.5. The Actuarial function provides a report to the Board annually on the Technical Provisions. Additionally underwriting risk shows a sensitivity to any increase in the volume of premium written. The Company closely monitors premium volume against its business plan throughout the year.

Finally, the Company has a material sensitivity to credit risk for its reinsurers. The Company policy is to engage with Reinsurance Counterparties with an A rating and monitors the credit worthiness of its reinsurers on a regular basis.

Valuation for Solvency Purposes

Section D

AmTrust International Underwriters
An AmTrust Financial Company

D. Valuation for solvency purposes

As a general principle, the Company's assets and liabilities are valued differently on the Solvency II balance sheet (reported on a market value basis for Solvency II) than 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 in Ireland ('Irish GAAP').

The differences in the valuation bases result in a difference in the Company's net asset value at the year-end of €21.7m (2019 difference : €48.3m).

The table below shows the valuation on a Solvency II basis of the Company's assets and liabilities at 31 December 2020:

€'000	Solvency II Value	Irish GAAP	Variance
Assets			
Deferred acquisition costs	0	40,822	(40,822)
Deferred Tax Assets	3,422	0	3,422
Property, plant & equipment held for own use	18,990	11,992	6,998
Investments (other than assets held for index-linked and unit-linked contracts)	256,986	274,853	(17,867)
Bonds	256,546	255,321	1,225
Government Bonds	63,219	62,976	243
Corporate Bonds	178,843	177,909	934
Collateralised securities	14,484	14,436	48
Collective Investment Undertakings	194	40	154
Deposits other than cash equivalents	246	19,492	(19,246)
Reinsurance recoverables from:	603,524	659,156	(55,632)
Non-life and health similar to non-life	603,524	659,156	(55,632)
Non-life excluding health	583,264	659,156	(75,892)
Health similar to non-life	20,260	0	20,260
Insurance and intermediaries receivables	59,476	146,920	(87,444)
Reinsurance receivables	245,429	243,344	2,085
Receivables (trade, not insurance)	53,938	90,687	(36,749)
Cash and cash equivalents	64,496	46,644	17,852
Other assets	4,693	0	4,693
Total assets	1,310,954	1,514,418	(203,464)
Liabilities			
Technical provisions – non-life	870,431	945,891	(75,460)
Technical provisions – non-life (excluding health)	828,447	945,891	(117,444)
Best Estimate	799,205	945,891	(146,686)
Risk margin	29,242	0	29,242
Technical provisions - health (similar to non-life)	41,984	0	41,984
Best Estimate	39,393	0	39,393
Risk margin	2,591	0	2,591
Deposits from reinsurers	119,878	0	119,878
Reinsurance payables	0	139,677	(139,677)
Payables (trade, not insurance)	70,906	157,415	(86,509)
Total liabilities	1,061,215	1,242,983	(181,768)
Excess of assets over liabilities	249,739	271,435	(21,696)

D.1 Assets

The table below shows the differences between the valuation of assets under Solvency II valuation rules and the valuations under Irish GAAP at 31 December 2020:

€'000	Solvency II Value	Irish GAAP	Variance
Assets			
Deferred acquisition costs	0	40,822	(40,822)
Deferred Tax Assets	3,422	0	3,422
Property, plant & equipment held for own use	18,990	11,992	6,998
Investments (other than assets held for index-linked and unit-linked contracts)	256,986	274,853	(17,867)
Bonds	256,546	255,321	1,225
Government Bonds	63,219	62,976	243
Corporate Bonds	178,843	177,909	934
Collateralised securities	14,484	14,436	48
Collective Investment Undertakings	194	40	154
Deposits other than cash equivalents	246	19,492	(19,246)
Reinsurance recoverables from:	603,524	659,156	(55,632)
Non-life and health similar to non-life	603,524	659,156	(55,632)
Non-life excluding health	583,264	659,156	(75,892)
Health similar to non-life	20,260	0	20,260
Insurance and intermediaries receivables	59,476	146,920	(87,444)
Reinsurance receivables	245,429	243,344	2,085
Receivables (trade, not insurance)	53,938	90,687	(36,749)
Cash and cash equivalents	64,496	46,644	17,852
Other assets	4,693	0	4,693
Total assets	1,310,954	1,514,418	(203,464)

The table above shows that the Solvency II valuation of assets at 31 December 2020 was €203.5m lower than the valuation under Irish GAAP.

Insurance liabilities (technical provisions) are measured differently under Solvency II rules compared with Irish GAAP and are also classified differently. To the extent gross liabilities are ceded to reinsurers this will then impact reinsurance recoverables included within total assets above.

Receivables which are not yet due are reclassified and dealt with as part of the technical provisions, described in section D.2.3.4 below.

Deferred Acquisition Costs are not recognized under Solvency II. Instead, all cashflows related to expenses due to servicing recognised insurance obligations are considered in the best estimate technical provisions

There were no changes to the approach taken in valuation assets and liabilities under either Solvency II or Irish GAAP during the 2020.

The table on the next page summarises the different valuation principles for each class of asset:

D.1 Assets (continued)

Asset Class	
Deferred Acquisition Costs (or "DAC")	Under Irish GAAP, DAC is recognized at cost and amortised systematically over the life of the contracts and tested for impairment at each balance sheet date. Any amount not recoverable is expensed. Under Solvency II DAC is not recognized. Instead, all cashflows related to expenses due to servicing recognised insurance obligations are considered in the best estimate technical provisions.
Deferred Tax Assets ("DTA")	Under Irish GAAP DTA are recognised for expected future tax credits. On the Solvency II balance sheet deferred tax is further applied to valuation differences arising between Solvency II and Irish GAAP valuations.
Property, plant & equipment held for own use	Under Solvency II Property, plant and equipment is included at market value which is based on an independent market valuation the valuation These assets are valued in Irish GAAP accounts at historical cost less depreciation.
Investments (other than assets held for index-linked and unit-linked contracts)	The Company has an investment portfolio made up of corporate bonds, government bonds and collateralised securities. The Company considers that financial assets held are tradeable in active markets. A market is considered active if quoted prices are readily available and those prices represent actual or regularly occurring market transactions on an arm's length basis. An adjustment has been made to include accrued interest (which is not included under Irish GAAP) in the bond valuation for Solvency II purposes.
Loans and mortgages	Under Irish GAAP certain loans and mortgages are classified under investments. On the Solvency II Balance Sheet they are all classified as loans and mortgages.
Reinsurance Recoverables	Reinsurance recoverables are valued as part of technical provisions (see details of valuation in section D.2) and separated out for disclosure purposes on the Solvency II balance sheet. Most reinsurance cover is provided by quota share contracts and the recoverables are calculated as a fixed proportion of the gross liabilities. For the non-proportional cover, the recoverable amount has been estimated judgmentally, by class, based on the attachment point and limits of each contract and a review of the historical recoveries made under each contract.
Insurance and intermediaries receivables, Reinsurance receivables,	Receivables relating to insurance and intermediaries and reinsurance are valued at amortised cost, consistent with the approach under Irish GAAP, which is not considered to be materially different to the fair value approach under Solvency II valuation principles, since debtor balances are short term, with no discounting impact and convertible into a cash balance. Receivables which are not yet due are reclassified and dealt with as part of the technical provisions, described in section D.2.3.4 below These adjustments are evident in the reduction in value between the statutory accounts and the Solvency II value.
Receivables (trade, not insurance)	On an Irish GAAP basis trade receivables include intragroup receivables, claims floats, prepaid insurance premium taxes and other prepayments. These are recognised at fair value. Under Solvency II the claims floats are reclassified to Technical Provisions as they will result in a cash inflow at the end of each related insurance contract
Cash and cash equivalents	Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value.

D.2 Technical Provisions

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

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.

The calculation of technical provisions takes into account a number of factors which can each influence the final value. These are discussed in section D.2.1 below.

On a Solvency II basis the total technical provisions at 31 December 2020, including the risk margin, were €266.9m compared to €286.7m on a statutory basis, a difference of 7%.

Solvency II Line of Business	Total Best Estimate Gross €'000	Risk Margin €'000	Gross Technical Provisions €'000	Recoverable from Reinsurance Contracts €'000	Total Technical Provisions Net of Recoverables €'000
Medical Expense Insurance	518	145	663	555	1,218
Income Protection Insurance	38,875	2,446	41,321	(20,815)	20,506
Motor Vehicle Liability Insurance	18,205	1,203	19,408	(9,323)	10,085
Other Motor Insurance	2,326	149	2,475	(1,227)	1,248
Fire and other damage to property insurance	9,733	540	10,273	(5,743)	4,530
General Libiliity	456,962	11,203	468,165	(374,235)	93,930
Credit and suretyship insurance	78,509	5,340	83,849	(39,072)	44,777
Legal expenses insurance	9,013	782	9,795	(3,238)	6,557
Assistance	832	67	899	(339)	560
Miscellaneous Financial Loss	223,625	9,958	233,583	(150,087)	83,496
Total	838,598	31,833	870,431	(603,524)	266,907

The Company's Irish GAAP reserving policy requires the Actuarial Function to calculate ultimate loss ratios with no margins for prudence or optimism. These loss ratios are calculated at the homogenous class of business level, which is consistent with the way the business is underwritten and managed.

This provides an estimate of the expected future cash outflows from earned business and expected future cash inflows from any associated reinsurance as at the valuation date. An explicit additional margin is added based on the Reserving Committee's recommendations.

The table on the next page summarises how the valuation of technical provisions differs between Solvency II and Irish GAAP.

D.2 Technical Provisions (continued)

Technical Provision Component	
Unexpired Risks	Under Irish GAAP, premium is earned over the period of the underlying policies having regard to the incidence of risk. Unearned premium represents premium relating to the unexpired period of the policies. Under Solvency II the unearned premium liability is not recognized; however in its place a Premium Provision is included in technical provisions which reflects expected future claims and expenses netted by expected future premiums on existing policies.
Discounting	Under Irish GAAP discounting is not applied, but under Solvency II all Technical Provisions are discounted to allow for the time value of money.
Recognition of Profit	Under Irish GAAP any profits or losses arising from insurance policies written are recognized over the duration of the policy periods. Under Solvency II rules profits and losses are recognized as the associated policies are recognized.
Margin for Uncertainty/ Events not in Data (ENID's)	Irish GAAP allows an additional margin to be booked over and above the best estimate of technical provisions, which the company's Reserving Committee considers and recommends. Under Solvency II Technical Provisions must be booked at best estimate, though ENID's must be considered in terms of whether they give rise to the need for additional provisions. An ENID is a type of potential future claim which historical loss data may not necessarily reflect.
Risk Margin	Under Solvency II it is necessary to consider the amount above and beyond the best estimate valuation which one would expect to have to pay another insurer to take on the company's liabilities. This is the Risk Margin. No such requirement exists under Irish GAAP.

The differences in the basis of calculations between Solvency II and the Financial statements are outlined in further detail in Section D2.3.

D.2.1 Underlying Uncertainties

The Actuarial Function has employed techniques and assumptions that it believes are appropriate for estimating the Technical Provisions. However, the results of these techniques are subject to uncertainty and it should be recognised that future claim emergence is likely to deviate, perhaps materially, from the estimates.

The uncertainties in the estimates for the Company are increased due to:

- the small size of some classes;
- the lack of development history and hence reliance on benchmarks in some classes;
- an increased reserve uncertainty on long-tailed classes. For example, 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;
- future claims inflation may differ from assumptions; and
- 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 Solvency II Related Uncertainties

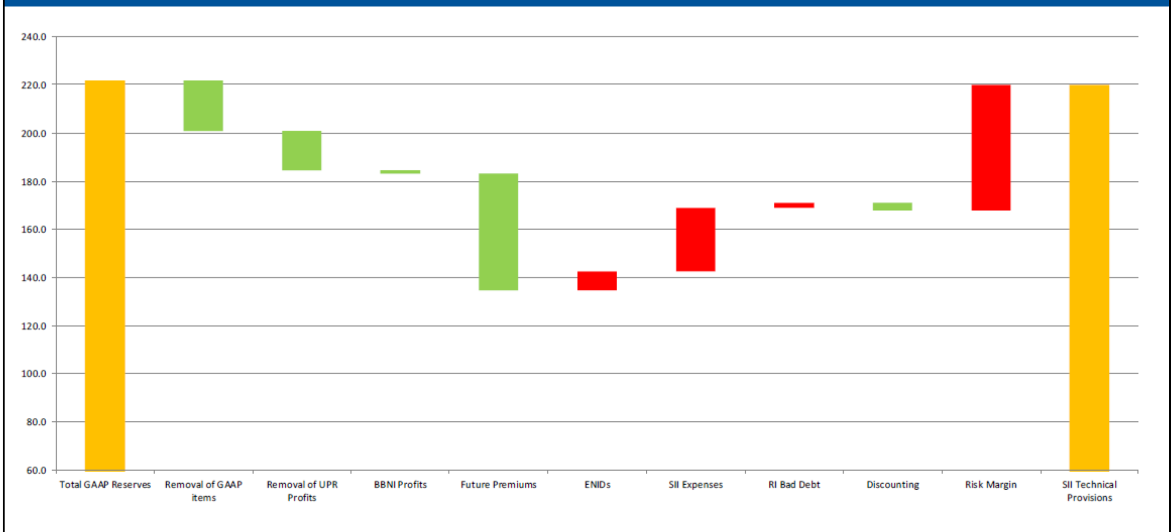
Additional uncertainties because of the Solvency II adjustments include:

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

D.2.3 Differences between Solvency II valuation and Financial Statements

2020 - AIU GAAP TO SII Technical Provisions

2019 - AIU GAAP TO SII Technical Provisions



The Company's Irish 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.

The Company is not using the following adjustments in calculating the Technical Provisions:

- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC, and
- the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

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 Irish GAAP estimates to a Solvency II basis the following adjustments are made.

D.2.3.1 Removal of any margins in the Irish GAAP reserves

Solvency II technical provisions are required to be on an actuarial best estimate basis with no implicit margin (or reduction from best estimate). We have assumed the booked Irish GAAP reserves at 31 December 2020 are on this basis and have not recalculated the reserves based on Actuarial ultimate loss ratios. The margin for uncertainty has been removed for Solvency II purposes. Expected reinsurance recoveries are allowed for separately for both proportional and non-proportional reinsurance.

D.2.3.2 Recognition of profit in the Unearned Premium Reserve (UPR)

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.

D.2.3.3 Recognition of profits in business written prior to, but incepting after, the valuation date

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

D.2.3.4 Allowance for future premiums

Future premium cash flows, premiums that have been written and are either earned or unearned but are not yet due to be paid, are derived from the Company's financial systems for both gross cash inflows and reinsurance cash outflows.

D.2.3.5 Allowance for Events Not In Data (ENID's)

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

D.2.3.6 Allowance for expenses required to service the run-off of the technical provisions

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

D.2.3.7 Allowance for Reinsurance Bad Debt (non-recoverable reinsurance)

Expected non-payment of reinsurance recoveries continues to be made but this is now calculated on a SII basis. The expected default under Solvency II, which the Company has used, takes into account the timing of the expected payment by reinsurer and hence allows for a change in rating over time. The bad debt provision (earned & unearned) reflects the fact that the majority of the reinsurance is provided by AIIL which is 'A- rated' and hence attracts a correspondingly low bad debt charge. The Company also selected the minimum permissible loss-given-default factor of 50% in estimating this provision. There is also a small bad debt allowance included in the BBNI profits above. There has been no material change in this provision for the last year.

D.2.3.8 Allowance for the future cost of reinsurance in respect of written business

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

D.2.3.9 Allowance for the impact of policies lapsing

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

D.2.3.10 Allowance for future investment income (discounting)

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.

D.2.3.11 Allowance for a risk margin

This adjustment increases the overall value of the Technical Provisions from the discounted best estimate to an amount equivalent to 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 6% is used in accordance with Solvency II requirements.

D.2.3.12 Reinsurance

The Company has significant reinsurance assets as most lines of business are covered by 50% Quota Share reinsurance (up to 100% on certain US Lines). For most new business written quota share reinsurance cover is provided by a 'AA' rated global third party reinsurer. For historic business it was predominantly reinsured with AmTrust International Insurance Limited per note D.2.3.7 above.

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

There have been no significant changes in the assumptions used to calculate the Technical Provisions.

D.3 Other liabilities

The table below shows the valuation on a Solvency II basis of the Company's other liabilities at 31 December 2020:

€'000	Solvency II Value	Irish GAAP	Variance
Deposits from reinsurers	119,878	0	119,878
Reinsurance payables	0	139,677	(139,677)
Payables (trade, not insurance)	70,906	157,415	(86,509)
Total liabilities	190,784	297,092	(106,308)

The table above shows that the Solvency II valuation of other liabilities at 31 December 2020 was €106.3m lower than the valuation under Irish GAAP.

An explanation of the different valuation approaches between Solvency II and Irish GAAP is included below:

Other Liabilities	
Deposits from reinsurers	Funds withheld are disclosed as Deposits from reinsurers for Solvency II purposes. Under Irish GAAP these balances are presented as part of reinsurance payables.
Insurance & intermediaries payables / Reinsurance payables	Under Irish GAAP reinsurance payables are measured at fair value and are disclosed as other liabilities on the balance sheet. For Solvency II purposes to the extent these relate to unexpired risks they are reported in technical provisions on the basis that they relate to future cashflows.
Payables (trade, not insurance)	These liabilities are also measured at fair value under Irish GAAP and included within liabilities on the balance sheet. F or Solvency II purposes to the extent these relate to unexpired risks they are reported in technical provisions on the basis that they relate to future cashflows

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information

None noted.

Capital Management

Section E

AmTrust International Underwriters
An AmTrust Financial Company

E. Capital Management

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

Under Solvency II regulations, the company is required to maintain capital at a level which is above its Solvency Capital Requirement (or "SCR"). The Minimum Capital Requirement (or "MCR") is a measure which only becomes relevant in a scenario where the capital base has been subject to extreme distress. Accordingly the SCR value is significantly greater than that of the MCR.

The SCR ratio compares a company's Own Funds to its SCR requirement. While the Company regularly communicates its SCR ratio to the CBI, an SCR ratio below 100% requires immediate reporting in which event the Company must implement a recovery plan to demonstrate the actions it will take to restore its SCR ratio to 100% within 6 months of the breach taking place.

The Company determines its SCR using the Standard Formula and maintains a prudent buffer over the SCR.

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

The Company manages its capital resources in line with its Capital Management Policy. 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 target ratio for available capital in excess of the Solvency II SCR is agreed and signed off by the Board. There have been no significant changes to the capital management objectives over the period of this report.

The Company prepares solvency projections for the following three years as part of its business planning process, which forms 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; this is included in the risk function's report to the Risk and Compliance Committee.

E.1 Own funds

The table below lists the components of the company's Own Funds at the year-end:

Own Funds	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000
Ordinary Share Capital	1,946	1,946
Capital Contributions	36,856	21,856
Capital Redemption Reserve	13,270	13,270
Reconciliation Reserve	194,245	229,112
Deferred Tax	3,422	0
Own Funds	**249,739**	**266,184**

The Company's capital resources are made up of Tier 1 and Tier 3 capital instruments. Tier 1 capital comprises fully paid ordinary share capital, capital contributions, a capital redemption reserve and the reconciliation reserve (accumulated profits on a Solvency II valuation basis). The Tier 3 Own Funds represent deferred tax assets.

Tier 3 Own Funds are eligible and available for meeting SCR but not for the MCR. The Company's eligible amount of Own Funds eligible to cover the SCR as of 31 December 2020 and 31 December 2019 are listed in the tables below.

Solvency Overview as at 31 Dec 2020					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR : 197,441	1	246,317	100%	246,317	
	2	-	0%	-	
	3	3,422	100%	3,422	
	Total	249,739		249,739	126%

Solvency Overview as at 31 Dec 2019					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR : 184,693	1	266,184	100%	266,184	
	2	-	0%	-	
	3	-	0%	-	
	Total	266,184		266,184	144%

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

Solvency Overview as at 31 Dec 2020					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR : 54,004	1	246,317	100%	246,317	
	2	-	0%	-	
	3	3,422	0%	-	
	Total	249,739		246,317	456%

Solvency Overview as at 31 Dec 2019					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
MCR : 46,173	1	266,184	100%	266,184	
	2	-	0%	-	
	3	-	0%	-	
	Total	266,184		266,184	576%

As part of the capital management cycle a forward-looking estimate of Own Funds is calculated on a regular basis during the year to monitor expected solvency ratios by comparing with forecast SCR positions at quarter-ends.

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, prepared under Irish GAAP. These arise due to the difference in valuation of assets and liabilities described in Section D of this report. A reconciliation is shown in section E.1.1 below.

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

There are no other deductions made from Own Funds, nor is there any restriction affecting the availability and transferability of Own Funds within the Company.

E1.1 Reconciliation Reserve

The Reconciliation Reserve at the year-end stood at €194.2m compared with €229.1m at the prior year-end:

Reconciliation Reserve	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000
Excess of assets over liabilties	249,739	266,184
Other Basic Own Fund items	(55,494)	(37,072)
Reconciliation Reserve	194,245	229,112

A reconciliation between equity per the Irish GAAP financial statements and the Solvency II Own Funds is shown below:

Own Funds	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000
Equity per Irish GAAP Financial Statements	271,435	314,568
Difference in Solvency II Technical Provisions	(75,460)	(62,098)
Market Value adjustment on Property and Other	53,764	13,714
Solvency II Own Funds	249,739	266,184

E.2 Solvency capital requirement and minimum capital requirement

The table below shows the company's SCR and MCR at the year-end:

SCR and MCR Requirements	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000
Solvency Capital Requirement (SCR)	197,441	184,693
Minimum Capital Requirement (MCR)	54,004	46,173

The Company uses an off-the-shelf system, SolvencyTool, to calculate its SCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters nor does it use simplified calculations for any of the risk modules.

E.2.1 Solvency Capital Requirement

Under Solvency II regulations the SCR is set at a level that ensures that insurers and reinsurers can meet their obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability, which limits the possibility of falling into financial ruin to less than once in 200 cases. The formula takes a modular approach, meaning that individual exposure to each risk category is assessed and then aggregated.

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

Solvency Capital Requirement (SCR)	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000	Variance €'000
Health NSLT underwriting risk	11,761	5,520	6,241
Non-Life underwriting risk	131,612	104,628	26,984
Market risk	37,701	48,872	(11,171)
Counterparty Default risk	41,027	49,923	(8,896)
Undiversified Basic SCR	**222,101**	**208,943**	**13,158**
Diversification credit	(49,818)	(50,415)	597
Basic SCR	**172,283**	**158,528**	**13,755**
Operational risk	25,158	26,165	(1,007)
Standard formula SCR	**197,441**	**184,693**	**12,748**

During the year the SCR amount increased by €12.7m, or approximately 6.9%. The main drivers for the change are shown in the table above.

E.2.2 Minimum Capital Requirement

Under Solvency II regulations the Minimum Capital Requirement must also be calculated and represents the threshold below which a national regulatory agency would intervene. The MCR is intended to achieve a level of 85% probability of adequacy over one year.

The Solvency II Directive provides regional regulators with several options to address breaches in the MCR, including the complete withdrawal of authorization from selling new policies and forced closure of the Company.

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.

Minimum Capital Requirement (MCR)	At 31 Dec 2020 €'000	At 31 Dec 2019 €'000	Variance €'000
Linear MCR	54,004	44,828	9,176
SCR	197,441	184,693	12,748
MCR cap	88,858	83,112	5,746
MCR floor	49,360	46,173	3,187
Combined MCR	54,004	46,173	7,831
Absolute floor of the MCR	3,700	3,700	0
Minimum Capital Requirement	54,004	46,173	7,831

During the year the MCR amount increased by €7.8m, or approximately 17%.

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

MCR Inputs (€'000)	Net (of reinsurance) best estimate technical provision	Net (of reinsurance) written premiums in the last 12 months
Income protection insurance	18,060	31,185
Other motor insurance	1,099	242
Fire and other damage to property insurance	3,990	22,595
General liability insurance	84,742	25,634
Credit and suretyship insurance	39,437	29,771
Assistance	493	590
Miscellaneous financial loss insurance	73,538	71,854
Medical expense insurance	1,073	4,322
Motor vehicle liability insurance	8,882	1,475
Legal expenses insurance	5,775	-

E.2.3 Material Change in SCR and MCR

SCR coverage has decreased from 144% at 31 December 2019 to 126% at 31 December 2020.

Own funds at the year-end stood at €249.7m compared with €266.2m at 31 December 2019, representing a decrease of 6.2%.

The SCR increased to €197.4m during the year, an increase of 6.9% compared with the prior year balance of €184.7m. A breakdown of the movements is shown in section E.2.1 above.

The MCR increased to €54.0m during the year, an increase of 17.0% compared with the prior year balance of €184.2m.

E.3 Use of duration-based equity risk sub-module in the calculation of Solvency Capital

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.

Appendix

Quantitative Reporting Templates

AmTrust International Underwriters
An AmTrust Financial Company

Annex 1
S.02.01 Balance Sheet, Assets *(in €, as of December 31)*

Assets		Solvency II value C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	3,422,425
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	18,990,419
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	256,986,071
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	256,545,855
Government Bonds	R0140	63,218,958
Corporate Bonds	R0150	178,842,489
Structured notes	R0160	0
Collateralised securities	R0170	14,484,409
Collective Investments Undertakings	R0180	194,467
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	245,748
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	603,523,714
Non-life and health similar to non-life	R0280	603,523,714
Non-life excluding health	R0290	583,263,171
Health similar to non-life	R0300	20,260,543
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	59,475,554
Reinsurance receivables	R0370	245,429,244
Receivables (trade, not insurance)	R0380	53,938,165
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid	R0400	0
Cash and cash equivalents	R0410	64,495,711
Any other assets, not elsewhere shown	R0420	4,692,953
Total assets	**R0500**	1,310,954,255

Annex 1

S.02.01 Balance Sheet, Liabilities *(in €, as of December 31)*

Liabilities		Solvency II value C0010
Technical provisions — non-life	R0510	870,431,214
Technical provisions — non-life (excluding health)	R0520	828,446,684
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	799,204,657
Risk margin	R0550	29,242,027
Technical provisions — health (similar to non-life)	R0560	41,984,530
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	39,393,600
Risk margin	R0590	2,590,930
Technical provisions — life (excluding index-linked and unit-linked)	R0600	0
Technical provisions — health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions — index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	119,877,712
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Debts owed to credit institutions resident domestically	ER0801	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0
Debts owed to credit institutions resident in rest of the world	ER0803	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Debts owed to non-credit institutions	ER0811	0
Debts owed to non-credit institutions resident domestically	ER0812	0
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	0
Debts owed to non-credit institutions resident in rest of the world	ER0814	0
Other financial liabilities (debt securities issued)	ER0815	0
Insurance & intermediaries payables	R0820	0
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	70,906,470
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	1,061,215,396
Excess of Assets over Liabilities	**R1000**	249,738,859

AmTrust International Underwriters
An AmTrust Financial Company

S.05.01 Premiums, claims and expenses by Line of Business – Non-Life *(in €, as of December 31)*

		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
Premiums written									
Gross — Direct Business	R0110	1,828,606	51,764,900	0	-505,614	1,247,531	0	43,395,451	131,036,512
Gross — Proportional reinsurance accepted	R0120	0	34	0	0	0	0	0	40,787
Gross — Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140	362,330	20,579,639	0	-1,980,308	1,004,965	0	21,007,117	74,011,635
Net	R0200	1,466,276	31,185,295	0	1,474,694	242,566	0	22,388,334	57,065,664
Premiums earned									
Gross — Direct Business	R0210	1,120,565	50,613,420	0	739,143	1,788,555	0	44,854,048	138,386,779
Gross — Proportional reinsurance accepted	R0220	0	34	0	0	0	0	0	752,988
Gross — Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	239,625	25,658,296	0	-946,792	1,291,128	0	21,823,536	86,300,722
Net	R0300	880,940	24,955,158	0	1,685,935	497,426	0	23,030,512	52,839,044
Claims incurred									
Gross — Direct Business	R0310	213,773	38,040,323	0	2,157,934	1,186,476	0	33,892,485	98,016,838
Gross — Proportional reinsurance accepted	R0320	0	64	0	0	0	0	0	-910,120
Gross — Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340	-893,013	20,033,679	0	-112,263	658,725	0	15,810,566	51,167,759
Net	R0400	1,106,786	18,006,708	0	2,270,197	527,751	0	18,081,919	45,938,959
Changes in other technical provisions									
Gross — Direct Business	R0410	0	0	0	0	0	0	0	0
Gross — Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550	600,360	12,015,125	0	131,646	102,024	0	1,709,152	5,006,102
Other expenses	R1200								
Total expenses	R1300								

S.05.01 Premiums, claims and expenses by Line of Business – Non-Life *(in €, as of December 31)*

		Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				
		Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligation**
		C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written										
Gross — Direct Business	R0110	146,705,451	2,205,765	1,365,050	116,700,445					495,744,095
Gross — Proportional reinsurance accepted	R0120	1,801,902	0	0	5,957,860					7,800,584
Gross — Non-proportional reinsurance accepted	R0130					0	0	0	0	0
Reinsurers' share	R0140	117,516,999	371,630	177,267	62,205,749	0	0	0	0	295,257,022
Net	R0200	30,990,354	1,834,135	1,187,782	60,452,557	0	0	0	0	208,287,656
Premiums earned										
Gross — Direct Business	R0210	100,517,824	2,014,028	727,242	157,444,529					498,206,133
Gross — Proportional reinsurance accepted	R0220	2,678,407	0	0	4,764,143					8,195,573
Gross — Non-proportional reinsurance accepted	R0230					0	0	0	0	0
Reinsurers' share	R0240	93,984,910	473,940	163,076	100,022,205	0	0	0	0	329,010,648
Net	R0300	9,211,321	1,540,089	564,166	62,186,467	0	0	0	0	177,391,058
Claims incurred										
Gross — Direct Business	R0310	55,932,644	1,774,267	305,480	144,562,155					376,082,376
Gross — Proportional reinsurance accepted	R0320	2,092,404	0	0	4,736,539					5,918,887
Gross — Non-proportional reinsurance accepted	R0330					0	0	0	0	0
Reinsurers' share	R0340	54,875,024	483,836	213,348	92,181,444	0	0	0	0	234,419,104
Net	R0400	3,150,024	1,290,432	92,132	57,117,251	0	0	0	0	147,582,159
Changes in other technical provisions										
Gross — Direct Business	R0410	0	0	0	0					0
Gross — Proportional reinsurance accepted	R0420	0	0	0	0					0
Gross — Non-proportional reinsurance accepted	R0430					0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	-2,296,022	134,769	483,809	7,973,770	0	0	0	0	25,860,735
Other expenses	R1200									0
Total expenses	R1300									25,860,735

S.05.02 Premiums, claims and expenses by Country, Non-Life *(in €, as of December 31)*

		Home Country	Top 5 countries (by amount of gross premiums written) — non-life obligations					
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010	IE: Ireland	IT: Italy	US: United States	FR: France	SE: Sweden	DK: Denmark	Total Top 5 and home country
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross — Direct Business	R0110	6,508,538	141,637,590	95,599,274	67,863,238	57,642,454	43,054,280	412,305,375
Gross — Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	2,122,946	70,153,933	85,823,272	27,131,882	28,763,374	20,958,869	234,954,276
Net	R0200	4,385,593	71,483,657	9,776,003	40,731,356	28,879,080	22,095,411	177,351,099
Premiums earned								
Gross — Direct Business	R0210	5,383,164	99,634,625	115,708,198	64,298,588	67,865,703	45,337,076	398,227,354
Gross — Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	2,516,656	53,109,709	102,945,009	30,372,069	37,707,070	23,842,072	250,492,586
Net	R0300	2,866,508	46,524,917	12,763,189	33,926,519	30,158,632	21,495,003	147,734,768
Claims incurred								
Gross — Direct Business	R0310	3,584,779	60,023,953	64,826,473	75,454,906	36,839,584	56,495,843	297,225,539
Gross — Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	1,963,165	30,262,832	55,103,984	42,854,890	18,690,716	29,778,117	178,653,704
Net	R0400	1,621,614	29,761,121	9,722,490	32,600,016	18,148,868	26,717,726	118,571,835
Changes in other technical provisions								
Gross — Direct Business	R0410	0	0	0	0	0	0	0
Gross — Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross — Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	1,324,851	5,756,707	4,762,986	7,885,449	6,806,510	897,635	27,434,138
Other expenses	R1200							0
Total expenses	R1300							27,434,138

Annex 1

S.17.01 Non-Life Technical Provisions *(in €, as of December 31)*

		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Premium provisions									
Gross — Total	R0060	156,396	5,413,502	0	0	300,087	0	1,231,898	80,217,334
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	61,638	2,331,755	0	0	75,926	0	510,261	52,122,899
Net Best Estimate of Premium Provisions	R0150	94,758	3,081,748	0	0	224,161	0	721,637	28,094,435
Claims provisions									
Gross — Total	R0160	361,992	33,461,709	0	18,205,040	2,025,798	0	8,500,788	376,744,768
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-616,307	18,483,457	0	9,322,618	1,150,719	0	5,232,692	322,112,362
Net Best Estimate of Claims Provisions	R0250	978,299	14,978,252	0	8,882,422	875,079	0	3,268,095	54,632,406
Total Best estimate — gross	R0260	518,388	38,875,212	0	18,205,040	2,325,885	0	9,732,686	456,962,102
Total Best estimate — net	R0270	1,073,057	18,060,000	0	8,882,422	1,099,240	0	3,989,732	82,726,841
Risk margin	R0280	145,310	2,445,621	0	1,202,826	148,855	0	540,275	11,202,574
Amount of the transitional on Technical Provisions									
TP as a whole	R0290	0	0	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0	0
Technical provisions - total									
Technical provisions - total	R0320	663,698	41,320,833	0	19,407,866	2,474,740	0	10,272,961	468,164,676
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	-554,669	20,815,212	0	9,322,618	1,226,645	0	5,742,953	374,235,260
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	1,218,367	20,505,621	0	10,085,248	1,248,096	0	4,530,008	93,929,416

Annex 1
S.17.01 Non-Life Technical Provisions *(in €, as of December 31)*

		Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				
		Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligation**
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Premium provisions										
Gross — Total	R0060	16,689,139	275,613	112,372	101,913,923	0	0	0	0	206,310,265
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	3,765,729	112,574	52,993	65,362,866	0	0	0	0	124,396,640
Net Best Estimate of Premium Provisions	R0150	12,923,410	163,039	59,379	36,551,057	0	0	0	0	81,913,625
Claims provisions										
Gross — Total	R0160	61,820,135	8,737,219	719,882	121,710,660	0	0	0	0	632,287,992
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	35,306,248	3,125,343	285,958	84,723,984	0	0	0	0	479,127,074
Net Best Estimate of Claims Provisions	R0250	26,513,887	5,611,876	433,925	36,986,676	0	0	0	0	153,160,917
Total Best estimate — gross	R0260	78,509,274	9,012,832	832,255	223,624,583	0	0	0	0	838,598,257
Total Best estimate — net	R0270	39,437,297	5,774,915	493,304	73,537,733	0	0	0	0	235,074,542
Risk margin	R0280	5,340,458	782,018	66,801	9,958,218	0	0	0	0	31,832,958
Amount of the transitional on Technical Provisions										
TP as a whole	R0290	0	0	0	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0	0	0
Technical provisions - total										
Technical provisions - total	R0320	83,849,732	9,794,851	899,056	233,582,801	0	0	0	0	870,431,214
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	39,071,977	3,237,917	338,951	150,086,850	0	0	0	0	603,523,714
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	44,777,755	6,556,933	560,105	83,495,951	0	0	0	0	266,907,500

Annex 1

S.19.01.21 Non-Life Insurance Claims Information *(in €, as of December 31)*

Gross claims paid (non-cumulative)

		0	1	2	3	4	5	6	7	8	9	10 & +			In Current Year	Sum of years (cumulative)
		C010	C020	C030	C040	C050	C060	C070	C080	C090	C0100	C0110			C0170	C0180
Prior	R0100											129,356,435		R0100	129,356,435	129,356,435
N_9	R0160	17,870,901	50,025,595	18,776,834	9,969,386	10,978,331	7,456,920	4,011,244	2,498,308	2,125,141	4,775,666			R0160	4,775,666	128,488,327
N_8	R0170	26,015,869	78,325,619	25,561,251	26,825,936	22,609,079	19,591,029	9,428,178	9,443,177	5,422,954	-			R0170	5,422,954	223,223,092
N_7	R0180	25,034,731	71,206,547	34,184,179	28,216,155	29,696,729	22,549,591	28,358,314	13,672,702	-	-			R0180	13,672,702	252,918,948
N_6	R0190	29,704,756	74,244,219	35,313,709	29,594,652	15,018,721	21,183,117	5,743,257	-	-	-			R0190	5,743,257	210,802,430
N_5	R0200	40,627,863	92,421,887	42,578,054	31,148,858	22,788,428	10,249,595	-	-	-	-			R0200	10,249,595	239,814,685
N_4	R0210	52,031,270	96,556,922	49,610,103	36,187,241	19,382,090	-	-	-	-	-			R0210	19,382,090	253,767,627
N_3	R0220	87,161,976	110,143,650	64,469,182	34,788,008	-	-	-	-	-	-			R0220	34,788,008	296,562,816
N_2	R0230	60,204,392	119,237,950	70,074,741	-	-	-	-	-	-	-			R0230	70,074,741	249,517,083
N_1	R0240	59,093,286	105,902,440	-	-	-	-	-	-	-	-			R0240	105,902,440	164,995,726
N	R0250	63,687,965	-	-	-	-	-	-	-	-	-			R0250	63,687,965	63,687,965
													Total	R0260	463,055,853	2,213,135,135

Annex 1

S.19.01.21 Non-Life Insurance Claims Information *(in €, as of December 31)*

Gross undiscounted Best Estimate Claims Provision

		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			C0170
Prior	R0100											16,792,174	Prior	R0100	17,208,625
N_9	R0160	-	-	-	-	15,283,939	10,504,837	8,492,930	5,846,787	5,109,174	5,990,697		N_9	R0160	5,997,078
N_8	R0170	-	-	-	38,876,545	30,748,336	20,232,432	23,624,000	13,771,909	12,090,402	-		N_8	R0170	12,047,699
N_7	R0180	-	-	77,756,184	73,988,415	54,523,172	54,516,209	30,212,308	25,356,800	-	-		N_7	R0180	25,360,139
N_6	R0190	-	79,034,254	76,780,198	61,990,520	55,636,819	36,379,831	35,820,557	-	-	-		N_6	R0190	35,835,244
N_5	R0200	69,139,466	91,160,997	81,807,274	73,626,319	59,633,897	64,666,095	-	-	-	-		N_5	R0200	64,672,949
N_4	R0210	83,621,210	122,586,553	129,816,557	115,396,621	91,873,256	-	-	-	-	-		N_4	R0210	91,867,440
N_3	R0220	119,625,593	198,272,793	208,617,298	121,518,234	-	-	-	-	-	-		N_3	R0220	121,412,740
N_2	R0230	75,920,915	193,093,962	112,285,574	-	-	-	-	-	-	-		N_2	R0230	112,329,205
N_1	R0240	104,022,607	71,760,742	-	-	-	-	-	-	-	-		N_1	R0240	71,701,432
N	R0250	72,981,751	-	-	-	-	-	-	-	-	-		N	R0250	73,855,440
													Total	R0260	632,287,992

S.23.01.01 Own Funds *(in €, as of December 31)*

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	1,946,008	1,946,008			
Share premium account related to ordinary share capital	R0030	13,270,299	13,270,299			
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	194,244,079	194,244,079			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	3,422,425				3,422,425
Other items approved by supervisory authority as basic own funds not specified above	R0180	36,856,048	36,856,048			

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified

		Total
		C0010
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	

Deductions		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Deductions for participations in financial and credit institutions	R0230	0				

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total basic own funds after deductions	R0290	249,738,859	246,316,434	0	0	3,422,425

Ancillary own funds		Total	Tier 2	Tier 3
		C0010	C0040	C0050
Unpaid and uncalled ordinary share capital callable on demand	R0300	0		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type	R0310	0		
Unpaid and uncalled preference shares callable on demand	R0320	0		
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0		
Letters of credit and guarantees under Article 96(2) of the	R0340	0		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0		
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0		
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0		
Other ancillary own funds	R0390	0		
Total ancillary own funds	**R0400**	0	0	0

S.23.01.01 Own Funds *(in €, as of December 31)*

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total available own funds to meet the SCR	**R0500**	249,738,859	246,316,434	0	0	3,422,425
Total available own funds to meet the MCR	**R0510**	246,316,434	246,316,434	0	0	

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total eligible own funds to meet the SCR	**R0540**	249,738,859	246,316,434	0	0	3,422,425
Total eligible own funds to meet the MCR	**R0550**	246,316,434	246,316,434	0	0	

		C0010
SCR	**R0580**	197,440,998
MCR	**R0600**	54,003,814
Ratio of Eligible own funds to SCR	**R0620**	126.49%
Ratio of Eligible own funds to MCR	**R0640**	456.11%

Reconciliation reserve		C0060
Excess of Assets over Liabilities	R0700	249,738,859
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	55,494,780
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	**R0760**	194,244,079

		C0060
Expected profits included in future premiums (EPIFP) — Life	R0770	0
Expected profits included in future premiums (EPIFP) — Non- life	R0780	710,903
Total Expected profits included in future premiums (EPIFP)	**R0790**	710,903

S.25.01.21 Solvency Capital Requirement for undertakings on Standard Formula *(in €, as of December 31)*

					Only relevant for public disclosure	
		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching	Simplifications	USP
		C0030	C0040	C0050	C0120	C0090
Market risk	R0010	37,700,111	37,700,111	0		
Counterparty default risk	R0020	41,026,761	41,026,761	0		
Life underwriting risk	R0030	0	0	0		
Health underwriting risk	R0040	11,760,664	11,760,664	0		
Non-life underwriting risk	R0050	131,612,371	131,612,371	0		
Diversification	R0060	-49,816,856	-49,816,856			
Intangible asset risk	R0070	0	0			
Basic Solvency Capital Requirement	R0100	172,283,050	172,283,050			

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	25,157,948
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	**R0200**	**197,440,998**
Capital add-ons already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	**R0220**	**197,440,998**

Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

AmTrust International Underwriters
An AmTrust Financial Company

Annex 1

S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity *(in €, as of December 31)*

		C0010	Suggested values
Linear formula component for non-life insurance and reinsurance obligations	R0010	**54,003,814**	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1,073,057	4,321,932
Income protection insurance and proportional reinsurance	R0030	18,060,000	31,185,295
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	8,882,422	1,474,694
Other motor insurance and proportional reinsurance	R0060	1,099,240	242,438
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	3,989,732	22,595,369
General liability insurance and proportional reinsurance	R0090	84,741,733	25,634,047
Credit and suretyship insurance and proportional reinsurance	R0100	39,437,297	29,770,928
Legal expenses insurance and proportional reinsurance	R0110	5,774,915	0
Assistance and proportional reinsurance	R0120	493,304	590,463
Miscellaneous financial loss insurance and proportional reinsurance	R0130	73,537,733	71,854,070
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

		C0040
Linear formula component for life insurance and reinsurance obligations	R0200	**0**

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

		C0070
Overall MCR calculation		
Linear MCR	R0300	54,003,814
SCR	R0310	197,440,998
MCR cap	R0320	88,848,449
MCR floor	R0330	49,360,250
Combined MCR	R0340	54,003,814
Absolute floor of the MCR	R0350	3,700,000
Minimum Capital Requirement	**R0400**	**54,003,814**

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