AMT Mortgage Insurance Ltd.

Solvency and Financial Condition Report

For the year ending 31 December 2016

AmTrust International

AmTrust International

Contents

Summary

The principal activity of AMT Mortgage Insurance Limited (AMIL or “the Company”) is the underwriting of general insurance business across Europe, insuring mortgage lenders in respect of borrower default.

Branches have been established in Germany, Ireland, Italy, and Spain, where the Company also has Prudential Regulatory Authority (PRA) approval in the United Kingdom to write business directly. In addition, the PRA has approved business to be written by way of freedom of services from the UK for Ireland, Finland, Denmark, Hungary, Germany, Austria, Poland, France, Sweden, Portugal and Belgium. At present, the Company is actively writing new business in Germany, Italy and the UK, with run off portfolios in Ireland, Portugal, Spain, Finland and Sweden.

During the year, the sale of the Company from Genworth Mortgage Insurance Corporation to AmTrust Europe Limited completed on 9 May 2016. As a result of the sale of the Company, multiple integration and cost cutting initiatives were undertaken. IT, finance, and HR were the functional areas most impacted. Through staff actions a number of positions in the Company were made redundant and not replaced reducing the overall headcount of AMT Mortgage Insurance and Services from 55 at year end 2015 down to 36 at year end 2016.

A further intended change to the Company’s activities as a result of the sale and loss of rating is to underwrite insurance and place new transactions on other rated balance sheets within the AmTrust Group. The Credit Default business produced and underwritten by the Company will continue to be serviced by the same operational team due to it being a niche insurance product requiring bespoke knowledge.

The Company’s focus is on the prudential growth of the business under the right conditions as the Company works to take advantage of positive market conditions and future regulatory improvements, management of the in-force book of business and strong risk and capital management.

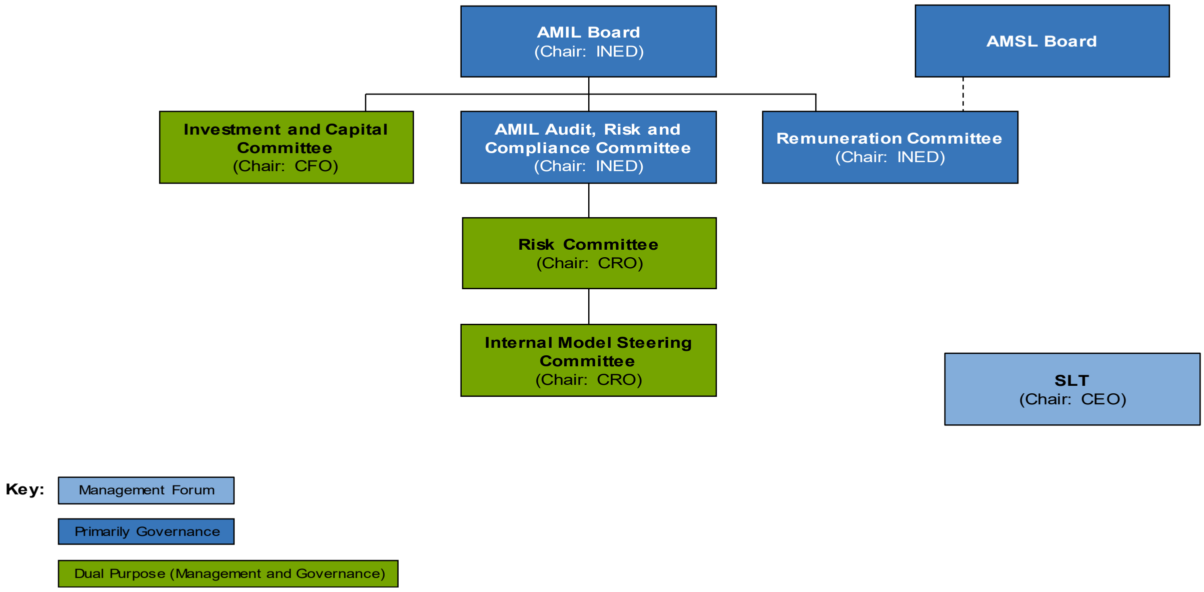
The amount of Net Written premium (NWP) gross of reinsurance outward grew from €20.9MM in 2015 to €21.4MM in 2016. Earned premium increased from €15.1MM in 2015 to €15.5MM in 2016.

The Company has undertaken two significant settlements in 2016 along with some additional minor settlements of run off lenders. We will continue to pursue a policy of encouraging settlements on populations of loans with lenders where it is economically sensible to do so. The Company also continues to work actively with lenders to mitigate the impact of ageing delinquencies through a work-out programme “tool-box”, whereby adjustments made by lenders to mortgage terms are agreed to allow borrowers to meet contractual obligations but maintain mortgage insurance cover.

The loss ratio decreased from 63% in 2015 to 25% in 2016 mainly due to lower incurred losses and marginally higher earned premiums. Paid claims were €25,796,000 (2015: €4,512,000), 2016 includes €25,567,000 in respect of commutations and the settlement of certain contracts in UK, Portugal, Spain and Italy.

Overall the Risk in Force (which represents the full aggregate of Insurance exposure from the Company’s coverage) increased to €2.5BN (2015: €2.2BN).

The Company's overall governance structure:



The Company's Key risks:

- Underwriting Risk
- Market risk
- Credit Risk
- Liquidity Risk
- Operational Risk
- Other Risks, including:
  - Legal and regulatory
  - Strategic
  - Governance
  - Group
  - Solvency

Key Valuation Differences

Valuation differences arise due to the difference between Solvency II fair value rules, the accrual basis of accounting utilised under UK GAAP. The table below highlights the differences between the solvency II economic balance and the statutory accounting balance sheet. These valuation and classification differences are further explained in Section D.

Category	31.12.2016 Solvency II (£'000)	31.12.2016 UK GAAP (£'000)	Difference
Deferred Acquisition Costs	0	2,615	(2,165)
Property, plant & equipment held for own use	95	95	-
Investments (other than assets held for index-linked and unit-linked contracts)	172,992	169,698	3,294
Reinsurance recoverables	911	15,599	(14,688)
Insurance and intermediaries receivables	2,600	7,505	(4,905)
Reinsurance receivables	5,192	4,687	505
Receivables (trade, not insurance)	2,994	3,000	(6)
Cash and cash equivalents	2,631	2,631	-
Any other assets, not elsewhere shown	0	2,281	(2,281)
TOTAL ASSETS	187,415	208,111	(20,696)
Technical provisions - non-life (excluding health)	76,198	75,878	320
Insurance & intermediaries payables	11,078	11,078	-
Reinsurance payables	1,055	4,604	(3,549)
Payables (trade, not insurance)	4,113	4,178	(65)
TOTAL LIABILITIES	92,444	95,738	(3,294)

Composition of Own Funds

£'000	Dec 2016
Ordinary share capital	141,016
Reconciliation reserve	(46,045)
Own funds	**94,971**

Note, of the above Own Funds, all are Tier 1, and 100% eligible towards the Company's SCR and MCR.

None of the Company's Own Funds are subject to transitional arrangements. We have no Ancillary Own Funds. There are no ring-fenced funds and no deductions are made from Own Funds, nor is there any restriction affecting the availability and transferability of Own Funds within the Company.

Material differences between equity in the financial statements, and the excess of assets over liabilities:

£'000	£'000
Total reserves and retained earnings from UK GAAP Financials	112,431
Differences arising from SII Valuation of assets	(20,689)
Differences arising from SII Valuation of technical provisions	(320)
Differences arising from SII Valuation of other liabilities	3,549
Own funds per Solvency II	**94,971**

Capital Requirements 31 December 2016	£'000
SCR	**46,034**
MCR	**13,698**

Directors' statement in respect of the SFCR

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

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

Approved on behalf of the board by:

Angel Mas Murcia

18 May 2017

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

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and

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

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'Relevant Elements of the Solvency and Financial Condition Report'.

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

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

- information relating to 31 December 2015 voluntarily disclosed by the Company in the 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report;

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Relevant Elements of the Solvency and Financial Condition Report

A description of the scope of an audit is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Relevant Elements of the Solvency and Financial Condition Report

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Emphasis of Matter - Basis of Accounting

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

Matters on which we are required to report by exception

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

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

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

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

KPMG LLP

15 Canada Square, London, E14 5GL

18 May 2017

- The maintenance and integrity of AmTrust Mortgage Insurance Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of undertaking

AMIL is a company limited by shares (Company Number 2624121), authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to carry out general insurance activities within the UK and European insurance markets. AMIL writes only one class of insurance business, credit and suretyship, hence is also referred to as a “mono-line” insurer (this refers to only writing a single class of business; credit and suretyship).

The Company’s registered address is as follows:

AMT Mortgage Insurance Limited (AMIL)
47 Mark Lane,
London,
EC3R 7QQ

A.1.2 Supervisory authority

The Prudential Regulation Authority (PRA) was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of around 1,700 banks, building societies, credit unions, insurers and major investment firms. The PRA’s objectives are set out in the Financial Services and Markets Act 2000 (FSMA).

The PRA’s registered address is as follows:

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

AMIL belongs to the AmTrust International Ltd (AIL) group of companies. The Group is also supervised by the PRA.

AMIL is also regulated by the Financial Conduct Authority (FCA).

The FCA’s registered address is as follows:

Financial Conduct Authority,
25 The North Colonnade,
London, E14 5HS

A.1.3 External auditor

AMIL, together with the wider AmTrust Group, is audited by KPMG. KPMG’s UK office is located at:

KPMG LLP,
15 Canada Square,
London,
E14 5GL
Tel 020 7311 1000

A.1.4 Shareholders of qualifying holding in the undertaking

AMIL is a wholly owned subsidiary of AmTrust Europe Limited (AEL or the Group) which is a UK Limited Company. AMIL's ultimate parent is AmTrust Financial Services Inc (AFSI), a Delaware registered US corporation.

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

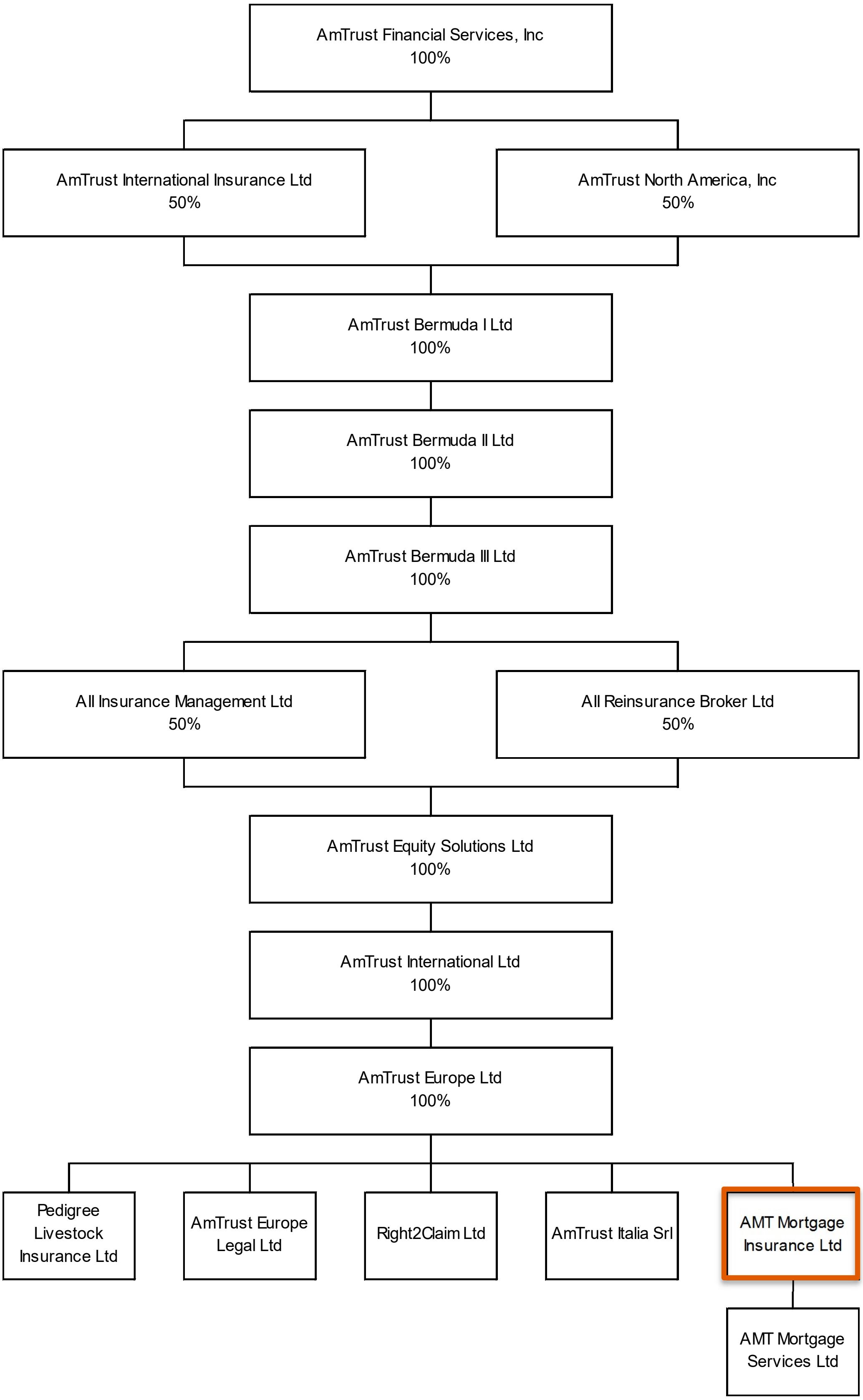
As a subsidiary of AmTrust Financial Services Inc. (NASDAQ Global Market: AFSI) the Company benefits from financial, operational and management support. AFSI is a multinational property and casualty insurer specialising in small to medium sized businesses. With extensive underwriting experience and a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

AFSI's business model focuses on achieving targeted returns and profit growth with the careful management of risk. The Global Group pursues these goals through geographic and product diversification, as well as an in-depth understanding of its insured exposure. The product mix includes, primarily: workers' compensation; extended warranty; and other commercial property/casualty insurance products, including title insurance and crop insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. AmTrust has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

AmTrust International Limited (AIL) is the UK holding company for AFSI's European Insurance Operations, whose principal entities are: AmTrust Europe Limited (AEL); Car Care Plan Holdings, including Motors Insurance Company Ltd. (MICL); AmTrust Syndicate Holdings Ltd. (ASH); and AMT Mortgage Insurance Ltd (AMIL, previously "Genworth Financial Mortgage Insurance Ltd."). AIL also owns a number of administrators in the UK and Asia.

A.1.5 Position within the legal structure of the group

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



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

The principal activity of the Company is the underwriting of general insurance business in the United Kingdom and other European countries. The Company is a mono-line insurer and writes solely credit and suretyship business, specifically mortgage insurance. This is "B2B" business where the Company insures the lender against mortgage default.

A.1.7 Material events

The following material events impacted the Company during the year:

- **Acquisition by AmTrust** - in May 2016 the Company was acquired by AEL from Genworth Financial, Inc., for approximately £38million in cash. At that time, AMIL's tangible book value was approximately £104million. Based in the U.K., AMIL is a well-known organisation in the European mortgage insurance market, currently providing products in the U.K., Finland, Italy and Germany, and run off portfolios in Sweden, Spain, Portugal and Ireland.
- **Brexit vote** - On 23 June 2016, the United Kingdom voted to leave the European Union. The Company expects the Solvency II requirements to remain, both in the short term during the negotiations of the UK's exit and in the long term, through the granting of formal equivalence status, i.e. legislation passed to make solvency regulations in the UK equivalent to Solvency II. The Company, together with the AIL Group, have been looking at possible ways of minimising the impact to its clients, operations, and business opportunities of the Brexit vote by reviewing various strategic options.
- **Renewal of Quota Share reinsurance** – AMIL has 33.3% quota share reinsurance programme with a panel of reinsurance companies all A rated (AM Best, S&P, and Moody's) or better. This program was started in the 2011 year and was in place in 2016, and has been renewed for 2017.
- **Loss of Key Client –** the Company lost its second largest client, during the course of the year.
- **Withdrawal of S&P Rating -** After the sale of the Company to AmTrust from Genworth the decision was taken by the AmTrust Group not to continue the engagement with Standard and Poor's and hence retract the rating for the Company.

A.2 Underwriting Performance

A.2.1 Material lines of business

2016	Credit & Suretyship £'000
Gross premiums written	17,445
Reinsurers' share	(3,919)
Net premiums written	**13,527**
Gross premiums earned	17,304
Reinsurers' share	(4,677)
Net premiums earned	**12,628**
Gross claims incurred	(3,343)
Reinsurers' share	183
Net claims incurred	**(3,160)**
Net operating expenses	**(9,793)**
Other	**153**
Net technical result	(173)
Net Investment Result	383
Other	134
Profit on ordinary activities before tax	76
Tax	2
Profit for the financial year	78

A.2.1.1 Credit and Suretyship

The principal activity of the Company is the underwriting of general insurance business across Europe, insuring mortgage lenders in respect of borrower default. The company is a mono-line insurer, and writes solely "B2B" insurance products.

Performance in 2016 was better than planning expectations. The loss ratio decreased from 63% in 2015 to 25% in 2016 mainly due to lower incurred losses and marginally higher earned premiums. Paid claims were £21,065,000. 2016 includes £20,878,000 in respect of commutations and the settlement of certain contracts in UK, Portugal, Spain and Italy.

Strict cost control in 2016, and concerted loss mitigation activities has meant the company returning to profitability for the first time since 2007. The Company is confident that due the expense actions taken as a result of the sale and continued management of the in force portfolio the return to profitability can be maintained.

A.2.2 Material geographic areas

Performance in the top 3 countries in which AMIL operates is summarised in the table below.

2016	United Kingdom	Italy	Germany	Other EU
	£'000	£'000	£'000	£'000
Gross premiums written	1,646	13,452	1,589	758
Reinsurers' share	(509)	(3,068)	(317)	(24)
Net premiums written	**1,137**	**10,384**	**1,272**	**734**
Gross premiums earned	882	10,527	1,452	4,166
Reinsurers' share	(210)	(3,051)	(298)	(841)
Net premiums earned	**672**	**7,476**	**1,154**	**3,325**
Gross claims incurred	56	(2,494)	(47)	(858)
Reinsurers' share	3	135	12	33
Net claims incurred	**59**	**(2,359)**	**(35)**	**(825)**
Net operating expenses	**(4,175)**	**(3,134)**	**1,129**	**(3,612)**
Other	**14**	**117**	**14**	**7**
Technical Result	**(3,430)**	**2,100**	**2,262**	**(1,105)**

A.3 Investment Performance

The Company invests in rated and tradable Corporate and Government bonds.

The management of the bond portfolio is outsourced to another company within the wider international AmTrust group, which has a dedicated team of investment managers. A set of investment management guidelines has been drawn up by the Company, adherence to which is monitored by the Investment and Capital committee and the Audit, Risk and Compliance Committee, which are sub-committees of the Board. Income and expenses during the year are shown in the table below.

2016	Corporate and Government Bonds £'000
Income from other investments	461
Investment management expenses	(80)
Realised gain/(loss) on sale of investments	2
	383

A.4 Performance of other activities

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

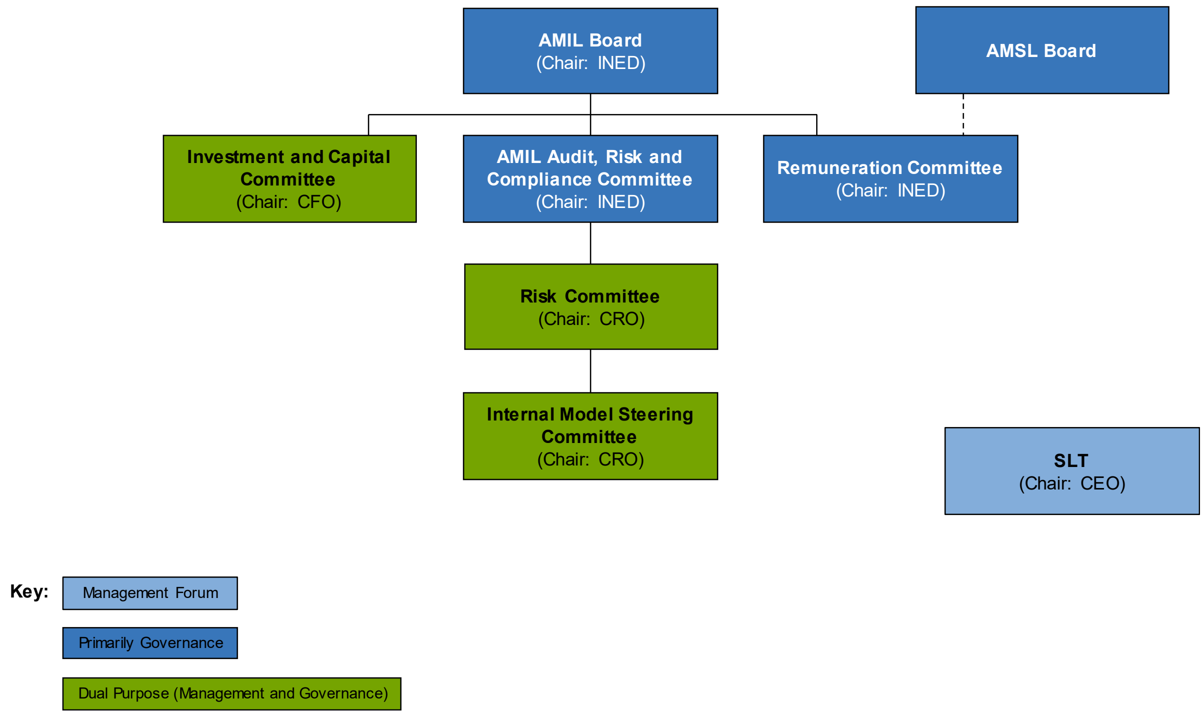
A.5 Any other information

None noted.

B. System of Governance

B.1 General information on the system of governance

B.1.1 The Board and System of Governance



Note: **INED – Independent Non-Executive Director**

The Board and its sub-committees are shown in the diagram above. The Company follows the "Three Lines of Defence" model of corporate governance. In summary, the key differences between the lines of defence are as follows:

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

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

The Board of Directors consists of 6 members, including the Chairman of the Board as follows:

Board Member	Board Balance	Key Role
Chairman of The Board	Independent	Chairing the Board and the Remuneration Committee
Independent Non-Executive Director (INED)	Independent	Chairing the Audit, Risk and Compliance Committee
Non-Executive Director (NED)	Group Role	Shareholder Representative
Chief Executive Officer (CEO)	Executive	Day to day running of the Company
Chief Underwriting Officer (CUO)	Executive	Underwriting
Chief Risk Officer (CRO)	Executive	Monitoring Risk Profile against appetite

Note: Chief financial Officer is not a member of the Board, and chairs the Investment and Capital Committee.

Roles and responsibilities of the committees most relevant for Risk Governance purposes are briefly described below:

- **AMIL Board**: the Board is the main decision making body for the Company. It determines the overall strategic direction of the Company and has responsibility for its overall management, ensuring that proper financial reporting, risk management and corporate governance practices are in place. formal Board meetings are held at least four times a year but calls, normally held monthly with the Non-Executive Directors are held as appropriate.

- **Audit, Risk and Compliance Committee ("ARCC"):** this Committee is to assist the Board of AMIL in discharging its responsibilities for the oversight, reporting, risk management and controllership matters of AMIL. Meetings shall be held no less than 4 times a year at appropriate times in the reporting and audit cycle, but calls with the Committee Members are held when necessary.

- **Investment Committee ("IC**"): this Committee is to establish strategic frameworks for the management of the assets of the Company and its segments, and to supervise the day to day stewardship of these assets by its appointed internal and external investment managers. IC reports to the Board.

- **Risk Committee ("RC"):** this Committee is responsible for all deal/product pricing approvals, policy and exposure limits for new products/countries and changes to existing commercial arrangements. It also covers the in-force reviews of the existing business (including operational risk and lenders' audit reviews), meaning all key underwriting decisions, contract modifications and approvals are centralised.

- **Internal Model Steering Committee ("IMSC")**: this quarterly Committee is responsible for independent oversight and challenge of key internal models (capital requirements, reserving and pricing). IMSC reports to the RC.

- **Remuneration Committee**: this Committee is responsible to define and update the Remuneration Policy of AMIL

B.1.2 Changes in the System of Governance

The composition of the Board and its main Committees changed in 2016 following the acquisition by AmTrust of AMIL (previously Genworth Financial Mortgage Insurance Europe Ltd). These changes include:

- Resignation of an Independent Non-Executive Director;
- Resignation of the Non-Executive Directors who represented the previous shareholder;
- Resignation of the Chief Financial Officer from the Board;
- Appointment of a new Non-Executive Director onto the Board;
- Appointment of the Chief Underwriting Officer onto the Board;
- Appointment of the Chief Risk Officer onto the Board;
- Appointment of a new Chairman of the Audit, Risk and Compliance Committee;
- Revised Committee membership in light of the senior management changes.

B.1.3 Remuneration Policy

The Remuneration Policy describes the overarching principles and framework for the employees that fall within the scope of the Remuneration Policy. The Remuneration Policy is designed to support the appropriate management of employee compensation and act as reference for the Remuneration Committee, Board and Management when making decisions on pay. The Remuneration Policy and the associated remuneration plans and programmes will be regularly reviewed to ensure that they remain fit for purpose in terms of business strategy and applicable regulations.

Key Principles:

- Provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in 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 an appropriate and sustainable cost;
- Provide pay structures which include a level of 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 behaviour that is aligned to them. Ensure that both short and long term performance is taken into consideration.
- Ensure appropriate governance, independence and scrutiny over pay decisions relating to key employees including those designated as Solvency II employees.

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 and / or company performance.
- All programmes allow flexibility and discretion which permit the Board, Remuneration Committee and management to ensure appropriate awards are made in all circumstances.
- To ensure that the Company's senior employees (including the Company's 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, a substantial portion (50%) of any variable pay award in excess of a set threshold, is in the form of Restricted Stock Unit (RSU) awards which vest in equal amounts over a four year vesting period following grant.
- To ensure alignment to risk and performance of the business, provisions exist so that Remuneration Committee has the ability not to permit vesting of some or all of a tranche of the award.

B.1.3.1 Supplementary pension scheme for Board members

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

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. The pension scheme is a Group Flexible Retirement Plan which is designed to give members flexible ways to save for retirement. Both the employer and employee pay in a contribution which at the least meet the minimum legislative amount. The scheme has a default fund set up so members funds will automatically be invested in the default fund unless they actively choose their own investment funds.

There is only one Supplementary Executive Retirement Plan (SERP) applicable to one executive within the Company, the CEO & President. This is a bespoke defined and deferred benefit plan.

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

AMIL has had no material transactions with shareholders, persons with significant influence nor members of Board during the reporting period, save for the sale transaction mentioned in section A 1.7.

B.2 Fit and Proper Requirements

The PRA and FCA expect that individuals performing Senior Insurance Management Function (SIMF) or Controlled Function (CF) roles remain fit and proper to undertake the role. AMIL has a Fit and Proper Policy in place that outlines the various checks at recruitment and throughout employment. In particular, when deciding whether a person is fit and proper, AMIL 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, including those under the regulatory system, and to enable sound and prudent management of AMIL.

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

B.3 Risk management system including the own risk solvency assessment

B.3.1 Risk Management Strategy

Managing risk is central to AMIL activity and risk culture is embedded in the business through an organizational model where all members of the staff are accountable for different phases of the risk management process.

The Risk Department owns the Enterprise Risk Management process (“ERM”) on behalf of the Board.

The diagram below shows the main components of the ERM process

Risk Management Framework

ANNUAL	QUARTERLY	MONTHLY	BAU
• MYP o Macroeconomics o Loss Forecasting o Stress Testing • Risk Governance o Risk Appetite o Risk Policies o Terms of Reference o Risk Register[1] • Risk Assessment[1] • Reinsurance Strategy • Risk Governance o In-Force Review[2] • ORSA • Strategic Planning & Budgeting	• MYP - Review • Capital Model [2] • Reserving Study • Reinsurance Pack • Risk Governance o ARCC & Board[2] o Quarterly RADAR o ERM Review[2] • Controls Review and Monitoring [1] • Audit programme	• Risk Reporting[2] o Monthly Risk Pack o Global Risk Report • Risk Governance o Monthly Extended RCC[2] • Risk Register update *(emerging risks)*[2] • Loss & Near Miss Report [2] • Financial Planning & Analysis[2] o Board Report • Capital Management	• Pricing • In-force Analysis • Risk Governance o Weekly RCC • Data management • Underwriting • Claims management • Loss Mitigation • Controllership • Investments • Solvency II programme

AMIL´s overall approach to dealing with risk can be defined as follows:

- Assignment of authority, responsibility and accountability for risk areas within the firm.
- Identification of the key risks that exist within these areas.
- Measurement of risks by assessing the pertinence to the firm, stress and scenario testing of insurance risk financial forecasts and understanding the risk information and risk measurement techniques; and
- Monitoring risks through mechanisms such as risk assessments, compliance reviews, risk and investment committees, internal or external audits and escalation processes.

The above framework is clearly described in a set of Risk Policies (Insurance, Market, Liquidity and Operational Risk) approved and reviewed annually by the Risk Committee (“RC”) and the Board. Additionally, a Capital Management Policy sets out the principles for managing economic and regulatory capital within AMIL. Stress Testing and ORSA Policies are also in place to ensure proper governance around these processes.

The Risk Appetite Statement ('RAS') approved by the Board offsets out the Company's appetite for risk over the medium term. The Statement also includes any additional limits set by the Parent company. The RAS assists and guides Senior Management and Staff in their day-to-day decision making and execution the strategic priorities.

The RAS is supported by the Company's ERM Framework designed to ensure the Company's risks are managed within its stated Risk Appetite.

The RAS focusses on three areas of our risk appetite.

1. **Principles**: guiding principles that are universal across all AmTrust businesses.
2. **Financial metrics:** key financial limits and tolerances
3. **RAS by Risk Category:** risk appetite, limits and tolerances by risk category.

The first section (Principles) sets out general qualitative criteria on risk appetite. The second section (Financial metrics) defines limits, tolerances and objectives for a set of quantitative indicators related to Capital, Return, Liquidity, Operational and Reputational Risks. The third part (RAS by Risk Category) includes simple/clear qualitative statements and references to quantitative metrics for each risk.

Risks are reviewed and re-assessed through the AMIL's Risk Assessment process which is briefly summarised below.

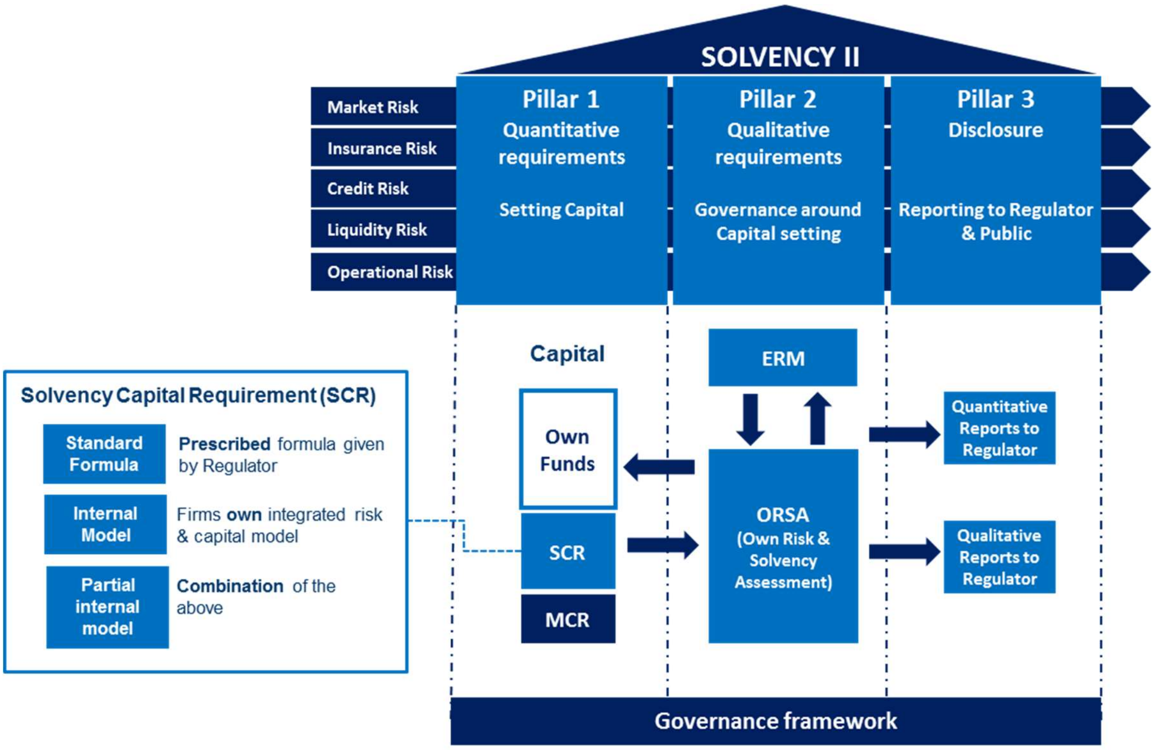
AMIL maintains a Risk Register where all financial and non-financial risks are fully described (including causes and consequences) and assigned to a Risk Owner. Additionally, all risks are associated to a set of controls (each of them owned by a Controls Owner).

An internal ERM tool is used within AMIL to monitor, control and report the Company's risks.

- On an annual basis the Company performs a Risk Assessment where all risks are reviewed and assessed on a gross and on a net basis (i.e. before/after controls).
- Risk owners assess the frequency and severity of each risk and the results are then discussed and challenged by the RCC which approves the final version of the Annual Risk Assessment.
- All risks are then monitored on a monthly/quarterly basis and any significant change in frequency and/or severity is reported to the RCC and to the ARCC/Board. This includes any new emerging risk.
- The risk monitoring process consists of two separate stages: firstly, Controls Owners are asked to perform a self-attestation process of their controls. The assessment is reviewed and challenged by the Risk Governance team on behalf of the CRO.

The consistency of the above "Bottom-Up" approach with the Senior Management assessment ("Top-Down" approach) of the risks associated to the strategy is periodically re-assessed to ensure that the ERM Framework remains aligned to the company's strategy and risk appetite.

B.3.2 Own Risk and Solvency Assessment (ORSA)



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

The Own Risk and Solvency Assessment (ORSA) forms a key part of ERM at AMIL and is performed at least annually. It is the process through which the Board and Management team assess the risks faced by AMIL, both now and in the future, and the level of own funds that are necessary to meet the strategic goals of the Company. Therefore, ORSA is termed to be an Economic assessment of capital.

Economic Capital differs from Regulatory Capital. The latter is the Regulator's assessment of AMIL's capital required to continue and meet the Regulator's objectives, which includes maintaining safety and soundness in the wider financial system. AMIL's solvency risk appetite is that capital should always remain above a margin of these limits and has set this to be 120% of the SCR (the Regulatory Capital requirement under Solvency II).

ORSA places in context the Company's historic and prospective strategy and what risks this creates for the Company's Economic balance sheet both now and in the future. Economic Capital should then be held at a level that allows AMIL to achieve this strategy and manage these risks.

The Company's balance sheet is managed through the Internal Economic Capital Model and a key metric agreed with the PRA to constantly re-assess the Standard Formula appropriateness is the difference between SCR and the internal assessment of the Economic Capital (the two should remain within a +/- 10% range).

AMIL completes the ORSA process annually, or more frequently if there is a material change in the risk profile.

B.4 Internal control system

B.4.1 Internal Control system

The Internal Control System refers to the existence and operation of all the detailed controls that are integrated into the daily operating routines of the business.

A comprehensive system of internal controls is in place in AMIL. The controls are either performed automatically (for example computer validation routines) or manually (for example financial reconciliations.

The role of internal controls in effective risk management is critical. We have described earlier the quarterly risk assessment and controls reviews that are performed by risk owners. In making that assessment, the risk owners are in effect assessing whether the internal controls operating within their area are adequate in design and operating effectively.

As a further check, the Internal Audit function is responsible for auditing the control environment against the audit plan agreed by the Audit Committee.

B.4.2 Compliance function

The Compliance function is responsible for advising the Executive and the Board on compliance with existing and emerging legal, regulatory and administrative provisions.

The Compliance Function has the right to escalate to the Board, directly or through its Committees, any instances of non-compliance with this policy.

Compliance takes responsibility for identifying and assessing the wide ranging internal and external obligations the Company has. The Compliance function helps to ensure that AMIL 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.

The compliance function is a shared service, which is housed in AMIL’s direct parent company AEL.

B.5 Internal audit function

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

This is achieved by:

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

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

Those working within Internal Audit are not permitted to perform day-to-day control procedures or take operational responsibility for any part of 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.

The internal audit function is a shared service function, which is housed in AMIL’s direct parent company AEL.

B.6 Actuarial function

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

The Actuarial Function is a Key Function, the Chief Actuary being the Key Function holder. The Chief Actuary is a qualified actuary and a member for the Institute and Faulty 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 Chief Actuary is a member of the Risk Committee.

The Actuarial function has the following specific responsibilities:

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

B.7 Outsourcing

Outsourcing is an important aspect of the AMIL business model. The majority of AMIL's key outsourcing risk lies in its use of a service company, AMT Mortgage Services Ltd. (AMSL), as well as other group shared service functions.

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

Key outsourced functions:

- Investment management and accounting (AmTrust group company – Internal outsourcing)
- Staff and administration services (AMSL – Internal outsourcing)
- Taxation (Externally outsourced)
- Application support services and IT development (Externally outsourced)

Prior to engaging with external outsourcing providers AMIL undertakes due diligence to ensure the supplier has the necessary infrastructure to supply the service. The financial stability and size of the organization are also considered to ensure that they will be in operation during the service period.

The PRA requires AMIL to take reasonable steps to avoid undue additional operational risk and not to undertake the outsourcing of key functions in such a way as to either: risk impairment of the firm's own internal control; or, risks associated with the PRA's ability in monitoring AMIL's compliance obligations under the regulatory system.

B.8 Any other information

None noted.

C. Risk Profile

C.1 Underwriting risk profile

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

The Company uses a suite of Key Risk Indicators (KRIs) to monitor its exposure to underwriting risk that are evaluated each month. These include: volume of premium underwritten; priced loss ratios in comparison with the Company's annual business plan; ultimate loss ratios in comparison with plan; concentration of premium and profit contribution by type of exposure; and deterioration in prior year reserves.

C.1.1 Material risk exposures

Capital allocated to underwriting risk represents 73% of the pre-diversification total Solvency Capital Requirement (SCR).

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 is in Italy. The SCR quantifies the potential for adverse development as part of the calculation of the premium risk and reserve risk calculation. Given the nature of the mortgage insurance business, an additional capital charge for catastrophe risk in included in the SCR.

C.1.2 Material risk concentrations

AMIL's underwriting risk exposure is concentrated in Italy. The company has purchased excess of loss insurance to mitigate this concentration

C.1.3 Material risk mitigation

The Actuarial Pricing team review new business to determine that rates are adequate. 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.

AMIL also uses reinsurance to mitigate underwriting risk. This takes the form of a 33.3% quota-share agreement for new business and an excess-of-loss agreement for the exposure in Italy,

C.1.4 Risk sensitivities

Scenarios were devised during the ORSA process to measure the impact of inadequate pricing and reserve deteriorations. These showed that an increase of 50% of ultimate losses combined with 10% reduction in business volumes and a 10% increase in expenses would have an impact of less than 10% on Own Funds. Different reverse stress exercises show that the scenarios under which the Company would exhaust its capital are highly improbable.

C.1.5 Other material information

None noted.

C.2 Market risk

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

The KRI process identifies and measures the key market risk exposures by 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 (i.e. credit risk of market instruments exposure). A currency split balance sheet is prepared to review the Company's asset liability matching, and the asset portfolios duration is reviewed in order to ensure these elements are no adding undue burden on the Company's capital requirements. Due to the current stable and low risk nature of the investment portfolio, this is reviewed as part of the ICC. Should the need arise for more regular reviews these will be implemented.

Investments are reviewed quarterly by the Investment Committee and the Audit, Risk and Compliance Committee.

C.2.1 Material risk exposures

Capital allocated to market risk represents 19% of the pre-diversification total SCR.

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

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

C.2.2 Material risk concentrations

AMIL's material market risk exposures are to its equity investment in AMSL, its foreign currency exposure to the Sterling and the exposure of its predominantly fixed rate corporate bond investment portfolio to spread risk.

C.2.3 Material risk mitigation

AMIL operates a conservative investment strategy, investing primarily in fixed rate corporate bonds, money market deposits and cash. The Company has no appetite for investments in equities (other than wholly-owned subsidiaries) and complex investments such as derivatives. By investing in relatively simple assets, the Company fulfils the Prudent person principle because it is able to properly understand its investment risks.

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

AMIL 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.

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

C.2.4 Risk sensitivities

One of the adverse scenarios produced by the ORSA doubles each component of the Market Risk SCR and apply no diversification benefit between the different market risks. This leads to a financial impact which is within 10% of the existing Own Funds.

C.2.5 Other material information

None noted.

C.3 Counterparty default risk

Counterparty default risk is the potential loss arising principally from adverse changes in the financial condition of AMIL's counterparties (reinsurers, intermediaries, policyholders, etc.)

The risk and management team identifies and measures the key credit risk exposure by monitoring the rating of each reinsure and capping the exposure to individual external reinsurer counterparty

Capital allocated to credit risk represents 4% of the pre-diversification total SCR.)

C.3.1 Material risk exposures

AMIL is subject to material risk exposures with respect to its reinsurers.

C.3.2 Material risk concentrations

The Company is exposed to credit risk in relation to material accounts with our Reinsurance counterparties, as well as to concentration risk in the bond portfolio.

C.3.3 Material risk mitigation

In order to reduce our 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. AMIL uses objective criteria to select and retain its reinsurers, including requiring an adequate financial strength are also in place for certain counterparties as is deemed appropriate within the business.

The bond portfolio concentration is managed in line with the Company's investment guidelines which restrict investment to rated government and corporate bonds. Duration and rating thresholds are set in accordance with the Company's risk appetite. Formal reviews of the portfolio are quarterly within the ICC.

C.3.4 Risk sensitivities

One of the adverse scenarios assumes all reinsurance counterparties fail to meet their obligations and 50% is recovered after the event. This leads to a financial impact which is within 20% of the existing Own Funds.

C.3.5 Other material information

The Company benefits from a guarantee from its indirect parent company, AmTrust North America Inc. (ANA) an enterprise registered and incorporated in the United States of America. This guarantee covers up to €40MM of adverse development on technical reserves. The yearend rating of ANA is A+ as rated by AM Best.

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.

The finance team carries out regular cash-flow forecasting and analysis to monitor the Company's liquidity needs. Operational cash outflows are funded through operational cash flows inward. Infrequent "one off" payments such as lender settlements are planned in line with investment maturities in the annual, quarterly and monthly cash flow forecasting process.

C.4.1 Material risk exposures

There are no material risk exposures to liquidity risk, as the all of the Company' assets are invested in highly liquid corporate and government bonds.

C.4.2 Material risk concentrations

AMIL's liquidity risk exposure is concentrated in reinsurance contracts, financial assets (bonds) and cash.

C.4.3 Material risk mitigation

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effect on AMIL's financial performance. It manages these positions within an asset liability management (ALM) framework that has been developed to minimize 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.

AMIL maintains sufficient cash and highly rated marketable securities, to fund claim payments and operations.

C.4.4 Risk sensitivities

Unless there is a default in collecting reinsurance receivables due to adverse market conditions, the Company has no significant impact to its liquidity. This is mitigated by AMIL using an external panel of quota share reinsurers, rather than a single counterparty.

C.4.5 Other material information

None noted.

C.5 Operational risk

Capital allocated to operational risk represents 4% of the pre-diversification total SCR.

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, clients, investment management companies or outsourced agencies and individuals.

AMIL has risk management processes in place, such as lenders´ audit, internal audit, controls testing, project management, Risk and Control Self-Assessment (RCSA), data governance management to assess and monitor operational risk exposures.

C.5.1 Material risk exposures

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

A critical operation risk is the Company’s ability to effectively monitor how lenders’ underwrite their mortgages under the “Delegation of Authority” model. This is managed through periodical review of portfolios performance and composition as well as through regular audits.

C.5.2 Material risk concentrations

None.

C.5.3 Material risk mitigation

AMIL 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, peer view, due diligence and business continuity.

All of AMIL’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

AMIL has considered a number of operational risk scenarios as part of its ORSA. The main risks are related to “low frequency high severity” reputational and/or internal fraud event that could cause up to a 20% reduction in Own Funds.

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.

AMIL 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 & 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.

AMIL has a well-developed business planning process and its business plans are approved by the Board. The business plans are also used in the Own Risk and Solvency Assessment (ORSA) process.

C.6.3 Governance risk

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

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

C.6.4 Group risk

The risks arising from other parts of its group, through parental influence or direct contagion.

AMIL maintains a good relationship with its ultimate parent and expects that, at all times, it will remain suitably apprised of all of the material risks within the group that may, if crystallised, have negative impact upon the business strategy and/or cause detriment to its customers.

Regular meetings with AFSI Group Risk department. The AFSI Group CEO also holds approved person status under the Senior Insurance Managers Regime (SIMR).

Although AMIL is part of the wider AmTrust Group, it is a separate regulated entity under the UK PRA and is managed accordingly in terms of capital adequacy, risk management, governance, compliance and infrastructure.

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.

AMIL ensures it is solvent at all times through: Monitoring of solvency position; Management Accounts; Solvency forecasting in ORSA and prior to any strategic decision making.

C.7 Any other information

None noted.

D. Valuation for solvency purposes

D.1 Assets

As a general principle, AMIL's assets and liabilities are valued differently when calculating its own funds under Solvency II and when preparing its annual accounts for filing at Companies House. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in the UK.

Category	31.12.2016 Solvency II (£'000)	31.12.2016 UK GAAP (£'000)	Difference
Deferred Acquisition Costs	0	2,615	(2,165)
Property, plant & equipment held for own use	95	95	-
Investments (other than assets held for index-linked and unit-linked contracts)	172,992	169,698	3,294
Reinsurance recoverables	911	15,599	(14,688)
Insurance and intermediaries receivables	2,600	7,505	(4,905)
Reinsurance receivables	5,192	4,687	505
Receivables (trade, not insurance)	2,994	3,000	(6)
Cash and cash equivalents	2,631	2,631	-
Any other assets, not elsewhere shown	0	2,281	(2,281)
TOTAL ASSETS	187,415	208,111	(20,696)
Technical provisions - non-life (excluding health)	76,198	75,878	320
Insurance & intermediaries payables	11,078	11,078	-
Reinsurance payables	1,055	4,604	(3,549)
Payables (trade, not insurance)	4,113	4,178	(65)
TOTAL LIABILITIES	92,444	95,738	(3,294)

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

D.1.1 Deferred acquisition costs

Deferred acquisition costs are costs relating to contracts in force at the balance sheet date which are carried forward to subsequent periods, in relation to unexpired periods of risk. In accordance with Article 12 of the Solvency II Delegated Acts, deferred acquisition costs are valued at zero under Solvency II.

D.1.2 Property plant and equipment held for own use

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

Less than £0.1m is held within plant and equipment and, as a result, management do not believe that using depreciated cost would generate a materially incorrect position against the market value.

D.1.3 Investments (other than assets held for index-linked and unit-linked contracts)

AMIL has an investment portfolio made up of corporate and government bonds.

The Company elects to carry its investments at fair value. The UK GAAP accounting designation is "available for sale", which takes fair value adjustments through equity. These assets are managed and their performance evaluated on a fair value basis.

The fair values of these financial instruments are based on quoted prices as at the balance sheet date.

According to the valuation rules contained within Article 75 of Directive 2009/138/EC this method can be consistently applied under SII and therefore no adjustments are made to the UK GAAP position.

Investments in subsidiaries and participations

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

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

As AMIL's only related undertaking AMSL is not listed, it is valued on the adjusted equity method.

AMSL is a subsidiary other than an insurance entity, hence the adjusted equity method means using the excess of assets over liabilities using International Accounting Standards excluding any value in goodwill or intangibles (Article 13(5)). For this purpose, the entity has assumed the UK GAAP position is a reasonable approximation for the fair value reflected by the entities underlying assets and liabilities.

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

Category (£'000)	UK GAAP	Reclassification Adjustment	Valuation Adjustment	Solvency II
Bonds	**164,285**	**2,615**	**-**	**166,567**
Participations	**3,158**	**-**	**1,012**	**4,170**

Accrued interest on bonds is shown in the combined bond value under Solvency II, rather than separately on the face of the balance sheet as with UK GAAP.

Investment in subsidiary (participation) is shown using the adjusted equity method under Solvency II versus historic cost under UK GAAP.

D.1.4 Reinsurance recoverables

Refer section D.2 below, Technical provisions.

D.1.5 Insurance debtors and creditors

Insurance debtors and creditors are held are held at amortised cost under UK GAAP, due to the short term nature of these payables this does not differ materially from their fair value and hence is considered appropriate.

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

Category (£'000)	UK GAAP	Reclassification Adjustment	Valuation Adjustment	Solvency II
Insurance and intermediaries receivables	**7,505**	**-**	**(4,905)**	**2,600**

D.1.6 Reinsurance receivables

Reinsurance receivables relate to reinsurance profit commission receivable, based on the underlying performance of the insurance business under an earned premium, UK GAAP approach.

An adjustment is made to this balance under Solvency recalculating the receivable based on future discounted cash flows.

Category (£'000)	UK GAAP	Reclassification Adjustment	Valuation Adjustment	Solvency II
Reinsurance receivables	**4,687**	**-**	**505**	**5,192**

D.1.7 Receivables (trade, not insurance)

All other debtors and creditors are held are held at amortised cost under UK GAAP, due to the short term nature of these payables this does not differ materially from their fair value and hence is considered appropriate.

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

Due to the company's large carry forward tax losses, and loss making experience between 2008 – 2015, no deferred tax assets have been recognised in accordance with IAS12 accounting principles.

D.1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash with banks, and are considered to be held at fair value under Solvency II.

D.1.9 Any other assets, not elsewhere shown

This relates to accrued interest on bonds, refer section D1.3.

D.2 Technical Provisions

On a Solvency II basis, the total net Technical Provisions (TPs), including the Risk Margin, were £75.3m compared to £60.3m on a statutory basis, an increase of 25%. The TPs are the best liabilities and risk margin. As the Company is a mono line insurer the below table relates to its only line of business, credit and suretyship.

Technical Provisions	£M
Gross Best Estimate	
Claims Provisions	36.8
Premium Provisions	32.9
Risk Margin	6.5
Gross Technical Provisions	**76.2**
Net Best Estimate	
Claims Provisions	36.4
Premium Provisions	32.4
Risk Margin	6.5
Net Technical Provisions	**75.3**

D.2.1 Methodology and main assumptions

AMIL's Actuarial Function calculates the Technical Provisions, considering the following elements:

- Claims projections.
- Expense projections.
- Premium in-flows and out-flows.
- Reinsurance recoveries.
- Risk margin.

D.2.1.1 Claims projections

We calculate claims projection using the outputs from our stochastic Economic Capital Model. The capital model projects claims to ultimate over a range of economic scenarios. The best-estimate for insurance claims is the stochastic mean of the cashflow projections, allocated to claims from incurred events (Claims Provisions) and claims from future events (Premium Provisions). We then discount these cashflows using risk-free yield curves.

D.2.1.2 Expense projections

We project the expenses attributable to the in-force business at the valuation date (including Bound-But-Not-Incepted, or BBNI, business). We take the projections of the total future expenses for the legal entity from our annual business planning exercise. We then allocate these expenses to the in-force business at the valuation date, using a driver-based expense analysis and projections of the underlying drivers. Finally, we discount these expenses using risk-free yield curves.

D.2.1.3 Premium in-flows and out-flows

The majority of our business in single up-front premium, except for our German and Swedish business which are paid annually and quarterly respectively.

We project the future premium for this business using standard lapse and amortisation assumptions used elsewhere throughout the business.

Additionally, we allow for the expected future premium received for the BBNI business assumed.

Finally, we have a 33% quota share arrangement on all business written since 2011. For this business, we allow for the reinsurance premium payable to the reinsurers in calculating the Net TPs.

D.2.1.4 Reinsurance recoveries

Our reinsurance program comprises the aforementioned quota share reinsurance, and two aggregate excess-of-loss (XoL) treaties on our Italian business.

We calculate the reinsurance recoveries using our Economic Capital Model. The quota share recoveries are a simple proportion of the claims form our 2011 & post business. The XoL recoveries will apply to some individual stochastic scenarios, and the overall recovery is the stochastic mean across the whole range of scenarios.

The recoveries are discounted using risk-free yield curves.

D.2.1.5 Risk Margin

We have opted to use a fixed percentage of Net Claims and Premium Provision for our Risk Margin. The fixed percentage is 9.5%, which was recommended for Credit and Surety business in the QIS exercises prior to the final agreement of the Technical Specifications.

D.2.2 Uncertainty in Technical Provisions

The uncertainty in the value of the Technical Provisions arises from three main areas:

- Future performance of the in-force business.
- Expenses of the legal entity.
- Future revenue streams.

D.2.2.1 Future performance of the in-force business

D.2.2.1.1 Economics

The Economic Capital Model uses an economic scenario generator which produces stochastic economic forecasts around a deterministic forecast in each of our territories. This deterministic base case is uncertain to varying degrees in each country, with several factors giving rise to significant uncertainty in the European economic outlook, e.g. Brexit, upcoming elections, etc.

D.2.2.1.2 Settlement activity

We actively pursue settlements with many of our clients, either on tranches of highly delinquent loans for our larger lenders (partial settlements) or full commutations with our smaller lenders in runoff. The amount of these settlements can vary from the value of reserves in the TPs, which creates uncertainty in the ultimate cashflows relating to these parts of the business.

D.2.2.1.3 Model risk

Parts of our overall portfolio are subject to a higher degree of model risk, e.g. the countries with lower volumes of performance data (Germany, Portugal, Spain, Sweden), and our younger books which have less development and therefore rely on benchmarking to prior years.

The first example of small data volume in specific countries is self-mitigating to a degree – the lower the volume of data, the less material to the overall value of TPs.

The second example accounts for more uncertainty, although our underwriting standards have been consistent for several years now since late 2009 onwards which would lead us to expect consistent performance relative to the economic outlook.

D.2.2.1.4 Ireland runoff

The Irish central bank introduced their Mortgage Arrears Resolution Process ("MARP") in 2013, which sets out rules for lenders to deal with their non-performing loan portfolios. The main impact was to force lenders to implement long-term sustainable workout solutions for delinquent loans, rather than "kicking the can" down the road.

At around the same time, we entered a settlement agreement with our sole remaining lender in Ireland which clearly specifies the circumstances that lead to a claim event, and the quantum of that claim. This has reduced the inherent uncertainty in the level of reserves we need to hold for Ireland.

D.2.2.2 Expense of the legal entity

AMIL has taken several expense actions over recent years, and has also moved to a new parent which has taken over the provision of certain shared services. This has lowered our expense base considerably, but also leads to uncertainty over the company's future operating expenses – for solvency purposes, we have adopted a conservative view of expenses in calculating the TPs at year end 2016.

D.2.2.3 Future revenue streams

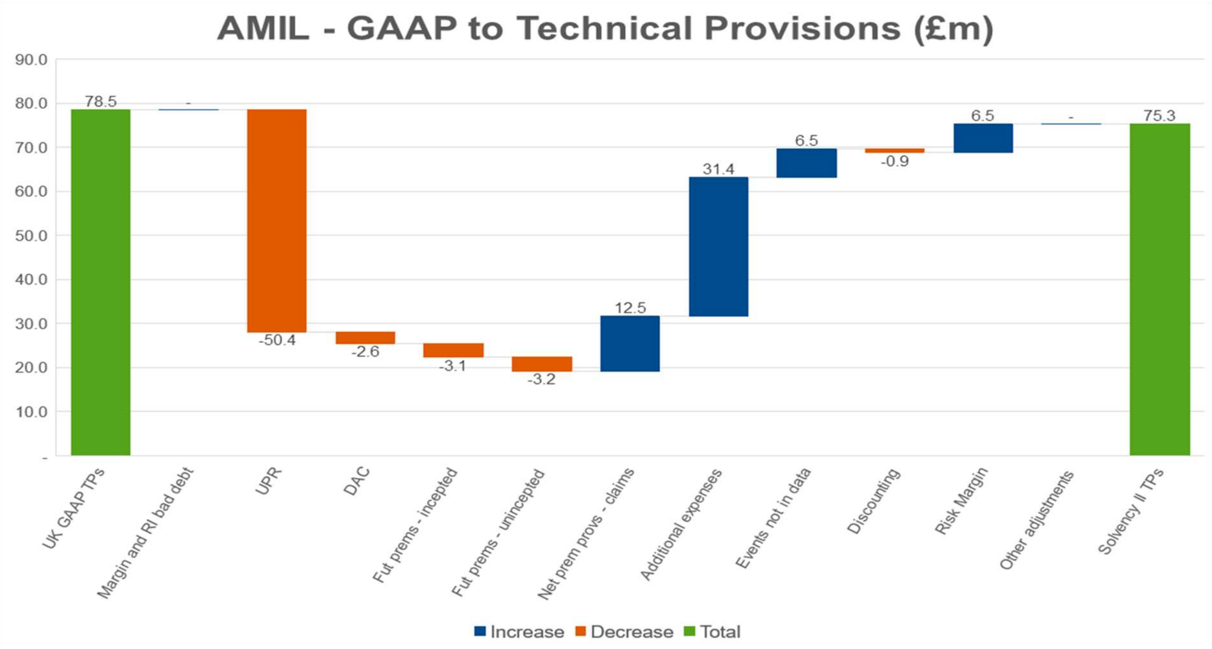
Future revenue comes from two sources:

- Regular premium business in Germany and Sweden – uncertainty arises from future lapse rates and amortisation of the loans.
- BBNI business – on a short term timeframe (up to six months, varying by lender), volumes can be volatile, creating uncertainty in the TPs.

D.2.3 Differences between Solvency II valuation and financial statements

Solvency II Technical Provisions are set according to very different principles to UK GAAP Technical Provisions.

The chart and table below shows the impact of the differences in the bases, methods and assumptions between the two regimes.



Note: The above waterfall chart walks the UK GAAP gross technical provisions to Solvency II net technical provisions.

D.2.3.1 Margin for prudence and reinsurer bad debt

We do not hold any margin for prudence or provisions for reinsurer bad debt in our UK GAAP reserves. Our counterparties are all highly rated and we do not feel any such margin is appropriate

D.2.3.2 UPR

Under Solvency II, the UPR has been replaced by the Premium Provisions.

The UPR consists of future incurred claims, future expenses and future profits.

The Premium Provisions contain the best estimate for future incurred claims and expenses, less future premiums receivable, i.e. profits are recognised on inception of the insurance business.

D.2.3.3 Deferred acquisition costs

Under Solvency II, there is no allowance for DAC.

D.2.3.4 Future premiums – incepted contracts

Under Solvency II, the Premium Provisions allow for future premium receivable. This item related to the premium from our regular premium business in Germany and Sweden – the rest of our business receives single upfront premium.

D.2.3.5 Future premiums – unincepted contracts

Under Solvency II, you need to reserve for business you have committed to write in the future, not just business that has already incepted.

Most of our policies contain a cancellation period of between three and six months, during which time we are obliged to accept new business.

D.2.3.6 Net premium provision – claims component only

We calculate the best estimate for future incurred claims using our Economic Capital Model, as described above in section D.2.1.1. For this item, we use the deterministic loss forecast from our base case economic scenario – see section D.2.3.8 below for further explanation.

D.2.3.7 Additional expenses

Under UK GAAP, the expenses for the in-force business are the loss adjustment expenses (“LAE”) in the loss reserves and the expenses part of the UPR.

Under Solvency II we project expenses as described above in section D.2.1.2.

Therefore, this additional expenses item is the total Solvency II expenses less LAE (UPR having already been removed in a previous step).

D.2.3.8 Events not in data

Under Solvency II, we are required to calculate the best estimate, defined as the probability-weighted average of future cashflows, taking account of the time value of money.

Many firms have adopted an approach where they use their deterministic base case projection, and then add a load for extreme outcomes with low probabilities, reflecting the increase in provisions their calculation methodologies would produce if their data had contained extreme events in the past. This load is the Events Not In Data (“ENID”) item.

We have adopted a different approach, by taking the stochastic mean of the output from our Economic Capital Model, which generates extreme outcomes which we have not experienced in the past. For easy comparison with other firms, we have calculated the difference between the stochastic mean and the base case scenario, and called it ENID. This is because we use outputs from our stochastic model which generates events that haven’t happened in the past.

D.2.3.9 Discounting

TPs are discounted at a risk-free rate under Solvency II. Under UK GAAP, there is no discounting allowed.

D.2.3.10 Other adjustments

D.2.4 Reinsurance recoverables

AMIL has both quota-share and aggregate excess-of-loss ("XoL") reinsurance programs in place as at the end of 2016.

D.2.4.1 Quota-share reinsurance

We have placed the quota-share reinsurance with a pool of highly-rated (A or above) reinsurers for each underwriting year since 2011, ceding 33.33% each year.

Due to the low loss ratios experienced on all business since 2011, the quota-share reinsurance recoveries in our TPs are small in relation to the overall value of the TPs.

D.2.4.2 Aggregate excess-of-loss reinsurance

We have two XoL treaties in place, covering extreme losses in Italy. The first treaty covers business written in 2010 and prior years. The second treaty covers business written from 2011-2014. In both cases, cover was initially placed to cover losses between the 80th and 99.5th percentiles. Since that time, the business has matured sufficiently for there to be no recoverables in our TPs for either treaty.

D.2.5 Material changes in assumptions for TPs

Since the previous reporting period, we have made no material changes in our assumptions.

D.3 Other liabilities

D.3.1 Insurance & intermediaries payables

Insurance creditors are held at amortised cost under UK GAAP, due to the short term nature of these payables this is a reasonable approximation of fair value.

D.3.2 Payables (trade, not insurance)

All other creditors are held at amortised cost under UK GAAP, due to the short term nature of these payables this is a reasonable approximation of fair value.

D.3.3 Reinsurance payables

Under UK GAAP reinsurance payables comprise deferred ceding commission and reinsurance cash premiums payable.

Reinsurance creditor payable is held at amortised cost under UK GAAP, due to the short term nature of this payables this is a reasonable approximation of fair value.

Under Solvency II an adjustment is made removing the deferred ceding commission which is based on the UK GAAP accrual basis. These cash flows are dealt with in calculating the reinsurance technical provisions, using discounted cash flows under Solvency II.

Category (£'000)	UK GAAP	Reclassification Adjustment	Valuation Adjustment	Solvency II
Reinsurance payables	**4,604**	**-**	**(3,549)**	**1,055**

D.3.4 Other

Nothing noted.

D.4 Alternative methods for valuation

AMIL does not use any alternative methods for valuation.

D.5 Any other information

Contingent Liabilities:

The Company may become liable for future claims in the event of the insolvency of the relevant lender. The Company is unable to quantify this contingent exposure, although the probability of any future liability is deemed extremely remote.

Under a settlement agreement with the lender in question the Company agreed to pay a capped amount of claims under the Master Policy. Since the loans were part of a securitization and the lender did not want to interrupt the payments into the securitization, the Company and the lender agreed to keep the terms of the Master Policy unchanged and have the lender accept all liability for claims payments in excess of the settlement amount. Therefore, the Company continues to pay claims as normal under the Master Policy even though the claims paid to date are far in excess of the settlement amount, and is being reimbursed for these excess payments. Should the lender default on the settlement agreement, the Company would remain liable under the terms of the Master Policy Agreement for payment to the investors. The Company has Letters of Comfort from the lender’s Parent Companies should the lender become bankrupt and unable to honour its payment obligation to the Company under the settlement agreement.

E. Capital Management

E.1 Own funds

E.1.1 Management of Own Funds

We manage our Own Funds to ensure that the Company is adequately capitalised at all times and that all capital requirements are met. Our Capital Management Policy forms the basis for managing capital within AMIL. We determine capital adequacy on three different bases:

1. Economic Capital, establishing the appropriate risk-adjusted capital required to run the business using our Economic Capital Model (“ECM”) on the appropriate economic basis;
2. Regulatory Capital, establishing a Solvency Capital Requirement (“SCR”) under Solvency II; and
3. Rating Agency Capital, which establishes the appropriate capital support mechanisms to maintain the Company’s external rating.

We assess capital requirements on a quarterly basis through the Company’s ECM and SCR capital modelling processes. Economic capital is our critical measure of capital as it aligns most closely to the actual risks associated with the business. We have invested a lot of resources into the establishment of the ECM since 2008, which we use throughout our business for forecasting, strategic decision making and capital assessment and its outputs are consistently applied for pricing purposes.

The ECM assessment, at all times, includes a further 12 months of projected new business production which allows the pre-funding of capital associated with the in-force portfolio and future business to be written in the near-term.

The premiums and losses projected by the ECM are used to calculate the Technical Provisions for the Solvency II Balance Sheet and SCR assessment which ensures alignment between the two capital regimes.

The ECM and associated governance is owned by the Risk and Actuarial teams which have a close interaction with the Board on at least a quarterly basis.

The business undergoes three formal planning processes which include capital sources and uses projections throughout the year:

- The long range forecast, or multi-year plan (“**Multi-Year Plan**”), is an annual process wherein we develop and discuss with our Board and Parent the strategic plan for the next 3-5 years. The Multi-Year Plan is developed taking into consideration, among other things, capital risks the Company is exposed to and forecasted changes to such risks, the anticipated changes in the market place, the competitive situation, and the business’s own initiatives.
- The operating plan (“**Operating Plan**”) is an annual process that establishes our plan for the following year. It is formalised by the Board at the time the final official financial plan or budget is approved. At such time the Board also considers the Operating Plan in the context of the tactical execution of the Multi-Year Plan.
- The short range forecast (“**Short Range Forecast**”) is a quarterly process undertaken by management. The Board will receive updates of such forecasts for the remainder of the Operating Plan period. It serves as an opportunity for refinement of the Operating Plan and the Short Range Forecast (remaining period of the financial year) presented in the previous quarter. This aides in determining capital requirements by assessing business volumes and performance against plan.

E.1.2 Composition of Own Funds

£'000	Dec 2016
Ordinary share capital	141,016
Reconciliation reserve	(46,045)
Own funds	**94,971**

Note, of the above Own Funds, all are Tier 1, and 100% eligible towards the Company's SCR and MCR.

None of the Company's Own Funds are subject to transitional arrangements. We have no Ancillary Own Funds. There are no ring-fenced funds and no deductions are made from Own Funds, nor is there any restriction affecting the availability and transferability of Own Funds within the Company.

Material differences between equity in the financial statements, and the excess of assets over liabilities:

£'000	£'000
Total reserves and retained earnings from UK GAAP Financials	112,431
Differences arising from SII Valuation of assets	(20,689)
Differences arising from SII Valuation of technical provisions	(320)
Differences arising from SII Valuation of other liabilities	3,549
Own funds per Solvency II	**94,971**

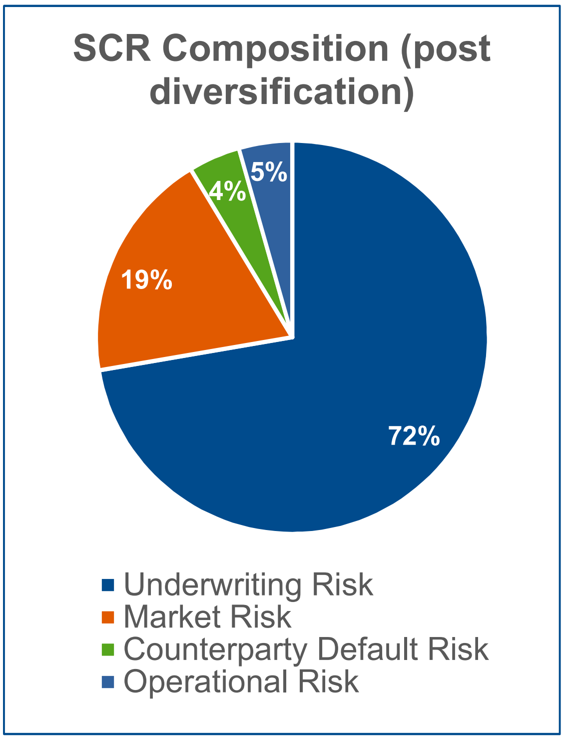
E.2 Solvency capital requirement and minimum capital requirement

AMIL calculates its SCR and MCR using tools developed internally. These results then feed into an off-the-shelf system (VEGA, provided by Milliman) to contribute to the parent group's consolidated SCR and MCR.

Capital Requirements 31 December 2016	£'000
SCR	**46,034**
MCR	**13,698**

The key inputs to the Company's MCR calculation were the net best estimate and technical provisions calculated as a whole, and the net written premiums in the last twelve months for credit and suretyship class of business only.

Risk Category	SF SCR 4Q16 SII Balance Sheet (£'000)
Market Risk	10,555
Counterparty Default Risk	2,372
Non-Life Underwriting Risk	38,791
Undiversified Basic SCR	51,718
Diversification credit	-7,775
Basic SCR	43,944
Total Operational Risk	2,090
Standard Formula SCR	46,034
Available Capital	94,971
Capital Margin	48,937
Solvency Ratio	206%



AMIL does not use and Undertaking Specific Parameters (USPs). AMIL uses a simplified calculation for counterparty risk, whereby we treat all of our quota-share reinsurers as a single reinsurer with the rating of the lowest rated counterparty.

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

AMIL does not sue 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

AMIL is a standard formula firm.

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

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

E.6 Any other information

None noted.

AmTrust International

AMT Mortgage Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2016

(Monetary amounts in GBP thousands)

General information

Undertaking name	AMT Mortgage Insurance Limited
Undertaking identification code	213800MKOTU7JZ82L809
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	95
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	172,992
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	4,170
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	166,567
R0140	*Government Bonds*	6,940
R0150	*Corporate Bonds*	159,627
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,255
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	911
R0280	*Non-life and health similar to non-life*	911
R0290	*Non-life excluding health*	911
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,600
R0370	Reinsurance receivables	5,192
R0380	Receivables (trade, not insurance)	2,994
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,631
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	187,415

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	76,198
R0520	*Technical provisions - non-life (excluding health)*	76,198
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	69,666
R0550	*Risk margin*	6,532
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	11,078
R0830	Reinsurance payables	1,055
R0840	Payables (trade, not insurance)	4,113
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	92,444
R1000	**Excess of assets over liabilities**	94,971

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business									17,445								17,445
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share									3,919								3,919
R0200	Net									13,527								13,527
	Premiums earned																	
R0210	Gross - Direct Business									17,304								17,304
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share									4,676								4,676
R0300	Net									12,628								12,628
	Claims incurred																	
R0310	Gross - Direct Business									3,555								3,555
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share									220								220
R0400	Net									3,335								3,335
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net									0								0
R0550	**Expenses incurred**									10,626								10,626
R1200	**Other expenses**																	
R1300	**Total expenses**																	10,626

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			IT	DE	FI	SE	PT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,646	13,452	1,589	593	113	50	17,443
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	509	3,069	317	24	0	0	3,919
R0200	Net	1,137	10,384	1,272	568	113	50	13,524
	Premiums earned							
R0210	Gross - Direct Business	882	10,804	1,452	3,530	114	153	16,936
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	210	3,328	298	841	0	0	4,676
R0300	Net	672	7,476	1,154	2,689	114	153	12,260
	Claims incurred							
R0310	Gross - Direct Business	-54	2,681	48	62	-89	99	2,747
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	3	172	12	33	0	0	220
R0400	Net	-57	2,509	36	28	-89	99	2,527
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	3,609	3,991	-977	701	57	111	7,492
R1200	**Other expenses**							
R1300	**Total expenses**							7,492

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	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	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**									0								0
R0050	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																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross									32,833								32,833
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									508								508
R0150	**Net Best Estimate of Premium Provisions**									32,325								32,325
	Claims provisions																	
R0160	Gross									36,834								36,834
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									403								403
R0250	**Net Best Estimate of Claims Provisions**									36,430								36,430
R0260	**Total best estimate - gross**									69,666								69,666
R0270	**Total best estimate - net**									68,755								68,755
R0280	**Risk margin**									6,532								6,532
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**									76,198								76,198
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**									911								911
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**									75,287								75,287

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Non-Life insurance claims

Total Non-life business

Z0010 **Accident year / underwriting year** Underwriting year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											6,031	6,031	6,031
R0160	N-9	0	24	1,041	3,421	2,836	4,378	9,090	7,015	860	4,695		4,695	33,359
R0170	N-8	0	49	694	1,342	1,856	4,203	6,217	1,014	5,099			5,099	20,473
R0180	N-7	0	0	75	482	307	161	122	1,404				1,404	2,552
R0190	N-6	0	5	219	99	47	17	611					611	998
R0200	N-5	0	7	9	0	74	670						670	759
R0210	N-4	0	0	0	40	145							145	185
R0220	N-3	0	0	0	20								20	20
R0230	N-2	0	0	10									10	10
R0240	N-1	0	0										0	0
R0250	N	0											0	0
R0260												**Total**	18,684	64,387

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											8,437	8,465
R0160	N-9	0	0	0	0	0	0	0	0	0	9,425		9,456
R0170	N-8	0	0	0	0	0	0	0	0	5,034			5,049
R0180	N-7	0	0	0	0	0	0	0	1,808				1,813
R0190	N-6	0	0	0	0	0	0	881					883
R0200	N-5	0	0	0	0	0	583						586
R0210	N-4	0	0	0	0	273							274
R0220	N-3	0	0	0	212								213
R0230	N-2	0	0	99									99
R0240	N-1	0	34										34
R0250	N	2											2
R0260												**Total**	26,874

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	141,016	141,016		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-46,045	-46,045			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	94,971	94,971	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	94,971	94,971	0	0	0
R0510	Total available own funds to meet the MCR	94,971	94,971	0	0	
R0540	Total eligible own funds to meet the SCR	94,971	94,971	0	0	0
R0550	Total eligible own funds to meet the MCR	94,971	94,971	0	0	
R0580	**SCR**	46,034				
R0600	**MCR**	13,698				
R0620	**Ratio of Eligible own funds to SCR**	206.31%				
R0640	**Ratio of Eligible own funds to MCR**	693.31%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	94,971				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	141,016				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	-46,045				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	3,156				
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,156				

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	10,555		
R0020	Counterparty default risk	2,372		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	38,791		
R0060	Diversification	-7,775		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	43,944		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,090
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	46,034
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	46,034
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	13,698

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	68,755	13,527
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	13,698
R0310	SCR	46,034
R0320	MCR cap	20,715
R0330	MCR floor	11,508
R0340	Combined MCR	13,698
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	13,698