

AmTrust International Underwriters DAC

Solvency and Financial Condition Report
For the year ended 31 December 2017



AmTrust International Underwriters
An AmTrust Financial Company



Contents

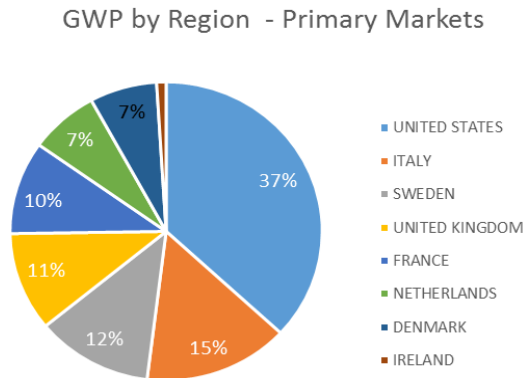
Summary	3
Overview of the Business and Context of this report.....	3
Systems of Governance	4
Risk Profile	4
Valuation for solvency purposes.....	6
A. Business and Performance.....	7
A.1 Business	7
A.2 Underwriting Performance.....	10
A.3 Investment Performance.....	13
A.4 Performance of other activities	14
A.5 Any other information	14
B. System of Governance	15
B.1 Board and System of Governance.....	15
B.2 Fit and Proper Requirements	21
B.3 Risk management system including the own risk solvency assessment	22
B.4 Internal control system	24
B.5 Internal audit function	25
B.6 Actuarial function.....	25
B.7 Outsourcing.....	26
B.8 Any other information	26
C. Risk Profile.....	27
C.1 Underwriting risk	27
C.2 Market Risk.....	28
C.3 Credit risk	29
C.4 Liquidity risk	30
C.5 Operational risk.....	30
C.6 Other material risks	31
C.7 Any other information	33
D. Valuation for solvency purposes	34
D.1 Assets	34
D.2 Technical Provisions	37
D.3 Other liabilities	41
D.4 Alternative methods for valuation.....	42
D.5 Any other information	42
E. Capital Management.....	43
E.1 Own funds	43
E.2 Solvency capital requirement and minimum capital requirement	44
E.3 Use of duration-based equity risk sub-module in the calculation of Solvency Capital	46
E.4 Difference between the standard formula and the internal model used	46
E.5 Non-compliance with the MCR and non-compliance with the SCR	47
E.6 Any other information	47
Appendix – QRTs	48

Summary

Overview of the Business and Context of this report

Business model

AmTrust International Underwriters Designated Activity Company (“AIU” or “the Company”) is an Irish registered insurance company, which writes multiple lines of business across the EU, EEA and the USA. Its primary markets as at the end of December 2017 are shown in the chart below.



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

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

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

Solvency II

As a regulated insurance company, AIU is subject to the regulatory rules and principles adopted by Ireland and the European Union, which came into effect on 1 January 2016. Solvency II is a regulatory regime which is designed to set an appropriate level of capital that appropriately reflects the specific risk profile of insurance companies within the regime.

As an insurance company, the biggest source of risk in its business model relates to the uncertainty around forecasting what the Company’s future claims might be for the insurance policies that it has underwritten. Some of these liabilities could be realised many years after the original policy incepted and the associated premium collected. Regulatory capital is designed to act as buffer, which is to be held within the Company’s assets and liabilities and provides a safety mechanism to protect policyholders should the Company incorrectly estimate its future liabilities or if unforeseen stressed events occur which impact the markets in which it operates.

This Solvency and Financial Condition Report (“SFCR”) is a Solvency II requirement, which is designed to give the Company’s external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. This is the second SFCR prepared by the Company. It is prepared on a solo entity basis and it covers the year ended 31 December 2017.

Material changes to the Company’s business model

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

- **Merger with Nationale Borg** - The Company merged with a mono-line surety insurance company headquartered in Amsterdam called Nationale Borg Maatschappij NV (“Nationale Borg”). The legal merger was approved by the High Court in December 2017. To give effect to this the Central Bank of Ireland authorised the Company to underwrite an additional class of business, Surety Class 15. In addition, the Company successfully applied to the Central Bank to establish two branches of the Company, one based in Amsterdam, The Netherlands, and the other in Antwerp, Belgium. The 2017



figures in this report reflect the increased business as a result of the above merger. The 2016 figures are as stated in last year's SFCR.

- **Brexit** - the vote by the UK public to opt out of the EU will have a material impact on the way the Company operates with respect to its licences, business mix allocation and strategic focus in the future.

Business performance

2017	Total €'000
Gross Written Premium	482,603
Gross Earned Premium	500,592
Gross Incurred Claims	(346,161)
Gross Operating Expenses	(85,653)
Gross technical Result	68,778
Reinsurance balance	- 42,689
Net Technical Result	26,089
Allocated investment income	7,330
Foreign exchange gain/(loss)	(17,950)
Balance on technical account	15,469

The Company's net technical result in 2017 was a profit of €26.1m. which was an increase on the €21.1m in the prior year.

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

Systems of Governance

The Company has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.

The Board bears the ultimate responsibility for setting and achieving the Company's strategy and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with the established best practices within the Insurance market, the Company follows the "Three Lines of Defence" model of corporate governance.

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

Further information on the system of governance is included in section B.

Risk Profile

The Company calculates its required capital from a regulatory perspective by reference to certain risk categories that it is exposed to within its business model. The main risks to which the Company is exposed are:

- Underwriting risk;
- Market risk; and
- Credit risk.

For each risk category, the Company has articulated how much risk it is willing and able to accept based on its strategic profile and capital position. The Company has put in place systems and controls to manage its risk profile within its risk appetite statements. The Company uses a suite of Key Risk Indicators ("KRIs") to monitor its exposure to the various risks to which it is exposed and these are evaluated on a quarterly basis by the Board Risk and Compliance Committee.



Underwriting Risk

The Company's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; reserve risk is the risk that on-going claims are settled at a higher value than previously expected. The majority of the Company's material underwriting risk exposure comes from the US Casualty business which provides most of the gross written premium to the Company. The largest class of business for 2017 was warranty.

Market Risk

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

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

Credit Risk

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

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

Other risks

The Company is also exposed to the following other risks:

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

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



Valuation for solvency purposes

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

As at 31 December 2017, the Company’s assets less liabilities were valued at €195.6m, under Solvency II, compared with €209.5m under Irish GAAP. The difference of €13.9m was primarily due to the valuation of technical provisions (including reinsurer’s share and deferred acquisition costs).

Further detail on the valuation for solvency purposes is included in Section D.

Capital Management

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

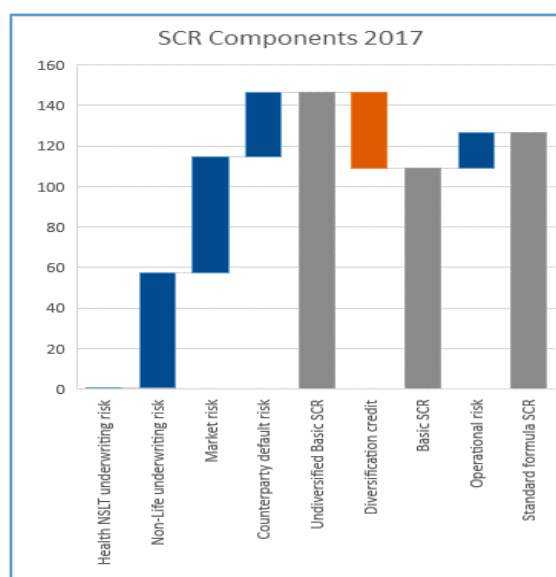
The Company calculates its SCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters (USPs) allowed under Solvency II, nor does it use simplified calculations for any of the risk modules.

The Company’s Own Funds increased by €57m in 2017 due to approval of historic capital contributions, Nationale Borg merger and profitability of underlying business in the year.

Capital Requirements 31 Dec 2017	2017 €'000	Coverage	2016- €'000	Coverage
Own funds	195,570		€138,507	
SCR	€126,663	154%	€92,167	150%
MCR	€31,666	618%	€23,042	601%

The Company’s SCR split by risk module as at 31 December 2017 is shown in the table and graph below.

Solvency Capital Requirement		2017
		€'000
Health NSLT underwriting risk		493
Non-Life underwriting risk		57,067
Market risk		56,842
Counterparty default risk		31,889
Undiversified Basic SCR		146,291
Diversification credit		(37,320)
Basic SCR		108,971
Operational risk		17,691
Standard formula SCR		126,663



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

The Company is not required to increase capital by means of “capital add-on”.



A. Business and Performance

A.1 Business

A.1.1 Name and legal form of undertaking

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

The Company’s registered address is as follows:

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

A.1.2 Supervisory authority

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

The Central Bank’s registered address is as follows:

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

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

A.1.3 External auditor

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

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

A.1.4 Shareholders of qualifying holding in the undertaking

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

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

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

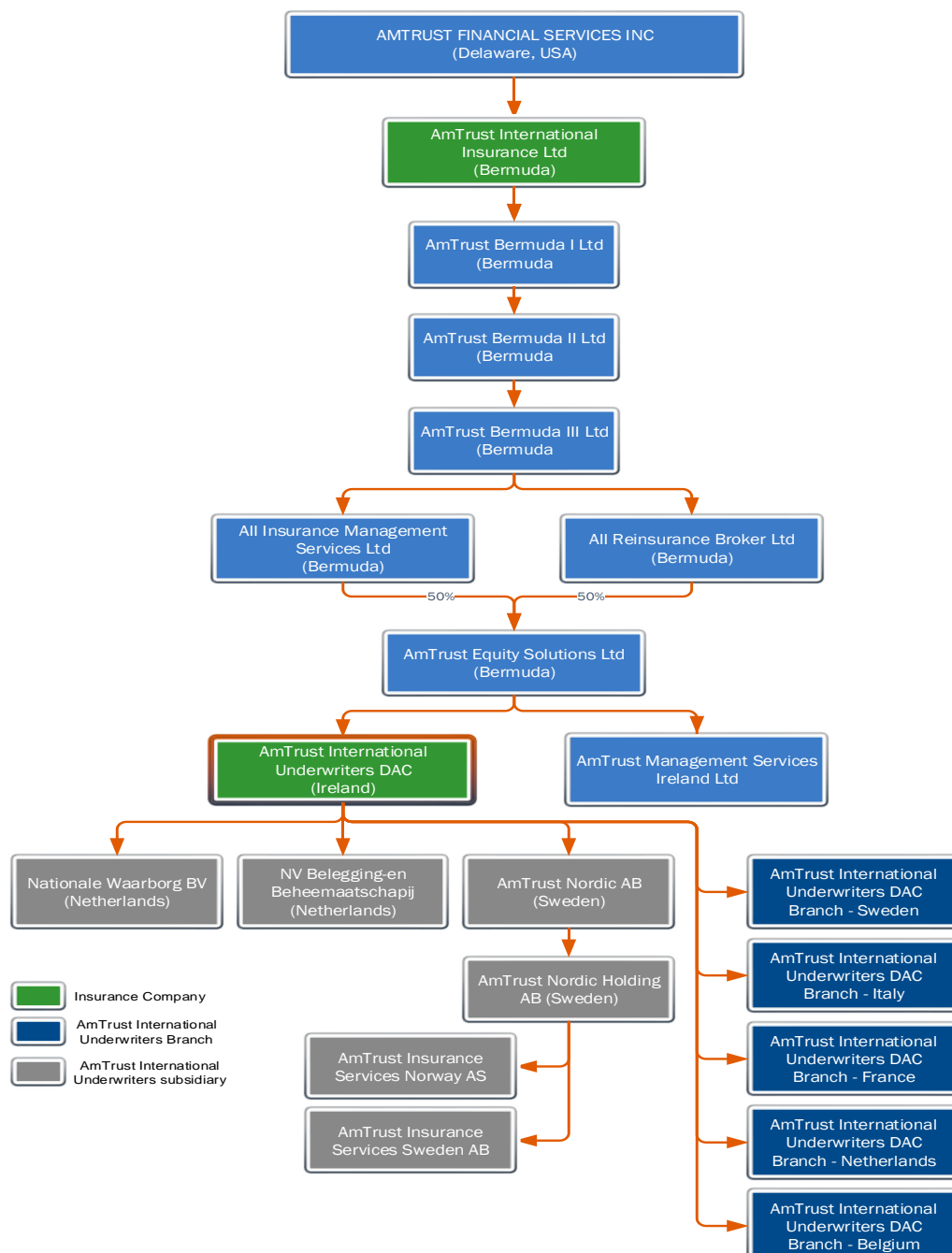
AFSI’s business model focuses on achieving targeted returns and profit growth with the careful management of risk. The Global Group pursues these goals through geographic and product diversification, as well as an in-depth understanding of its insured exposure. The product mix includes, primarily: workers'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

insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. AmTrust has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products in Europe.

In early January 2018, the Company's ultimate parent company, received a proposal from a private equity firm, together with the current majority shareholders, to take the Group private. This proposed transaction was approved by the parent company's Board including its independent Special Committee at the end of February 2018. The transaction is ongoing as at the date of this report and is expected to close in the second half of 2018, subject to satisfaction or waiver of the closing conditions including approval by regulatory authorities and the shareholders. While there is no current indication that this transaction will have an immediate impact on the business strategy of the Group, it is recognised that there may be longer term implications for the business which at this stage are not ascertainable.

A.1.5 Position within the legal structure of the group

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





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

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

A.1.7 Material events

The following material events impacted the Company during the year:

- **Merger with Nationale Borg Maatschappij** – In December 2017 the merger between Nationale Borg Maatschappij (“Nationale Borg”) and AmTrust International Underwriters DAC was completed. Nationale Borg was a mono-line insurance company providing surety products primarily to the Dutch and Belgian markets. As a result of the merger, Nationale Borg business transferred to the Company. The 2017 figures in this report reflect the increased business as a result of the above merger. The 2016 figures are as stated in last year’s SFCR.
- **Additional Licence** – During 2017 the Company was authorised by the Central Bank under EU rules to begin writing Surety business (Licence Class15) in Ireland, Belgium and the Netherlands.
- **Establishment of a Branch in Netherlands and Belgium** – During 2017, the Company was authorised by the Central Bank under EU Freedom of Establishment rules to open a branch in the Netherlands. The offices of the branch are located in Amsterdam and the principle focus of the branch is in the provision of Surety solutions to its customers.
- **Establishment of a Branch in Belgium** – During 2017, the Company was authorised by the Central Bank under EU Freedom of Establishment rules to open a branch in Belgium. The offices of the branch are located in Antwerp and the principle focus of the branch is in the provision of Surety solutions to its customers. and are staffed by administrative, compliance, finance, claims, underwriting and management teams. The branch structure has provided the Company with greater control over the consideration and management of risks as well as the ability to react quickly to changing regulatory, legal and market conditions.
- **Establishment of a Branch in France** – During 2017, the Company was authorised by the Central Bank under EU Freedom of Establishment rules to open a branch in France. The offices of the branch are located in Lyon and the principle focus of the branch is in the provision of Liability and Warranty Insurance solutions to its customers.

The offices of the above branches are staffed by administrative, compliance, finance, claims, underwriting and management teams. The branch structures have provided the Company with greater control over the consideration and management of risks as well as the ability to react quickly to changing regulatory, legal and market conditions.

- **Brexit** - On 23 June 2016, the United Kingdom voted to leave the European Union. The Company continues to review its Brexit plans as part of an overall Group approach. The Company stands to materially profit from its location in Ireland and as the primary AmTrust EU-based insurance company.



A.2 Underwriting Performance

A.2.1 Material lines of business

Line of Business 2017	Total Best Estimate Gross	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance Contacts	Total Technical Provisions Net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Income Protection	3,595	0	3,595	(4,937)	(1,342)
Fire and other damage	64,086	2,328	66,413	(54,482)	11,932
General Liability	377,721	13,616	391,337	(321,542)	69,795
Credit and suretyship	31,450	936	32,386	(27,590)	4,796
Assistance	2,907	106	3,013	(2,470)	543
Miscellaneous financial loss	109,818	1,543	111,361	(103,452)	7,909
Non-Proportional Property Reinsurance	132	2	134	(123)	11
Total	589,710	18,530	608,240	(514,596)	93,643

Line of Business 2016	Total Best Estimate Gross	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance Contacts	Total Technical Provisions Net of Recoverables
	€'000	€'000	€'000	€'000	€'000
Income Protection	3,218	0	3,218	(3,975)	(757)
Fire and other damage	51,631	1,171	52,802	(44,084)	8,718
General Liability	338,060	7,747	345,806	(288,120)	57,687
Credit and suretyship	49,166	1,145	50,311	(41,785)	8,526
Assistance	2,014	47	2,062	(1,710)	352
Miscellaneous financial loss	124,417	1,526	125,943	(114,579)	11,364
Total	568,506	11,636	580,142	(494,253)	85,889

A.2.1.1 General liability

A.2.1.1.1 European Liability

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

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

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

The portfolio results have shown improving loss ratios for the last three years compared to prior years, with reduced costs in the last eighteen months in part due to moving claims-handling 'in-house' and reducing commissions where appropriate.

A.2.1.1.2 US Liability

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

This business line is presented to the Company primarily through AmTrust's US offices. Some programmes underwritten in prior years are in run-off. The remaining renewable programmes have operated profitably during 2017 reflecting a positive outcome to the book review undertaken during 2016.

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

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

A.2.1.1.3 Medical Malpractice Liability



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

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

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

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

The medical malpractice loss-ratio currently runs in line with projections since entering both markets and the Company holds a strong position in the Italian market place. The Group's UK based entities are no longer responding to public hospital tenders in Italy and these are instead being responded to by the Company. As a result, business in the Italian medical malpractice area is likely to continue to increase over the medium term.

The Company remains confident that with solid and consistent underwriting, backed up by actuarial rigour and professional claims handling, attractive profitability should continue to be achieved.

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

A.2.1.2 Miscellaneous financial loss

A.2.1.2.1 Specialty Risks

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

The key covers provided within this segment are home assistance, commercial credit, auto assistance, plant and equipment, income protection, structural defects and heating pumps with the predominant markets being the Nordic and UK regions. As a result of the Company's Brexit planning process, its positions in this area of the UK market will decrease in the short to medium term.

Given the remedial action taken on poor performing programmes in prior years the outlook for all lines of covers within Specialty Risks is positive for 2018 and beyond.

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

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

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

A.2.1.3 Property

A.2.1.3.1 Warranty

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

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

The UK and Nordic business is generated by the London and Stockholm offices both of which have extensive experience in this market segment. As a result of the Company's Brexit planning process, its positions in this area of the UK market will decrease in the short to medium term.

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

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

A.2.1.4 Other

A.2.1.4.1 Accident and health

In 2017 new private health (PMI), PA and Dental was written in the UK and mainland Europe by the Group's UK based insurance carriers. As a consequence of Brexit, over the short to medium term, much of the European business will be migrated to the Company as it tenders for renewals currently held by Group UK based insurance carriers and as a result, business volumes in 2018 are expected to increase.

A.2.1.4.2 Surety

As a result of the merger between Nationale Borg and the Company, the associated securing of a Class 15 Surety Licence, the establishment of additional branches in the Netherlands and Belgium, the Company now enjoys a strong presence in these markets. The continued use of the well-respected Nationale Borg brand underpinned by the Company's strengths will result in further growth in Surety business.

A.2.1.4.3 Mortgage

A small amount of European mortgage business has been written by the Group's UK based insurance carriers in 2017. As with some other business classes, as a consequence of Brexit, over the short to medium term, this European business will be migrated to the Company as it tenders for renewals currently held by Group UK based insurance carriers and as a result, business volumes in 2018 are expected to increase.

A.2.2 Material geographic areas

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

2017	USA	Italy	Sweden	France	UK	Ireland
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premiums written	168,413	68,706	55,228	45,923	48,704	4,478
Reinsurers' share	143,043	53,101	46,980	38,443	41,487	3,817
Net premiums written	25,370	15,605	8,248	7,479	7,217	662
Gross premiums earned	192,181	59,111	54,076	51,559	39,893	5,665
Reinsurers' share	163,081	46,154	45,997	43,337	33,972	4,845
Net premiums earned	29,101	12,957	8,079	8,222	5,922	820
Gross claims incurred	97,996	14,081	40,015	43,127	26,673	3,668
Reinsurers' share	83,297	12,019	33,942	36,658	22,672	3,118
Net claims incurred	14,699	2,062	6,074	6,469	4,001	550
Net operating expenses	9,304	5,488	712	2,265	1,566	1,493



2016	USA	Sweden	France	UK	Denmark	Ireland
	€'000	€'000	€'000	€'000	€'000	€'000
Gross premiums written	144,499	49,275	44,818	35,194	29,154	10,023
Reinsurers' share	122,253	41,885	38,095	29,909	24,781	8,540
Net premiums written	22,246	7,390	6,723	5,285	4,373	1,483
Gross premiums earned	130,809	50,342	50,525	35,386	26,695	7,665
Reinsurers' share	110,526	42,752	42,822	30,060	22,900	6,192
Net premiums earned	20,283	7,590	7,703	5,326	3,795	1,473
Gross claims incurred	73,768	39,966	37,443	25,741	25,883	4,662
Reinsurers' share	62,703	33,863	31,827	21,879	22,001	3,963
Net claims incurred	11,065	6,103	5,616	3,862	3,882	699
Net operating expenses	4,561	771	641	292	233	1,038

A.3 Investment Performance

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

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

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

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

In addition, the company also acquired property as part of the Nationale Borg acquisition.

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

2017	Corporate and Government Bonds	Equities	Loans and Receivables
	€'000	€'000	€'000
Income from other investments	5,504	2	1,569
Unrealised (loss)/gain on investments	(129)	0	0
Investment management expenses	(196)	0	0
Realised gain/(loss) on sale of investments	612	0	0
	5,792	2	1,569



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

A.4 Performance of other activities

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

A.5 Any other information

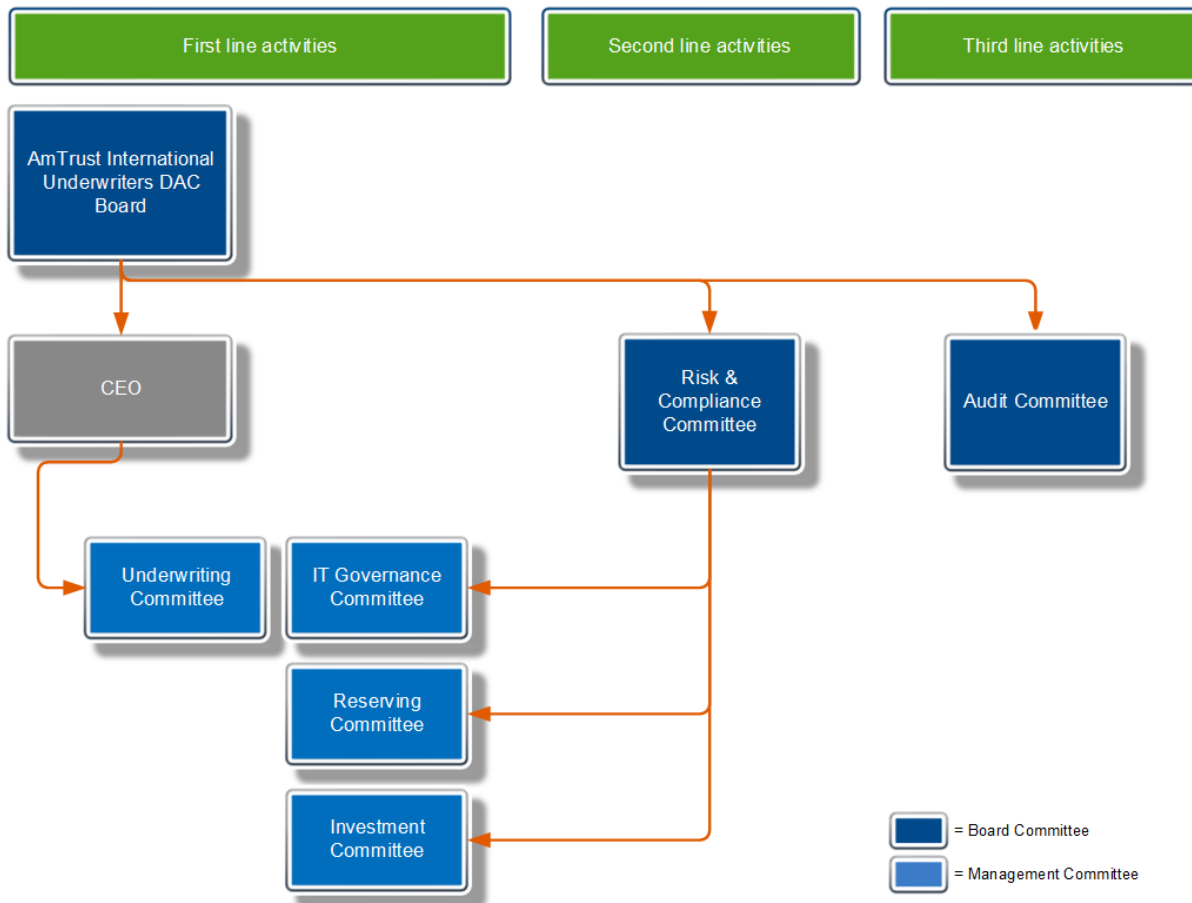
None noted.

B. System of Governance

B.1 Board and System of Governance

B.1.1 The Board and System of Governance

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



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

- **First Line of Defence** - 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. Business management is responsible for the identification and assessment of risks and controls, as well as for developing and implementing mitigation plans where necessary.
- **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. Risk functions provide support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans.
- **Third Line of Defence** - the first and second lines together form the Company’s system of governance and internal control. The Third Line is independent of first and second lines, and its primary objective is to provide assurance on the robustness of the risk management framework and the appropriateness and effectiveness of the Company’s governance and internal control systems. The Company has an independent Internal Audit function which resides here.



B.1.1.1 Board responsibilities

The Board comprises an Independent Non-Executive Chairman (INED), three other Independent Non-Executive Directors, two Group Directors (Non-Executive, NEDs) and one Executive Director. It normally meets four times a year and at other times as required. Minutes of all Board and Committee meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

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

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

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

B.1.1.2 The role of the Chairman

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

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

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

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

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

- Dedicated support shall be available to independent non-executive directors on any matter requiring additional and/or separate advice to that available in the normal board process.

B.1.1.4 The role of the Chief Executive Officer

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

- Ensuring that the Company remains legally solvent at all times and that customers are treated fairly
- Ensuring that the Company is compliant with all laws and regulations affecting its business, its policyholders and its staff, including fulfilling all relevant obligations as required under the Central Bank's Fitness and Probity Regime.
- Managing the Company's risk profile, in line with the extent and categories of risk identified as acceptable by the Board.
- Approving the apportionment and allocation of roles and responsibilities of the executive management team of the Company.
- Approving all capital and revenue transactions, including acquisitions and disposals, not specifically reserved to the Board.
- The Board shall appoint the CEO. The renewal of the CEO contract shall be reviewed at least every five years.

During 2017, the Board of Directors consists of seven members, including the Chairman of the Board as follows:

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

The Chairman of the Risk & Compliance Committee resigned and was replaced by another Independent Non-Executive Director with effect from 05 October 2017.

B.1.1.5 First Line Committees

B.1.1.5.1 Reserving Committee

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

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

The Reserving Committee consists of four members, who are the Chief Executive Officer; Chief Finance Officer; the Head of Underwriting and a Non-Executive Director. The Head of Risk and Compliance, Head of Claims and the Head of Actuarial Finance are attendees.



B.1.1.5.2 Underwriting Committee

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

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

B.1.1.5.3 IT Governance Committee

The key responsibilities and duties of this committee is to implement and maintain an effective IT governance framework, oversee the development of the Company's IT Systems, and assess current IT system requirements and developments.

This committee consists of three members, including the Chief Executive Officer; Chief Finance Officer and the IT, Operational Systems and Development Manager. Additional representatives of the Company may also attend, as necessary for business requirements.

B.1.1.5.4 Investment Management Committee

The key responsibilities and duties of this committee are to monitor investment risk and associated credit and liquidity risk.

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

B.1.1.6 Second Line Committees

B.1.1.6.1 The Risk & Compliance Committee

The key purpose of this committee in relation to Risk Management is:

- To oversee all aspects of the Company's risk management and to support the Board in the implementation of a robust risk management framework, including identifying, monitoring and managing risks to assist the Board in the delivery of the strategic objectives and business plans.
- To advise the Board on the risk strategy, including risk appetite and tolerance levels and to ensure that the risk management framework is appropriate and adequately resourced.

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

- To oversee and advise the Board on the current compliance exposures of the Company and to ensure implementation of the annual Compliance Plan.
- To review the Company's systems and controls around prevention and detection of fraud, anti-money laundering and bribery in accordance with regulatory requirements.
- To ensure that the Compliance function is adequately resourced.

The Committee consists of four members, including the Chairman of the Board, Chief Executive Officer, an independent Non-Executive Director and a Non-Executive Director. The Head of Risk and Compliance and the Chief Financial Officer are attendees.

B.1.1.7 Third Line Committee

B.1.1.7.1 Audit Committee

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

The key responsibilities of this committee are to monitor the financial reporting process; to inform the Board of the outcome of the statutory audit; to make a recommendation for the appointment of the audit firm; and to review the appropriateness

of the Company's Internal Audit function, internal data, systems, controls, and risk management as related to financial reporting.

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

B.1.2 Changes in the System of Governance

In recognition of the continued development of the Company, as well as in response to a higher level of regulatory oversight, a number of changes were made to the Company's governance structures during 2017. These included the following:

- Appointment of an Independent Non-Executive Director as the new Chair of the Risk & Compliance Committee.
- Revised Committee membership including addition of members of the Executive Management Team as attendees of appropriate management committees.
- Appointment of new roles and resources within First, Second and Third Line teams.

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

B.1.3 Remuneration Policy

The Company's Remuneration Policy describes the overarching principles and framework for the employees that fall within its scope and operate on its behalf. In that regard the Remuneration Policy follows the requirements contained within the Central Bank's Corporate Requirements for Insurance Undertakings 2015 (the "Corporate Governance Requirements"). The Company's Board is responsible for the effective, prudent and ethical oversight of the insurance undertaking and inter alia is responsible for setting and overseeing a remuneration framework that is in line with the risk strategies of the Company¹. The Company's Board has decided in accordance with the provisions of the Corporate Governance Requirements not to establish a formal Remuneration Committee.

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

- help to attract, retain and motivate competent, experienced and skilled personnel;
- be competitive within the general insurance market;
- encourage and support a high performance culture;
- be consistent, fair and transparent;
- achieve a balance between short and long-term reward/fixed and variable pay to promote a long term focus;
- promote sound and effective risk management² to prevent excessive risk taking³ that exceeds the risk appetite / tolerance limits;
- ensure that incentives are aligned, particularly in relation to decision-making and risk-taking behaviour, with the Company's overall business and risk management strategies and objectives;
- avoid rewarding failure;
- consider the overall assessment of an individual's performance, not just the performance of the Company or a particular business unit; and
- particularly in the case of senior managers, be aligned to the Shareholders' interests.

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

- provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in role as well as the market supply and demand for a particular skill set.

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

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

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



- enable the Company to attract and retain the right talent for the business at a business appropriate and sustainable cost.
- provide market appropriate pay structures that include a role appropriate level of fixed and variable pay in line with market norms and an appropriate benefits programme.
- ensure that pay programmes are aligned to the Company's business strategy, risk appetite statements, codes of conduct and applicable regulations and reward only appropriate behaviour. Ensure that both short and long-term performance is taken into consideration as appropriate.
- ensure the appropriate governance and independence as it relates to pay decisions and the appropriate scrutiny as it relates to key employees.;

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

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

- Variable pay and the associated programmes and awards are structured according to the nature of the role and its position within the business.
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed form to be competitive with market median levels and appropriate on a role-by-role basis.
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice.
- Variable pay awards are designed to take into consideration both individual and company performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the Company's competency framework. Company performance is aligned to agreed financial metrics.
- All variable pay programmes allow for no awards to be made based upon either individual and Company performance.
- All programmes allow flexibility and discretion which permit the Board and management to ensure appropriate awards are made in all circumstances.
- Variable pay awards for Solvency II employees identified within the prescribed control functions, Risk, Compliance, Actuarial and Internal Audit functions, will not be determined using criteria which measures the performance of the business or operational unit subject to their control. Individual allocations are made based on the individual performance against functional objectives, to include adherence to all required controls and regulatory standards and codes of conduct.
- To ensure that the Company's senior employees (including Solvency II Employees) are aligned not only to the annual goals of the Company but equally as importantly, the long term success of the business and group, the Company ensures that a portion for the required population, of variable compensation is in the form of a long-term deferred component, an AFSI Restricted Stock Unit (RSU) award.

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

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

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

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

B.1.4 Pension scheme

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

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

B.1.5 Material transactions with shareholders, persons with significant influence and Board members

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

B.1.6 Adequacy of the system of governance

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

B.2 Fit and Proper Requirements

The Central Bank mandates that individuals performing Pre-Approval Control Functions (PCF) or Controlled Function (CF) roles remain fit and proper to undertake the role. Central Bank regulations⁴ provide for a comprehensive list of PCFs, e.g. Board Directors, CEO, CRO, CFO, HOAF all of which must be pre-approved by the Central Bank before they can take up a PCF position. The Company has a Fit and Proper Policy in place that outlines the various checks at recruitment and throughout employment. In particular, when deciding whether a person is fit and proper, the Company satisfies itself that the individual:

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

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

- insurance and financial markets;
- business strategy and business model;
- systems of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

Fitness and probity is checked at recruitment stage through appropriate due diligence and challenge of an individual’s curriculum vitae (“CV”). Appropriate 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 probity of all employees is assessed through the annual appraisal process. Performance of the Board is also assessed annually through the Board performance review process.

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

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

B.3.1 Risk Management Strategy

The Board is ultimately responsible for ensuring the effectiveness of the risk management system, setting the Company's risk appetite and approving the main risk management strategies and policies. The Risk and Compliance function co-ordinates risk management activities within the Company through the Enterprise Risk Management ("ERM") system, which consists of procedures to identify, measure, manage, monitor and report risk.

B.3.2 The Risk Management Function

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

A detailed risk register is maintained and kept up to date through an ongoing process. Regular reporting against the risk appetite is conducted through a set of carefully selected key risk indicators, which inform the Board. The controls that respond to inherent risk are also tested through a programme of monitoring.

Annual formal assessments of the Company's Capital are performed via the Own Risk and Solvency Assessment ("ORSA") process (see Section B.3.2 below), and the capital position is stressed to test for the Company's resilience to unexpected events.

Through the Risk and Compliance team's various reporting mechanisms, the Board is kept informed and the strategy is reviewed at least annually in light of the Company's risk profile.

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

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

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

RCSAs are performed by each department, under the oversight of the Risk and Compliance team. Risks and controls are recorded in the Company risk register. All risks are given an inherent, residual and target rating, using a risk matrix. RCSAs are regularly reviewed with an in-depth review meeting with the risk department at least annually.

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

B.3.2.2 Emerging risks monitoring

The objective of this process is to identify primarily external factors that are "out there" and that are already, or may at some stage in the future, have an impact on the Company. The potential scale of an emerging risk and the extent that it is "clear and present danger" define its position on the chart, rating and the management action required.

B.3.2.3 Top-down risk assessment

At least once a year, members of the Senior Management team meet to perform a 'top-down' risk assessment as part of a strategy review. The Head of Risk and Compliance forms part of this process as a member of the Senior Management team and as facilitator to the risk assessment. Conclusions are summarised in a Top Risk submission to the Board.

B.3.2.4 Risk register (Magique)



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

B.3.2.5 Key Risk Indicator (KRI) reporting

KRIs are used to measure whether the Company remains within the Board's stated Risk Appetite. KRIs are monitored and reported to the Risk and Compliance Committee and the Board every quarter.

B.3.2.6 Stress testing

Stress tests are applied to the Company's business plan at least annually. A range of scenarios is considered, based on the risks identified in the RCSAs and the top-down risk assessment. The scenarios which produce the biggest losses are further stressed to produce Reverse Stress Tests to determine the point at which the Company would fail.

Stress tests are performed whenever there is a material change in risk profile, which would include but is not limited to: material change to reinsurance agreements; entry into a new class of business; change in investment policy; purchase of a subsidiary by the Company.

B.3.2.7 Incident reporting and escalation

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

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

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

B.2.3.8 Controls and Compliance monitoring

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

B.2.3.9 Capital modelling

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

B.2.3.10 Capital allocation

The Company currently allocates capital to classes of business at a high level. With the development of a stochastic capital model, the capital allocation process will be further strengthened.

B.3.3 Own Risk and Solvency Assessment (ORSA)

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

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

The Company completes its full ORSA process annually during the fourth quarter or whenever there is a material change in its risk profile. Changes in risk profile are monitored through the quarterly KRI process.

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

The Company's solvency risk appetite is that capital should always remain above a margin of these limits and has set this to be 140% of the Solvency Capital Requirement ("SCR") which is the regulatory capital requirement under Solvency II.

B.4 Internal control system

B.4.1 Internal Control system

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

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

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

The Internal Audit function is responsible for auditing the control environment against the audit plan agreed by the Audit Committee.

On behalf of the Board, the Audit Committee and the Risk and Compliance Committee regularly review the Company's system of internal control. The review covers all controls, including financial, operational and compliance controls, completeness and accuracy of data and the risk management process. Necessary actions are taken to remedy any significant control failings or weaknesses identified.

By virtue of being a material overseas subsidiary of AFSI, the Company is subject to the legal requirements of the US Sarbanes-Oxley Act, Section 404 ('SOX'). This Act requires the external auditor of AFSI and its management to report on the effectiveness of the Company's internal controls under the Public Company Accounting Reform and Investor Protection Act 2002. A central SOX controls framework is developed at Group level which is cascaded down to all material subsidiaries within the AmTrust group. The controls within the Company's SOX framework are routinely tested and attested by Group management. Management produce an internal control report as part of their annual report included in their form 10-K to the US Securities and Exchange Commission (SEC), which assesses the effectiveness of the internal control structures and processes around financial reporting. The assessment is risk-focused and includes an:

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

Compliance with SOX is monitored by the Internal Audit function. The outcome of SOX monitoring is reported to the Audit Committee and any control deficiencies identified at the Company are reported to Group management for consideration of the aggregate impact to the control framework of the Global group.

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. In the Company, the Compliance function operates within the Risk and Compliance function and the Head of Risk and Compliance acts as the Chief Risk Officer and Head of Compliance.



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

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

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

B.5 Internal audit function

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

This is achieved by:

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

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

Those working within Internal Audit are not permitted to perform day-to-day control procedures or take operational responsibility for any part of AmTrust's operations outside Internal Audit. Management is responsible for the establishment and ongoing operation of the internal control system. The Audit Committee reviews the scope and nature of the work performed by Internal Audit to confirm its independence.

B.6 Actuarial function

The purpose of the Head of Actuarial function ("HoAF")⁵ and Actuarial function within the Company is to provide support to the Company in many areas including reserving, pricing and capital management. Additionally, other statistical and management information support is provided where necessary. This work is required to be undertaken in an objective and independent manner whilst incorporating feedback from the business where appropriate.

Under Solvency II the Actuarial function is a Key Function, the HoAF being the Key Function holder. The HoAF is a qualified actuary and is a Fellow of the Society of Actuaries and reports to the Chief Executive Officer. Other members of the team are either qualified actuaries; working towards becoming a qualified actuary; or sufficiently qualified by experience to undertake the duties assigned to the individual.

The HoAF or his representative attends the Reserving Committee. The HoAF will rely on work produced by other members of the Actuarial function to fulfil the necessary roles and responsibilities.

The Actuarial function has the following specific responsibilities:

- Preparation of an Actuarial Functions report annually to the Board which reports on the activities of the Actuarial function;
- Production of the Technical Provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate for the specific lines of business of the undertaking and for the way the business is managed, having regard to the available data.
- Assessment of whether the information technology systems used in the calculation of technical provisions sufficiently support the actuarial and statistical procedures.
- Preparation of the Actuarial Report on Technical Provisions;

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

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

B.7 Outsourcing

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

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

The Central Bank requires the Company to take reasonable steps to avoid undue additional operational risk and not to undertake the outsourcing of key functions in such a way as to either: impair the Company’s internal controls; or risks associated with the Central Bank’s ability in monitoring the Company’s compliance obligations under the regulatory system.

The Company’s internal control framework, includes but is not limited to:

- Due diligence undertaken of a prospective provider in order to identify the potential operational, prudential and conduct of business regulatory risks that may be associated with the placement of the outsourced function to specific provider(s);
- Formal and disciplined authorities for the appointment of outsource partners;
- Formal contract management and monitoring;
- Routine management attestation as to continuous control compliance in relation to outsourcing;
- Contingency plans in the event that the service providers are unable to perform the service; and
- Independent internal monitoring by the compliance function; internal audit; and the Company’s third party audit coverage as routinely approved and monitored by the Risk and Compliance Committee.

B.8 Any other information

None noted.

C. Risk Profile

C.1 Underwriting risk

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

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

C.1.1 Material risk exposures

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

C.1.2 Material risk concentrations

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

C.1.3 Material risk mitigation

This risk is mitigated through a range of management controls including the Risk Authorisation Form ("RAF") Process which is a key control. In addition to the RAF process, the Actuarial Pricing team review new business to determine that rates are adequate. Within underwriting teams, a peer review also takes place. There is constant monitoring of underwriting performance by management, which allows corrective action to be taken if a piece of business is not performing as expected. Furthermore, underwriting performance is monitored against risk appetites in terms of volume of written premium, underwriting profit and concentration via the KRI reporting process.

The Company also uses reinsurance to mitigate underwriting risk. This takes the form of a group quota-share agreement with AmTrust International Insurance Ltd (Bermuda) on all business written by the Company as well as quota share and excess of loss contracts on individual classes of business with external providers, including Maiden Insurance Ltd (Bermuda). All programmes must be approved by the Company's Underwriting Committee.

C.1.4 Risk sensitivities

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

C.1.5 Other material information

None noted.

C.2 Market Risk

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

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

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

C.2.1 Material risk exposures

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

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

Property held for investment comprises less than five percent of the investment portfolio and doesn't pose any material risk to the Company's business.

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

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

C.2.2 Material risk concentrations

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

C.2.3 Material risk mitigation

The Company operates a conservative investment strategy, investing primarily in fixed rate corporate bonds, money market deposits and cash. The Company has little appetite for investments in equities (other than wholly-owned subsidiaries) and complex investments such as derivatives. By investing in assets where the risk can be properly identified, measured, monitored, managed, controlled and reported on, the Company fulfils the Prudent Person Principle.

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

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

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

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

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

C.2.4 Material risk sensitivities

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

C.2.5 Other material information

None noted.

C.3 Credit risk

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

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

C.3.1 Material risk exposures

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

C.3.2 Material risk concentrations

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

The Company is exposed to general economic, business and industry conditions. Adverse general economic conditions may cause, among other things, significant reductions in available capital and liquidity from banks and other credit providers. The Company's largest bank exposures are to BNP Paribas and JP Morgan Chase.

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

C.3.3 Material risk mitigation

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

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

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

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

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

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

C.3.4 Risk sensitivities

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

C.3.5 Other material information

None noted.

C.4 Liquidity risk

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

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

C.4.1 Material risk exposures

There are no material risk exposures to liquidity risk, as the majority of assets are invested in highly liquid corporate bonds. However, the major threat to liquidity could occur during a catastrophe when a large number of claims are received at once or there may be a prospect of a major significantly large claim. The Company considers this scenario to be remote.

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

C.4.2 Material risk concentrations

The Company's liquidity risk exposure is concentrated in reinsurance contracts, financial assets (bonds) and property.

C.4.3 Material risk mitigation

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

The Company invests mainly in corporate bonds, which are normally readily convertible into cash, so it holds relatively small amounts of cash. It accepts the risk that during times of stress, there may be market value losses realised by liquidating bonds.

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

C.4.4 Expected profit in future premiums

The value of expected profit in future premiums is €19.5m. This amount is highly illiquid, but represents only 10% of the value of own funds.

C.4.5 Risk sensitivities

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

C.4.6 Other material information

None noted.

C.5 Operational risk

Operational risk is the risk that the Company will not be able to operate in a fashion whereby the strategic objectives of the Company can be met due to inadequate or failed internal processes, people and systems, or from external events. It arises out of actions undertaken within the Company, intermediaries, investment management companies or outsourced agencies and individuals.

The Company has risk management processes in place, such as third party audit, internal audit, controls testing, project management, Risk and Control Self-Assessment (RCSA), IT Governance Committee to assess and monitor operational risk exposures.

C.5.1 Material risk exposures

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



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

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

C.5.2 Material risk concentrations

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

The majority of the Company's core lines are sold through independent third-party intermediaries, agents, retailers or administrators, many of whom the Company has worked with for several years, in particular in the Casualty and Warranty accounts.

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

C.5.3 Material risk mitigation

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

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

C.5.4 Risk sensitivities

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

C.5.5 Other material information

None noted.

C.6 Other material risks

C.6.1 Legal and Regulatory risks

The risk of non-compliance with regulation and legislation.

The Company does not seek to take on legal and regulatory risk in order to generate a return. However, it recognises that some degree of legal and regulatory risk is an unavoidable consequence of remaining in business. It therefore seeks to mitigate this risk through its corporate governance and internal control mechanisms. Awareness of the risks and the Company's control mechanisms are maintained through its policies and procedures framework and training programmes.

C.6.2 Strategic risk

Risks arising from failure to sufficiently define the direction and objectives of the entity, together with the resourcing and monitoring of the achievement of the same.

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

C.6.3 Governance risk

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



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

C.6.4 Group risk

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

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

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

C.6.5 Solvency risk

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

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

C.6.6 Reputational risk

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

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

C.7 Any other information

C.7.1 Risk sensitivities

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

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

Risk category	Test	SCR (€'m)	Increase / (decrease) in SCR (€'m)	Increase / (decrease) in Solvency ratio (% points)
Underwriting	25% increase in volume of GWP in next 12 months	140.1	13.6	(35.1%)
Underwriting	25% decrease in volume of GWP in next 12 months	119.2	(7.4)	33.2%
Underwriting	25% increase in Claims provisions	131.3	4.8	(18.9%)
Underwriting	25% decrease in Claims provisions	123.4	(3.1)	18.0%
Market	25% increase in asset durations	132.8	6.3	(7.3%)
Market	25% decrease in asset durations	120.5	(6.0)	7.7%
Market	10% of investment portfolio moved to the two most concentrated exposures	126.7	0.2	(0.2%)
Market	10% increase in currency exposure for each currency	121.4	(5.1)	(8.0%)
Market	10% decrease in currency exposure for each currency	132.8	6.3	9.1%
Credit	Fall in rating of one credit step for three largest reinsurers	142.8	16.2	(17.6%)
Credit	Fall in rating of one credit quality step for securitisation positions held	126.6	0	0%
Credit	Double the proportion of debtors overdue by more than 3 months	129.8	3.2	(3.8%)
Operational	Increase in technical provisions of 25%	132.2	5.7	(24.3%)

The risk with the most material effect on the SCR is underwriting risk, in particular to any increase in the volume of premium written. The Company closely monitors premium volume against its business plan throughout the year.

The tests also show a material sensitivity, in terms of solvency ratio, to increases and decreases in claims provisions. Additionally, increases in technical provisions show a material sensitivity, in terms of solvency ratio, which drives the operational risk charge. The Company has robust procedures in place for setting reserve levels, as described in section B.1.1.5.1.

Finally, the Company has a material sensitivity to credit risk for its reinsurers and monitors the credit worthiness of its reinsurers on a regular basis.



D. Valuation for solvency purposes

The table below shows the valuation on a Solvency II basis of the Company's assets and liabilities as at 31 December 2017.

€'000	Solvency II value (C0010)	Statutory accounts value (C0020)
Assets		
Goodwill	0	2,091
Deferred acquisition costs	0	36,427
Intangible Assets	0	0
Property, plant and equipment held for own use	28,813	21,977
Investments (other than assets held for index-linked and unit-linked contracts)	233,310	231,492
Bonds	224,770	222,962
Government Bonds	24,839	24,659
Corporate Bonds	165,664	164,126
Collateralised securities	34,267	34,176
Collective Investment Undertakings	895	895
Deposits other than cash equivalents	7,644	7,635
Loans and mortgages	34,716	34,013
Other loans and mortgages	34,716	34,013
Reinsurance recoverables from:	514,596	634,485
Non-life and health similar to non-life	514,596	634,485
Non-life excluding health	509,659	625,942
Health similar to non-life	4,937	8,543
Deposits to Cedants	4,257	4,257
Insurance and intermediaries receivables	17,173	117,601
Reinsurance receivables	0	0
Receivables (trade, not insurance)	34,311	36,246
Cash and cash equivalents	70,687	70,687
Total assets	937,864	1,189,276
Liabilities		
Technical provisions – non-life	608,240	744,877
Technical provisions – non-life (excluding health)	604,645	736,772
Best Estimate	586,114	-
Risk margin	18,530	-
Technical provisions - health (similar to non-life)	3,595	8,105
Best Estimate	3,595	-
Deposits from reinsurers	30,961	230
Deferred Tax Liabilities	4,055	4,824
Insurance and intermediaries payables	17,259	5,879
Reinsurance payables	33,825	121,576
Payables (trade, not insurance)	47,955	102,361
Total liabilities	742,294	979,748
Excess of assets over liabilities	195,570	209,528

D.1 Assets

As a general principle, the Company's assets and liabilities are valued differently on the Solvency II balance sheet (reported on a market value basis for Solvency II) than when preparing its annual accounts for filing at the Companies Registration Office. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in Ireland.

The valuation rules from the Solvency II Directive use International Financial Reporting Standards (IFRS) as a starting position with various changes applied to move to an economic balance sheet position. Irish GAAP is largely equivalent to the accounting principles applied under IFRS, although differences do exist.



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

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

D.1.1 Deferred acquisition costs

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Deferred acquisition costs	0	36,427

Deferred acquisition costs are valued at nil for Solvency II purposes. Instead, all cashflows related to expenses due to servicing recognised insurance obligations are considered in the best estimate technical provisions.

D.1.2 Property, plant and equipment held (held for own use and other than for own use)

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Property, plant and equipment held for own use	28,813	21,977

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

Plant and equipment is valued in Irish GAAP accounts at cost less depreciation.

The fair market value which the Company's property is carried at within the Irish GAAP accounts is considered to be a consistent valuation methodology to the Solvency II guidelines. As the fair value is not arrived at using a quoted market price, nor adjusted quoted market price, the valuation technique is considered an alternative valuation method under Solvency II. This is described in more detail in section D4 below.

D.1.3 Investments

D.1.3.1 Bonds

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Bonds	224,770	222,962
Government Bonds	24,839	24,659
Corporate Bonds	165,664	164,126
Collateralised securities	34,267	34,176
Collective Investment Undertakings	895	895
Deposits other than cash equivalents	7,644	7,635

The Company has an investment portfolio made up of corporate bonds, government bonds and collateralised securities. The Company considers that financial assets held are tradeable in active markets.

The Company elects to carry its investments at fair value through the profit and loss account at inception. These assets are managed and their performance evaluated on a fair value basis, and information about their fair values is provided internally to key management personnel on a regular basis including the Company Board and Investment Committee.

Investments are classified into three tiers of fair value hierarchy based on the characteristics of inputs available in the marketplace. The following valuation hierarchy is used:



- **Level 1** – Quoted market prices in active markets for the same assets
- **Level 2** – Quoted market prices in active markets for similar assets with adjustments to reflect differences. The adjustments reflect factors specific to the asset including the condition or location of the asset, the extent to which inputs relate to items that are comparable with the asset and the volume or level of activity in the markets within which the inputs are observed.
- **Level 3** – Alternative valuation methods which make use of relevant market inputs including:
 - Quoted prices for identical or similar assets which are not active;
 - Inputs other than quoted prices that are observable for the asset, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads;
 - Market-corroborated inputs, which may not be directly observable but are based on or supported by observable market data.

According to European Insurance and Occupational Pensions Authority (EIOPA) guidelines 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 Irish GAAP position.

An adjustment has been made to include accrued interest (which is not included under Irish GAAP) in the bond valuation for Solvency II purposes.

D.1.4 Reinsurance recoverables

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Non-life and health similar to non-life	514,596	634,485
Non-life excluding health	509,659	625,942
Health similar to non-life	4,937	8,543

Reinsurance recoverables are valued as part of technical provisions (see details of valuation in section D.2) and separated out for disclosure purposes on the Solvency II balance sheet. Most reinsurance cover is provided by quota share contracts and the recoverables are calculated as a fixed proportion of the gross liabilities. For the non-proportional cover, the recoverable amount has been estimated judgementally, by class, based on the attachment point and limits of each contract and a review of the historical recoveries made under each contract.

D.1.5 Insurance and intermediaries' receivables, Reinsurance, Deposits to Cedants.

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Deposits to Cedants	4,257	4,257
Insurance and intermediaries receivables	17,173	117,601
Reinsurance receivables	0	0
Receivables (trade, not insurance)	34,311	36,246

Receivables relating to insurance and intermediaries, reinsurance and other trade are valued at amortised cost, consistent with the approach under Irish GAAP, which is not considered to be materially different to the fair value approach under Solvency II valuation principles, since debtor balances are short term, with no discounting impact and convertible into a cash balance.

Receivables which are not yet due are reclassified and dealt with as part of the technical provisions, described in section D.2.3.4 below. Claims Floats are also reclassified to Technical Provisions as they will result in a cash inflow at the end of each related insurance contract. These adjustments are evident in the reduction in value between the statutory accounts and the Solvency II value.

Deposits to Cedants represent amounts paid to cedants by Nationale Borg in respect of premium and claims provisions. These amounts are shown within deposits in the statutory accounts. There are other minor



reclassifications made between the Irish GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

D.1.6 Cash and other assets

	Solvency II Value	Statutory Accounts Value
Assets	€'000	€'000
Cash and cash equivalents	70,687	70,687

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash and cash equivalents are considered to be held at fair value.

D.1.7 Other

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

D.2 Technical Provisions

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

- best estimate equal to the probability-weighted average of all future cash-flows, taking account of the time value of money; and
- a risk margin equivalent to the amount that an insurance undertaking would be expected to require in order to take over and meet the technical provision obligations.

On a Solvency II basis the total technical provisions, including the risk margin, were €93.6m compared to €110.4m on a statutory basis, a difference of 15.2%.

The following tables shows a summary of the Company's Technical Provisions under Solvency II for 2017 and 2016.

Line of Business	Total Best Estimate Gross	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance Contacts	Total Technical Provisions Net of Recoverables
2017	€'000	€'000	€'000	€'000	€'000
Income Protection	3,595	0	3,595	(4,937)	(1,342)
Fire and other damage	64,086	2,328	66,413	(54,482)	11,932
General Liability	377,721	13,616	391,337	(321,542)	69,795
Credit and suretyship	31,450	936	32,386	(27,590)	4,796
Assistance	2,907	106	3,013	(2,470)	543
Miscellaneous financial loss	109,818	1,543	111,361	(103,452)	7,909
Non-Proportional Property Reinsurance	132	2	134	(123)	11
Total	589,710	18,531	608,239	(514,596)	93,643



Line of Business	Total Best Estimate Gross	Risk Margin	Gross Technical Provisions	Recoverables from Reinsurance Contacts	Total Provisions Net of Recoverables
2016	€'000	€'000	€'000	€'000	€'000
Income Protection	3,218	0	3,218	(3,975)	(757)
Fire and other damage	51,631	1,171	52,802	(44,084)	8,718
General Liability	338,060	7,747	345,806	(288,121)	57,687
Credit and suretyship	49,166	1,145	50,311	(41,785)	8,526
Assistance	2,014	47	2,062	(1,710)	352
Miscellaneous financial loss	124,417	1,526	125,943	(114,579)	11,364
Total	568,506	11,636	580,142	(494,253)	85,889

The Company's GAAP reserving policy requires the Actuarial Function to calculate ultimate loss ratios with no margins for prudence or optimism. These loss ratios are calculated at the homogenous class of business level, which is consistent with the way the business is underwritten and managed. This provides an estimate of the expected future cash outflows from earned business and expected future cash inflows from any associated reinsurance as at the valuation date.

The following tables shows a summary of the Company's Technical Provisions under GAAP for 2017.

Line of Business	Claims Outstanding	Unearned Premium	Gross Technical Provisions	Recoverables from Reinsurance Contracts	Total Technical Provisions Net of Recoverables
2017					
Income Protection	8,381,270	1,945,655	10,326,925	8,779,676	1,547,248
Fire and other damage to Property	25,520,006	51,269,974	76,789,980	65,912,550	10,877,429
General Liability	326,967,824	86,903,548	413,871,372	350,176,494	63,694,877
Credit and Suretyship	34,801,920	37,627,298	72,429,218	63,555,801	8,873,417
Other	68,407,748	103,051,957	171,459,705	146,060,444	25,399,261
Total	464,078,767	280,798,432	744,877,199	634,484,965	110,392,234

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

D.2.1 Underlying Uncertainties

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

- the small size of some classes.
- the lack of development history and hence reliance on benchmarks in some classes.
- an increased reserve uncertainty on long-tailed classes. For example, the Medical Malpractice business is particularly long-tailed and has limited development history. Additionally, market results for this class have been particularly volatile increasing the uncertainty in the best estimates for this class.
- uncertainty over the losses on remaining unearned exposures, particularly for the classes earning over extended periods such as the Structural Defects business or the Warranty business.
- uncertainty over the number and magnitude of potential large losses on long-tailed business.

- the existence of profit caps and profit shares for some programmes also adds to the uncertainty in the Company’s aggregate estimates.

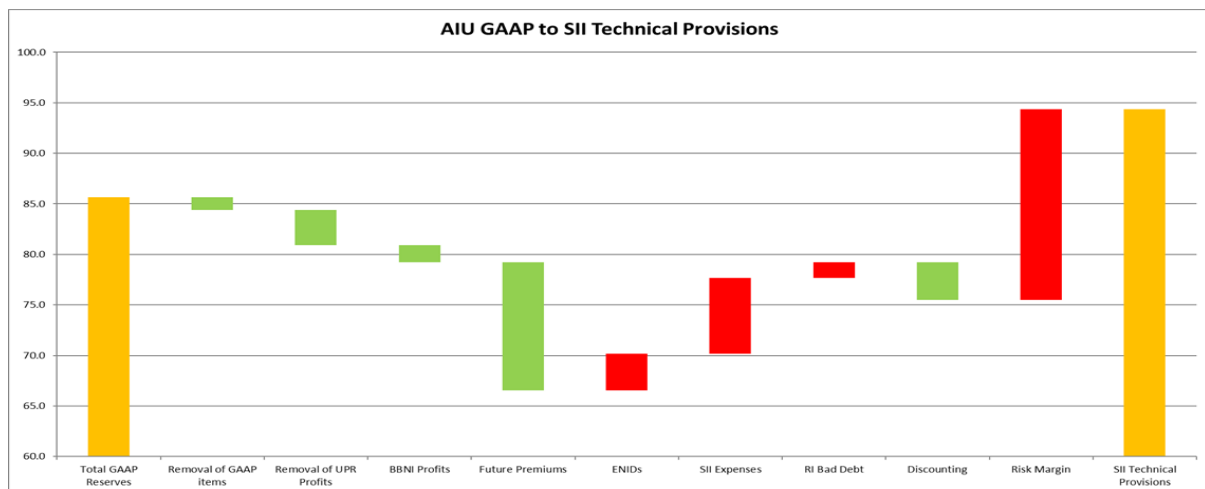
D.2.2 SII Related Uncertainties

Additional uncertainties because of the Solvency II adjustments include:

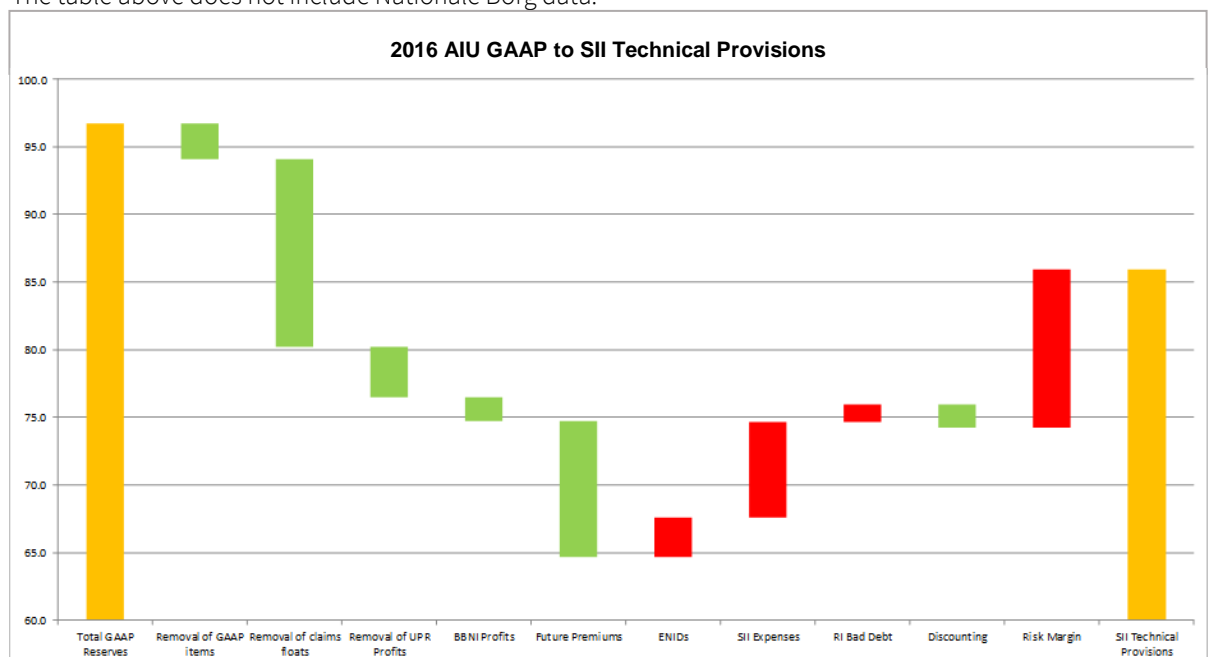
- Uncertainty over the number and magnitude of potential large losses (and catastrophes) on all business that is unexpired at the valuation date;
- Uncertainty over the provision for Events Not In Data (“ENIDs”) where, by their very nature, there is no data available;
- Potential for deviation in the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

D.2.3 Differences between Solvency II valuation and Financial Statements

2017



The table above does not include Nationale Borg data.



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

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

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

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

D.2.3.1 Removal of any margins in the GAAP reserves

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

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

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

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

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

D.2.3.4 Allowance for future premiums

Future premium cash flows are derived from the Company's financial systems for both gross cash inflows and reinsurance cash outflows.

D.2.3.5 Allowance for Events Not In Data (ENIDS)

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

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

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

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

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

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

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



D.2.3.9 Allowance for the impact of policies lapsing

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

D.2.3.10 Allowance for future investment income (discounting)

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

D.2.3.11 Allowance for a risk margin

This adjustment increases the overall value of the Technical Provisions from the discounted best estimate to an amount equivalent to a theoretical level, needed to transfer the obligations to another insurance undertaking. It is calculated based on a discounted cost-of-capital approach where the initial capital required to support the TPs is assumed to run-off in proportion to the run-off of the Technical Provisions, and a cost of capital of 6% is used in accordance with Solvency II requirements.

D.2.3.12 Reinsurance

The Company has significant reinsurance assets as most lines of business are covered by an 85% Quota Share. This cover is provided by AmTrust International Insurance Ltd (AII), which is another subsidiary company within the AmTrust Group.

Other lines such as Medical Malpractice are also covered by significant external quota shares (AII 45% and Maiden Reinsurance take 40%). The Solvency II Technical Provisions also make allowance for potential recoveries from non-proportional reinsurance with the most significant covering the PI, Liability and Property classes.

D.2.4 Significant changes in assumptions

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

D.3 Other liabilities

D.3.1 Deferred tax

Liabilities	Solvency II Value €'000	Statutory Accounts Value €'000
Deferred Tax Liabilities	4,055	4,824

Deferred Tax liability is primarily as result of unrealised movement on revaluation of property.

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

D.3.2 Loans payables and other liabilities

Liabilities	Solvency II Value €'000	Statutory Accounts Value €'000
Deposits from reinsurers	30,961	230
Insurance and intermediaries payables (Overdue)	17,259	5,879
Reinsurance payables	33,825	121,576
Payables (trade, not insurance)	47,955	102,361



Payables to insurance and intermediaries, reinsurance and other trade, as well as the other liabilities, are valued at amortised cost, consistent with the approach under Irish GAAP, which is not considered to be materially different to the Solvency II valuation principle since creditor balances are short term, with no discounting impact and convertible into a cash balance.

Receivables which are not yet due, are reclassified and dealt with as part of the technical provisions, described below. There are a number of other reclassifications made between the Irish GAAP balance sheet and the Solvency II balance sheet relating to these items to correctly classify items under the Solvency II categories.

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information

None noted.

E. Capital Management

E.1 Own funds

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

The Company manages its capital resources in line with its Capital Management Policy. The Company's capital position is kept under constant review and is reported quarterly to the Board and to the Central Bank of Ireland as part of Solvency II reporting.

The Company manages its Own Funds with the objective of always being able to satisfy both the MCR and the SCR plus a buffer. The target ratio for available capital in excess of the Solvency II SCR is agreed and signed off by the Board.

The Company prepares solvency projections for the following three years as part of its business planning process, which form part of the ORSA. In addition, short-term solvency projections are calculated whenever a significant transaction is considered by the Company.

Solvency calculations are prepared following the end of each quarter and compared with available Own Funds and this is included in the Risk function's report to the Risk and Compliance Committee.

The Company's capital resources are made up of Tier 1 capital instruments and comprise of fully paid ordinary share capital, preference shares plus the reconciliation reserve (accumulated profits on a Solvency II valuation basis).

There is no loss absorbing mechanism in relation to Own Funds.

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

€'000	Dec 2017	Dec 2016
Ordinary share capital	6,789	1,946
Capital Contributions	21,856	0
Capital redemption reserve	13,270	13,270
Reconciliation reserve	153,655	123,291
Own funds	195,570	138,507

The Company's eligible amount of Own Funds eligible to cover the SCR as of 31 December 2017 and 2016 are listed in the tables below.

Solvency Overview (in €'000s), as of 31 Dec 2017					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 126,663	1	195,570	100%	195,570	154%
	2	0		0	
	3	0		0	
	Total	195,570	100%	195,570	

Solvency Overview (in €'000s), as of 31 Dec 2016					
	Tier	Own Funds	Eligible %	Eligible Own Funds	Solvency Ratio
SCR 92,167	1	0	100%	0	150%
	2	0		0	
	3	0		0	
	Total	138,507	100%	138,507	



The Company's eligible amount of Own Funds to cover the MCR as of 31 December 2017 and 2016 are listed in the tables below.

Solvency Overview (in €'000s), as of 31 Dec 2017						
	Tier	Own Funds	Eligible %	Eligible Own Funds	Own Funds	Solvency Ratio
<i>MCR 31,666</i>	1	195,570	100%	195,570		
	2	0		0		
	3	0		0		
	Total	195,570	100%	195,570		618%

Solvency Overview (in €'000s), as of 31 Dec 2016						
	Tier	Own Funds	Eligible %	Eligible Own Funds	Own Funds	Solvency Ratio
<i>MCR 23,042</i>	1	138,507	100%	138,507		
	2	0	0	0		
	3	0	0	0		
	Total	138,507	100%	138,507		601%

There are certain differences between the value of Own Funds under Solvency II and the value of Equity shown in the Company's Financial Statements. These arise due to the difference in valuation of assets and liabilities described in Section D of this report. A reconciliation is shown in the table below.

	2017	2016
	€'000	€'000
Equity per Financial Statements	209,528	174,121
Difference in SII TPs	(19,552)	13,916
Market Value adjustment on Property	5,593	158
Solvency II Own Funds	195,570	160,363

None of the Company's Own Funds are subject to transitional arrangements. The Company has no Ancillary Own Funds. There are ring-fenced funds, specifically relating to Nationale Borg. These funds have been separately assessed and it has been determined that this will have an immaterial impact on the SCR.

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

E1.1 Reconciliation Reserve

Reconciliation reserve Detail	€'000
Excess of assets over liabilities	195,570
Other Basic Own Fund Items	(41,915)
Reconciliation Reserve	153,655

There are no foreseeable dividends or own shares, the Reconciliation Reserve is not impacted by these items.

E.2 Solvency capital requirement and minimum capital requirement

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

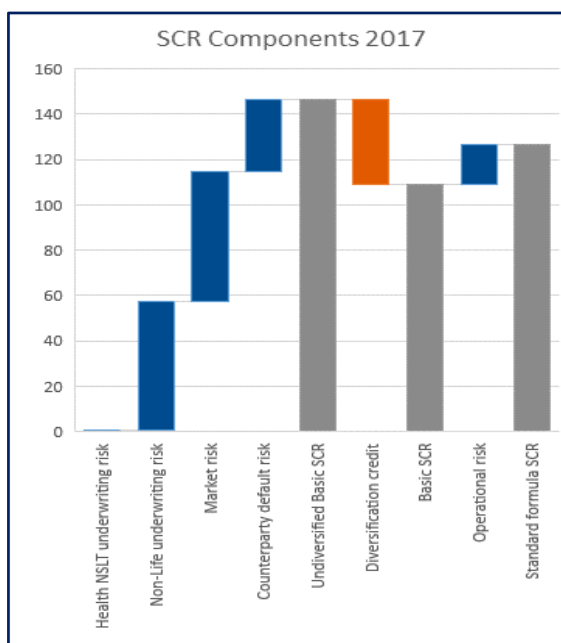


Capital Requirements	2017 €'000	2016 €'000
SCR	126,663	92,167
MCR	31,666	23,042

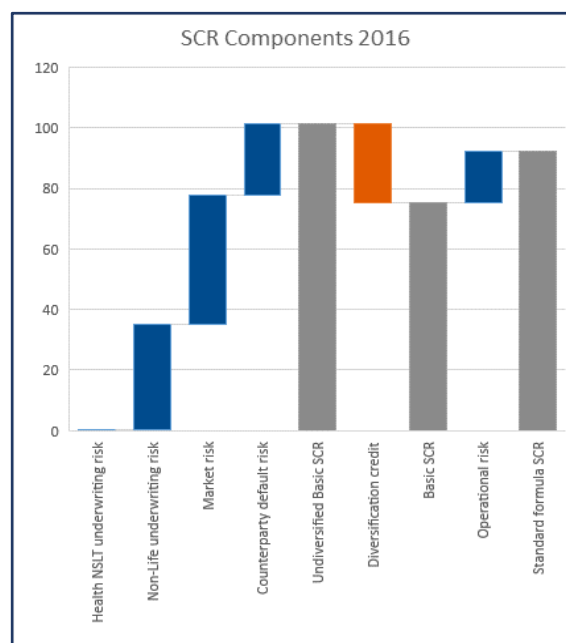
E.2.1 Solvency Capital Requirement

The Company's SCR split by risk module as of 31 December 2017 and 2016 are shown in the tables below.

Solvency Capital Requirement	2017
Health NSLT underwriting risk	493
Non-Life underwriting risk	57,067
Market risk	56,842
Counterparty default risk	31,889
Undiversified Basic SCR	146,291
Diversification credit	(37,320)
Basic SCR	108,971
Operational risk	17,691
Standard formula SCR	126,663



Solvency Capital Requirement	2016
Health NSLT underwriting risk	361
Non-Life underwriting risk	34,540
Market risk	42,870
Counterparty default risk	23,410
Undiversified Basic SCR	101,181
Diversification credit	(26,070)
Basic SCR	75,112
Operational risk	17,055
Standard formula SCR	92,167



The Company does not make use of any simplified calculations within the SCR.



E.2.2 Minimum Capital Requirement

The Company calculates its linear MCR using the prescribed formula. This is then compared with the Absolute floor of the MCR, the MCR cap and the MCR floor. Both the cap and floor are determined using the Standard Formula SCR.

Overall MCR calculation	2017 €'000	2016 €'000
Linear MCR	17,886	15,261
SCR	126,663	92,167
MCR cap	56,998	41,475
MCR floor	31,666	23,042
Combined MCR	31,666	23,042
Absolute floor of the MCR	2,500	2,500
Minimum Capital Requirement	31,666	23,042

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

MCR inputs (€'000)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last twelve months
Income protection insurance and proportional reinsurance	0	2,374
Fire and other damage to property insurance and proportional reinsurance	9,604	7,078
General liability insurance and proportional reinsurance	56,179	36,186
Credit and suretyship insurance and proportional reinsurance	3,861	11,801
Assistance and proportional reinsurance	437	585
Miscellaneous financial loss insurance and proportional reinsurance	6,366	19,595
Non-proportional property reinsurance	8	0

E.2.3 Material change in SCR and MCR

Solvency coverage has increased from 150% at 31 December 2016 to 154% at 31 December 2017. This movement is principally due to the following capital actions in the year:

- +Approval of historic capital contributions
- +Merger of National Borg,
- -Increase Cat Risk due to growth in Liability business
- - Increase Spread Risk due to Collateralised Securities held as Dec 2017
- -Increase Counterparty Risk due to underlying growth of business

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

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

E.4 Difference between the standard formula and the internal model used

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



E.5 Non-compliance with the MCR and non-compliance with the SCR

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

E.6 Any other information

None noted.



Appendix – QRTs



Annex 1

S.02.01.02

Balance sheet

Assets

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown
Total assets

	Solvency II value
	C0010
R0030	
R0040	
R0050	
R0060	28,813,241
R0070	233,309,513
R0080	
R0090	
R0100	
R0110	
R0120	
R0130	224,769,863
R0140	24,838,699
R0150	165,663,908
R0160	
R0170	34,267,256
R0180	895,204
R0190	
R0200	7,644,446
R0210	
R0220	
R0230	34,716,458
R0240	
R0250	
R0260	34,716,458
R0270	514,596,334
R0280	514,596,334
R0290	509,659,076
R0300	4,937,258
R0310	
R0320	
R0330	
R0340	
R0350	4,257,000
R0360	17,172,909
R0370	
R0380	34,311,192
R0390	
R0400	
R0410	70,686,890
R0420	
R0500	937,863,537



Annex 1

S.02.01.02

Balance sheet

Liabilities

Technical provisions – non-life
 Technical provisions – non-life (excluding health)
 Technical provisions calculated as a whole
 Best Estimate
 Risk margin
 Technical provisions - health (similar to non-life)
 Technical provisions calculated as a whole
 Best Estimate
 Risk margin
 Technical provisions - life (excluding index-linked and unit-linked)
 Technical provisions - health (similar to life)
 Technical provisions calculated as a whole
 Best Estimate
 Risk margin
 Technical provisions – life (excluding health and index-linked and unit-linked)
 Technical provisions calculated as a whole
 Best Estimate
 Risk margin
 Technical provisions – index-linked and unit-linked
 Technical provisions calculated as a whole
 Best Estimate
 Risk margin
 Contingent liabilities
 Provisions other than technical provisions
 Pension benefit obligations
 Deposits from reinsurers
 Deferred tax liabilities
 Derivatives
 Debts owed to credit institutions
 Financial liabilities other than debts owed to credit institutions
 Insurance & intermediaries payables
 Reinsurance payables
 Payables (trade, not insurance)
 Subordinated liabilities
 Subordinated liabilities not in Basic Own Funds
 Subordinated liabilities in Basic Own Funds
 Any other liabilities, not elsewhere shown
 Total liabilities
 Excess of assets over liabilities

	Solvency II value
	C0010
R0510	608,239,592
R0520	604,644,507
R0530	0
R0540	586,114,422
R0550	18,530,085
R0560	3,595,085
R0570	0
R0580	3,595,085
R0590	0
R0600	0
R0610	0
R0620	0
R0630	0
R0640	0
R0650	0
R0660	0
R0670	0
R0680	0
R0690	0
R0700	0
R0710	0
R0720	0
R0740	0
R0750	0
R0760	0
R0770	30,961,329
R0780	4,054,796
R0790	0
R0800	0
R0810	0
R0820	17,259,000
R0830	33,824,717
R0840	47,954,585
R0850	0
R0860	0
R0870	0
R0880	0
R0900	742,294,020
R1000	195,569,517



S.05.01.02

Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written								
Gross - Direct Business	R0110	3,898,082	128,197,991					467,205,121
Gross - Proportional reinsurance accepted	R0120		2,492,388					12,202,641
Gross - Non-proportional reinsurance accepted	R0130						475,576	475,576
Reinsurers' share	R0140	3,313,370	111,094,910				475,576	402,264,487
Net	R0200	584,712	19,595,469				0	77,618,851
Premiums earned								
Gross - Direct Business	R0210	3,674,047	141,032,629					483,690,487
Gross - Proportional reinsurance accepted	R0220		2,001,520					12,680,869
Gross - Non-proportional reinsurance accepted	R0230						427,341	427,341
Reinsurers' share	R0240	3,122,941	121,685,206				427,341	417,988,712
Net	R0300	551,106	21,348,944				0	78,809,984
Claims incurred								
Gross - Direct Business	R0310	3,302,058	122,232,336					293,725,404
Gross - Proportional reinsurance accepted	R0320		2,654,408					6,601,231
Gross - Non-proportional reinsurance accepted	R0330						20,324	20,324
Reinsurers' share	R0340	2,806,749	108,180,013				20,324	259,137,591
Net	R0400	495,309	16,706,731				0	41,209,368
Changes in other technical provisions								
Gross - Direct Business	R0410	-76,294	5,824,008					40,468,812
Gross - Proportional reinsurance accepted	R0420		-155,323					-11,929
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	-64,850	3,355,471					34,328,816
Net	R0500	-11,444	2,313,214					6,128,067
Expenses incurred	R0550	182,298	6,111,865				155,155	35,402,282
Other expenses	R1200							
Total expenses	R1300							35,402,282

Annex 1

S.17.01.02

Non-Life technical provisions

Technical provisions calculated as a whole
Total recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default
Technical provisions calculated as a sum of BE and RM
Best estimate
Premium Provisions
Gross - Total
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Net Best Estimate of Premium Provisions
Claims provisions
Gross - Total
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Net Best Estimate of Claims Provisions
Total Best estimate - Gross
Total Best estimate - Net
Risk margin
Amount of the transitional on Technical Provisions
TP as a whole
Best Estimate
Risk Margin
Technical provisions
Technical provisions - total
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance					
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
C0020	C0030	C0040	C0050	C0060	C0070
R0010	0.0	0.0	0.0	0.0	0.0
R0050	0.0	0.0	0.0	0.0	0.0
R0060	0.0	516,545	0.0	0.0	0.0
R0140	0.0	439,113	0.0	0.0	0.0
R0150	0.0	77,431	0.0	0.0	0.0
R0160	0.0	3,078,541	0.0	0.0	0.0
R0240	0.0	4,498,145	0.0	0.0	0.0
R0250	0.0	-1,419,604	0.0	0.0	0.0
R0260	0.0	3,595,085	0.0	0.0	0.0
R0270	0.0	-1,342,173	0.0	0.0	0.0
R0280	0.0		0.0	0.0	0.0
R0290	0.0		0.0	0.0	0.0
R0300	0.0		0.0	0.0	0.0
R0310	0.0		0.0	0.0	0.0
R0320	0.0	3,595,085	0.0	0.0	0.0
R0330	0.0	4,937,258	0.0	0.0	0.0
R0340	0.0	-1,342,173	0.0	0.0	0.0

Annex 1

S.17.01.02

Non-Life technical provisions

Direct business and accepted proportional reinsurance						
	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010	0.0	0.0	0.0	0.0	0.0
Total recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default	R0050	0.0	0.0	0.0	0.0	0.0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium Provisions						
Gross - Total	R0060	42,041,297	37,459,766	3,782,426	1,031,273	67,731,617
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	35,628,705	32,740,492	3,530,716	875,741	57,436,058
Net Best Estimate of Premium Provisions	R0150	6,412,592	4,719,274	251,710	155,532	10,295,560
Claims provisions						
Gross - Total	R0160	22,044,520	340,261,499	27,667,911	1,875,706	42,086,447
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	18,853,237	288,801,803	24,058,887	1,594,243	46,015,712
Net Best Estimate of Claims Provisions	R0250	3,191,283	51,459,695	3,609,025	281,463	-3,929,264
Total Best estimate - Gross	R0260	64,085,817	377,721,264	31,450,338	2,906,979	109,818,065
Total Best estimate - Net	R0270	9,603,875	56,178,969	3,860,734	436,995	6,366,295
Risk margin	R0280	2,327,641	13,615,805	935,706	105,912	1,542,966
Amount of the transitional on Technical Provisions						
TP as a whole	R0290					
Best Estimate	R0300					
Risk Margin	R0310					
Technical provisions						
Technical provisions - total	R0320	66,413,458	391,337,069	32,386,044	3,012,891	111,361,031
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	54,481,942	321,542,295	27,589,603	2,469,984	103,451,770
Technical provisions minus recoverables from reinsurance/SPV and Finite Re	R0340	11,931,516	69,794,774	4,796,441	542,907	7,909,261



Annex 1

S.17.01.02

Non-Life technical provisions

		Accepted non-proportional reinsurance				Total Non-Life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	
Technical provisions calculated as a whole	R0010	0.0	0.0	0.0	0.0	0.0
Total recoverable from reinsurance/SPV after the adjustment for expected losses due to counterparty default	R0050	0.0	0.0	0.0	0.0	0.0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium Provisions						
Gross - Total	R0060	0.0	0.0	0.0	56,496.9	152,619,421
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0.0	0.0	0.0	56,440.4	130,707,266
Net Best Estimate of Premium Provisions	R0150	0.0	0.0	0.0	56.5	21,912,155
Claims provisions						
Gross - Total	R0160	0.0	0.0	0.0	75,462.8	437,090,086
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0.0	0.0	0.0	67,041.9	383,889,068
Net Best Estimate of Claims Provisions	R0250	0.0	0.0	0.0	8,421.0	53,201,018
Total Best estimate - Gross	R0260	0.0	0.0	0.0	131,959.8	589,709,507
Total Best estimate - Net	R0270	0.0	0.0	0.0	8,477.5	75,113,173
Risk margin	R0280	0.0	0.0	0.0	2,054.6	18,530,085
Amount of the transitional on Technical Provisions						
TP as a whole	R0290	0.0	0.0	0.0		
Best Estimate	R0300	0.0	0.0	0.0		
Risk Margin	R0310	0.0	0.0	0.0		
Technical provisions						
Technical provisions - total	R0320	0.0	0.0	0.0	134,014.4	608,239,592
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0.0	0.0	0.0	123,482.3	514,596,333
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	0.0	0.0	0.0	10,532.1	93,643,258

Annex 1
S.19.01.21
Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	Underwriting Year
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Gross Claims Paid (non-cumulative)
(absolute amount)

Year		0	1	2	3	4	5	6	7	8	9 10 & +	In current year C0170	Sum of years (cumulative) C0180	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100			C0110
Prior	R0100											649,834	R0100	649,834
N-9	R0160	13,199,244	44,432,499	29,999,966	14,907,336	15,471,187	32,692,970	2,890,097	926,373	-7,890,141	-3,832,535		R0160	- 3,832,535
N-8	R0170	13,472,651	49,004,167	21,747,157	12,568,557	7,745,541	5,664,045	3,991,578	5,789,397	436,504			R0170	436,504
N-7	R0180	15,129,561	50,488,592	20,931,344	9,303,406	7,977,174	4,533,384	3,188,205	3,958,596				R0180	3,958,596
N-6	R0190	19,480,264	97,985,690	21,572,678	13,615,712	-20,251,098	8,490,419	5,523,559					R0190	5,523,559
N-5	R0200	28,962,308	83,519,345	27,031,659	32,134,010	26,365,844	24,887,652						R0200	24,887,652
N-4	R0210	27,193,257	80,593,591	40,565,381	41,469,709	37,511,716							R0210	37,511,716
N-3	R0220	29,627,734	73,643,290	40,307,749	27,639,963								R0220	27,639,963
N-2	R0230	35,074,516	81,434,109	41,444,444									R0230	41,444,444
N-1	R0240	39,690,135	85,792,489										R0240	85,792,489
N	R0250	70,408,212											R0250	70,408,212
	Total											R0260	294,420,436	1,501,091,025

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Annex 1
S.19.01.21
Non-life insurance claims

Total non-life business

Accident year / Underwriting year	Z0010	Underwriting Year
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Gross Claims Paid (non-cumulative)
(absolute amount)

Year		Year											Year end (discounted data) C0360		
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			
Prior	R0100											2,977,036	R0100	2,926,132	
N-9	R0160	-	-	-	-	-	-	-	1,351,117	1,659,966	613,536		R0160	601,849	
N-8	R0170	-	-	-	-	-	-	1,400,301	796,867	1,205,695			R0170	1,111,165	
N-7	R0180	-	-	-	-	-	2,874,586	2,123,266	834,968				R0180	814,755	
N-6	R0190	-	-	-	-	18,276,682	13,346,839	10,163,164					R0190	9,919,350	
N-5	R0200	-	-	-	45,863,539	37,940,341	24,909,727						R0200	24,033,441	
N-4	R0210	-	-	119,729,416	112,270,484	79,230,302							R0210	76,507,624	
N-3	R0220	-	84,898,407	86,411,976	63,737,157								R0220	61,153,176	
N-2	R0230	53,612,995	88,658,978	81,542,103									R0230	77,856,743	
N-1	R0240	60,057,568	105,219,329										R0240	100,688,067	
N	R0250	83,481,656											R0250	80,729,540	
													Total	R0260	436,341,843

Annex 1
S.23.01.01
Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other items approved by supervisory authority as basic own funds not specified above

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	6,788,663	6,788,663		0.0	
R0030				0.0	
R0040				0.0	
R0050				0.0	0.0
R0070					
R0090				0.0	0.0
R0110	13,270,299		13,270,299	0.0	0.0
R0130	153,654,507	153,654,507			
R0140				0.0	0.0
R0160					0.0
R0180	21,856,047.9	21,856,047.9		0.0	0.0
R0220					
R0230	0.0	0.0	0.0	0.0	
R0290	195,569,517	182,299,218	13,270,299	0.0	0.0
R0300	0.0			0.0	
R0310	0.0			0.0	
R0320	0.0			0.0	0.0
R0330	0.0			0.0	0.0
R0340	0.0			0.0	
R0350	0.0			0.0	0.0
R0360	0.0			0.0	
R0370	0.0			0.0	0.0
R0390	0.0			0.0	0.0



Annex 1
S.23.01.01
Own funds

Total ancillary own funds
Available and eligible own funds
Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR
SCR
MCR
Ratio of Eligible own funds to SCR
Ratio of Eligible own funds to MCR

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0400	0.0			0.0	0.0
R0500	195,569,517	182,299,218	13,270,299		
R0510	195,569,517	182,299,218	13,270,299		
R0540	195,569,517	182,299,218	13,270,299	0.0	0.0
R0550	195,569,517	182,299,218	13,270,299	0.0	
R0580	126,662,658				
R0600	31,665,664				
R0620	154.40%				
R0640	617.61%				

Reconciliation reserve
Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
Reconciliation reserve
Expected profits
Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business
Total Expected profits included in future premiums (EPIFP)

	Total
	C0060
R0700	195,569,517
R0710	
R0720	
R0730	41,915,010
R0740	
R0760	153,654,507
R0770	
R0780	19,521,821
R0790	19,521,821



S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
Counterparty default risk
Life underwriting risk
Health underwriting risk
Non-life underwriting risk
Diversification
Intangible asset risk
Basic Solvency Capital Requirement

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	56,842,143		0.0
R0020	31,888,719		
R0030	0.0	0.0	0.0
R0040	492,852	0.0	0.0
R0050	57,067,453	0.0	0.0
R0060	-37,319,795		
R0070			
R0100	108,971,372		

Calculation of Solvency Capital Requirement

Operational risk
Loss-absorbing capacity of technical provisions
Loss-absorbing capacity of deferred taxes
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
Solvency Capital Requirement excluding capital add-on
Capital add-on already set
Solvency capital requirement for undertakings under consolidated method
Other information on SCR
Capital requirement for duration-based equity risk sub-module
Total amount of Notional Solvency Capital Requirements for remaining part
Total amount of Notional Solvency Capital Requirements for ring fenced funds
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
Diversification effects due to RFF nSCR aggregation for article 304

	C0100
R0130	17,691,285
R0140	0.0
R0150	0.0
R0160	0.0
R0200	126,662,658
R0210	0.0
R0220	126,662,658
R0400	0.0
R0410	0.0
R0420	0.0
R0430	0.0
R0440	0.0



Annex 1

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCRNL Result	R0010 17,886,343

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020 0.0	0.0
Income protection insurance and proportional reinsurance	R0030	2,373,954
Workers' compensation insurance and proportional reinsurance	R0040	
Motor vehicle liability insurance and proportional reinsurance	R0050	
Other motor insurance and proportional reinsurance	R0060	
Marine, aviation and transport insurance and proportional reinsurance	R0070	
Fire and other damage to property insurance and proportional reinsurance	R0080 9,603,875	7,078,436
General liability insurance and proportional reinsurance	R0090 56,178,969	36,185,694
Credit and suretyship insurance and proportional reinsurance	R0100 3,860,734	11,800,574
Legal expenses insurance and proportional reinsurance	R0110	
Assistance and proportional reinsurance	R0120 436,995	584,712
Miscellaneous financial loss insurance and proportional reinsurance	R0130 6,366,295	19,595,462
Non-proportional health reinsurance	R0140 0.0	0.0
Non-proportional casualty reinsurance	R0150 0.0	0.0
Non-proportional marine, aviation and transport reinsurance	R0160 0.0	0.0
Non-proportional property reinsurance	R0170 8,477.5	0.0

Linear formula component for life insurance and reinsurance obligations

	C0040
MCRRL Result	R0200 0.0

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210 0.0	
Obligations with profit participation - future discretionary benefits	R0220 0.0	
Index-linked and unit-linked insurance obligations	R0230 0.0	
Other life (re)insurance and health (re)insurance obligations	R0240 0.0	
Total capital at risk for all life (re)insurance obligations	R0250	0.0

Overall MCR calculation

	C0070
Linear MCR	R0300 17,886,343
SCR	R0310 126,662,658
MCR cap	R0320 56,998,196
MCR floor	R0330 31,665,664
Combined MCR	R0340 31,665,664
Absolute floor of the MCR	R0350 2,500,000
	C0070
Minimum Capital Requirement	R0400 31,665,664

