AmTrust Europe Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 01229676

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Directors and Officers

Directors

J E Cadle
G E Bennett (resigned 8 April 2019)
P Dewey
M S Johnson
J P Fox
A G Mas Murcia
R W Webster (resigned 30 September 2019)
R I Stansbury
S A Garner (appointed 15 July 2019)

Secretary and registered office

P A Cockburn, Market Square House, St James's Street, Nottingham, NG1 6FG

Company number

01229676

Independent auditor

KPMG LLP, 15 Canada Square, London. E14 5GL

Banker

Lloyds Bank Plc, 113 Leadenhall Street, London. EC3A 4XX

Strategic Report

The Directors present the Strategic Report of AmTrust Europe Limited ('AEL' or 'the Company') for the year ended 31 December 2019.

The Company is a wholly owned subsidiary of AmTrust International Limited ('AIL') which is a UK Limited Company. The Company's ultimate parent is Evergreen Parent GP, LLC, a Delaware registered United States limited liability company. Evergreen is an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of the AmTrust Group, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family').

As a member of the AmTrust Group, the Company benefits from financial, operational and management support. The AmTrust Group is a multinational property and casualty insurance group specialising in small to medium sized businesses. With extensive underwriting experience and a prestigious 'A-' (Excellent) Financial Size 'XV' rating from A.M. Best for most of its insurance companies, the AmTrust Group 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 Group companies. The AmTrust Group's business model focuses on achieving targeted returns and profitable growth with the careful management of risk. The AmTrust Group pursues these goals through geographic and product diversification, as well as, an in-depth understanding of its insured exposure. The product mix primarily includes workers' compensation, extended warranty and other commercial property/casualty insurance products, including title insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. The AmTrust Group has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

Principal activity

The Company continues to write general insurance business as its principal activity, primarily in the following lines of business: warranty; legal expenses; medical malpractice; professional indemnity; accident and health; property and mortgage and credit. However, as is described in detail within the 'Review of the business and future developments' section, the Company's business mix in terms of lines of business and geographical exposure has changed during the course of the year and will continue to do so as a result of decisions made in anticipation of Brexit and the failure of certain lines of business to achieve the Company's target profitability measures.

Review of the business and future developments

The Company's core strategy is to generate sustainable profitability by writing selected speciality lines, as an integrated part of the AmTrust Group of insurance businesses, but with stand-alone resilience as a separate, regulated legal entity. The Company operates in sub-lines of large lines of business that require detailed knowledge and a sophisticated level of underwriting.

Over the last couple of years, the Company has been executing on its 'Grow/Fix/Exit/Brexit' initiative targeted at:

- Improving the profitability of its business in six core lines (warranty, legal expenses, professional indemnity, property, accident and health and mortgage and credit) and growing these lines;
- Exiting lines of business or coverholders which have not achieved its target profitability measures (i.e. structural defects, liability and certain coverholders in legal expenses and warranty); and
- Transferring its European business to other AmTrust Group companies in preparation for Brexit (including the medical malpractice business).

The Directors' aim is to implement a strategy of maximising the Company's overall return on equity while diversifying its lines of business so that no one class represents a significant driver of income and profitability. This will result in a diverse range of non-correlated insurance products and help to provide protection against volatilities in insurance risk.

On the exited lines of business, Management will seek risk transfer options to bring finality to this business as quickly as possible and reduce the potential for additional deterioration in the Company's results from this legacy portfolio.

Strategic Report (continued)

Review of the business and future developments *(continued)*

With regards to the transferring business, Management is in the final stages of implementing the Company's Brexit plans. A majority of new business and renewals have already been moved to AmTrust International Underwriters Designated Activity Company ('AIU'), the AmTrust Group's Irish based insurer. Further, Management is preparing to complete transfers of the Company's remaining European Economic Area ('EEA') business to AIU and AmTrust Assicurazioni ('AA'), the AmTrust Group's new Italian based insurer, pursuant to Part VII of the Financial Services and Markets Act 2000 ('FSMA 2000'). The completion of these transfers is planned for mid-2020, subject to regulatory and Court approval. Ultimately the Company intends to cease writing business in the EEA ahead of the end of the agreed transition period (currently anticipated to end on 31 December 2020).

In 2019, the Company materially changed its whole account quota share arrangements. Effective 31 December 2018, it terminated the quota share arrangement on its medical malpractice hospital business with Maiden Reinsurance Limited ('Maiden Re'), a reinsurance company domiciled in Bermuda. In addition, effective 30 June 2019 it terminated its whole account quota share arrangement with AmTrust International Insurance Limited ('AIIL'), an affiliated reinsurance company domiciled in Bermuda. These reinsurance arrangements were replaced with a 50% quota share with a 'AA' rated global third party reinsurer for all new business written with effect from 1 July 2019 with the exception of business related to mortgage and credit which has its own third party quota share arrangements and certain lines of business in which the Company is in the process of exiting.

Lines of business

Warranty

The Company offers a variety of warranty products including, but not limited to, motor, electrical device, home emergency and plant and equipment. The portfolio is balanced between coverholder-managing general agent ('MGA') arrangements and reinsurance/contractual liability insurance policies ('CLIPs'); taking into account the conduct and compliance resources required to manage the business effectively. The majority of the portfolio is dedicated to consumer programmes, typically where the general public are purchasing insurable products from the Company's clients. The Company also offers warranties on commercial plant and machinery, where customers are small or large businesses.

Profitability in sub-segments has been steady; however, the Company has been predominately focused on restructuring the warranty business by better targeted underwriting and management of the existing book. From 2020, the Company's aim is to manage a smaller number of higher premium accounts, targeting a balanced portfolio mix in relation to short- and long-term risks.

Legal expenses

The Company's legal expenses portfolio consists of a wide variety of products that fall into before the event ('BTE'), commercial and personal after the event ('ATE') and litigation funding business segments. The Company predominately utilises coverholder-MGAs to write BTE legal expenses business; and mainly distributes directly or via brokers without delegation for ATE and Litigation Funding business. These products are primarily targeted at consumer and commercial customers; however, circa 25-30% of the consumer BTE business is through inwards reinsurance. Distribution varies, with BTE and Personal ATE geographically focused in the UK; whilst Commercial ATE and Litigation Funding targets both the UK and overseas.

This business was a specific area of growth for the 2019 year and will continue to be so for the foreseeable future; and as an 'A' rated insurer, the Company is well positioned to take advantage of this market. The Company has a broad range of experience and skills that have allowed the development of innovative solutions suited to its current customer base. Across segments, the Company's strategic objective is to be the leading provider, ensuring competitive edge is maintained through quality underwriting, providing a bespoke rather than commoditised service where possible and ensuring distribution is well considered.

Profitability in sub-segments has been steady. The markets for BTE and commercial ATE are highly competitive, whilst the personal ATE market has consolidated following government reforms.

Strategic Report (continued)

Lines of business (continued)

Professional indemnity ('PI')

The Company's PI product protects professionals against their legal liability for claims arising as a result of negligence during the course of carrying out their professional duties. The Company distributes PI exclusively through brokers and an AmTrust Group owned MGA, Collegiate Management Services Limited. These products almost exclusively target UK SMEs. The Company does have some commercial non-UK customers, representing approximately 2% of its total gross written premium.

Profitability in one sub-segment of this line of business, the solicitors book, was impacted by an increase in buyer funded development claims (mostly from the 2015 and 2016 underwriting years) which related primarily to one solicitors firm. The issues related to these claims are not prevalent in the remainder of the Company's other business in this class. The Company has been focused on consolidating, rather than expanding, PI business through improved underwriting and management of the existing book. Rates have hardened considerably in the last 18 months (particularly in solicitors and construction) presenting opportunities and the Company is now targeting growth in the account albeit paying appropriate attention to the conduct risk associated with the SME client base.

Accident and health ('A&H')

The Company offers a wide range of products that sit within the A&H/supplemental health insurance area, with 55% of its gross written premium derived from private medical insurance cover. The Company currently distributes A&H products through coverholder-MGAs via wholesale brokers. The Company also writes quota share treaty and excess of loss facultative reinsurance. Primary insurances are targeted at retail consumers and commercial customers. Distribution is split evenly between the UK and Middle East (reinsurance) business.

The Company offers a suite of A&H products which allows the coverholder-MGAs to match products with clear customer needs in niche health related markets. Many of these niches arise due to changing and reducing levels of state health provision. Within these niches, the Company offers products in the more attractive segment risks based on incidence and severity, within a clearly defined risk appetite.

The Company has been moving its new business and renewals in EEA countries to AIU in anticipation of Brexit. This process has been slower than planned, meaning the Company's new written premiums for this class of business have remained broadly consistent with the prior year. The business remains profitable, before reinsurance costs, in line with expectations.

Property

The Company offers a wide range of specialist property insurance products, all of which are underwritten by coverholder-MGAs. Although the Company remains a small player in the overall property insurance sector, it is established in a number of smaller sub-segments of the market such as caravan, residential let (commercial and retail), tenants' contents, and unoccupied property insurance. The Company also writes commercial property insurance covering predominantly small to medium size commercial premises and targeted at a mixture of retail and SME commercial customers. Distribution is split geographically between the UK and Europe. On the conclusion of the Part VII FSMA 2000 transfers, planned to be completed mid-2020, the majority of the Company's customers will be based in the UK.

The sub-segments of caravan and residential let are underserved niches in the market that have relatively low competition and have proved to be consistently profitable. The Company has also developed a suite of household products that offer competitive rates for clients. The Company's strategic aim in the property insurance market is to grow its presence in existing niche segments where it operates (i.e. unoccupied, holiday homes) albeit paying appropriate attention to the conduct risk associated with its client base.

Strategic Report (continued)

Lines of business (continued)

Mortgage and credit ('M&C')

The Company's M&C products protect banks, building societies and consumers. The Company transacts the mortgage products directly; whilst the credit products are provided in conjunction with delegated partners through brokers. The Company's target mortgage insurance channels are mainly small to medium-sized banks and building societies in the UK and globally through reinsurance contracts in non-EEA countries. The Company's target credit customers are consumers within the UK purchasing income protection products.

Profitability in sub-segments has been steady. The Company has expanded within the mortgage insurance segment whilst consolidating within the credit segment.

Medical malpractice

The Company's medical malpractice products protect hospitals, smaller associations and individual doctors. The Company entered the Italian medical malpractice market in December 2009 as the market was hardening and developed a strong on-the-ground presence in Italy via a dedicated branch infrastructure. This line of business has made up a significant portion of the Company's results since entering the market; however, due to Brexit, the Company is no longer responding to new medical malpractice tenders in Italy. New business is being referred to either AIU or AA. Business written in the Company is therefore limited to renewals and extensions of contracts with existing hospitals and policies for smaller associations and individual doctors. The impact of this change on the Company is expected to be minimal in the medium to long term as the Company is expanding its business in other profitable lines.

Management is preparing to complete transfers of the Company's remaining medical malpractice business to AA, pursuant to a Part VII FSMA 2000 transfer. The completion of this transfer is planned for mid-2020, subject to regulatory and court approval. Ultimately the Company will have no further exposure to this class of business.

The AmTrust Group continues to hold a strong position in the medical malpractice marketplace.

Surety *(included in Note 8 under the Run-off heading)*

The AmTrust Group sold its wholly owned managing agent in Spain, and the surety business generated by it, to Liberty Mutual Insurance Company in October 2019. The Company will continue to run-off its existing policies but is not originating new business in the UK or mainland Europe. However, it is still participating in the reinsurance inwards business from Latin America. In line with the Company's risk appetite both quota share and excess of loss reinsurance is utilised to protect the account. The account is overseen by a professional team including lawyers, economists and accountants.

Structural defects *(included in Note 8 under the Run-off heading)*

The Company elected to exit the structural defects market in 2019 and issued notice of termination on its remaining contracts. All accounts were terminated during 2019 except for one, which terminated in March 2020. This is long-tail business with up to ten years cover, so the business will be in run-off up until 2030.

Strategic Report (continued)

Performance review

For 2019, the Company had a loss of £20,237,000 (2018 - profit of £46,000). This loss was primarily driven by:

- Losses on the technical account for general business of £36,015,000 (2018 - £7,855,000), which is described below; and
- A tax liability of £3,466,000 (2018 - £4,064,000), primarily from a provision for foreign taxes.

Partially offset by;

- A total return on investments in bonds of £18,587,000 (2018 - £1,694,000), including realised gains of £9,271,000 (2018 - £1,308,000) and unrealised gains of £1,597,000 (2018 – loss of £5,509,000) on sale of investments; and
- A total return on its property and investments in subsidiary undertakings of £383,000 (2018 - £11,067,000), including a realised gain of £5,631,000 (2018 - £Nil) on the sale or dissolution of certain subsidiary undertakings.

Below is a table showing the ratios as at 31 December 2019 which the Directors consider to be key performance indicators.

	2019	2018
Income Statement		
(Decrease) increase in gross written premium	(14)%	1%
(Decrease) increase in earned premium, net of reinsurance	(3)%	20%
Technical account (loss) (£'000)	(36,015)	(7,855)
Net claims ratio (a)	71%	60%
Combined ratio (b)	113%	103%
Statement of Financial Position		
Total assets (£'000)	1,868,853	1,932,394
Total shareholder's funds (£'000)	351,045	379,889
Investments (£'000)	551,598	568,895
Solvency Overview		
Solvency capital requirement ('SCR') coverage	136%	130%
Minimum capital requirement ('MCR') coverage	363%	397%

(a) The net claims ratio is the percentage of claims costs incurred in relation to the premiums earned, net of reinsurance.
(b) The combined ratio is the percentage of technical charges in relation to the premiums earned, net of reinsurance.

Gross written premium was lower than the prior year at £426,233,000 (2018 - £497,642,000) due to transferring EEA business to AIU and exiting lines of business or coverholders which have not achieved the Company's target profitability measures as is described in detail within the 'Review of the business and future developments' section. This reduction in gross written premium is partially offset by increasing market presence in a number of lines of business within the UK and the rest of world, excluding Europe.

Earned premium, net of reinsurance, was lower than the prior year at £284,018,000 (2018 - £291,536,000) due to lower gross written premium and an extension of the earnings patterns for legal expenses ATE business during the year in line with estimated exposure.

The Company's net claims ratio has increased during the year to 71% (2018 - 60%) as a result of strengthening reserve levels in the medical malpractice and professional indemnity lines of business, as well as, several of the legacy lines of business which are in run-off.

The forecast for 2020 has renewed focus on lines of business which will enhance the overall portfolio's return on equity.

Strategic Report (continued)

Principal risks and uncertainties

The Company continues to be aware of the business risks it faces. In common with other insurers, the Company's earnings can be significantly impacted by unpredictable events and circumstances, latent claims developments and judicial developments.

The Company manages these risks and uncertainties by operating and maintaining a detailed risk analysis process. This process involves the application of a structured, consistent and continuous process across the Company for identifying, assessing and deciding upon a suitable response to the threats and opportunities that affect the successful achievement of the Company's business objectives.

The principal risks from general insurance business arise from inaccurate pricing, fluctuations in the timing, frequency and severity of claims compared to expectations, inadequate reinsurance protection and inadequate reserving.

The Company writes a large amount of premium income through agents who are granted authority to accept risks on the Company's behalf. All delegations of underwriting authority are strictly controlled. However, there is no absolute guarantee that an agent will always comply with the terms of the authority, which could expose the Company to unforeseen losses.

The Company establishes reserves for unpaid claims, defence costs and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported claims ('IBNR'). The Company's reserving procedures utilise strict actuarial methodologies with conservative input assumptions and are subject to peer review. However, the risk of the ultimate liabilities being materially different from the amounts currently reserved cannot be entirely eliminated.

The Company also faces operational risk. This is the risk of loss arising from inadequate or failed internal processes, personnel, systems or from external events.

Group risk is defined as the risk of any other group company causing a substantial failure in the ability of the Company to meet its regulatory and legal requirements. These risks are managed through the implementation of effective corporate governance structures, on-going monitoring of the AmTrust Group credit ratings and the financial support through the guarantee with AIIL.

Information on the management of financial risk by the Company is disclosed in note 6 to the Financial Statements. In particular, the Company's exposure to interest rate risk, credit risk, liquidity risk, spread risk and currency risk are separately disclosed in that note.

There are two main external risks currently facing the organisation:

i) Brexit – As described above, the business plan for 2019 and overall strategy of the Company in respect of insurance business is to minimise business written in the EEA.

   Whilst there remains a risk that the Company will not be permitted to pay claims in respect of EEA policies concluded prior to Brexit, the Directors believe the risk is low and is mitigated by the following:

   - The Company is in the process of transferring all EEA business to other AmTrust Group companies;
   - The European Insurance and Occupational Pensions Authority ('EIOPA') has issued recommendations for the insurance sector in light of the UK withdrawing from the European Union ('EU') without a withdrawal agreement advising National Competent Authorities ('NCAs') in EEA member states to allow for the orderly run-off of existing cross-border business in the event of a 'no deal' Brexit, with the appropriate supervision from the EEA NCA; and
   - Many of the jurisdictions where the Company has risk, most notably Italy, have introduced legislation to give effect to the EIOPA guidance.

Strategic Report (continued)

Principal risks and uncertainties (continued)

ii) Coronavirus (or COVID-19) – As the effects of the coronavirus pandemic are now being felt on a global scale, the Company, as with many of its policyholders, distribution partners and vendors, have taken steps to alter or reduce normal business activity to help control the spread of the outbreak. Some of the steps which the Company has taken involve:

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

Given that the Company's insurance portfolio is diversified across seven lines of business, including the existing medical malpractice line of business, and that these lines do not demonstrate a high level of correlation in performance, the Directors believe this will help balance the impact of this event from both a top line (gross written premium) and bottom line (technical account) perspective. Management has conducted a review of the Company's insurance portfolio risks with a deep dive analysis of potentially exposed subsegments. This analysis did not identify any segments of the portfolio that would be likely to represent a substantial challenge to the Company's business model sustainability. The Directors also believe that any material increases in claims activity would be partially offset through the Company's quota share and excess of loss reinsurance schemes.

The Directors anticipate that there may be some near- to mid-term impact on the Company's financial, liquidity and solvency positions from devaluations in its bond portfolio, reduced volumes of new business written and higher claims incurred in certain lines of business, as well as an increase in bad debt from companies experiencing liquidity issues. In addition, the business disruption may also cause a delay in the execution of the Part VII FSMA 2000 transfers, planned to be completed mid-2020. The Directors have performed a sensitivity test to assess the impact on the Company's resources including the following stresses:

- Asset shock equal to an immediate 10% reduction in the value of the Company's bond portfolio which broadly equates to a 1 to 2 notch downgrade in the average rating of the bonds held in the portfolio;
- A reduction in gross written premiums across all core lines of business equal to 50% (2020) and 25% (2021) versus the Company's business plan;
- An increase in claims incurred equal to 11% of the total business plan forecast over the next 12 months focused in the most at-risk sub-lines of business;
- A delay in the execution of the Part VII FSMA 2000 transfers until the end of 2020; and
- An increase in bad debt expense equal to 50% of premiums due over the next 6 months (there is an underlying assumption that the Company would eventually terminate its contractual relationship with any counterparty which failed to pay obligations when due).

The combined impact of the above stresses is considered to be an extreme stress representing a reverse stressing of the business up to the point at which the Company's SCR solvency ratio reduces to 100%. Under this extreme stress scenario, the Company's SCR solvency ratio at 31 December 2019 of 136% would initially decrease by about 19% to around 117% and then approach 100% by the end of 2020. This is before the impact of any Management actions to mitigate these effects. The continued reduction of the SCR solvency ratio through the end of 2020 is primarily the result of the emergence of the assumed 50% bad debt expense over the 6-month period. Upon returning to normal premium collection practices, the Company's SCR solvency ratio would gradually increase.

Given the maintenance of a 100% SCR solvency ratio after incorporating this stress scenario, it would indicate that the Company could continue to honour its obligations through an additional 1 in 200 event level stress.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Management has completed a detailed analysis of the impact of different scenarios on levels of the Company's production, incurred claims and bad debt. As of the date of this assessment, the Company has experienced or projects its near- to mid-term impacts to be:

Assumption	Experience / Projection	Stress Scenario
Reduction in bond portfolio valuation	Actual devaluation over Q1 2020 of ~3%	10%
Reduction in gross written premiums (vs. business plan)	5-10% over next 12 months	50% (2020) and 25% (2021)
Increase in incurred claims	~3.5% over next 12 months	11% over next 12 months
Delay in Part VII transfers	None	6 months
Increase in bad debt expense	Up to 4% over the next 6 months	50% over the next 6 months

It should be noted that about 50% of the Company's premiums are either written directly with the Company or through one of its affiliated distribution partners. Further, the Company's premium collections from UK based distribution partners are protected by the required use by these distribution partners of trust accounts through which premiums are deposited by policyholders and cannot be withdrawn by the distribution partner other than to make premium payments to the Company. Premium collected through the Company's unaffiliated UK based distribution partners represents a further two-thirds of remaining premiums.

The Directors believe the impact of the coronavirus pandemic on the Company may fall somewhere between these two projections; however, given the recent and quickly evolving nature of this event, its unknown length and ultimate scope, the Directors are currently unable to assess the potential long-term impact it may have on the Company's strategy or financial results.

Strategic Report (continued)

Section 172 statement

It is the duty of the Directors to protect the sustainability of the Company, as well as, the best interests of its various stakeholders. These stakeholders include:

- Policyholders;
- Coverholders;
- Regulators and other Government agencies;
- Suppliers;
- Employees;
- Communities and the environment in which the Company operates;
- Other AmTrust Group companies; and
- The ultimate shareholder, Evergreen Parent GP, LLC.

Therefore, in making key decision the Directors and Management review and challenge the potential impact of recommended actions to reach an agreed executable plan designed to balance the interests of all impacted parties.

In order to achieve this objective, the Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 by taking the following interests into consideration where applicable:

- ***Policyholders*** – delivering an insurance product designed to benefit the insured at a cost-effective premium by ensuring that both the Company and the coverholders who underwrite on the Company's behalf comply with all FCA mandated customer conduct rules. Other considerations with regard to policyholders include: maintaining high service standards for customer claims and complaints received and processed either through the Company's own employees or its service providers; setting appropriate liquidity and capital targets to ensure the Company remains in a position to honour all eligible claims as and when they fall due over the life of the policies; and facilitating a reasonable level of competition in the local marketplace to ensure prospective policyholders have access to adequate insurance coverage where required.
- ***Coverholders*** – sustaining a consistent suite of insurance products desired by the marketplace with competitive terms and conditions. Other considerations with regard to coverholders include offering a well-designed and managed delegated underwriting system and maintaining a reputation for high standard of business conduct.
- ***Regulators and other Government agencies*** – ensuring long-term sustainability of the Company through the adherence to proper stand-alone governance practices and conduct rules, maintenance of appropriate solvency and liquidity positions in accordance with the Solvency II Directive and compliance with all local regulations and tax requirements. In addition, facilitating a reasonable level of competition in the local marketplace to ensure prospective policyholders have access to adequate insurance coverage where required.
- ***Suppliers*** – establishing trading relationships on fair and reasonable terms based on local market norms and ensuring clear and timely communication of any relevant business changes which might impact the Company's trading relationship or ability to fully honour its commitments to them under these arrangements.
- ***Employees*** – the Directors consider the Company's employees to be one of their most important assets and actively work to solicit their input and consider their views and interests in all of the Company's decision making. This is achieved through:
    - Fostering a culture of openness and inclusivity where employees feel comfortable and are encouraged to share their insights and opinions on issues facing the Company;
    - Establishing various forums to share information with the employees and solicit their feedback and concerns. A few examples of this include the publication on the Company's intranet site of all policies, the Own Risk and Solvency Assessment ('ORSA') and Business Plan, as well as, conducting Town Hall Meetings hosted by the CEO on at least a quarterly basis where Management and employees can discuss the financial and business results and major issues facing the Company;
    - Conducting employee surveys. In 2019, the Company conducted its first employee survey to solicit feedback from all employees on an anonymous basis addressing specific topics such as the Company's culture, leadership and engagement and treatment of employees;
    - Conducting exit interviews for employees leaving the Company and sharing this feedback with Management. In 2020, a summary of this will also be shared with the Board; and
    - Human Resources regularly participating in the Company's Executive Committee Meetings and Board and Board Committee Meetings, where appropriate.

Strategic Report (continued)

Section 172 statement (continued)

In addition, the Company's employees are eligible to participate in an annual discretionary bonus programme. The determination of the amounts eligible to be distributed as part of this bonus programme (the 'Bonus Pool') has two components, business performance versus the approved business plan and performance of the Company against agreed goals during the period. The allocation of the Bonus Pool to each eligible individual employee is based on the employee's individual contribution towards achieving their goals. These individual employee goals are derived such that the employee contributes towards the Company achieving its overall goals.

- ***Communities and environment*** – ensuring the Company acts as a good corporate citizen within the communities it serves and offers products which promote environmentally conscious actions from its insureds.
- ***Other AmTrust Group companies*** – where the Company uses services from or provides services to other members of the AmTrust Group, establishing terms equivalent to those available to/from other similar suppliers in the local marketplace. In addition, when underwriting insurance policies or procuring services from either third parties or other AmTrust Group companies where the transaction results in additional benefits to the overall AmTrust Group, ensuring the transaction is not outside of the Company's agreed risk appetites.
- ***Ultimate shareholder*** – providing a long-term sustainable enterprise through which the AmTrust Group can grow in its targeted insurance markets while maintaining capital self-sufficiency and future dividend capabilities. In addition, maintaining the AmTrust Group's reputation for high standards of business conduct.

Approval

This report was approved on behalf of the Board.

A G Mas Murcia
Director

Date: 4 May 2020

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2019.

Directors

The current Directors of the Company are shown on page 1. Since 1 January 2019 until the date of this report, the following changes to the Board have occurred:

Name	Date of appointment
S A Garner	15 July 2019

Name	Date of resignation
G E Bennett	08 April 2019
R W Webster	30 September 2019

Going concern

The Company has considerable financial resources and a balanced book of business. After review of the key performance indicators, financial and solvency (as determined under the Solvency II regime) forecasts and budgets, and the key risks as outlined in note 6 to the Financial Statements, the Directors have a reasonable expectation that the Company has adequate resources available to continue in operational existence for the foreseeable future.

Management prepares a number of risk assessment documents which are reviewed by the Board and shared with the PRA as appropriate. These documents also consider the Company's responses to mitigate these risks. No significant shortfalls are currently considered to exist in the Company's governance and controls environment.

In addition, the Directors have considered the ability of the Company to withstand the inevitable stresses which will arise from the rapid global spread of the coronavirus (or COVID-19) pandemic on its capital and liquidity. These stresses considered the impact on the Company of both a projected reasonable stress, as well as reverse stressing the business up to the point at which the Company's SCR solvency ratio reduces to 100%.

The Directors have evaluated the results of the assessments conducted by Management, including stresses as described in the 'Principal risks and uncertainties' section of the Strategic Report, and believe that the going concern basis of preparing the Financial Statements is appropriate.

Dividends

No dividends were paid during the year (2018 - £Nil). The Directors do not recommend payment of a final dividend.

Political donations

The Company made no political donations during the year (2018 - £Nil).

Financial instruments

During the year the Company held financial instruments. Details about these are shown in notes 5 and 7 of the Financial Statements.

Branches outside the UK

The Company has a branch in Italy.

Report of the Directors (continued)

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that, as far as they are aware, there is no relevant audit information, being information required by the auditor in connection with their report, of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

In 2019, the Financial Reporting Council ('FRC') concluded a review of KPMG LLP's audit of the Financial Statements of the Company for the year ended 31 December 2018. The FRC assessed the audit work within the scope of their review as being of a good standard. They did not identity anything of sufficient significance to be included in their report.

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

A G Mas Murcia
Director

Date: 4 May 2020

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Report of the Directors and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of AmTrust Europe Limited

1. Our opinion is unmodified

We have audited the financial statements of AmTrust Europe Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 7 June 2016 prior to the company becoming a public interest entity. The period of total uninterrupted engagement is for the four financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent

Basis for opinion (cont.)

of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole	£3.1m (2018:£3.3 m) 0.72%of gross written premiums (2018: 0.66% of gross written premiums)	
Key audit matters		**vs 2018**
Event driven	Going concern - Impact of uncertainties due to COVID-19 on our audit	New
Recurring risks	Valuation of incurred but not reported (IBNR) Reserves	◄►
	Accuracy and Valuation of earnings on premiums from all lines of business with non-standard earning patterns	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Company's own preparation for Brexit, the relative significance of this matter on our audit work, including in relation to the valuation of incurred but not reported (IBNR) reserves and accuracy and valuation of earnings on premiums from all lines of business with non-standard earning patterns which remain as key audit matters, has reduced. Accordingly, we no longer consider this a key audit matter. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Going concern - Impact of uncertainties due to COVID-19 on our audit *Refer to page 8 and 9 (strategic report) and page 26 (basis of preparation).*	**Unprecedented levels of uncertainty** The financial statements explain how the directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the inherent risks to the Company's business model, and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The impact of COVID-19 is subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance. The primary risk that the Company faces is the risk that it may become insolvent and not able to meet the regulatory capital requirements thus resulting in the Company being unable to continue as a going concern. The key factors that we considered as most likely to adversely affect the Company's available financial resources over this period were: • A deterioration in the valuation of the Company's investments in corporate bonds; • Adverse loss experience; and • Increased default on insurance receivables There are also less predictable but realistic second order impacts such as a broader economic downturn caused by COVID-19, which could result in a longer period of, and more pronounced reduction in, available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the Company's ability to continue as a going concern. Had they been such, then it would be necessary to disclose that fact.	**Our procedures included:** — **Our COVID-19 Understanding:** We considered the Directors' assessment of the risks and impact of COVID-19 and compared these to our own understanding of the risks. — **Sensitivity analysis:** With the assistance of our actuarial specialists we evaluated the Company's financial forecasts and considered sensitivities over the level of available financial resources taking account of reasonably possible (but not unrealistic) adverse effects of COVID-19 that could arise over the period, individually and collectively. We considered the directors' stress testing of critical factors such as the deterioration in the valuation of the Company's investments in corporate bonds, adverse loss experience on the insured portfolio, and significant increases in default on insurance receivables. We also assessed management's plans and progress to ensure the continued operation of the business in the face of the disruption caused by COVID-19. Further, we evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Company's business would be covered by the stress tests that the directors had used in its COVID-19 assessment and those in the Company's Own Risk and Solvency Assessment. — **Assessing transparency:** We critically assessed the completeness and accuracy of the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the assumptions in the severe but plausible downside scenario performed in making this assessment. **Our results** We found the going concern disclosures and basis of preparation without any material uncertainty to be acceptable.

2. Key audit matters: including our assessment of risks of material misstatement (cont.)

	The risk	Our response
Valuation of incurred but not reported (IBNR) Reserves (Gross Claims Outstanding, including IBNR, £911.9m; 2018: £910.0m) *Refer to pages 27 and 28 (note 3 - accounting policy) and page 57 (note 24 – Claims outstanding).*	**Subjective valuation:** Gross outstanding claims represent the largest liability for the Company. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Key assumptions and inputs into the reserving process generally include current year loss ratios, large loss movements and allowance for recent experience. Certain areas of the insurance reserves balance contain greater uncertainty, particularly those relating to the Medical Malpractice and the Commercial and Personal After the Event ('ATE') classes of business. In addition to the long tail nature of the business, the Medical Malpractice class has a market history of poor practice and improper claims resulting in high loss ratios in the wider market which make this a particularly subjective class of business to reserve for. As for the Commercial and Personal ATE business, this class uses different methods of reserving from other classes due to the non-standard nature of the business within the class. Additionally, management applies a risk margin over actuarial best estimates commensurate to the estimation uncertainty within the reserving process. The application of margin is judgemental and subject to potential management bias. The effect of these matters is that, as part of our risk assessment, we determined that gross IBNR reserves has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 6) disclose the sensitivity estimated by the Company.	Our controls procedures included: — **Control design and observation:** With the support of our IT specialists, we tested the design, and implementation of key controls over the claims handling and reserving processes. This also included key controls over actuarial data inputs into the reserving process, peer review of actuarial/reserving output and review of booked reserves against ultimate loss ratios ("ULR") as approved by the Reserving Committee. With the involvement of our actuarial specialists, our substantive approach focused on: — **Independent re-performance:** We performed independent re-projections of certain classes of business, particularly the Medical Malpractice, ATE, Professional Indemnity, Structural Defects, Liability and other major classes of business and compared these with management estimates to assess their reasonableness. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures. Our re-projections covered 99% of gross claims outstanding (IBNR and case reserves). For those classes of business where the perceived risk of misstatement was lower, we carried out other procedures such as data and actuarial diagnostics. — **Challenging methodology and assumptions:** We assessed and challenged management's methodology and assumptions, such as current year loss ratios, large loss movements and allowance for recent experience, in the valuation of gross outstanding claims including claims IBNR by performing procedures such as benchmarking management's methodology to those used by other similar insurers and assessing sensitivity to key assumptions. We assessed reserving strength, in particular the level of margin held to manage uncertainties for appropriateness and consistency with prior years with reference to our independently determined reasonable range and our professional judgement. In addition to the above, we also performed the following procedures: — **Test of details:** Our substantive procedures involved testing the completeness of the data used by our actuaries and vouching a sample of claims data back to supporting documentation as these form the inputs used by our actuaries in their claims IBNR work above. — **Assessing transparency:** We assessed the appropriateness of the accounting policy and disclosures relating to technical provisions – gross claims outstanding including gross claims incurred but not reported. **Our Results** We found the valuation of incurred but not reported (IBNR) Reserves to be acceptable. (2018 result: acceptable)

2. Key audit matters: including our assessment of risks of material misstatement (cont.)

	The risk	Our response
Accuracy and Valuation of earnings on premiums from all lines of business with non-standard earning patterns (Earned premiums, net of reinsurance, including the earnings on premiums from all lines of business with non-standard earning patterns, £284.0m; 2018: £291.5m); *Refer to page 27 (note 3 - accounting policy).*	**Subjective valuation:** In the context of earned premium this risk can arise through the application of earnings patterns in order to determine the extent of the written premium that should be deferred to future periods. The selection of earning patterns is judgemental as it represents management's assessment of the likely pattern of loss emergence. The diversity of business classes and nature of exposures underwritten by the Company makes this particularly subjective. In particular, this includes classes such as After-the-Event ("ATE"), Structural Defects, Gap insurance and Mortgage where the premiums are not earned linearly over the policy period. We define "non-standard earning patterns" as earning patterns other than those earning linearly over policy periods. Due to the application of estimates in relation to cancelled, settled or lapsed policies on ATE business we considered Accuracy of ATE premiums to be part of the key audit matter. The effect of these matters is that, as part of our risk assessment, we determined that earned premiums and unearned premium reserve for non-standard lines of business has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our control procedures included: — **Control design and observation**: We tested the design and implementation of key controls within the underwriting processes including controls around the accuracy of data input into the policy systems and review and approval of assumptions that impact premium earnings (including setting of lapse provision rates used in the ATE calculations and selection of earning patterns). With the involvement of our actuarial specialists, our substantive approach focused on: — **Evaluation of earnings patterns:** We assessed the reasonableness of the earnings profile selected for the ATE, Structural Defects, Gap insurance and Mortgage classes of business. Our procedures included assessing whether the selected earning patterns are reasonable given the pattern of incidence of risk. — **Historical comparisons:** We assessed the appropriateness of the application of assumptions over the estimate of cancelled, settled or lapsed policies in relation to ATE policies as compared to the entity' own experience. In addition, we also performed the following procedures: — **Reperformance:** We recalculated 100% of the unearned premium reserves using a combination of data and analytical procedures and manual recalculations to assess the accuracy of the unearned premiums reserves. — **Test of details:** Our substantive procedures in verifying attributes relevant to the earning of premiums and unearned premiums re-calculation noted above involved vouching a sample of written premiums to bank statements, information from brokers and policy documentation. — **Assessing transparency:** We assessed the appropriateness of the accounting policy and disclosures relating to accuracy and valuation of premiums from all lines of business with non-standard earning patterns. **Our results** We found the accuracy and valuation of earned premiums from all lines of business with non-standard earning patterns to be acceptable. (2018 result: acceptable)

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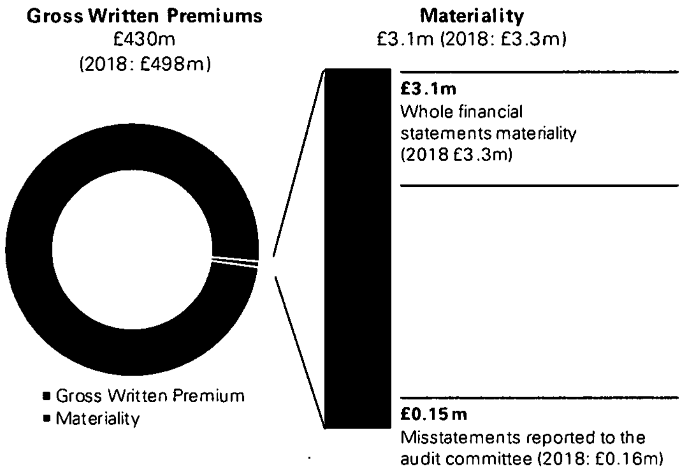
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £3.1 million (2018: £3.3 million). determined with reference to a benchmark of total Gross Written Premiums (2018: benchmark of Gross Written Premiums) of which it represents 0.72% (2018: 0.66%).

We consider gross written premium to be the most appropriate benchmark as it provides a more stable measure year on year than profit before tax and is a key focus and metric of the Company, the directors, the shareholders and other users of the Company's financial statements.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.15 million (2018: £0.16 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed primarily at the Company's head office in Nottingham, United Kingdom and in its branch in Milan, Italy.



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements;

We have nothing to report in these respects.

5. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the Company; or

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 14, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and regulatory capital and liquidity legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the company's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR legislation, anti-bribery, corruption and fraud, employment law, money laundering and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Priest

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
04 May 2020

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Income Statement
For the year ended 31 December 2019

Technical account – general business	Note	2019 £'000	2018 £'000
Gross written premiums	8	426,233	497,642
Outward reinsurance premiums	8	(120,202)	(152,553)
Net written premiums		306,031	345,089
Change in the gross provision for unearned premiums	25	(31,990)	(44,599)
Change in the provision for unearned premiums, reinsurers' share	25	9,977	(8,954)
Change in net provision for unearned premiums		(22,013)	(53,553)
Earned premiums, net of reinsurance		**284,018**	**291,536**
Claims paid			
- gross amount	24	338,055	299,473
- reinsurers' share	24	(194,699)	(200,182)
Net claims paid		**143,356**	**99,291**
Change in the provision for outstanding claims:			
- gross amount	24	6,390	21,675
- reinsurers' share	24	52,590	52,846
Change in net provision for claims		**58,980**	**74,521**
Claims incurred, net of reinsurance		**202,336**	**173,812**
Net operating expenses	10	117,697	125,579
Total technical charges		**320,033**	**299,391**
Balance on the technical account for general business		**(36,015)**	**(7,855)**

All technical income and expenditure relates to the continuing activities of the Company.

Non-Technical account – general business	Note	2019 £'000	2018 £'000
Balance on the general business technical account		**(36,015)**	**(7,855)**
Interest income		11,614	6,697
Rental income/(expense)		639	(625)
Realised gains on sale of investments		9,271	1,308
Unrealised gains/(losses) on investments		1,597	(5,509)
Interest expenses and charges		(3,895)	(802)
Unrealised losses on subsidiary undertakings		(35,201)	(20,240)
Realised gains on disposal of subsidiary undertakings		5,631	-
Revaluation gains/(losses) on investment property		339	(1,187)
Revaluation losses on tangible assets		(604)	(433)
Dividend income from subsidiary undertakings		29,614	32,494
Other income		239	262
(Loss)/profit on ordinary activities before tax		**(16,771)**	**4,110**
Tax on (loss)/profit on ordinary activities	13	(3,466)	(4,064)
Retained (loss)/profit for the year		**(20,237)**	**46**

The notes on pages 25 to 58 form part of these Financial Statements.

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
(Loss)/profit for the financial year		(20,237)	46
Currency translation differences on foreign currency net investments		(8,607)	(767)
Total comprehensive loss for the year		**(28,844)**	**(721)**

The notes on pages 25 to 58 form part of these Financial Statements.

Statement of Financial Position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Investments			
Investment property	15	7,756	7,417
Investments in subsidiary undertakings	16	58,303	119,384
Other financial investments	17	485,539	442,094
		551,598	**568,895**
Reinsurers' share of technical provisions			
Provision for unearned premiums	25	144,459	133,370
Claims outstanding	24	561,295	603,839
		705,754	**737,209**
Debtors			
Debtors arising out of direct insurance operations	18	280,487	302,086
Other debtors	19	19,384	10,672
Amounts owed by group undertakings	21	113,627	115,409
		413,498	**428,167**
Other assets			
Tangible assets	14	3,214	4,084
Cash at bank and in hand		57,683	62,203
		60,897	**66,287**
Prepayments and accrued income			
Deferred acquisition costs	20	91,664	93,275
Prepayments		45,442	38,561
		137,106	**131,836**
Total assets		**1,868,853**	**1,932,394**
Liabilities			
Capital and reserves			
Called up share capital	22	75,044	75,044
Share premium account	23	11,642	11,642
Share based payment reserve	23	-	-
Retained earnings		264,359	293,203
Total shareholder's funds		**351,045**	**379,889**
Technical provisions – gross amount			
Provision for unearned premiums	25	421,239	384,271
Claims outstanding	24	911,908	910,066
		1,333,147	**1,294,337**
Creditors			
Creditors arising out of direct insurance operations	26	101,331	106,805
Other creditors including taxation and social security	27	38,434	43,280
Amounts owed by group undertakings		22,971	84,766
		162,736	**234,851**
Accruals and deferred income	28	**21,925**	**23,317**
Total liabilities		**1,517,808**	**1,552,505**
Total equity and liabilities		**1,868,853**	**1,932,394**

The notes on pages 25 to 58 form part of these Financial Statements. The Financial Statements were approved by the Board and authorised for issue on 4 May 2020.

On behalf of the Board

A G Mas Murcia, **Director** - **Registered company number 01229676**

Statement of Changes in Equity
For the year ended 31 December 2019

	Called-up share capital £'000	Share premium reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Shareholder's funds £'000
Balance as at 1 January 2019	75,044	11,642	-	293,203	379,889
Loss for the year	-	-	-	(20,237)	(20,237)
Other comprehensive income for the year	-	-	-	(8,607)	(8,607)
Total comprehensive income for the year	**-**	**-**	**-**	**(28,844)**	**(28,844)**
Movement on employee share scheme	-	-	-	-	-
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2019	**75,044**	**11,642**	**-**	**264,359**	**351,045**

For the year ended 31 December 2018

	Called-up share capital £'000	Share premium reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Shareholder's funds £'000
Balance as at 1 January 2018	75,044	11,642	111	293,924	380,721
Profit for the year	-	-	-	46	46
Other comprehensive income for the year	-	-	-	(767)	(767)
Total comprehensive income for the year	**-**	**-**	**-**	**(721)**	**(721)**
Movement on employee share scheme	-	-	(111)	-	(111)
Total transactions with owners, recognised directly in equity	**-**	**-**	**(111)**	**-**	**(111)**
Balance as at 31 December 2018	**75,044**	**11,642**	**-**	**293,203**	**379,889**

The notes on pages 25 to 58 form part of these Financial Statements.

Notes to the Financial Statements

1 General information

The Company transacts general insurance business in the UK and through a branch in Italy. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Market Square House, St James's Street, Nottingham, NG1 6FG.

2 Basis of preparation

These Financial Statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standards 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103'), and in compliance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulation 2008 ('SI 2008/410') relating to insurance companies and other requirements of the Companies Act 2006.

The Financial Statements have been prepared on the going concern basis under the historical cost accounting rules except for certain assets carried at market value as referenced in the principal accounting policies as permitted by FRS 102, see note 15.

The Company has adopted Amendments to FRS 102 – Triennial Review 2017 in these Financial Statements effective 1 January 2019. These did not impact the Company.

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Exemption from preparing group consolidated financial statements

The Company availed itself of the exemption under Section 401 of the Companies Act 2006 from preparing group consolidated financial statements on the grounds that it is a wholly owned subsidiary. The Company and its subsidiaries are included in the consolidated financial statements of its intermediary parent company, AIIL (incorporated in Bermuda). The consolidated financial statements of AIIL are publicly available from its registered address (see Note 31).

These Financial Statements therefore present information about the Company as an individual undertaking and not about its group.

b) Exemption from preparing a cash flow statement

The Company has taken advantage of the exemption under FRS 102, paragraph 1.12(b), from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary, whose intermediate parent company AIIL (incorporated in Bermuda) prepares a group consolidated cash flow statement in its group consolidated financial statements, that are publicly available.

c) Exemption from disclosing related party transactions

As the Company is a wholly owned subsidiary, it has taken advantage of the exemption contained in FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are wholly owned within the Evergreen Parent GP LLC group.

d) Use of judgements and estimates

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements have been disclosed as appropriate in note 5 and in the risk disclosures in note 6. The most significant areas of uncertainty within the accounts relate to judgements related to insurance risk and the estimations involved in calculating the earned premiums (including pipeline premiums), lapse provisions, technical provisions, taxation premiums, valuation of investments in subsidiary undertakings and fair values and impairments of financial instruments.

Notes to the Financial Statements (continued)

2 Basis of preparation (continued)

e) Going concern

The Company has considerable financial resources and a balanced book of business. After review of the key performance indicators, financial and solvency (as determined under the Solvency II regime) forecasts and budgets, and the key risks as outlined in note 6 to the Financial Statements, the Directors have a reasonable expectation that the Company has adequate resources available to continue in operational existence for the foreseeable future.

Management prepares a number of risk assessment documents which are reviewed by the Board and shared with the PRA as appropriate. These documents also consider the Company's responses to mitigate these risks. No significant shortfalls are currently considered to exist in the Company's governance and controls environment.

In addition, the Directors have considered the ability of the Company to withstand the inevitable stresses which will arise from the rapid global spread of the coronavirus (or COVID-19) pandemic on its capital and liquidity. These stresses considered the impact on the Company of both a projected reasonable stress, as well as reverse stressing the business up to the point at which the Company's SCR solvency ratio reduces to 100%.

The Directors have evaluated the results of the assessments conducted by Management, including stresses as described in the 'Principal risks and uncertainties' section of the Strategic Report, and believe that the going concern basis of preparing the Financial Statements is appropriate.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

3.1 Basis of accounting for underwriting activities

All classes of business written are accounted for on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance.

3.2 Gross written premiums

Gross written premiums comprise the premiums on contracts entered into in the financial period plus adjustments to premiums and premiums invoiced in the period relating to contracts entered into in prior periods but which had not previously been reflected in written premiums. Estimates are included of pipeline premiums due but not yet notified to the Company.

Gross written premiums are stated gross of commissions payable to intermediaries, except where policies are issued to the intermediary on a wholesale basis and the intermediary is responsible for setting the ultimate amount charged to the insured without reference to the insurer. In such cases, gross written premiums are stated net of commissions payable to intermediaries. In both cases, gross written premiums are stated exclusive of taxes and duties levied on premiums.

Outward reinsurance premiums are accounted for as written in the same accounting period as the premiums for the related direct or inwards reinsurance business.

3.3 Claims incurred

Claims incurred consist of the estimated cost of all losses occurring and paid during the period and changes in the provisions for outstanding claims, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.4 Technical provisions

The technical provisions carried forward at the end of the period comprise:

i) Unearned premium reserve

Unearned premiums represent the proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date.

Premium is recognised as earned over the contract period. The earned element is calculated on a basis where the premium is apportioned over the period of risk.

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts and reflects the likelihood of when claims arise across the classes of business. This more closely aligns the earning of premium with the basis of reserving claims.

The proportion of premiums written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premiums. The change in this reserve is taken to the Income Statement as revenue is recognised over the period of risk.

Outward quota share reinsurance premiums follow the same basis. Outward excess of loss reinsurance premiums on policies purchased on a 'risks attaching during' basis are earned over the same accounting period as the written premiums attaching to the contract for the related direct or inwards reinsurance business. Outward excess of loss reinsurance premiums on policies purchased on a 'loss occurring during' basis are earned over the period of coverage of these reinsurance contracts.

ii) Claims outstanding

Provision is made at the year end, on the basis of best available information, for the following estimates:

- The cost of claims notified to the Company but not settled at the end of the period on an individual case basis. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the evidence available, and are updated to reflect any changes in circumstances as they become known. Salvage and other similar recoveries are brought to account as and when received.
- The estimated cost of claims incurred before the end of the period but either not reported to the Company (incurred but not reported 'IBNR') or not enough reported to the Company (incurred but not enough reported 'IBNER'). The estimation of the cost of these claims is based upon various techniques using a blend of past claims development experience (or benchmarks) and initial loss ratio expectations which are used to estimate the ultimate cost of the claims. The estimation techniques used take into account the level of business and the nature of the policies underwritten by the Company. See note 5 for further details.
- Provision is made for the estimated cost of managing claims incurred before the end of the period. This is based on the administrative cost of managing each claim, the number of claims outstanding and the amount of claims outstanding at the end of the financial period.
- Reinsurance recoveries of claims outstanding are recognised separately on the Statement of Financial Position on the basis of the reinsurance contract terms concerned.
- An additional margin is held as a provision above the actuarial best estimate against the uncertainty in the estimation process. This is calculated as a proportion of the case reserves and IBNR and IBNER with the proportion judgmentally being selected based on the uncertainty within each class of business.
- Large claims are identified and reserved for separately.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.4 Technical provisions (continued)

The provision for claims outstanding is based on information available at the Statement of Financial Position date. Delays are experienced in the notification and settlement of claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the Statement of Financial Position date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. The Company underwrites some classes of business in which the emergence and development of claims is slower than average, and the estimation of the provision required for these classes is accordingly more uncertain. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business in the period in which the claim is settled or a revised estimate of the cost of the settlement made. Further details of the use of judgements and estimates in the valuation of Technical Provisions is described on page 35.

iii) Unexpired risks provision

Provisions are made for any deficiencies arising when incurred premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated based on information available at the Statement of Financial Position date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises

3.5 Acquisition costs

Acquisition costs are comprised of commission payable to third parties, including related parties. They are incurred on the same basis as the earned premiums they relate to.

Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premiums provision. They are amortised over the period in which the related premiums are earned.

An equivalent approach is adopted to reinsurance commission receivable.

3.6 Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts.

Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the Income Statement, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Income Statement as 'Outward reinsurance premiums' over the relevant risk period.

Assets created by reinsurance transactions are measured on a basis consistent with the related reinsured liability, subject to any allowance for impairment.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.7 Investments in subsidiary undertakings and participating interests

Investments in subsidiary undertakings are stated at fair value based upon the Directors' valuation with any changes in fair value recognised in the Income Statement.

Investments in associates and participating interests are stated at cost less impairment with any changes recognised in the Income Statement.

Further details of the use of judgements and estimates in the valuation of investments of subsidiary undertakings and participating interests are given on page 35.

3.8 Investment property

The Company owns land and buildings which are part owner occupied and part held as investment property. The Company has elected to carry the investment property at fair value. Full valuation of the investment property is carried out on an annual basis by independent professionally qualified valuers. The aggregate surplus or deficit on revaluation of the investment property is taken to the non-technical account.

3.9 Tangible assets

i) Land and buildings

The Company has elected to carry the owner-occupied element of land and buildings at fair value less depreciation as is permitted under FRS 102. Full valuations are made by independent, professionally qualified valuers on an annual basis.

If the carrying value is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in the revaluation reserve within equity. However, the increase is recognised in the non-technical account to the extent that it reverses a revaluation decrease previously recognised in the non-technical account.

A decrease of the carrying amount as a result of a revaluation is recognised in other comprehensive income to the extent that it reverses any previously recognised revaluation increase accumulated in the revaluation reserve within equity. If a revaluation decrease exceeds the accumulated revaluation gains in the revaluation reserve in respect of that asset the excess is recognised in the non-technical account.

ii) Other tangible assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

iii) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated useful lives, which are as follows:

Computer equipment and software	-	25% - 33⅓% per annum
Fixtures, fittings and office equipment	-	25% per annum
Freehold property	-	Over 40 years

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.9 Tangible assets (continued)

iv) Impairment

The Company assesses at each reporting date if there is any indication that a tangible asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of impairment. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is lower than its carrying value, then an impairment loss has occurred and. the asset is reduced to its recoverable amount with the difference (i.e. the impairment amount being charged to the non-technical account).

3.10 Taxation

Tax on ordinary activities comprises current and deferred tax.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the Statement of Financial Position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and substantially enacted tax law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

3.11 Financial instruments – financial assets

In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of IAS 39, 'Financial Instruments: Recognition and Measurement'.

The Company classifies its financial assets into the following category: Investments in corporate and government bonds at fair value through the Income Statement. All other financial assets are carried at amortised cost.

The Company determines the classification of its financial assets on initial recognition.

Purchases and sales of investments are recognised on the trade date, which is the date the Company commits to purchase or sell the asset.

i) Fair value through the Income Statement

The Company elects to carry its investments at fair value through the Income Statement at inception if doing so results in more relevant information. 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. The fair values of these financial instruments are based on quoted bid prices as at the Statement of Financial Position date.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.11 Financial instruments – financial assets (continued)

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

When these assets are recognised initially, they are valued at the transaction price. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Receivables arising from insurance contracts are included in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the Directors as being appropriately prudent having regard to the likely realisable value.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Company in the management of its short term commitments. They are carried at amortised cost in the Statement of Financial Position. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

iv) Impairment of financial assets

For financial assets not carried at fair value through the Income Statement, the Company assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that may be incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement for the period. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the Income Statement for the period.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.12 Financial instruments – financial liabilities

Financial liabilities are recognised when contractual commitments arise.

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

3.13 Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.14 Investment return

Interest income is recognised on an accruals basis. Realised gains and losses on investments carried at fair value through the Income Statement are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the Statement of Financial Position date and their purchase price or their fair value at the last Statement of Financial Position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

3.15 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the Company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy.

Liabilities under such agreements are initially included in the Statement of Financial Position at the present value of the minimum lease payments. Subsequently minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases (after taking into account incentives received from the lessor) are charged to the non-technical account on a straight-line basis over the term of the lease.

3.16 Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

3.17 Share based payments

During 2018 all outstanding share-based payments were transferred to AmTrust Management Services Limited as the employing entity of all relevant employees.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.18 Foreign currency translation

The Company's Financial Statements are presented in Pounds Sterling, rounded to thousands, which is the Company's functional currency. The Company operates a branch in Italy which has a Euro functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the respective historic rates applicable to each such asset or liability.

In accordance with FRS 103, unearned premium reserve and deferred acquisition costs are treated as monetary assets for this purpose.

All differences are taken to the Income Statement.

The results and financial position of the Italian branch are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the Statement of Financial Position date;
- income and expenses are translated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised in other comprehensive income.

4 Part VII transfer in

As part of the AmTrust Group's Brexit strategy, the Company acquired the UK mortgage insurance business of AMT Mortgage Insurance Limited ('AMIL'), a wholly owned subsidiary or the Company, on 1 July 2019 pursuant to a Part VII FSMA 2000 transfer. The assets and liabilities of the business acquired were transferred to the Company at book cost using the merger accounting method, from the date of the transfer and only recognising the profits of the acquired business from the date of transfer.

The book values of the assets and liabilities transferred into the Company were:

	£'000
Provision for unearned premiums, reinsurers' share	1,175
Claims outstanding, reinsurers' share	5
Debtors arising out of direct insurance operations	29
Other debtors	293
Total assets	**1,502**
Provision for unearned premiums, gross	3,266
Claims outstanding, gross	17
Creditors arising out of direct insurance operations	172
Other creditors including taxation and social security	38
Accruals and deferred income	113
Total liabilities	**3,606**
Net liabilities transferred	**(2,104)**

Following the Part VII FSMA 2000 transfer and as at 31 December 2019, the Company has recognised a receivable from AMIL of £2,104,000.

Notes to the Financial Statements (continued)

5 Use of judgements and estimates

In preparing these Financial Statements, the Directors have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the amounts reported in the Statement of Financial Position and the Income Statement.

Discretionary judgement and estimates are of significance for the following items in particular:

Significant judgements	Note
Insurance risk	5.1

Significant accounting estimates	Note
Earned premiums	5.2
Lapse provision	5.3
Technical provisions	5.4
Taxation provisions	5.5
Valuation of investments in subsidiary undertakings	5.6
Fair values and impairments of financial instruments	5.7

5.1 Insurance risk

Insurance contracts are those contracts that transfer significant insurance risk (i.e. an insured event could cause the insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance). The Company considers that all of the contracts it underwrites carry insurance, rather than financial risk.

5.2 Earned premium

Premiums are earned over the period of risk. The profile of the risk is estimated over the coverage period of the contract. Premiums are usually earned on a time apportioned basis, however for certain classes of business premiums are earned based on claims development experience reflecting the seasonal nature of these classes. This latter approach is inherently more judgmental and therefore requires consideration of claims curves relating to the associated business.

As part of the review of the Company's earnings patterns in 2019, the earnings patterns were extended on the following legal expenses ATE classes: personal from 21 months to 72 months and commercial and funded from 21 months to 48 months to better reflect overall claims development experience. No adjustments were deemed necessary on the other classes of business.

Estimates are included for pipeline premiums due but not yet notified to the Company. These estimates are provided by underwriters and monitored on a frequent and ongoing basis.

5.3 Lapse provisions

The lapse provision includes estimates for lapse rates and loss ratios based upon all available historical information. These are reviewed regularly by Management. A lapse provision is required for legal expenses ATE policies which the Company estimates will not be successful in court and therefore no premiums will be collected.

Notes to the Financial Statements (continued)

5 Use of judgements and estimates (continued)

5.4 Technical provisions

In insurance and reinsurance, the use of estimates for measuring technical provisions is of substantial significance, given that measurement is based on models and the development of future cash flows from insurance contracts cannot be conclusively predicted. Judgement and estimates based on Management's knowledge of the business can be an important factor.

The Company's processes are geared to determining amounts as accurately as possible, taking into account all relevant known information, specifically linked to the line of business underwritten. Available factual information and Management's knowledge of the items concerned are the bases for determining accurate estimates at the reporting date. Estimates may have to be adjusted in the course of time to take into account new knowledge.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Further details are included in note 8.

5.5 Taxation provisions

Tax on ordinary activities comprises current and deferred tax.

i) ***Current tax***

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) ***Deferred taxation***

Deferred taxation is provided in full on timing differences which result in an obligation at the Statement of Financial Position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and substantially enacted tax law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

The current tax charge includes a proposed settlement provision relating to an open tax enquiry for the Company's Italian Branch based on advice from external third-party advisers. It is anticipated that a settlement will be agreed during the first half year of 2020 although the operational impact of COVID-19 may delay the ongoing discussions.

5.6 Valuation of investments in subsidiary undertakings and participating interests

Investments in subsidiaries are initially recognised at fair value on the date at which the Company obtains control of the subsidiary. Investments in participating interests are initially recognised at fair value. Fair value is inherently volatile and therefore a high level of judgement is used in arriving at the valuations within the Financial Statements. Management use a combination of the underlying net assets and where relevant, recent purchase prices, to arrive at appropriate fair values for each entity. The Company monitors the underlying risk appetites of all subsidiaries to ensure volatility is kept to a minimum. The Directors continue to assess the performance of subsidiary undertakings, associates and participating interests to ensure fair values are based on the most recent financial information.

The Company's processes are geared to determining amounts as accurately as possible, taking into account all relevant known information, specifically linked to the line of business underwritten. Available factual information and Management's knowledge of the items concerned are the bases for determining accurate estimates at the reporting date. Estimates may have to be adjusted in the course of time to take into account new knowledge.

5.7 Fair values and impairments of financial instruments

Judgements and estimates in relation to financial instruments are outlined in note 7.

Notes to the Financial Statements (continued)

6 Management of risk

6.1 Management of insurance risk

The predominant risk to which the Company is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be sub-categorised into underwriting and reserving risk.

6.1.1 Underwriting risk

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

The Company underwrites a range of insurance risks within a number of different classes of business. Within each class the features of the insurance risk to which the Company is exposed differ in terms of frequency and severity. The Company monitors the performance of each class of business and that information is used to drive pricing strategies for new and renewal business.

Management monitors risk primarily on a class basis as this is believed to be the key driver for concentration of risk. However, the performance of individual schemes and programmes within each class is also monitored. Corrective action is taken if a particular scheme or programme is not performing as expected.

The Company ensures that the underwritten risks are well diversified in terms of type and amount of risk and geography. Furthermore, underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

The Actuarial Pricing team reviews new business to determine that rates are adequate. Within underwriting teams, a peer review also takes place. The Company uses a suite of Key Risk Indicators ('KRIs') to monitor its exposure to underwriting risks that are evaluated each quarter. Furthermore, underwriting performance is monitored against risk appetites in terms of volume of written premium, underwriting profit and concentration via the KRI reporting process. 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.

The Company also uses reinsurance with external providers to mitigate underwriting risk. This takes the form of a whole account quota share agreement on all business written by the Company (excluding mortgage and credit), as well as, quota share (including mortgage and credit) and excess of loss contracts on individual classes of business. The whole account quota share agreement with AIIL was terminated with effect from 30 June 2019.

6.1.2 Reserving risk

Reserving risk is the risk that estimates in respect of insurance claims are ultimately insufficient to fully settle those claims and associated expenses.

The Company has specialised claims teams in place to manage claims and monitor risks on an on-going basis to ensure decisions are based on accurate up to date information.

i) Sources of uncertainty in the estimation of future claim payments

The Company has employed techniques and assumptions that Management believe are appropriate for estimating the insurance liabilities. However, the results of these techniques are subject to inherent model and parameter uncertainty and it should be recognised that future claim emergence is likely to deviate, perhaps materially, from actuarial estimates. The estimates are subject to uncertainty from various sources, including but not limited to, changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and general economic conditions. This uncertainty stems from several factors including lack of historical data, uncertainty over events yet to occur, uncertainty with regard to claim costs, coverage interpretations and the judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. Therefore, it is certain that actual future losses will not develop exactly as projected and may vary from Management's projections. Further, the projections make no provisions for extraordinary future emergence of new types of claims not sufficiently represented in the historical data or that are not yet quantifiable, except where claims of these types are included in the reported claims and are implicitly analysed.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.1.2 Reserving risk (continued)

The uncertainty in the estimates for the Company is increased due to:

- Some risks being written on a claims occurrence basis possibly resulting in significant delays in claims being reported;
- The small size of some classes;
- Significant changes in the mix of business within some classes;
- Lack of development history and hence reliance on benchmarks for some classes;
- Increased reserving uncertainty on long-tailed classes which may be subject to limited development history. Losses reported by companies underwriting similar long-tailed classes have been particularly volatile increasing the uncertainty in the actuarial best estimates of claims for these classes;
- Uncertainty over the losses on remaining unearned exposures, particularly for the classes earning over extended periods; and
- Uncertainty over the number and magnitude of potential large losses on long-tailed business.

ii) Process used to decide on assumptions

The Company uses assumptions based on a mixture of internal historical data and market benchmarks to estimate its claims liabilities. The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual years or groups of years within the same class of business.

In addition to the market and risk specific data which the actuarial function uses, information is also gathered from discussions with other business functions (Underwriting, Claims, Reinsurance and Finance). Judgement is also applied before finalising the selected assumptions.

iii) Change of assumptions

The Company continually assesses the methods and assumptions used in developing its claims liabilities to ensure it is using the most appropriate approach for each class of business underwritten. During 2019 no significant changes to methodology were made but in accordance with the Company's normal practices, actuarial assumptions were updated in the light of the emerging experience.

iv) Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed in the accounts to potential movements in the assumptions applied within the technical provisions. Given the nature of the business underwritten by the Company, the approach to calculating the technical provisions for each class can vary and as a result the sensitivity performed is to apply a beneficial and adverse risk margin to the total insurance liability. Management deem a range of +/-2.5% and +/-5.0% to be reasonable in showing sensitivities in insurance liabilities based on the ultimate cost of settling gross claims.

General insurance business sensitivities as at 31 December 2019

	Risk margin			
	+2.5%	**-2.5%**	**+5.0%**	**-5.0%**
	£'000	**£'000**	**£'000**	**£'000**
Claims outstanding - gross of reinsurance	22,798	(22,798)	45,595	(45,595)
Claims outstanding - net of reinsurance	8,765	(8,765)	17,531	(17,531)
Impact on shareholder's funds	(171)	171	(342)	342
Impact on profit (movement in year)	(171)	171	(342)	342

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.1.2 Reserving risk (continued)

General insurance business sensitivities as at 31 December 2018

	Risk margin			
	+2.5%	-2.5%	+5.0%	-5.0%
	£'000	£'000	£'000	£'000
Claims outstanding - gross of reinsurance	22,752	(22,752)	45,503	(45,503)
Claims outstanding - net of reinsurance	7,656	(7,656)	15,311	(15,311)
Impact on shareholder's funds	(149)	149	(299)	299
Impact on profit (movement in year)	(149)	149	(299)	299

v) Claims development tables

The tables below present the development of claims payments and the estimated cost of claims for underwriting years 2010 to 2019. The tables below reflect the effect of each underwriting year's business being earned over its first 2-3 years of development.

Gross estimated earned ultimate claims including IBNR

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claims costs	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At end of reporting year	50,234	61,256	76,200	91,926	94,255	97,700	107,668	107,375	116,396	138,665	
One year later	134,691	196,544	209,203	210,990	215,856	286,190	258,872	260,903	222,470		
Two years later	160,403	217,486	219,117	231,504	246,460	314,536	288,630	275,850			
Three years later	168,729	215,959	241,397	275,515	255,981	320,481	300,447				
Four years later	163,990	228,165	261,184	276,057	253,687	302,608					
Five years later	165,486	252,997	270,436	282,403	249,009						
Six years later	187,997	265,254	273,507	287,385							
Seven years later	194,868	277,775	276,591								
Eight years later	199,742	280,878									
Nine years later	198,751										
Current estimate of cumulative claims	198,751	280,878	276,591	287,385	249,009	302,608	300,447	275,850	222,470	138,665	2,532,655
Cumulative payments to date	178,691	206,205	211,687	209,497	189,748	193,241	150,876	126,279	110,721	48,550	1,625,493
Liability recognised in the Statement of Financial Position	20,061	74,673	64,904	77,889	59,261	109,367	149,572	149,571	111,749	90,115	907,162
Provision in respect of prior years											4,746
Gross claims reserve											911,908

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.1.2 Reserving risk (continued)

Net estimated earned ultimate claims including IBNR

Estimate of ultimate claims costs	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	Total £m
At end of reporting year	9,138	13,349	16,417	21,179	23,556	25,409	31,838	47,027	74,041	100,508	
One year later	26,634	40,573	44,523	49,690	53,682	71,176	82,831	126,237	147,527		
Two years later	30,471	45,041	48,317	55,101	61,157	76,946	84,075	139,249			
Three years later	32,134	46,327	53,194	65,630	63,668	77,812	103,998				
Four years later	32,190	49,738	57,659	65,249	63,743	76,718					
Five years later	32,210	54,780	59,848	66,723	63,658						
Six years later	37,066	57,652	56,988	67,853							
Seven years later	37,646	59,683	60,905								
Eight years later	33,461	61,583									
Nine years later	45,751										
Current estimate of cumulative claims	45,751	61,583	60,905	67,853	63,658	76,718	103,998	139,249	147,527	100,508	867,749
Cumulative payments to date	44,153	46,733	47,957	51,674	48,593	52,919	54,218	61,531	76,822	34,568	519,167
Liability recognised in the Statement of Financial Position	1,598	14,850	12,949	16,179	15,065	23,799	49,780	77,717	70,704	65,940	348,582
Provision in respect of prior years											2,031
Net claims reserve											350,613

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2 Management of financial risk

The Company is exposed to a range of financial risks, in particular, the key financial risk is that the carrying value of financial assets is not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The risk that the Company faces due to the nature of its investment and liabilities is interest rate risk. Currency risk relates to differences in exchange rates compared to functional currency.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects 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 produces regular reports at a portfolio level that are circulated to key management personnel. The Company does not use hedge accounting.

The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the Company's ALM framework.

	2019 £'000	2018 £'000
Financial assets carried at fair value through the Income Statement	485,539	442,094
Financial assets measured at amortised cost	413,498	428,167
Assets from reinsurance contracts	705,754	737,209
Cash at bank and in hand	57,683	62,203
Other assets	206,379	262,721
Total assets	**1,868,853**	**1,932,394**
Liabilities from insurance contracts	1,333,147	1,294,337
Financial liabilities measured at amortised cost	162,736	234,851
Other liabilities	21,925	23,317
Total liabilities	**1,517,808**	**1,552,505**

6.2.1 Market risk

i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Company monitors interest rate risk as part of its regulatory reporting process, by monitoring the duration of assets and liabilities.

Any gap between the mean duration of the assets and the estimated mean duration of the liabilities is minimised by buying and selling fixed interest securities of different durations.

An analysis of the Company's sensitivity to interest rate changes on the result and net assets of the Company is presented in the table below:

	2019 £'000	2018 £'000
Interest rate risk		
Impact of 100 basis point increase on the result and net assets	(17,393)	(21,924)
Impact of 100 basis point decrease on the result and net assets	13,888	19,769

Notes to the Financial Statements (continued)

6.2.1 *Market risk (continued)*

ii) Currency risk

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

The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. The Company has an Italian branch operation, whose net assets are exposed to foreign currency translation risk.

Management deem a range of +/-10.0% to be reasonable in showing sensitivities in currency risk. If Pounds Sterling had weakened by 10% against the Euro with all other variables held constant, the net assets and profit before tax would have been £9,767,000 lower (2018 - £4,561,000 lower). If it had strengthened by 10% the net assets and profit before tax would have been £7,991,000 higher (2018 - £5,574,000 higher).

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date.

2019	GBP £'000	USD £'000	EUR £'000	Other £'000	Total £'000
Financial investments	335,704	27,168	136,753	51,972	551,598
Reinsurers' share of technical provisions	232,142	11,767	434,700	27,145	705,754
Insurance and reinsurance receivables	322,857	7,059	81,611	1,971	413,498
Cash at bank and in hand	15,595	3,173	28,299	10,617	57,683
Other assets	69,133	6,956	56,826	7,405	140,320
Total assets	**975,431**	**56,123**	**738,188**	**99,110**	**1,868,853**
Technical provisions	572,326	36,437	656,038	68,346	1,333,147
Insurance and reinsurance payables	(93,742)	19,008	164,551	11,513	101,331
Other creditors	68,391	3,601	9,167	2,171	83,330
Total liabilities	**546,975**	**59,046**	**829,756**	**82,031**	**1,517,808**
Net assets	**428,456**	**(2,923)**	**(91,568)**	**17,080**	**351,045**

2018	GBP £'000	USD £'000	EUR £'000	Other £'000	Total £'000
Financial investments	125,630	18,546	376,539	48,180	568,895
Reinsurers' share of technical provisions	187,534	10,560	503,788	35,327	737,209
Insurance and reinsurance receivables	275,146	9,099	125,648	18,274	428,167
Cash at bank and in hand	20,508	2,122	27,048	12,525	62,203
Other assets	48,670	3,373	74,852	9,025	135,920
Total assets	**657,488**	**43,700**	**1,107,875**	**123,331**	**1,932,394**
Technical provisions	503,080	22,130	693,119	76,008	1,294,337
Insurance and reinsurance payables	(183,529)	15,022	251,042	24,270	106,805
Other creditors	112,071	1,791	36,954	547	151,363
Total liabilities	**431,622**	**38,943**	**981,115**	**100,825**	**1,552,505**
Net assets	**225,866**	**4,757**	**126,760**	**22,506**	**379,889**

The movement in Euro net liabilities of £91,568,000 (2018 – net assets £126,760,000) arises as a result of the disposal of investment bonds and investment in subsidiaries.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2.2 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

a) reinsurers' share of insurance liabilities;
b) amounts due from reinsurers in respect of claims already paid;
c) amounts due from insurance debtors;
d) amounts due from insurance intermediaries;
e) amounts due from corporate bond issuers;
f) deposits at credit institutions; and
g) amounts due from group undertakings.

The Company manages the levels of credit risk it accepts by reviewing exposures regularly and reporting to Management on 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 credit control activity and monitoring of aged debt.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered continually during the course of business. The Company's largest counterparty is an internal group reinsurer. The Company's credit risk exposure to this counterparty is mitigated through the funding of a collateral account based on the economic net value of the liabilities.

The Company also mitigates credit counterparty risk by investing in high quality government and corporate bonds.

The assets bearing credit risk are summarised below:

	2019 £'000	2018 £'000
Financial assets carried at fair value through the Income Statement	485,539	442,094
Financial assets measured at amortised cost - debtors	413,498	428,167
Assets from reinsurance contracts	705,754	737,209
Cash at bank and in hand	57,683	62,203
Total financial assets	**1,662,474**	**1,669,673**

Note 32 describes the collateral which is held as security over certain reinsurance assets to which the Company is exposed to credit risk. Other than this collateral there are no other differences between the carrying amounts and the maximum exposure.

The Company reports on debts that are more than 3 months overdue. The amount at 31 December 2019 was £16,322,000 (2018 - £4,327,000).

A provision is carried for the potential impairment of financial assets relating to policyholder receivables.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2.2 Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the Financial Statements.

2019	**Neither past due nor impaired £'000**	**Past due but not impaired £'000**	**Impaired £'000**	**Total £'000**
Debt securities	-	-	-	-
Deposits with credit institutions	-	-	-	-
Deposits with ceding undertakings	-	-	-	-
Reinsurers' share of claims outstanding	561,295	-	-	561,295
Debtors arising out of direct insurance operations	245,990	21,970	12,527	280,487
Debtors arising out of reinsurance operations	-	-	-	-
Other debtors	19,384	-	-	19,384
Cash at bank and in hand	57,683	-	-	57,683
Total credit risk	**884,352**	**21,970**	**12,527**	**918,849**

2018	**Neither past due nor impaired £'000**	**Past due but not impaired £'000**	**Impaired £'000**	**Total £'000**
Debt securities	-	-	-	-
Deposits with credit institutions	-	-	-	-
Deposits with ceding undertakings	-	-	-	-
Reinsurers' share of claims outstanding	603,839	-	-	603,839
Debtors arising out of direct insurance operations	287,257	11,369	3,460	302,086
Debtors arising out of reinsurance operations	-	-	-	-
Other debtors	10,672	-	-	10,672
Cash at bank and in hand	62,203	-	-	62,203
Total credit risk	**963,971**	**11,369**	**3,460**	**978,800**

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2.2 Credit risk (continued)

The table below shows an aging analysis of financial assets that are past due at the end of the reporting period but not impaired.

2019	Past due less than one month £'000	Past due more than one month but less than two months £'000	Past due more than two months but less than three months £'000	Past due more than three months £'000	Total £'000
Debt securities	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	-
Reinsurers' share of claims outstanding	-	-	-	-	-
Debtors arising out of direct insurance operations	816	1,585	3,247	16,322	21,970
Debtors arising out of reinsurance operations	-	-	-	-	-
Other debtors	-	-	-	-	-
Total	**816**	**1,585**	**3,247**	**16,322**	**21,970**

2018	Past due less than one month £'000	Past due more than one month but less than two months £'000	Past due more than two months but less than three months £'000	Past due more than three months £'000	Total £'000
Debt securities	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	-
Reinsurers' share of claims outstanding	-	-	-	-	-
Debtors arising out of direct insurance operations	4,804	633	1,605	4,327	11,369
Debtors arising out of reinsurance operations	-	-	-	-	-
Other debtors	-	-	-	-	-
Total	**4,804**	**633**	**1,605**	**4,327**	**11,369**

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2.2 Credit risk (continued)

The analysis of financial assets by reference to counterparty credit rating is as follows:

2019	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000	Carrying amount £'000
Financial investments	39,195	109,872	280,172	114	-	-	56,186	485,539
Debtors arising out of direct insurance operations	-	2,072	49,393	50,684	-	-	311,350	413,498
Debtors arising out of reinsurance operations	-	47,063	453,261	160,405	-	-	45,025	705,754
Cash at bank and in hand	-	-	12,065	41,387	-	4,083	147	57,683
Total assets	**39,195**	**159,007**	**794,891**	**252,591**	**-**	**4,083**	**412,708**	**1,662,474**

2018	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000	Carrying amount £'000
Financial investments	46,177	173,135	221,757	1,025	-	-	-	442,094
Debtors arising out of direct insurance operations	-	840	9,158	40,228	-	-	377,941	428,167
Debtors arising out of reinsurance operations	-	-	424,858	158,266	-	-	154,085	737,209
Cash at bank and in hand	16,588	-	31,766	9,569	155	4,125	-	62,203
Total assets	**62,765**	**173,975**	**687,539**	**209,088**	**155**	**4,125**	**532,026**	**1,669,673**

The credit risk profile of the investment portfolio has improved in comparison to 2018, due to the disposal of investments with a rating lower than A-. Assets rated Below BBB are comprised of Cash and assets not rated are comprised of Debtor balances for which a rating would not generally be provided. Management expects no significant losses from non-performance by its counterparties. The Company made provision for the potential impairment of financial assets of £12,527,000 (2018 - £3,460,000).

6.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts.

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The table below analyses the maturity of the Company's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows. A significant proportion of the Company's investments are in highly liquid assets which could be converted into cash at short notice and at minimal expense.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.2.3 Liquidity risk (continued)

Maturity analysis of financial assets as at 31 December 2019

	No stated maturity £'000	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Total £'000
Financial assets measured at amortised cost	86,101	327,397	-	-	413,498
Claims outstanding – reinsurers' share	-	166,918	304,092	90,285	561,295
Total	**86,101**	**494,315**	**304,092**	**90,285**	**974,793**

Maturity analysis of financial liabilities as at 31 December 2019

	No stated maturity £'000	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Total £'000
Financial liabilities measured at amortised cost	29,371	133,365	-	-	162,736
Claims outstanding	-	277,262	487,222	147,424	911,908
Total	**29,371**	**410,627**	**487,222**	**147,424**	**1,074,644**

Maturity analysis of financial assets as at 31 December 2018

	No stated maturity £'000	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Total £'000
Financial assets measured at amortised cost	100,492	327,675	-	-	428,167
Claims outstanding – reinsurers' share	-	147,973	335,593	120,273	603,839
Total	**100,492**	**475,648**	**335,593**	**120,273**	**1,032,006**

Maturity analysis of financial liabilities as at 31 December 2018

	No stated maturity £'000	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Total £'000
Financial liabilities measured at amortised cost	129,458	105,393	-	-	234,851
Claims outstanding	-	243,857	501,633	164,576	910,066
Total	**129,458**	**349,251**	**501,633**	**164,576**	**1,144,917**

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.3 Capital Management

The Company is a wholly owned subsidiary of the Evergreen Parent GP, LLC group and its capital is financed exclusively through equity and retained reserves. As a result, the Company considers shareholder's funds £351,045,000 (2018 - £379,889,000), as shown on the Statement of Financial Position, to be the capital which it manages. This approach has not changed since the prior year.

The Company is a regulated undertaking and subject to supervision by the Prudential Regulation Authority ('PRA') under the Financial Services and Markets Act 2000 and in accordance with the Solvency II regulations.

The Company actively manages capital to ensure that it can continually meet its regulatory capital requirements while also maintaining sufficient capital to retain financial strength and allow new profitable growth. Management monitor the performance of all aspects of the business to ensure profitability is managed against risks and that the financial and capital position of the Company is not compromised.

The Company is required to meet a Solvency Capital Requirement ('SCR') which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be not materially inappropriate for the Company's risk profile.

7 Fair value estimation

For financial instruments carried at fair value the Company has categorised the measurement basis into a fair value hierarchy as follows:

- **Level 1**: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- **Level 3**: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Company carries its investment portfolio in corporate and government bonds, as well as its own use and investment property, at fair value.

7.1 Corporate and Government bonds

Corporate bonds amounting to £50,384,000 (2018 – £180,378,000) have been included in level 1 of the fair value hierarchy as the fair value of these financial instruments are measured by reference to published quotes in an active market where the quoted price is readily available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Corporate and government bonds amounting to £433,026,000 (2018 – £261,716,000) have been included in level 2 of the fair value hierarchy as the fair value of these financial instruments are measured using valuation techniques based on assumptions that are supported by prices from observable market transactions. The Company seeks to determine the fair value of financial assets primarily with reference to their closing bid market prices at the Statement of Financial Position date.

Together with the AmTrust Group's investment managers, Management continues to monitor the potential for any adverse development associated with this investment exposure through the analysis of relevant factors such as credit ratings and default rates in relation to the securities held. The Company did not experience any defaults on debt securities during the year. Valuation of these securities will continue to be impacted by external market factors. The Company will make adjustments to the investment portfolio as appropriate as part of its overall portfolio strategy.

Notes to the Financial Statements (continued)

7 Fair value estimation (continued)

7.2 Investment property

The investment property amounting to £7,756,000 (2018 - £7,417,000) has been valued using market conditions at the Statement of Financial Position date by a third-party independent valuer and has been included in level 3 of the fair value hierarchy. The valuer performed the market valuation based on a traditional income capitalisation basis having regard to the various income streams. Consideration has been given to certain unobservable inputs including, but not limited to, void periods of between 6 and 12 months, rent-free periods of up to 6 months, holding costs, re-letting fees and service charges as well as necessary capital expenditure. The fair value is sensitive to movements in these assumptions.

7.3 Investments in subsidiary undertakings

Investments in subsidiary undertakings amounting to £58,803,000 (2018 - £119,384,000) have also been included within level 3. Management use a combination of the underlying net assets in the subsidiary undertakings and, where relevant, recent purchase prices, to arrive at appropriate fair values. The unobservable inputs associated with these valuations are the values placed upon the assets and liabilities within the underlying subsidiary accounts. The values used are considered appropriate noting that no value has been placed upon future profitability of the subsidiaries and therefore these underlying assets and liabilities are not sensitive to any such forward looking value.

During 2019, the Company sold 100% of its interests in AmTrust Italia S.r.l and Collegiate Limited to other AmTrust Group companies.

The following table shows financial assets measured at fair value analysed between the three levels in the fair value hierarchy.

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Corporate and government bonds	50,384	433,026	-	483,410
Equity fund investment (a)	-	-	2,129	2,129
Investment property	-	-	7,756	7,756
Investments in subsidiary undertakings	-	-	58,303	58,303
Total	**50,384**	**433,026**	**68,188**	**551,598**

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Corporate and government bonds	180,378	261,716	-	442,094
Investment property	-	-	7,417	7,417
Investments in subsidiary undertakings	-	-	119,384	119,384
Total	**180,378**	**261,716**	**126,801**	**568,895**

(a) During the year, the Company's interest in Hanover Equity Fund Investment was moved from Investments in subsidiary undertakings to Other financial investments.

Notes to the Financial Statements (continued)

8 Technical account analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2019	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Accident & health	43,422	40,397	(24,814)	(19,527)	223	**(3,721)**
Legal expenses	79,181	53,327	(37,408)	(9,340)	(2,602)	**3,977**
Medical malpractice	52,673	66,626	(79,886)	(20,072)	28,193	**(5,139)**
Professional indemnity	48,449	43,171	(49,971)	(14,365)	12,299	**(8,866)**
Property	27,452	34,216	(18,791)	(14,516)	(3,058)	**(2,149)**
Warranty	77,918	62,967	(54,046)	(11,173)	117	**(2,135)**
Mortgage & credit	26,392	27,982	(8,817)	(14,126)	(4,722)	**317**
Run-off	70,746	65,557	(70,712)	(30,000)	16,856	**(18,299)**
Total	**426,233**	**394,243**	**(344,445)**	**(133,119)**	**47,306**	**(36,015)**

2018	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Accident & health	48,106	48,369	(25,207)	(15,277)	464	**8,349**
Legal expenses	68,327	58,714	(39,050)	(18,544)	(6,380)	**(5,260)**
Medical malpractice	103,990	110,399	(85,579)	(34,868)	7,453	**(2,595)**
Professional indemnity	41,305	39,161	(27,498)	(12,369)	(370)	**(1,076)**
Property	37,134	36,020	(20,797)	(11,376)	(3,641)	**206**
Warranty	64,344	53,439	(44,225)	(16,878)	(980)	**(8,644)**
Mortgage & credit	29,683	24,339	(5,601)	(7,687)	(5,579)	**5,472**
Run-off	104,753	82,602	(73,191)	(26,089)	12,371	**(4,307)**
Total	**497,642**	**453,043**	**(321,148)**	**(143,088)**	**3,338**	**(7,855)**

Note, the run-off category includes certain lines of business which the Company has elected to exit and has issued a notice of termination on its remaining contracts. Under some of these contracts, the Company has notice period under which it must continue to accept new risks. All of these accounts were terminated during 2019 except for one, which terminated in March 2020.

Analysis by geographical area

The split of premium by underwriting location is shown below.

	2019 £'000	2018 £'000
United Kingdom	361,106	385,762
Italy	65,127	111,880
Total	**426,233**	**497,642**

Gross written premium was lower than the prior year at £426,233,000 (2018 - £497,642,000) due to transferring European business to the European based companies within the AmTrust Group and exiting lines of business or coverholders which have not achieved the Company's target profitability measures.

Due to Brexit, the Company is no longer responding to new medical malpractice tenders in Italy. This new business is being referred to other European based AmTrust Group companies. Business written in the Company is therefore limited to renewals and extensions of contracts with existing hospitals and policies for smaller associations and individual doctors.

Notes to the Financial Statements (continued)

9 Prior years' claims provisions

Material (under)/over provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2019 £'000	2018 £'000
Accident and health	(119)	(245)
Legal expenses	2,569	2,242
Medical malpractice	(163)	(1,490)
Professional indemnity	(7,577)	(863)
Property	1,509	742
Warranty	111	751
Mortgage & credit	142	565
Run-off	(10,696)	(7,925)
	(14,224)	**(6,223)**

10 Net operating expenses

	2019 £'000	2018 £'000
Acquisition costs	87,617	111,958
Change in deferred acquisition costs	(1,030)	(3,950)
	86,587	**108,008**
Administrative expenses – see note below	40,704	31,737
Profit shares	5,828	3,343
Operating expenses	**133,119**	**143,088**
Reinsurance commissions	(14,363)	(15,027)
Change in deferred reinsurance commissions	735	(875)
Reinsurance profit shares	(1,794)	(1,607)
Net operating expenses	**117,697**	**125,579**

Administrative expenses include:		
Auditor's remuneration:		
- audit fee	790	470
- audit related assurance services	269	261
Operating lease rentals:		
- Plant and machinery	789	324
- Land and buildings	635	1,236
Depreciation of owned fixed assets	201	494
Foreign exchange gains	(8,914)	(212)

Notes to the Financial Statements (continued)

11 Staff costs

Staff costs, including Directors' remuneration, consist of:

	2019 £'000	2018 £'000
Wages and salaries	5,136	7,232
Social security costs	1,537	1,871
Other pension costs	102	113
	6,775	**9,216**

The average number of employees, including Directors during the year was:

	2019 In number	2018 In number
Underwriting and claim activities	66	78
Management services	28	42
	94	**120**

During 2019, in addition to individuals employed by the Italian Branch, the Company received services from individuals employed by a fellow subsidiary within the group, AmTrust Management Services Limited. Copies of the financial statements of AmTrust Management Services Limited, may be obtained from its registered office: Exchequer Court, 33 St Mary Axe, London, England, EC3A 8AA.

12 Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	1,532	1,787
Company contributions paid to defined contribution pension schemes	53	56
	1,585	**1,843**

The emoluments of the Directors disclosed above include the following amounts paid to the highest paid Director:

	2019 £'000	2018 £'000
Emoluments	554	439

During the year the number of Directors to whom retirement benefits are accruing under the Company's money purchase pension scheme was nil (2018 - 1)

During the year no Directors (2018 – none) exercised options over any shares of the Company, and no shares were received but are receivable under long-term incentive schemes.

Several of the Directors received additional remuneration from the intermediate parent company AmTrust Financial Services, Inc. This related to services performed at a group level and no recharge was made to this company.

The Directors are employed and paid by a fellow subsidiary within the AmTrust Group, AmTrust Management Services Limited. The disclosure within the note above includes the costs for those Directors that have been recharged from AmTrust Management Services Limited.

Notes to the Financial Statements (continued)

13 Tax on profit from ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax charge/(credit) for the year	-	-
Foreign corporation tax charge for the year	8,875	481
UK adjustment in respect of prior years	-	1,827
Foreign adjustment in respect of prior years	2,791	2,629
Total current tax	**11,666**	**4,937**
Deferred tax		
Origination and reversal of timing differences	(6,355)	(1,117)
Impact of rate change	-	70
Adjustment in respect of prior years	(1,844)	174
Total deferred tax	**(8,199)**	**(873)**
Total tax for the year	**3,466**	**4,064**

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before tax	(16,771)	4,110
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(2,996)	781
Effects of:		
Expenses not deductible for tax purposes	587	288
Non-taxable dividends	(5,600)	(6,174)
Impairment loss and revaluation gains not deductible for tax	2,528	3,969
Overseas taxes at a higher rate	8,875	481
Deduction from income for foreign tax paid	(875)	-
Impact of rate change	-	89
Tax under provided in previous years	947	4,630
Total tax charge for the year	**3,466**	**4,064**

The calculation of taxes at the balance sheet date takes into account the reduction in the UK main corporation tax rate to 17% from 1 April 2020.

	2019 £'000	2018 £'000
Deferred taxation		
Deferred tax liability at 1 January	257	(616)
Credit to the Income Statement	8,199	873
Deferred tax asset at 31 December	**8,456**	**257**
Analysis of deferred taxation		
Capital allowances in excess of depreciation	71	29
Losses	8,137	718
Timing differences	248	(490)
	8,456	**257**

Notes to the Financial Statements (continued)

14 Tangible assets

2019	Owner occupied property £'000	Fixtures, fittings and computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2019	4,656	1,077	734	6,467
Additions	-	-	11	11
Disposals	-	-	-	-
Revaluation	(604)	-	-	(604)
FX Movement	(92)	(20)	(27)	(139)
At 31 December 2019	**3,960**	**1,057**	**718**	**5,735**
Depreciation				
At 1 January 2019	736	961	686	2,383
Charged in year	95	72	34	201
Disposal	-	-	-	-
FX Movement	(21)	(17)	(25)	(63)
At 31 December 2019	**810**	**1,016**	**695**	**2,521**
Net book value				
At 31 December 2019	**3,150**	**41**	**23**	**3,214**
At 31 December 2018	3,920	116	48	4,084

Included in land and buildings is a UK property which is partly held as an investment property (see note 15) and partly held as a tangible asset (i.e. owner-occupied property). In 2019 21.3% (26.7%) of the building was owner occupied and 78.7% (2018 73.3%) was held as an investment property. Under both classifications the property is held at fair value less accumulated depreciation. The fair value of the property at 31 December 2019 is £9,855,000 (2018 - £10,120,000). The carrying amount that would have been recognised had the owner-occupied property been carried under the cost model is £2,099,000 (2018 - £2,703,000). This reduction comes as a result of the change in owner occupied portion. A valuation of the UK property as at December 2019 has been performed by an independent professionally qualified independent valuer. The results of this valuation have been reviewed by Management and considered to be reasonable. The adjustment to fair value in relation to the owner-occupied element has been taken to the non-technical account.

As at the year-end 2018, there was a mortgage secured on the UK property of £7,578,000. This mortgage was repaid in full by the Company in 2019.

15 Investment property

	At valuation		Historical cost	
	2019	**2018**	**2019**	**2018**
Investment property	7,756	7,417	9,402	9,402

The investment property amounting to £7,756,000 (2018 - £7,417,000) has been valued using current market conditions by a third-party independent valuer, Avison Young, which also has been assigned a level 3 valuation method. The valuer performed the market valuation based on a traditional income capitalisation basis having regard to the various income streams. Consideration has been given to certain unobservable inputs including, but not limited to, void periods of between 6 and 12 months, rent-free periods of up to 6 months, holding costs, re-letting fees and service charges as well as necessary capital expenditure. The fair value is sensitive to movements in these assumptions.

A reconciliation between the carrying amount of investment property at the beginning and end of the period is shown below:

	£'000
Carrying value as at 1 January 2019	7,417
Revaluation	339
Carrying value as at 31 December 2019	**7,756**

Notes to the Financial Statements (continued)

16 Investments in subsidiary undertakings and participating interests

Reconciliation of the carrying value of subsidiary undertakings and participating interests.

	Participating interests £'000	Subsidiary undertakings £'000	Total £'000
At 1 January 2019	2,024	117,360	119,384
Additions	-	-	-
Revaluation during the year	105	(35,200)	(35,095)
Reallocation (a)	(2,129)	-	(2,129)
Disposal	-	(23,857)	(23,857)
At 31 December 2019	**-**	**58,303**	**58,303**

The movement during the year comprises:

	£'000
Revaluation of carrying value	(35,095)
Foreign exchange differences	-
	(35,095)

Investments in subsidiary undertakings amounting to £58,303,000 (2018 - £119,384,000) has also been assigned a level 3 valuation method. Management use a combination of internal valuation techniques to arrive at appropriate fair values. The unobservable inputs associated with these valuations are the values placed upon the assets and liabilities within the underlying subsidiary accounts. The values used are considered appropriate noting that no value has been placed upon future profitability of the subsidiaries and therefore these underlying assets and liabilities are sensitive to any such forward looking value.

(a) During the year, the Company's interest in Hanover Equity Fund Investment was moved from Investments in subsidiary undertakings to Other financial investments.

The following were the subsidiary undertakings of the Company at the end of the year.

Direct subsidiaries	Country of incorporation	Principal activity	Percentage of ordinary share capital owned
AmTrust Europe Legal Limited	England (a)	Insurance intermediary (in run off)	100%
AMT Mortgage Insurance Limited	England (b)	Insurance company	100%

Indirect subsidiaries	Country of incorporation	Principal activity	Percentage of ordinary share capital owned
AMT Mortgage Services Limited	England (b)	Agency and management services	100%

During 2019, the Company sold 100% of its interests in AmTrust Italia S.r.l and Collegiate Limited to other AmTrust Group companies.

During the year the Company received a £4,633,472 dividend from AmTrust Italia S.r.l and a £1,934,070 dividend from Collegiate Limited prior to the execution of the sale transactions.

(a) Registered address is Market Square House, Saint James's Street, Nottingham, NG1 6FG
(b) Registered address is Exchequer Court, 33 St Mary Axe, London, England, EC3A 8AA

Notes to the Financial Statements (continued)

17 Other financial investments

	At valuation		Historical cost	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Corporate and government bonds	483,410	442,094	476,622	437,854
Equity fund investment	2,129	-	1,880	-
	485,539	442,094	478,502	437,854

Reference to financial risk management policies can be found in the Report of the Directors and note 6. All corporate and government bonds are carried at fair value through the Income Statement.

A disaggregation of the Statement of Financial Position line item by class of financial instrument in line with the ALM framework is also included in note 6.

18 Debtors arising out of direct insurance operations

	2019	2018
	£'000	£'000
Debtors due within one year		
Amounts owed by intermediaries	219,342	244,565
Amounts owed by reinsurers	61,145	57,521
	280,487	**302,086**

19 Other debtors

	2019	2018
	£'000	£'000
Other debtors	14,582	1,556
Corporation tax	4,802	9,115
	19,384	**10,672**

All amounts shown in the table above are due within one year.

20 Deferred acquisition costs

	2019	2018
	£'000	£'000
At 1 January	93,275	89,155
Change in asset in period	1,030	3,855
Amounts transferred to AIU	(2,556)	-
Foreign exchange movement	(85)	265
At 31 December 2019	**91,664**	**93,275**

The current and non-current portions are as follows:

	2019	2018
	£'000	£'000
Amounts due within one year	90,634	89,420
Amounts due greater than one year	1,030	3,855
Total	**91,664**	**93,275**

During the year, a book of business was commuted to AIU which included £2,566,000 of unearned upfront commission. Following the commutation and as at 31 December 2019, the Company has recognised a receivable from AIU of the same amount.

Notes to the Financial Statements (continued)

21 Amounts owed by group undertakings

	2019 £'000	2018 £'000
Due from holding company	-	21,192
Due from fellow subsidiaries	113,627	94,217
Total	**113,627**	**115,409**

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

22 Share capital

	Allotted, called up and fully paid			
	2019 Number	2018 Number	2019 £'000	2018 £'000
Ordinary shares of £1 each	75,043,600	75,043,600	75,044	75,044

23 Reserves

Share premium account

This reserve records the amount received for shares in excess of the nominal value of the shares.

Share based payment reserve

This reserve records amounts recognised in equity relating to equity settled share-based payments transactions. This has been reduced to nil following the transfer of the relevant employees to AMSL.

Revaluation reserve

This reserve records net revaluation gains on the owner-occupied property.

24 Claims outstanding

2019	Gross £'000	Reinsurers' share £'000	Total £'000
At 1 January 2019	910,066	(603,839)	306,227
Claims incurred during the year	344,445	(142,109)	202,336
Claims paid during the year	(338,055)	194,699	(143,356)
Part VII transfer in	(17)	5	(12)
Foreign exchange movement	(4,531)	(10,051)	(14,582)
At 31 December 2019	**911,908**	**(561,295)**	**350,613**

2018	Gross £'000	Reinsurers' share £'000	Total £'000
At 1 January 2018	878,741	(649,728)	229,013
Claims incurred during the year	321,148	(147,336)	173,812
Claims paid during the year	(299,473)	200,182	(99,291)
Foreign exchange movement	9,650	(6,957)	2,693
At 31 December 2018	**910,066**	**(603,839)**	**306,227**

Notes to the Financial Statements (continued)

25 Provision for unearned premiums

2019	Gross £'000	Reinsurers' share £'000	Total £'000
At 1 January 2019	384,271	(133,370)	250,901
Premiums written in the year	426,233	(120,202)	306,031
Premiums earned in the year	(394,243)	110,225	(284,018)
Part VII transfer in	3,266	(1,175)	2,091
Foreign exchange movement	1,712	63	1,775
At 31 December 2019	**421,239**	**(144,459)**	**276,780**

2018	Gross £'000	Reinsurers' share £'000	Total £'000
At 1 January 2018	338,519	(156,047)	182,472
Premiums written in the year	497,642	(152,553)	345,089
Premiums earned in the year	(453,043)	161,507	(291,536)
Foreign exchange movement	1,153	13,723	14,876
At 31 December 2018	**384,271**	**(133,370)**	**250,901**

26 Creditors arising out of direct insurance operations

	2019 £'000	2018 £'000
Amounts arising out of direct insurance operations	53,632	53,456
Amounts due to reinsurers	47,699	53,349
	101,331	**106,805**

27 Other creditors including taxation and social security

	2019 £'000	2018 £'000
Amounts due within one year		
Corporation tax	9,107	-
Other creditors	29,327	43,280
	38,434	**43,280**

28 Accruals and deferred income

	2019 £'000	2018 £'000
Deferred profit commissions	3,101	3,189
Deferred reinsurance commissions	18,824	20,128
	21,925	**23,317**

The reconciliation of opening and closing deferred reinsurance commissions is as follows:

	2019 £'000	2018 £'000
At 1 January	20,128	20,901
Movement in provision	735	(875)
Foreign exchange movements	(2,039)	102
	18,824	**20,128**

Notes to the Financial Statements (continued)

29 Commitments under operating leases

As at 31 December 2019, the total of future minimum lease payments under non-cancellable operating leases is set out below:

	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire within one year	635	789	675	653
Leases which expire later than one year, but not later than five years	1,165	273	1,913	246
Leases which expire later than five years	-	-	-	-
Total	**1,800**	**1,062**	**2,588**	**899**

30 Related party transactions

The Company had a quota share reinsurance arrangement with Maiden Re, which ended on 31 December 2018.

The controlling shareholders of Evergreen Parent GP LLC also own capital stock in Maiden Holdings Limited which is the parent company of Maiden Re. This is not a controlling shareholding.

During 2019, £2,226,953 (2018 - £11,941,899) of reinsurance premium was ceded to Maiden Re, less £41,427,525 (2018 - £39,889,975) of reinsurance claims. The Company received an overrider of £111,348 (2018 - £597,095). At 31 December 2019 Maiden Re owed £36,198,219 to the Company (2018 - £9,179,740). In February 2020, Maiden Re paid to the Company £30,557,000 of the amount owed.

31 Parent undertakings

The Company's immediate parent undertaking is AmTrust International Limited, a company registered in England. The Company's intermediate parent company AmTrust International Insurance Limited, a company registered in Bermuda is the smallest group in which the results of the Company are included. The Company's ultimate parent company and controlling party is Evergreen Parent GP LLC, a company registered in the USA and is the largest group in which the results of the Company are consolidated. Copies of the group financial statements of Amtrust International Insurance Limited are available from Washington Mall 7 Reid street Suite 400 Hamilton, HM 11, Bermuda. The address of the registered office of Evergreen Parent GP LLC is 59 Maiden Lane, 43rd Floor, New York, NY 10038.

32 Collateralisation of reinsurer credit risk

The Company is exposed to credit risk in relation to material accounts carried in the Company's Statement of Financial Position both due and accrued as due from Maiden Re and AIIL, in respect of these reinsurers' share of technical provisions. As at 31 December 2019, collateral in the form of cash funds and investments held in the Company's name has been provided by the reinsurers concerned in the amount of £192,717,635 (2018 - £197,465,539) and £456,117,351 (2018 - £449,074,170) respectively. These collateral amounts are intended to mitigate the total exposures to the reinsurers concerned. Management closely monitor the coverage provided and where the timing of transactions results in any shortfall this is rectified immediately.

33 Events after the Statement of Financial Position date

As the effects of the coronavirus (or COVID-19) pandemic are now being felt on a global scale, the Company, as with many of its policyholders, distribution partners and vendors, have taken steps to alter or reduce normal business activity to help control the spread of the outbreak. The Directors consider this to be a non-adjusting event for the Financial Statements; however, they anticipate that there may be some near- to mid-term impact on the Company's financial, liquidity and solvency positions. This potential impact is described in the 'Principal risks and uncertainties' section of the Strategic Report.