AmTrust Europe Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 01229676

Contents

Directors and Officers

Directors

J E Cadle
P Dewey
M S Johnson (resigned 31 May 2020)
J P Fox
A G Mas Murcia
R I Stansbury
S A Garner

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 2020.

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. 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; professional indemnity; accident and health; property and mortgage and credit. In preparation for Brexit, the Company transferred its Italian medical malpractice business and other business written in EEA countries to other AmTrust Group companies in July 2020. Further, the Company has taken actions over the last couple of years to exit certain lines of business which failed to achieve the Company's target profitability and/or conduct reporting requirements. As a result, 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 is described in detail within the 'Review of the business and future developments' section.

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 successfully completed the Company's Brexit plans on 31 July 2020. All new EEA business and renewals have been moved to AmTrust International Underwriters Designated Activity Company ('AIU'), the AmTrust Group's Irish based insurer and AmTrust Assicurazioni ('AA'), the AmTrust Group's Italian based insurer, pursuant to Part VII of the Financial Services and Markets Act 2000 ('FSMA 2000').

The Company maintained its whole account quota share arrangements in 2020. A 50% quota share with an 'AA-' Standard and Poors ('S&P') rated global third party reinsurer was renewed for all new business written with effect from 1 July 2020 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. The Company also continues to buy excess of loss protection on most lines of business.

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, supported by receipt and analysis of detailed performance information. 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 continued to be a specific area of growth for the 2020 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 through brokers, binders and an AmTrust Group owned MGA, Collegiate Management Services Limited. These products almost exclusively target UK SMEs. The Company targets UK domiciled companies.

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, 2016 & 2018 underwriting years) which related primarily to two firms of solicitors. 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 growing the PI book as rates have hardened considerably in the last 18 months (particularly in the solicitors and construction sectors) presenting opportunities, albeit paying appropriate attention to the conduct risk associated with the SME client base. The Company has continued to improve the renewal book through underwriting and risk selection.

Accident and health ('A&H')

The Company offers a wide range of products that sit within the A&H/supplemental health insurance area including Private Medical Insurance, Dental Insurance plus Group Personal Accident and Business Travel cover. The Company currently distributes A&H products through coverholder-MGAs directly and via wholesale brokers. The Company also writes quota share treaty and excess of loss facultative reinsurance. Primary insurances are targeted mostly at commercial/SME customers with some retail consumer 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 wrote A&H programs in the UK plus international reinsurance placed in London, and Europe. In 2020 the Company moved its new and renewal business in EEA countries to AIU, due to Brexit. The Company also took the decision to exit Middle Eastern Medical Reinsurance and subscale coverholders that resulted in the written premiums for this class of business being reduced. The core product lines remain profitable and the Company will look to grow these going forward.

Property

The Company offers a wide range of specialist property insurance products, all of which are currently 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. The Company is, however, close to launching products on a Direct / Reinsurance basis writing predominately excess of loss commercial Property business for Corporate Customers.

The majority of the Company's customers are based in the UK with currently only 2 Coverholders having no UK business.

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's strategic aim in the property insurance market is to grow its presence in existing niche segments where it operates (e.g. unoccupied, caravan) 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. Starting in 2021, mortgage products will be transacted through a newly created AmTrust Group MGA, Qualis U.K. Limited. 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. Because of the impacts of the COVID-19 pandemic, the Company reduced overall production within the mortgage insurance segment whilst consolidating within the credit segment applying pricing corrections.

Medical malpractice

The Company's medical malpractice products protect hospitals, smaller associations and individual doctors. As part of the AmTrust Group's Brexit strategy, the Company is no longer responding to new medical malpractice tenders in Italy. Business written in the Company in 2020 was limited to renewals and extensions of contracts with existing hospitals and policies for smaller associations and individual doctors. Further, the Company completed a Part VII FSMA 2000 transfer of its remaining medical malpractice business to AA in July 2020 and has no further exposure to this class of business.

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.

S***urety*** *(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.

AEL is still participating in the reinsurance inwards business from Latin America ('LATAM'). 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. The new LATAM business is classified under the M&C business line.

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 2020, the Company had a loss after tax of £12,513,000 (2019 - loss of £20,237,000). This loss was primarily driven by:

- Losses on the technical account for general business of £29,441,000 (2019 - £36,015,000), which are described below

Partially offset by;

- A total return on investments in bonds of £16,239,000 (2019 - £18,587,000), including realised gains of £7,924,000 (2019 - £9,271,000) and unrealised losses of £4,525,000 (2019 – gains of £1,597,000) on sale of investments; and
- A tax gain of £929,000 (2019 – loss of £3,466,000)

Below is a table showing the ratios as at 31 December 2020 which the Directors consider to be key performance indicators.

	2020	2019
Income Statement		
Decrease in gross written premium	(17)%	(14)%
Decrease in earned premium, net of reinsurance	(25)%	(3)%
Technical account loss (£'000)	(29,441)	(36,015)
Net claims ratio (a)	66%	71%
Combined ratio (b)	114%	113%
Statement of Financial Position		
Total assets (£'000)	1,148,444	1,868,853
Total shareholder's funds (£'000)	200,388	351,045
Investments (£'000)	373,899	551,598
Solvency Overview		
Solvency capital requirement ('SCR') coverage	141%	136%
Minimum capital requirement ('MCR') coverage	425%	363%

(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 £346,099,000 (2019 - £426,233,000) due to transferring EEA business to AA and AIU, exiting lines of business or coverholders which have not achieved the Company's target profitability and COVID-19 impacts on production (mainly Warranty). This reduction in gross written premium is partly offset by increasing market presence in a number of lines of business within the UK and the rest of world, excluding Europe (mainly across Professional Indemnity and Legal Expenses).

Earned premium, net of reinsurance, was lower than the prior year at £208,856,000 (2019 - £284,018,000) due to lower gross written premium.

The Company's net claims ratio has fallen during the year to 66% (2019 - 71%) despite significant reserve strengthening in 2020 across Legal Expenses, Accident & Health and Legacy Lines which are in run off. This is due to reserve releases in Warranty, Property and Professional Indemnity in 2020 and the high levels of adverse reserve development in 2019 in the Medical Malpractice, Professional Indemnity and Legacy lines of business.

The Company's combined ratio has increased slightly to 114% (2019 – 113%) due to an increase in the expense ratio in 2020. Although total expenses have fallen in value, they account for a greater percentage of a lower earned premium base than in the prior year.

Total assets, shareholder's funds and investments have all fallen during the year due to the Part VII FSMA 2000 transfer of its EEA business to AA and AIU.

The Plan for 2021 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 that 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 financial support through the Net Worth Maintenance Agreement ('NWMA') with AmTrust Financial Services Incorporated ('AFSI').

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 is one main external risk currently facing the organisation:

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

- The implementation of business continuity plans which included the temporary closure of the Company's offices and strong encouragement of employees to work from home;
- Increased communication and coordination with the Company's stakeholders and shared service partners; and
- Increased monitoring of debtor collection periods 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 six lines of business, and that these lines do not demonstrate a high level of correlation in performance, the Directors believe that this helped balance the impact of this event from both a top line (gross written premium) and bottom line (technical account) perspective. Management conducted a review of the Company's insurance portfolio risks with a deep dive analysis of exposed subsegments. The Company did not identify any segments of the portfolio that represented a substantial challenge to the Company's business model sustainability.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Directors anticipate that there may be some near- to mid-term impact on the Company's financial, liquidity and solvency positions from changes in the external environment. These impacts are based on forecasts performed on the prior quarters' data and projected results for an 18 month period. The Directors have performed several sensitivity tests including two potential scenarios related to extended COVID-19 restrictions and/or economic side effects from the various actions taken by the government to contain the spread of COVID-19 and two reverse stress scenarios targeted at reducing the Company's SCR Solvency Ratio to 100%. The stress scenarios considered are as follows:

1. A new wave of coronavirus with an outbreak of infections and return to lockdown in Q1 2021 but with limited intervention to support the economy from the government and no reinstatement of such measures as job retention (furlough) scheme and self-employment income support scheme;
2. Economic downturn of an equal magnitude to the 2008 recession occurs from the beginning of the business planning period;
3. A one-off reduction in assets that could be caused by natural catastrophe, cyber-attack, asset shock, compliance breach or any other isolated event that would decrease the solvency ratio down to 100%; and
4. 1-in-5 stress to ultimate loss ratios on both existing and new business for each line of business and its impact on claims reserves and premium provisions.

Under the first two possible stresses, continued Pandemic (#1) and an Economic Downturn (#2), the Company's solvency position is negatively impacted but its SCR solvency ratio remained at 125% or greater. The other two scenarios (#3 and #4) are considered to be extreme stresses representing a reverse stressing of the business up to the point at which the Company's SCR solvency ratio reduces to 100%. This is before the impact of any Management actions to mitigate these effects.

Assessment of potential causes for a large one-off loss event suggests that discussed risk events are not anticipated to result in a loss of such magnitude as to reduce the Solvency Ratio to 100%. 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)

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 decisions 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 standards 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') report 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. A follow up survey is currently underway to assess progress on action plans identified in the 2019 survey;
    - Conducting exit interviews for employees leaving the Company and sharing this feedback with Management. In 2021, 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.
- ***COVID-19*** – Throughout the pandemic the Company has closely monitored developments, both internally and across the wider market, and taken action where appropriate to ensure the above interests have been managed effectively.

Approval

This report was approved on behalf of the Board.

A G Mas Murcia
Director

Date: 14 April 2021

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2020.

Directors

The current Directors of the Company are shown on page 1. Since 1 January 2020 until the date of this report, the following changes to the Board have occurred.

Name	Date of resignation
M S Johnson	31 May 2020

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company.

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. Forecasts are performed on the prior quarters' data and project results for an 18 month period from year end.

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 have arisen 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

Due to the Part VII FSMA 2000 transfer resulting in excess capital, dividends totalling £121,951,000 were paid to AIL during the year (2019 - £Nil). The Directors do not recommend payment of a final dividend.

Political donations

The Company made no political donations during the year (2019 - £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. Following the successful Part VII FSMA 2000 transfer of its EEA business to AA and AIU, this branch will be de-authorised in 2021.

Report of the Directors (continued)

Energy and carbon emissions

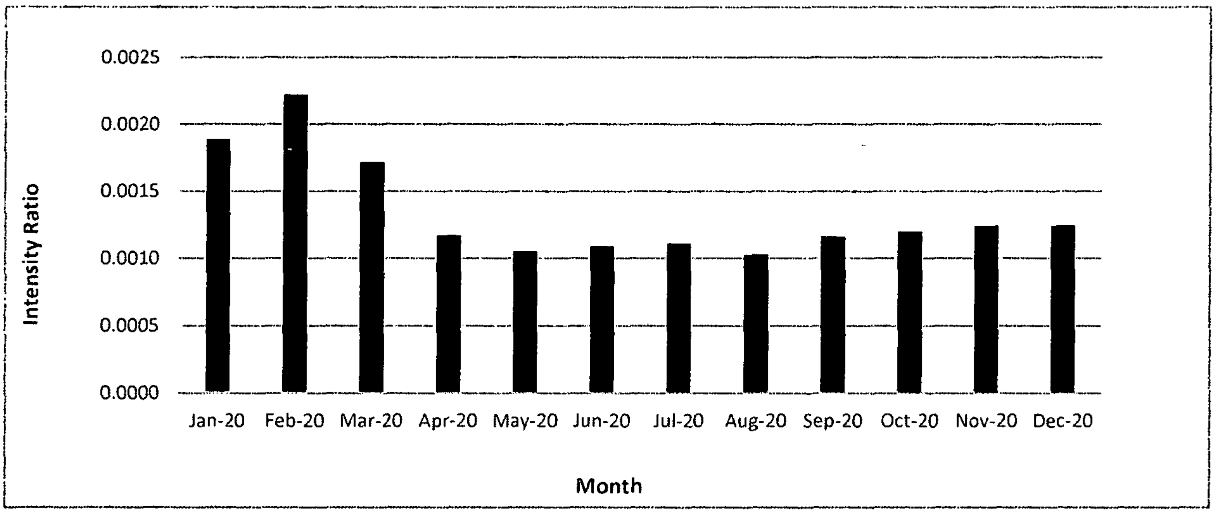
During 2020, the Company used the following quantity of emissions of carbon dioxide equivalent resulting from the UK activities of the Company and the UK quantity of energy consumed in kWh involving:

	Carbon dioxide emissions (Tonnes)	Energy consumed (kWh)
The combustion of gas	0	0
Purchase of electricity	89.64	350,716
Total	**89.64**	**350,716**

During the year the Company has taken the following measures to increase its energy efficiency:

- Energy efficiency benefitted from the closure of offices due to government actions related to the COVID-19 pandemic.
- All electrical equipment in offices has been powered down during lockdown including monitors, printers, heaters, fans, kitchen equipment, computers, AC units, audio visual equipment, and lighting.
- Employee driven demand use of electrical equipment in offices ceased from March-June.

The carbon dioxide emissions and energy consumption from the activities of the Company were calculated based on the Greenhouse Gas Protocol (GHG Protocol.) The conversion factors used are those recommended by The Department for Environment, Food and Rural Affairs (DEFRA) 2019.



The intensity ratio is the number of tonnes of carbon dioxide per metre squared of office space.

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.

Report of the Directors (continued)

Independent auditor

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: 14 April 2021

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.

KPMG

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 2020 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 2020 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.

Basis for opinion (cont.)

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 five financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent 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	£2.5m (2019: £3.1m) 0.72% of gross written premiums (2019: 0.72% of gross written premiums)	
Key audit matters		**vs 2019**
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 decreasing order of audit significance, 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 COVID-19 on our audit. We continue to perform procedures over going concern, particularly in light of the impact of uncertainties due to the COVID-19 pandemic on our assessment of going concern. However, following updated risk assessment, we have not assessed going concern to be one of the most significant risks in our current year audit and, therefore, it is not separately identified as a key audit matter in our report this year. Our procedures and results on going concern are reported in Section 4 of this report. The key audit 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
Valuation of incurred but not reported reserves (IBNR) (Gross Claims Outstanding, including IBNR, £390m; 2019: £912m) Refer to pages 27 and 28 (note 3 accounting policy) and page 56 (note 24 – Claims outstanding).	**Subjective valuation:** Gross claims outstanding represent the largest liability for the Company. Valuation of incurred but not reported reserves 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 initial expected loss ratios, development patterns based on triangulated data, large loss movements and allowance for recent experience. Certain areas of the IBNR balance contain greater uncertainty, particularly those relating to Structural Defects and the Commercial and Personal After the Event ('ATE') classes of business. In addition to the long tail nature of the business, the Commercial and Personal ATE business, uses different methods of reserving from other classes due to the nature of the business within the class. Initial loss ratios and selection of development patterns for 2019 and 2020 underwriting years may require a higher degree of judgement due to the impact of COVID-19. 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. The risk posed by the valuation of IBNR reserves has reduced this year due to the Part VII transfer of Medical Malpractice business to another Amtrust group entity in Italy. Historically this book of business has been a key area of risk due to its long tail nature.	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 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 IBNR gross claims outstanding (IBNR and case reserves). — **Our sector experience and benchmarking:** We assessed and challenged the selection of actuarial methodologies and assumptions used in the valuation of gross IBNR by performing procedures such as benchmarking management's methodology to those used by other similar insurers, assessing sensitivity to key assumptions and taking into account information relating to the impact of COVID-19 on ATE claims settlement process. — 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 data:** Our substantive procedures involved testing the completeness of claims and premiums data used by our actuaries and vouching a sample of claims data back to supporting documentation as these form the attributes to 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 reserves to be acceptable (2019 result: acceptable).

	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, £208m; 2019: £284m) *Refer to page 28 (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 ATE and Structural Defects 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. The effect of these matters is that, as part of our risk assessment, we determined that earned premiums 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. Subsequent to the Part VII transfer of the Medical Malpractice business the risk is now concentrated in the ATE class which is the most significant. As a result we increased the audit risk associated with the Accuracy and Valuation of earnings on premiums for lines of business with non-standard earning patterns.	Our control procedures included: — **Control design and operation:** We tested the design, implementation and operating effectiveness of key controls within the underwriting processes including controls around the accuracy of data input into the policy systems and the annual earning pattern assessment control. 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. Our procedures included assessing whether the selected earning patterns remain 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: - **Re-performance:** 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 data:** 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 (2019 result: acceptable).

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 £2.5m (2019: £3.1m), determined with reference to a benchmark of total gross written premiums of which it represents 0.71% (2019: 0.72% of total gross written premiums).

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.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

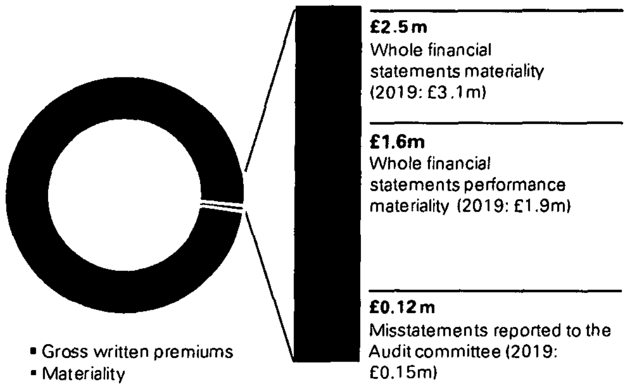
Performance materiality was set at 65% (2019: 65%) of materiality for the financial statements as a whole, which equates to £1.6m (2019 : £1.9). We applied this percentage in our determination of performance materiality based on the level of identified control deficiencies and the number of misstatements during the prior period.

We agreed to report to the Audit committee any corrected or uncorrected identified misstatements exceeding £0.12m (2019: £0.15m), 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.

Gross written premiums
£354m (2019: £430m)

Materiality
£2.5m (2019: £3.1m)



4. 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").

We used our knowledge of the Company, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Company's available financial resources over this period were:

- adverse insurance reserves development, potentially caused by the impacts of the COVID-19 pandemic; and
- a deterioration in the valuation of the Company's investments arising from a significant change in the economic environment;

We considered whether these risks could plausibly affect the liquidity, profitability or solvency in the going concern period by performing our sensitivity analysis taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

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5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit committee, internal audit, legal and risk, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board committee, Risk committee, Reserving committee, Remuneration committee and Audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that the Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as accuracy and valuation of earnings on premiums from all lines of business with non-standard earning patterns. We also identified a fraud risk relating to the valuation of the incurred but not reported reserves. Further detail in respect of our procedures are set out in the key audit matters disclosures in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

— Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by individuals who typically do not make journal entries or are not authorised to post journal entries, those posted and approved by the same user, journals for non-routine reversals, and journals with certain keywords.

— Evaluating the business purpose of significant unusual transactions.

—Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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, and through discussion with the those charged with governance and management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with those charged with governance and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 and taxation 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 license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity legislation, 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. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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.

7. 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, or returns adequate for our audit have not been received from branches not visited by us; 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.

8. 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 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 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.

9. 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 Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

14 April 2021

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Income Statement
For the year ended 31 December 2020

Technical account – general business	Note	2020 Continuing operations £'000	2020 Discontinued operations (Note 4) £'000	2020 Total £'000	2019 Continuing operations (as restated) £'000	2019 Discontinued operations (as restated) £'000	2019 Total £'000
Gross written premiums	8	313,751	32,348	346,099	281,547	144,686	426,233
Outward reinsurance premiums	8	(134,019)	(15,717)	(149,736)	(83,608)	(36,594)	(120,202)
Net written premiums		**179,732**	**16,631**	**196,363**	**197,939**	**108,092**	**306,031**
Change in the gross provision for unearned premiums	25	(4,807)	6,212	1,405	(4,825)	(27,165)	(31,990)
Change in the provision for unearned premiums, reinsurers' share	25	11,513	(426)	11,087	2,403	7,574	9,977
Change in net provision for unearned premiums		6,706	5,786	12,492	(2,422)	(19,591)	(22,013)
Earned premiums, net of reinsurance		**186,438**	**22,417**	**208,855**	**195,517**	**88,501**	**284,018**
Claims paid							
- gross amount	24	150,592	44,497	195,089	140,078	197,977	338,055
- reinsurers' share	24	(66,925)	(44,044)	(110,969)	(28,390)	(166,309)	(194,699)
Net claims paid		**83,667**	**453**	**84,120**	**111,688**	**31,668**	**143,356**
Change in the provision for outstanding claims:							
- gross amount	24	114,240	(29,555)	84,685	33,340	(26,950)	6,390
- reinsurers' share	24	(66,982)	36,383	(30,599)	(37,160)	89,750	52,590
Change in net provision for claims		**47,258**	**6,828**	**54,086**	**(3,820)**	**62,800**	**58,980**
Claims incurred, net of reinsurance		**130,925**	**7,281**	**138,206**	**107,868**	**94,468**	**202,336**
Net operating expenses	10	78,524	21,566	100,090	30,152	87,545	117,697
Total technical charges		**209,449**	**28,847**	**238,296**	**138,020**	**182,013**	**320,033**
Balance on the technical account for general business		**(23,011)**	**(6,430)**	**(29,441)**	**57,497**	**(93,512)**	**(36,015)**

Non-Technical account – general business	Note	2020 £'000	2019 £'000
Balance on the general business technical account		**(29,441)**	**(36,015)**
Interest income		15,309	11,614
Rental income		617	639
Realised gains on sale of investments		7,924	9,271
Unrealised (losses)/gains on investments		(4,525)	1,597
Interest expenses and charges		(2,469)	(3,895)
Unrealised losses on subsidiary undertakings		(54,903)	(35,201)
Realised gains on disposal of subsidiary undertakings		-	5,631
Revaluation (losses)/gains on investment property		(2,845)	339
Revaluation losses on tangible assets		(770)	(604)
Dividend income from subsidiary undertakings		57,595	29,614
Other income		66	239
Loss on ordinary activities before tax		**(13,442)**	**(16,771)**
Tax on loss on ordinary activities	13	929	(3,466)
Retained loss for the financial year		**(12,513)**	**(20,237)**

The notes on pages 25 to 57 form part of these Financial Statements.

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Loss for the financial year		(12,513)	(20,237)
Currency translation differences on foreign currency net investments		3,883	(8,607)
Total comprehensive loss for the year		**(8,630)**	**(28,844)**

The notes on pages 25 to 57 form part of these Financial Statements.

Statement of Financial Position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Investments			
Investment property	15	4,911	7,756
Investments in subsidiary undertakings	16	3,314	58,303
Other financial investments	17	365,674	485,539
		373,899	**551,598**
Reinsurers' share of technical provisions			
Provision for unearned premiums	25	134,146	144,459
Claims outstanding	24	201,241	561,295
		335,387	**705,754**
Debtors			
Debtors arising out of direct insurance operations	18	203,633	280,487
Other debtors	19	8,708	19,384
Amounts owed by group undertakings	21	124,510	113,627
		336,851	**413,498**
Other assets			
Tangible assets	14	2,031	3,214
Cash at bank and in hand		32,734	57,683
		34,765	**60,897**
Prepayments and accrued income			
Deferred acquisition costs	20	67,500	91,664
Prepayments		42	45,442
		67,542	**137,106**
Total assets		**1,148,444**	**1,868,853**
Liabilities			
Capital and reserves			
Called up share capital	22	75,044	75,044
Share premium account	23	11,642	11,642
Retained earnings		113,702	264,359
Total shareholder's funds		**200,388**	**351,045**
Technical provisions – gross amount			
Provision for unearned premiums	25	344,740	421,239
Claims outstanding	24	389,618	911,908
		734,358	**1,333,147**
Creditors			
Creditors arising out of direct insurance operations	26	124,637	101,331
Other creditors including taxation and social security	27	65,022	38,434
Amounts owed by group undertakings		1,690	22,971
		191,349	**162,736**
Accruals and deferred income	28	**22,349**	**21,925**
Total liabilities		**948,056**	**1,517,808**
Total equity and liabilities		**1,148,444**	**1,868,853**

The notes on pages 25 to 57 form part of these Financial Statements. The Financial Statements were approved by the Board and authorised for issue on 14 April 2021.

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 2020

	Called-up share capital £'000	Share premium reserve £'000	Retained earnings £'000	Shareholder's funds £'000
Balance as at 1 January 2020	75,044	11,642	264,359	351,045
Loss for the year	-	-	(12,513)	(12,513)
Other comprehensive income for the year	-	-	3,883	3,883
Dividends			(121,951)	(121,951)
Loss on insurance business transferred to Group (Note 4)			(20,076)	(20,076)
Total comprehensive income for the year	**-**	**-**	**(150,657)**	**(150,657)**
Balance as at 31 December 2020	**75,044**	**11,642**	**113,702**	**200,388**

For the year ended 31 December 2019

	Called-up share capital £'000	Share premium 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)**
Balance as at 31 December 2019	**75,044**	**11,642**	**264,359**	**351,045**

The notes on pages 25 to 57 form part of these Financial Statements.

Notes to the Financial Statements

1 General information

The Company transacts general insurance business in the UK and prior to the execution of the Part VII FSMA 2000 transfer of business on 31 July 2020, 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 Company has adopted all the amendments to FRS 102 that are effective from 1 January 2020 during the year. These did not impact the Company.

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 7.

Where necessary, comparatives have been revised to conform to changes in presentation in the current year.

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, Amtrust International Insurance Limited ('AIIL'). 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, 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.

Notes to the Financial Statements

2 Basis of preparation

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.

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 have arisen 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 Discontinued operations

Discontinued operations are components of the Company that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

3.3 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.3 Gross written premiums (continued)

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.

3.4 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.

3.5 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.5 Technical provisions (continued)

ii) Claims outstanding (continued)

- 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.

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 in Note 5.

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

3.6 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.

3.7 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.7 Reinsurance (continued)

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.

3.8 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.

Further details of the use of judgements and estimates in the valuation of investments of subsidiary undertakings and participating interests are given in Note 5.

3.9 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.

3.10 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.10 Tangible assets (continued)

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

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).

3.11 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.

3.12 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 and Equity fund investments 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.12 Financial instruments – financial assets (continued)

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.

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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.12 Financial instruments – financial assets (continued)

iv) Impairment of financial assets (continued)

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.

3.13 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.

3.14 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.

3.15 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.

3.16 Leasing and hire purchase commitments

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.

3.17 Defined contribution pension plans

The Company operated a defined contribution plan for its Italian branch employees which transferred in 2020 to AA as part of the Part VII transfer. 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.

3.18 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.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.18 Foreign currency translation (continued)

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 Insurance Business Transfers

On 31 July 2020, the Company transferred its Italian Medical Malpractice business into Amtrust Assicurazioni S.p.A. ('AA') and all other EEA business into Amtrust International Underwriters DAC ('AIU'), fellow group companies, pursuant to Part VII of the Financial Services and Markets Act 2000. This decision was driven by the ultimate parent group's overall Brexit Strategy. The results of the business transferred have been presented as discontinued operations in the income statement.

The assets and liabilities were transferred at book values and the consideration is set at the equivalent Solvency II regulatory value. The difference between book values of assets and liabilities transferred and consideration has been accounted for in retained earnings on the basis that the transfers represent a group reconstruction of businesses within the AmTrust Financial Services, Inc. Group.

The book values of the assets and liabilities transferred and cash consideration are set out in the table below;

	AA	AIU	Total
	£'000	£'000	£'000
Provision for unearned premiums, reinsurers' share	5,666	32,123	37,789
Claims outstanding, reinsurers' share	323,844	73,363	397,207
Debtors arising out of direct insurance operations	36,409	54,247	90,656
Deferred acquisition costs	1,896	12,872	14,768
Other debtors	-	5,487	5,487
Total assets	**367,815**	**178,092**	**545,907**
Provision for unearned premiums, gross	13,227	63,524	76,751
Claims outstanding, gross	493,425	115,327	608,752
Creditors arising out of direct insurance operations	5,550	32,568	38,118
Other creditors including taxation and social security	1,693	(9,908)	(8,215)
Accruals and deferred income	680	3,135	3,815
Total liabilities	**514,575**	**204,646**	**719,221**
Net liabilities transferred	**146,760**	**26,554**	**173,314**
Consideration paid	157,552	35,838	193,390
Loss on transfer accounted for in retained earnings	**(10,792)**	**(9,284)**	**(20,076)**

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
Valuation of investments in subsidiary undertakings	5.5
Fair values and impairments of financial instruments	5.6

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. Following the review in 2020, no significant adjustments were made.

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.

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.

Notes to the Financial Statements (continued)

5 Use of judgements and estimates (continued)

5.4 Technical provisions (continued)

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 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. 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.

5.6 Fair values and impairments of financial instruments

Estimates in relation to financial instruments are outlined in note 7.

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.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.1.1 Underwriting risk (continued)

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.

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.
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.

Notes to the Financial Statements (continued)

6 Management of risk (continued)

6.1.2 Reserving risk (continued)

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 2020 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 2020

	Risk margin			
	+2.5%	**-2.5%**	**+5.0%**	**-5.0%**
	£'000	**£'000**	**£'000**	**£'000**
Claims outstanding - gross of reinsurance	9,740	(9,740)	19,481	(19,481)
Claims outstanding - net of reinsurance	4,709	(4,709)	9,419	(9,419)
Impact on shareholder's funds	(92)	92	(184)	184
Impact on profit (movement in year)	(92)	92	(184)	184

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)

v) Claims development tables

The tables below present the development of claims payments and the estimated cost of claims for underwriting years 2011 to 2020. 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At end of reporting year	61,256	76,200	91,926	94,255	97,700	107,668	107,375	116,396	138,665	76,692	
One year later	196,544	209,203	210,990	215,856	286,190	258,872	260,903	222,470	163,385		
Two years later	217,486	219,117	231,504	246,460	314,536	288,630	275,850	166,181			
Three years later	215,959	241,397	275,515	255,981	320,481	300,447	127,286				
Four years later	228,165	261,184	276,057	253,687	302,608	144,085					
Five years later	252,997	270,436	282,403	249,009	123,773						
Six years later	265,254	273,507	287,385	116,159							
Seven years later	277,775	276,591	113,335								
Eight years later	280,878	81,818									
Nine years later	97,360										
Current estimate of cumulative claims	97,360	81,818	113,335	116,159	123,773	144,085	127,286	166,181	163,385	76,692	1,210,074
Cumulative payments to date	77,416	74,220	102,171	101,280	91,717	96,886	90,405	96,934	60,363	33,821	825,213
Liability recognised in the Statement of Financial Position	19,944	7,598	11,164	14,879	32,056	47,199	36,881	69,247	103,022	42,871	384,861
Provision in respect of prior years											4,757
Gross claims reserve											389,618

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	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
At end of reporting year	13,349	16,417	21,179	23,556	25,409	31,838	47,027	74,041	100,508	38,590	
One year later	40,573	44,523	49,690	53,682	71,176	82,831	126,237	147,527	105,293		
Two years later	45,041	48,317	55,101	61,157	76,946	84,075	139,249	112,958			
Three years later	46,327	53,194	65,630	63,668	77,812	103,998	63,138				
Four years later	49,738	57,659	65,249	63,743	76,718	50,320					
Five years later	54,780	59,848	66,723	63,658	36,750						
Six years later	57,652	56,988	67,853	34,532							
Seven years later	59,683	60,905	33,637								
Eight years later	61,583	22,557									
Nine years later	25,585										
Current estimate of cumulative claims	25,585	22,557	33,637	34,532	36,750	50,320	63,138	112,958	105,293	38,590	523,360
Cumulative payments to date	21,600	20,455	30,772	29,951	27,343	33,942	44,907	66,333	42,459	19,187	336,949
Liability recognised in the Statement of Financial Position	3,985	2,102	2,865	4,581	9,407	16,378	18,231	46,625	62,834	19,403	186,411
Provision in respect of prior years											1,966
Net claims reserve											188,377

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.

	2020 £'000	2019 £'000
Financial assets carried at fair value through the Income Statement	365,674	485,539
Financial assets measured at amortised cost	336,851	413,498
Assets from reinsurance contracts	335,387	705,754
Cash at bank and in hand	32,734	57,683
Other assets	77,798	206,379
Total assets	**1,148,444**	**1,868,853**
Liabilities from insurance contracts	734,358	1,333,147
Financial liabilities measured at amortised cost	191,349	162,736
Other liabilities	22,349	21,925
Total liabilities	**948,056**	**1,517,808**

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:

	2020 £'000	2019 £'000
Interest rate risk		
Impact of 100 basis point increase on the result and net assets	(8,067)	(17,393)
Impact of 100 basis point decrease on the result and net assets	2,584	13,888

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 has been exposed is the Euro. Following the execution of the insurance portfolio transfers in 2020 in accordance with the AmTrust Group's Brexit strategy, the Company will no longer have any material Euro denominated transactions.

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.

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

2020	GBP £'000	USD £'000	EUR £'000	Other £'000	Total £'000
Financial investments	292,415	3,109	64,474	13,901	373,899
Reinsurers' share of technical provisions	312,777	21,089	-	1,521	335,387
Insurance and reinsurance receivables	185,172	24,931	-	724	210,827
Cash at bank and in hand	23,274	1,437	7,183	840	32,734
Other assets	149,026	6,590	38,986	995	195,597
Total assets	**962,664**	**57,156**	**110,643**	**17,981**	**1,148,444**
Technical provisions	679,949	51,518	-	2,891	734,358
Insurance and reinsurance payables	118,236	5,610	-	791	124,637
Other creditors	56,074	2,998	29,690	299	89,061
Total liabilities	**854,259**	**60,126**	**29,690**	**3,981**	**948,056**
Net assets	**108,405**	**(2,970)**	**80,953**	**14,000**	**200,388**

2019 (represented)	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	205,203	13,171	79,592	1,905	299,871
Cash at bank and in hand	15,595	3,173	28,299	10,617	57,683
Other assets	186,788	844	58,845	7,470	253,947
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**

In 2019, other assets were disclosed as insurance receivables in the above table and have now been represented.

In 2020, the Euro year end position comprises primarily of the dividends received from AMIL (€60,000,000) and invested in financial investments in Q4. This amount has been converted into GBP investments in Q1 2021.

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:

	2020 £'000	2019 £'000
Financial assets carried at fair value through the Income Statement	365,674	485,539
Financial assets measured at amortised cost – debtors	336,851	413,498
Assets from reinsurance contracts	335,387	705,754
Cash at bank and in hand	32,734	57,683
Total financial assets	**1,070,646**	**1,662,474**

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 2020 was £12,705,000 (2019 - £16,322,000).

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.

2020	**Neither past due nor impaired £'000**	**Past due but not impaired £'000**	**Impaired £'000**	**Total £'000**
Reinsurers' share of claims outstanding	201,242	-	-	201,242
Debtors arising out of direct insurance operations	176,859	19,262	7,512	203,633
Other debtors	8,708	-	-	8,708
Cash at bank and in hand	32,734	-	-	32,734
Total credit risk	**419,543**	**19,262**	**7,512**	**446,317**

2019	**Neither past due nor impaired £'000**	**Past due but not impaired £'000**	**Impaired £'000**	**Total £'000**
Reinsurers' share of claims outstanding	561,295	-	-	561,295
Debtors arising out of direct insurance operations	245,990	21,970	12,527	280,487
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**

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

2020	**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**
Debtors arising out of direct insurance operations	3,865	1,396	1,296	12,705	19,262
Total	**3,865**	**1,396**	**1,296**	**12,705**	**19,262**

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**
Debtors arising out of direct insurance operations	816	1,585	3,247	16,322	21,970
Total	**816**	**1,585**	**3,247**	**16,322**	**21,970**

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:

2020	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000	Carrying amount £'000
Financial investments	27,316	52,613	107,651	11,605	-	-	166,489	365,674
Debtors arising out of direct insurance operations	-	10,966	64,044	-	-	-	261,841	336,851
Debtors arising out of reinsurance operations	-	112,196	158,598	-	-	-	64,593	335,387
Cash at bank and in hand	-	-	20,905	7,427	-	4,398	4	32,734
Total assets	**27,316**	**175,775**	**351,198**	**19,032**	**-**	**4,398**	**492,927**	**1,070,646**

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**

Unrated assets are comprised of Government Bonds, Cash and Debtors. The unrated Government Bonds do not currently have a rating under S&P, as used by the Company, but are recognised by other agencies - Fitch and Moody's and the Company expects these to be aligned in time. Unrated Debtor balances relate to those 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 £7,512,000 (2019 - £12,527,000).

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 2020

	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	14,170	186,571	136,110	-	336,851
Claims outstanding – reinsurers' share	-	72,590	94,790	33,861	201,241
Total	**14,170**	**259,161**	**230,900**	**33,861**	**538,092**

Maturity analysis of financial liabilities as at 31 December 2020

	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	29,943	161,406	-	-	191,349
Claims outstanding	-	149,106	187,355	53,157	389,618
Total	**29,943**	**310,512**	**187,355**	**53,157**	**580,967**

Maturity analysis of financial assets as at 31 December 2019 (represented)

	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	219,725	107,672	-	413,498
Claims outstanding – reinsurers' share	-	166,918	304,092	90,285	561,295
Total	**86,101**	**386,643**	**411,764**	**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**

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 of £200,388,000 (2019 - £351,045,000), 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 fall in shareholder's funds in the year is due to the Part VII transfer resulting in excess capital which was returned to the shareholder through dividends.

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. The SCR has increased to 141% (2019 – 136%).

The Company calculates its linear MCR using the prescribed formula. The MCR has increased to 425% (2019 – 363%).

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 equities, corporate and government bonds, as well as its own use and investment property, at fair value.

7.1 Other financial investments

Corporate bonds amounting to £63,421,000 (2019 – £50,384,000) have been included in level 1 of the fair value hierarchy as the fair value of these financial instruments is 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 £298,807,000 (2019 – £433,026,000) have been included in level 2 of the fair value hierarchy as the fair value of these financial instruments is 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.

Equity fund investments amounting to £3,446,000 (2019 - £2,129,000) have been included in level 3 of the fair value hierarchy.

Notes to the Financial Statements (continued)

7 Fair value estimation (continued)

7.1 Other financial investments (continued)

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.

7.2 *Investment property*

The investment property amounting to £4,911,000 (2019 - £7,756,000) 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. The economic impact of the COVID-19 pandemic has been factored in to the calculations and assumptions used in the valuation process.

7.3 Investments in subsidiary undertakings

Investments in subsidiary undertakings amounting to £3,314,000 (2019 - £58,803,000) 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 upòn 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.

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

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Corporate and government bonds	63,421	298,807	-	362,228
Equity fund investment	-	-	3,446	3,446
Investment property	-	-	4,911	4,911
Investments in subsidiary undertakings	-	-	3,314	3,314
Total	**63,421**	**298,807**	**11,671**	**373,899**

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	-	-	2,129	2,129
Investment property	-	-	7,756	7,756
Investments in subsidiary undertakings	-	-	58,303	119,384
Total	**50,384**	**433,026**	**68,188**	**551,598**

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:

2020	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Accident & health	19,128	25,933	(27,809)	(9,554)	3,909	**(7,521)**
Legal expenses	96,733	79,626	(66,741)	(20,013)	574	**(6,554)**
Medical malpractice	26,574	17,798	(12,864)	(5,373)	(917)	**(1,356)**
Professional indemnity	85,521	70,428	(35,483)	(31,107)	(3,493)	**345**
Property	29,215	25,974	(7,601)	(13,069)	(3,032)	**2,272**
Warranty	39,827	59,400	(33,961)	(21,945)	(3,485)	**9**
Mortgage & credit	22,030	26,609	(8,885)	(9,946)	(5,205)	**2,573**
Run-off	27,071	41,736	(86,430)	(15,493)	40,978	**(19,209)**
Total	**346,099**	**347,504**	**(279,774)**	**(126,500)**	**29,329**	**(29,441)**

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	**(5,136)**
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)**

Note, the run-off category includes certain lines of business which the Company has now exited.

Analysis by geographical area

The split of premium by underwriting location is shown below.

	2020 £'000	2019 £'000
United Kingdom	327,337	361,106
Italy	18,762	65,127
Total	**346,099**	**426,233**

Gross written premium was lower than the prior year at £346,099,000 (2019 - £426,233,000) 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.

Notes to the Financial Statements (continued)

9 Prior years' claims provisions

Material over/(under) 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:

	2020 £'000	2019 £'000
Accident and health	(2,239)	(119)
Legal expenses	(1,989)	2,569
Medical malpractice	-	(163)
Professional indemnity	3,409	(7,577)
Property	13,400	1,509
Warranty	4,219	111
Mortgage & credit	800	142
Run-off	(6,775)	(10,696)
	10,825	**(14,224)**

10 Net operating expenses

	2020 £'000	2019 £'000
Acquisition costs	53,167	87,617
Change in deferred acquisition costs	11,385	(1,030)
	64,552	**86,587**
Administrative expenses – see note below	47,357	40,704
Profit shares	14,591	5,828
Operating expenses	**126,500**	**133,119**
Reinsurance commissions	(19,451)	(14,363)
Change in deferred reinsurance commissions	650	735
Reinsurance profit shares	(7,609)	(1,794)
Net operating expenses	**100,090**	**117,697**

Administrative expenses include:		
Auditor's remuneration:		
- audit fee	761	790
- audit related assurance services	248	269
Operating lease rentals:		
- Plant and machinery	522	789
- Land and buildings	374	635
Depreciation of owned fixed assets	81	201
Foreign exchange losses/(gains)	7,447	(8,914)

Notes to the Financial Statements (continued)

11 Staff costs

Staff costs, including Directors' remuneration, consist of:

	2020 £'000	2019 £'000
Wages and salaries	1,458	5,136
Social security costs	308	1,537
Other pension costs	77	102
	1,843	**6,775**

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

	2020 In number	2019 In number
Underwriting and claim activities	16	66
Management services	4	28
	20	**94**

The above tables relate only to those individuals employed by the Italian Branch.

By 1 August 2020, all Italian Branch employees had transferred to AA. During 2020, in addition to individuals employed by the Italian Branch, the Company received services from individuals, including directors, 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

	2020 £'000	2019 £'000
Emoluments	867	1,532
Company contributions paid to defined contribution pension schemes	22	53
	889	**1,585**

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

	2020 £'000	2019 £'000
Emoluments	437	554

During the year the number of Directors to whom retirement benefits are accruing under the Company's money purchase pension scheme was nil (2019 - nil)

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

	2020 £'000	2019 £'000
Current tax		
Foreign corporation tax charge for the year	126	8,875
UK adjustment in respect of prior years	(556)	-
Foreign adjustment in respect of prior years	(2,019)	2,791
Total current tax	**(2,449)**	**11,666**
Deferred tax		
Origination and reversal of timing differences	(3,458)	(6,355)
Adjustment in respect of prior years	4,978	(1,844)
Total deferred tax	**1,520**	**(8,199)**
Total tax (credit)/charge for the year	**(929)**	**3,466**

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

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(13,442)	(16,771)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019 – 19%)	(2,554)	(2,996)
Effects of:		
Expenses not deductible for tax purposes	4	587
Income not taxable for tax purposes	(1,059)	-
Non-taxable dividends	(10,943)	(5,600)
Impairment loss and revaluation gains not deductible for tax	11,118	2,528
Overseas taxes at a higher rate	126	8,875
Deduction from income for foreign tax paid	(24)	(875)
Adjustment in respect of prior years	2,403	947
Total tax (credit)/charge for the year	**(929)**	**3,466**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17% and this was substantively enacted as part of Finance Bill 2020 (on 17 March 2020). Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

At 31 December 2020, the Company has potential capital losses on property revaluations carried forward of £6,300,000 where no deferred taxation has been provided in the financial statements as there is no expectation of the future reversal of the asset.

	2020 £'000	2019 £'000
Deferred taxation		
Deferred tax asset at 1 January	8,456	257
(Charge)/credit to the Income Statement	(1,520)	8,199
Deferred tax asset at 31 December	**6,936**	**8,456**
Analysis of deferred taxation		
Timing differences on fixed assets	(66)	71
Losses	5,618	8,137
Short term timing differences	1,384	248
	6,936	**8,456**

Notes to the Financial Statements (continued)

14 Tangible assets

2020	Owner occupied property £'000	Fixtures, fittings and computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2020	3,960	1,057	718	5,735
Disposals	(393)	(1,097)	(751)	(2,241)
Reclassification	9	-	(9)	-
Revaluation	(770)	-	-	(770)
FX Movement	83	40	42	165
At 31 December 2020	**2,889**	**-**	**-**	**2,889**
Depreciation				
At 1 January 2020	810	1,016	695	2,521
Charged in year	31	40	10	81
Disposal	(4)	(1,060)	(726)	(1,790)
FX Movement	21	4	21	46
At 31 December 2020	**858**	**-**	**-**	**858**
Net book value				
At 31 December 2020	**2,031**	**-**	**-**	**2,031**
At 31 December 2019	3,150	41	23	3,214

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 2020 21.3% (2019 - 21.3%) of the building was owner occupied and 78.7% (2019 - 78.7%) 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 2020 is £6,240,000 (2019 - £9,855,000). The carrying amount that would have been recognised had the owner-occupied property been carried under the cost model is £1,329,000 (2019 - £2,099,000). A valuation of the UK property as at December 2020 has been performed by an independent professionally qualified third-party 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.

15 Investment property

	At valuation		Historical cost	
	2020	**2019**	**2020**	**2019**
Investment property	4,911	7,756	9,402	9,402

The investment property amounting to £4,911,000 (2019 - £7,756,000) has been valued using current market conditions by a third-party independent valuer, CBRE Limited, which also has been assigned a level 3 valuation method. The valuer performed the market valuation based on the rental income as at the date of valuation and various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites. The fair value is sensitive to movements in these assumptions. The economic impact of the COVID-19 pandemic has been factored into the calculations and assumptions used in the valuation process.

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 2020	7,756
Revaluation	(2,845)
Carrying value as at 31 December 2020	**4,911**

Notes to the Financial Statements (continued)

16 Investments in subsidiary undertakings and participating interests

Reconciliation of the carrying value of subsidiary undertakings:

	Subsidiary undertakings £'000
At 1 January 2020	58,303
Movement during the year	(54,912)
Disposal	(77)
At 31 December 2020	**3,314**

The movement during the year comprises:

	£'000
Revaluation of carrying value	2,691
Dividends received	(57,595)
Foreign exchange differences	(8)
	(54,912)

Investments in subsidiary undertakings amounting to £3,314,000 (2019 - £58,303,000) 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.

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 (awaiting dissolution)	100%

During 2020, the assets and liabilities of Amtrust Europe Legal Limited ('AELL') transferred to AEL and AELL was dissolved in January 2021.

On 31 October 2020, AMT Mortgage Insurance Limited ('AMIL') transferred all of its business into AIU pursuant to Part VII FSMA 2000. This decision was driven by the ultimate parent group's overall Brexit Strategy. AMIL sold its agency and management services company, AMT Mortgage Services Limited, to AIL. In February 2021, AMIL submitted an application with the FCA and the PRA to have its insurance license deregistered.

During the year the Company received a £3,619,000 dividend from AmTrust Europe Legal Limited prior to its dissolution and a £53,976,000 dividend from Amtrust Mortgage Insurance Limited prior to its Part VII transfer to AIU.

(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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Corporate and government bonds	362,228	483,410	354,565	476,622
Equity fund investment	3,446	2,129	1,340	1,880
	365,674	**485,539**	**355,905**	**478,502**

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 Asset Liability Management framework is also included in note 6.

18 Debtors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Amounts owed by intermediaries	170,742	219,342
Amounts owed by reinsurers	32,891	61,145
	203,633	**280,487**

19 Other debtors

	2020	2019
	£'000	£'000
Other debtors	7,407	14,582
Corporation tax	1,301	4,802
	8,708	**19,384**

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

20 Deferred acquisition costs

	2020	2019
	£'000	£'000
At 1 January	91,664	93,275
Change in asset in period	(11,385)	1,030
Amounts transferred to AIU	-	(2,556)
Part VII transfer out	(14,768)	-
Foreign exchange movement	1,989	(85)
At 31 December 2020	**67,500**	**91,664**

21 Amounts owed by group undertakings

	2020	2019
	£'000	£'000
Due from fellow subsidiaries	124,510	113,627
Total	**124,510**	**113,627**

Notes to the Financial Statements (continued)

22 Share capital

	Allotted, called up and fully paid			
	2020 Number	**2019 Number**	**2020 £'000**	**2019 £'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.

24 Claims outstanding

2020	**Gross £'000**	**Reinsurers' share £'000**	**Total £'000**
At 1 January 2020	911,908	(561,295)	350,613
Claims incurred during the year	279,774	(141,568)	138,206
Claims paid during the year	(195,089)	110,969	(84,120)
Part VII transfer out	(608,752)	397,207	(211,545)
Foreign exchange movement	1,777	(6,554)	(4,777)
At 31 December 2020	**389,618**	**(201,241)**	**188,377**

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**

Notes to the Financial Statements (continued)

25 Provision for unearned premiums

2020	Gross £'000	Reinsurers' share £'000	Total £'000
At 1 January 2020	421,239	(144,459)	276,780
Premiums written in the year	346,099	(149,736)	196,363
Premiums earned in the year	(347,504)	138,649	(208,855)
Part VII transfer out	(76,751)	37,789	(38,962)
Foreign exchange movement	1,657	(16,389)	(14,732)
At 31 December 2020	**344,740**	**(134,146)**	**210,594**

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**

26 Creditors arising out of direct insurance operations

	2020 £'000	2019 £'000
Amounts arising out of direct insurance operations	46,158	53,632
Amounts due to reinsurers	78,479	47,699
	124,637	**101,331**

27 Other creditors including taxation and social security

	2020 £'000	2019 £'000
Amounts due within one year		
Corporation tax	2,460	9,107
Other creditors	62,562	29,327
	65,022	**38,434**

28 Accruals and deferred income

	2020 £'000	2019 £'000
Deferred profit commissions	5,313	3,101
Deferred reinsurance commissions	17,036	18,824
	22,349	**21,925**

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

	2020 £'000	2019 £'000
At 1 January	18,824	20,128
Movement in provision	650	735
Part VII transfer out	(3,815)	-
Foreign exchange movements	1,377	(2,039)
	17,036	**18,824**

Notes to the Financial Statements (continued)

29 Commitments under operating leases

As at 31 December 2020, there were no future minimum lease payments under non-cancellable operating leases as all leases have been transferred from the Italian Branch to AA in 2020:

	2020		2019	
	Land and buildings £'000	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Leases which expire within one year	-	-	635	789
Leases which expire later than one year, but not later than five years	-	-	1,165	273
Total	-	-	1,800	1,062

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 2020, £262,437 (2019 - £2,226,953) of reinsurance premium was ceded to Maiden Re, less £13,480,570 (2019 - £41,427,525) of reinsurance claims. The Company received an overrider of £13,122 (2019 - £111,348). At 31 December 2020 Maiden Re owed £nil to the Company (2019 - £36,198,219). All Maiden balances were transferred to AA as part of the Part VII portfolio transfers.

31 Parent undertakings

The Company's immediate parent undertaking is AmTrust International Limited ('AIL'), a company registered in England. The Company's intermediate parent company, AIIL, 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 AIIL 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, in respect of reinsurers' share of technical provisions. As at 31 December 2020, collateral in the form of cash funds and investments held in a segregated third party administered trust account for the benefit of the Company has been provided by AIIL in the amount of £153,609,694 (2019 - £456,117,351). This collateral amount is intended to mitigate the total exposure to AIIL. Management closely monitor the coverage provided and where the timing of transactions results in any shortfall this is rectified timely.

The Company was exposed to credit risk, prior to the Part VII portfolio transfers, with Maiden Re. Following this transfer, the right to the segregated trust account to hold the collateral balance of £195,551,755 (2019 - £192,717,639) for the benefit of the Company was passed to AA.