Car Care Plan (Holdings) Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 01337510

Contents

Directors and Officers

Directors

E A Blythe
R J Brannock
J E Cadle
P Dewey
A Radi
B S Russell
G W W Tinch
S J Wright

Company secretary

G W W Tinch

Registered office

Jubilee House, 5 Mid Point Business Park, Thornbury, West Yorkshire, BD3 7AG

Company number

01337510

Auditor

KPMG LLP, 15 Canada Square, London E14 5GL

Strategic Report

The Directors present the strategic report of Car Care Plan (Holdings) Limited ('CCPH' or 'the Company') together with the audited financial statements for the year ended 31 December 2021.

The Company is a wholly owned subsidiary of the AmTrust Financial Services Group.

As a member of the AmTrust Group, the Company benefits from financial, operational and management support. The AmTrust Group is a multinational insurance group specialising in a range of niche markets. With extensive underwriting experience and a prestigious 'A-' (Excellent) financial Size 'XV' rating from A.M. Best for most of its insurance companies, the AmTrust Group has earned a reputation as an innovative, technology driven provider of insurance products. Commitment to excellence is a common thread connecting each of the AmTrust Group companies.

Principal activity

Car Care Plan (Holdings) Limited is the holding and management company for a group of companies whose principal activities include the underwriting, marketing and administration of motor vehicle warranty and related products in the United Kingdom and internationally. Its immediate parent undertaking is AmTrust International Limited, a company registered in England.

Review of the business and future developments

Performance review

The profit after tax for the financial year was £29,737,000 (2020: profit after tax of £25,154,000).

During the year dividends of £27,000,000 were paid to the Company's immediate parent undertaking following the receipt of dividends amounting to £30,750,000 from subsidiary undertakings. Please see note 14 to the Financial Statements for further details of dividend transactions.

The following table highlights those items that the Directors consider to be key performance indicators:

	2021	2020
	£'000	£'000
Pension deficit	**-**	1,200
Profit on ordinary activities before taxation	**29,997**	25,201
Net assets	**33,332**	30,923

The increase in profit and net assets year-on-year is attributable to the retention of a larger proportion of the significant dividends received from subsidiary undertakings (£3.75m as compared with £2m), increased intercompany charges arising from additional contributions made to the defined benefit pension scheme (£1.6m as compared with £0.6m) and an actuarial gain on the defined benefit pension scheme arising in the year which reduced the pension deficit recorded in the accounts to zero (2020: deficit £1.2m) all of which more than offset an impairment provision of £2m (2020: £nil) against the valuation of one of its subsidiaries.

Strategic Report (continued)

Principal risks and uncertainties

The Company continues to be very aware of the business and operational risks it faces and maintains a detailed risk analysis process. This comprises the application of a structured, consistent and continuous process across the Company for identifying, assessing and deciding upon suitable responses to the threats and opportunities that affect the successful achievement of our business objectives.

The circumstances and events creating uncertainties for the business and also a heightened focus on particular risks are discussed below:

1. Macroeconomic changes due to COVID-19 and the Russian invasion of Ukraine
   The global economy is currently experiencing inflationary pressures in the aftermath of the COVID-19 pandemic and as a result of the on-going hostilities in the Ukraine. This is expected to have some down-side effect on the Company's operating subsidiaries, increasing costs and potentially constraining income. This negative impact on profitability elsewhere within the Group may reduce dividend capacity and so dividend income to the Company.

2. Defined benefit pension plan
   The macroeconomic changes discussed above are having an effect on the performance of wider financial markets. This in turn will affect the funding position of the group's defined benefit pension scheme, as it is partly dependent upon market rates and returns.

   The defined benefit pension scheme liability is determined by taking professional actuarial advice. The group meets the cost of contributions to fund the liability in line with a funding plan agreed with the scheme actuary (note 15). The Group made a one-off contribution of £1m to the fund in December 2021 and monthly contributions to the fund have been increased from £0.6m to £1m per annum since March 2022. In addition, the funding status of the scheme is kept under constant review so that any remedial actions can be taken as necessary.

3. Value of investments in subsidiaries
   The Company holds material investments in other group companies at the lower of cost or net realisable value (see note 9 to these Financial Statements). Market pressures noted above and their potential effect on profitability and subsidiaries own investment holdings may have an adverse impact on the value of these investments.

Future developments

The Directors anticipate no changes in the Company's operations into the future and so the Company will continue to be the main holding company for the Car Care Plan Group entities.

Approval

This strategic report was approved by order of the Board on 17 June 2022.

S J Wright
Director

Directors' Report

The Directors' present their report together with the audited financial statements for the year ended 31 December 2021.

Directors

The current Directors of the Company are shown on the contents page. Since 1 January 2021 until the date of this report, the following changes to the Board of Directors have occurred:

Name	Date of resignation
PG Newton	1 June 2021

Results and dividends

The statement of other comprehensive income is set out on page 11 and shows the profit for the year.

During the year, dividends of £30,750,000 (2020: £25,000,000) were received from two of the Company's subsidiary undertakings, and dividends of £27,000,000 were paid to the Company's immediate parent undertaking (2020: £23,000,000). Please see note 14 to the Financial Statements for additional detail in respect of dividend transactions.

The directors do not recommend the payment of a final dividend (2020: £nil).

Future developments

Future developments are discussed in the Strategic Report to these Financial Statements on page 2.

Political donations

The Company did not make any political donations during the year under review (2020 - £Nil).

Financial risk management and objectives

The Directors have considered the exposure to financial risk which is discussed in the Strategic Report to these Financial Statements on page 2.

Going concern

The Company and its subsidiaries have considerable financial resources and a balanced portfolio of clients. A separate Going Concern review has been undertaken, considering forecast income, expenditure and cash flows for a period of at least 12 months from the date of approval of these financial statements and the key risks outlined in the Strategic Report. The result of this review is such that the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

Qualifying third party indemnity provisions

Directors' and officers' liability insurance in respect of the Company has been maintained throughout the year.

Directors' Report (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.

Disclosure of information to auditor

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

On behalf of the Board

G W W Tinch
Company Secretary

17 June 2022

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report 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 Rcpublic of Ireland.*

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

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

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

Independent Auditor's Report to the Members of Car Care Plan (Holdings) Limited

Opinion

We have audited the financial statements of Car Care Plan (Holdings) Limited ("the Company") for the year ended 31 December 2021 which comprise the income statement, the statement of other comprehensive income, the statement of financial position, the statement of changes in equity and 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 the Company's affairs as at 31 December 2021 and of its profit 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
- 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 have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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.

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.

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 and management as to the Company's high-level policies and procedures to prevent and detect fraud, 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.

Independent Auditor's Report to the Members of Car Care Plan (Holdings) Limited (continued)

- Reading Board, audit, and other sub-committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the recoverability of investments in subsidiaries, the valuation of level 3 pension assets and the valuation of the defined benefit pension liability. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no revenue recognised from trading activities.

We did not identify any additional fraud risks.

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 created and approved by the same individual, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to borrowings and post-closing journals meeting certain criteria; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to 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 directors (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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

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

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, 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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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.

Independent Auditor's Report to the Members of Car Care Plan (Holdings) Limited (continued)

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.

Strategic report and 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 the strategic report and the directors' report;
- in our opinion the information given in those reports 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.

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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for 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.

Independent Auditor's Report to the Members of Car Care Plan (Holdings) Limited (continued)

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.

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.

Cheryl Mason (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
15 Canada Square
London
E14 5GL
17 June 2022

Income Statement
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	1,610	610
Administrative expenses		(2,045)	(8)
Operating (loss)/profit	5	**(435)**	**602**
Interest payable and similar charges		(318)	(401)
Dividends received	14	30,750	25,000
Profit before taxation		**29,997**	**25,201**
Tax on profit	8	(260)	(56)
Profit for the financial year		**29,737**	**25,145**

All the amounts recognised in the Income Statement above relate to continuing activities.

The notes on pages 15 to 23 form part an integral part of these financial statements.

Statement of Other Comprehensive Income
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the year		29,737	25,145
Other comprehensive income			
Actuarial gain/(loss) on pension scheme	15	3,586	(2,310)
Impact of asset ceiling	15	(3,991)	400
Taxation on other comprehensive income		77	369
Other comprehensive income for the year after taxation		**(328)**	**(1,541)**
Total comprehensive income for the year		**29,409**	**23,604**

The notes on pages 15 to 23 form part an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments in subsidiaries	9	47,769	49,769
		47,769	**49,769**
Current assets			
Debtors	10	2,865	2,473
Creditors: amounts falling due within one year	11	52	119
Net current assets		**2,813**	**2,354**
Total assets less current liabilities		**50,582**	**52,123**
Creditors: amounts falling due after more than one year	12	17,250	20,000
Post-employment benefits	15	-	1,200
Net assets		**33,332**	**30,923**
Capital and reserves			
Called up share capital	13	14,921	14,921
Profit and loss account		18,411	16,002
Total shareholder's funds		**33,332**	**30,923**

Company registration number: 01337510

The notes on pages 15 to 23 form part an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 June 2022.

S J Wright
Director

Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Called up share capital £'000	Profit and loss account £'000	Shareholder's funds £'000
At 1 January 2021		14,921	16,002	30,923
Profit for the financial year		-	29,737	29,737
Other comprehensive income for the year		-	(328)	(328)
Total comprehensive income for the year		**-**	**29,409**	**29,409**
Dividends paid	14	-	(27,000)	(27,000)
Total transactions with owners, recognised directly in equity		**-**	(27,000)	(27,000)
Balance as at 31 December 2021		**14,921**	**18,411**	**33,332**

	Note	Called up share capital £'000	Profit and loss account £'000	Shareholder's funds £'000
At 1 January 2020		14,921	15,398	30,319
Profit for the financial year		-	25,145	25,145
Other comprehensive income for the year		-	(1,541)	(1,541)
Total comprehensive income for the year		**-**	**23,604**	**23,604**
Dividends paid	14		(23,000)	(23,000)
Total transactions with owners, recognised directly in equity			**(23,000)**	**(23,000)**
Balance as at 31 December 2020		**14,921**	**16,002**	**30,923**

The notes on pages 15 to 23 form part an integral part of these financial statements.

Notes to the Financial Statements

1 General information

Car Care Plan (Holdings) Limited is the holding and management company for a group of companies whose principal activities include the underwriting, marketing and administration of motor vehicle warranty and related products in the United Kingdom and internationally. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Jubilee House, 5 Mid Point Business Park, Thornbury, West Yorkshire, BD3 7AG.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and in compliance with the Large and Medium sized companies and groups (Accounts and Reports) Regulation 2008 ("SI 2008/410") and other requirements of the Companies Act 2006.

The financial statements have been prepared on the going concern basis under the historical cost accounting rules. They are presented in pounds sterling, the functional currency of the Company, rounded to the nearest £1,000.

The Company has adopted all the amendments to FRS102 that are effective from 1 January 2021 during the year. These did not impact the Company.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

a) 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 AmTrust International Insurance Limited ('AIIL') (incorporated in Bermuda) prepares a group consolidated cash flow statement in its group consolidated financial statements, that are publicly available.

b) 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.

c) Exemption from certain financial instruments disclosures
The Company has taken advantage of the exemption under FRS 102, paragraph 1.12(c) from making certain financial instruments disclosures on the grounds that equivalent disclosures are included in the consolidated financial statements of AIIL.

d) Group accounts
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 intermediate parent company AmTrust International Insurance Limited (AIIL). The consolidated financial statements of AIIL are publicly available from its registered address (see note 16).

Notes to the Financial Statements (continued)

Basis of preparation (continued)

e) Going concern
The Company and its subsidiaries have considerable financial resources and a balanced portfolio of clients. After review of the key performance indicators, forecast income, expenditure and cash flows for a period of at least 12 months from the date of approval of these financial statements and the key risks outlined in the Strategic Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Turnover
Turnover represents income receivable by way of recharges relating to the group defined benefit pension scheme.

3.2 Pension costs
For the defined benefit retirement plan, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. These are included as part of staff costs. Past service costs are recognised on a straight line basis over the period in which the increases in benefit vest. The interest cost and the expected return on assets are shown as a net amount in other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset (less any irrecoverable surplus) or liability, net of the related deferred tax, where appropriate, is presented separately on the face of the balance sheet (Note 15).

3.3 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 the 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.

3.4 Investments in subsidiaries and joint ventures
Investments in subsidiaries and joint ventures are stated at cost less provision for impairment and are assessed for indicators of impairment at each balance sheet date.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.5 Financial assets
The Company classifies all of its financial assets as basic financial instruments under Section 11 FRS 102. Management determines the classification of its investments at initial recognition. All financial assets are carried at amortised cost.

3.6 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.

3.7 Foreign currencies
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 historical rates applicable to each such asset or liability.

3.8 Critical accounting judgements and estimation uncertainty
The Company makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Judgements relate to decisions reached about the application of accounting policy. The following estimates and judgements have had the most significant effect on amounts recognised in the financial statements:

Pension Obligations – The Company has a commitment to pay pension benefits to the members of the Car Care Pension Plan over the long-term. The accounting cost of these benefits and the present value of the pension liabilities depend on such factors as the life expectancy of the members, price inflation and the discount rate used to calculate the net present value of the future pension payments. The Company uses estimates for these factors in determining the pension costs and liabilities incorporated into the financial statements. The assumptions reflect historical experience and the Company's judgement regarding future expectations. The value of the net pension obligation at 31 December 2021 and the key financial assumptions used to measure the obligation are disclosed in note 15.

Investments in Subsidiaries – At each reporting date a review is performed to assess whether there is any indication that any of the investments in subsidiaries may be impaired. If an indication of impairment is identified, the Company will then calculate the recoverable amount of the investment. Should this recoverable amount of the investment be lower than the carrying amount an impairment charge is recognised. A level of judgement in the assessment of whether indicators or impairment exist, and should the calculation of recoverable amounts be necessary, judgement is also required in the selection of an appropriate assumptions used in the financial models that form part of the assessment, including discount rates for cashflows arising from the activities of the subsidiary and anticipated growth rates of those cashflows.

Following the annual impairment review, a provision for impairment of £2,000,000 has made against the value of the investment in Dent Wizard Ventures Limited. This is the result of revisions to assumptions, particularly relating to underlying perpetuity growth rates, used within the model calculating the recoverable amount.

The valuation model is materially sensitive to the discount rate and rate of growth of the cashflows arising from the activities of the business. A reduction in the entity specific growth rate of 20% would have result in an impairment charge of £4.3m, all other variables remaining constant, and similarly an increase in discount rate of 2% would have resulted in an impairment charge of £3.4m.

Notes to the Financial Statements (continued)

4 Turnover

The total turnover of the Company for the year has been derived from its principal activity undertaken in the United Kingdom and its other activities as follows:

	2021 £'000	2020 £'000
Recharges to group companies	1,610	610
	1,610	**610**

5 Operating (loss)/profit

Operating profit is stated after charging/(crediting):

	2021 £'000	2020 £'000
Impairment of investment in subsidiaries (note 9)	2,000	-
Fees charged by the Company's Auditor for the audit of these Financial Statements	41	26
Fees charged by the Company's Auditor for audit related assurance services	13	-

6 Directors

The directors are remunerated by the Company's subsidiary Car Care Plan Limited. None of the directors receive remuneration in respect of their services to Car Care Plan (Holdings) Limited. Details of the remuneration of the highest paid Director can be found in the Financial Statements of Car Care Plan Limited.

7 Employees

No staff were employed directly by company during the year (2020: Nil).

8 Tax on profit from ordinary activities

	2021 £'000	2020 £'000
Current tax		
UK corporation tax charge/(credit) for the year	(67)	(85)
Adjustments in respect of prior periods	22	-
Deferred tax		
Origination and reversal of timing differences	305	141
Tax on profit on ordinary activities	**260**	**56**

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

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	29,997	25,201
Tax at the standard rate of corporation tax in the UK of 19% (2020 – 19%) thereon	5,700	4,788
Effects of:		
Income not subject to tax	(5,843)	(4,750)
Expenses not deductible for tax purposes	381	12
Adjustments in respect of prior periods	22	-
Impact of rate change adjustments	-	6
Total tax charge for period	**260**	**56**

Notes to the Financial Statements (continued)

9 Investments in subsidiaries

	Shares in group undertakings £'000	Total £'000
Cost		
At 1 January and 31 December 2021	49,769	**49,769**
Provisions		
At 1 January 2021	-	-
Impairment losses	(2,000)	**(2,000)**
At 31 December 2021	(2,000)	**(2,000)**
Net book value		
At 31 December 2021	47,769	**47,769**
At 31 December 2020	49,769	**49,769**

As discussed in note 3.8 '*Critical accounting judgements and estimation uncertainty*' above, following the annual impairment review a provision for impairment of £2,000,000 has made against the value of the investment in Dent Wizard Ventures Limited.

The subsidiary undertakings are as follows:

Subsidiary	Country of incorporation	Principal activity	Holding
Motors Insurance Company Limited	England & Wales	Underwriter of motor vehicle warranty and wholesale floor plan insurance products	100%
Car Care Plan Limited	England & Wales	Administrator of motor vehicle warranty products	100%
Dent Wizard Ventures Limited	England & Wales	Motor vehicle cosmetic damage repairer	100%
Car Care Plan Management Services Limited	England & Wales	Dormant	100%
Car Care Pension Trustees Limited	England & Wales	Dormant	100%

The registered office of all direct subsidiaries is Jubilee House, 5 Mid Point Business Park, Thornbury, West Yorkshire. Details of the Company's holdings in the issued share capital of all direct subsidiaries are as follows:

Subsidiary	Share Class	Number Held
Motors Insurance Company Limited	Ordinary £1 Shares	11,700,000
Car Care Plan Limited	Ordinary £1 Shares	9,450,000
Dent Wizard Ventures Limited	Ordinary £1 Shares	1,000
Car Care Plan Management Services Limited	Ordinary £1 Shares	2
Car Care Pension Trustees Limited	Ordinary £1 Shares	2

Notes to the Financial Statements (continued)

10 Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed by group undertakings	1,801	2,154
Dividend receivable	1,000	-
Deferred tax	-	228
Other debtors	64	91
	2,865	**2,473**

11 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Accruals and deferred income	52	119
	52	**119**

12 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
At 1 January	20,000	22,000
Repayments of capital	(2,750)	(2,000)
At 31 December	**17,250**	**20,000**

A loan of £22m was provided by Motors Insurance Company Ltd in December 2019. The terms of the loan were subsequently updated on 25 June 2021 such that it is repayable on or before 30 December 2029, interest being charged at 1.5% above SONIA or alternative reference rate as agreed between the parties.

At the year end, the total amount due was £17,250,000, representing £17,250,000 of principal.

13 Share capital

	Allotted, called up and fully paid			
	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary shares of 25 pence each	59,685,446	59,685,446	14,921	14,921

14 Dividends

Dividends receivable	2021 £'000	2020 £'000
Interim dividend, June 2021		
Motors Insurance Company Limited	15,000	25,000
Interim dividend, December 2021		
Motors Insurance Company Limited	15,000	-
Dent Wizard Ventures Limited	750	-
Total dividends receivable	**30,750**	**25,000**

Dividends paid	2021 £'000	2020 £'000
Interim dividend, June 2021		
AmTrust International Limited at 25.1 (2020: 38.5) pence per share	15,000	23,000
Interim dividend, December 2021		
AmTrust International Limited at 20.1 pence per share	12,000	-
Total dividends paid	**27,000**	**23,000**

Notes to the Financial Statements (continued)

15 Pensions

The Company operates a closed funded defined benefit plan, the Car Care Pension Plan ("CCPP"). The assets of the scheme are held in separate trustee administered funds. Funding is provided at a level determined after taking professional actuarial advice, with the group meeting the balance of the cost not provided by members' contributions. The Plan closed to future benefit accrual on 30 April 2007.

A full actuarial valuation was carried out by a qualified independent actuary on the CCPP as at 1 January 2021 using the method and assumptions agreed by the Trustee. The Trustee has adopted the "Statutory Funding Objective", which is that the plan should have sufficient and appropriate assets to meet its liabilities.

The principal financial assumptions used were RPI inflation of the Bank of England gilt implied inflation curve, CPI inflation of RPI inflation less 1% per annum up to 1 January 2030 with no adjustment after that date, a pre- and post-retirement discount rate of the Bank of England gilt yield curve with an addition of 1.5% per annum up to 1 January 2030 and no adjustment after that date. The mortality assumptions are 100% of S3PA, with allowances for improvements in life expectancy of CMI_2019 (core parameters) with a long-term improvement rate of 1.5% per annum and an initial addition parameter of 0.5% per annum.

The pension deficit revealed by the valuation was £6,213,000 which corresponds to a funding ratio of 87%. The Company committed to pay:

- Contributions of £610,000 per annum in equal monthly instalments from 1 January 2021 to 28 February2022.
- An additional contribution of £1,000,000 made in December 2021.
- Contributions of £1,000,000 per annum in equal monthly instalments from 1 March 2022 to 28 February 2027.

These contributions are expected to correct the pension deficit. The Company has also committed to pay all expenses (excluding investment manager expenses) as and when they fall due and any levies due to the Pension Protection Fund.

The Company commissioned an updated actuarial valuation as at 31 December 2021 carried out by a qualified independent actuary based on projecting forward the results of the last full actuarial valuation.

The major assumptions used by the actuary were (in nominal terms):

	2021 %	2020 %
Rate of increase of pensions in payment	3.00	2.70
Expected rate of return on assets	4.10	1.25
Discount rate	1.80	1.25
Inflation assumption (RPI)	3.25	2.90
Inflation assumption (CPI)	2.55	2.10
Proportion of pension taken as tax free cash	25.00	25.00

The assets and liabilities of the Plan at 31 December were:

	2021 £'000	2020 £'000
Equities	16,779	15,000
Fixed Income	20,492	20,200
Property	2,677	2,400
Other	5,971	3,800
Total fair value of assets	45,919	41,400
Present value of Plan liabilities	(41,928)	(42,600)
Surplus/(deficit) in the Plan	3,991	(1,200)
Impact of asset ceiling	(3,991)	-
Net pension liability	**-**	**(1,200)**

There is no agreement in place with the trustees of the scheme that the Company can generate future economic benefits for itself in the form of reduced future contributions or refunds from the scheme and so no pension surplus is recognised in the balance sheet.

Notes to the Financial Statements (continued)

15 Pensions (continued)

Analysis of amount credited to other finance income:

	2021 £'000	2020 £'000
Interest on pension Plan liabilities	528	700
Interest on Plan assets	(523)	(800)
Expense/(income) recognised in profit and loss	**5**	**(100)**

Movement in deficit during the year

	2021 £'000	2020 £'000
Deficit in Plan at beginning of year	(1,200)	-
Interest cost	(5)	-
Contributions	1,610	610
Actuarial gain/(loss)	3,586	(2,210)
Impact of asset ceiling	(3,991)	400
Deficit in plan at the end of year	**-**	**(1,200)**

Changes to the present value of the defined benefit obligation during the year:

	2021 £'000
Opening defined benefit obligation	42,600
Interest cost	528
Actuarial (gain)/loss on Plan liabilities	(389)
Net benefits paid out	(811)
Closing defined benefit obligation	**41,928**

Changes to the fair value of Plan assets during the year:

	2021 £'000
Opening fair value of Plan assets	41,400
Interest on Plan assets	523
Actuarial gain on Plan assets	3,197
Contribution by the employer	1,610
Net benefits paid out	(811)
Closing fair value of Plan assets	**45,919**

Notes to the Financial Statements (continued)

16 Parent undertakings and controlling party

The Company's immediate parent undertaking is AmTrust International Limited, a company registered in England. Group accounts are not prepared.

The Company's ultimate parent undertaking and controlling party is Evergreen Parent GP LLC, a company registered in U.S.A, which is also the largest group in which the results of the Company are consolidated. The address of the registered office of Evergreen Parent GP LLC is 59 Maiden Lane, New York, NY10038 USA.

The smallest group of companies of which the Company is a member, and which consolidates the results of the Company into its financial statements is AmTrust International Insurance Ltd, incorporated in Bermuda. Copies of the group accounts are available from Washington Mall, 7 Reid Street, Suite 400, P.O. Box HM 2301, Hamilton HM 11, Bermuda.

17 Related party transactions

The Company only discloses transactions with related parties that are not wholly owned within the same group of companies. There are no material related party transactions requiring disclosure.

AmTrust International Insurance

An AmTrust Financial Company

AmTrust International Insurance, Ltd.

Consolidated Financial Statements

As of and for the Years Ended December 31, 2021 and 2020

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 133750

AMTRUST INTERNATIONAL INSURANCE, LTD.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of AmTrust International Insurance, Ltd.

Opinion

We have audited the consolidated financial statements of AmTrust International Insurance, Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income/loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Required supplementary information

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts on pages 29 to 35 be presented to supplement the basic consolidated financial statements Such information is the responsibility of management and, although not a part of the basic consolidated financial statements is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 27, 2022

AMTRUST INTERNATIONAL INSURANCE, LTD.
CONSOLIDATED BALANCE SHEETS
(In Thousands of US Dollars, Except Par Value Per Share Data)

	December 31,	
ASSETS	**2021**	**2020**
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost $4,049,311; and $3,459,055)	$ 4,058,203	$ 3,541,826
Equity securities, at fair value (cost $45,324; and $31,819)	38,828	25,460
Short-term investments, at fair value (amortized cost $83,387; and $292,804)	83,405	291,819
Other investments (related party $169,616; and $210,219; at fair value $5,894; and $23,789)	327,284	373,219
Total investments	4,507,720	4,232,324
Cash, cash equivalents, restricted cash and cash equivalents	503,190	575,616
Accrued interest and dividends	21,523	23,396
Premiums receivable, net (related party $653,147; and $591,596)	1,259,393	1,062,619
Reinsurance recoverable (related party $1,299,446; and $1,622,761)	2,064,097	2,250,359
Prepaid reinsurance premium (related party $76,488; and $112,001)	485,075	421,217
Federal income tax receivable	—	95,590
Deferred policy acquisition costs	480,877	506,611
Property, equipment and software, net	173,298	182,657
Goodwill	166,896	166,023
Intangible assets, net	41,691	48,906
Due from affiliate	419,855	388,710
Other assets (related party $—; and $133,204; at fair value $—; and $1,910)	642,095	851,175
Total Assets	$ 10,765,710	$ 10,805,203
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Loss and loss adjustment expense reserves	$ 4,847,077	$ 5,158,879
Unearned premiums	2,314,861	2,104,181
Ceded reinsurance premiums payable (related party $28,252; and $41,816)	341,281	291,995
Funds held under reinsurance treaties (related party $603,850, and $609,192)	906,504	650,338
Debt	106,844	107,954
Accrued expenses and other liabilities (at fair value $175; and $5,233)	559,758	573,952
Total liabilities	9,076,325	8,887,299
Stockholder's equity:		
Common stock, $1 par value; 250 shares authorized, issued and outstanding in 2021 and 2020	250	250
Additional paid-in capital	1,969,147	1,969,147
Accumulated other comprehensive loss	(116,624)	(16,997)
Retained deficit	(215,254)	(66,193)
Total AmTrust International Insurance, Ltd. equity	1,637,519	1,886,207
Non-controlling interest	51,866	31,697
Total stockholder's equity	1,689,385	1,917,904
Total liabilities and stockholder's equity	$ 10,765,710	$ 10,805,203

See the accompanying Notes to the Consolidated Financial Statements.

AMTRUST INTERNATIONAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands of US Dollars)

	Year Ended December 31,	
	2021	2020
Revenues:		
Net earned premiums	$ 2,102,698	$ 1,934,816
Service and fee income (related party - $38,718; and $26,406)	125,630	112,704
Net investment income	62,951	59,525
Net realized (loss) gain on investments	(5,103)	7,194
Net loss on sales of businesses	—	(7,277)
Other	14,705	35,865
Total revenues	2,300,881	2,142,827
Losses and expenses:		
Loss and loss adjustment expenses	1,272,590	1,269,358
Amortization of deferred acquisition costs	733,201	650,678
Underwriting, general, and administrative expenses	312,857	381,320
Interest expense, net of interest income (related party - $11,065; and $10,740)	20,683	18,441
Foreign currency (gain) loss	(44,584)	47,955
Other	9,049	10,629
Total losses and expenses	2,303,796	2,378,381
Loss before income taxes and equity in earnings of unconsolidated subsidiaries	(2,915)	(235,554)
Provision (benefit) from income taxes	102,909	(1,342)
Loss before equity in earnings of unconsolidated subsidiaries	(105,824)	(234,212)
Equity in loss of unconsolidated subsidiaries	(28,653)	(31,580)
Net loss	(134,477)	(265,792)
Net (income) loss attributable to non-controlling interests	(17,548)	13,453
Net loss attributable to AmTrust International Insurance, Ltd. common stockholders	$ (152,025)	$ (252,339)

See the accompanying Notes to the Consolidated Financial Statements.

AMTRUST INTERNATIONAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS
(In Thousands of US Dollars)

	Year Ended December 31,	
	2021	2020
Net loss	$ (134,477)	$ (265,792)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation	(49,755)	74,037
Pension liability	3,714	(4,169)
Net unrealized (losses) gain on available-for-sale securities	(53,586)	29,526
Other comprehensive (loss) income, net of tax	$ (99,627)	$ 99,394
Comprehensive loss	(234,104)	(166,398)
Comprehensive (income) loss attributable to non-controlling interest	(17,548)	13,453
Comprehensive loss attributable to AmTrust International Insurance, Ltd.	$ (251,652)	$ (152,945)

See the accompanying Notes to the Consolidated Financial Statements.

AMTRUST INTERNATIONAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In Thousands of US Dollars)
Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total AmTrust International Insurance, Ltd. Equity	Non-controlling Interest	Total Stockholder's Equity
Balance, December 31, 2019	$ 250	$ 1,969,147	$ (116,391)	$ 180,373	$ 2,033,379	$ 49,693	$ 2,083,072
Net loss	—	—	—	(265,792)	(265,792)	—	(265,792)
Foreign currency translation, net of tax	—	—	74,037	—	74,037	—	74,037
Pension liability, net of tax	—	—	(4,169)	—	(4,169)	—	(4,169)
Unrealized gain on available-for-sale investments, net of tax	—	—	29,526	—	29,526	—	29,526
Loss attributable to non-controlling interest	—	—	—	13,453	13,453	(13,453)	—
Net distribution of non-controlling interest	—	—	—	5,773	5,773	(4,543)	1,230
Balance, December 31, 2020	250	1,969,147	(16,997)	(66,193)	1,886,207	31,697	1,917,904
Net loss	—	—	—	(134,477)	(134,477)	—	(134,477)
Foreign currency translation, net of tax	—	—	(49,755)	—	(49,755)	—	(49,755)
Pension liability, net of tax	—	—	3,714	—	3,714	—	3,714
Unrealized loss on available-for-sale investments, net of tax			(53,586)	—	(53,586)	—	(53,586)
Cumulative effect resulting from an accounting change at equity method investee [1]	—	—	—	2,964	2,964	—	2,964
Income attributable to non-controlling interest	—		—	(17,548)	(17,548)	17,548	—
Net contribution of non-controlling interest	—	—	—	—	—	2,621	2,621
Balance, December 31, 2021	$ 250	$ 1,969,147	$ (116,624)	$(215,254)	$ 1,637,519	$ 51,866	$ 1,689,385

[1] During the twelve months ended December 31, 2021, an out of period adjustment was recorded to reflect the Company's proportional share of the cumulative effect of an equity method investee's adoption of an accounting standard. The Company has evaluated the impact of the adjustment and concluded that it is not material, individually or in the aggregate, to any prior period financial statements.

See the accompanying Notes to the Consolidated Financial Statements.

AMTRUST INTERNATIONAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of US Dollars)

	Year Ended December 31, 2021	2020
Cash flows from operating activities:		
Net loss	$ (134,477)	$ (265,792)
Adjustments to reconcile net loss to net cash provided by operating activities.		
Depreciation and amortization	18,603	19,438
Net amortization of bond premium or discount	29,812	20,007
Net realized loss (gain) on investments	5,103	(7,194)
Net loss on sale of subsidiaries	—	7,277
Foreign currency (gain) loss	(44,584)	47,955
Other, net	14,977	42,127
Changes in assets – (increase) decrease:		
Premiums receivable	(139,196)	271,643
Reinsurance recoverable	62,805	413,725
Deferred policy acquisition costs, net	30,070	76,837
Prepaid reinsurance premiums	(83,643)	26
Prepaid expenses and other assets	212,397	(24,338)
Due from affiliate	50,191	(86,272)
Changes in liabilities -- increase (decrease)		
Reinsurance premium payable	79,234	(96,941)
Loss and loss expense reserves	(143,422)	(298,358)
Unearned premiums	250,681	(8,051)
Funds held under reinsurance treaties	258,953	(25,396)
Accrued expenses and other liabilities	8,292	63,677
Net cash provided by operating activities	475,796	150,370
Cash flows from investing activities:		
Purchases of		
Fixed maturity securities, available-for-sale	(2,658,162)	(1,449,919)
Equity securities	(19,797)	(16,187)
Other investments	(2,175)	(54,991)
Sales of.		
Fixed maturity securities, available-for-sale (includes maturities and paydowns)	1,912,134	1,365,573
Equity securities	7,867	—
Other investments	28,353	23,874
Property and equipment, net	(4,347)	(5,910)
Short term investments sales (purchases) , net	198,266	(207,673)
Net cash used in investing activities	(537,861)	(345,233)
Cash flows from financing activities:		
Secured loan agreement payments	(112)	(198)
Contingent consideration payments	(1,539)	(3,750)
Non-controlling interest capital contributions (dividends) to consolidated subsidiaries, net	2,621	1,000
Net cash provided (used in) financing activities	970	(2,948)
Effect of exchange rate changes on cash	(11,331)	11,707
Net decrease in cash, cash equivalents, restricted cash and cash equivalents	(72,426)	(186,104)
Cash, cash equivalents, restricted cash and cash equivalents, beginning year	575,616	761,720
Cash, cash equivalents, restricted cash and cash equivalents, end of year	$ 503,190	$ 575,616
Supplemental Cash Flow Information		
Interest payments on debt	$ 14,498	$ 18,074
Income tax payments	$ 26,854	$ —

See the accompanying Notes to the Consolidated Financial Statements.

AMTRUST INTERNATIONAL INSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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AMTRUST INTERNATIONAL INSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of US Dollars, Except Per Share Data)

1. Nature of Operations

AmTrust International Insurance, Ltd. (the "Company" or "AII") is a class 3B insurance company formed under the laws of Bermuda. The Company is a wholly-owned subsidiary of AmTrust Financial Services, Inc. ("AFSI"), an insurance holding company formed under the laws of Delaware. The Company and its subsidiaries provide specialty property and casualty insurance, including workers' compensation, business owner's policy, general liability and extended service and warranty coverage.

During the years ended December 31, 2021 and 2020, the Company transacted business primarily through four major insurance subsidiaries domiciled in Europe and one insurance subsidiary domiciled in the United States. The Company's major subsidiaries are:

Company	Abbreviation	Domiciled in
AmTrust Europe Limited	AEL	United Kingdom
AmTrust International Underwriters DAC	AIU	Ireland
Motors Insurance Company Limited	MIC	United Kingdom
Rochdale Insurance Company	RIC	United States
AmTrust Assicurazioni S.p.A.	AA	Italy

In addition to third-party insurance, the Company also reinsures the underwriting activities of certain companies related through common ownership ("the AmTrust Ceding Insurers"). These companies write the same lines of business listed above.

2. Significant Accounting Policies

Basis of Reporting — The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company, entities over which the Company exercises control including majority and wholly-owned subsidiaries, and variable interest entities consolidated as primary beneficiary. Entities in which the Company has significant influence but does not exercise control and partnership and partnership-like entities in which the Company has more than minor influence over the operating and financial policies, are accounted for under the equity method of accounting or at fair value under the fair value option. Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions, which include the reserves for losses and loss adjustment expenses, are subject to considerable variability due to the inherent uncertainty in projecting ultimate claim amounts that will be reported and settled over a period of many years. In addition, estimates and assumptions associated with the recognition and amortization of intangible assets and deferred policy acquisition costs, the determination of fair value of invested assets and related impairments, and the determination of goodwill and intangible impairments and valuation of deferred tax assets require a significant degree of judgment. On an on-going basis, the Company reevaluates its assumptions and the methods of calculating its estimates. Actual results may differ from the estimates and assumptions used in preparing the consolidated financial statements.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The effect of these reclassifications had no impact on previously reported stockholder's equity or net income.

AMTRUST INTERNATIONAL INSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of US Dollars, Except Per Share Data)

2. Significant Accounting Policies (continued)

Premiums — Insurance premiums are generally recognized as earned on a pro-rata basis over the contract period, other than insurance premiums on specialty risk and extended warranty programs which are recognized as earned in proportion to the costs expected to be incurred in performing services over the contract period. Unearned premiums represent the portion of premiums for the insurance coverage that has not yet expired. Estimates are recorded for the ultimate amount of audit premiums and retrospectively rated policy premiums. The Company provides an allowance for premiums receivable deemed uncollectible. The allowance for doubtful accounts were $21,279 and $23,733 as of December 31, 2021 and 2020, respectively.

Loss and Loss Adjustment Expense Reserves — Loss and loss adjustment expense ("LAE") reserves represent the estimated ultimate costs net of recoveries of all reported and unreported losses incurred. The reserves for unpaid losses and LAE are estimated using individual case-basis valuations and statistical analysis and are not discounted. The estimates are continually reviewed and adjusted as necessary in the period the experience develops or new information becomes available. The changes in estimates of reserves are recognized in the consolidated statement of operations in the period in which estimates change or claims are paid.

Deferred Policy Acquisition Costs — The Company defers commission expenses, employee compensation and payroll related fringe benefits, premium taxes and assessments as well as underwriting and safety inspection costs that vary with and are primarily related to the successful acquisition of new or renewal insurance policies. These acquisition costs are capitalized and charged to expense ratably as premiums are earned. Deferred policy acquisition costs are reviewed to determine whether they are recoverable from future income. If such costs are deemed to be unrecoverable, they would be expensed and the Company may be required to establish a liability for a premium deficiency reserve. The Company considers anticipated investment income in determining whether a premium deficiency relating to short duration contracts exists. Deferred acquisition costs are presented net of ceding commissions. The amortization of deferred acquisition costs was $742,171 and $650,678 for the years ended December 31, 2021 and 2020, respectively.

Reinsurance — Reinsurance agreements that meet the transfer of risk criteria are accounted for as prospective reinsurance agreements or retroactive reinsurance agreements based on whether the agreement reinsures future or past reinsured events covered by the underlying insurance contracts. Prospective reinsurance is reinsurance in which a reinsurer agrees to reimburse a ceding entity for losses that may be incurred as a result of future insurable events covered under insurance contracts subject to the reinsurance in exchange for ceded premiums paid to the reinsurer. Retroactive reinsurance is reinsurance in which a reinsurer agrees to reimburse a ceding entity for liabilities incurred as a result of past insurable events covered under insurance contracts subject to the reinsurance, in exchange for ceded premiums paid to the reinsurer.

Prospective reinsurance premiums and losses and LAE ceded to reinsurers are accounted for on a basis consistent with the accounting for the underlying reinsured contracts. The Company records premiums earned and losses and LAE incurred and ceded to reinsurers as reductions of premium revenue and losses and LAE. The Company accounts for commissions allowed by reinsurers on business ceded as ceding commission, which is a reduction of acquisition costs and other underwriting expenses. The Company earns commissions on reinsurance premiums ceded in a manner consistent with the recognition of the earned premiums on the underlying insurance policies, on a pro rata basis over the terms of the policies reinsured.

For retroactive reinsurance agreements, the ceded loss and LAE reserves recorded as reinsurance recoverable in excess of the premium for reinsurance is recorded as a deferred gain on retroactive reinsurance, and amortized to earnings using the interest method over the estimated claims settlement period. Any related development on the ceded loss and LAE reserves recoverable under the retroactive reinsurance agreement increases the deferred gain if unfavorable, or decreases the deferred gain if favorable, and a cumulative amortization adjustment based on the change in estimate is recorded to earnings. If the premium for reinsurance exceeds the ceded loss and LAE reserves, or the related favorable development on the ceded loss and LAE reserves entirely offsets the deferred gain on retroactive reinsurance, a loss on retroactive reinsurance is recognized to earnings immediately.

2. Significant Accounting Policies (continued)

Reinsurance recoverable relates to the portion of reserves and paid losses and LAE that are ceded to reinsurers. Reinsurance does not discharge the Company from its primary liability to policyholders, and to the extent that a reinsurer is unable to meet its obligations, the Company is obligated to pay all claims. Amounts receivable related to reinsurance recoverable are substantially collateralized by letters of credit, securities, and other financial instruments. The Company continuously monitors the financial condition of prospective and existing reinsurers. The Company's Reinsurance receivables as of December 31, 2021 included $2,064,097 of reinsurance recoverables related to the portion of loss and LAE reserves, paid loss and LAE that are ceded to reinsurers. The Company provides an allowance for reinsurance balances deemed uncollectible.

Ceding Commissions on Reinsurance Transactions — Ceding commissions on reinsurance transactions are commissions the Company receives from ceding gross written premiums to third party reinsurers. The ceding commissions the Company receives cover a portion of its capitalized direct acquisition costs and, when applicable, a portion of other underwriting expenses. Ceding commissions received from reinsurance transactions that represent recovery of capitalized direct acquisition costs are recorded as a reduction of capitalized unamortized deferred acquisition costs and the net amount is charged to expense in proportion to net earned premiums. When applicable, ceding commissions received from reinsurance transactions that represent the recovery of other underwriting expenses are recognized in the consolidated statements of operations over the insurance contract period in proportion to the insurance protection provided and classified as a reduction of acquisition costs and other underwriting expenses. Excess ceding commissions received, but not yet earned, that represent the recovery of other underwriting expenses are classified as a component of accrued expenses and other liabilities.

Investments — Fixed maturity securities classified as available-for-sale are carried at estimated fair value, with unrealized gains and losses, net of tax effects, reported as a separate component of comprehensive income in stockholder's equity. Equity securities are reported at fair value with unrealized gains and losses reported within net realized gain on investments. Realized gains and losses are determined on the specific identification method.

The Company analyzes its fixed maturity securities in an unrealized loss position for other-than-temporary impairment ("OTTI") each reporting period. The Company evaluates an investment for impairment when it has been in an unrealized loss position greater than a de minimis threshold for over 12 months, excluding securities backed by the U.S. government (e.g., U.S. treasury securities or agency-backed residential mortgage-backed securities). Additionally, the Company reviews whether any of the impaired positions related to securities for which OTTI was previously recognized, and whether the Company intends to sell any of the securities in an unrealized loss position.

Once the Company completes the analysis described above, each security is further evaluated to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. The Company considers certain factors in completing its review of securities with unrealized losses for OTTI. For fixed maturity securities, the Company considers among other factors, the length of time and the extent to which the fair value has been less than the amortized cost basis, adverse conditions and near-term prospects for improvement specifically related to the issuer, industry or geographic area, the historical and implied volatility of the fair value of the security, any information obtained from regulators and rating agencies, the issuer's capital strength and the payment structure of the security and the likelihood the issuer will be able to make payments in the future (or the historical failure of the issuer to make scheduled interest or principal payments or payment of dividends).

For fixed maturity securities where the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, a decline in fair value is considered to be other-than-temporary and is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity security below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the other-than-temporary impairment, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income (loss).

2. Significant Accounting Policies (continued)

The Company has the following major types of investments:

(a) Cash and cash equivalents, restricted cash and restricted cash equivalents — Cash consists of uninvested balances in bank accounts. Cash equivalents consist of investments with original maturities of 90 days or less, primarily money market funds. Cash equivalents are carried at cost. Restricted cash consists of any cash or investment that is held for a specific purpose and therefore not available to the Company for immediate or general business use.

(b) Short-term investments — Short term investments are carried at cost, which approximates fair value, and include investments with maturities between 91 days and less than 1 year at date of acquisition.

(c) Fixed maturity securities, available-for-sale — Fixed maturity securities classified as available-for-sale are carried at fair value. Unrealized gains or losses on available-for-sale securities are reported as a component of accumulated other comprehensive income.

(d) Equity securities — Equity securities are generally carried at fair value. Gains and losses, both realized and unrealized, are reported as a component of net realized gain or loss on investments.

(e) Mortgage and asset backed securities — For mortgage and asset backed securities, the Company recognizes income using the retrospective adjustment method based on prepayments and the estimated economic life of the securities. The effective yield reflects actual payments to date plus anticipated future payments.

(f) Other investments — Other investments primarily consists of equity investments in corporate entities accounted for under the equity method, equity investments in limited partnerships, including private equity limited partnerships and real estate partnerships, and investments in term loans. The Company applies the equity method of accounting for its investments in limited partnerships in which its ownership interest of the limited partnership enables the Company to exercise significant influence over the investee and does not result in a controlling financial interest in the investee. The Company recognizes its proportionate share of the net income or loss of these unconsolidated investees in net investment income. The Company invests in term loans, and recognizes interest income, adjusted for the amortization of premiums and discounts, in net investment income.

(g) Securities sold under agreements to repurchase, at contract value — The Company from time to time invests in securities sold under agreements to repurchase, which are accounted for as collateralized borrowing transactions and are recorded at their contracted repurchase amounts, plus accrued interest. The Company minimizes the credit risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring exposure and collateral value and generally requiring additional collateral to be deposited with the Company when necessary.

Net investment income consists primarily of interest and dividends less expenses. Interest on fixed maturity securities and term loans, adjusted for the amortization of premiums or discount, is recorded as income when earned. Investment expenses are accrued as incurred. Realized investment gains or losses are computed using the specific costs of securities sold, and, if applicable, include write-downs on investments having other-than-temporary declines in value.

Fair Value of Financial Instruments — The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in ASC 820 *Fair Value Measurement*. The framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. Additionally, valuation of fixed maturity securities is more subjective when markets are less liquid due to lack of market-based inputs, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction could occur.

2. Significant Accounting Policies (continued)

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in the Level 1 hierarchy. The Company receives the quoted market prices from nationally recognized third-party pricing services ("pricing service"). When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value. This pricing method is used, primarily, for fixed maturity securities. The fair value estimates provided by the pricing service are reviewed by the Company and are generally included in the Level 2 hierarchy. If the Company determines that the fair value estimate provided by the pricing service does not represent fair value or if quoted market prices and an estimate from pricing services are unavailable, the Company produces an estimate of fair value based on dealer quotations of the bid price for recent activity in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. Depending on the level of observable inputs, the Company will then determine if the estimate is Level 2 or Level 3.

Fixed Maturity Securities — The Company utilizes a pricing service to estimate fair value measurements for all of its fixed maturity securities. The pricing service utilizes market quotations for fixed maturity securities that have quoted market prices in active markets. Since fixed maturity securities other than U.S. treasury securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing. The pricing service utilized by the Company has indicated it will produce an estimate of fair value only if there is verifiable information to produce a valuation. As the fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes, the estimates of fair value other than U.S. Treasury securities are included in Level 2 of the hierarchy. U.S. Treasury securities are included in the amount disclosed in Level 1 as the estimates are based on unadjusted market prices. The Company's Level 2 investments include obligations of U.S. government agencies, municipal bonds, corporate debt securities and other mortgage backed securities.

Equity Securities — The Company utilizes a pricing service to estimate the fair value of the majority of its equity securities. The pricing service utilizes market quotations for equity securities that have quoted market prices in active markets and their respective quoted prices are provided as fair value. The Company classifies the values of these equity securities as Level 1. The pricing service also provides fair value estimates for certain equity securities whose fair value is based on observable market information rather than market quotes. The Company classifies the value of these equity securities as Level 2. The Company also holds certain equity securities that are issued by privately-held entities or direct equity investments that do not have an active market. The Company estimates the fair value of these securities primarily based on inputs such as third-party broker quotes, issuers' book value, market multiples, and other inputs. These equity securities are classified as Level 3 due to significant unobservable inputs used in the valuation.

Service and Fee Revenue — Service and fee income is recognized at a point in time when the Company's performance obligation is satisfied and it has the right to receive contract consideration or pro-rata over the contract service period by allocating estimated contract consideration to the performance obligations which are satisfied as the services are provided and transferred to the customer. The contract consideration amounts received or receivable at inception of the contract service periods are recognized as deferred revenue and reported in accrued expenses and other liabilities.

Business Combinations — The Company accounts for business combinations under the acquisition method of accounting. On November 29, 2018, AFSI completed the merger (the "Merger") with Evergreen Parent, L.P. ("Evergreen Parent"). As a result of the Merger, AFSI became a wholly-owned subsidiary of Evergreen Parent and was recorded under the acquisition method of accounting in AFSI's consolidated financial statements as of the Merger. The Company and AFSI did not elect to push down any purchase GAAP adjustments. The acquisition method of accounting requires the Company to record assets acquired, liabilities assumed and any non-controlling interest in the acquiree at their respective fair values as of the acquisition date in the Company's consolidated financial statements. When determining fair values, the Company considers valuation methods reflecting the three approaches to value: market, income and cost. The market approach is used to estimate value through the analysis of recent sales of comparable assets or business entities. The income approach is used to estimate value based on the present value of future economic benefits that are expected to be produced by an asset or business entity. The cost approach provides a systematic framework for estimating the value of tangible or intangible assets based on the economic principle of substitution: no prudent investor will purchase an existing asset for more than it will cost to create a comparable asset. The Company selects the most appropriate methods with consideration to the information available, the level of uniqueness, as well as the economics of the particular asset or liability. The Company accounts for the insurance and reinsurance contracts under the acquisition method as new contracts, which requires the Company to record assets and liabilities at fair value. The Company adjusts the fair value loss and LAE reserves by recording the acquired loss reserves based on the Company's existing accounting policies and then discounting these amounts based on expected reserve payout patterns using a

2. Significant Accounting Policies (continued)

current risk-free rate of interest. Based on the facts and circumstances around the acquired business, the risk free interest rate may be adjusted based on different cash flow scenarios that use different payout and ultimate reserve assumptions deemed to be reasonably possible based upon the inherent uncertainties present in determining the amount and timing of payment of such reserves if deemed appropriate and reasonable. The difference between the acquired loss and LAE reserves and the Company's best estimate of the fair value of such reserves at the acquisition date is recorded as a fair value adjustment, as applicable, and amortized proportionately to the changes in the acquired loss and LAE reserves over the payout period. The Company records the fair value of unearned premiums based on the cash flows of the unexpired portion of the acquired insurance contracts. The Company records contingent consideration at fair value based on the terms of the purchase agreement with subsequent changes in fair value recorded through earnings. The determination of fair value may require management to make significant estimates and assumptions. The purchase price is the fair value of the total consideration conveyed to the seller and the Company records the excess of the purchase price over the fair value of the acquired net assets, where applicable, as goodwill. The Company assigns fair values to other intangible assets based on valuation techniques including the income and market approaches. Transaction costs associated with the acquisition of a business are expensed as incurred. The Company includes the results of operations of an acquired business in its consolidated financial statements from the date of the acquisition.

Goodwill and Intangible Assets — The Company tests for impairment of goodwill on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For goodwill impairment testing, the Company performs a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, then no goodwill impairment exists. Otherwise, the Company compares the fair value of each reporting unit to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for the amount of any excess of the carrying amount of goodwill of the reporting unit over the implied fair value of that goodwill.

The Company tests for impairment of indefinite-lived intangible assets on an annual basis and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. The classification of an asset as indefinite-lived is reassessed and an impairment loss is recognized for the amount of any excess of the carrying amount over the fair value of the asset.

Finite-lived intangible assets are amortized over the estimated useful life of the asset. The carrying amount of finite-lived intangible assets is reviewed on an ongoing basis for indicators of impairment including events or changes in circumstances in which a significant adverse change in the extent, manner or length of time in which an intangible asset is being used or a significant adverse change in legal factors or in the business climate that could affect the value of an intangible asset have occurred. An impairment loss is recognized only if the carrying amount of the finite-lived intangible asset is not recoverable from its undiscounted cash flows for the amount of any excess of the carrying amount over the fair value of the asset.

Property, Equipment and Software — Property, equipment and software is recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Building	40 years
Equipment	5 to 7 years
Computer equipment and software	3 to 5 years
Leasehold improvements	Lesser of lease term or 15 years

The Company capitalizes costs of computer software developed or obtained for internal use that is specifically identifiable, has determinable lives and relates to enhancements in functionality.

Income Taxes — The Company's European subsidiaries file income tax returns in their respective local jurisdictions. The Company's parent, AFSI, files a consolidated United States income tax return, which includes our U.S. insurance subsidiary. Additionally, the Company has elected under section 953(d) to be treated as a U.S. taxpayer. As part of the consolidated U.S. income tax return filing, the Company is party to federal income tax allocation agreements amongst the includible entities. Under the tax allocation agreements, the Company pays to or receives from its subsidiaries the amount, if any, by which AFSI federal income tax liability was affected by virtue of inclusion of the subsidiary in the consolidated federal return.

2. Significant Accounting Policies (continued)

Deferred income taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax asset primarily consists of book versus tax differences for premiums earned, loss and loss adjustment expense reserve discounting, policy acquisition costs, and net operating losses. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income, primarily unrealized investment gains and losses, are recorded directly to other comprehensive income. Otherwise, changes in deferred income tax assets and liabilities are included as a component of income tax expense.

The Company recognizes deferred tax assets to the extent the Company believes that these assets are more likely than not to be realized. In assessing the more likely than not recoverability of deferred tax assets, management considers whether it is more likely than not that the Company will generate future taxable income during the periods in which those temporary differences become deductible. The Company establishes a valuation allowance to reduce the deferred tax assets to the amounts that are more likely than not to be realized.

The Company recognizes tax benefits only for tax positions that are more likely than not to be sustained upon examination by taxing authorities. The Company's policy is to prospectively classify accrued interest and penalties in interest expense and general and administrative expenses, respectively, related to any unrecognized tax benefits in its income tax provision.

Foreign Currency — The functional currency of each foreign operation of the Company is generally the currency of the local operating environment. Foreign currency transactions are remeasured to the functional currency and the resulting foreign exchange gains and losses are reflected in earnings. Functional currency amounts from the foreign operations of the Company are then translated into U.S. dollars. The change in unrealized foreign currency translation gain or loss during the year, net of tax, is a component of accumulated other comprehensive income (loss). The foreign currency remeasurement and translation items are calculated using current exchange rates for the items reported on the balance sheets and average exchange rates for items recorded in earnings.

Recent Accounting Pronouncements

The Company is deemed a nonpublic business entity under GAAP.

Recent Accounting Standards, Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The amendments require a customer in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments also require the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The accounting for the service element of a hosting arrangement that is a service contract is not affected by this ASU. The amendments also require the capitalized implementation costs to be evaluated for impairment under the existing impairment guidance for long-lived assets. The guidance is applied prospectively to all implementation costs incurred after the date of adoption as of January 1, 2021. The adoption of the amendments did not have a material effect on the Company's financial position, results of operations or cash flows.

2. Significant Accounting Policies (continued)

Recent Accounting Standards, Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform *(Topic 848): - Facilitation of the Effects of Reference Rate Reform on Financial Reporting* to provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or other reference rates expected to be discontinued due to reference rate reform. The Company may elect to apply the amendments to eligible contract modifications through December 31, 2022. The adoption of the amendments is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment charges. Under the current guidance, if the fair value of a reporting unit is lower than its carrying amount, an entity calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount. The implied fair value of goodwill is calculated by deducting the fair value of all assets and liabilities of the reporting unit from the reporting unit's fair value. Under the new guidance, an entity will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value not to exceed the amount of goodwill allocated to that reporting unit. The guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2022. Early adoption is permitted. The adoption of the amendments is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected by recording an allowance for credit losses, presented as a deduction from the amortized cost basis, with changes in the allowance recorded as credit loss expense based on management's current estimate of expected credit losses each period. The new standard also requires impairment relating to credit losses on available-for-sale debt securities to be presented through an allowance for credit losses with changes in the allowance recorded in the period of the change as credit loss expense or reversal of credit loss expense. Any impairment amount not recorded through an allowance for credit losses on available-for-sale debt securities is recorded through other comprehensive income. The new standard is effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. The Company is currently evaluating the impact the new standard may have on its financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard amends the guidance for leasing transactions. The guidance requires a lessee to classify lease contracts as finance or operating leases, and to recognize assets and liabilities for the rights and obligations created by leasing transactions with lease terms more than twelve months. The guidance substantially retains the criteria for classifying leasing transactions as finance or operating leases. For finance leases, a lessee recognizes a right-of-use asset and a lease liability initially measured at the present value of the lease payments and recognizes interest expense on the lease liability separately from the amortization of the right-of-use asset. For operating leases, a lessee recognizes a right-of-use asset and a lease liability initially measured at the present value of the lease payments and recognizes lease expense on a straight-line basis. The guidance requires a lessor to recognize lease income related to an operating lease generally on a straight-line basis over the lease term. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In January 2018, the FASB issued ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842* that provides a lessee or lessor the election to not assess whether land easements, not currently accounted for as leases under the current lease guidance, are leases under the new standard. On a prospective basis after adoption of the guidance, a lessee or lessor is required to apply the new standard to new or modified land easements. In July 2018, the FASB issued ASU 2018-11, *Targeted Improvements* that permits the initial application of the new standard as of the effective date and the recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. ASU 2018-11 also provides lessors with an option, by class of underlying asset, to not separate nonlease components from the related lease component and, instead, to account for those components as a single component subject to certain criteria. In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors* that permits lessors to exclude sales taxes and other similar taxes from lease revenue, requires lessors to exclude lessor costs paid by a lessee directly to a third party from lease revenue, and clarifies the accounting by lessors for variable payments that relate to both a lease component and a nonlease component. The new standard is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Company plans to adopt the new standard as of January 1, 2022, and to recognize any cumulative-effect adjustment to the opening balance of retained earnings as of the date of adoption. The Company estimates the impact upon adoption to result in the recognition of a right-of-use asset of $15,025 and a lease liability of $15,279. The adoption is not estimated to have a material impact on the results of operations, cash flow, or cumulative-effect to retained earnings.

(In Thousands of US Dollars, Except Per Share Data)

3. Investments

(a) Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and estimated fair value of the Company's available-for-sale securities as of December 31, 2021 and 2020 are presented below:

As of December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 22,595	$ 50	$ (201)	$ 22,444
Municipal bonds	7,357	461	(16)	7,802
Foreign government	905,589	2,040	(6,748)	900,881
Corporate bonds:				
Finance	986,332	14,255	(5,603)	994,984
Industrial	761,070	12,869	(5,084)	768,855
Utilities	122,484	2,035	(848)	123,671
Commercial mortgage-backed securities	105,075	722	(3,172)	102,625
Residential mortgage-backed securities:				
Agency backed	278,857	1,004	(3,936)	275,925
Non-agency backed	121,966	207	(539)	121,634
Collateralized loan / debt obligations	686,618	1,711	(460)	687,869
Asset backed securities	51,368	375	(230)	51,513
Total available-for-sale securities	$ 4,049,311	$ 35,729	$ (26,837)	$ 4,058,203

As of December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 3,394	$ 1	$ (152)	$ 3,243
Municipal bonds	7,672	643	—	8,315
Foreign government	410,427	6,567	(990)	416,004
Corporate bonds:				
Finance	928,456	37,474	(1,082)	964,848
Industrial	673,601	32,306	(2,028)	703,879
Utilities	122,475	8,091	(73)	130,493
Commercial mortgage-backed securities	67,583	993	(5,344)	63,232
Residential mortgage-backed securities:				
Agency backed	188,848	4,886	(169)	193,565
Collateralized loan / debt obligations	1,037,737	4,427	(2,605)	1,039,559
Asset backed securities	18,862	335	(509)	18,688
Total available-for-sale securities	$ 3,459,055	$ 95,723	$ (12,952)	$ 3,541,826

Proceeds from the sale of investments in available-for-sale securities during the years ended December 31, 2021 and 2020 were approximately $1,912,134 and $1,365,573, respectively.

(In Thousands of US Dollars, Except Per Share Data)

3. Investments (continued)

A summary of the Company's available-for-sale securities as of December 31, 2021 and 2020, by contractual maturity, is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 287,281	$ 289,772	$ 1,452,089	$ 1,503,114
Due after one through five years	1,480,623	1,497,126	36,765	38,299
Due after five through ten years	978,026	970,814	550,871	578,578
Due after ten years	59,497	60,926	106,300	106,791
Mortgage and asset backed securities	1,243,884	1,239,565	1,313,030	1,315,044
Total available-for-sale securities	$ 4,049,311	$ 4,058,203	$ 3,459,055	$ 3,541,826

There were no OTTI charges recognized on available-for-sale securities and other invested assets during the year ended December 31, 2021.

The Company did not recognize OTTI for which a non-credit related amount is included in other comprehensive income during years ended December 31, 2021 and 2020.

See Note 2. "Significant Accounting Policies" for additional information on how the Company tests securities for OTTI.

The tables below summarize the gross unrealized losses of the Company's available-for-sale securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2021 and 2020:

	Less Than 12 Months		12 Months or More		Total	
As of December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ 13,960	$ (201)	$ —	$ —	$ 13,960	$ (201)
Municipal bonds	730	(16)	—	—	730	(16)
Foreign government	708,349	(6,622)	13,253	(126)	721,602	(6,748)
Corporate bonds:						
Finance	344,572	(5,598)	214	(5)	344,786	(5,603)
Industrial	305,634	(4,945)	5,648	(139)	311,282	(5,084)
Utilities	38,707	(821)	735	(27)	39,442	(848)
Commercial mortgage backed securities	52,878	(874)	7,528	(2,298)	60,406	(3,172)
Residential mortgage backed securities:						
Agency backed	232,280	(3,558)	9,351	(378)	241,631	(3,936)
Non-agency backed	75,021	(539)	—	—	75,021	(539)
Collateralized loan / debt obligations	98,608	(207)	45,811	(253)	144,419	(460)
Asset-backed securities	21,640	(186)	1,840	(44)	23,480	(230)
Total	$1,892,379	$ (23,567)	$ 84,380	$ (3,270)	$1,976,759	$ (26,837)

(In Thousands of US Dollars, Except Per Share Data)

3. Investments (continued)

As of December 31, 2020	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
U.S. treasury securities	$ 2,543	$ (152)	$ —	$ —	$ 2,543	$ (152)
Foreign government	158,038	(886)	1,066	(104)	159,104	(990)
Corporate bonds:						
Finance	35,907	(778)	2,041	(304)	37,948	(1,082)
Industrial	48,852	(1,265)	9,563	(763)	58,415	(2,028)
Utilities	8,423	(73)	—	—	8,423	(73)
Commercial mortgage backed securities	16,224	(486)	14,206	(4,858)	30,430	(5,344)
Residential mortgage backed securities:						
Agency backed	24,253	(169)	—	—	24,253	(169)
Collateralized loan / debt obligations	167,918	(1,136)	129,302	(1,469)	297,220	(2,605)
Asset-backed securities	8,970	(509)	—	—	8,970	(509)
Total	$ 471,128	$ (5,454)	$ 156,178	$ (7,498)	$ 627,306	$ (12,952)

There were 608 and 237 individual securities as of December 31, 2021 and 2020, respectively, that account for the gross unrealized loss, none of which is deemed by the Company to be OTTI. As of December 31, 2021, the Company has determined that the unrealized losses on fixed maturity securities were primarily due to market interest rate movements since their date of purchase. As of December 31, 2021, there were $1,894 unrealized losses related to securities in unrealized loss positions for a period of twelve or more consecutive months and in unrealized loss positions greater than or equal to 20% of amortized cost or cost.

(b) Equity Securities

The original cost, gross unrealized gains and losses, and estimated fair value of the Company's equity securities as of December 31, 2021 and 2020, are presented below:

As of December 31, 2021	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	$ 45,324	$ 687	$ (7,183)	$ 38,828
Total equity securities	$ 45,324	$ 687	$ (7,183)	$ 38,828

As of December 31, 2020	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	$ 31,320	$ 257	$ (6,480)	$ 25,097
Preferred stock	499	—	(136)	363
Total equity securities	$ 31,819	$ 257	$ (6,616)	$ 25,460

Proceeds from the sale of investments in equity securities during the year ended December 31, 2021 was approximately $7,867.

(In Thousands of US Dollars, Except Per Share Data)

3. Investments (continued)

The table below presents the portion of gains and losses for the period related to equity securities still held as at the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Net losses recognized during the period on equity securities	$ (15,074)	$ (313)
Less: Net losses recognized during the period on equity securities sold during the period	(14,582)	—
Losses recognized during the reporting period on equity securities still held at the reporting date	$ (492)	$ (313)

(c) Investment Income

Net investment income for the years ended December 31, 2021 and 2020 was derived from the following sources:

	Year Ended December 31,	
	2021	2020
Fixed maturity securities, available-for-sale	$ 55,988	$ 68,150
Equity securities	700	353
Other invested assets	9,021	(8,869)
Cash and short-term investments	(254)	3,087
Total investment income	65,455	62,721
Investment expenses and interest expense on securities sold under agreement to repurchase	(2,504)	(3,196)
Net investment income	$ 62,951	$ 59,525

(d) Realized Gains and Losses

The tables below summarize the gross realized gains and (losses) for the years ended December 31, 2021 and 2020.

Year Ended December 31, 2021	Gross Realized Gains	Gross Realized Losses	Net Realized Gains and (Losses)
Fixed maturity securities, available-for-sale	$ 14,667	$ (12,114)	$ 2,553
Equity securities	777	(15,851)	(15,074)
Other invested assets	7,494	(76)	7,418
Total	$ 22,938	$ (28,041)	$ (5,103)

Year Ended December 31, 2020	Gross Realized Gains	Gross Realized Losses	Net Realized Gains and (Losses)
Fixed maturity securities, available-for-sale	$ 24,635	$ (29,694)	$ (5,059)
Equity securities	130	(443)	(313)
Other invested assets	15,440	(2,874)	12,566
Total	$ 40,205	$ (33,011)	$ 7,194

(In Thousands of US Dollars, Except Per Share Data)

3. Investments (continued)

(e) Restricted Cash, Cash Equivalents and Investments

The Company, in order to conduct business in certain jurisdictions, is required to maintain letters of credit or assets on deposit to support mandated regulatory requirements and certain third-party agreements. The Company also utilizes trust accounts to collateralize business with its reinsurance counterparties. These assets held are primarily in the form of cash or certain investment-grade securities. The fair values of restricted assets as of December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	**2020**
Restricted cash and cash equivalents	$ 137,952	$ 116,436
Restricted investments	1,598,952	1,669,203
Total restricted cash, cash equivalents and investments	$ 1,736,904	$ 1,785,639

4. Fair Value of Financial Instruments

Fair Value Hierarchy

The following tables present the level within the fair value hierarchy at which the Company's financial assets and financial liabilities are measured on a recurring basis as of December 31, 2021 and 2020:

As of December 31, 2021	Total	Level 1	Level 2	Level 3
Financial Assets				
U.S. treasury securities	$ 22,444	$ 22,444	$ —	$ —
Municipal bonds	7,802	—	7,802	—
Foreign government	900,881	—	900,881	—
Corporate bonds:				
Finance	994,984	—	994,984	—
Industrial	768,855	—	768,855	—
Utilities	123,671	—	123,671	—
Commercial mortgage-backed securities	102,625	—	102,625	—
Residential mortgage-backed securities:				
Agency backed	275,925	—	275,925	—
Non-agency backed	121,634	—	121,634	—
Collateralized loan / Debt obligations	687,869	—	687,869	—
Asset-backed securities	51,513	—	51,513	—
Total fixed maturity securities, available-for-sale	4,058,203	22,444	4,035,759	—
Equity securities	38,828	29,906	303	8,619
Short term investments	83,405	7,870	75,535	—
Other investments	5,894	—	—	5,894
Total investments	4,186,330	60,220	4,111,597	14,513
Total financial assets measured at fair value	$ 4,186,330	$ 60,220	$ 4,111,597	$ 14,513
Financial Liabilities				
Contingent consideration	$ 175	$ —	$ —	$ 175
Total other liabilities	$ 175	$ —	$ —	$ 175
Total financial liabilities measured at fair value	$ 175	$ —	$ —	$ 175

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4. Fair Value of Financial Instruments (continued)

As of December 31, 2020	Total	Level 1	Level 2	Level 3
Financial Assets				
U.S. treasury securities	$ 3,243	$ 3,243	$ —	$ —
Municipal bonds	8,315	—	8,315	—
Foreign government	416,004	—	416,004	—
Corporate bonds:				
Finance	964,848	—	964,848	—
Industrial	703,879	—	703,879	—
Utilities	130,493	—	130,493	—
Commercial mortgage-backed securities	63,232	—	63,232	—
Residential mortgage-backed securities:				
Agency backed	193,565	—	193,565	—
Collateralized loan / Debt obligations	1,039,559	—	1,039,559	—
Asset-backed securities	18,688	—	18,688	—
Total fixed maturity securities, available-for-sale	3,541,826	3,243	3,538,583	—
Equity securities	25,460	9,179	7,291	8,990
Short term investments	291,819	8,248	283,571	—
Other investments [1]	23,789	—	—	23,789
Total investments	3,882,894	20,670	3,829,445	32,779
Life settlement contracts	1,910	—	—	1,910
Total other assets	$ 1,910	$ —	$ —	$ 1,910
Total financial assets measured at fair value	$ 3,884,804	$ 20,670	$ 3,829,445	$ 34,689
Financial Liabilities				
Life settlement contract profit commission	$ 2,994	$ —	$ —	$ 2,994
Contingent consideration	2,239	—	—	2,239
Total other liabilities	$ 5,233	$ —	$ —	$ 5,233
Total financial liabilities measured at fair value	$ 5,233	$ —	$ —	$ 5,233

[1] The Company has irrevocably elected to measure an equity investment at fair value as of December 31, 2020 that was previously accounted for in accordance with the measurement alternative applied to eligible equity securities without readily determinable fair value. The fair value of this investment was $17,390 as of December 31, 2020.

The following tables provide a summary of changes in fair value of the Company's Level 3 financial assets and liabilities for the years ended December 31, 2021 and 2020. The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

(In Thousands of US Dollars, Except Per Share Data)

4. Fair Value of Financial Instruments (continued)

	Balance as of January 1, 2021	Net income (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Net transfers (out of) into Level 3	Balance as of December 31, 2021
Fixed maturities, available-for-sale	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Equity securities	8,990	(267)	—	—	(89)	(15)	8,619
Other investments [1]	23,789	(66)	—	—	(439)	(17,390)	5,894
Life settlement contracts	1,910	—	—	—	(1,910)	—	—
Life settlement contract profit commission	(2,994)	—	—	—	2,994	—	—
Contingent consideration	(2,239)	(5)	—	—	2,069	—	(175)
Total	$ 29,456	$ (338)	$ —	$ —	$ 2,625	$ (17,405)	$ 14,338

[1] Net transfers out include an equity investment, previously classified as Other investments measured at fair value. The investment converted to publicly traded common stock during the first quarter of 2021, and is now classified as Level 1. The fair value reflected is as of the beginning of the reporting period, due to the transfer between asset classes.

	Balance as of January 1, 2020	Net income (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Net transfers (out of) into Level 3	Balance as of December 31, 2020
Fixed maturities, available-for-sale	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Equity securities	8,982	8	—	—	—	—	8,990
Other investments [1]	8,601	(121)	—	—	(2,081)	17,390	23,789
Life settlement contracts	1,910	—	—	—	—	—	1,910
Life settlement contract profit commission	(2,994)	—	—	—	—	—	(2,994)
Contingent consideration	(9,461)	175	—	(2,845)	9,892	—	(2,239)
Total	$ 7,038	$ 62	$ —	$ (2,845)	$ 7,811	$ 17,390	$ 29,456

[1] Net transfers in include an equity investment previously held at cost that the Company elected to measure at fair value at December 31, 2020

The Company uses the following methods and assumptions in estimating the fair value of financial instruments:

- *Fixed Maturity and Equity Securities:* As of December 31, 2021, the Company's Level 3 securities consisted primarily of an equity security investment in AFSI. The fair value of this equity security as of December 31, 2021 was measured using valuation techniques which relied upon unobservable inputs.
- *Other Investments:* As of December 31, 2021, Level 3 consisted of investments required to be measured and reported at fair value and an investment for which the Company has elected the fair value option of accounting. The fair value of these investments was measured using valuation techniques which relied upon unobservable inputs.
- *Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, and Short-Term Investments:* The carrying value of cash and cash equivalents, restricted cash and cash equivalents, and short-term investments approximate their respective fair value. The short-term investments are classified as Level 1 and Level 2 in the fair value hierarchy.
- *Premiums Receivable, Accrued Interest, Reinsurance Recoverables:* The carrying values reported in the accompanying balance sheets for these financial instruments approximate their fair values.

(In Thousands of US Dollars, Except Per Share Data)

4. Fair Value of Financial Instruments (continued)

- *Debt:* The fair value of the Company's debt arrangements was as follows:

	December 31, 2021	
	Carrying Value	Fair Value
Secured loan agreements	$ 106,844	$ 106,844

In determining the fair value of its debt, the Company uses estimates based on rates currently available to the Company for debt with similar terms and remaining maturities. Accordingly, the fair value of the secured loan agreements is classified as Level 2 within the valuation hierarchy. The Company considers its secured debt's carrying value to approximate fair value as their interest rates approximate current borrowing rates.

- *Life Settlement Contracts and Life Settlement Contract Profit Commission:* The fair value of life settlement contracts as well as life settlement contract profit commission liability is estimated using various assumptions and unobservable inputs including but not limited to; cost at date of purchase, recent purchases and sales of similar investments, financial standing of the issuer and changes in economic conditions. These financial instruments are classified as Level 3 in the fair value hierarchy.

- *Contingent Consideration*: The fair value of contingent consideration is based on a discounted cash flow methodology and is classified as Level 3 in the fair value hierarchy.

5. Intangible Assets and Goodwill

The composition of intangible assets is summarized as follows:

December 31, 2021	Gross Balance	Accumulated Amortization	Net Value	Useful Life
Renewal rights	$ 2,320	$ 1,889	$ 431	4 to 5 years
Distribution networks	49,669	37,743	11,926	5 to 18 years
Software	1,452	1,338	114	3 to 20 years
Customer relationships	59,974	40,505	19,469	7 to 15 years
Trademarks	1,501	1,501	—	3 to 4 years
Use rights	9,751	—	9,751	Indefinite Life
Total intangible assets	$ 124,667	$ 82,976	$ 41,691	6 years average

December 31, 2020	Gross Balance	Accumulated Amortization	Net Value	Useful Life
Renewal rights	$ 1,880	$ 953	$ 927	4 to 5 years
Distribution networks	49,814	37,207	12,607	5 to 18 years
Software	1,452	1,316	136	3 to 20 years
Customer relationships	60,003	34,320	25,683	7 to 15 years
Trademarks	1,501	1,501	—	3 to 4 years
Use rights	9,553	—	9,553	Indefinite Life
Total intangible assets	$ 124,203	$ 75,297	$ 48,906	6 years average

Finite lived intangible assets are generally amortized under the straight-line method, except for renewal rights, which the Company amortizes using a 125% accelerated method, and certain customer relationships, which are amortized based on cash flows associated with the respective customer relationships. Amortization expense for the years ended December 31, 2021 and 2020 was $7,841 and $8,458, respectively. The estimated aggregate amortization expense for each of the next five years is:

(In Thousands of US Dollars, Except Per Share Data)

5. Intangible Assets and Goodwill (continued)

2022	$	6,938
2023		4,399
2024		4,313
2025		3,225
2026		3,233
Thereafter		9,832
Total amortization of intangible assets with finite lives	$	31,940

The Company identifies reporting units for goodwill impairment testing in accordance with ASC 350-20-35 *Intangibles - Goodwill and Other*. The Company generally combines reporting units, which are a component of an operating segment, when they have similar economic characteristics, nature of services, types of customer, distribution methods and regulatory environment. For the years ended December 31, 2021 and 2020, the Company had three reporting units that are tested for goodwill impairment. Goodwill is tested for impairment annually as of October 1st. Based on the impairment tests performed as of October 1, 2021 and 2020, no goodwill impairment losses were recognized for the years ended December 31, 2021 and 2020, respectively.

The changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 are as follows:

Goodwill as of January 1, 2020	$	159,071
Goodwill acquired [1]		2,266
Foreign currency translation and other		4,686
Goodwill as of December 31, 2020		166,023
Goodwill acquired		—
Foreign currency translation and other		873
Goodwill as of December 31, 2021, net [2]	$	166,896

(1) Refer to Note 10. "Related Party Transactions" for additional information
(2) Includes $182,495 of cumulative impairment losses

6. Property, Equipment and Software, net

Property, equipment and software, net consists of the following:

	December 31,			
	2021		2020	
Land	$	271	$	273
Building		182,842		183,281
Software		12,286		13,440
Computer equipment		8,001		12,424
Other equipment		8,380		8,390
Leasehold improvements		9,915		11,525
Property, equipment and software, gross		221,695		229,333
Less: Accumulated depreciation and amortization		(48,397)		(46,676)
Property, equipment and software, net	$	173,298	$	182,657

Depreciation expense was $10,762 and $10,741 for the years ended December 31, 2021 and 2020, respectively.

(In Thousands of US Dollars, Except Per Share Data)

7. Loss and Loss Adjustment Expense Reserves

The following table provides a reconciliation of the beginning and ending balances for loss and loss adjustment expense reserves ("Loss and LAE"), reported in the accompanying consolidated balance sheet as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Loss and LAE, at beginning of year	$ 5,158,879	$ 5,350,914
Less: reinsurance recoverables at beginning of year	2,052,692	2,286,363
Net loss and LAE, at beginning of year	3,106,187	3,064,551
Incurred related to:		
Current year	1,254,900	1,263,011
Prior year	17,690	6,347
Total incurred during the year	1,272,590	1,269,358
Paid related to:		
Current year	(415,684)	(470,790)
Prior year	(905,697)	(845,316)
Total paid during the year	(1,321,381)	(1,316,106)
Effect of foreign exchange rates	(76,836)	88,384
Net loss and LAE, at end of year	2,980,560	3,106,187
Plus: reinsurance recoverables at end of year	1,866,517	2,052,692
Loss and LAE, at end of year	$ 4,847,077	$ 5,158,879

The Company's Loss and LAE reserves, gross of related reinsurance recoverables, decreased $311,802 and $192,035 during the years ended December 31, 2021 and 2020, respectively. The decrease in loss reserves is driven by payments on liabilities, both current and prior year, exceeding the addition of current year loss exposure. The trend in reserves downward is largely driven by a smaller level of cessions from the US Pool in the last few years versus historical. More specifically, reinsurance arrangements since 2019 (i.e, the US Primary Quota Share with Swiss Re) utilizes Technology Insurance Company (TIC) as the counterparty, and the internal quota share from the US Pool with AII applies after the cession from TIC to Swiss Re. Additionally, the internal quota share percentage has dropped in recent years versus historical, allowing payments on older years in particular to help exceed the addition of current year exposure. The Company had adverse prior period reserve development of $17,690 during the twelve months ended December 31, 2021. Consistent with prior years, the actuarial process was driven by updated and new incurred and paid loss data, continued review of actuarial diagnostics, and actuarial analyses based on updated data for the period.

Driving the activity in the period was adverse loss emergence within the Company's non-admitted Excess and Surplus Professional Liability, General Liability – Contractors (Construction Defect), and International (European) portfolios. Our Excess & Surplus Professional Liability lines were impacted by both frequency and severity of claims exceeding original pricing expectations, particularly on the Lawyers portfolio where we are in the process of implementing several underwriting improvements and restrictions. These improvements have taken a longer than anticipated time to work through the portfolio to favorably impact the loss ratio. Additionally, greater than expected loss emergence occurred in the Company's General Liability – Contractors' Construction-Defect exposed business, much of which is now in run-off. Losses on our runoff Insurance Specialty Construction Group ("ISG") program (terminated in 2019) which covers housing developments primarily in California continue to exceed our reported claim expectation and is impacted by rising costs in goods and services related to home construction. We have also noted higher than expected frequency within our Builders Insurance Services segment, an active artisan contractors portfolio also primarily operating in California. These claims, however, relate to liability on completed operations for small-scale specialty projects and not housing developments ala our ISG portfolio. Lastly, adverse development was recorded in our International (European) portfolio largely related to unanticipated severity trends and latent development in the French Medical Malpractice segment which have put into run-off as of early 2021. The European portfolio was also exposed to a small number of high severity construction bond losses which were reported in 2021.

7. Loss and Loss Adjustment Expense Reserves (continued)

Partially offsetting this adverse activity was continued favorable emergence on the Company's active Workers' Compensation line of business due to continued favorable macroeconomic trends in addition to the Company's ongoing claims initiatives. These initiatives include, but are not limited to, closer monitoring and review of legal spend and engaging more cost-effective benefits providers. Additionally, the portion of the Company's Workers' Compensation line of business that included within the Company's run-off of business acquired from years prior to 2015 has continued to perform better than expectations and resulted in favorable development.

The Company had adverse prior period reserve development of $6,347 during the twelve months ended December 31, 2020. Consistent with prior years, the actuarial process was driven by updated and new incurred and paid loss data, continued review of actuarial diagnostics, and actuarial analyses based on updated data for the period. Driving the activity on prior years was emergence within our European and General Liability ("GL") portfolios, namely our Excess and Surplus lines insurance ("E&S"), Non-for-profit ("NFP"), and run-off Public Entity portfolios. E&S losses related to our contracting and professional liability exposures exceeded our severity expectations. Case reserve increases in a small number of claims related to our Public Entity and NFP portfolios resulted in adverse emergence in our GL portfolio. Our European professional indemnity exposures, were adversely impacted by costs to our insured professionals to remediate flammable cladding on construction projects, consistent with the industry. Offsetting part of this unfavorable activity was favorable emergence on our Medical Malpractice business and continued favorable emergence on our Workers' Compensation portfolio due to continued favorable macroeconomic trends in addition to the Company's ongoing claims initiatives. These initiatives include, but are not limited to, closer monitoring and review of legal spend and engaging more cost-effective benefits providers. Our current accident year losses for Workers' Compensation, GL and Auto Liability benefited from lower claim frequency due to reduced business activity, partially offset by COVID-19 related Workers' Compensation claims. The Company will continue to assess the impact of claims activity and legal and regulatory developments on Loss and LAE reserves.

In setting its reserves, the Company utilizes a combination of Company loss development factors and industry-wide loss development factors. In the event that the Company's losses develop more favorably (adversely) than the industry, as a whole, the Company's liabilities for unpaid losses and LAE may decrease (increase). The Company's management believes that its use of both its historical experience and industry-wide loss development factors provide a reasonable basis for estimating future losses. In either case, future events beyond the control of management, such as changes in law, judicial interpretations of law, and inflation may favorably or unfavorably impact the ultimate settlement of the Company's Loss and LAE reserves.

The anticipated effect of inflation is considered when estimating Loss and LAE reserves. The Company considers anticipated changes in claim costs due to inflation in estimating the ultimate claim costs, Additionally, the increase in average severity of claims may be caused by several factors that vary with the individual type of policy written which we monitor on a monthly basis. The Company projects future average severities based on historical trends adjusted for implemented changes in underwriting standards, claims handling and/or operational changes, policy provisions, and general economic trends. The Company monitors those anticipated trends based on actual development and makes modifications, if necessary.

The following is information about the incurred and paid claims for the year ended December 31, 2021, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claim amounts. Additionally, incurred and paid claims information is presented for the years ended December 31, 2012 through December 31, 2020 as supplementary information.

The Company's reserves primarily relate to short-duration contracts ("SDC"). The Company considers characteristics including type of coverage, geography, and claim development in determining an appropriate level of disaggregation related to its short duration contracts. The following table indicates the level of disaggregation included herein:

Lines of Business
US Casualty & US Casualty Non-Proportional
International Casualty Non-Motor (Medical Malpractice Only)
International Casualty, Non-Motor (Excluding Med Mal)

7. Loss and Loss Adjustment Expense Reserves (continued)

The Company records reserves for estimated losses under insurance policies that it writes and for loss adjustment expenses related to the investigation and settlement of policy claims. The Company's reserves for loss and loss adjustment expenses represent the estimated cost of all reported and unreported loss and loss adjustment expenses incurred and unpaid at any given point in time based on known facts and circumstances. In establishing its reserves, the Company does not use loss discounting, which would involve recognizing the time value of money and offsetting estimates of future payments by future expected investment income. The Company estimates its reserves for loss and loss adjustment expenses using case-by-case valuations and actuarial analysis. The allocated loss adjustment expenses included in this disclosure are also referred to as defense and cost containment ("DCC") expenses.

The Company utilizes various generally accepted actuarial methods including paid and incurred loss development factor approaches, expected loss ratio methods and paid and incurred Bornhuetter-Ferguson approaches to estimate its reserves for loss and loss adjustment expenses. Embedded within these actuarial methods are loss development assumptions selected by either a review of the Company's specific loss development history, industry loss development characteristics, or a combination of both depending on the line of business and the maturity of the loss experience to date.

Loss development factors are a key assumption underlying many of the actuarial methods utilized. Loss development factors are the ratio of losses at successive evaluations for a defined group of claims (e.g., accident year, accident quarter, etc.). Loss development factors may be dependent on a number of elements, including frequency and severity of claims, length of time to achieve ultimate settlement of claims, case reserving practices, projected inflation of medical costs and wages (for workers' compensation), insurance policy coverage interpretations, judicial determinations and existing laws and regulations. The predictive ability of loss development factors is dependent on consistent underwriting, claims handling, and inflation, among other factors, and predictable legislatively and judicially imposed legal requirements.

The expected loss ratio ("ELR") approach is generally relied upon for only the most recent accident periods for which claim experience may be too immature or volatile to rely upon for a projection of ultimate loss and loss adjustment expenses. The ELR is generally based on the business plan, trended historical results, or recent industry trends, all supplemented by discussions with various stakeholders including underwriting and claims. The ELR, when applied to earned premiums for an accident period, will provide an indication for estimated incurred claims and allocated claim adjustment expenses for the period.

The Bornhuetter-Ferguson method ("BFM") is a weighted blend of the loss development factor method and the ELR method. The BFM splits the ultimate claims into two components: actual reported (or paid) claims to date and expected unreported (or unpaid) claims. As experience matures, more weight is given to actual claims experience while the expected claims component becomes gradually less important.

The Company's actuarial department projects ultimate loss estimates and resulting unpaid claim and allocated claim adjustment expense reserve levels using the methodologies outlined above. The Company has increased its internal actuarial resources over time, and the assumptions employed in these methodologies are subject to regular review and update as experience matures. Management establishes the Company's loss and DCC reserves by assessing the results of the aforementioned actuarial techniques as prepared by both the internal and external actuarial resources, followed by a review of specific underwriting, claims handling and other operational considerations. In utilizing its judgment, management makes certain assumptions regarding the Company's business, including, among other things, frequency of claims, severity of claims and claim closure rates. Management's estimation process has been generally consistent over time.

In order to establish the adjusting and other ("AO") reserves, the Company reviews its past adjustment expenses in relation to past claims and estimates its future costs based on expected claims activity and duration.

Because the Company determines its reserves based on assumptions that may give significant weight to industry incurred development patterns, the Company's ultimate losses may differ substantially from estimates produced by the above methods.

7. Loss and Loss Adjustment Expense Reserves (continued)

The information presented below reflects acquired business on a retrospective basis, that is, the historical development tables have been presented including historical development from acquired businesses in the tables both before and after the acquisition date.

The loss development for international operations is presented for all accident years using the current exchange rate as of December 31, 2021. Although this approach requires restating all prior accident year information, the changes in exchange rates do not impact incurred and paid loss development trends.

Where practicable, the Company has included claim count information as a measure of claim frequency. For our International lines of business, it is not practicable to provide claim count data due to limited and inconsistent availability of underlying claim reporting from our international business (e.g., use of bordereaux reporting without claim count detail). Where practicable, the Company has included claim counts by counting the number of occurrences.

The Company has calculated the average annual percentage payout based on the historical information contained within each claims development table. First, the Company converts the Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance into incremental payment amounts (e.g., 0-12 months, 12-24 months, etc.) for each accident year, and then divides each incremental payment amount by the current evaluation of Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance, in order to determine the historical annual percentage payout for each incremental period for each accident year. The Company averages available observations of annual percentage payout for each incremental period across accident years to determine the historical average annual percentage.

Note that the historical average annual percentage payout may sum to an amount different than 100%. This may be due to the length of the development pattern; for example, very long tailed lines of business may have payout periods that are in excess of the number of years included in the tables below. Furthermore, fluctuation in the annual percentage payout for individual incremental periods due to the uncertainty inherent in the loss settlement process may even cause the sum of the average annual payout percentage to exceed 100%.

US Casualty & US Casualty Non-Proportional

The Company's core US Casualty business includes the retail business written and grown organically since 1998, as well as large acquired portfolios (both renewal rights and existing liabilities from periods pre-acquisition). Additionally, US Casualty includes the programs business written through Managing General Agents. This segment focuses on writing smaller, niche business typically underserved by the broader insurance market. This segment primarily includes exposures related to workers' compensation, auto liability and general liability. The Company typically writes policies for auto liability and general liability, which have limits of $1 million, limiting the severity impact of any particular claim to our overall portfolio, as well as Workers' Compensation coverage at statutory limits less any inuring reinsurance.

The Company targets writing small, niche workers' compensation exposures in generally low-hazard occupations across its retail and programs portfolio, often bundled with other coverages through package policies. This has been the core strategy for the Company's organic business and re-underwriting goals for acquired businesses. In the past twelve months, the core workers' compensation portfolio has experienced overall favorable development, particularly accident years 2016 and subsequent. The favorable development has been driven by macroeconomic conditions on-going claims initiatives. These initiatives include re-negotiating benefit provider contracts, enhanced subrogation efforts, more effective nurse case management, legal cost-containment via actively monitored legal referrals to lower cost/better outcome providers, and reduction in Allocated Loss Adjustment Expenses ("ALAE") expenditures related to marginal benefit items such as surveillance.

The Company writes Auto Liability policies both on a stand-alone basis and in concert with additional coverage via package policies. For example, the Company may write commercial auto with workers' compensation or property coverage. When pricing a particular risk, the Company focuses on overall profitability and may be willing to accept more (or less) pricing adequacy in a certain coverage and less (or more) pricing adequacy on another line. However, the Company's initial estimates of loss for commercial auto have tended to prove too low; The Company's results have been impacted by adverse trends impacting the broader commercial auto industry, including increasing frequency and severity of claims above expectation. As such, the Company has curtailed writing in the small commercial auto segment beginning in 2019 and has since focused on building specialty in its trucking/transportation business, included in the triangles below.

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7. Loss and Loss Adjustment Expense Reserves (continued)

The Company typically writes policies that have limits of $1 million, limiting the severity impact of any particular claim to our overall portfolio. However, as the Company grew in both its Retail and Specialty Program - Commercial Auto business, the Company underwrote a small number of large, mono-line auto programs at limits higher than its traditional $1 million cap. These policies had a disproportionate impact on the adverse loss experience embedded in the triangle.

The Company has now terminated or non-renewed most of the mono-line auto policies and focused on achieving rate increases on renewed policies generally sold in concert with other coverages. Both company and industry frequency and severity trends have proven greater than initial expectations, but the Company believes the updated actuarial assumptions better reflect the current economic environment. The Company is beginning to see the results of these efforts in the latest diagonal of claims data which shows a small release of reserves largely related to ALAE savings initiatives impacting the recent accident years.

The general liability line of business written through the Company's retail and programs policies may contain a mix of exposures from retail operations, contractors, manufacturers, and other premises. The propensity for loss from these exposures is driven by judicial and economic developments that are difficult to forecast. Additionally, claims may be reported as many as three years or more after an occurrence and the Company may not receive the information required to set an accurate reserve in a timely manner.

General liability has been the line of business most subject to re-underwriting and review since bringing in additional actuarial and management resources in early 2015. In the latest twelve months, the Company experienced adverse development in between accident years 2015 and 2019, most of which was related to development within the Company's excess & surplus lines namely related to construction defect exposed contractors' risks and higher limit professional liability policies where claim severities exceeded initial expectations. AY 2020 has shown favorable development given the reduced frequency impacts of COVID versus our original pricing expectation.

Many general liability related programs, retail exposures, and excess & surplus lines which have contributed to the adverse experience have since been re-underwritten or terminated. The Company typically writes policies that have limits of $1.0 million, limiting the severity impact of any particular claim to our overall portfolio. Additionally, the Company has implemented several claims initiatives similar to those on the Workers' Compensation and Auto Liability portfolios to aid in reduction of individual claims severities, including legal provider reviews and faster and stronger claims reserving to improve settlement rates.

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											
	For the Year Ended December 31,										December 31, 2021	
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total of Incurred-but not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2012	$ 270,748	$ 347,989	$ 364,339	$ 376,173	$ 395,479	$ 358,259	$ 392,703	$ 387,414	$ 394,403	$ 394,108	3,895	65,964
2013	—	447,059	459,078	482,142	537,787	502,809	549,657	552,809	562,820	559,881	5,280	91,723
2014	—	—	674,636	643,794	676,850	625,307	674,085	682,554	708,656	707,139	7,779	124,187
2015	—	—	—	768,347	786,925	710,170	747,873	758,007	781,769	789,994	15,033	149,029
2016	—	—	—	—	836,112	710,541	730,327	764,687	781,396	793,755	24,994	150,748
2017	—	—	—	—	—	683,980	671,391	687,732	667,761	672,575	96,362	142,539
2018	—	—	—	—	—	—	389,350	354,511	321,470	320,979	98,730	132,626
2019	—	—	—	—	—	—	—	294,973	287,646	288,206	71,418	106,361
2020	—	—	—	—	—	—	—	—	302,268	291,158	117,699	75,138
2021	—	—	—	—	—	—	—	—	—	403,475	263,493	84,626
Incurred claims and allocated claim adjustment expenses, net of reinsurance										$5,221,270		

(In Thousands of US Dollars, Except Per Share Data)

7. Loss and Loss Adjustment Expense Reserves (continued)

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the Year Ended December 31,									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2012	$ 60,240	$ 144,124	$ 211,940	$ 271,526	$ 312,400	$ 336,947	$ 360,852	$ 370,461	$ 379,436	$ 385,856
2013	—	68,752	172,739	273,239	373,253	441,193	485,290	519,220	536,353	545,775
2014	—	—	85,762	242,610	375,215	490,068	580,865	636,071	669,931	684,518
2015	—	—	—	106,977	286,701	438,922	574,067	672,951	720,646	755,469
2016	—	—	—	—	122,341	306,428	460,342	610,183	687,218	746,726
2017	—	—	—	—	—	94,470	249,215	302,874	397,848	477,969
2018	—	—	—	—	—	—	48,610	(50,491)	44,195	119,321
2019	—	—	—	—	—	—	—	44,907	100,953	152,212
2020	—	—	—	—	—	—	—	—	34,876	97,269
2021	—	—	—	—	—	—	—	—	—	45,019
Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										$ 4,010,134
All outstanding liabilities before 2012, net of reinsurance										16,788
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 1,227,924

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
US Casualty & US Casualty Non-Proportional	13.6%	18.5%	17.7%	17.0%	14.1%	9.2%	3.9%	1.7%	1.2%	0.9%

International Casualty Non-Motor (Medical Malpractice Only)

The Company entered the Medical Malpractice line of business, primarily in Italy and to a lesser extent France, in 2010. The Company believes this market niche provides significant opportunities in what has traditionally been an under-performing market. The Company's initial recorded results have developed adversely (Accident Years 2015 and prior) before leveling off; however, over time the Company has developed greater market knowledge, underwriting experience, and knowledge of various class and region distinctions, as well as numerous hospital and legal partnerships that allow the Company to exercise more leverage in the adjudication of claims.

The Company notes that the French Medical Malpractice experience has proven to be longer tailed than the Italian experience, with generally a higher severity over original pricing expectations. The French Medical Malpractice exposures primarily drive the adverse development noted in 2015 and prior. The French Medical Malpractice portfolio has largely been wound down as of year-end 2021, with only a select few exposures continuing to be written. Conversely, the favorable development observed subsequent to 2018 was primarily related to Italian single doctors' exposures which have tended to be lesser exposed to losses versus public hospitals, as well as ongoing favorable experience due to ongoing claims initiatives focusing on faster adjudication and settlement. Additionally, the Company observed a reduced frequency of reported claims on the 2020 year related to treatment delays due to COVID-19.

The Medical Malpractice business is written on a claims-made coverage and data is natively recorded on an underwriting year basis. Accident Year in these triangles is, therefore, the result of an allocation that primarily relies on Report Notice.

(In Thousands of US Dollars, Except Per Share Data)

7. Loss and Loss Adjustment Expense Reserves (continued)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												
	For the Year Ended December 31,										December 31, 2021	
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total of Incurred-but not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2012	$ 110,458	$ 127,980	$ 128,738	$ 133,481	$ 135,998	$ 147,141	$ 151,239	$ 161,466	$ 156,773	$ 157,981	6,530	NP
2013	—	137,274	133,984	152,283	154,045	166,181	168,782	179,678	169,108	174,202	10,500	NP
2014	—	—	123,664	124,003	138,175	147,492	149,710	158,683	150,039	158,494	12,932	NP
2015	—	—	—	110,125	120,529	124,948	117,962	112,388	106,120	112,894	3,962	NP
2016	—	—	—	—	120,920	130,887	122,682	114,749	105,712	115,096	8,026	NP
2017	—	—	—	—	—	126,455	117,887	113,620	99,640	99,463	7,799	NP
2018	—	—	—	—	—	—	150,076	143,271	116,424	107,514	7,120	NP
2019	—	—	—	—	—	—	—	154,475	130,363	131,854	(10,464)	NP
2020	—	—	—	—	—	—	—	—	119,885	114,493	(4,774)	NP
2021	—	—	—	—	—	—	—	—	—	145,485	52,094	NP
Incurred claims and allocated claim adjustment expenses, net of reinsurance										$1,317,476		

NP = Not practicable

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the Year Ended December 31,									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2012	$ 386	$ 11,189	$ 28,931	$ 44,329	$ 64,135	$ 77,866	$ 87,491	$ 96,141	$ 115,477	$ 125,631
2013	—	1,967	16,494	31,807	49,290	64,976	81,751	97,334	118,268	126,973
2014	—	—	1,640	11,353	28,857	42,909	52,681	69,098	88,855	101,105
2015	—	—	—	1,144	11,275	25,887	36,048	48,246	60,517	68,867
2016	—	—	—	—	1,448	10,506	22,528	34,650	45,389	53,602
2017	—	—	—	—	—	1,154	5,623	13,932	28,137	38,880
2018	—	—	—	—	—	—	1,001	6,313	14,442	22,913
2019	—	—	—	—	—	—	—	1,331	13,997	26,741
2020	—	—	—	—	—	—	—	—	1,491	10,761
2021	—	—	—	—	—	—	—	—	—	3,576
Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										$ 579,049
All outstanding liabilities before 2012, net of reinsurance										25,474
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 763,901

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
International Casualty Non-Motor (medical Malpractice only)	1.1%	7.2%	9.9%	9.6%	10.5%	9.3%	9.0%	7.5%	8.7%	6.5%

(In Thousands of US Dollars, Except Per Share Data)

7. Loss and Loss Adjustment Expense Reserves (continued)

International Casualty Non-Motor (Non-Medical Malpractice)

International Casualty, Non-Motor primarily consists of the Company's Professional Indemnity, Structural Defects, and Other Liability exposures. The Company has typically focused on Professional Indemnity coverage for solicitors in the UK and structural defects within the UK, French, and Scandinavian territories.

Professional Indemnity has largely performed according to expectation. Structural Defects has been the primary driver of adverse experience in the recent few calendar years, and in particular, those exposures related to fire and safety issues. Costs related to claims and investigations related to "cladding", or external building sheathing, which has proven to be extremely flammable and the source of both existing loss claims as well as claims to remediate buildings in accordance with building codes. Claims are now reserved more cautiously given this recent experience, and much of this portfolio has now been put into run-off. There have been several improvements made to processes amongst Management, Legal and Claims regarding the fire and safety issue claims. Claims have a dedicated team now working on these claims and believe that the underlying position is stabilizing/improving both in terms of numbers of claims and the reserved position.

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											
	For the Year Ended December 31,										December 31, 2021	
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total of Incurred-but not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2012	$ (2,758)	$ 14,801	$ 20,255	$ 25,768	$ 31,953	$ 32,869	$ 33,373	$ 35,307	$ 37,686	$ 38,428	1,956	NP
2013	—	5,739	12,577	19,212	32,143	33,411	34,781	37,789	40,874	42,819	2,609	NP
2014	—	—	12,704	21,069	42,053	42,876	44,780	48,002	52,795	55,547	3,337	NP
2015	—	—	—	10,113	40,996	40,148	42,869	46,500	55,667	56,276	3,223	NP
2016	—	—	—	—	34,882	37,284	41,462	50,774	61,358	64,790	8,692	NP
2017	—	—	—	—	—	47,353	40,930	57,144	62,279	70,662	13,931	NP
2018	—	—	—	—	—	—	51,906	51,972	54,787	52,465	9,275	NP
2019	—	—	—	—	—	—	—	46,905	49,861	49,928	16,894	NP
2020	—	—	—	—	—	—	—	—	46,368	43,451	27,555	NP
2021	—	—	—	—	—	—	—	—	—	55,354	45,726	NP
	Incurred claims and allocated claim adjustment expenses, net of reinsurance									$ 529,720		

NP = Not practicable

(In Thousands of US Dollars, Except Per Share Data)

7. Loss and Loss Adjustment Expense Reserves (continued)

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the Year Ended December 31,									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2012	$ 7,529	$ 9,367	$ 16,311	$ 21,935	$ 28,017	$ 31,452	$ 34,210	$ 37,670	$ 39,433	$ 40,466
2013	—	4,851	8,947	15,754	22,226	27,021	30,738	37,686	39,563	41,355
2014	—	—	4,610	12,391	20,070	27,319	33,971	40,224	43,430	46,281
2015	—	—	—	6,289	11,756	17,780	28,217	35,289	40,438	44,260
2016	—	—	—	—	4,327	9,878	19,687	29,892	38,023	44,370
2017	—	—	—	—	—	5,117	10,653	20,640	28,602	36,731
2018	—	—	—	—	—	—	6,246	10,406	17,843	25,914
2019	—	—	—	—	—	—	—	4,247	10,286	19,017
2020	—	—	—	—	—	—	—	—	3,593	6,205
2021	—	—	—	—	—	—	—	—	—	2,957
Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										$ 307,556
All outstanding liabilities before 2012, net of reinsurance										(3,952)
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 218,212

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
International Casualty Non-Motor (Non-Medical Malpractice)	9.4%	9.6%	15.2%	14.2%	12.3%	12.0%	10.1%	7.6%	9.1%	5.9%

The following table presents the reconciliation of net incurred and paid claims development tables to the liability for claims and claim adjustment expenses for the years ended December 31, 2021 and 2020, respectively.

	Year Ended December 31,	
	2021	2020
Net liability for unpaid losses and loss adjustment expenses:		
US Casualty & US Casualty Non-Proportional	$ 1,227,924	$ 1,090,473
International Casualty (Medical Malpractice)	763,901	796,246
International Casualty (Non-Medical Malpractice)	218,212	371,644
Total net liability for unpaid loss and adjustment expense	2,210,037	2,258,363
Reinsurance recoverable on loss and loss adjustment expenses:		
Reinsurance recoverable	1,866,517	2,052,692
Total reinsurance recoverable on loss and loss adjustment expense	1,866,517	2,052,692
Insurance not presented in the tables above:		
Other Short-duration Lines	593,058	684,003
Reserves related to National Council on Compensation Insurance pooling arrangement	59,304	66,692
Unallocated claims adjustment expense	118,161	97,129
Total	770,523	847,824
Total gross liability for unpaid loss and adjustment expense	$ 4,847,077	$ 5,158,879

(In Thousands of US Dollars, Except Per Share Data)

8. Debt

The Company's outstanding debt consisted of the following as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Secured loan agreements	$ 106,844	$ 107,954

Aggregate scheduled maturities of the Company's outstanding debt as of December 31, 2021 are:

2022	$ 9,440
2023	—
2024	—
2025	—
2026	—
Thereafter	97,404
Total scheduled payments	$ 106,844

Secured Loan Agreements

On September 18, 2015, the Company, through a subsidiary, entered into a seven-year mortgage agreement in the aggregate principal amount of $10,250 to finance the purchase of a building in New York. The mortgage bears interest at an annual rate equal to 3.75% and matures on September 18, 2022, with an option to extend the maturity date for an additional five years. The mortgage did not require monthly installments of principal until November 2017, but now requires immaterial monthly installment payments. The final monthly payment will equal the then outstanding principal balance of the mortgage, together with all accrued and unpaid interest. The Company recorded interest expense of approximately $366 and $374 for the years ended December 31, 2021 and 2020, respectively, related to this agreement.

On January 12, 2017, the Company, through three wholly-owned subsidiaries, entered into a ten-year secured loan agreement with Teachers Insurance and Annuity Association of America in the aggregate amount of £73,500 (or $99,460 at December 31, 2021) to finance the purchase of a commercial office building in London, England. The loan bears interest at an annual rate of 3.45% and matures on January 15, 2027. The loan requires quarterly interest payments for the term of the loan, with the principal and any accrued interest to be paid at maturity. The Company recorded interest expense of approximately $3,523 and $3,288 for the years ended December 31, 2021 and 2020, respectively, related to this agreement.

Additionally, the Company utilizes various letters of credit in its operations. The following is a summary of the Company's letters of credit as of December 31, 2021:

	Letters of Credit Limit	Letters of Credit Outstanding	Letters of Credit Available
AFSI revolving credit facility available to the Company(1)	$ 200,000	$ 29,901	$ 170,099
Deutsche Bank AG New York Branch	100,000	100,000	—
ING Fronted by SCB	75,000	75,000	—
BMO Harris Bank N.A.	75,000	75,000	—
Lloyds Bank Corporate Markets PLC	75,000	75,000	—

(1) $28,901 of the letters of credit outstanding relates to the Company as the applicant.

8. Debt (continued)

Credit Agreement

On November 29, 2018, AFSI entered into a five-year, $750,000 credit agreement (the "Credit Agreement"), among JPMorgan Chase Bank, N.A., as Administrative Agent and Issuing Bank, KeyBank National Association and Fifth Third Bank, as Co-Syndication Agents, Bank of America N.A., BMO Harris Bank, N.A., Regions Bank and U.S. Bank National Association, as Co-Documentation Agents and the various lending institutions party thereto. The Credit Agreement provides for a term loan facility of $350,000, a revolving credit facility of $400,000 with a letter of credit sublimit of $200,000, and an expansion feature of up to an additional $200,000. Proceeds of borrowings under the Credit Agreement may be used for working capital, the payment of outstanding debt under the existing credit facility, the repurchase of AFSI's outstanding convertible debt, acquisitions and general corporate purposes. The Credit Agreement has a maturity date of November 29, 2023, subject to extension as provided in the Credit Agreement. The Company can request AFSI letters of credit and has utilized $28,901 of the $29,901 total outstanding letters of credit, which reduced, the total aggregate availability under this Credit Agreement to $170,099.

The Credit Agreement contains certain restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, fundamental changes, acquisitions and investments, restricted payments, related party transactions and dispositions. There are also financial covenants that require AFSI to maintain a minimum consolidated net worth, a maximum consolidated leverage ratio, a minimum risk-based capital ratio at AFSI's subsidiary Technology Insurance Company, Inc. ("TIC"), and a minimum financial strength rating by A.M. Best Company. The Credit Agreement also provides for customary events of default, with grace periods where customary, including failure to pay principal when due, failure to pay interest or fees within five business days after becoming due, failure to comply with covenants, breaches of representations and warranties, default under certain other indebtedness, certain insolvency, receivership or insurance regulatory events affecting AFSI or certain of its subsidiaries, the occurrence of certain material judgments, certain amounts of reportable ERISA or foreign pension plan noncompliance events, and certain changes in control of AFSI. Upon the occurrence and during the continuation of an event of default, the administrative agent, upon the request of the requisite percentage of the lenders, may terminate the obligations of the lenders to make loans and to issue letters of credit under the Credit Agreement, declare AFSI's obligations under the Credit Agreement immediately due and payable and/or exercise any and all remedies and other rights under the Credit Agreement. AFSI was in compliance with all of its covenants as of December 31, 2021.

Fees payable by AFSI under the Credit Agreement include a letter of credit participation fee (equal to the margin applicable to Eurodollar borrowings), a letter of credit fronting fee with respect to each letter of credit (0.125%) and a commitment fee on the available commitments of the lenders (a range of 0.225% to 0.275% based on AFSI's consolidated leverage ratio).

Other Standby Letters of Credit

The Company has additional stand-by letters of credit with various lenders in the amount of $325,000, all of which were outstanding, as of December 31, 2021. These letters of credit are primarily used to support credit for reinsurance provided by the Company and contain financial covenants that are similar to those of the Credit Agreement. The Company recorded total letter of credit fees of $5,199 and $5,163, respectively, for the year ended December 31, 2021 and 2020.

9. Reinsurance

The Company structures its reinsurance programs by analyzing its tolerance for risk in each line of business and on an overall consolidated basis, based on a number of factors, including market conditions, pricing, competition and the inherent risks associated with each business type. The Company generally purchases reinsurance to reduce its net liability on individual risks and to protect against catastrophe losses and volatility. The Company retains underwriting risk in certain lines of business in order to capture a greater proportion of expected underwriting profits. The Company has chosen not to purchase any additional specific reinsurance on businesses where volatility or catastrophe risks are considered remote and policy limits are within its risk tolerance.

9. Reinsurance (continued)

The Company may purchase reinsurance on a proportional basis to cover loss frequency, individual risk severity and catastrophe exposure. The Company may also purchase reinsurance on an excess of loss basis to cover individual risk, severity and catastrophe exposure. Additionally, the Company may obtain facultative reinsurance protection on a single risk. The type and amount of reinsurance the Company purchases varies year to year based on its risk assessment. its desired retention levels based on profitability and other considerations, along with the market availability of quality reinsurance at prices the Company considers acceptable. The Company's reinsurance programs renew throughout the year, and the price changes in recent years have not been material to the Company's net underwriting results. The Company's reinsurance generally does not cover war or nuclear, biological, chemical or radiological terrorism risks.

In its proportional reinsurance programs. the Company generally receives a commission on the premium ceded to reinsurers. This "ceding commission" compensates the Company's insurance companies for the direct costs associated with production of the business, the servicing of the business during the term of the policies ceded, and the costs associated with placement of reinsurance that benefits the proportional programs. In addition, certain of the Company's reinsurance treaties allow it to share in any net profits generated under such treaties with the reinsurers. Various reinsurance brokers may arrange for the placement of this reinsurance coverage on the Company's behalf and are compensated, directly or indirectly, by the reinsurers. The Company also places reinsurance with direct reinsurance markets and enters reinsurance relationships with third-party captives formed by agents and other business partners as a mechanism for sharing risk and profit.

In order to reduce its exposure to reinsurance credit risk, the Company evaluates the financial condition of its reinsurers and places its reinsurance with a diverse group of companies and syndicates that it believes to be financially sound. The Company carefully monitors the credit quality of its reinsurers when the Company places new and renewal reinsurance, as well as on an ongoing, current basis. The Company uses certain financial measures to select and retain its reinsurers, including requiring them to be fully collateralized. maintain minimum surplus of $500,000 or have a financial strength rating of "A-" or better from A.M. Best Company, Inc. or Standard & Poor's Corporation. The Company may approve exceptions to these criteria when warranted.

The Company monitors its financial exposure to the reinsurance market and takes necessary actions in an attempt to mitigate its exposure to possible loss. The Company limits its liquidity exposure for uncollected recoverables by holding funds. letters of credit or other security, with the result that net balances due from reinsurers are significantly less than the gross balances shown in its consolidated balance sheets. The Company monitors the collectability of its reinsurance recoverables and may record a reserve for uncollectible reinsurance when it determines an amount is potentially uncollectible. The Company's evaluation is based on its periodic reviews of recoverables, in excess of collateral provided, that are disputed, aged or due from reinsurers known to be in financial difficulty. In some cases, the Company makes estimates as to what portion of a recoverable may be uncollectible. The Company's estimates and judgment about the collectability of the recoverables and the financial condition of reinsurers can change, and these changes can affect the level of reserve required.

Reinsurance Programs and Retentions

The following tables provide a summary of the Company's primary reinsurance programs as of December 31, 2021 for its European subsidiaries:

AMTRUST INTERNATIONAL INSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of US Dollars, Except Per Share Data)

9. Reinsurance (continued)

Type of Reinsurance	2021 International Reinsurance Programs Retention	Event Protection	Coverage
Property, Occurrence Excess of Loss	GBP 13,500	GBP 57,500	100% of GBP 44,000
Accident & Health, Excess of Loss	GBP 500	GBP 25,000	100% of GBP 24,500
Car Care, Excess of Loss	EUR 1,000	EUR 65,000	100% of EUR 64,000
Legal Expense, Excess of Loss	GBP 3,000	GBP 6,800	60% of GBP 3,800
PI (ex-Solicitors), Risk Excess of Loss	GBP 2,000	GBP 5,000	100% of GBP 3,000
PI (ex-Solicitors), Clash Excess of Loss	GBP 2,000	GBP 10,000	75% of GBP 8,000
PI (Solicitors), Clash Excess of Loss	GBP 3,000	GBP 10,000	75% of GBP 7,000
Danish WC Catastrophe, Excess of Loss	DKK 7,800	DKK 70,300	100% of DKK 62,500
Surety, Quota Share	USD —	USD 15,000	50% of USD 15,000
Surety, Excess of Loss	USD 5,000	USD 7,500	100% of USD 2,500
Surety, Excess of Loss (Codere, CIRSA & Luckia)	USD 7,500	USD 21,000	52% of USD 13,500
Mortgage Quota Share	EUR —	EUR 700	60.45% of EUR 700
European Whole Account Quota Share	—	—	50% of EUR 2,000 Warranty; 50% of EUR 20,000 Med Mal, 50% of GBP 3,000 Legal Exp; 50% of GBP 500 A&H; 50% of GBP 2,000 PI; 50% of GBP 3,000 Property, 50% of EUR 100 PPI; 50% of EUR 2,500 FLP & W&I, 50% of GBP 15,000 Title

If the Company incurs catastrophe losses and loss settlement expenses that exceed the coverage limits of its reinsurance program, many of its property catastrophe programs have a fixed number of reinstatements. For example, if the Company incurs a property catastrophe loss, it is required to pay the reinsurers a reinstatement premium equal to the percentage of the limit exhausted by the loss, multiplied by the amount of the original reinsurance premium.

Everest Re Specialty Program Quota Share

Effective April 1, 2018, the Company's subsidiaries AIU and RIC along with 16 of AFSI's US insurance subsidiaries entered into a 35% quota share agreement with Everest Re for AFSI's Specialty Program business (the "SPS Quota Share"). Effective October 1, 2018, the SPS Quota Share was increased to 50%. This agreement was not renewed on April 1, 2020 and is no longer effective. The 2018 and 2019 contracts are in run-off.

Reinsurance Agreements with Swiss Re

Effective January 1, 2019, along with 14 of AFSI's US insurance subsidiaries (the "carriers"), the Company and its subsidiary RIC entered into a 38.25% quota share agreement with Swiss Re for the carriers' U.S. commercial liability business (workers' compensation, general liability, umbrella liability, professional liability (including cyber liability) insurance coverages in AFSI's small commercial business segment that are produced in the United States), all of which had previously been covered under the Pooling Agreement and the Maiden Quota Share. Effective January 1, 2020, AFSI renewed the 38.25% quota share agreement with Swiss Re for the Company's U.S. commercial liability business. Commercial property insurance coverage in AFSI's small commercial business segment that is produced in the United States was added to the quota share treaty.

9. Reinsurance (continued)

Effective April 1, 2020, AFSI amended the 38.25% quota share agreement with Swiss Re to include a notional funds withheld provision. Swiss Re transferred to AFSI the ceded unearned premium reserve at April 1, 2020, less ceding commission, brokerage and the provisional margin, in order to establish and maintain a cumulative notional funds withheld balance. Quarter to date ceded written premium less ceding commission, brokerage, provisional margin, and paid losses recoveries will be retained by AFSI as a notional funds withheld.

Effective January 1, 2021, the AFSI renewed the quota share agreement with Swiss Re for the its U.S. commercial liability business. The 2021 contract is now a 34% quota share agreement. There were no changes to the business covered from the 2020 contract and the agreement contains the same funds withheld provision as the 2020 agreement. The total funds withheld balance was $980,930 and $636,555 as of December 31, 2021 and December 31, 2020, respectively. Interest at a fixed annual interest rate, adjusted annually, is payable on the funds withheld balance. The interest credit applicable to the 2021 and 2020 contracts were 1.625% and 2%, respectively.

Effective January 1, 2022, AFSI renewed the quota share agreement with Swiss Re for the Company's U.S. commercial liability business. The ceding commission increased from 33% to 34% in the 2022 contract. The funds withheld interest credit increased to 2.25%. There were no changes to the business covered from the 2021 contract. See Note 15. "Subsequent Events" for more information.

Effective July 1, 2019, AFSI also entered into a 50% quota share agreement with Swiss Re for AFSI's International business, including warranty, medical malpractice, legal expense, accident & health, professional indemnity and International property business. This agreement was renewed on July 1, 2020, and July 1, 2021. The renewal contains a funds withheld provision similar to the U.S. treaty above.

Maiden Quota Share

On January 30, 2019, the Company, along with its wholly-owned subsidiaries AEL and AIU, and Maiden Holdings, Ltd. ("Maiden"), through its wholly-owned subsidiary Maiden Reinsurance, agreed to terminate the Maiden Quota Share and European Quota Share agreements. For a further description of the termination of the Maiden Quota Share, see Note 10. "Related Party Transactions".

Novation of 2018 and 2017 Year-of-Accident ("YOA") Lloyd's syndicates

On October 1, 2019, the Company sold its Lloyd's non-life insurance business (including Syndicates 1861, 5820 and 1206) and transferred its managing agent's contract for the Lloyd's syndicate for $108,520 of Ordinary Shares issued by Fidentia Fortuna Holdings Ltd ("FFH") that indirectly controls the Canopius Group. After the sale, the Company purchased an additional $50,000 of Ordinary Shares issued by FFH. The sale transaction consisted of the sale of the equity interests in AmTrust Corporate Member Limited ("ACML") to FFH in exchange for Ordinary Shares issued by FFH of $88,500, AmTrust Management Services Limited transferred net assets and employees to Canopius Services Limited in exchange for Ordinary Shares issued by FFH in the amount of $10,000 and the transfer of Lloyds agency business for Syndicates 1861, 5820 and 1206 to Canopius Managing Agents in exchange for Ordinary Shares issued by FFH of $10,000.

In conjunction with the sale, the Company assumed the risks and benefits of Syndicate 1861 for the 2017 and 2018 years of account, Syndicate 1206 for the 2017 year of account and Syndicate 5820 for the 2017 year of account through the Quota Share Reinsurance Agreements between the Company and ACML as corporate underwriting member of Lloyd's for the 2018 and 2017 ("AIIL QS 2018 and 2017 YOA") years of account effective January 1, 2019 in exchange for the reinsurance premiums.

Effective December 31, 2019 ("Effective Date"), the Company novated the AIIL QS 2018 and 2017 YOA to Premia Reinsurance Ltd. ("Premia") and Arch Reinsurance Ltd. ("Arch", and together with Premia, "Reinsurers") in exchange for a premium of $431,133. This premium is subject to adjustment as of December 31, 2022, 2023, and 2024 (each date an "Evaluation Date") resulting in either an Adjustment Premium plus interest due from the Company or a Premium Refund due to the Company depending on the calculation of Agreed Technical Results as of the Evaluation Date in relation to certain thresholds in the formula. The adjustment amount is settled between the parties after each Evaluation Date. The aggregate amount of the adjustment is subject to limitations (Adjustment Premium not to exceed $32,000 plus interest and the Premium Refund not to exceed $30,000).

(In Thousands of US Dollars, Except Per Share Data)

9. Reinsurance (continued)

The effect of reinsurance with related and unrelated companies on premiums and losses for 2021 and 2020 are as follows:

	Year Ended December 31,			
	2021		2020	
	Written	Earned	Written	Earned
Premiums:				
Direct	$ 1,482,927	$ 1,390,611	$ 1,245,117	$ 1,275,911
Assumed	1,449,864	1,304,264	1,239,921	1,173,256
Ceded	(670,887)	(592,177)	(534,124)	(514,351)
Total	$ 2,261,904	$ 2,102,698	$ 1,950,914	$ 1,934,816

	As of December 31, 2021		As of December 31, 2020	
	Assumed	Ceded	Assumed	Ceded
Loss and LAE reserves	$ 2,399,060	$ (1,866,517)	$ 2,710,015	$ (2,052,692)
Unearned premiums	1,178,902	(485,075)	1,019,707	(421,217)
Loss and LAE expense incurred	770,620	(481,161)	738,468	(347,763)

The Company continuously updates the reserves on these lines of business based on information available from the ceding insurers.

10. Related Party Transactions

Significant Transactions with AmTrust Financial Services, Inc.

Reinsurance Agreements and Assets in Trust

During 2017 and until September 30, 2017, the Company reinsured the underwriting activities of certain companies related through common ownership ("the AmTrust Ceding Insurers"), net of unaffiliated inuring reinsurance. The AmTrust Ceding Insurers provide specialty property and casualty insurance focusing on workers' compensation and commercial package coverage for small business, specialty risk and extended warranty coverage, and property and casualty coverage for middle market business in the United States.

Effective October 1, 2017, Technology Insurance Company, Inc. ("TIC"), a wholly-owned subsidiary of AFSI, entered into an intercompany reinsurance pooling agreement ("Pooling Agreement") with sixteen of their U.S. property casualty insurance affiliates ("Pool Affiliates"). Under the Pooling Agreement, the Pool affiliates agreed to cede and transfer to TIC and TIC agreed to assume (1) 100% of the Pool Affiliates' respective liabilities on all insurance policies and all assumed reinsurance contracts that were in force as of October 1, 2017, or that had expired or had been terminated or non-renewed as of October 1, 2017; and (2) 100% of the Pool Affiliates' respective liabilities on all insurance policies and all assumed reinsurance contracts issued subsequent to October 1, 2017.

Concurrent with the Pooling Agreement and effective September 30, 2017, each of the quota share agreement between the Pool Affiliates and the Company were commuted, with insurance business obligations outstanding under the quota share agreements commuted at book value. Following the commutations and effective October 1, 2017, the Company and TIC entered into a new quota share reinsurance agreement, whereby TIC retrocedes and the Company assumes 65% of its customary insurance business obligations, which consist primarily of unearned premiums as of the effective date, gross written premiums, reserves for loss and LAE and unallocated LAE, written as of October 1, 2017, and 50% of the customary insurance business obligations written on or after October 1, 2017. The quota share agreement has a continuous term with a one year termination notice period and covers all policies issued by TIC. The Company pays a ceding commission equal to its proportionate share of TIC's acquisition cost including a proportionate share of the reinsurance purchased by TIC, which inures to the Company's benefit. A summary of the reinsurance programs and retentions is provided in the table below. This reinsurance agreement is

(In Thousands of US Dollars, Except Per Share Data)

10. Related Party Transactions (continued)

collateralized by assets in trust accounts, funds withheld, or letters of credit. The assets in trust are included as restricted cash and investments in Note 3. "Investments". As at December 31, 2021, the Company was granted with reciprocal jurisdiction by Delaware's Department of Insurance. The new Company's status as a reciprocal reinsurer will require no collateral for its obligations to TIC starting from underwriting year 2022 as long as the Company continues to meet the qualification criteria. At December 31, 2021 and 2020, the net balance due to the Company by TIC under the Pooling Agreement totaled $598,590 and $519,285, respectively and is included in Premiums receivable.

Type of Reinsurance	Retention	Event Protection	Coverage
Workers' Compensation, Catastrophe Excess of Loss	$ 20,000	$ 350,000	100% of $330,000
Casualty Clash, Excess of Loss	$ 5,000	$ 50,000	100% of $45,000
Umbrella, Quota Share	$ 1,500	$ 10,000	100% of $8,500
Umbrella, Quota Share (E&S)	$ 7,500	$ 25,000	70% of $25,000
Property, Per Risk Excess of Loss	$ 5,000	$ 200,000	100% of $195,000
Property, Catastrophe Excess of Loss	$ 30,000	$ 450,000	75% of $80,000 xs $30,000 95% of $340,000 xs $110,000
Breach Response, Quota Share	$ —	$ 1,000	100% of $1,000
Equipment Breakdown, Quota Share	$ —	$ 100,000	100% of $100,000
Cyber, Quota Share	$ 5,000	$ 10,000	50% of 10,000
EPL, Quota Share	$ —	$ 1,000	100% of $1,000
Network Security, Quota Share	$ 1,500	$ 5,000	70% of 5,000
US Commercial Liability Quota Share	$ —	$ —	34% of $1,000 WC; 34% of $5,000 GL, PL,EL; 34% of $5,000 Property Per Risk, 34% of $15,000 Property Cat, 34% of $1,500 Cyber, net Umbrella

Due from Affiliate

The Due from affiliate balance represents balances receivable and payable with companies under common control of AFSI and consisted of the following at December 31, 2021 and 2020:

As of December 31, 2021	Principal	Accrued Interest	Total
Secured promissory notes receivable	$ 43,418	$ 1,538	$ 44,956
Loans receivable from parent, net	285,568	8,494	294,062
Other balances receivable	91,005	(10,168)	80,837
Net balances due from affiliate	$ 419,991	$ (136)	$ 419,855

As of December 31, 2020	Principal	Accrued Interest	Total
Secured promissory notes receivable	$ 43,418	$ 3,978	$ 47,396
Loans receivable from parent, net	313,434	9,222	322,656
Other balances receivable	27,071	(8,413)	18,658
Net balances due from affiliate	$ 383,923	$ 4,787	$ 388,710

10. Related Party Transactions (continued)

Secured Promissory Notes Receivable

During 2016, a group of 6 affiliated companies collectively issued a promissory note to the Company in the amount of $50,000. These companies used proceeds from the note to purchase real estate investment properties. The note is collateralized by the properties acquired and guaranteed by certain other affiliated entities including AFSI. The note receivable accrues interest of 6.80% per annum and interest is due to the Company quarterly in arrears which was reduced to 4% as of January 1, 2020 as a result of the amendment updating the terms of the loan. The promissory note matures on December 20, 2031, with all unpaid principal and interest due on the maturity date. The Company recorded interest income of $1,761 and $1,831 for the years ended December 31, 2021 and 2020, respectively.

Loans Receivable From Parent, net

On March 24, 2017, the Company entered into a loan agreement with AFSI under which the balance due from AFSI at December 31, 2016 was converted to a loan receivable upon signing of the loan agreement. Under this loan agreement, AFSI may borrow up to an aggregate principal amount of $300,000 from the Company. The loan to AFSI is unsecured and bears interest at an annual rate equal to 2.05%. The loan matures on the earlier of December 31, 2024 or the date that the Company requests repayment. All unpaid principal and interest are due on the maturity date. As of December 31, 2021 and 2020, the loan balance and related accrued interest totaled $149,034 and $185,984, respectively. The company recorded interest income of $3,401 and $3,564 for the years ended December 31, 2021 and 2020, respectively.

On February 26, 2018, RIC a wholly-owned subsidiary of the Company entered into a loan agreement with the Company's parent in the aggregate principal amount of $76,000. The loan is unsecured, bears interest at a rate equal to 3-month LIBOR plus 137.5 basis points, and matures on February 26, 2028 or the date the lender requests payment with 30 days prior written notice. During the years ended December 31, 2021 and 2020, the Company recorded interest income of $1,268 and $1,743, respectively.

On February 27, 2018, in conjunction with the sale of a previously held for sale subsidiary, a wholly-owned subsidiary of the Company entered into a loan agreement with AFSI in the aggregate principal amount of $53,114. The loan is unsecured, bears interest at a rate equal to the short-term federal funds rate on the last day of each calendar quarter, and is payable together with outstanding interest on February 27, 2023. During the years ended December 31, 2021 and 2020, the Company recorded interest income of $211 and $264, respectively.

Other balances due from affiliate are in relation to operating transactions yet to be settled and are unsecured, interest free, and due on demand.

Legal Insurance Management Limited

On January 2, 2020, AIL a subsidiary of the Company entered into an agreement to acquire all of the issued ordinary shares of Legal Insurance Management Limited ("LIM") from AFSI. LIM is a legal expense, professional fees and emergency assistance insurance managing general agent that will add to AIL's existing fee business in a core area. AIL paid $21,000 and is also obligated to pay contingent consideration of up to $3,700 over a two-year period based on the profitability of the business. As of December 31, 2021, the Company's contingent consideration payable balance was Nil. As a result of this acquisition and purchase price allocation, the Company recorded $2,266 of goodwill and $12,986 of intangible assets consisting of distribution relationships.

Significant Transactions with Maiden Holdings, Ltd.

The Company has various reinsurance and service agreements with Maiden Holdings, Ltd. ("Maiden"). Maiden is a publicly-held Bermuda insurance holding company (Nasdaq: MHLD) formed by Michael Karfunkel, George Karfunkel and Barry Zyskind, principal stockholders, and, respectively, the former chairman of the board of directors of AFSI, a director of AFSI, and the current Chairman and Chief Executive Officer of AFSI, the Company's parent. As of December 31, 2021, two of AFSIs' principal stockholders, Leah Karfunkel (one of AFSI's directors and co-trustee of the Michael Karfunkel Family 2005 Trust (the "Trust")), and Barry Zyskind, owned or controlled approximately 7.8%, and 7.9%, respectively, of the issued and outstanding capital stock of Maiden. Mr. Zyskind serves as the non-executive chairman of Maiden's board of directors. Maiden

10. Related Party Transactions (continued)

Reinsurance Ltd. ("Maiden Reinsurance"), a wholly-owned subsidiary of Maiden, is a Vermont reinsurer (re-domesticated from Bermuda in March 2020). The following section describes the agreements in place between the Company and Maiden.

Reinsurance Agreements with Maiden Holdings, Ltd

In 2007, AFSI and Maiden entered into a master agreement, as amended, which included the Maiden Quota Share between the Company and Maiden Reinsurance, Maiden's Bermuda subsidiary. Under the Maiden Quota Share, the Company retroceded to Maiden Reinsurance certain lines of business assumed by the Company from TIC as well as its insurance company subsidiaries (excluding Motors Insurance Company Limited, AMT Mortgage Insurance Limited and Lloyd's syndicates).

On December 31, 2018, the Company and Maiden Reinsurance entered into a Partial Termination Endorsement effective January 1, 2019, by which the parties agreed to amend the Maiden Quota Share to terminate it on a cut-off basis with respect to workers' compensation, general liability, umbrella liability, professional liability (including cyber liability) insurance coverages in the Company's small commercial business segment and extended warranty and specialty risk insurance coverages in the Company's extended warranty and specialty risk segment that are produced in the U.S. ("Terminated Business").

On January 30, 2019, the Company and Maiden Reinsurance agreed to terminate, on a run-off basis, the remaining covered business ceded under the Maiden Quota Share effective January 1, 2019. In addition, the Company and Maiden entered into a second amendment to remove the provisions requiring the Company to reinsure business with Maiden. Maiden Reinsurance transferred $575,000 to AII on a funds withheld basis, to fund statutory deposit requirements resulting from Maiden Reinsurance's unauthorized reinsurer status. Interest at an annual interest rate of 1.8%, adjustable annually, is payable on the funds withheld balance. As of December 31, 2021, the funds withheld balance was approximately $577,609, comprising $575,000 of initial funding and $2,609 of accrued interest thereon.

In July 2019, Maiden Reinsurance and Cavello Bay Reinsurance Limited ("Cavello Bay"), a subsidiary of Enstar Group Limited ("Enstar"), entered into an Adverse Development Cover Agreement effective as of January 1, 2019 (the "ADC Agreement"), by which Enstar, assumed from Maiden Reinsurance claims payable by Maiden Reinsurance to the Company under the Maiden Quota Share in excess of a retention of $2,178,500 up to an aggregate limit of $600,000. In connection with the ADC Agreement, the Company entered into (i) a Master Collateral Agreement with Maiden Reinsurance and Cavello Bay dated as of July 31, 2019 (described below); (ii) a Commutation Agreement and Release with Maiden Reinsurance effective as of July 31, 2019 with respect to certain workers' compensation reserves ceded by the Company to Maiden Reinsurance pursuant to the Maiden Quota Share; and (iii) a Post-Termination Endorsement No. 1 to the Maiden Quota Share.

Pursuant to the Commutation Agreement, the Company and Maiden Reinsurance agreed to settle Maiden Reinsurance's liability under the Maiden Quota Share for (a) all losses incurred in accident year 2017 and 2018 under workers' compensation policies issued by the Company in California, and (b) all losses incurred in accident year 2018 under workers' compensation policies issued by the Company in New York, in each case as of December 31, 2018.

Pursuant to Post-Termination Endorsement No.1, Maiden Reinsurance agreed that the loss corridor applicable to the Company's liability for losses falling within the Specialty Program portion of the covered business only ("the Specialty Program Loss Corridor") is capped at $40,500. In effect, the upper band of the Specialty Program Loss Corridor was reduced to 83.7%. This amendment to the Specialty Program Loss Corridor was considered an amendment to a reinsurance agreement that requires the Company to reassess risk transfer. If the Specialty Program ultimate net loss amounts exceed the 83.7% limit in future periods, the Company will determine whether to account for the Specialty Program recoveries from Maiden Reinsurance as retroactive reinsurance or under the deposit method of accounting.

Effective March 16, 2020, as a result of Maiden Reinsurance's re-domestication from Bermuda, a Solvency II equivalent jurisdiction, to Vermont, which is not, the Company and Maiden Reinsurance entered into a Post-Termination Endorsement No. 2 whereby Maiden Reinsurance provided additional collateral to the Company to secure Maiden Reinsurance's obligations through the run-off of the Maiden Quota Share. The collateral requirement increased from 105% to 110%, which could decrease to 107.5% and then 105% at lower reserve thresholds if Maiden Reinsurance maintains a certain risk based capital ratio.

10. Related Party Transactions (continued)

On May 20, 2020, the Company and Maiden Reinsurance entered into a Commutation and Release as of March 31, 2020 with respect to Norwegian structural defect reserves of approximately $10,855 ceded by the Company to Maiden Reinsurance pursuant to the European Quota Share. The Company and Maiden Reinsurance agreed to settle Maiden Reinsurance's liability for this business for a premium equal to the reserves and unearned premium.

European Quota Share

The Company, through its subsidiaries AEL and AIU, had a reinsurance agreement with Maiden Reinsurance, originally effective April 1, 2011, by which AEL and AIU ceded certain percentages of European medical liability business to Maiden Reinsurance. Under that agreement, AIU ceded 40% of its European medical liability business and AEL ceded 20% of its European medical liability business to Maiden Reinsurance. Maiden Reinsurance paid the Company a 5% ceding commission. On January 30, 2019, AEL, AIU and Maiden Reinsurance agreed to terminate this reinsurance agreement on a run-off basis, effective January 1, 2019. In January 2019, Maiden Reinsurance transferred €51,106 ($57,295) to AIU, on a funds withheld basis, to fund collateral requirements. AIU pays interest to Maiden Reinsurance on the funds withheld balance at a fixed interest rate of 0.5%. As of December 31, 2021 the funds withheld balance was approximately $26,242.

Effective March 16, 2020, as a result of Maiden Reinsurance's re-domestication from Bermuda, a Solvency II equivalent jurisdiction, to Vermont, which is not, AEL, AIU and Maiden Reinsurance entered into a Post-Termination Endorsement No. 1 whereby Maiden Reinsurance provided additional collateral to AEL and AIU to secure Maiden Reinsurance's obligations to each of them through the run-off of the agreement. The collateral requirement increased from 100% of total unearned premium and loss reserves to the greater of (i) 120% of total unearned premium and loss reserves or (ii) the collateralization level that would result in the same solvency coverage ratio obtained if Maiden Reinsurance were still domesticated in Bermuda (i.e., a Solvency II equivalent regime).

On May 12, 2020, AIU and Maiden Reinsurance entered into a Post-Termination Endorsement No. 2 (with effect from January 1, 2020) to confirm AIU's right to utilize and retain the withheld funds for the purposes of "Collateral", as defined in the Solvency II Directive and provide AIU with entitlement to the funds in the event of default or non-performance of obligations under the European Quota Share by Maiden Reinsurance.

On July 31, 2020, AEL and AIU transferred their respective Italian medical liability businesses covered by the European Quota Share to the Company's Italian insurance company subsidiary, AmTrust Assicurazioni S.p.A.

Collateral for Proportionate Share of Reinsurance Obligations

Effective December 1, 2008, the Company and Maiden Reinsurance entered into a Reinsurer Trust Assets Collateral agreement whereby Maiden Reinsurance is required to provide AII the assets required to secure Maiden's proportional share of AII's obligations to the AmTrust Ceding Insurers. In addition, pursuant to the quota share reinsurance agreement among AEL, AIU and Maiden Reinsurance for the Company's European medical liability business, Maiden Reinsurance is required to provide AEL and AIU the assets required to secure AEL's and AIU's obligations. As of December 31, 2021 assets held in the Reinsurance Trust Account were approximately $493,739. Maiden Reinsurance retains ownership of the collateral in the trust accounts.

On July 31, 2019, the Company, AII, TIC, Maiden Reinsurance and Cavello Bay entered into a Master Collateral Agreement whereby AII released to Cavello Bay $445,000 in collateral from the reinsurance trust accounts referenced above as the premium payment pursuant to the ADC Agreement, which were replaced with $445,000 of letters of credit provided by Cavello Bay. Cavello Bay will be required to increase the letters of credit to cover adverse development of up to $600,000 in the aggregate. In the event it is necessary for AII to draw down on the collateral, AII will use Maiden Reinsurance's collateral prior to drawing on the Cavello Bay letters of credit. In addition, Maiden Reinsurance has over-collateralized the existing reinsurance trust accounts to 105%, which was then further increased as a result of its re-domestication to Vermont discussed above. The aggregate amount of collateral from Maiden Reinsurance, including letters of credit, trusts and funds withheld balances was approximately $1,509,400, as of December 31, 2021.

Asset Management Agreement

10. Related Party Transactions (continued)

A subsidiary of the Company manages the assets of certain of Maiden's subsidiaries for an annual rate of 0.085% of the average aggregate value of the assets under management for the preceding quarter. Prior to January 1, 2018, a subsidiary of the Company managed these assets for an annual rate of 0.20% of the average aggregate value of the assets under management for the preceding quarter if the average aggregate value for the preceding quarter was $1,000,000 or less, and an annual rate of 0.15% of the average aggregate value of the assets under management for the preceding quarter if the average aggregate value for the preceding quarter was more than $1,000,000. The Company managed approximately $1,916,245 of assets as of the December 31, 2019, related to this agreement. As a result of this agreement, the Company recorded approximately $2,558 of asset management fees for year ended December 31, 2019. Effective July 1, 2020, the Company's subsidiary, AFSI and Maiden entered into a Novation Agreement discharging the Company's subsidiary from its obligation under the Management Agreement which was, in turn, assumed by AFSI. The asset management fees were recorded as a component of service and fee income for year ended December 31, 2020 amounted to $750.

Significant Transactions with ACP Re, Ltd.

ACP Re, Ltd. ("ACP Re") is a privately-held Bermuda reinsurance holding company owned by the Trust.

AFSI, as Administrative Agent, AII and NG Re Ltd. (both "Lenders") entered into an amended and restated credit agreement with ACP Re Holdings, LLC, a Delaware LLC owned 99.9% by the Trust (the "Borrower") in September 2016 (the "Amended and Restated Credit Agreement").

The Amended and Restated Credit Agreement had a maturity date of September 20, 2036, but commencing on September 20, 2026, and for each year thereafter, 2% of the then outstanding principal balance of the loan (inclusive of any amounts previously paid in kind) was due and payable. Interest on the outstanding principal balance of $250,000 was a fixed annual rate of 3.70% (payable in cash, semi-annually, in arrears, on the last day of January and July), provided that up to 1.20% thereof could be paid in kind. The Borrower had the right to prepay the amounts borrowed, in whole or in part. At the Lenders' discretion, the Borrower could repay the loan using cash or tradeable stock of an equivalent market value of any publicly traded company on the NYSE, Nasdaq or London stock exchange. The Company earned fees for its service as Administrative Agent, plus reimbursement of any costs, expenses and certain other charges.

On March 17, 2021, ACP Re Holdings, LLC prepaid the entirety of this loan. As a result, the Amended and Restated Credit Agreement terminated and the Company and NG Re, Ltd released the collateral securing the loan. The Company received principal of $131,569 and accrued interest of $811. In addition, AFSI, as administrative agent for the loan, received a service fee of $159.

Significant Transactions with Amynta

On February 28, 2018, AFSI completed the transfer to Amynta Holdings LLC (formerly known as Mayfield Holdings LLC, "Amynta") of a majority interest in the portion of their U.S.-based fee businesses that (a) acted as managing general agents for the distribution, underwriting and procurement of property and casualty insurance on behalf of certain of the Company's affiliates and other insurance carriers and (b) designed, developed, marketed and acted as third party administrators for programs for service contracts, limited warranties and replacement plans (the "U.S.-based fee business"). The newly formed joint venture referred to as "The Amynta Group" is owned 48.9% by MH JV Holdings L.P., an investment vehicle owned by affiliates of Madison Dearborn Partners, 4.1% by members of Amynta's senior management and 47.0% by AFSI including 15% owned by the Company as of December 31, 2021. The Company's ownership interest in Amynta is an equity method investment. The Company recognized loss on its ownership interest in Amynta of $8,605 and $3,766, respectively for the years ended December 31, 2021 and 2020.

Upon the closing of the transaction, AFSI and Amynta entered into a five-year agreement whereby AFSI remains a provider of insurance coverage related to warranty and service contracts and remains an underwriter of policies offered via Amynta's managing general agents.

Effective February 16, 2022, the Company, along with various affiliates ("AmTrust Parties"), entered into a purchase agreement with Amynta. The transaction closed on March 4, 2022. See Note 15. "Subsequent Events" for more information.

AMTRUST INTERNATIONAL INSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of US Dollars, Except Per Share Data)

11. Income Taxes

The provision for income taxes consists of the following for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Current expense:		
Federal	$ 1,980	$ 4,667
Foreign	40,856	21,201
Total current tax expense	42,836	25,868
Deferred expense (benefit):		
Federal	65,255	(30,971)
Foreign	(5,182)	3,761
Total deferred tax expense (benefit)	60,073	(27,210)
Total income tax expense (benefit)	$ 102,909	$ (1,342)

The following table is a reconciliation of the Company's statutory income tax benefit to its effective tax rate for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Loss before taxes	$ (31,568)	$ (267,134)
Tax at federal statutory rate of 21%	(6,629)	(56,098)
Tax effects resulting from:		
Permanent adjustments	42,838	31,463
Foreign rate differential	13,658	8,726
Adjustments to prior year taxes	40,413	5,753
Valuation allowance	23,460	14,316
Tax Credits	(10,831)	(795)
Other, net	—	(4,707)
Total income tax expense (benefit)	$ 102,909	$ (1,342)
Effective tax rate	(326.0)%	0.5 %

(In Thousands of US Dollars, Except Per Share Data)

11. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2021 and 2020 are shown below:

	December 31,	
	2021	**2020**
Deferred tax assets:		
Net operating loss carryforward	$ 243,310	$ 288,017
Unearned premiums	46,359	42,498
Bad debt	2,527	—
Loss and LAE reserves	36,697	43,821
Other	53,404	58,161
Depreciation	4,838	—
Unrealized loss on investments	1,078	—
Intangible assets	425	425
Deferred compensation	—	4
GAAP to Stat	7,505	8,450
Total gross deferred tax assets	396,143	441,376
Valuation allowance	(235,990)	(226,671)
Total deferred tax assets	160,153	214,705
Deferred tax liabilities:		
Deferred acquisition costs	(27,600)	(24,478)
Equity results which cannot be liquidated tax free	—	(143)
Unrealized gain on investments	—	(18,040)
Total deferred tax liabilities	(27,600)	(42,661)
Deferred tax asset, net	$ 132,553	$ 172,044

The Company's net deferred tax asset at December 31, 2021 is included in Other assets in the Consolidated Balance Sheet. The likelihood of realizing deferred tax assets is reviewed periodically. Any adjustments required to the valuation allowance are made in the period during which developments requiring an adjustment become known.

The Company has foreign NOLs of $243,310, of which a majority have no expiration.

The Company's management believes that as of December 31, 2021, except for a portion of foreign NOLs, it will realize the benefits of its deferred tax assets, which are included as a component of Other assets in the Consolidated Balance Sheet. The Company has a valuation allowance on a significant portion of the foreign NOLs as of December 31, 2021. The Company has a valuation allowance of $235,990 and $226,671, as of December 31, 2021 and 2020, respectively. The valuation allowance increased for the year ended December 31, 2021 as a result of changes to NOLs in Luxembourg on which full valuation allowances were recorded.

(In Thousands of US Dollars, Except Per Share Data)

11. Income Taxes (continued)

The Company's earnings of certain foreign subsidiaries have been indefinitely reinvested in foreign operations. Therefore, no provision has been made for any U.S. taxes or foreign withholding taxes that may be applicable upon any repatriation or disposition. The determination of any unrecognized deferred tax liability for temporary differences related to the Company's investments in certain foreign subsidiaries is not practicable. At December 31, 2021 and 2020, the financial reporting basis in excess of the tax basis for which no deferred taxes have been recognized was approximately $715,587 and $488,508, respectively.

The Company's major taxing jurisdictions include the U.S. (federal and state), the United Kingdom, Ireland and Italy. The years subject to potential audit vary depending on the tax jurisdiction. Generally, the Company's statute of limitation is open for tax years ended December 31, 2017 and forward. The Company was selected for audit in the U.S for tax years 2017, 2018, and 2019. The audit began in 2020 and is still on-going.

Listed below are the tax years that remain subject to examination by major tax jurisdictions:

	Open Tax Years
United States	2017 - 2020
United Kingdom	2020
Ireland	2017 - 2020
Italy	2016 - 2020

As permitted by ASC 740-10 *Income Taxes*, the Company recognizes interest and penalties, if any, related to unrecognized tax benefits. The Company has recorded interest and penalties in interest expense and general and administrative expenses. The Company does have an unrecognized tax benefit, as of December 31, 2021. This unrecognized tax benefit was generated in Tax Year 2019. No significant changes to the Company's unrecognized tax benefits in total are anticipated in the next 12 months.

A reconciliation of the total amounts of gross unrecognized tax benefits is as follows:

	Year Ended December 31,	
	2021	2020
Gross unrecognized tax benefits at January 1	$ 6.1	$ 5.5
Decreases in tax positions for prior years	(1.8)	(0.7)
Increases in tax positions for prior years	—	1.3
Decreases in tax positions for current year	—	—
Increases in tax positions for current year	—	—
Lapse in statute of limitations	—	—
Settlements	—	—
Gross unrecognized tax benefits at December 31	$ 4.3	$ 6.1

(In Thousands of US Dollars, Except Per Share Data)

12. Stockholder's Equity

Common Stock and Additional Paid-In Capital

Common Stock is comprised of 250 shares as of December 31, 2021 and 2020. These shares have a par value of $1 per share and are fully paid by the company's sole stockholder, AFSI.

Accumulated Other Comprehensive Income

The following table summarizes accumulated other comprehensive income for the years ended December 31, 2021 and 2020, net of non-controlling interests:

	Foreign Currency Translation	Unrealized Gains (Losses) on Investments	Pension Liability	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2019	$ (125,271)	$ 17,185	$ (8,305)	$ (116,391)
Other comprehensive income (loss) before reclassification	68,333	46,785	(4,925)	110,193
Amounts reclassed from accumulated other comprehensive income	—	(5,059)	—	(5,059)
Deferred income tax benefit (expense)	5,704	(12,200)	756	(5,740)
Net current-period other comprehensive income (loss)	74,037	29,526	(4,169)	99,394
Balance, December 31, 2020	$ (51,234)	$ 46,711	$ (12,474)	$ (16,997)
Other comprehensive (loss) income before reclassification	(49,755)	(70,794)	4,425	(116,124)
Income tax benefit (expense)	—	17,208	(711)	16,497
Net current-period other comprehensive (loss) income	(49,755)	(53,586)	3,714	(99,627)
Balance, December 31, 2021	$ (100,989)	$ (6,875)	$ (8,760)	$ (116,624)

During the years ended December 31, 2021 and 2020, amounts reclassed from accumulated other comprehensive income (loss) into net income were included in net realized gain on investments on the consolidated statements of operations.

13. Commitments and Contingencies

Litigation

The Company's insurance subsidiaries are named as defendants in various legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the loss and LAE reserves. The Company is also a party in various commercial and employment disputes, including claims both by and against the Company. The Company's management believes the resolution of these actions will not have a material adverse effect on the Company's financial position or results of operations.

In view of the inherent difficulty of assessing the potential outcome of legal proceedings, governmental, regulatory and legislative investigations and inquiries, claims and litigation and similar matters and contingencies, the Company generally cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. Unless specified below, the Company cannot reasonably estimate a potential range of loss, if any, with respect to the matters disclosed below due to, among other factors, the complexity of the matters involved and in many instances, the relatively early stage of the proceedings. The Company also is not able to predict at this time the impact, if any, that any such matters might have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on the Company's operations and financial condition and to accrue for and disclose such matters as and when required.

The Company's parent is subject to litigation, which could have indirect impact on the Company, as noted below.

Restatement Securities Litigation

AFSI and certain of its officers and directors are defendants in three putative securities class action lawsuits filed in March and April of 2017 in the U.S. District Court for the Southern District of New York. These cases in the Southern District of New York have been consolidated under the case name In re AmTrust Financial Services, Inc. Securities Litigation. Plaintiffs in this proceeding filed a consolidated, amended complaint on August 21, 2017. The Consolidated Amended Complaint ("CAC") added as defendants BDO USA LLP, Citigroup Global Markets Inc., Keefe, Bruyette & Woods, Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, and UBS Securities LLC. In October 2017, the defendants filed motions to dismiss the CAC, which were fully briefed as of January 2, 2018, and oral argument was held on February 7, 2018. On November 26, 2018, Plaintiffs filed a Consolidated Second Amended Complaint (the "SAC"). Plaintiffs assert in the SAC claims under Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder and Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended. Plaintiffs seek an unspecified amount in damages, attorneys' fees, and other relief. On December 5, 2018, the defendants filed motions to dismiss the SAC. The motions to dismiss were fully briefed as of January 23, 2019. By a Decision and Order dated September 9, 2019, Judge Kaplan completely dismissed the securities class action. On October 7, 2019, Plaintiffs filed a notice of motion seeking an order granting Plaintiffs leave to file a third amended complaint, which defendants opposed. By an Order dated November 4, 2019, the Court granted Plaintiffs' motion for leave to file a third amended complaint (the "TAC"). On January 10, 2020, defendants filed motions to dismiss the TAC, which was fully briefed and submitted to the Court by February 27, 2020. By a Decision and Order dated April 20, 2020, Judge Kaplan dismissed the TAC, with prejudice. On May 22, 2020, Plaintiffs timely filed a notice of appeal of the decision dismissing the TAC and on September 18, 2020, filed Appellants' Opening Brief with the U.S. Court of Appeals for the Second Circuit. Defendants-Appellees filed an Opposition Brief on December 17, 2020. The reply brief of Plaintiffs-Appellants was filed with the Court on January 21, 2021. The Court of Appeals heard oral argument on June 4, 2021, but has not yet rendered a decision.

13. Commitments and Contingencies (continued)

Litigation Related to the Merger

On May 31, 2018, Pompano Beach Police & Firefighters' Retirement System, City of Lauderhill Police Officers' Retirement System and West Palm Beach Police Pension Fund filed a putative class action lawsuit against the AFSI's board of directors, Stone Point, Trident Pine Acquisition LP ("Trident Pine"), Trident VII Professionals Fund, Trident VII, Trident VII DE Parallel Fund, and Trident VII Parallel Fund (collectively, the "Trident Funds") in the Court of Chancery of the State of Delaware, Case No. 2018-0396-AGB (the "2018 Pompano Action"). The complaint in the 2018 Pompano Action alleges that defendants Barry Zyskind, George Karfunkel, Leah Karfunkel, Abraham Gulkowitz, Susan Fisch, Donald DeCarlo, and Raul Rivera breached their fiduciary duties, which resulted in an unfair Merger stock price through an unfair process. The complaint alleges additional claims for breaches of fiduciary duty against Zyskind, G. Karfunkel and L. Karfunkel in their capacity as officers and directors of AFSI and as controlling stockholders of AFSI. The complaint alleges that Stone Point, Trident Pine and the Trident Funds aided and abetted the breaches of fiduciary duties.

On June 4, 2018, Cambridge Retirement System ("Cambridge") filed a putative class action lawsuit against AFSI's board of directors, the Estate of Michael Karfunkel, Evergreen Parent, K-Z Evergreen, LLC, Merger Sub, Trident Pine and Stone Point in the Court of Chancery of the State of Delaware, Case No. 2018-0402-AGB (the "2018 Cambridge Action"). On September 24, 2018, Plaintiff in the 2018 Cambridge Action filed a Verified Supplemental and Amended Stockholder class action complaint (the "Amended Complaint"). Similar to the 2018 Pompano Action, the Amended Complaint alleges that the director defendants breached their fiduciary duties, which resulted in an unfair Merger stock price through an unfair process. The Estate of Michael Karfunkel is not named as a Defendant in the Amended Complaint. The complaint alleges an additional claim for breach of fiduciary duty against Zyskind, G. Karfunkel, and L. Karfunkel in their capacity as controlling shareholders of AFSI and alleges that Evergreen Parent, K-Z Evergreen, Merger Sub, Stone Point, and Trident Pine aided and abetted the foregoing breaches of fiduciary duties. On October 10, 2018, the court appointed counsel for Plaintiffs in the 2018 Pompano Action and counsel for Plaintiff in the 2018 Cambridge Action as Co-Lead Counsel, and on November 16, 2018, the court consolidated the two actions into a putative class action captioned In re AmTrust Financial Services, Inc. Stockholder Litigation, Consolidated C.A. No. 2018-0396-AGB (the "2018 Stockholder Action"). On January 25, 2019, Plaintiffs in the 2018 Stockholder Action filed a Verified Consolidated Class Action Complaint, alleging that defendants Zyskind, G. Karfunkel, L. Karfunkel, Gulkowitz, Fisch, DeCarlo, and Rivera breached their fiduciary duties, which resulted in an unfair Merger stock price through an unfair process. The complaint alleges additional claims for breaches of fiduciary duty against Zyskind as an officer of AFSI and against Zyskind, G. Karfunkel and L. Karfunkel in their capacity as alleged controlling stockholders of AFSI. The complaint alleges that Stone Point, Trident Pine and the Trident Funds aided and abetted the breaches of fiduciary duties. Defendants filed a Notice of Motion to Dismiss. Plaintiffs in the 2018 Stockholder Action sought the consolidation of the below described 2018 Arca Action into the 2018 Stockholder Action.

On or about February 21, 2019, Arca Investments, a.s., Arca Capital Bohemia, a.s., and Krupa Global Investments f/k/a Arca Venture Capital a.s. (together, "Arca") commenced an action in the Court of Chancery of the State of Delaware (the "2019 Arca Action"). The Arca Action names as defendants Zyskind, G. Karfunkel, L. Karfunkel, Gulkowitz, Fisch, DeCarlo, Rivera, the Trident Funds, K-Z Evergreen, LLC and Stone Point. The 2019 Arca Action is very similar to the 2018 Stockholder Action. Plaintiffs in the 2018 Stockholder Action moved the Delaware Court to consolidate the 2019 Arca Action with the 2018 Stockholder Action. On April 18, 2019, the Court ordered the consolidation of this action into the 2018 Stockholder Action with an amended 2018 Stockholder Action complaint to be filed by May 8, 2019. Plaintiffs filed the Consolidated Amended Complaint on May 8, 2019 (the "CAC"). On June 6, 2019, AFSI filed a motion to dismiss the CAC. Opposition to AFSI's motion to dismiss was filed with the court on August 21, 2019, and the Company filed reply papers on September 27, 2019.

On November 5, 2019, the Court heard oral argument on defendants' motion to dismiss. On February 26, 2020, the Court ruled on the motion to dismiss, denying, for the most part, AFSI's motion to dismiss the complaint, but dismissing Stone Point and Rivera from the action. The Court's reasoning largely relied upon Plaintiff's assertion that three of the four members of the Special Committee had a material self-interest in the Merger because going private would extinguish the potential personal liability arising out of the prior filed derivative actions. On August 30, 2021, the Plaintiffs, on behalf of themselves and the putative class, and defendants entered into a stipulation and agreement of compromise, settlement and release requiring a total settlement payment of $40.0 million. The settlement was subject to court approval, which the court provided on November 22, 2021. The payment, net of $26.2 of insurance recoveries from its third-party Directors and Officers insurers, did not have a material impact on the Company's financial position, results of operations or cash flows.

(In Thousands of US Dollars, Except Per Share Data)

13. Commitments and Contingencies (continued)

On March 26, 2019, Verition Partners Master Fund LTD. and Verition Multi-Strategy Master Fund LTD filed a petition for appraisal of stock. Verition's petition asked the Court of Chancery for a determination of the fair value of shares of AFSI's common stock. Verition argued that the Merger Consideration of $14.75 per share was too low. The parties to the appraisal action entered into a settlement agreement on June 16, 2021, whereby Evergreen Parent paid Verition $63.4, which included merger consideration of $14.75 per share plus statutory interest. The case was then dismissed with prejudice by a stipulation and order by the Court of Chancery dated June 23, 2021.

Litigation Related to the Delisting of Securities

On August 30, 2019, Jan Martinek commenced a securities class action against the Company, Barry Zyskind, George Karfunkel and Leah Karfunkel in the U.S. District Court of the Southern District of New York. Plaintiff alleges that the Company consistently stated in its public disclosures that AmTrust's preferred securities would (1) continue to be outstanding; (2) be listed on the NYSE following the going private transaction; (3) continue to pay dividends; and (4) the Company would continue to file reports with the SEC. Plaintiff's asserts that these statements were false or misleading statements made in violation of Sections 10(b) and 20(a) of the Exchange Act. Pursuant to Section 21D(a)(3)(A) of the Exchange Act, 15 U.S.C. Section 78u4(a)(3)(A), the deadline for any class member to move for appointment as Lead Plaintiff was October 29, 2019. On that date, Martinek moved to be appointed Lead Plaintiff, which the Court granted. On January 20, 2020, defendants moved to dismiss the complaint. The motion to dismiss was fully briefed and submitted to the Court on April 3, 2020, and the Court by an opinion and order dated August 14, 2020, denied defendants' motion to dismiss the complaint. The case is proceeding through the discovery phase of litigation.

AFSI believes the allegations in the delisting related litigation described above are without merit.

Other than as discussed above, AFSI is not involved presently in any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its properties.

Lease Commitments

The Company is obligated under 29 leases for office space expiring at various dates through 2030. Future minimum lease payments as of December 31, 2021 under non-cancellable operating leases for each of the next five years and thereafter are approximately as follows:

2022	$	2,530
2023		1,725
2024		1,051
2025		906
2026		897
2027 and Thereafter		1,640
Future minimum lease payments	$	8,749

Rent expense for the years ended December 31, 2021 and 2020 was $5,452 and $4,968, respectively.

(In Thousands of US Dollars, Except Per Share Data)

13. Commitments and Contingencies (continued)

Employment Agreements

The Company has employment agreements with 13 of its key executives and employees. The agreements terminate on varying dates through 2026, contain annual minimum levels of compensation, and contain bonuses based on the Company achieving certain financial targets. The annual future minimum compensation payments in the aggregate through 2022 are as follows:

2022	$	5,511
2023		2,309
2024		1,700
2025		1,700
2026		581
Future minimum compensation payments		11,801

Funding commitments

As of December 31, 2021, the Company had commitments of $1,387 to further fund its other investments. See Note 2. "Significant Accounting Policies" for additional information on other investments.

14. Statutory Financial Data, Risk Based Capital and Dividend Restrictions

The Company's insurance subsidiaries file financial statements in accordance with statutory accounting practices ("SAP") prescribed or permitted by domestic insurance regulatory authorities. The differences between statutory financial statements and financial statements prepared in accordance with GAAP vary between jurisdictions. The principal differences relate to (1) acquisition costs incurred in connection with acquiring new business which are charged to expense under SAP but under GAAP are deferred and amortized as the related premiums are earned; (2) limitations on net deferred tax assets created by the tax effects of temporary differences; (3) unpaid losses and loss expense, and unearned premium reserves which are presented gross of reinsurance with a corresponding asset recorded; (4) fixed maturity portfolios that are carried at fair value instead of amortized cost and changes in fair value are reflected directly in unassigned surplus, net of related deferred taxes; and (5) certain assets designated as "non-admitted assets" that are charged against surplus under SAP.

Bermuda

For the Company, the regulations require that the available statutory capital and surplus should be equal to or exceed the value of both its Minimum Margin of Solvency and the Enhanced Capital Requirement. The Capital and Solvency Return for the year ended December 31, 2020 was filed with the Bermuda Monetary Authority on April 30, 2021. AII's capital levels exceed the regulatory minimum requirements as of December 31, 2021.

Europe and the United Kingdom

The Company's European entities prepare financial statements in accordance with local regulatory requirements. These statutory accounting practices differ from U.S. GAAP primarily by charging policy acquisition costs to expense as incurred and establishing future policy benefit liabilities using different actuarial assumptions, as well as valuing investments and certain assets and accounting for deferred taxes on a different basis.

Effective January 1, 2016, the European Union's executive body, the European Commission, implemented a new capital adequacy and risk management regulation called "Solvency II" that applies to the Company's businesses across the European Union and impacts AIU, AmTrust Assicurazioni S.p.A. and our Luxembourg entities. Solvency II imposes requirements with respect to capital structure, technical provisions, solvency calculations, governance, disclosure and risk management.

14. Statutory Financial Data, Risk Based Capital and Dividend Restrictions (continued)

The insurance subsidiaries based in the United Kingdom ("U.K.") including AEL and MIC, are regulated by the U.K. Prudential Regulatory Authority (the "PRA"). Since January 1, 2016, the U.K. companies have been required to comply with the Solvency II Framework Directive adopted by the PRA. The Solvency Capital Requirement for the U.K. subsidiaries are assessed using the Solvency II standard formula model.

All of the Company's international insurance subsidiaries have capital levels that exceed their respective regulatory minimum requirements, and none utilized prescribed or permitted practices that vary materially from the practices prescribed by the regulatory bodies for the years ended December 31, 2021 and 2020, respectively. The declaration of dividends for the Company's U.K. and European entities is restricted to profits available for distribution as a matter of respective jurisdictional law and in certain entities requires consent of local regulators. The European dividends included in the total below represent the estimated maximum potential dividend available based on the most recent solvency returns submitted to local regulators. Any final dividends would still be subject to regulatory approval in the case of AEL.

United States

Property and casualty insurance companies in the United States are subject to certain Risk-Based Capital ("RBC") requirements that establish the minimum amount of statutory capital and surplus that must be maintained by each company, as specified by the National Association of Insurance Commissioners ("NAIC"). The minimal capital requirements are determined by using a formula that focuses on the material risks to which the company is exposed, and are designed to ensure that the Company can fulfill obligations to shareholders. As of December 31, 2021 and 2020, the statutory capital and surplus of Company's insurance subsidiary domiciled in the United States exceeded the RBC requirements.

The payment of dividends or distributions to the Company from its foreign and U.S. insurance subsidiary is restricted by the insurance laws and regulations in the jurisdictions in which they are domiciled. Ordinary dividends or distributions, for which no regulatory approval is generally required, are limited to amounts determined by a formula, which varies by jurisdiction. Certain jurisdictions may impose limits, if the entity is in breach of local minimum capital, solvency or liquidity requirements or the payment would cause a breach of those requirements. In addition to these limitations, the Company also takes into consideration expected earnings, business growth and capitalization of the subsidiaries, and liquidity requirements of the individual operating companies, prior to payment of dividends or distributions from subsidiaries. As of December 31, 2021, the estimated amount of dividends or distributions available to be paid in the subsequent calendar year, without prior regulatory approval, total approximately $282,279.

15. Subsequent Events

The Company has evaluated subsequent events for disclosure through the date of issuance, April 27, 2022.

Sale of Amynta

Effective February 16, 2022, AFSI, along with its two subsidiaries and the Company, entered into a purchase agreement with Amynta whereby the Company and the two AFSI subsidiaries would sell back to Amynta their respective equity interests at fair value in exchange for cash, deferred payments, and preferred stock issued by an Amynta affiliate. Simultaneously, Evergreen Parent and various affiliates of MH JV Holdings, L.P., an investment vehicle owned by affiliates of Madison Dearborn Partners ("MDP"), agreed to exchange units held by MDP in Evergreen L.P., for common shares of AFSI held by Evergreen Parent, which once held by MDP, AFSI would then redeem. The transaction received regulatory approval and closed on March 4, 2022. The sale of Amynta equity interests and simultaneous repurchase of AFSI's common shares were net settled among the parties and resulted in a net cash payment and preferred stock at closing, as well as future cash payments to the Company. The Company recorded a pre-tax gain of $54,316 as a result of the sale of Amynta equity interests.

Reinsurance Agreement with Swiss Re

Effective January 1, 2022, the Company renewed the quota share agreement with Swiss Re for the Company's U.S. commercial liability business. The ceding commission increased from 33% to 34% in the 2022 contract. There were no changes to the quota share agreement or business covered from the 2021 contract.