

**AMTRUST INTERNATIONAL UNDERWRITERS
DESIGNATED ACTIVITY COMPANY**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018**

REGISTERED NUMBER - 169384

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

TABLE OF CONTENTS	PAGES
COMPANY INFORMATION	2
DIRECTORS' REPORT	3 - 9
STATEMENT OF DIRECTORS' RESPONSIBILITIES	10
INDEPENDENT AUDITORS' REPORT	11 - 16
CONSOLIDATED PROFIT AND LOSS ACCOUNT	17 - 18
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED BALANCE SHEET	19 - 21
CONSOLIDATED CASH FLOW STATEMENT	22
COMPANY BALANCE SHEET	23 - 25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
COMPANY STATEMENT OF CHANGES IN EQUITY	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	27 - 63

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

COMPANY INFORMATION

DIRECTORS	Max Caviat	UK	Non-Executive Director (Resigned 12.12.2018)
	Barry Zyskind	US	Non-Executive Director
	Ronan Conboy	IRL	Executive Director
	Donald DeCarlo	US	Independent Non-Executive Director (Resigned 31.12.2018)
	David Lyons	US	Independent Non-Executive Director
	James Wrynn	US	Independent Non-Executive Director
	Raul Rivera	US	Independent Non-Executive Director
	Robert Brannock	IRL	Independent Non-Executive Director (Appointed 01.01.2019)
	Aidan Holton	IRL	Independent Non-Executive Director (Appointed 29.01.2019)
SECRETARY	Ciaran Martin Anna McLaughlin		
REGISTERED OFFICE	6 – 8 College Green, Dublin 2, Ireland. D02 VP48 (from 19.11.2018)		
			The company was registered at 40 Westland row, Dublin 2, Ireland D02 HW74 from 01.04.2009 to 19.11.2018.
AUDITORS	KPMG, Chartered Accountants, 1 Harbourmaster Place, IFSC, Dublin 1 D01 F6F5		
BANKERS	BNP Paribas, 5 George's Dock, IFSC, Dublin 1, Ireland. D01 X8N7		
SOLICITORS	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland. D02 R296		
SIGNING ACTUARY	Ian Phillips		Head of Actuarial Function

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000)

The directors present herewith their report together with the audited consolidated financial statements of AmTrust International Underwriters DAC ("the Company") for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of insurance that covers many risks, including such perils as breakdowns, accidental damage, general liability and professional indemnity. The Company has relationships with manufacturers, retailers and financial institutions. The Company's portfolio includes both high volume, low value risks, which are non-accumulating, non-catastrophic and short tail in nature, and liability risks, which are high value and long-tail in nature. The Company, which is licensed in Ireland, writes insurance throughout Europe, the United States of America and other countries, offering coverage for non-life insurance classes 1, 2, 3, 7, 8, 9, 10, 13, 14, 15, 16 and 18.

RESTATEMENT OF PRIOR YEAR COMPARATIVES

Nationale Waarborg B.V., a subsidiary of the Group had been accounted for under the Company's result in 2017, as result the comparatives have been restated to reflect the correction.

RECLASSIFICATION OF PRIOR YEAR COMPARATIVES

Profit share movements were reported as losses incurred in prior years, during 2018 these movements have been reclassified to commission in line with group accounting policy. This resulted in a profit and loss account reclass from claims paid net of reinsurance of €4,297 to net change in provision for claims €1,248 and commission, reported within net operating expenses, of €3,049.

Profit share payable amounts of €12,365 were also reclassified from gross claims outstanding to commission payable, reported within accruals and deferred income in the Balance Sheet. The Reinsurers share of profit share payable amounts €10,109 were reclassified from Claims outstanding reinsurers' share to Other prepayments in line with group accounting policy.

Deposits with credit institutions was re-classed by €10,870 to Cash at bank in hand in 2017 to reflect the more accurate account classification.

Share Premium in the amount of €824 was re-classed from Other reserves to share capital to be in line with 2016 Nationale Borg annual report.

RESULTS FOR THE FINANCIAL YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2018

The consolidated profit and loss account and balance sheet and cash flow statement for the financial year ended 31 December 2018 and the balance sheet of the Company at that date are set out on pages 17 to 25. The profit on ordinary activities before taxation amounted to €34,146 (2017: €15,459). After provision for taxation, the profit for the year transferred to reserves amounted to €29,045 (2017: €12,506).

DIVIDENDS AND DISTRIBUTIONS

No dividends were declared or paid in the year (2017: Nil). AmTrust International Underwriters Designated Activity Company received a dividend payment on the 28th June 2018 from a subsidiary company, Nationale Waarborg B.V., in the amount of €1,000 (2017: Nil).

SUBSIDIARY

Details of the subsidiary undertakings are given in note 25 to the financial statements.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Written premium volumes maintained at 23.4% to €596,984 (2017: 24.2% €483,945). The top-line growth was experienced across most classes of business in 2018. As a result, gross earned premium increased by 7.2% to €536,673 (2017: Increased 33.7% €500,860). The loss ratio increased to 65% (2017: 54.7%). This is primarily due to a combination of the growth of profitable lines of business offset by reserve releases and currency exchange movements. The Company has continued its quota share agreement with AmTrust International Insurance Limited ("AIIIL"), which is a fellow subsidiary and was formerly the immediate parent of the Company, such that it cedes 85% premium income to AIIIL.

The group accounts show operating expense of €254 (2017: Expense €11,898). Included in the movement is a foreign exchange gain of €3,402 in the year (2017: Foreign exchange loss €17,950). Accordingly, the combined ratio is 65.3% (2017: 69.3%). Investment loss was (€153) (2017: Income €7,330), which includes €6,449 in unrealised losses (2017: (€129) unrealised loss). Profit before tax, at €34,146 (2017: €15,459).

At the year end, shareholder's funds amounted to €237,579 (2017: €209,528). Going into 2019, the directors are cautiously optimistic that maintaining the strict and conservative underwriting methodology and working closely with the Company's network of business partners, will generate controlled growth. The Company's increasing capital base, highly professional underwriters and global presence enables it to provide its partners with a full risk solution and to help them take advantage of opportunities as they arise.

In the annual general meeting of shareholders of N.V. Belegging-en Beheermaatschappij Keizersgracht held on 30 August 2018, it was proposed that the company, a subsidiary company of the Group, would cease to exist with immediate effect. No liquidator was appointed as the company has no debt, assets or receivables.

The Company has reviewed the potential impact on Brexit and has taken the necessary steps to minimise any negative impact on business operations. There are a number of programmes that form part of the AmTrust Brexit plan. The majority of these are currently underwritten by the Company's UK-based sister company AmTrust Europe Limited (AEL), these EU located programmes will no longer be able to be accommodated by AEL post Brexit. Migration of these programmes will be subject to normal market forces but the expectation is that most of the premium identified as part of the Brexit plan will migrate to the Company.

Until 29th November 2018, AIU Dac's ultimate parent was AmTrust Financial Services Inc (AFSI), a Delaware registered US corporation. On 29th November 2018, a merger transaction was completed in which Evergreen Parent GP, LLC, an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired the approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

This go-private transaction was a strategic step to focus on the operational excellence of AmTrust and implement the long-term strategies that position the group for future success. AFSI underwrites and provides property and casualty insurance products, in the United States and internationally to niche customer groups that it believes are generally underserved within the broader insurance market.

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

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (Continued)

The Company's focus is to build a portfolio of risks characterised by predictable losses, high retention rates and lower pricing pressures and volatility. The Company will continue to develop niche opportunities where it can use its' market knowledge and expertise to add value to the Company's partners.

The Company has maintained its pricing disciplines and conservative underwriting methodology, utilising both quota share and excess of loss reinsurance protection to mitigate risks and protect the capital base. The Company has cautiously pursued geographical expansion of core business activities into Europe and other territories.

Senior management are actively engaged on a day to day basis within the business. The Company further augmented and enhanced the company's Enterprise Risk Management System, 'ERM', as part of its ongoing Solvency II work.

Key Performance Indicators

Below is a table showing the ratios which the directors consider to be key performance indicators as at 31 December 2018.

<i>Profit and loss account</i>	2018	2017
Gross premium		
% increase in gross written premium	23.4%	24.2%
Earned premium		
% increase in earned premium	7.2%	33.7%
Combined ratio	65.3%	69.3%
<i>Balance Sheet</i>	€'000	€'000
Total Assets	1,478,620	1,189,918
Shareholder's funds	237,579	209,528
Investments	381,943	273,699

RISK AND UNCERTAINTIES

The Company is also very aware of the business risks it faces and maintains a detailed risk register. This is the application of a structured, consistent and continuous process for identifying, assessing and deciding upon a suitable response to the threats and opportunities that affect the achievement of business objectives. Some of the major risks mentioned are;

1. Credit risk – This is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are;
 - a) Amounts due from insurance intermediaries;
 - b) Amounts due from reinsurers in respect of claims paid; and
 - c) Counterparty risk in traded stocks and securities.
2. Operational risk – This is the risk that the Company will not be able to meet its strategic objectives due to inadequate or failed internal processes, people and systems, or due to external events. It arises out of actions undertaken within the Company, brokers, investment management companies or outsourced agencies and individuals.
3. Insurance Risk – This is the risk of fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claims settlements. It arises out of underwriting and reserving risk.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

RISK AND UNCERTAINTIES (Continued)

4. Market risk – This is the risk of loss of income or decrease in the value of assets caused by movements in the levels and process of financial instruments. Market risk arises out of the Company's exposure in its investment portfolio.

5. Liquidity risk – This is the risk that the Company may be unable to meet its obligations as they fall due as a consequence of a timing mismatch. Management considers that liquidity risk relates to the risk associated with the process of managing timing relationships between asset and liability cash flow patterns.

6. Legal and Regulatory risk – This is the risk that a change in laws and regulation might affect the Company. Legal and regulatory risks are an inherent part of doing business in a regulated industry such as financial services.

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

POST BALANCE SHEET EVENTS

AmTrust Financial Services, Inc. announced on 18 January 2019 that its Board of Directors approved the voluntary delisting of all six series of preferred stock and two series of subordinated notes from the New York Stock Exchange. This decision was made in light of the Company's new ownership structure and the resulting changes to its long-term strategy, following the completion of AmTrust's go-private transaction on 29 November 2018 and the delisting of its common stock.

Effective from 1 January 2019, the reinsurance treaty with Maiden Reinsurance Company Limited was terminated for new business and the company's exposure to Maiden Reinsurance is to be fully collateralised. Collateral is to be retained by the company in its own account as assets on a funds retained basis and to be subsequently transferred to a formal reinsurance trust.

With regards to Quota Share Agreement with AmTrust International Insurance Limited, (AII), effective 1 January 2019; the Company shall cede and AII shall accept as reinsurance, a 50% quota share participation (previously 85% from 1 May 2007 to 31 December 2018).

1. With respect to policies issued prior to 1 January 2019, AII will set aside €1,320 in security which the company will build up over the first three quarters of 2019.
2. With respect to policies issued on or after 1 January 2019, AII will set aside security equal to 100% of reserves for losses and allocated loss adjustment expenses reported and outstanding, incurred but not reported and reserves for unearned premiums.

In 2016, AmTrust Group acquired NV Nationale Borg-Maatschappij, a surety bonds insurer based in the Netherlands, with certain business also being underwritten in Belgium. AmTrust International Underwriters DAC ("AIU") completed the merger of the Nationale Borg business into AIU on 31 December 2017.

In the course of 2019, the AmTrust Group carried out a strategic review with its subsidiaries, including AIU, to identify core products and platforms. Following this review, the AmTrust Group, in conjunction with AIU, started a sale process of the AmTrust Group's surety businesses, including the AIU surety business.

Following an auction process, Liberty Mutual has been identified as the preferred bidder. On the 12th April 2019, the board of AIU met and approved the sale of the AIU surety business.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

DIRECTORS

The present directors are listed on page 2, and except where indicated, have served throughout the year.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary did not hold any shares in the Company or any other group company at any time during the year ended 31 December 2018, with the exceptions of the holdings indicated below in AmTrust Financial Services Inc., the ultimate holding company prior to the merger transaction on 29 November 2018, when AmTrust Financial Services, Inc. (AFSI) announced the completion of the merger transaction in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired the approximately 45% of (AFSI) issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. Following the merger transaction on 29 November 2018, Evergreen Parent L.P. is the ultimate holding company.

<i>Name</i>	<i>Start of the Year Number of shares</i>	<i>End of the Year Number of shares</i>
Barry Zyskind	44,776,575	38,743,379
Max Caviet	411,498	0
Don DeCarlo	111,838	0
Ronan Conboy	4,041	0
Raul Rivera	3,257	0

Outstanding options as at 31 December 2018 for the purchase of shares in Evergreen Parent L.P., the ultimate holding company of the Company, and restricted stock were granted to the directors and secretary as follows:

<i>Name</i>	<i>Date Awarded</i>	<i>Number of shares</i>	<i>Exercise Price</i>
Barry Zyskind	05/03/2016	58,298	US\$0.00 (Restricted Stock Units)
Barry Zyskind	05/03/2018	39,157	US\$0.00 (Restricted Stock Units)
Max Caviet	05/03/2015	7,952	US\$0.00 (Restricted Stock Units)
Max Caviet	05/03/2016	16,194	US\$0.00 (Restricted Stock Units)
Max Caviet	05/04/2017	9,237	US\$0.00 (Restricted Stock Units)
Max Caviet	27/03/2018	29,848	US\$0.00 (Restricted Stock Units)
Donald DeCarlo	05/03/2018	5,469	US\$0.00 (Restricted Stock Units)
Raul Rivera	05/03/2018	5,469	US\$0.00 (Restricted Stock Units)
Ronan Conboy	23/05/2015	1,394	US\$0.00 (Restricted Stock Units)
Ronan Conboy	23/05/2016	1,040	US\$0.00 (Restricted Stock Units)
Ronan Conboy	23/05/2017	5,796	US\$0.00 (Restricted Stock Units)
Ronan Conboy	23/05/2018	21,943	US\$0.00 (Restricted Stock Units)

The restricted stock units vest 25% per year, other than:

- 05/03/2018 grants to Mr. DeCarlo
- and Mr. Rivera: vest on 05/03/2019 in full

Mr. DeCarlo holds 2,000 6.75% Non-Cumulative Preferred Stock, Series A

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

HUMAN RESOURCES

The policy of the group is to ensure that management and employees have all the necessary skills to ensure that the group attains its organizational objectives. The Company support individuals who are prepared to further their knowledge in education, and encourage membership of industry and professional organizations.

The group places considerable emphasis on communication with employees, particularly on matters relating to its business and its performance. This is achieved in a number of ways, including regular team meetings, a group intranet site and group newsletters.

AUDIT COMMITTEE

The Company have an established Audit Committee in place which provides oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

COMPLIANCE POLICY STATEMENT

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with its relevant obligations specified in that section arising from the Companies Act 2014 and Tax laws ('relevant obligations') and confirm that the following items have been completed;

1. the drawing up of a 'Compliance Policy Statement', setting out the Company's policies;
2. the putting in place of appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the Company's relevant obligations; and
3. the conducting of a review, during the financial year to which the report relates, of any arrangements or structures that have been put in place (e.g. reliance of the advice of a person(s) either employed by the Company or retained by it under a contract for services, with the requisite knowledge and experience, to advise the Company on compliance with its relevant obligations).

POLITICAL DONATIONS

The Company did not make any political donations and incurred no political expenditure during the year.

TRANSACTIONS INVOLVING DIRECTORS

There were no contracts or arrangements of any significance in relation to the business of the Company in which the directors had any interests, as defined by the Companies Act 2014, at any time during the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

The Company is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings (2015). The Company is not required to comply with the additional requirements for High Impact Institutions under the requirements.

AUDITORS

In accordance with Section 383(2) of the Companies Act 2014, the Auditor, KPMG Chartered Accountants will continue in office.

RELEVANT AUDIT INFORMATION

The directors who held office as of the date of approval of this directors' report confirm that they each are aware, there is no relevant audit information of which the company's statutory auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT (In €'000 - Continued)

ACCOUNTING RECORDS

The measures taken by the directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of adequate accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are located at 6-8 College Green, Dublin 2, Ireland, D02 VP48.

The Group is streamlining and relies on shared service centre that will integrate core support functions, HR, training, commercials & IT services as a cost-saving measure that drives efficiency and standardization.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the directors



Robert Brannock
Independent Non-Executive Director



Ronan Conboy
Chief Executive Officer

Date: 18/04/2019.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

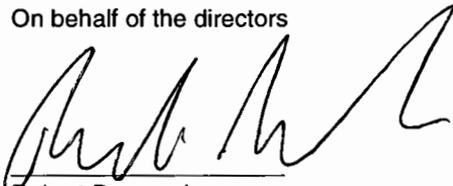
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*.

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 assets, liabilities and financial position of the Company and of its profit or loss for that year. 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 they have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*;
- 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 cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (*Insurance Undertakings: Financial Statements*) Regulations 2015. They are responsible for such internal controls 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. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the directors



Robert Brannock
Independent Non-Executive Director



Ronan Conboy
Chief Executive Officer

Date: 18/04/2019



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements ***Opinion***

We have audited the Group and Company financial statements of AmTrust International Underwriters Designated Activity Company ('the Company' or 'AIU DAC') for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Consolidated and Company Statements of Changes in Equity and related notes, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2018 and of its profit for the year then ended;
- the Company balance sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018;
- the Group and Company financial statements have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts;
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Board of Directors on 28 July 2016. The period of total uninterrupted engagement is the 3 years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY (CONTINUED)

We continue to perform procedures over the balances related to the Dutch and Belgian branches of the Company and the Group subsidiary of Nationale Waarborg (combined formerly Nationale Borg-Maatschappij). However, given the business combination related to this transaction occurred in 2017, we no longer consider the business combination accounting an area of significant risk or focus in our current year end audit and, therefore, it is not separately identified in our report this year.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group and Company Valuation of claims outstanding: gross amount €589,260,491 (2017: €451,714,767)

Refer to page 29 (accounting policy) and page 39 (financial disclosures)

The key audit matter

How the matter was addressed in our audit

Subjective valuation:

Claims outstanding: Gross amount ("Insurance liabilities") represent the single largest liability for the Group and Company. Valuation of these liabilities is highly judgemental because it requires a number of assumptions to be made with high estimation uncertainty such as expected loss ratios and estimates of ultimate premium and of the frequency and severity of claims by territory and line of business. The determination and application of the methodology and performance of the calculations are also complex.

Certain lines of business, such as Medical Malpractice and US Surplus carry considerable uncertainty in the estimate of insurance liabilities. A wider range of potential outcomes is a result of the potential for extreme adverse development towards the tail-end of a claim and impacts of legislative initiatives.

A margin is added to the actuarial best estimate of insurance liabilities to make allowance for specific risks and uncertainties that are not specifically allowed for in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgement and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.

Completeness and accuracy of data used in the valuation:

The valuation of insurance liabilities depends on completeness and accuracy of the data being available to the Company and Group about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating the insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.

The procedures included but were not limited to:

- **Reserving process assessment:** Obtaining and documenting our understanding of the reserving process and assessing the design and implementation and testing the operating effectiveness of the key controls which management performs in relation to insurance liabilities.
- **Methodology assessment:** Using our actuarial specialists to support us, we considered the findings of the Company's internal actuarial report and the peer reviewing actuary. Through critical assessment of these actuarial reports and supporting documentation, and through discussions with both actuaries, we analysed the difference in reserving methodology applied and we challenged the key assumptions being used.
- **Independent re-performance:** Independent re-projection of the reserve balances using our own models for certain classes of business. The determination of which classes to re-project was based on risk assessment and materiality.
- **Actual versus expected testing:** Assessing the quality of the Company's and Groups historical reserving estimates by monitoring the progression of prior year ultimate losses.
- **Margin evaluation:** Evaluation of the appropriateness of the board of directors' recommended margin to be applied to the actuarial best estimate. We reviewed the approach to, and analysis performed, in setting the margin. In particular, we assessed and challenged the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the Company's actuarial team.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY (CONTINUED)

- **Case reserves:**
Testing the case reserves held on a sample basis with reference to the most up to date information available on the claims file.
- **Data reconciliations:**
Checking the completeness and accuracy of the data used within the calculation of insurance liabilities by reconciling the actuarial source data to the financial systems. We have also checked the completeness and accuracy of the data flow from the claims and policy systems into the financial systems primarily through the testing of the operating effectiveness of controls in relation to the completeness and accuracy of data.

We found the resulting valuation of claims outstanding: gross amount to be reasonable .

Existence and accuracy of Group gross premiums written €596,984,548 (2017 - €483,945,143)

Refer to page 27 (accounting policy) and page 32 (financial disclosures)

The key audit matter

How the matter was addressed in our audit

Third party administrators:

We have identified a significant risk in respect of the existence and accuracy of gross premiums written ("revenue"). The Group's revenue is mainly derived from premium sold on behalf of the Company through third party administrators ('TPAs'). There are currently over 150 TPAs who are responsible for issuing policies to customers, collecting payment, reporting premium collected and distributing cash to the Company.

Premium transactions are numerous in nature and recorded through branches of the Company and its subsidiary AmTrust Nordic. Bordereaux reports are submitted by TPAs on a frequent basis to branch locations. Premium reported is therefore subject to an inherent risk of manipulation by each TPA which could have a material impact on the Group's profit for the year.

The procedures included but were not limited to:

- **Premium process assessment:**
Obtaining and documenting our understanding of the gross written premium process and assessing the design and implementation. Testing the operating effectiveness of the key controls which management performs in relation to the existence and accuracy of gross premium written by third party administrators and controls to prevent and detect revenue manipulation. We conducted site visits to branch locations to test the operating effectiveness of the controls.
- **Existence and accuracy testing:**
Agreeing gross premium written recorded on a sample basis to bordereaux reports which are submitted by each third party administrator to the Group.
- **Cut-off testing:**
Assessing premium transactions recorded immediately preceding and immediately after the year-end date to determine whether premiums have been recorded in the correct period.

We found the existence and accuracy of gross written premium to be acceptable.

Group and Company valuation and ownership of other loans and investments €350,128,514 (2017 - €257,869,329)



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY (*CONTINUED*)

Refer to page 30 (*accounting policy*) and page 37 (*financial disclosures*)

The key audit matter

Subjective valuation:

The Group and Company holds its debt securities and other fixed income securities at fair value, while holding loans receivable and deposits at amortised cost.

The valuation of financial investments held at fair value is based on a range of inputs. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, estimates must be developed based on the most appropriate source data and are subject to a higher level of judgement.

There is a risk that loans receivable are impaired and therefore amortised cost is not the most appropriate accounting measurement.

How the matter was addressed in our audit

The procedures included but were not limited to:

- **Investment process assessment:** Obtaining and documenting our understanding of the valuation process and testing the design and implementation and testing the operating effectiveness of the key controls over the valuation of the investment portfolio carried out by the Group and Company.

- **Valuation testing:** Testing the valuation of the fair value investments by agreeing the prices used to independent third party sources.

Where observable market data is not available, testing the valuation of the loans receivable by completing an impairment analysis of the non-Group profit participating and mezzanine loans. We also obtained loan agreements and bank statements to assess the existence and valuation of the loans.

Testing the repayment of an inter-Group loan by agreeing cash received to bank statements and reviewing loan agreements and Board minutes to assess the existence and valuation of the loan.

- **Confirmation:** Assessing the ownership of the investment portfolio through receipt of external confirmations from custodians and agreement to company records.
- Considering the adequacy of related disclosures.

We found the valuation and ownership of the investment portfolio to be reasonable.

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

Materiality for the Group and Company financial statements as a whole was set at €4,900,000 (2017: €4,630,000) determined with reference to a group benchmark of gross premiums written (of which it represents 1.0% (2017: 1.0%)). We considered gross premiums written to be the most appropriate benchmark as it provides a more stable measure year on year than profit before tax.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €250,000 (2016: €231,500) for the Group and Company financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY (CONTINUED)

All audit work was conducted by the Group audit team and covered 100% of the Group's profit for the financial year and 100% of Group total assets.

Our audit of the Group and Company was undertaken to the materiality level specified above and was performed in Dublin, London and Stockholm and at branch locations in Milan and Amsterdam.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report and the statement of directors' responsibilities.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Based solely on our work on the other information we report that,:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's financial statements are in agreement with the accounting records.

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

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMTRUST INTERNATIONAL
UNDERWRITERS DESIGNATED ACTIVITY COMPANY (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 (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

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

Our report is made solely to the Company's member, as a body, in accordance with Section 391 of the Companies Act 2014. 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 member, as a body, for our audit work, for our report, or for the opinions we have formed.

**Hubert Crehan
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1**

18 April 2019

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS
for the financial year ended 31 December 2018**

	Note	2018	2017
		€'000	€'000
Earned premiums, net of reinsurance			
Gross premiums written	5	596,984	483,945
Outward reinsurance premiums		(496,375)	(402,293)
Change in the gross provision for unearned premiums		(60,311)	16,915
Change in the provision for unearned premiums, reinsurers' share		48,730	(15,724)
Transfer to unexpired risk reserve		-	1,075
Earned premiums, net of reinsurance		89,028	83,918
Allocated investment return transferred from the non-technical account	8	(153)	7,331
Total technical income		88,875	91,249
Claims paid:			
Gross amount		252,928	265,056
Reinsurers' share		(215,710)	(228,095)
Net of reinsurance		37,218	36,961
Change in the provision for claims:			
Gross amount		137,570	60,086
Reinsurers' share		(116,911)	(51,106)
Net of reinsurance		20,659	8,980
Claims incurred, net of reinsurance		57,877	45,941
Net operating expenses	9	254	11,898
Total technical charges		58,131	57,839
Balance on the technical account for non-life insurance business		30,744	33,410

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY**CONSOLIDATED PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT
for the financial year ended 31 December 2018**

	Note	2018	2017
		€'000	€'000
Balance on the technical account for non-life insurance business		30,744	33,410
Investment income	10	(153)	7,330
Foreign exchange gain/(losses)		3,402	(17,950)
Allocated investment return transferred to the non-life insurance technical account	8	153	(7,331)
Profit on ordinary activities before taxation	11	34,146	15,459
Tax on profit on ordinary activities	12	(5,101)	(2,953)
Profit for the year from discontinued operations		-	-
Profit for the financial year		29,045	12,506

Premiums written and profit on ordinary activities before taxation have arisen solely from continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2018**

	2018	2017
	€'000	€'000
Profit for the financial year	29,045	12,506
Movement in foreign currency reserves	(235)	(167)
Total comprehensive income for the financial year	28,810	12,339

The notes on pages 27 to 63 form part of these financial statements.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

**CONSOLIDATED BALANCE SHEET
at 31 December 2018**

	Note	2018	2017
ASSETS		€'000	€'000
INVESTMENTS			
Other financial investments			
Deposits with credit institutions	13	31,815	15,830
Other loans and investments	13	350,128	257,869
		<u>381,943</u>	<u>273,699</u>
REINSURER'S SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premium	15	286,976	238,246
Claims outstanding	16	503,017	386,130
		<u>789,993</u>	<u>624,376</u>
DEBTORS			
Debtors arising out of direct insurance operations	17	139,644	100,679
		<u>139,644</u>	<u>100,679</u>
OTHER ASSETS			
Cash at bank and in hand		32,416	66,749
Amounts receivable from group undertakings	18	24,229	25,632
Tangible assets	20(a)	22,309	21,977
Goodwill	19	1,255	2,091
		<u>80,209</u>	<u>116,449</u>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		3,020	2,512
Deferred acquisition costs	21	43,090	36,427
Other prepayments	22	40,721	35,776
		<u>86,831</u>	<u>74,715</u>
TOTAL ASSETS		<u>1,478,620</u>	<u>1,189,918</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

**CONSOLIDATED BALANCE SHEET
at 31 December 2018 (continued)**

	Note	2018	2017
		€'000	€'000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	23	6,789	6,789
Reserves	24	35,126	35,126
Foreign currency reserve	24	(752)	(518)
		<u>41,163</u>	<u>41,397</u>
PROFIT AND LOSS ACCOUNT:			
Profit brought forward		168,131	155,625
Retained profit for the financial year		29,045	12,506
Movement on reserves		(760)	-
		<u>196,416</u>	<u>168,131</u>
Shareholders' funds (all equity interests)		<u>237,579</u>	<u>209,528</u>
TECHNICAL PROVISIONS			
Provisions for unearned premiums:			
Gross amount	15	341,110	280,798
Unexpired Risk Reserve		-	-
		<u>341,110</u>	<u>280,798</u>
Claims outstanding:			
Gross amount	16	589,260	451,714
		<u>589,260</u>	<u>451,714</u>
		<u>930,370</u>	<u>732,512</u>

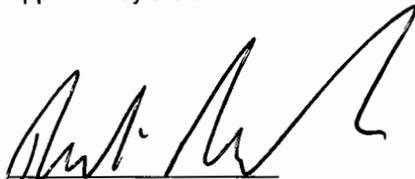
AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

CONSOLIDATED BALANCE SHEET
at 31 December 2018 (continued)

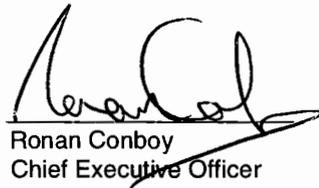
	Note	2018	2017
		€'000	€'000
CREDITORS			
Creditors arising out of reinsurance operations	31	191,531	121,576
Amounts payable to group undertakings	18	20,925	51,762
Other creditors including tax and social welfare	32	3,060	8,996
Corporation tax		-	132
Deferred tax	33	4,746	4,824
		<u>220,262</u>	<u>187,290</u>
ACCRUALS AND DEFERRED INCOME		<u>90,409</u>	<u>60,588</u>
TOTAL LIABILITIES		<u>1,478,620</u>	<u>1,189,918</u>

The notes on pages 27 to 63 form part of these financial statements.

Approved by the Board.



Robert Brannock
 Independent Non-Executive Director



Ronan Conboy
 Chief Executive Officer

Date: 18/04/2019

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

**CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended 31 December 2018**

		2018	2017
	Note	€'000	€'000
Net cash inflow from operating activities	26	83,432	71,317
<hr/>			
Cash flows from investing activities			
Purchase of equipment		(2,374)	(2,478)
Exchange movements on tangible assets		13	12
Disposal of tangible assets		17	-
Interest received / Purchased Interest Earned		-	500
Net purchases during the year		(95,056)	(79,942)
Unrealised Gains/Losses		6,449	177
FX (losses)/gains on investments		(4,381)	17,285
Deposits placed with credit institutions		(15,984)	2,652
Movement in unrealised (losses)/gains on investments		(6,449)	(177)
Net cash flows from investing activities		(117,765)	(61,971)
Net cash flows from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(34,333)	9,346
Cash and cash equivalents at beginning of financial year		66,749	57,403
Cash and cash equivalents at the end of the year		32,416	66,749
<hr/>			
Reconciliation to cash at bank and in hand:		32,416	66,749
Cash at bank and in hand at end of financial year		32,416	66,749
Cash Equivalents		32,416	66,749
<hr/>			

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

COMPANY BALANCE SHEET
at 31 December 2018

	Note	2018	2017
		€'000	€'000
ASSETS			
Investments			
Other financial investments			
Investments in subsidiaries	25	2,247	1,317
Deposits with credit institutions	13	31,519	15,525
Other loans and investments	13	350,128	257,869
		<u>383,894</u>	<u>274,711</u>
REINSURER'S SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	15	286,976	238,246
Claims Outstanding	16	503,017	386,130
		<u>789,993</u>	<u>624,376</u>
DEBTORS			
Debtors arising out of direct insurance operations	17	138,074	101,056
		<u>138,074</u>	<u>101,056</u>
OTHER ASSETS			
Cash at bank and in hand		19,403	53,647
Amounts receivable from group undertakings	18	22,633	30,435
Tangible assets	20(b)	21,726	21,190
Goodwill	19	1,255	2,091
		<u>65,017</u>	<u>107,363</u>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		3,020	2,512
Deferred acquisition costs	21	43,090	36,427
Other prepayments	22	42,035	38,622
		<u>88,145</u>	<u>77,561</u>
TOTAL ASSETS		<u>1,465,123</u>	<u>1,185,067</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

**COMPANY BALANCE SHEET
at 31 December 2018 (continued)**

	Note	2018	2017
LIABILITIES		€'000	€'000
CAPITAL AND RESERVES			
Called up share capital	23	6,789	6,789
Reserves	24	35,126	35,126
		<u>41,915</u>	<u>41,915</u>
Profit and loss account:			
Profit brought forward		160,758	150,733
Retained profit for the financial year		26,393	10,025
Movement on reserves		(877)	-
		<u>186,274</u>	<u>160,758</u>
Shareholders' funds (all equity interests)		<u>228,189</u>	<u>202,673</u>
TECHNICAL PROVISIONS			
Provisions for unearned premiums:			
Gross amount	15	341,110	280,798
Unexpired Risk Reserve		-	-
		<u>341,110</u>	<u>280,798</u>
Claims outstanding:			
Gross amount	16	589,260	451,714
		<u>589,260</u>	<u>451,714</u>
		<u>930,370</u>	<u>732,512</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

COMPANY BALANCE SHEET
at 31 December 2018 (continued)

	Note	2018	2017
		€'000	€'000
CREDITORS			
Creditors arising out of reinsurance operations	31	192,756	121,576
Amounts payable to group undertakings	18	22,801	60,510
Other creditors including tax and social welfare	32	2,003	6,967
Deferred Tax	33	4,746	4,824
		<hr/>	<hr/>
		222,306	193,877
		<hr/>	<hr/>
ACCRUALS AND DEFERRED INCOME		84,258	56,005
		<hr/>	<hr/>
Total Liabilities		1,465,123	1,185,067
		<hr/>	<hr/>

The notes on pages 27 to 63 form part of these financial statements. The 2017 comparative figures have been restated to exclude Nationale Waarborg N.V. as described in the directors' report page on page 3.

The financial statements were approved and authorised for issue by the Board on 18 April 2019.



Robert Brannock
Independent Non-Executive Director



Ronan Conboy
Chief Executive Officer

Date 18/04/2019

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

STATEMENT OF CHANGES IN EQUITY

(a) Consolidated

	Called up share capital €'000	Capital redemption reserve €'000	Capital contribution €'000	Foreign exchange on reserves €'000	Profit and Loss account €'000	Total equity €'000
1 January 2017	6,789	13,270	21,856	(351)	155,625	197,189
Profit for the year	-	-	-	-	12,506	12,506
Foreign exchange	-	-	-	(166)	-	(166)
Appropriations to reserves	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-
31 December 2017	6,789	13,270	21,856	(517)	168,131	209,528
1 January 2018	6,789	13,270	21,856	(517)	168,131	209,528
Profit for the year	-	-	-	-	29,045	29,045
Foreign exchange	-	-	-	(235)	-	(235)
Appropriations to reserves	-	-	-	-	(759)	(759)
Contributions by and distributions to owners	-	-	-	-	-	-
31 December 2018	6,789	13,270	21,856	(752)	196,416	237,579

(b) Company

	Called up share capital €'000	Capital redemption reserve €'000	Capital contribution €'000	Profit and Loss account €'000	Total equity €'000
1 January 2017 (Restated)	6,789	13,270	21,856	150,733	192,648
Profit for the year	-	-	-	10,025	10,025
Appropriations to reserves	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-
31 December 2017	6,789	13,270	21,856	160,758	202,673
1 January 2018	6,789	13,270	21,856	160,758	202,673
Profit for the year	-	-	-	25,393	25,393
Appropriations to reserves	-	-	-	(877)	(877)
Contributions by and distributions to owners	-	-	-	1,000	1,000
31 December 2018	6,789	13,270	21,856	186,724	228,189

Prior year Statement of Changes in Equity has been restated to exclude subsidiary Nationale Waarborg.B.V.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018

1. GENERAL INFORMATION

AmTrust International Underwriters DAC is a company incorporated in the Republic of Ireland. The registered office is 6-8 College Green, Dublin 2, Ireland, D02 VP48, which is also the principal place of business of the Company. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 3 to 9.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared in compliance with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts (FRS 102 and FRS 103) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The financial statements have also been prepared in accordance with the provisions of the Companies Act, 2014, and the European Communities (Insurance Undertakings: Financial Statements) Regulations, 2015. The financial statements have been prepared on the going concern basis, there being no doubt about the ability of the Company to continue its operations in the future.

3. ACCOUNTING POLICIES

(a) *Basis of presentation*

The financial statements have been prepared in accordance with the historical cost convention modified to include certain items at fair value.

Nationale Waarborg B.V., a subsidiary of the Group had been accounted for under the Company's result in 2017, as result the comparatives have been restated to reflect the correction.

Profitshare movements were previously presented as losses incurred, this has now been reclassified to commission expense in 2018. The corresponding balance sheet accounts were also reclassified from loss reserves to commissions payable.

(b) *Group Consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2018. Subsidiary undertakings are accounted for from the date of acquisition until the date of disposal. Inter-company balances with subsidiary undertakings are eliminated on consolidation so that the group accounts relate to transactions with other Group companies and external transactions only.

(c) *Intangible Assets - Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss on a straight line basis over the estimated useful lives of intangible assets.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years. The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have change since the last reporting date

(d) *Premiums*

Premiums written are accounted for in the year in which the contract is entered into and include estimates where the amounts are not determined at the balance sheet date. Premiums written are stated gross of commissions payable to intermediaries and exclude taxes and duties levied on premiums earned over the life of the contract.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

ACCOUNTING POLICIES (Continued)

- (e) *Deferred acquisition costs*
Deferred acquisition costs are amortised systematically over the life of the contracts and tested for impairment at each balance sheet date. Any amount not recoverable is expensed.
- (f) *Outstanding claims provisions*
Outstanding claims provisions represent provisions for known claims and claims incurred but not reported. The provisions for outstanding claims are believed to be adequate to cover the ultimate net cost of claims incurred to the balance sheet date but are necessarily estimates and may ultimately be settled for a greater or lesser amount. The cost of claims incurred includes provision for related claims handling expenses.
- (g) *Reinsurance*
Certain levels of risks in various areas of exposure are reinsured with other insurance companies or reinsurers. An asset or liability is recorded in the consolidated balance sheet representing premiums due to or payments due from reinsurers, and the share of losses recoverable from reinsurers.
- (h) *Investment in subsidiary undertakings*
As per FRS 102.9.26 Investment in subsidiary undertakings are measured at cost less impairment.
- (i) *Investment income*
Investment income consists of income earned from financial investments held to maturity and is credited to the profit and loss account on a receivable basis. Investment income transferred to the non-life technical account is allocated on the basis of gross technical reserves.
- (j) *Foreign currencies*
The presentation currency of the Group is Euro. The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency).

The reporting currency used in the financial statements is the euro denoted by the symbol "€".

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.
- (k) *Corporation tax*
Corporation tax is provided on taxable profits at current attributable rates.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

ACCOUNTING POLICIES (Continued)

(l) *Deferred Taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax in the future. Deferred tax is measured on an undiscounted basis at the tax rates substantively enacted at the balance sheet date that are expected to apply in the periods in which timing differences reverse.

Assets and liabilities in foreign currencies are translated at rates of exchange ruling at the balance sheet date.

(m) *Dividend Income*

Dividend income is recognised when the shareholders' right to receive payment have been established.

(n) *Tangible fixed assets*

Expenditure on computer equipment, fixtures, fittings and property are capitalised and depreciated over the estimated useful economic lives of the assets on a straight line basis. The periods used are as follows

Computer equipment	3-5 years
Fixtures and Fittings	3-5 years
Property	40 years

(o) *Pension costs*

The Company and its Swedish subsidiary, AmTrust Nordic AB, both operate defined contribution schemes, within the meaning of Financial Reporting Standard 102, Section 28 "Employee Benefits" for all employees. The cost of providing retirement and related benefits to staff is charged to the profit and loss account as incurred.

(p) *Estimation techniques*

The outstanding claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims occurrence trends. The approach also includes the consideration of the development of loss occurrence trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

The Company employs a variety of statistical techniques and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously incurred claims, where losses to date are extrapolated for each prior year;
- estimates based upon a projection of claims number and average costs;
- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years: and
- expected loss ratios.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

ACCOUNTING POLICIES (Continued)

(p) Estimation techniques (Continued)

The most appropriate estimation technique is selected taking into account the characteristics of the business class and development of each underwriting year.

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through the profit and loss. The fair value is the amount for which investments can be exchanged between knowledgeable willing parties in an arm's length transaction

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The Company has exposure to Medical Malpractice insurance risk, which carries considerable uncertainty in the estimate for technical provisions and therefore can result in a wide range of possible outcomes, above and beyond that experienced in traditional non-life insurance products. The long-tail nature of the technical provisions for Medical Malpractice products can result in larger actual-versus-expected development of a claim and can be dependent on legislative initiatives and the ability to settle a claim outside of a court of law

(q) Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the amount of insured loss suffered by a policy holder as a result of the event occurring; and
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual costs of settlement of outstanding claims provisions can vary from initial estimates. The Company seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

(r) Investments

The main asset classes in the level 2 category are listed bond-type debt products and are held at fair value through profit and loss. The fair value is the amount for which investments can be exchanged between knowledgeable willing parties in an arm's length transaction.

The Company uses the recognition and measurement provisions of IAS 39 and the disclosure requirements of FRS 102 Section 11 and 12.

(s) Accrued Premium

As premium declarations are typically reported to the Company in arrears, an estimate of undeclared premium is normally made by reference to the Estimated Premium Income ("EPI") which is set at the outset of the programme, and amended as appropriate. This will typically be compared to relevant prior period averages and other factors to ensure that the estimate for accrued premium is reasonable. This estimate will be further reviewed and amended as required.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

ACCOUNTING POLICIES (Continued)

- (t) *Operating leases*
The Group recognise lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense over the lease term on a straight-line basis.
- (u) *Claims incurred*
Incurred claims are those where the insured event has happened and for which the insurer may be liable if a claim is made.
- (v) *Commission income (overrider) and expense*
Overriding commission is a percentage of premium ceded paid by an insurance company to a ceding company as a broker fee.

Commission expense is a percentage of premium paid by an insurance company to the brokers and agents as compensation.
- (w) *Revenue recognition*
Revenue is recognised when goods are sold or services are exchanged for dissimilar goods or services in a transaction that has commercial substance.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised according to the stage of completion give all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
 - it is probable that economic benefits associated with the transaction will flow to the entity;
 - the stage of completion of the transaction at the end of the reporting period can be measured reliably;
 - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- (x) *Rounding of amounts*
All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4. PROFIT OF PARENT UNDERTAKING

The Company has availed of the exemption in Section 304 (2) of the Companies Act, 2014 from presenting its own profit and loss account. The amount of profit of the parent as determined in accordance with the Companies Acts, 2014, and the European Communities (Insurance Undertakings: Financial Statements) Regulations, 2015, dealt with in the groups accounts is €25,393 (2017: €10,025).

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

5. SEGMENTAL INFORMATION

	Income Protection €'000	Property €'000	Liability €'000	Credit & Suretyship €'000	Other €'000	Total €'000
31 December 2018						
Gross premium written						
Risks located in Europe	25,925	39,628	138,400	40,070	166,569	410,592
Risks located outside Europe	-	6,165	93,991	63,274	20,181	183,611
	<u>25,925</u>	<u>45,793</u>	<u>232,391</u>	<u>103,344</u>	<u>186,750</u>	<u>594,203</u>
Gross premium earned	19,365	45,008	215,299	105,086	149,134	533,892
Gross claims incurred	(13,838)	(36,490)	(168,046)	(43,141)	(128,983)	(390,498)
Gross operating expenses	(5,799)	(5,610)	(77,345)	(36,016)	(29,146)	(153,916)
Gross technical results	(272)	2,908	(30,092)	25,929	(8,995)	(10,522)
Reinsurance balance	2,778	(211)	38,401	(11,163)	11,614	41,419
Net technical results	<u>2,506</u>	<u>2,697</u>	<u>8,309</u>	<u>14,766</u>	<u>2,619</u>	<u>30,897</u>
Foreign exchange (loss)/gain						3,402
Allocated investment income						(153)
Profit on ordinary activities before taxation						<u>34,146</u>
Net technical provisions	<u>3,349</u>	<u>11,919</u>	<u>82,902</u>	<u>89,644</u>	<u>32,563</u>	<u>140,377</u>

Excluded from the table above but disclosed within the financial statement is €2,781 of gross written premium relating to intercompany fee income

	Income Protection €'000	Property €'000	Liability €'000	Credit & Suretyship €'000	Other €'000	Total €'000
31 December 2017						
Gross premium written						
Risks located in Europe	14,725	41,771	90,130	39,848	127,661	314,135
Risks located outside Europe	-	6,273	113,198	40,832	8,165	168,468
	<u>14,725</u>	<u>48,044</u>	<u>203,328</u>	<u>80,680</u>	<u>135,826</u>	<u>482,603</u>
Gross premium earned	14,912	44,150	196,681	97,067	146,708	499,518
Gross claims incurred	(10,445)	(37,600)	(123,138)	(39,300)	(135,410)	(345,893)
Gross operating expenses	(2,917)	(8,780)	(37,155)	(12,407)	(24,596)	(85,855)
Gross technical results	1,550	(2,230)	36,388	45,360	(13,298)	67,770
Reinsurance balance	(372)	2,880	(19,421)	(39,942)	15,163	(41,692)
Net technical results	<u>1,178</u>	<u>650</u>	<u>16,967</u>	<u>5,418</u>	<u>1,865</u>	<u>26,078</u>
Foreign exchange (loss)/gain						(17,950)
Allocated investment income						7,331
Profit on ordinary activities before taxation						<u>15,459</u>
Net technical provisions	<u>1,547</u>	<u>10,877</u>	<u>63,695</u>	<u>8,874</u>	<u>25,399</u>	<u>110,392</u>

Excluded from the table above but disclosed within the financial statement is €1,342 of gross written premium relating to intercompany fee income

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

6. EMPLOYEES

The average number of persons employed by the group during the year was 188.

	2018	2017
<i>Employees by Department</i>		
Claims	36	19
Compliance	2	3
Finance	17	14
Management	10	8
Business operations	81	37
Underwriting	42	33
	<u>188</u>	<u>114</u>
	2018	2017
	€'000	€'000
Salaries	18,642	11,650
Payroll taxes	2,543	1,384
Pension costs	2,120	1,785
Other staff costs;		
- Healthcare	92	14
- Recruitment	166	75
- Other	504	264
	<u>24,067</u>	<u>15,172</u>

All the amounts stated above were treated as an expense of the Company in the financial statements. No amount was capitalised into assets.

7. DIRECTORS REMUNERATION AND TRANSACTIONS

Directors' remuneration (including persons connected with directors)

	2018	2017
	€'000	€'000
Aggregate emoluments paid to or receivable by directors in respect of qualifying services:	707	562
<i>Aggregate contributions paid, treated as paid or payable during the year to a retirement benefit scheme in respect of qualifying services of directors:</i>		
Defined contribution schemes	41	42
	<u>748</u>	<u>604</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

7. DIRECTORS REMUNERATION AND TRANSACTIONS (Continued)

The gain by directors on the exercise of share options in 2018 was nil (2017: Nil). The aggregate amount paid or payable for past director's retirement benefits (excluding amounts where the scheme was adequately funded) was nil (2017: Nil).

The aggregate amount of any compensation paid or payable to past directors in respect of loss of office or other termination benefits was € nil (2017: Nil).

	2018	2017
Number of Directors		
<i>Retirement benefits are accruing to the following number of directors under</i>		
Defined contribution schemes	1	1
Defined benefit schemes	-	-
	<u>1</u>	<u>1</u>

**8. ALLOCATED INVESTMENT RETURN
TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT**

	Net Investment Income 2018 €'000	Net Investment Expense 2018 €'000	Net Realised Gain/Loss 2018 €'000	Changes in Fair Value 2018 €'000	Net Investment Result 2018 €'000
Equities	-	-	-	-	-
Bonds	7,413	-	(1,758)	(6,449)	(794)
Loans and Receivables	1,425	-	-	-	1,425
Cash and Cash Equivalent	122	-	-	-	122
Other Investment Income/(Expense)	-	(906)	-	-	(906)
Total	<u>8,960</u>	<u>(906)</u>	<u>(1,758)</u>	<u>(6,449)</u>	<u>(153)</u>

	Net Investment Income 2017 €'000	Net Investment Expense 2017 €'000	Net Realised Gain/Loss 2017 €'000	Changes in Fair Value 2017 €'000	Net Investment Result 2017 €'000
Equities	2	-	-	-	2
Bonds	5,504	-	612	(129)	5,987
Loans and Receivables	1,569	-	-	-	1,569
Cash and Cash Equivalent	(31)	-	-	-	(31)
Other Investment Income/(Expense)	-	(196)	-	-	(196)
Total	<u>7,044</u>	<u>(196)</u>	<u>612</u>	<u>(129)</u>	<u>7,331</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

9. NET OPERATING EXPENSES

	2018	2017
	€'000	€'000
Net operating expenses		
Acquisitions costs	26,966	11,673
Change in deferred acquisition costs	(695)	(763)
<i>Net administration expenses</i>	2,732	25,411
Over rider on reinsured premiums	<u>(28,749)</u>	<u>(24,423)</u>
	<u>254</u>	<u>11,898</u>
	2018	2017
	€'000	€'000
<i>Net administration expenses</i>		
Gross administration expenses	39,811	37,289
Recharges to group companies	<u>(37,079)</u>	<u>(11,878)</u>
	<u>2,732</u>	<u>25,411</u>

10. INVESTMENT INCOME

	2018	2017
	€'000	€'000
Realised gains and losses on investments	(1,758)	612
Unrealised gains and losses on investments	(6,449)	(129)
Investment income	8,054	6,847
	<u>(153)</u>	<u>7,330</u>

€153 per the financials and Note 8 - Allocated Investment Return Transferred from the Non-Technical Account (2017: €7,330) of the above investment income is attributable to the technical account.

11. STATUTORY AND OTHER INFORMATION

The profit on ordinary activities before tax is arrived at after charging:

	2018	2017
	€'000	€'000
Auditor's remuneration – Statutory audit fees	583	364
Auditor's remuneration – Other assurance services	85	70
Auditor's remuneration – Audit of affiliate entities	30	30
Depreciation of tangible assets	2,011	1,318
Operating lease rentals	955	501
Foreign exchange (loss) / gains	<u>3,402</u>	<u>(17,950)</u>

€3,402 foreign exchange gain per the financials (2017: €17,950 loss) of the above is attributable to exchange movement on bank accounts.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

<i>(a) Analysis of profit and loss account charge:</i>	2018	2017
	€'000	€'000
Current tax:		
Irish corporation tax		
Tax charge on profit for the year	<u>3,565</u>	<u>1,823</u>
<i>Overseas tax:</i>		
Swedish tax charge for year	265	302
Dutch tax charge for year	449	828
Italian tax charge for year	<u>822</u>	<u>-</u>
Consolidated corporation tax charge for year (see reconciliation below note 12(b))	<u>5,101</u>	<u>2,953</u>

(b) Reconciliation of the expected tax charge at the standard tax rate to the actual tax charge at the effective rate.

	2018	2017
	€'000	€'000
Profit on ordinary activities before tax	<u>34,146</u>	<u>15,459</u>
Profit on ordinary activities multiplied by relevant Standard rate of corporation tax of 12.5%	4,268	1,932
Claw back of tax relief on employee health premiums	-	7
Adjustment for prior years	62	-
Effect of:		
Expenses not deductible	16	6
Capital allowances in excess of depreciation for the year	-	
Branch and Subsidiary loss relief not applied to the Company accounts	-	465
Different Tax rates applied in overseas jurisdictions	<u>755</u>	<u>543</u>
Current tax charge for year	<u>5,101</u>	<u>2,953</u>

Factors affecting future tax:

The tax charge for future years will be affected by similar factors as noted above and will be based on the relevant standard rates of corporation tax. The group's overseas tax rates are higher than those in Ireland because profits earned in Sweden are taxed at an effective tax rate of 22%.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

13. OTHER LOANS AND INVESTMENTS

<i>Group</i>	Carrying Value 2018 €'000	Purchase Price 2018 €'000	Listed 2018 €'000
Debt Securities and other fixed income securities designated at fair value through profit or loss	336,309	332,543	336,309
Loans receivable held at amortised cost	13,819	13,819	-
	<u>350,128</u>	<u>346,362</u>	<u>336,309</u>
Deposits with credit institutions held at amortised cost	31,815	31,815	-
Balance at the end of the year	<u>381,943</u>	<u>378,177</u>	<u>336,309</u>

<i>Company</i>	Carrying Value 2018 €'000	Purchase Price 2018 €'000	Listed 2018 €'000
Debt Securities and other fixed income securities designated at fair value through profit or loss	336,309	332,543	336,309
Loans receivable held at amortised cost	13,819	13,819	-
	<u>350,128</u>	<u>346,362</u>	<u>336,309</u>
Deposits with credit institutions held at amortised cost	31,519	31,519	-
Balance at the end of the year	<u>381,647</u>	<u>377,881</u>	<u>336,309</u>

Included in the deposits with credit institutions is €21,755 restricted. It is held by the Group and Company as a collateral on behalf of a reinsurer or surplus lines of business as required by the regulator.

<i>Group</i>	Carrying Value 2017 €'000	Purchase Price 2017 €'000	Listed 2017 €'000
Debt Securities and other fixed income securities designated at fair value through profit or loss	223,857	222,876	224,075
Loans receivable held at amortised cost	34,012	34,711	-
	<u>257,869</u>	<u>257,587</u>	<u>224,075</u>
Deposits with credit institutions held at amortised cost	15,830	15,830	-
Balance at the end of the year	<u>273,699</u>	<u>273,417</u>	<u>224,075</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

13. OTHER LOANS AND INVESTMENTS (continued)

<i>Company</i>	Carrying Value 2017 €'000	Purchase Price 2017 €'000	Listed 2017 €'000
Debt Securities and other fixed income securities designated at fair value through profit or loss	223,857	222,876	224,075
Loans receivable held at amortised cost	<u>34,012</u>	<u>34,711</u>	<u>-</u>
	257,869	257,587	224,075
Deposits with credit institutions held at amortised cost	<u>15,525</u>	<u>15,525</u>	<u>-</u>
Balance at the end of the year	<u>273,394</u>	<u>273,112</u>	<u>224,075</u>

Included in the deposits with credit institutions is €8,009 restricted cash. It is held by the Group and Company as a collateral on behalf of a reinsurer or surplus lines of business as required by the regulator.

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

Group and Company

	Level 1 €'000	Level 2 €'000	Level 3 €'000
31 December 2018			
Debt Securities and other fixed income securities designated at fair value through profit or loss	-	336,309	-
	<u>-</u>	<u>336,309</u>	<u>-</u>
31 December 2017			
Debt Securities and other fixed income securities designated at fair value through profit or loss	-	223,857	-
	<u>-</u>	<u>223,857</u>	<u>-</u>

Included in the level 1 category are financial assets that are measured by reference to unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Included in the level 2 category are financial assets measured using a valuation technique based on inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the assets or liability, either directly or indirectly.

Included in the level 3 category are financial assets measured using a valuation technique model based on inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

14. DIVIDENDS

No dividends were declared or paid in the year (2017: Nil).

€1,000 dividends were received from a subsidiary Nationale Waarborg B.V. in the year (2017: Nil).

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

15. TECHNICAL PROVISIONS

Group and Company

Gross	Provision for Unearned Premium	Claims Outstanding	Total €'000
	€'000	€'000	
31 December 2017	280,798	451,714	732,512
Movement in Provision	60,312	137,546	197,858
31 December 2018	<u>341,110</u>	<u>589,260</u>	<u>930,370</u>
Reinsurance			
31 December 2017	238,246	386,130	624,376
Movement in Provision	48,730	116,887	165,617
31 December 2018	<u>286,976</u>	<u>503,017</u>	<u>789,993</u>
Net Technical Provision			
31 December 2018	<u>54,134</u>	<u>86,243</u>	<u>140,377</u>
31 December 2017	<u>42,552</u>	<u>65,584</u>	<u>108,136</u>

16. CLAIMS OUTSTANDING

Group and Company

	2018	2017
	€'000	€'000
<i>Gross</i>		
Notified claims outstanding	244,148	175,938
Provisions for claims incurred but not reported	342,334	272,635
Claims handling charges	<u>2,778</u>	<u>3,141</u>
	<u>589,260</u>	<u>451,714</u>
<i>Reinsurance</i>		
Notified claims outstanding	(209,188)	(151,818)
Provisions for claim incurred but not reported	(291,460)	(232,039)
Claims handling charges	<u>(2,369)</u>	<u>(2,273)</u>
	<u>(503,017)</u>	<u>(386,130)</u>
Net claims outstanding	<u>86,243</u>	<u>65,584</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)****17. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS**

	2018	2017
	€'000	€'000
<i>Group</i>		
Due at the beginning of the financial year	100,679	87,133
Increase in debtors	<u>38,965</u>	<u>13,546</u>
Due at the end of the financial year	<u>139,644</u>	<u>100,679</u>
	2018	2017
	€'000	€'000
<i>Company</i>		
Due at the beginning of the financial year	101,056	88,208
Increase in debtors	<u>37,018</u>	<u>12,848</u>
Due at the end of the financial year	<u>138,074</u>	<u>101,056</u>

All debtors arising out of direct insurance operations fall due within one year.

18. RELATED PARTIES DISCLOSURES (In €'000)

The Company engaged in the following transactions with related parties during the year:

Parent

The Company and ultimate parent, AmTrust Financial Services Inc., occasionally makes and receives payments on behalf of each other. This amounted to €115 payable during the year. The amount payable from the Company to its ultimate parent at 31 December 2017 was €194.

Associates

The Company operates a quota share reinsurance treaty with AmTrust International Insurance Limited ("AIIIL"), whereby the Company cedes 85% of the business, after any other reinsurance treaties, to AIIIL. During the year, the treaty value of receivable due from AIIIL amounted to €33,600 which includes any settlements made in the year. At 31 December 2018, €80,068 was due to AIIIL under this treaty, which is included in creditors arising out of reinsurance operations (note 31).

In addition, there is a Deed of Guarantee between AIIIL and the Company, whereby AIIIL guarantees that it will make funds available to the Company for the timely payment of contractual claims made under insurance contracts issued by the Company. In addition, there is a stop loss agreement in place with AIIIL, whereby AIIIL will indemnify the Company for claims exceeding an aggregated unearned loss ratio, net of reinsurance, of 200%, subject to a limit of 100%, in respect of IVT Heating Pumps and the Moderna Heating Pumps portfolio. Prior to 1st October 2013, AIIIL was the immediate parent company of the Company.

AmTrust Management Services Limited ("AMSL"), which is incorporated in the United Kingdom and whose ultimate parent is AmTrust Financial Services, Inc., provides risk management and other services to the Company on an arm's length basis. During the year, the value of the services provided to the Company amounted to €410. As at 31 December 2018 the balance due to AMSL was €3,539.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

18. RELATED PARTIES DISCLOSURES (In €'000 continued)

The Company and fellow subsidiary AmTrust Europe Limited ("AEL") occasionally make payments on behalf of each other. In addition, costs attributable to the Company are recharged on an arm's length basis. During the year, the value of the services provided to the Company amounted to €60. At 31 December 2018, the balance on the intercompany account was €12,499 due from AEL.

The Company and fellow subsidiary AmTrust Europe (Italian Branch) Limited ("AEIBL") provides risk management and other services to the Company on an arm's length basis. During the year, the value of services provided to the Company amounted to €1,401. At December 2018, the balance on the intercompany account was €2,851 due to AEIBL.

The Company and fellow subsidiary AmTrust North America Limited ("ANA") occasionally makes and receives payments on behalf of each other. During the year, the value of the services provided to the Company amounted to €6,605. At 31 December 2018, the balance on the intercompany account was €7,731 due to ANA.

The Company and fellow subsidiary AmTrust Management Service Ireland Limited ("AMSIL") provides investment management and other services to the Company on an arm's length basis. During the year, the value of payments to the Company amounted to €657. At 31 December 2018, the balance on the intercompany account was €3,787 due to AMSIL.

The Company and fellow subsidiary All Insurance Management Limited ("AllIM") provides investment management and other services to the Company on an arm's length basis. During the year, the value of payments to the Company to AllIM amounted to €24. At 31 December 2018, the balance on the intercompany account was €78 to AllIM.

The Company and fellow subsidiary AmTrust Ireland Holding II Ltd make payments on behalf of Redray. In addition, costs attributable to the Company are recharged on an arm's length basis. During the year, the value of payments due to the Company amounted to €1,058. At 31 December 2018, the balance on the intercompany account was €127 due to the Company.

The Company and fellow subsidiary AmTrust Insurance Luxembourg SA provides services to the Company on an arm's length basis. During the year, the value of payments to the Company amounted to €206. At 31 December 2018, the balance on the intercompany account was nil.

The Company and fellow subsidiary, Associated Industries Insurance Company, occasionally makes and receives payments on behalf of each other. During the year, the value of payments due to the Company amounted to €2. At 31 December 2018, the balance on the intercompany account was nil.

The Company and fellow subsidiary AmTrust Warranty Corp occasionally makes and receives payments on behalf of each other. During the year, the value of the services provided to the Company amounted to €36. At 31 December 2018, the balance on the intercompany account was €799 due to the Company.

The Company operates a 40% quota share reinsurance treaty with Maiden Insurance Company ("Maiden"), a Bermudan domiciled reinsurance company. George Karfunkel and Barry Zyskind are the principal shareholders of Maiden Holdings Limited, which is the parent of Maiden. They are also among the principal shareholders of AmTrust Financial Services, Inc., the ultimate parent of the Company. At 31 December 2018, the Company owed €29,727 to Maiden under this treaty, which is included in creditors arising out of reinsurance operations (note 31).

The Company has availed of the exemption provided in FRS 102, section 33, "Related Party Disclosures", for subsidiary undertakings, 100% of whose voting rights are controlled within the group, from the requirement to give details of transactions with entities that are part of the group.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

18. RELATED PARTIES DISCLOSURES (continued)

AMOUNTS RECEIVABLE FROM GROUP UNDERTAKINGS

	2018	2017
<i>Group</i>		
Trading	€'000	€'000
AmTrust Europe Limited	12,499	12,559
AmTrust IIRB Limited	5,993	-
AmTrust Agency Italy SRL	4,803	-
AmTrust Warranty Corp	799	764
AmTrust Ireland Holdings II Ltd	127	1,185
AmTrust France	8	-
AmTrust Equity Solutions Italian SRL	-	10,916
Associated Industries Ins Company	-	2
AmTrust Insurance Luxembourg SA	-	206
	<hr/> 24,229	<hr/> 25,632
	2018	2017
<i>Company</i>		
Trading	€'000	€'000
AmTrust Europe Limited	10,904	-
All Reinsurance Broker Limited	5,993	-
AmTrust Agency Italy SRL	4,803	23,355
AmTrust Warranty Corp	799	764
AmTrust Ireland Holdings II Ltd	127	1,185
AmTrust France	7	-
AmTrust International – Italian Branch	-	4,922
AmTrust Insurance Luxembourg SA	-	207
Associated Industries Ins Company	-	2
	<hr/> 22,633	<hr/> 30,435

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

18. RELATED PARTIES DISCLOSURES (continued)

AMOUNTS PAYABLE TO GROUP UNDERTAKINGS

	2018	2017
<i>Group</i>	€'000	€'000
Trading		
AmTrust North America	7,731	1,126
AmTrust Management Services Ireland Ltd	3,787	4,444
AmTrust Management Services Limited	3,539	3,129
AmTrust Europe (Italian Branch) Limited	2,851	1,450
Car Care Plan Ltd	1,244	-
AmTrust Italy SRL	829	5,516
Nationale Borg Reinsurance	736	17,687
AmTrust Financial Services Inc.	115	194
AmTrust International Insurance	78	102
AmTrust Europe Limited	15	15,648
AmTrust France	-	2,135
	-	331
	<hr/>	<hr/>
	20,925	51,762

	2018	2017
<i>Company</i>	€'000	€'000
Trading		
Amtrust North America	7,731	1,126
AmTrust Management Services Ireland Ltd.	3,787	4,444
Amtrust Management Services Limited	2,973	3,129
Amtrust Europe Limited (Italian Branch)	2,851	1,450
Amtrust Nordic	2,441	3,675
Car Care Plan Ltd	1,244	-
Agency Italy SRL	829	5,666
Nationale Borg Reinsurance	736	17,687
Amtrust Financial Services, Inc	115	194
AmTrust France	16	332
All Insurance Management Ltd	78	102
AmTrust International Insurance	-	15,648
AmTrust International – Italian Branch	-	4,922
Amtrust Europe Limited	-	2,135
	<hr/>	<hr/>
	22,801	60,510

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

19. GOODWILL

	€'000
31 December 2017	2,091
Amortisation in the year	<u>(836)</u>
31 December 2018	<u>1,255</u>
31 December 2016	2,091
Amortisation in the year	<u>-</u>
31 December 2017	<u>2,091</u>

20. TANGIBLE ASSETS

	Property	Software	Computer Equipment	Fixtures and Fittings	Total
	€'000	€'000	€'000	€'000	€'000
(a) Group					
Cost					
At 1 January 2018	19,809	3,180	1,116	2,444	26,549
Additions	21	438	140	1,775	2,374
Disposals	0	0	(4)	(9)	(13)
Foreign Exchange differences	0	0	(2)	(15)	(17)
At 31 December 2018	<u>19,830</u>	<u>3,618</u>	<u>1,250</u>	<u>4,195</u>	<u>28,893</u>
Depreciation					
At 1 January 2018	807	1,760	728	1,277	4,572
Charge for the year	897	651	140	323	2,011
Disposals	0	0	0	0	0
Foreign Exchange differences	0	0	0	1	1
At 31 December 2018	<u>1,704</u>	<u>2,411</u>	<u>868</u>	<u>1,601</u>	<u>6,584</u>
Net book value					
At 31 December 2018	18,126	1,207	382	2,594	22,309
At 31 December 2017	19,002	1,420	388	1,167	21,977

Part of the property measured at cost above is rented under a non-cancellable sub-lease agreement (Note 29).

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

20. TANGIBLE ASSETS (continued)

	Property	Software	Computer Equipment	Fixtures and Fittings	Total
	€'000	€'000	€'000	€'000	€'000
(b) Company					
Cost					
At 1 January 2018	19,795	2,832	944	1,934	25,505
Additions	21	377	134	1,771	2,303
Disposals	0	0	(4)	(9)	(13)
Foreign Exchange differences	0	0	0	0	0
At 31 December 2018	<u>19,816</u>	<u>3,209</u>	<u>1,074</u>	<u>3,696</u>	<u>27,795</u>
Depreciation					
At 1 January 2018	803	1,924	630	958	4,315
Charge for the year	895	492	116	251	1,754
Disposals	0	0	0	0	0
Foreign Exchange differences	0	0	0	0	0
At 31 December 2018	<u>1,698</u>	<u>2,416</u>	<u>746</u>	<u>1,209</u>	<u>6,069</u>
Net book value					
At 31 December 2018	18,118	793	328	2,487	21,726
At 31 December 2017	18,992	908	314	976	21,190

21. DEFERRED ACQUISITION COSTS

Group and Company

Gross	€'000
31 December 2017	36,427
Movement in the year	<u>6,663</u>
31 December 2018	<u>43,090</u>

Reinsurance

31 December 2017	30,560
Movement in the year	<u>5,968</u>
31 December 2018	<u>36,528</u>

Net Deferred Acquisition Costs

31 December 2018	<u>6,562</u>
31 December 2017	<u>5,867</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

22. OTHER PREPAYMENTS

	2018	2017
	€'000	€'000
<i>Group</i>		
Claims floats	15,658	15,426
Profitshare reserves recoverable	14,856	14,069
IPT Floats and prepaid IPT	3,991	1,919
Corporation tax	3,401	-
Other prepayments	2,815	4,362
	<u>40,721</u>	<u>35,776</u>
	2018	2017
	€'000	€'000
<i>Company</i>		
Claims floats	15,658	15,426
Profitshare reserves recoverable	14,856	14,069
IPT Floats and prepaid IPT	3,991	1,919
Corporation tax	2,846	-
Other prepayments	4,684	7,208
	<u>42,035</u>	<u>38,622</u>

23. SHARE CAPITAL

	2018	2017
	No. of shares	No. of shares
<i>Authorised</i>		
Ordinary shares of US \$1 each	25,000,000	25,000,000
Ordinary shares of EUR €5 each	803,760	803,760
Preference shares of US \$1,000 each	25,000	25,000
	€'000	€'000
<i>Allotted, called up and fully paid</i>		
2,000,000 Ordinary shares of US \$1 each	1,946	1,946
803,760 Ordinary shares of EUR €5 each	4,019	4,019
803,760 Ordinary shares at premium	824	824
	<u>6,789</u>	<u>6,789</u>

The shares are redeemable at the option of the Company, and not at the option of the holder of the Preference Share. The fully paid shares carry one vote per share and carry the rights to dividends. The Company has one class of ordinary shares which carry no right to fixed income.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

24. RESERVES

	2018	2017
	€'000	€'000
<i>Group</i>		
Capital Contribution	21,856	21,856
Capital Redemption Reserves	<u>13,270</u>	<u>13,270</u>
	<u>35,126</u>	<u>35,126</u>
<i>Company</i>		
Capital Contribution	21,856	21,856
Capital Redemption Reserves	<u>13,270</u>	<u>13,270</u>
	<u>35,126</u>	<u>35,126</u>

Capital Contributions

The capital contributions are not repayable and there is no charge on the assets of the Company in respect of these capital contributions

Capital Redemption Reserve

The balance on the capital redemption reserve account relates to the redemption of \$16 million cumulative preference shares in 2011.

Foreign Currency Reserve – Consolidated

The foreign currency translation reserve loss €752 consists of the difference between the profit and loss account results and retained earnings of the overseas subsidiary undertakings as translated at the average exchange rate and at the year-end exchange rate (2017: loss €518)

25. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2018	2017
	€'000	€'000
<i>Company</i>		
AmTrust Nordic AB	11	11
Nationale Waarborg B.V.	<u>2,236</u>	<u>1,306</u>
	<u>2,247</u>	<u>1,317</u>

The investment in subsidiary undertakings is stated at cost in the Company's balance sheet. The shares in the subsidiary undertakings, which are wholly owned, are as stated below:

<u>Held Directly</u>	<u>Holding</u>	<u>Class of Share Capital</u>	<u>Address</u>	<u>Nature of business</u>
AmTrust Nordic AB	100%	Ordinary	Hamngatan 11, 111 47 Stockholm	Management Company
Nationale Waarborg B.V.	100%	Ordinary	Dukatenburg 84b-4, 3437 AE Nieuwegein	Service Company

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018	2017
	€'000	€'000
Profit on ordinary activities before interest and taxation	34,146	15,459
Fair value (gains) on investments	6,449	(2)
Depreciation of tangible assets	2,011	1,318
Goodwill amortisation	837	
Exchange differences on depreciation of tangible assets	(17)	(12)
Gain on disposal of property, plant & equipment	(12)	-
Increase in provisions	149,127	51,482
Foreign currency exchange	(235)	(139)
	<u>192,306</u>	<u>68,106</u>
Operating cash flows before movement in working capital		
(Increase) in reinsurance assets	(38,964)	(13,452)
(Increase)/Decrease in deferred acquisition costs	(6,663)	485
(Increase) in in insurance contract liabilities	(116,887)	(47,520)
(Increase) in receivables	(4,049)	(13,329)
Increase in payables	68,936	79,785
	<u>94,679</u>	<u>74,075</u>
Cash generated by operations		
Income taxes paid	(11,247)	(2,808)
Interest paid	-	50
	<u>83,432</u>	<u>71,317</u>
Net cash from operating activities		

27. PENSION COSTS

Both the Company and its Swedish subsidiary, AmTrust Nordic AB, operate defined contribution schemes, which are internally funded and accounted for in accordance with FRS 102, section 28, "Employee Benefits". During the year, the amount contributed to this arrangement was €2,112 (2017: €1,773). At the balance sheet date was €16 owing from these pension schemes (2017: €563 owed to these pension schemes).

28. CONTINGENT LIABILITIES

There were no contingent liabilities or contingent assets at either 31 December 2018 or 31 December 2017.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

29. COMMITMENTS

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018	2018	2018
	Property	Other	Total
	€'000	€'000	€'000
<i>Lease payments</i>			
Within one year	1,185	93	1,278
Later than one year but not later than five years	3,799	539	4,338
Later than five years	2,858	-	2,858
	<u>7,842</u>	<u>632</u>	<u>8,474</u>
<i>Sub-lease payments</i>			
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating lease	905	-	905
	<u>905</u>	<u>-</u>	<u>905</u>
	2017	2017	2017
	Property	Other	Total
	€'000	€'000	€'000
<i>Lease payments</i>			
Within one year	490	19	509
Later than one year but not later than five years	636	74	709
Later than five years	-	-	-
	<u>1,126</u>	<u>93</u>	<u>1,218</u>

No future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating lease in 2017. €46 sub-lease payments were recognised in income in 2018 (2017: NIL).

30. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is AmTrust Equity Solutions Ltd, a company incorporated in Bermuda. The ultimate parent undertaking, and the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member, is AmTrust Financial Services, Inc. (AFSI)

The ultimate holding company prior to the merger transaction on 29 November 2018, when AmTrust Financial Services, Inc. (AFSI) announced the completion of the merger transaction in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired the approximately 45% of (AFSI) issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

31. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2018	2017
	€'000	€'000
<i>Group</i>		
Due at the beginning of the financial year	121,576	72,688
Increase in creditors arising out of reinsurance operations	<u>69,955</u>	<u>48,888</u>
Due at the end of the financial year	<u>191,531</u>	<u>121,576</u>
	2018	2017
	€'000	€'000
<i>Company</i>		
Due at the beginning of the financial year	121,576	72,688
Increase in creditors arising out of reinsurance operations	<u>71,180</u>	<u>48,888</u>
Due at the end of the financial year	<u>192,756</u>	<u>121,576</u>

All creditors arising out of direct insurance operations fall due within one year.

32. OTHER CREDITORS INCLUDING TAX AND SOCIAL WELFARE

	2018	2017
	€'000	€'000
<i>Group</i>		
Other taxes and social security costs	2,452	509
Accounts payable	295	3,334
Other creditors	<u>313</u>	<u>5,153</u>
	<u>3,060</u>	<u>8,996</u>
	2018	2017
	€'000	€'000
<i>Company</i>		
Other taxes and social security costs	1,822	168
Accounts payable	22	1,967
Other creditors	<u>159</u>	<u>4,832</u>
	<u>2,003</u>	<u>6,967</u>

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

33. DEFERRED TAX

Group and Company

	2018		2017	
	€'000		€'000	
Deferred tax liabilities	4,746		4,824	

	Buildings €'000	Other Investments €'000	Equalization Reserve €'000	Deferred Acquisition €'000	Total €'000
At 1 January 2018	2,539	61	2,089	135	4,824
Charge/(credit) to equity for the year	(47)	(53)	-	-	(100)
Charge/(credit) to the income statement for the year	-	-	(44)	66	22
At 31 December 2018	2,492	8	2,045	201	4,746

The movement on the deferred taxes is as follows:

	2018	2017
	€'000	€'000
Balance as at 1 January	4,824	4,153
(Credit)/Charge to equity for the year	(100)	105
Charge to the income statement for the year	22	566
Balance as at 31 December	4,746	4,824

34. RISK MANAGEMENT

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The AmTrust Group has adopted and communicated a formal definition of Enterprise Risk Management (ERM) to help foster a robust risk management culture.

Enterprise Risk has been defined as any activity, circumstance, event or series of events involving one or more affiliates of the Company that, if not remedied promptly, is likely to have a material adverse effect on the financial condition or liquidity of the Company or holding company system as a whole.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

An AmTrust Enterprise Risk Management System ('the ERM System) has been implemented in order to provide an on-going tool for the monitoring and managing risks and in order to be able to produce risk maps and other risk matrices to support Solvency II requirements. This system also complements our Internal Controls implantation and maintenance requirements.

(b) Capital Management

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with the regulators capital requirements of the markets in which the Company operates, while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20.

The Company was in compliance with capital requirements imposed by the regulator throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and the regulator. The table below sets out the statutory minimum capital requirement and the Company's available capital. Prior year balances have been restated due to Solvency II requirements.

	2018	2017
	€'000	€'000
Required Solvency Margin		
Total available Capital Resources	167,715	126,663
	223,529	195,570
Solvency Cover %	133%	154%

(c) Insurance Risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

CONCENTRATION

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements

The geographical concentration of the outstanding claim liabilities is noted below. The disclosure is based on the countries where business is written.

CLAIMS OUTSTANDING	2018	2017
	€'000	€'000
<i>Gross Liabilities</i>		
EEA	346,958	240,548
USA	242,179	203,618
International	123	7,548
Total	589,260	451,714
<i>Net Liabilities</i>		
EEA	49,929	35,149
USA	36,295	30,415
International	19	20
Total	86,243	65,584

The table below sets out the concentration of outstanding claim liabilities by Class of Business.

CLAIMS OUTSTANDING	2018	2017
	€'000	€'000
<i>Gross Liabilities</i>		
Income Protection Insurance	12,430	8,024
Fire & Other Property Damage	30,843	25,570
General Liability Insurance	423,425	323,739
Credit & Suretyship Insurance	43,492	30,099
Other	79,070	64,282
Total	589,260	451,714

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

CLAIMS OUTSTANDING

	2018	2017
	€'000	€'000
<i>Net Liabilities</i>		
Income Protection Insurance	1,865	1,204
Fire & Other Property Damage	4,405	3,569
General Liability Insurance	63,467	48,560
Credit & Suretyship Insurance	4,657	2,643
Other	11,849	9,608
Total	<u>86,243</u>	<u>65,584</u>

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures

ASSUMPTIONS AND SENSITIVITIES

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Company for estimating liabilities are:

- Chain ladder
- Expected loss ratio
- Benchmarking and
- Bornhuetter-Ferguson

The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimate and cumulative payments are translated to euros at the rate of exchange that applied at the end of the accident year. The Company has taken advantage of the transitional rules of FRS 103 that permit only six years of information to be disclosed upon adoption.

Cumulative Gross Claims (Restated)								
Incident year:	Pre 2012	2012	2013	2014	2015	2016	2017	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At year of claim	-	151,814	223,047	229,298	261,513	255,678	309,980	363,491
One year later	-	148,045	215,584	237,301	256,329	253,314	328,861	-
Two years later	-	149,113	220,778	244,827	257,310	250,854	-	-
Three years later	-	152,361	228,986	249,008	260,417	-	-	-
Four years later	-	154,035	236,012	262,029	-	-	-	-
Five years later	-	155,870	238,694	-	-	-	-	-
Six years later	-	152,130	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	152,130	238,694	262,029	260,417	250,854	328,861	363,491
Cumulative payments made	-	(148,194)	(208,360)	(206,277)	(203,137)	(183,854)	(202,844)	(126,279)
Total	11,729	3,936	30,334	55,752	57,280	67,000	126,017	237,212

Grand Total Gross Claims 589,260

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

Cumulative Reinsurance

(Restated) Incident year:	Pre 2012	2012	2013	2014	2015	2016	2017	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At year of claim	-	(128,859)	(189,472)	(194,668)	(222,099)	(217,023)	(263,444)	(310,291)
One year later	-	(125,678)	(183,106)	(201,512)	(217,586)	(215,478)	(280,749)	-
Two years later	-	(126,815)	(187,544)	(208,062)	(218,883)	(214,187)	-	-
Three years later	-	(129,771)	(194,397)	(211,944)	(222,338)	-	-	-
Four years later	-	(131,307)	(201,180)	(223,786)	-	-	-	-
Five years later	-	(133,046)	(203,873)	-	-	-	-	-
Six years later	-	(129,973)	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	(129,973)	(203,873)	(223,786)	(222,338)	(214,187)	(280,749)	(310,291)
Cumulative payments made	-	126,613	177,979	176,194	173,441	156,993	173,175	107,797
Total	(10,012)	(3,360)	(25,894)	(47,592)	(48,897)	(57,194)	(107,574)	(202,494)

Grand Total Reinsurance (503,017)

Net Claims Position

(Restated) Incident year:	Pre 2012	2012	2013	2014	2015	2016	2017	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At year of claim	-	22,955	33,575	34,630	39,414	38,655	46,536	53,200
One year later	-	22,367	32,478	35,789	38,743	37,836	48,112	-
Two years later	-	22,298	33,234	36,765	38,427	36,667	-	-
Three years later	-	22,590	34,589	37,064	38,079	-	-	-
Four years later	-	22,728	34,832	38,243	-	-	-	-
Five years later	-	22,824	34,821	-	-	-	-	-
Six years later	-	22,157	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	22,157	34,821	38,243	38,079	36,667	48,112	53,200
Cumulative payments made	-	(21,581)	(30,381)	(30,083)	(29,696)	(26,861)	(29,669)	(18,482)
Total	1,717	576	4,440	8,160	8,383	9,806	18,443	34,718

Grand Total Net Claims 86,243

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

(d) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it. There were no changes in the Company's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances

	Neither past due nor impaired €'000	Past due €'000	Impaired €'000	Total €'000
31 December 2018				
Other financial investments	353,148	-	-	353,148
- debt securities including interest				
Deposits with credit institutions	31,815	-	-	31,815
Reinsurer's share of claims outstanding	503,017	-	-	503,017
Debtors arising out of direct insurance operations	139,644	-	-	139,644
Reinsurer's share of provision for unearned premium	286,976	-	-	286,976
Other Debtors	131,130	-	-	131,130
Cash at bank and in hand	32,416	-	-	32,416
Total	1,478,146	-	-	1,478,146

	Neither past due nor impaired €'000	Past due €'000	Impaired €'000	Total €'000
31 December 2017				
Other financial investments	260,381	-	-	260,381
- debt securities including interest				
Deposits with credit institutions	15,830	-	-	25,830
Reinsurer's share of claims outstanding	386,130	-	-	386,130
Debtors arising out of direct insurance operations	100,679	-	-	100,679
Reinsurer's share of provision for unearned premium	238,246	-	-	238,246
Other Debtors	121,903	-	-	121,903
Cash at bank and in hand	66,749	-	-	66,749
Total	1,189,918	-	-	1,189,918

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

(d) Credit Risk (continued)

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date.

The table below provides information regarding the credit risk exposure of the Group at 31 December 2018 by classifying assets according to credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as speculative grade and have not been rated. Other debtors and other than amounts due from reinsurers have been excluded from the table as these are not rated. (2017: €222,583)

31 December 2018	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Other financial investments							
- debt securities	60,454	80,900	114,733	81,013	1,854	14,194	353,148
Deposits with credit Institutions	-	296	27,270	-	-	4,249	31,815
Reinsurers share of claims Outstanding	-	-	503,017	-	-	-	503,017
Reinsurer's share of provision for unearned premium reinsurance operations	-	-	286,976	-	-	-	286,976
Cash at bank	-	16,096	16,139	-	181	-	32,416
Total	60,454	97,292	948,135	81,013	2,035	18,443	1,207,372

31 December 2017	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Other financial investments							
- debt securities	29,457	41,041	80,232	95,334	-	14,317	260,381
Deposits with credit Institutions	-	305	11,268	-	-	4,257	15,830
Reinsurers share of claims Outstanding	-	-	386,130	-	-	-	386,130
Reinsurer's share of provision for unearned premium reinsurance operations	-	-	238,246	-	-	-	238,246
Cash at bank	-	17,763	48,496	316	174	-	66,749
Total	29,457	59,109	764,372	94,650	174	18,574	967,336

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with liabilities as they fall due. The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims, withdrawals and maturing liabilities. In practice, almost all of the Company's assets are marketable securities which could be converted in to cash when required.

There were no changes in the Company's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

MATURITY PROFILES

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Carrying amount	Up to 1 Yr	1-2 Yrs	2-5 Yrs	5-10 Yrs	Over 10 Yrs	Total
31 December 2018	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Outstanding claim liabilities	589,260	119,027	98,128	170,251	174,461	27,393	589,260
31 December 2017							
Outstanding claim liabilities	451,714	102,496	59,470	147,359	122,467	19,922	451,714

AMTRUST INTERNATIONAL UNDERWRITERS DESIGNATED ACTIVITY COMPANY**NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)****34. RISK MANAGEMENT (continued)***(f)* Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite.

The Company has established policies and procedures in order to manage market risk and methods to measure it. There were no changes in the Company's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

CURRENCY RISK

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

Carrying amounts of the Company's foreign currency denominated assets and liabilities;

	USD 2018 €'000	NOK 2018 €'000	SEK 2018 €'000
Assets	216,473	33,029	36,154
Liabilities (Excluding Shareholders Funds)	<u>(143,318)</u>	<u>(3,016)</u>	<u>(6,721)</u>
Currency Mismatch	<u>73,155</u>	<u>30,013</u>	<u>29,433</u>

	USD 2017 €'000	NOK 2017 €'000	SEK 2017 €'000
Assets	173,717	34,033	57,930
Liabilities (Excluding Shareholders Funds)	<u>(108,833)</u>	<u>(4,533)</u>	<u>(12,627)</u>
Currency Mismatch	<u>64,884</u>	<u>29,500</u>	<u>45,303</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

CURRENCY RISK (Continued)

The following table details the Company's sensitivity to a 10% increase and decrease in the Euro against the relevant foreign currencies. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	USD 2018 €'000	NOK 2018 €'000	SEK 2018 €'000
10% increase			
Pre Tax profit	(7,316)	(3,001)	(2,943)
Shareholders' equity	(7,316)	(3,001)	(2,943)
10% decrease			
Pre Tax profit	7,316	3,001	2,943
Shareholders' equity	7,316	3,001	2,943
	USD 2017 €'000	NOK 2017 €'000	SEK 2017 €'000
10% increase			
Pre Tax profit	(6,488)	(2,950)	(4,531)
Shareholders' equity	(6,488)	(2,950)	(4,531)
10% decrease			
Pre Tax profit	6,488	2,950	4,531
Shareholders' equity	6,488	2,950	4,531

INTEREST RATE RISK

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as entities in the Company invest in long term debt at both fixed and floating interest rates. The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

The Company's sensitivity to a 1% increase and decrease in market prices is as follows;

1% Increase	2018 €'000	2017 €'000
Movement in fair value of debt securities and other fixed income securities	<u>(15,262)</u>	<u>(11,062)</u>
Total	<u>(15,262)</u>	<u>(11,062)</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

34. RISK MANAGEMENT (continued)

INTEREST RATE RISK (Continued)

1% Decrease

	2018 €'000	2017 €'000
Movement in fair value of debt securities and other fixed income securities	<u>13,874</u>	<u>11,701</u>
Total	<u>13,874</u>	<u>11,701</u>

The Company's method for sensitivity to interest rate fluctuations has not changed significantly over the financial year.

35. CRITICAL ACCOUNTING JUDGEMENTS

Judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

36. POST BALANCE SHEET EVENTS

AmTrust Financial Services, Inc. announced on 28 January 2019 that its Board of Directors approved the voluntary delisting of all six series of preferred stock and two series of subordinated notes from the New York Stock Exchange. This decision was made in light of the Company's new ownership structure and the resulting changes to its long-term strategy, following the completion of AmTrust's go-private transaction on 29 November 2018 and the delisting of its common stock.

Effective from 1st January 2019, the reinsurance treaty with Maiden Reinsurance Company Limited was terminated for new business and the company's exposure to Maiden Reinsurance is to be fully collateralised. Collateral is to be retained by the company in its own account as assets on a funds retained basis and to be subsequently transferred to a formal reinsurance trust.

With regards to Quota Share Agreement with AmTrust International Insurance Limited, (AII), effective 1 January 2019; the Company shall cede and AII shall accept as reinsurance, a 50% quota share participation (previously 85% from 1 May 2007 to 31 December 2018).

1. With respect to policies issued prior to 1st January 2019, AII will set aside €1,320 in security which the company will build up over the first three quarters of 2019.
2. With respect to policies issued on or after 1st January 2019, AII will set aside security equal to 100% of reserves for losses and allocated loss adjustment expenses reported and outstanding, incurred but not reported and reserves for unearned premiums.

In 2016, AmTrust Group acquired NV Nationale Borg-Maatschappij, a surety bonds insurer based in the Netherlands, with certain business also being underwritten in Belgium. AmTrust International Underwriters DAC ("AIU") completed the merger of the Nationale Borg business into AIU on 31 December 2017.

In the course of 2019, the AmTrust Group carried out a strategic review with its subsidiaries, including AIU, to identify core products and platforms. Following this review, the AmTrust Group, in conjunction with AIU, started a sale process of the AmTrust Group's surety businesses, including the AIU surety business.

Following an auction process, Liberty Mutual has been identified as the preferred bidder. On the 12th April 2019, the board of AIU met and approved the sale of the AIU surety business.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (Continued)

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 18 April 2019.