

*Summary Report of the Independent
Actuary on the proposed transfer of
insurance business from AmTrust
International Underwriters
Designated Activity Company to
AmTrust Assicurazioni SpA in
accordance with Section 13 of the
Assurance Companies Act 1909*

Report as at 19 February 2020



Prepared by:

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LCP

AmTrust International Underwriters DAC to AmTrust Assicurazioni SpA

Transfer of insurance business

Summary of the Independent Actuary's Scheme Report for the High Court of Ireland

1. The Proposed Transfer

The Proposed Transfer is part of AmTrust Group's (also referred to as AmTrust in this Summary Report) strategy regarding the business to be written by each entity ie so that all Italian medical malpractice business is in one insurer, AmTrust Assicurazioni SpA (AA), supervised by the Italian regulator IVASS.

This involves the transfer of the business from AmTrust International Underwriters DAC (AIU) to an Italian Company within the AmTrust Group, AA.

Proposed Transfer: it is proposed that AIU's Italian medical malpractice business will transfer from AIU to AA pursuant to Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the 2015 Regulations. The transfer is planned for 31 July 2020 (the Effective Date).

2. My role as Independent Actuary

AmTrust have appointed me to act as the Independent Actuary (IA) for the Proposed Transfer. The Central Bank of Ireland (CBI) has been notified of my appointment.

As IA, my overall role is to assess whether:

- The security provided to policyholders of AIU will be materially adversely affected by the implementation of the Proposed Transfer.
- The security provided to AA policyholders will be materially adversely affected by the implementation of the Proposed Transfer.
- The Proposed Transfer will have any materially adverse impact on service standards experienced by policyholders.
- Any reinsurer of AIU covering the transferring business will be materially adversely affected. Note that an assessment of the impact on AIU's reinsurers is not strictly required under Section 13 of the Assurance Companies Act 1909. However, I have included this assessment for consistency with the two Part VII transfers planned by AmTrust Group in the UK, and for which such an assessment is

required by the UK Prudential Regulation Authority (PRA).

3. Summary of my conclusions

To assess the effect of Proposed Transfer, I have considered it from four perspectives:

1. **"Non-transferring Policyholders", who will remain with AIU after the Proposed Transfer:** I have concluded that the security provided to Non-transferring Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Non-transferring Policyholders following the Proposed Transfer.
2. **"Transferring Policyholders", who will transfer from AIU to AA as a result of the Proposed Transfer:** I have concluded that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.
3. **"AA Policyholders", ie any policyholders of AA at the time of the Proposed Transfer who will remain with AA:** I have concluded that the security provided to AA Policyholders will not be materially adversely affected by the Proposed Transfer. No material impact on service standards is expected for AA Policyholders following the Proposed Transfer.
4. **Reinsurers whose contracts with AIU are transferring to AA as part of the Proposed Transfer:** I have concluded that reinsurers of AIU who provide cover for the transferring business will not be materially affected by the Proposed Transfer.

I have outlined the main reasons for me reaching the above conclusions later in this Summary Report.

4. About the Independent Actuary

I am a Fellow of the Institute and Faculty of Actuaries (IFoA) and am certified to act as a Signing Actuary for Statements of Actuarial Opinions for Lloyd's.

I am a Partner in the Insurance Consulting practice at LCP and have over 30 years' experience in general insurance covering all areas of general insurance actuarial work.

5. The IA's Scheme Report

This is a summary of the IA's full Scheme Report, "Scheme Report of the Independent Actuary on the Proposed Transfer of insurance business from AmTrust International Underwriters Designated Activity Company to AmTrust Assicurazioni SpA in accordance with Section 13 of the Assurance Companies Act 1909".

A copy of the full Scheme Report will be available for download free of charge for policyholders and other interested parties on the AmTrust Financial website: amtrustfinancial/amtrustinternational/legal/portfolio-transfers.

I will also prepare a Supplementary Report ahead of the Sanctions Hearing for the Proposed Transfer. The purpose of the Supplementary Report is to confirm and/or update my conclusions on the Proposed Transfer, based on any new material or issues that arise.

6. Non-transferring policyholders

I have concluded that the security provided to Non-transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

Summary rationale:

- The approach and methodology used to calculate insurance provisions and the level of reserves held by AIU are supported by my own independent projections.
- Further support is provided by the results of an independent external reserve review and a further independent external regulatory review.
- AIU has no plans to change the approach for how insurance provisions are set.
- The reserving process and governance for AIU will be materially unchanged post-transfer.
- The Transferring Policyholders represent only c. 28% of AIU's business based on booked provisions net of reinsurance as at 30 June 2019.
- The SCR coverage ratio for Non-transferring Policyholders is expected to decrease from 160% to 150% as a result of the Proposed Transfer. I do not consider the security provided to the Non-transferring Policyholders to be materially adversely

affected by this decrease as AIU will be well-capitalised and the coverage ratio remains above AIU's risk appetite.

- AIU's coverage ratio is expected to return to pre-transfer levels by September 2021 ie within 15 months of the Proposed Transfer, assuming all transfers proceed as planned.

I have concluded that no material impact on service standards is expected for Non-transferring Policyholders following the Proposed Transfer.

Summary rationale:

- AIU is not planning any material changes to how the non-transferring business is carried out.
- There are no plans to change how policyholders are serviced.

7. Transferring policyholders

I have concluded that the security provided to Transferring Policyholders will not be materially adversely affected by the Proposed Transfer.

Summary rationale:

- The Transferring Policyholders will remain within the AmTrust Group and AA is subject to the same group-wide policies as AIU.
- AmTrust has confirmed that the transferring policies will continue to be reserved for in the same way post-transfer as pre-transfer.
- The calculation of the transferring provisions has been performed using the same methodologies as the non-transferring provisions which I consider appropriate.
- The SCR coverage ratio for the Transferring AIU to AA Policyholders is expected to decrease from 160% to 150% as a result of the Proposed Transfer. I do not consider the security provided to Transferring Policyholders to be materially adversely affected by this decrease as AA will be well-capitalised and the coverage ratio remains above AA's risk appetite.
- AA's coverage ratio is expected to increase above pre-transfer levels by June 2021 ie within 12 months of the Proposed Transfer, assuming all transfers proceed as planned.

- The Solvency II prudential regulation framework will continue to apply to the transferring business post-transfer.

I have concluded that no material impact on service standards is expected for Transferring Policyholders following the Proposed Transfer.

Summary rationale:

- AmTrust is not planning any changes to how the Transferring Policyholders are serviced following the Proposed Transfer.

8. AA policyholders

I have concluded that the security provided to AA Policyholders will not be materially adversely affected by the Proposed Transfer.

Summary rationale:

- AA has no plans to change the approach for how insurance provisions are set.
- The size of the incoming portfolio of business from AIU will be relatively small compared to the volume of business expected to be written by AA by the Effective Date of the Proposed Transfer.
- The future reserving process and governance for AA will be materially unchanged post-transfer.
- The SCR coverage ratio for AA Policyholders is expected to increase from 145% to 150% as a result of the Proposed Transfer, and is projected to stay above this level. AA will be well-capitalised, and the coverage ratio is above AA's risk appetite.

I have concluded that no material impact on service standards is expected for AA Policyholders following the Proposed Transfer.

Summary rationale:

- AA is not planning any material changes to how the business is carried out.
- There are no plans to change how AA Policyholders are serviced following the Proposed Transfer.

9. Reinsurers

I have concluded that the reinsurers of AIU who provide cover for the transferring business will not be materially adversely affected by the Proposed Transfer.

Summary rationale:

- Exposure to claims faced by AIU's reinsurers will not change following the Proposed Transfer
- Reinsurers will continue to be required to pay out the same claim amounts in respect of the same events as before the Proposed Transfer.

10. Further information and next steps

Further details on my conclusions, and other supporting information, are set out in my full Scheme Report.

I will be reviewing these conclusions and preparing a Supplementary Report before the Court considers its final approval of the Proposed Transfer at the Sanctions Hearing. The purpose of the Supplementary Report is to confirm and/or update my conclusions based on any new material or issues that arise.

Stewart Mitchell

Fellow of the Institute and Faculty of Actuaries

19 February 2020

Use of this Summary Report

This Summary Report has been produced by Stewart Mitchell FIA of Lane Clark & Peacock LLP under the terms of our written agreement with AmTrust Management Services Limited. It is subject to any stated limitations (eg regarding accuracy or completeness).

This Summary Report has been prepared for the purpose of summarising the full Scheme Report accompanying the application to the Court in respect of the proposed insurance business transfer scheme described in that report, in accordance with Section 13 of the Assurance Companies Act 1909, Section 13 of the Insurance Act 1989 and Regulation 41 of the 2015 Regulations. The Scheme Report and this Summary Report are not suitable for any other purpose.

A copy of the both this Summary Report and the Scheme Report will be sent to the Central Bank of Ireland, and the full Scheme Report will accompany the Scheme application to the Court.

This report is only appropriate for the purpose described and should not be used for anything else. No liability is accepted or assumed for any use of the Summary Report or Scheme Report for any other purpose than that set out above.

This Summary Report has been prepared under the same scope and limitations set out in the full Scheme Report. In the event of any real or perceived conflict between this Summary Report and the full Scheme Report, the Scheme Report shall prevail.

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