

AmTrust International Underwriters DAC

6-8 College Green
Dublin 2
D02 VP48
Ireland

Lane Clark & Peacock LLP

95 Wigmore Street
London
W1U 1DQ

6 March 2023

Dear AIUD

Proposed transfer of insurance business from AmTrust International Underwriters Designated Activity Company (AIUD) to Bothnia International Insurance Company Limited (Bothnia)

I refer to my Scheme Report dated 30 November 2022 prepared in accordance with Section 13 of the Assurance Companies Act 1909 in relation to the proposed transfer of insurance business from AmTrust International Underwriters DAC ("**AIUD**") to Bothnia International Insurance Company Limited ("**Bothnia**") (the "**Scheme Report**") together with my Supplementary Report dated 14 February 2023 (the "**Supplementary Report**").

For the purposes of the letter the term "**Proposed Transfer**" refers to the proposed transfer of French medical malpractice ("**FMM**") business from AIUD to Bothnia.

Currency Correction

I want to draw the reader's attention to section 7.2 at page 37 of the Scheme Report and the table entitled "Solvency II balance sheets of AIUD and Bothnia" (the "**Table**") which stated as follows:

€m	Pre-Transfer		Post-Transfer		Movement due to Proposed Transfer	
	AIUD	Bothnia	AIUD	Bothnia	AIUD	Bothnia
Reinsurer's share of TPs	604.0	218.2	459.5	328.7	-144.5	+110.5
Investments	393.4	121.7	393.4	146.0	-	+24.3
Cash	49.7	13.9	46.1	13.7	-3.6	-0.2
Debtors	77.1	15.0	72.5	15.0	-4.6	-
Other	25.4	10.7	24.8	10.7	-0.7	-
Total assets	1,149.5	379.6	996.1	514.1	-153.4	+134.5
Technical provisions	748.9	260.9	599.1	394.1	-149.8	+133.2
Creditors	53.1	66.2	44.9	65.4	-8.2	-0.8
Other	110.3	24.0	110.4	24.0	-	-
Total liabilities	912.3	351.1	754.3	483.5	-158.0	+132.4
Adjustment to own funds		8.4		12.9		+4.5
Own funds	237.2	36.9	241.8	43.5	+4.6	+6.6
SCR	157.1	16.8	148.5	25.8	-8.6	+9.0
SCR coverage ratio	151%	219%	163%	169%	+12%	-50%

By way of clarification, the figures set out in the Table should read as follows:

€m	Pre-Transfer		Post-Transfer		Movement due to Proposed Transfer	
	AIUD	Bothnia	AIUD	Bothnia	AIUD	Bothnia
Reinsurer's share of TPs	604.0	218.2	459.5	317.7	-144.5	+99.5
Investments	393.4	121.7	393.4	144.4	-	+22.7
Cash	49.7	13.9	46.1	13.5	-3.6	-0.4
Debtors	77.1	15.0	72.5	15.0	-4.6	-
Other	25.4	10.7	24.8	10.7	-0.7	-
Total assets	1,149.5	379.6	996.1	501.4	-153.4	+121.8
Technical provisions	748.9	260.9	599.1	380.9	-149.8	+120.0
Creditors	53.1	66.2	44.9	68.3	-8.2	+2.1
Other	110.3	24.0	110.4	24.0	-	-
Total liabilities	912.3	351.1	754.3	473.2	-158.0	+122.1
Adjustment to own funds		8.4		11.2		+2.8
Own funds	237.2	36.9	241.8	39.5	+4.6	+2.6
SCR	157.1	16.8	148.5	22.5	-8.6	+5.7
SCR coverage ratio	151%	219%	163%	176%	+12%	-43%

By way of explanation, the discrepancy in the amounts is because when the figures were provided to me on 20 October 2022 to prepare the Scheme Report, Bothnia was reporting the FMM liabilities in US dollars rather than Euro and accordingly US Dollar amounts were used for the purposes of calculating the post-transfer figures in the Table in relation to Bothnia. This had the effect of overstating the gross technical provisions for Bothnia by €13.2m in the Scheme Report. The post-Transfer technical provisions were stated to be €394.1m when in fact they should have been stated as being €380.9m. This and other consequential changes are shown in the table above.

In the Supplementary Report, I draw the reader's attention to the table on page 21 entitled "Solvency II balance sheets of AIUD and Bothnia" (the "**Supplementary Table**") which correctly states the post-transfer technical provisions for Bothnia as €384.7m. If the reader reviews the Table and the Supplementary Table together, it appears (due to the error in the Table) that there is a reduction in technical provisions from €394.1m to €384.7m. However, the correct position is that there is actually an increase from €380.9m to €384.7m.

The difference between AIUD and Bothnia has therefore reduced from €29.8m as at the time of the Scheme Report to the €28.0m shown in the Supplementary Report.

The impact of this incorrect reporting is much reduced by Bothnia's 85% quota share reinsurance with Pallas Re.

I confirm that the inclusion of the US Dollar amount instead of the Euro amount does not change the conclusions I reached in the Scheme Report or the Supplementary Report in relation to the Proposed Transfer.

Loss Portfolio Transfer

For completeness, I wish to draw the reader's attention to the fact that Bothnia has made me aware of a potential loss portfolio transfer from SiriusPoint Ltd to Pallas Reinsurance Company Ltd (the "**LPT**"), Bothnia's 85% quota share reinsurer of liabilities transferring pursuant to the Proposed Transfer.

The LPT will be effective as at 30 June 2023, subject to regulatory approval by the Bermuda Monetary Authority.


The SCR coverage ratio for Pallas Reinsurance Company Ltd quoted in the Supplementary Report was 258% as at 30 June 2022 and at the point of the Proposed Transfer as at Q1 2023 this is projected to be 228%.

I have been provided with projections of Pallas Reinsurance Company Ltd's SCR coverage ratio over time by Bothnia. At the point of the LPT at 30 June 2023, the coverage ratio is expected to be at least 155% (ie the target minimum solvency ratio for Pallas Reinsurance Company Ltd) before increasing to 190% by the end of 2023.

Given that Pallas Reinsurance Company Ltd is projected to remain well capitalised (as defined in the Scheme Report and Supplementary Report) throughout this period, this potential LPT does not lead me to change any of the conclusions in the Scheme Report or Supplementary Report in relation to the Proposed Transaction.

This letter is provided under the terms of LCP's appointment letter with AIUD and Bothnia, dated 10 August 2022.

Yours sincerely



Stewart Mitchell FIA
Partner

+44 (0)207 432 0698
stewart.mitchell@lcp.uk.com



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