American
Hellenic Hull
Insurance Company

2016
Solvency & Financial Condition Report

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1 Business Performance

1. Business Performance

1.1 Business

1.1.1 *Name and legal form of undertaking*

American Hellenic Hull Insurance Company Limited. The undertaking is a limited liability company by shares.

1.1.2 *Name and contact details of the supervisory authority*

The supervisory authority of the undertaking is Superintendent of Insurance

Mrs Victoria Natar

Address: P.O. Box 23364, 1682 Nicosia

Telephone Number: 22602990

Fax Number: 22302938

E-mail: insurance@mof.gov.cy

The group supervisory is New York Superintendent of Insurance

1.1.3 *Name and contact details of the external auditor*

Moore Stephens (Limassol) Limited

196 Arch. Makarios Ave., Ariel Corner, 1st floor, office 102, 3030 Limassol | Cyprus

Partner, Christos Tsissios

e-mail: c.tsissios@moorestephens.com

tel.: +357 25 820280

Fax: +357 25 344237

1.1.4 *Description of the holders of qualifying holdings in the undertaking*

The direct holding company of the undertaking is AHHIC Inc, a United States Company, which holds 100% of the shares in American Hellenic Hull Insurance Company Limited. AHHIC Inc is a 100% subsidiary of American Steamship Owners Mutual Protection and Indemnity Association, Inc. (trading as the American Club), which is the ultimate holding entity of the undertaking.

1.1.5 *Details of the undertaking's position within the legal structure of the group*

The undertaking is a wholly owned direct subsidiary of the AHHIC Inc, which is wholly owned by American Steamship Owners Mutual Protection and Indemnity Association, Inc. (trading as the American Club). The American Club which was established in New York in 1917.

The American Club is a member of the International Group of P&I Clubs, an unincorporated association of thirteen independent mutual insurance associations which together provide Protection and Indemnity insurance for approximately 90% of of the world's ocean-going tonnage.

1.1.6 *Material lines of business and material geographical areas where the undertaking carries out business*

The undertaking has a licence to carry out insurance activities under non-life Class 6, that is to provide insurance cover in connection with damage of or loss of sea vessels or lake vessels, or river or canal vessels as well as the damage to or loss of the machinery, the fittings and features or the equipment of such vessels. The headquarters of the undertaking are situated in Limassol, Cyprus. The undertaking has the right to provide insurance services in all other Member States of the European Union under Freedom of Services.

1.1.7 *Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking*

Company has obtained its license to carry out insurance activities on 24th June, 2016 and has started insurance operations on 1st July, 2016. Apart from this event, there were no significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking.

1.2 Underwriting performance

AHHIC Ltd. obtained its operating license on 24/06/2016 and started operating on 01/07/2016. For the period as from 01/07/2016 – 31/12/2016 the company has achieved to surpass the underwriting premium and the no. of vessels covered targets, as these were set and presented in its original business plan that was submitted to the Cypriot Authorities. Briefly, during its first seven months of operating:

- *American Hellenic Hull Insurance brand grows steadily according to targets*
- *Strict Underwriting policy patterns that we evaluate everyday*
- *Monitor intensively the Claims' company/vessels fluctuations and metrics, so we can foresee the path ahead*
- *Financial update, that acts upon cautions that need to improve*
- *Operations plan 2017 that transforms all employees into Committed Managers to the growth of AHHIC*

1.2.1 *Qualitative and quantitative information on the undertaking's underwriting performance, at an aggregate level*

Company has achieved to book a total amount of $4.3mio in written premium during its first six months of operations. However, due to a) short reporting period and b) the fact that a large number of renewals and new entries occurred during the last two months of 2016, most premium is showed in company's Financial Statements as Unearned Premium in Balance Sheet. As a result, net earned premium recorded on company's statement of comprehensive income remained at low levels:

PROFIT AND LOSS ACCOUNT	**1/7 - 31/12/16**
	AMOUNTS US$
GROSS WRITTEN PREMIUM	**4,267,050**
NET EARNED PREMIUM	**375,032**
NET CLAIMS	-1,535,738
TOTAL COMMISSIONS AND FEES	-697,109
OTHER OPERATING EXPENSES	-558,904
PROFIT / (LOSS) BEFORE TAX	**-2,416,720**

Claims' incidents for the period were 82 (representing 9.05% of the total number of insured vessels). Out of these 82 cases, 19 incidents (all blue water vessels) represented a 72.22% of the total claims' cost.

Only a 1.6% of insured vessels incurred major claims (major claim is an incident, cost of which exceeds the amount of $500,000.- on 100% basis)

A typical vessel with claim is 12.17 years old and its Gross Tonnage (GT) is 23,742.04.

Average cost of surveyors / adjusters / legal advisors represents a 7.34% per claim.

American Hellenic Hull Insurance Company Ltd. (AHHIC) Underwriting protocol has been very strict leading to a very selective attitude on risks' acceptance. This can be extracted by the table below, that indicates the diligence that Managers show:

Item	July	August	September	October	November	December
Fleets seen	30	15	44	21	46	37
Fleets insured	2	1	4	24	14	9

It is evident that only 28% (54) of all the fleets (193) approached AHHIC for coverage actually were insured.

The strict underwriting protocol comprises, among others, of guidelines as follows:

- *Only "white flags";*
- *Only IACS Classed vessels;*
- *Only vessels of not more than 15 years old, unless they are part of a fleet whose total average year of built does not exceed 15 years.*

In light of the above, by 31/12/16 AHHIC had insured 821 "blue water" vessels and 85 "brown water ones"; AHHIC portfolio consisted of 96 "blue water fleets" and 5 "brown water" ones.

In addition, the vessels insured were flagged and classed as follows (both for blue and brown water):

Antigua & Barbuda	126		ABS	62
Bahamas	16		BV	171
Other	105		CCS	3
Cyprus	62		DNV/ GL	321
Gibraltar	28		Other	15
Greece	46		LRS	69
Isle of Man	30		NKK	125
Italy	66		RINA	140
Liberia	196			
Malta	76			
Mashall Islands	93			
Panama	54			
Singapore	8			

As mentioned above, insured vessels' age should not exceed 15 years; the following table is indicative of the average year of the vessels insured with AHHIC; it is indicative also to the fact the world fleet age was improved the recent years.

Age Band	No of vessels
0-4	130
5-8	269
9-11	127
12-15	142
more than 16*	238

*: most of the brown water portfolio consists of older vessels; those vessels mostly operate within inland/ coastal

waters; furthermore many passenger vessels are older; notwithstanding the aforementioned, the vessels whose age is above 15 years old do not exceed the 23% of the total number of vessels insured.

Finally, AHHIC's portfolio is homogenous, as far as the type of "blue water" vessels are concerned:

Type	No of vessels
Bulk Carriers	275
General Cargo	44
RO/RO & RO/RO PAX	143
PAX	8
Tanker	169
Container	176
Anchor Handling	6

As far as the "brown water" fleet is concerned, it consists of special type of vessels such as dredgers, launches, barges, etc. in addition, subject fleet consists of small coastal ferries and port tugs.

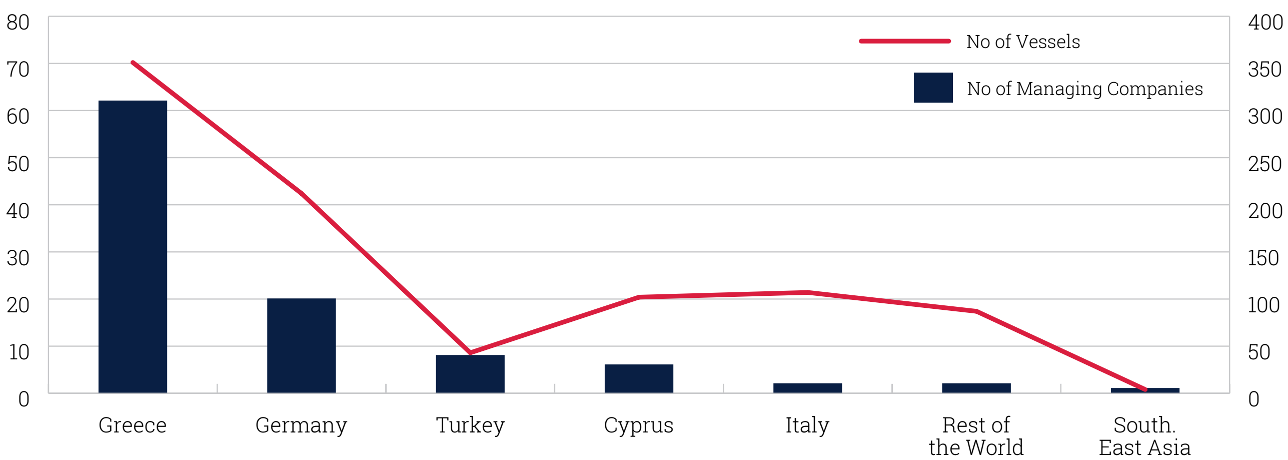
1.2.2 *Qualitative and quantitative information on the undertaking's underwriting performance by material geographical area*

As of 31/12/16, American Hellenic Hull Insurance Company had insured 101 fleets (96 "blue water" and 5 "brown water"). The total number of vessels reached 906.

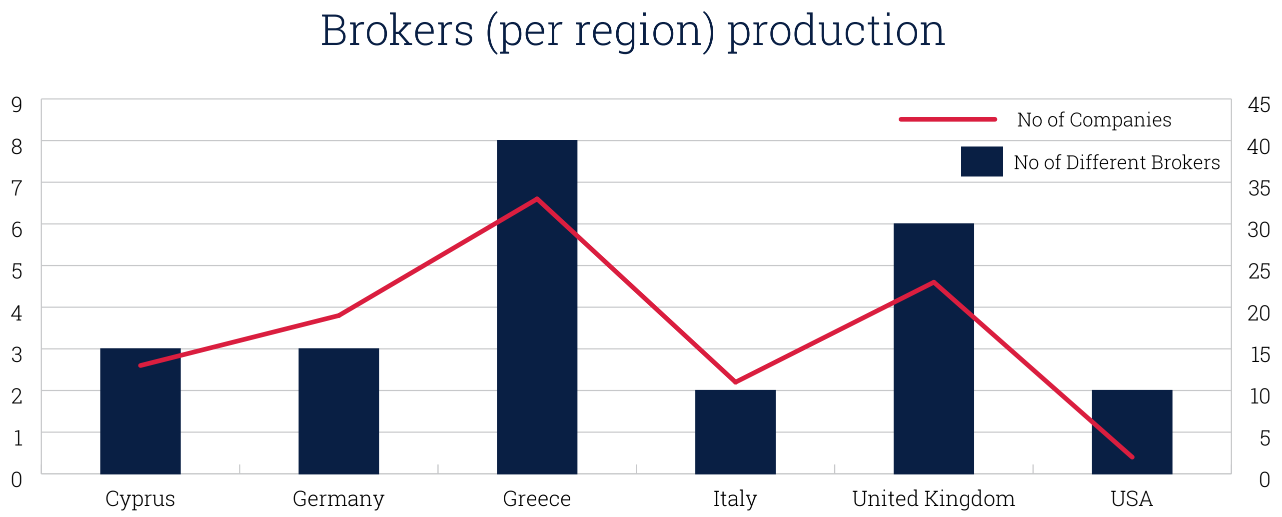
The "demographic" of the fleets was as follows:

Country	No of Managing Companies	No of vessels
Greece	62	351
Germany	20	212
Turkey	8	43
Cyprus	6	102
Italy	2	107
Rest of the world	2	87
South. East Asia	1	4

Origins of Managing Companies



Broker Country of Origin	No of Different Brokers	No of Companies
Cyprus	3	13
Germany	3	19
Greece	8	33
Italy	2	11
United Kingdom	6	23
USA	2	2



1.3 Investment Performance

According to company's investing philosophy investment activities should not pose undue risks to capital. Company maintains at all times a well-diversified investment portfolio. Company currently holds money in operating accounts, time deposits and / or investments in money market products of minimum risk.

1.3.1 *Income and expenses arising from investments by asset class and,*

As of 31st December 2016 there was an unrealized profit, amount of $6.032,63 generated from company's investment in money market products. This unrealized profit a 0,17% Rate of Return on invested funds.

1.3.2 *Any gains and losses recognised directly in equity*

As of 31st December 2016 there were no gains or losses recognised directly in equity.

1.3.3 *Any investments in securitisation*

There are not any investments in securitisation.

1.3.4 *Performance of other activities*

There are no other activities.

1.3.5 *Other material income and expenses*

There is no other material income and other expenses that incurred over the reporting period (company is a start-up and no previous period shown in the undertaking's financial statements).

1.4 Any other information

There is no other material information regarding the business and performance of the undertaking.

2 System of Governance

2. System of Governance

2.1 General information on the system of governance

2.1.1 *The structure of the Board of Directors (BoD)*

The Board of Directors of the undertaking is comprised of seven directors.

Currently, the Board of Directors has two committees: the Audit Committee and the Finance and Investment Committee. Three directors are members of the Audit Committee and two directors and the General Manager of the undertaking members of the Investment Committee.

The BoD is made up by 7 members. The current membership of the Company's BoD presented below:

Chairperson (Non-Executive)	Vincent Solarino
Vice Chairperson (Non-Executive)	....
Secretary of the BoD	Fidentia Secretarial Ltd
Member (Executive)	James P. Corcoran
Member (Executive)	Joseph Edwin Hughes Morgan
Member (Executive)	Dorothea Ioannou
Member (Non-Executive)	Andreas Georghadjis
Member (Independent Non-Executive)	Demos Demou
Member (Independent Non-Executive)	Manolis Hadjimanolis

Description of its main roles and responsibilities

The Board of Directors is the ultimate authority for the management of the undertaking and it maintains responsibility for the prudent management of the undertaking. The main roles and responsibilities of the Board are to organise and direct the affairs of the undertaking in a manner that seeks to protect its policyholders' funds and maximize the value of the undertaking for the benefit of its shareholders, while complying with regulatory requirements and relevant governance standards.

The main roles and responsibilities of each committee are governed by its Terms of Reference.

Brief description of the segregation of responsibilities within these bodies (e.g. committees)

The Audit Committee is accountable to the Board of Directors and shall assist the Board of Directors in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations, including its obligations under stock exchange listing rules and under applicable laws and regulations and shall be directly responsible on behalf of the Board of Directors for the selection, oversight and remuneration of the external auditor.

The Finance and Investment Committee assists with the formulation of the undertaking's overall investment strategy and policy, oversees and reports on the implementation of the investment strategy, and recommends any material changes to such strategy to the Board of Directors.

The respective responsibilities of these bodies were set out above.

The Audit Committee comprises in its majority by independent non-executive Directors. Members of the Audit Committee do not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the objectives of the Audit Committee.

2.1.2 *Description of the main roles and responsibilities of key functions*

Internal Audit Function

The Internal Audit function of the Company is administratively independent of any functions which have operational responsibilities. The Internal Audit function reports to the BoD through the Audit Committee. The Internal Audit function does not subordinate to any other operational function of the Company however, all its reports are communicated to the Company's Management.

The Internal Audit Function is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of the system of governance. The responsibilities of this function are governed by the Internal Audit Manual, which is approved by the BoD and reviewed annually.

Compliance Function

The Compliance Function reports to the CEO / General Manager. The Compliance Function is administratively independent of risk taking functions e.g. underwriting and claims. It also has a direct reporting line to the BoD, in order to ensure its operational independence and safeguard its ability to escalate important issues.

The main function of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework. The activities and responsibilities of the Function are governed by the Compliance Manual, which is approved by the BoD and reviewed annually.

The function is subject to audit by the Internal Audit Function.

Actuarial Function

The Actuarial function advises the Senior Management and the BoD of the Company on the valuation of the technical provisions, the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system. Additionally, it is responsible to assist where requested in the pricing adequacy. The Actuarial Function is a measure of quality assurance with a view to safeguarding that certain control tasks of the Company are based on expert technical actuarial advice.

Risk Management Function (RMF)

The RMF aims at facilitating the implementation of the Risk Management System of the Company. The mission of the RMF is the efficient and effective management of risks in accordance with the risk appetite of the Company, as stipulated in its Risk Appetite and Tolerance Statement.

In order to achieve its mission, the RMF designs and implements strategies, processes and reporting procedures necessary to identify, measure, monitor and report the risks on an individual and on an aggregate level.

2.1.3 *Material changes in the system of governance over the reporting period*

AHHIC is a start-up company and system of governance is now being established. Under this context there were no material changes in the system of governance over the reporting period.

2.1.4 *Remuneration policy and practices for the BoD and employees*

Principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration

Board of Directors: The remuneration of Board Directors takes into account financial and non-financial performance. Remuneration of non-Executives takes into account other factors, such as their regular attendance and of Board and Committee meetings and their responsibilities.

Non-executive Members of the Board receive an agreed annual fee which has been approved during company's first meeting of the Board of Directors, 8th September, 2016.

Company has outsourced all management and administration affairs to Hellenic Hull Management (HMA) Limited, which is remunerated according to the provisions of a Management Agreement which has been ratified during company's second Board of Directors, on 6th December, 2016.

Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

There is no provision of any entitlement to share options, shares or variable components of remuneration to the Members of the Board of Directors.

With regards to company's managers, Hellenic Hull Management (HMA Limited) there are certain remuneration provisions of annual fee and profit commission. Exact mechanism of managers' remuneration is described in detail in section 7 of relevant Management Agreement signed between AHHIC Ltd. and Hellenic Hull Management (HMA) Limited, ratified on 6th December, 2016.

A description of the main characteristics of supplementary pension or early retirement schemes for the members of the BoD and other key function holders

There is no provision for supplementary pension or early retirement schemes for the members of the BoD and other key function holders.

2.1.5 *Information about material transactions during the reporting period with:*

Shareholders

There were no material transactions with Shareholders during the reporting period.

Persons who exercise a significant influence on the undertaking

There were no material transactions with persons who exercise a significant influence on the undertaking during the reporting period.

Members of the BoD

There were no material transactions with Members of the BoD during the reporting period.

2.2 Fit and proper requirements

All members of the Board of Directors and people who effectively run the business or have other key functions have professional skills, expertise and knowledge as per the requirements of Article 44 of the Insurance and Reinsurance Activities and other Related Matters Law of 2016 (Law 38(I) / 2016) and applicable regulations.

2.2.1 *Description of the specific requirements concerning skills, knowledge and expertise*

The fit and proper requirements are set out in section 8 of the Governance Manual of the undertaking.

2.2.2 *Description of the undertaking's process for assessing the fitness and the propriety*

The undertakings' process for assessing the fitness and the propriety is set out in section 8 of the Governance Manual of the undertaking.

2.3 Risk management system including the own risk and solvency assessment

2.3.1 *Description of the undertaking's risk management system and how it is able to effectively identify, measure, monitor, manage and report, on a continuous basis*

2.3.1.1 *Principles*

The Risk Management System is governed by the Risk Principles defined by the BoD. The main principles adopted by the Company regarding the management of risk are listed below:

- The Company aims to create and promote a strong risk culture that is embedded in all aspects of the Company's activities.
- The BoD in carrying out both its management and supervisory functions has collectively a full understanding of the nature of the business and its associated risks
- The BoD is responsible for setting AHHIC's risk appetite and risk tolerance at a level which is commensurate with its sound operation and the strategic goals of the Company
- The Company has an established, comprehensive and independent from risk taking activities RMF
- The Company applies high standards of transparency with regards to the performance of its operations and communicates all the information it considers necessary to the interested and affected parties.
- New products, markets, and business strategies are analysed carefully and the Company makes sure that it possesses adequate internal tools and expertise to understand and monitor the risks associated with them
- The risk management framework is subject to an independent review by the Internal Audit Function.

2.3.1.2 *Risk Appetite*

In line with its overall strategy, the Company's appetite is for underwriting risk and specifically related to Marine Hull. Hence, non-life underwriting risk accounts for the most significant portion of the Company's risk portfolio. Nonetheless, the Company accepts that underwriting inevitably gives rise to other risk exposures,

such as the counterparty default risk that arises from the agreements with reinsurers and from the delays in the collection of premiums from brokers, as well as operational risk. The Company acknowledges that these risks are unavoidable and seeks to reduce these risks to a reasonable and practicable extent.

Moreover, like any other insurance company, the Company has a capital base, the investment of which introduces some investment risk. The Company has a very low appetite for investment risk and hence it invests its portfolio of assets in a manner that ensures security of investments, adequate diversification as well as sufficient liquidity to meet liabilities as they fall due.

2.3.1.3 *Risk Management Cycle*

The Company's Risk Management System encompasses a number of key processes and procedures which address the Company's key risks. These steps are summarised below:

a. ***Risk identification*** - Risks are identified and documented in the Risk Register. Risk and control owners are assigned to each risk to ensure accountability for managing all material risks and the related controls.

b. ***Risk assessment*** - The risk exposures are then assessed qualitatively on a gross basis (inherent risk) and on a net basis (residual risk) on established criteria for frequency and severity for risk not covered by capital and using the Value at Risk (VaR) measure for risks covered by capital.

c. ***Risk control and mitigation*** - The Company designs and implements controls to prevent or detect the occurrence of an identified risk event or to mitigate its severity. The Company's control activities are documented in the Risk Register.

d. ***Risk monitoring*** - At least once a year, net risks are compared to the stated risk tolerance levels and the Risk

Register is formally reviewed by the RMF. Moreover, the RMF, together with the Actuarial Function, runs the stress and scenario tests as specified in the Board policies. A set of Key Risk Indicators is being developed to be used for a more frequent assessment of the risk exposures of the Company.

2.3.1.4 *Risk Reporting*

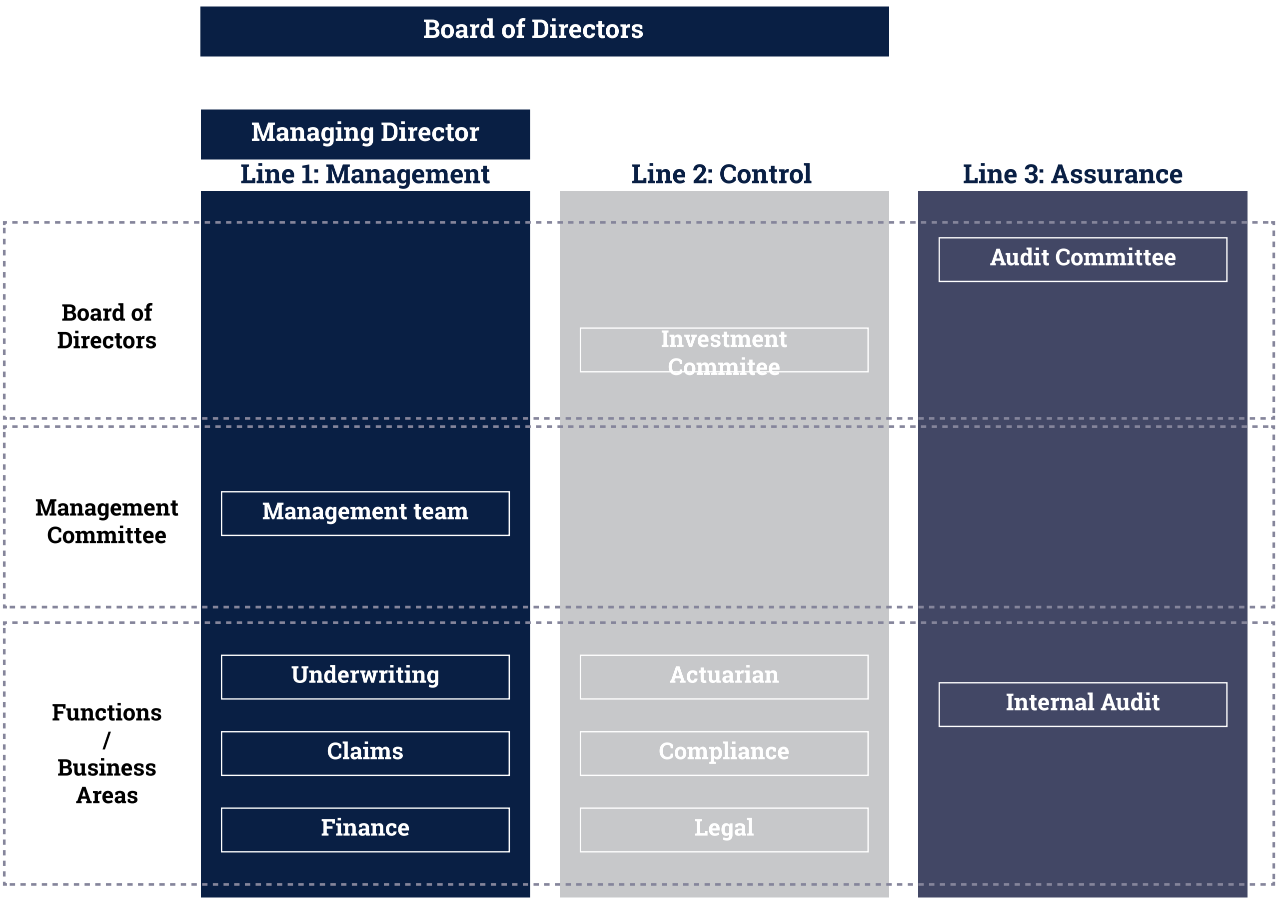
The RMF reports to the BoD at least annually on its assessment of material risks and the management thereof, in particular the actions being taken to mitigate or control key risk exposures. It is also obliged to report the following to the BoD, without delay:

- Any significant changes to the overall risk profile of the Company
- Any deviations from the risk management strategy or risk appetite
- Any risk management matters in relation to strategic affairs, such as major projects and investments

2.3.2 *Description of how the risk management system (including the RMF) are implemented and integrated into the organisational structure and decision-making processes of the undertaking*

In implementing its risk management strategy, the Company operates the 'Three Line of Defence Model' to manage its risk and control its activities. This ensures the establishment of clear responsibility boundaries, the proper segregation of duties and the avoidance of conflicts of interest at all levels, including the BoD, Senior Management, RMF and Business Units.

Responsibility for the management of individual risks (**first line of defence**) vests with the function identified as the risk (and control) owner. Each risk owner is accountable for all the RMS processes and procedures outlined above in relation to the owned risks.



The RMF acts as a **second line of defence** by assisting and supporting such processes and procedures, reporting risks in a timely manner and ensuring an aggregated and consistent approach towards risk management. The tasks of the actuarial function are outsourced to Lux Actuaries & Consultants (Cyprus) Ltd.

The role of the RMF is to:

- Support the BoD in the determination and implementation of the risk strategy and capital planning
- Coordinate the implementation of the risk management framework
- Be the main unit for risk management responsibilities
- Report to the Senior Management
- Risk management training to the BoD, Committees, Senior Management and risk-taking functions directly involved in the management and oversight of risk, on the contents of, and for providing guidance on their application
- Monitor the risk profile of the Company against the company's risk appetite
- Develop internal risk methodologies and models
- Bring to the attention of the BoD any breaches of the Risk Management Policy

The RMF is assisted by the Actuarial Function on the technical aspects of risk management and modelling.

The **third line of defence** which comprises of the Internal Audit Function undertakes independent reviews and testing of the risk management framework or of specific components of the framework and reports the results to the Audit Committee.

The Company embeds the risk management system into the organisational structure and supports it by appropriate internal controls and by information systems that provide relevant, accurate and reliable information. The risk management system then provides information that are fed into the decision-making processes by assessing the risk exposure of alternative strategies the Company is considering with respect to risk mitigation, business volumes and investments.

2.3.3 *Description of the risks on an individual and aggregated level, to which the undertaking is or could be exposed*

The primary risk exposure of the Company arises from its underwriting activities. This is consistent with the risk appetite of the AHHIC. Premium and reserve risks are the main drivers of the exposure to underwriting risk as catastrophe risk is almost to its entirety ceded through the reinsurance contracts in force. Being a start-up insurer, AHHIC is fully aware of the disastrous effect a catastrophe event could have on its solvency and financial position and hence it chooses to mitigate that risk, at of course a cost.

By entering into reinsurance arrangements, the Company exposes itself to counterparty default risk. In order to minimise this risk, all risk mitigation is placed through at least A-rated reinsurers.

Another element introducing counterparty default risk as at year end 2016 was the exposure to local banks through cash holdings. Steps have already been taken for this risk to be eliminated through transfers of the funds to A-rated international banks.

The Company's exposure to market risk is immaterial and aligned with its risk appetite. This was achieved through investments in high-graded and well-diversified money market funds.

2.3.4 *Process adopted to fulfil the obligation to conduct an ORSA*

2.3.4.1 *Description of the process undertaken by the undertaking to fulfil its obligation to conduct an ORSA as part of its risk management system*

In line with the Company's ORSA policy, ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks the Company faces or may face and to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times.

AHHIC follows the steps below to implement its ORSA:

a. ***Identify and classify risks*** - The Company identifies the material risks it faces at a particular point in time. This includes risks considered in the SCR standard formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks.

b. ***Assessment and measurement of risks*** - the Company collects data, quantifies and aggregates risks using different approaches such as Value at Risk and stress testing. The assessment is done using predefined risk metrics.

c. ***Capital Allocation*** – According to its risk profile, the Company determines the necessary risk capital required at that point in time.

d. ***Capital planning*** – The company projects its risk profile based on its business plan and prepares a capital plan over the business planning horizon. The capital plan depends on its strategic objectives and financial projections and assumptions on future economic conditions.

e. ***Stress testing*** - The Company applies stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future.

f. ***Communicate and document the results*** – The Company presents the results of the process to senior management and the Board of Directors and prepares the ORSA report.

2.3.4.2 *How the ORSA is integrated into the organisational structure and decision making processes of the undertaking*

ORSA covers all the operations of the organisation and all business units of the company. The BoD is the body that bears ultimate responsibility for the ORSA, its application and embedment within the Company's day to day procedures. The roles and responsibilities for the ORSA for each body and function of the company (BoD, Senior Management, RMF, Actuarial Function, Compliance Function, Finance Function, Internal Audit Function, Risk Taking Departments) are defined in the ORSA policy of AHHIC.

The ORSA process is not independent from the "business as usual' process of the Company. As a result, the RMF reports the Company's risks and stress tests and the BoD and Management make decisions upon the results of these procedures. In addition, the Company considers the impact on its capital in its financial projections. Strategic decisions are assessed and evaluated in the light of their effect on the Company's risk situation and risk-bearing capacity over the business planning horizon. Such strategic decisions include but are not limited to:

- Introduction of new products
- Utilisation of additional distribution channels
- Target business volumes
- Reinsurance arrangements
- Investment decisions

2.3.4.3 *A statement detailing how often the ORSA is reviewed and approved by the BoD*

The Company currently performs the ORSA annually. The assessment will be repeated immediately following any significant changes to the internal or external environment that the company operates.

2.3.4.4 *A statement explaining:*

how the undertaking has determined its own solvency needs given its risk profile

The Company determined that the Solvency II standard formula would be used to calculate the required solvency capital and to assess the overall solvency needs. The standard formula is widely used internally as it represents the main metric for the ongoing management of risk and capital. Given the characteristics of AHHIC's portfolio, AHHIC is confident that the risk capital as calculated by the standard formula is generally at least equal to the actual underlying risk of the company. Furthermore, we observe that the ranking of risks as quantified by the standard formula represents the expectations of the management which provides additional comfort about the merits in adopting this approach.

how its capital management activities and its risk management system interact with each other

A three-year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ('SCR') is produced using the standard formula. The results are subjected to a range of scenario testing that is reviewed by management and challenged by the BoD and, where appropriate, potential management actions are noted and conclusions drawn. Based on the scenarios presented to the BoD, it is assessed whether the Company is adequately capitalised and if not what options are available.

2.4 Internal control system

2.4.1 *Description of the undertaking's internal control system*

Every member of the Company has a role in the system of internal control. Internal control is people-dependent and its strength dependents on people's attitude toward internal control and their attention to it:

- The BoD is responsible for setting the strategy, tone, culture and values of the Company
- Management, Risk Management, Compliance and Actuarial function design policies and procedures to ensure that an effective internal control system is established within the Company
- The Internal Audit function monitors the effectiveness of the internal control system

In accordance with the standardized framework for internal control used by COSO, there are five interrelated components of effective internal control, which are discussed in the following sections:

- Control Environment
- Risk Assessment
- Control Activities
- Reporting
- Monitoring

The Company has established the necessary assessment criteria for evaluating its internal control system.

2.4.2 *Description of how the compliance function is implemented*

Compliance is a responsibility shared by all staff. Regardless of their position within the Company or the Management Company, all individual employees share the responsibility of compliance with applicable laws, regulations and business standards. To this effect, Senior Management ensures that all staff in their respective departments has knowledge of applicable compliance policies, and understand the regulations, standards and best practices associated with the discharge of their respective duties, as well as the compliance risks involved and managing of such risks.

AHHIC adopts the following principles with respect to the operations of the Compliance Function:

a) The operation of the Compliance Function is assigned to a person/function who/which is independent from other significant functions of the Company where there might be possible conflicts of interest

b) The Compliance Function has a formal status within the Company to give it appropriate standing and authority

c) The Compliance Function reports to the BoD through the Audit Committee and to the General Manager of the Company

d) The Compliance Function carries out its responsibilities on its own initiative in all areas of the Company in which compliance risk exists and report any irregularities or possible breaches without fear of retaliation or dissatisfaction from Management

e) The Compliance Function should be undertaken by persons that have the necessary qualifications, experience and professional qualities to carry out its duties

f) The responsibility of the Compliance Function is to assist the General Manager and the BoD in managing effectively the compliance risks faced by the Company

2.5 Internal audit function

2.5.1 *Description of how the undertaking's internal audit function is implemented*

Internal audit execution, including development of the audit program, is performed after approval of the Internal Audit Plan.

During the internal audit execution process the following activities are conducted:

- Business Process Analysis
- Creation of Internal Audit Program
- Execution of the Program
- Documentation of Evidence and Report Issues

The activities performed during internal audit execution may allow the IAF to identify operational weaknesses and cost-saving recommendations which are important to adding value to the Company.

2.5.1.1 *Audit preparation*

Information for the audit is gathered during the preparation stage, from information available from previous audits (as applicable), procedures manuals, as well as information gathered on site and through discussions with Management.

The scope of the on-site visit is to obtain a full understanding of the audited cycle of operations, to perform business process analysis and to define the specific risk factors.

By reviewing all information gathered, auditors can identify manual and automated controls, establish the time period for the audit, necessary evidence, and any necessary special knowledge and auditing tools needed. Objectives are identified during the planning phase in order for the auditor to focus on the required audit work for each case.

2.5.1.2 *Preparation of Internal Audit Programmes*

Audit programmes are developed based on the information gained during the audit preparation. Audit programmes for each audited area are completed during the Internal Audit visits.

2.5.1.3 *Documentation of Evidence*

During the course of the Internal Audit visits, the evidence gathered from testing is documented in the working papers. Each test procedure should link back to the specific scope of the internal audit project. Upon completion of the test / audit work, the audit program is referenced to the relevant working papers.

During the work, identification of additional internal control issues that require resolution but are not specifically within the scope of the internal audit project may be identified.

2.5.1.4 *Summarise Findings/ Performance Improvement Observations (PIOs)*

A finding is noted when the results of internal control testing denotes that the control is either missing or is not working as expected, and could be documented in the Summary of Findings. All findings included in the internal audit report should tie back to the Summary of Findings, which in turn should tie directly back to the supporting test documentation or other relevant working papers.

Additionally, performance improvement observations (PIO) may be defined. Based on the results of the internal audit procedures, the auditor will document the following information for both findings and PIOs:

- Basis for observation
- Associated risks
- Recommended actions
- Management responses

2.5.1.5 *Dispute / Disagreement Resolution*

There are certain cases where there will be disagreement between the audited party and the Internal Audit. Where agreement cannot be reached, the audited party has the opportunity to have its written comments included in the report. The comments will be recorded in the management response portion of the internal audit report. Management's views should clearly identify:

The reasons for disagreement with the recommendations

The alternative course of action that management plans to follow (if any)

Justification for preferring the alternative course of action

2.5.2 *Description of how the undertaking's internal audit function maintains its independence and objectivity from the activities it reviews*

The tasks of the Internal Audit Function are outsourced to KPMG Limited Chartered Accountants. The Internal Audit Function is objective and independent from any operational functions, in accordance with Article 47 of the Solvency II Directive. The Internal Audit is independent from the organisational activities audited and carries out its assignments with impartiality. The principle of independence entails that the Internal Audit Function only operates under the oversight of the administrative, management or supervisory body, reporting to the Audit Committee. At the same time, it is ensured that the Internal Audit Function is not subject to instructions of the administrative, management or supervisory body when performing the audit and when evaluating and reporting the audit results.

Audit area independence is defined by many factors, such as the objective of work, categorisation and interdependence of procedures and associated risks. This facilitates the execution, to the extent possible, of completed audits, which with their completion will provide a general assessment on the quality and the operation of the internal control system for the audited area.

Therefore, it is possible that a Department / Service or Unit of the Company, or a procedure, information system, or a cycle of operations, is defined as an audit area, depending on the degree of completion and independence of its operations, which is possible to be extended in more than one Department or Service.

2.6 Actuarial Function

2.6.1 *Description of how the undertaking's actuarial function is implemented*

AHHIC's actuarial function is the responsibility of the key function holder, who reports to the Senior Management and the BoD. The tasks of the actuarial function are outsourced to Lux Actuaries & Consultants (Cyprus) Ltd.

The duties of the actuarial function include:

- Coordinate the calculation of technical provisions
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions
- Compare best estimates against experience
- Inform the Senior Management and the BoD of the reliability and adequacy of the calculation of technical provisions
- Oversee the calculation of technical provisions in cases where approximations are used in the calculation of the best estimate
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the Own Risk and Solvency Assessment (ORSA)
- Assist where requested in the pricing adequacy

Each of these activities is undertaken on an at least annual basis and the outcome reported to the Senior Management and the Board in an internal actuarial report. Both the calculation of technical reserves and the risk modelling underlying the calculation of the solvency capital requirements are performed on a quarterly basis.

2.7 Outsourcing

2.7.1 *Description of the outsourcing policy*

This Policy is maintained and updated by the Compliance Function and reviewed and accepted by the Board of Directors. The Compliance Function assesses and updates the Policy at least on an annual basis, in order to take account of the market and Company developments and to ensure that the policies for outsourcing continue to be in compliance with the latest requirements and regulations in force.

Each department's Manager is responsible for ensuring that all staff under their control complies with the Policy's provisions and standards. A deliberate or serious breach of this Policy may render an employee liable to action under AHHIC's disciplinary procedures up to, and including, termination of employment.

2.7.2 *List of any critical or important operational functions or activities that are outsourced and the jurisdiction in which the service providers of such functions or activities are located*

Critical or important outsourced functions of the Company are included in the following table:

Function/ Activity	Description of outsourced service	Critical or Important [Y/N]	Service Provider
Risk Management Function	The carrying out of the risk management function reporting to the Risk and Reserving Committee of the Company	Y	Lux Actuaries & Consultants
Internal Audit	The carrying out of the internal audit function reporting to the Audit Committee of the Company.	Y	KPMG Ltd
Actuarial Function	The carrying out of the actuarial function reporting to the Risk and Reserving Committee	Y	Lux Actuaries & Consultants
Compliance Function		Y	Andreas Georghadjis LLC
Claims Handling		Y	Hellenic Hull Management Ltd (HMA)
Underwriting		Y	HMA
Accounting		Y	HMA

2.8 Adequacy of the system of governance

To ensure that the outsourcing of any critical or important functions or activities does not lead to a material impairment of the quality of AHHIC's governance system:

Taking into consideration the Services to be provided and the size of the Service Provider, the Company shall implement the principle of proportionality, and accordingly ensure that the Service Provider has in place an adequate risk management and internal control system

The outsourced activities are adequately included in AHHIC's risk management and internal control system

AHHIC establishes a contractual right to information about the outsourced activities and a contractual right to issue general guidelines concerning the outsourced activities

The Company is responsible for ensuring that the outsourced functions and activities are satisfactorily performed. To this end the Company shall designate a person within the Business Unit under which the outsourced function would have been performed, which shall have the overall responsibility of the outsourced activity. In the case of a Key Function the person designated must fulfil the Fit and Proper requirements and possess sufficient knowledge and experience regarding the outsourced key function. This person will be considered the Function Holder (the person responsible for the outsourced activity) and will be notified to the ICCS as such

In the event that the outsourced activity is sub-outsourced, the Company retains its responsibility for ensuring the outsourced activity is satisfactorily performed.

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3 Risk Profile

3. Risk Profile

The Company's risk profile is mainly driven by its insurance operations. Underwriting risk forms around 65% of the total risk portfolio of AHHIC. The rest of the risk exposure arises from credit risk in relation to premium receivables from brokers, reinsurance recoverables and cash at bank. The exposure to operational risk is small and the market risk exposures are minimal and immaterial.

The risk profile of AHHIC as at 31 December 2016 was in line with its risk strategy.

3.1 Underwriting Risk

3.1.2.1 *Description of the risk*

For AHHIC, the underwriting risk reflects the risk arising from insurance obligations, in relation to Marine Hull and the processes used in the conduct of business. This risk refers to the uncertainty in the results of the Company related to the existing insurance obligations as well as to the new business expected to be written over the following 12 months.

AHHIC ranks its residual exposure to underwriting risk as a medium risk exposure.

3.1.2.2 *Description of the measures used to assess the risk*

AHHIC measures its Underwriting risk using the standard formula. The measurement is done in 3 parts; Premium & Reserve Risk, Lapse Risk and Catastrophe risk. The main exposure to underwriting risk arises from Premium & Reserve risk the measurement of which depends on premium and reserve volumes.

3.1.2.3 *Risk Concentration*

Underwriting risk is concentrated to one line of business, Marine, Aviation and Transport, due to the business strategy and focus of the Company. Within this line of business, the Company diversifies the risk geographically with exposure split between Asia, Europe, and America as well as by type of vessel between blue water and brown water.

3.1.1 *Risk Mitigation*

Underwriting risk is to a great extent mitigated through reinsurance. This reduces the volatility in financial results due to potential claims and also protects the Company from extreme losses due to catastrophic events. Furthermore, due to the capital relief effect of reinsurance the company is able to insure a larger number of smaller risks further diversifying its portfolio.

3.1.2 *Risk Sensitivity*

3.1.3 *Methods used, Assumptions made and Outcome of stress testing and sensitivity testing*

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. For the 2016 ORSA, the solvency position as at 31 December 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses for the material underwriting risks (each risk's stress conducted individually).

The results of the analysis showed that the most material impact on the solvency coverage ratio was in the increased loss ratio stress. Loss ratios are closely monitored as they are subject to increased volatility due to the start-up nature of the Company.

3.2 Market risk

3.2.1 *Description of the risk*

Market risk reflects the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of the Company.

As at 31 December 2016, AHHIC's investment assets are held in cash in both Cyprus and the USA based bank accounts and in short term high quality liquid assets within collective investment vehicles. Investments are subject to credit risk (including default risk, spread risk and concentration risk) which is dealt with in the respective section below. In addition to credit risk investment risk arises from the collective investments which introduce interest rate risk. However, this exposure is minimal due to the short duration of the assets underlying the fund. Moreover, interest rate risk arising from investments is partly offset by the impact of changes in interest rates on the value of the best estimate liabilities.

AHHIC has no exposure to equity, property or derivatives.

The overall market risk exposure is considered to be low.

3.2.2 *Description of the measures used to assess the risk*

AHHIC measures its market risk using the standard formula. The measurement is done in separately for Interest rate risk, Equity risk, Property risk, Spread risk, Currency risk and Concentration risk. Then the aggregate marker risk measure allows for diversification between its components.

3.2.3 *Risk Concentration*

The Company's investments are concentrated to just two asset classes. This however is in line with having very limited appetite for market risk. The placement of free assets to short term high quality liquid assets within collective investment undertakings ensures an appropriate level of diversification which may not have been possible through direct holdings.

3.2.4 *Risk Mitigation*

Market risk is mitigated through the investment policy adopted by AHHIC which safeguards limited exposure to risky asset classes and minimum diversification limits.

3.2.5 *Risk Sensitivity*

Due to the extremely low exposure to market risk, AHHIC does not perform any sensitivity or stress testing.

3.2.6 *Prudent Person Principle*

The short term high quality liquid investment holdings are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. Security of the investments were considered the investment fund is of high credit quality (AAA).

Before entering into these investments, diligence was performed on the underlying fund holdings and enquiries were made on the availability of data on these holdings on a look through basis such that AHHIC was satisfied that it was possible to properly identify, measure, monitor, manage, control and report on their underlying risk and be able to perform the required solvency capital calculations.

There are no investments in derivative instruments.

3.3 Credit risk

3.3.1 *Description of the risk*

Credit risk refers to the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties. AHHIC is exposed to credit risk rising from the following exposures:

- Cash at bank (local and US banks)
- Bonds and deposits held through collective investment undertakings
- Reinsurance recoverables
- Premium receivables

Credit risk as measured through the SCR is composed of counterparty default risk by 96% and spread risk by 4% whereas there is nil concentration risk. Credit risk forms 32% of the total undiversified SCR.

The overall credit risk exposure is considered to be medium. This is considered well within the company's appetite in order to ensure the smooth continuity of its operations.

3.3.2 *Description of the measures used to assess the risk*

AHHIC measures its credit risk using the standard formula. With respect to exposures to banks and reinsurers the assessment depends highly on the credit rating of the counterparties which defines the probability of default. On the other hand, for premium receivables the assessment is based on how long overdue these are and the probability of default is determined based on that.

3.3.3 *Risk Concentration*

Credit risk concentration is limited through the following 2 actions:

- Investment held through collective investment undertakings rather than directly which ensures exposure to a well-diversified portfolio of more than 80 different securities.
- Reinsurance is placed through more than 10 reinsurers.

3.3.4 *Risk Mitigation*

To mitigate the risk of reinsurer counterparty default, reinsurance is split between a number of reinsurance counterparties to reduce single name exposure. Credit ratings of reinsurance counterparties are reviewed every quarter. A further mitigation of credit risk is that reinsurance counterparties are large, well established multinational reinsurers and selected such that the credit rating is at least A.

Similarly, to mitigate the risk of banking counterparty default, banks are chosen following a thorough diligence exercise to select only highly reputable and creditworthy banks. Actions have been taken during the second half of 2016 to reduce the exposure to local banks. As at 31 December 2016 AHHIC had some remaining cash held at a local bank.

3.3.5 *Risk Sensitivity*

3.3.5.1 *Methods used, Assumptions made and Outcome of stress testing and sensitivity testing*

The sensitivity of the solvency ratio to credit rating downgrades of the counterparties of AHHIC was assessed. This demonstrated marginal reductions in the solvency coverage ratio (0.2%-3%) when the credit quality step deteriorated by one step.

3.4 Liquidity risk

3.4.1 *Description of the risk*

Liquidity risk refers to the risk that AHHIC will be unable to realise investments and other assets in order to settle their financial obligations when they fall due. Given that all investment assets of AHHIC are highly realisable due to either being liquid (cash at bank) or due to being highly tradable (deposit and bonds held through collective investment undertakings), the Company's exposure to liquidity risk is considered very low.

3.4.2 *Description of the measures used to assess the risk*

AHHIC's liquidity requirements are assessed monthly in order to meet the Company's stated liquidity objectives. A projection is performed each month from the accounts department to assess whether all obligations due will be met by the expected cash inflows mainly from premiums due.

3.4.3 *Risk Concentration*

Sources of cash in and cash out flows (brokers' receivables, claims, expenses etc) are diversified and to a certain extent independent.

3.4.4 *Risk Mitigation*

The Company maintains pool of liquid assets which exceed its short-term liquidity demands. Moreover, AHHIC has in place a contingency liquidity plan to manage and co-ordinate the actions required to mitigate the effects of a liquidity problem across AHHIC.

3.4.5 *Risk Sensitivity*

3.4.5.1 *Methods used, Assumptions made, Outcome of stress testing and sensitivity testing*

Given that liquidity is not a material risk for the Company, no specific risk sensitivity is performed.

3.4.5.2 *Expected profit in future premiums*

No allowance is made in the best estimate liabilities for expected profit in future premiums as these are outside contract boundaries.

3.5 Operational risk

3.5.1 *Description of the risk*

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

During the latest ORSA performed, the following sources of operation risk were identified as the most material following any risk mitigation actions:

Risk Class	Risk
Regulatory & Compliance	Lack of adherence to regulations including adherence to reporting requirements
Information Technology	Inadequate information security considerations
Information Technology	Inability to recover IT systems and services, as well as day-to-day operating capacity, in a timely manner
Outsourcing	High dependency on key officials (through the management agreement)
Underwriting	Accepting a risk outside the Company's procedural limits
Reinsurance	Inappropriate reinsurance arrangements not aligned with risk exposure
Regulatory & Compliance	Lack of training staff of all compliance requirements (Solvency II, Data Protection)

3.5.2 *Description of the measures used to assess the risk*

The following measures are used to assess operational risks:

- Risk and control assessments – A qualitative assessment of operational risks is performed at least once a year during which potential sources of risk are identified, then a frequency severity measurement is performed both before and after any risk mitigation/control actions taken.
- The SCR standard formula includes an assessment and quantification of the operational risk exposure.
- Loss event collection - the company maintains a register of historical losses occurring due to process related events in order to ensure mitigating actions are taken to avoid repetition of such losses.

3.5.3 *Risk Concentration*

The operations of AHHIC are managed through one main service provider, Hellenic Hull Management.

3.5.4 *Risk Mitigation*

The Company has a business continuity plan in place which captures a number of the operation risks it is exposed to. In addition to that, a number of controls are enforced which mitigate the operation risk exposure, some examples of which are listed below:

- Effective oversight of management at BOD level
- Application of the four-eyes-principle in all activities
- Set up of a compliance function, an internal audit function and a risk management function
- Documented policies and procedures
- Introduction of a number of controls within the IT systems
- Training of employees to ensure that each task can be performed by more than one person

3.5.5 *Risk Sensitivity*

3.5.6 *Methods used, Assumptions made and Outcome of stress testing and sensitivity testing*

Operational risk makes up only c.4% of the standard formula undiversified SCR at 31 December 2016. If operational risk was to double the SCR cover would reduce from 135% to 128%.

AHHIC perceives reputation damage as one of the primary loss that could be incurred by the crystallisation of an operational risk event. A stress test has been performed under which reputational damage is represented by a 10% decrease in New Business (NB) volumes over the next three-year business planning horizon. Under this scenario, the Company remained adequately capitalised in all years.

4 Valuation for solvency purposes

4. Valuation for solvency purposes

4.1 Assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

4.1.1 *Value of assets*

Trade receivables: Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period.

Financial assets: The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, heldtomaturity investments and available forsale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Regular way purchases and sales of financial assets are recognised on tradedate which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Cash and cash equivalents: For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

4.1.2 *Description of bases, methods and main assumption used for valuation for solvency purposes*

Bases, methods and main assumption used for valuation for solvency purposes is analyzed in detail in section 4.2.4

4.1.3 *IFRS vs Solvency II*

- *Quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS.*

All of the above should be reported separately for each material class of assets (e.g. Corporate bonds, Government Bonds, Property held for own use, Investment Property, Listed Equities, Unlisted equities, Investment funds)

4.2 Technical Provisions

4.2.1 *Value of Technical Provisions (Amount of Best Estimate and Risk Margin)*

The table below shows the technical provisions of AHHIC as at 31 December 2016 both gross and net of reinsurance (RI) recoverables.

$'000S	CLAIMS PROVISION	PREMIUM PROVISION	RISK MARGIN	TECHNICAL PROVISIONS
Gross	2,416	1,870	185	4,471
RI Recoverables	1,027	779	-	1,805
Net	**1,389**	**1,091**	**185**	**2,666**

4.2.2 *Description of the bases, methods and main assumptions used*

4.2.3 *Claims provision*

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Thus, the components of the Claims Provision are the Outstanding Case Estimates, the Incurred But Not Reported (IBNR), the Incurred But Not Enough Reported (IBNER) and the Unallocated Loss Adjustment Expenses (ULAE). Under Solvency II, the reserves are discounted to allow for the time value of money.

Due to the start-up nature of AHHIC, there were no historical data based on which assumption on future experience could be derived. As such, historical data of the Hellenic Hull Mutual were used which were assumed to follow a similar pattern.

The expense ratio for claims handling was estimates at c3% of claims.

4.2.4 *Premium provision*

The calculation of the best estimate of the premium provision relates to all future cashflows arising from future events, over the remaining duration of unexpired policies. Such cashflows mostly relate to future claims, administration expenses and reinsurance cost.

The expected claims ratio was set at 70% and the expenses ratio at 10%.

4.2.5 *Risk Margin*

The Risk Margin is designed to ensure that the value of technical provisions is equivalent to the amount that a third undertaking would be expected to require in order to take over and meet the Company's insurance obligations. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's reinsurance obligations over their lifetime thereof. This rate, called the Cost-of-Capital, is prescribed at 6%.

4.2.6 *Discounting*

The USD risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA, has been used for discounting.

4.2.7 *Recoverables*

Reinsurance Recoverables represent the difference between Gross and Net provisions. A reduction of reinsurance recoverables has been made to allow for expected losses due to the default of a counterparty.

4.2.8 *Description of the level of uncertainty associated with the value of technical provisions*

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are development factors, loss ratios and expense ratios. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

As at 31 December 2016, the main source of uncertainty arises from the inexistence of own experience data on the development of claims. This forces AHHIC to rely on the use of data from another entity the correctness of which we cannot be verified.

4.2.9 *Quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS.*

The table below compares the Net Technical Provisions under solvency II with those under IFRS.

$'000S	SOLVENCY II VALUATION				IFRS VALUATION		
MARINE, AVIATION AND TRANSPORT INSURANCE	NET CLAIMS PROVISION	NET PREMIUM PROVISION	RISK MARGIN	NET TECHNICAL PROVISIONS	NET CLAIMS RESERVES	NET UPR	NET TECHNICAL PROVISIONS
	1,389	1,091	185	**2,666**	1,411	962	**2,373**

The only material difference between the best estimate liabilities of Solvency II and the IFRS reserves relates to the net Premium Provision and the IFRS "equivalent" Unearned Premium Reserve (UPR). Under Solvency II, the full cost of XoL reinsurance is realised while under IFRS it is deferred. This leads to a lower net reserve under IFRS by c$130K.

In addition, there is a small reduction in the Net Claims Provisions under solvency II due to the allowance for time value of money through discounting of future cash flows.

Furthermore, the IFRS balance sheet includes the Deferred Acquisition Cost of $351k which is not admissible in the Solvency II balance sheet.

Finally, the Solvency II Technical Provisions include the Risk Margin, a concept which does not appear under IFRS.

4.2.10 *Statement on whether the volatility adjustment referred to in Article 77d of Directive 2009/138/EC is used*

4.2.11 *Statement on whether the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is applied*

4.2.12 *Statement on whether the transitional deduction referred to in Article 308d of Directive 2009/138/EC is applied*

AHHIC has not used any of the following:

- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC
- The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC

4.3 Valuation of other liabilities

Financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

4.3.1 *Value of other liabilities*

Borrowings: Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables: Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.3.2 *Description of the bases, methods and main assumptions used for their valuation for solvency purposes*

Bases, methods and main assumption used for valuation for solvency purposes is analyzed in detail in section 4.2.4

4.3.3 *Quantitative and qualitative explanation of any material differences with the valuation bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS*

Quantitative and qualitative explanation of any material differences with the valuation bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS as per section 4.2.4

4.4 Any other information

There is no other material information regarding the valuation of assets and liabilities for solvency purposes.

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5 Capital Management

5. Capital Management

5.1 Own Funds

5.1.1 *Objectives, policies and processes employed for managing its own funds*

The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management and BoD, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. As part of own funds management, the Company prepares annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

5.1.2 *Information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period*

The following table shows the structure of own funds as at 31 December 2016 as well as at 30 June 2016 which was the first reporting date of AHHIC.

OWN FUNDS ($'000S)	DECEMBER 2016	JUNE 2016 (LICENCE)
Ordinary share capital	1,000	1,000
Share premium account related to ordinary share capital	5,500	5,500
Surplus funds	-2,416	0
Reconciliation reserve	-644	-
TOTAL BASIC OWN FUNDS	**3,440**	**6,500**

The current structure of own funds as shown above is composed only of capital classified as Tier 1 - Unrestricted.

5.1.3 *Eligible amount of own funds to cover SCR (by tier)*

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

5.1.4 *Eligible amount of own funds to cover MCR (by tier)*

The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

5.1.5 *IFRS Equity vs Own Funds*

The following summary table shows the comparisons and movement in the IFRS and Solvency II valuation of assets, liabilities and Own Funds.

	IFRS $'000s	SOLVENCY II $'000s	MOVEMENT $'000s
Total Assets	11,760	10,537	1,223
Total Liabilities	7,676	7,097	579
Total Own Funds	**4,084**	**3,440**	**644**
Ordinary Share Capital (incl. share premium account)	6,500	6,500	-
Retained Earnings	-2,416	-2,416	-
Reconciliation Reserve	-	*-644*	*644*

The movement in the valuation of assets and liabilities arises from the differences in the valuation of IFRS and Solvency II standards, below:

- Deferred Acquisition Cost (DAC) is not included under Solvency II
- Differences in gross technical provisions and reinsurance recoverables (as explained in section 4.2.4)

5.2 Solvency Capital Requirement and Minimum Capital Requirement

5.2.1 *Amounts of SCR and MCR*

As at 31 December 2016 the SCR of AHHIC was calculated at $2,586K and the MCR at $2,635K.

5.2.2 *Amount of SCR split by risk modules*

The following table shows the SCR split by risk modules:

SOLVENCY CAPITAL REQUIREMENT	$'000S
Market risk	34
Counterparty default risk	880
Life Underwriting risks	-
Health underwriting risk	-
Non-Life underwriting risk	1,886
Sum of risk components	**2,800**
Diversification effects	*- 343*
Diversified risk	**2,457**
Intangible asset risk	-
Basic SCR	**2,457**
Operational risk	129
Adjustments	-
SCR	**2,586**

5.2.3 *Simplifications*

No simplifications have been used for any of the modules or sub-modules of the SCR.

5.2.4 *Undertaking-specific parameters*

AHHIC not used undertaking-specific parameters for any of the parameters of the standard formula.

5.2.5 *Information on the inputs used to calculate the MCR*

The inputs used in the calculation of the MCR are listed below:

- Absolute floor of €2,600K (converted to USD; $2,635K)
- SCR of $2,586K
- Technical Provision excluding Risk Margin $2,481K
- Net written premium in 2016 $1,337

5.3 Non-compliance with the MCR and non-compliance with the SCR

5.3.1 *Non-compliance with the MCR*

AHHIC has been continuously compliant with the MCR from it licence up to 31 December 2016.

5.3.2 *Non-compliance with SCR*

5.3.3 *The period and maximum amount of each significant non-compliance during the reporting period, an explanation of its origin and consequences and any remedial measures taken and an explanation of the effects of such remedial measures*

AHHIC was not compliant with the SCR as at 30 June 2016. This was a result of the entire capital of the company being placed with one bank in Cyprus immediately following incorporation and obtaining the licence. This was remedied immediately once the company implemented its asset allocation strategy well before the next statutory reporting date.

Appendix 6

6. Appendix

6.1 Annex I / S.02.01.02 / Balance Sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	3606156,15
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	3606156,15
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	1805223,173
Non-life and health similar to non-life	**R0280**	1805223,173
Non-life excluding health	**R0290**	1805223,173
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	2984976,66
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	2140189,28
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	10536545,26

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	4471382,453
Technical provisions – non-life (excluding health)	**R0520**	4471382,453
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	4286149,353
Risk margin	**R0550**	185233,0998
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	402561,12
Reinsurance payables	**R0830**	1946458,8
Payables (trade, not insurance)	**R0840**	276969,97
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	7097372,343
Excess of assets over liabilities	**R1000**	3439172,92

6.2 Annex I / S.05.01.02 / Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**
Premiums written							
Gross - Direct Business	**R0110**						4267050,2
Gross - Proportional reinsurance accepted	**R0120**						
Gross - Non-proportional reinsurance accepted	**R0130**						
Reinsurers' share	**R0140**						2929669,795
Net	**R0200**						1337380,405
Premiums earned							
Gross - Direct Business	**R0210**						1687602,791
Gross - Proportional reinsurance accepted	**R0220**						0
Gross - Non-proportional reinsurance accepted	**R0230**						
Reinsurers' share	**R0240**						1312571,074
Net	**R0300**						375031,7163
Claims incurred							
Gross - Direct Business	**R0310**						2553172,35
Gross - Proportional reinsurance accepted	**R0320**						0
Gross - Non-proportional reinsurance accepted	**R0330**						
Reinsurers' share	**R0340**						1053854,121
Net	**R0400**						1499318,229
Changes in other technical provisions							
Gross - Direct Business	**R0410**						
Gross - Proportional reinsurance accepted	**R0420**						
Gross - Non- proportional reinsurance accepted	**R0430**						
Reinsurers' share	**R0440**						
Net	**R0500**						
Expenses incurred	**R0550**						1292433,89
Other expenses	**R1200**						
Total expenses	**R1300**						

6.3 Annex I / S.05.02.01 / Premiums, claims and expenses by country

		Home Country
		C0010
	R0010	
		C0080
Premiums written		
Gross - Direct Business	**R0110**	4267050,2
Gross - Proportional reinsurance accepted	**R0120**	0
Gross - Non-proportional reinsurance accepted	**R0130**	0
Reinsurers' share	**R0140**	2929669,795
Net	**R0200**	1337380,405
Premiums earned		
Gross - Direct Business	**R0210**	1687602,791
Gross - Proportional reinsurance accepted	**R0220**	0
Gross - Non-proportional reinsurance accepted	**R0230**	0
Reinsurers' share	**R0240**	1312571,074
Net	**R0300**	375031,7163
Claims incurred		
Gross - Direct Business	**R0310**	2553172,35
Gross - Proportional reinsurance accepted	**R0320**	0
Gross - Non-proportional reinsurance accepted	**R0330**	0
Reinsurers' share	**R0340**	1053854,121
Net	**R0400**	1499318,229
Changes in other technical provisions		
Gross - Direct Business	**R0410**	
Gross - Proportional reinsurance accepted	**R0420**	
Gross - Non- proportional reinsurance accepted	**R0430**	
Reinsurers' share	**R0440**	
Net	**R0500**	
Expenses incurred	**R0550**	1292433,89
Other expenses	**R1200**	
Total expenses	**R1300**	

6.4 Annex I / S.17.01.02 / Non-life Technical Provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	**R0060**						1869869,183
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**						778645,5764
Net Best Estimate of Premium Provisions	**R0150**						1091223,607
Claims provisions							
Gross	**R0160**						2416280,17
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**						1026577,597
Net Best Estimate of Claims Provisions	**R0250**						1389702,573
Total Best estimate - gross	**R0260**						4286149,353
Total Best estimate - net	**R0270**						2480926,18
Risk margin	**R0280**						185233,0998
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0290**						
Best estimate	**R0300**						
Risk margin	**R0310**						
Technical provisions - total							
Technical provisions - total	**R0320**						4471382,453
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**						1805223,173
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re - total	**R0340**						2666159,28

6.5 Annex I / S.19.01.21 / Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	**2016**

Gross Claims Paid (non-cumulative)

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240											
N	R0250	136454,2										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100		
	R0160		
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220		
	R0230		
	R0240		
	R0250	136454,2	136454,2
Total	R0260	136454,2	136454,2

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240											
N	R0250	2453138,07										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	
	R0250	2416280,17
Total	R0260	2416280,17

6.6 Annex I / S.23.01.01 / Own funds

		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	1000000	1000000			
Share premium account related to ordinary share capital	**R0030**	5500000	5500000			
~~I~~initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**	-2416720,398	-2416720,398			
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	-644106,6818	-644106,6818			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	3439172,92	3439172,92			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	3439172,92	3439172,92			
Total available own funds to meet the MCR	**R0510**	3439172,92	3439172,92			
Total eligible own funds to meet the SCR	**R0540**	3439172,92	3439172,92			
Total eligible own funds to meet the MCR	**R0550**	3439172,92	3439172,92			
SCR	**R0580**	2.585.863				
MCR	**R0600**	2.635.249				
Ratio of Eligible own funds to SCR	**R0620**	133%				
Ratio of Eligible own funds to MCR	**R0640**	131%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	3439172,92	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	4083279,602	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	-644106,6818	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**		

6.7 Annex I / S.25.01.21 / Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement
		C0110
Market risk-	**R0010**	33919
Counterparty default risk	**R0020**	880047
Life underwriting risk	**R0030**	0
Health underwriting risk	**R0040**	0
Non-life underwriting risk	**R0050**	1885766
Diversification	**R0060**	-342454
Intangible asset risk	**R0070**	0
Basic Solvency Capital Requirement	**R0100**	2457278
Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	128584
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency Capital Requirement excluding capital add-on	**R0200**	2585863
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	2585863
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

6.8 S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	2635248,875

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	**R0020**		
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	2480926,18	1337380,405
Fire and other damage to property insurance and proportional reinsurance	**R0080**		
General liability insurance and proportional reinsurance	**R0090**		
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

6.9 S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations		2635248,875	

Non-life activities		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	2480926,18	1337380,405
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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7 Auditor's report

MOORE STEPHENS

ΣΕΛΚ
ICPAC
Quality Checked

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Independent Auditor's Report

To: The Board of Directors of American Hellenic Hull Insurance Company Ltd

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of American Hellenic Hull Insurance Company Ltd (the "Company"), prepared as at 31 December 2016

- S.02.01.02 - Balance sheet
- S.17.01.02 – Non-Life Technical Provisions
- S.23.01.01 – Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity
- S.28.02.01 - Minimum Capital Requirement – Both life and non-life insurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at *31 December 2016* is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Moore Stephens (L'ssol) Limited

Moore Stephens (Limassol) Limited
Certified Public Accountants and Registered Auditors

Limassol, 6 June 2017

American Hellenic Hull Insurance Company

American
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Insurance Company

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