Solvency & Financial Condition Report 2020

Stronger out of a global storm

American Hellenic Hull Insurance Company

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American Hellenic Hull
Insurance Company


2020

Executive Summary

Risk assessment and management is a key focus of AHHIC's business operations. American Hellenic Hull Insurance Company Ltd (hereinafter the Company or the Undertaking) is, operating in the largest international shipping centres. As a marine underwriter, the company is constantly assessing risk aiming to diminish high risk behaviour in all aspects its business activity. Since inception the company's business continuity plan, has provided a hybrid structure of remote and cloud servers, to enable the company to face even the most severe events.

On March 13th 2020, the company activated its business continuity plan in response to the pandemic. The health and wellbeing of the company's employees is of the utmost priority. Since the plan was activated AHHIC has conducted all functions off-site, with its workforce working remotely.

Management and executives all share the same dedication and loyalty, as well as the readiness to embrace innovation and respond to challenges. Together with the state-of-the-art information technology, they have enabled the company to securely provide premium, bespoke services to its clients, without disruption, maintaining its standards of excellence.

The reliable systems that the company has put in place for its employees to work remotely, include the use of Voice over IP, preventing disruptions in telecoms, and the use of the Microsoft Teams platform, which enables the company's departments to interact and communicate effectively.

Due to the timely and well executed implementation of its business continuity plan, as well as its recognition as one of the leading players in the marine insurance industry, the company reported a record breaking year for its portfolio, surpassing the milestone of 3,000 insured vessels.

During 2020 the company has continued to enhance its market position. In addition to the number of insured vessels rising to more than 3,000 by year end 2020 there were improvements in several key ratios. These included the insurer's solvency capital requirement (SCR) ratio which increased to 130%, a level considered satisfactory and well above the company's own target (115%). Company net assets increased by 28% in comparison with the previous year and its liquidity ratio (company's current assets against its current liabilities) stood at 8.46 times.

Chairman's Note

Vince Solarino

January 1, 2020 presented us with a new decade and promise to see clearly ahead with 20/20 vision, albeit with headwinds created by well-intended environmental initiatives like the 2020 Sulphur Cap, which produced both P&I and H&M related claims. Sustainability initiatives were also embraced and actively engaged by much of the global industries. The future looked bright, economies were strengthening, and the challenges and initiatives looked doable on a world-wide scale.

However, like a 100-year storm, COVID-19 swept over the world triggering a pandemic that most of the world was unaware and unprepared for at the start of this very promising decade. The economic and human loss hit most countries with a tsunami-like wave that has devastated businesses and lives on a scale that most people alive today had ever experienced. And the wave of this insidious invisible enemy is still sweeping over us triggering continuing lockdowns of personal and business activities.

Quickly adapting from the sudden impact to our traditional method of managing the Company to a mostly 'remote' method during these unprecedented times surely speaks volumes to the effective business model and instinctive flexibility and sustainability of the American Hellenic Hull Insurance Company and its talented team of professionals.

We are also proud of our accomplishments during a difficult 2020 as the number of vessels insured increased to more than 3,000, preliminary year-end financial results at near break-even, Solvency Capital Requirement ratio reaching 130%, and finishing with a strong liquidity ratio of 8.46 times. The new year has also started off strong with continued growth and favorable projections.

Our internationally recognized CEO, Ilias Tsakiris, has continued to keep the American Club's subsidiary investment on course for continued intelligent market expansion and profitability with a focus on sustainability, as demonstrated by Ilias' initiative in signing of a MOU with the World Maritime University to launch postgraduate diploma in marine insurance. Ilias has also been elected to IUMI's Ocean Hull Committee, and named as a leading player in marine insurance by Lloyd's List.

In closing, I am proud of the AHHIC team, its leader, Ilias Tsakiris and the hard-fought accomplishments during 2020. The best is yet to come!

CEOs Note

Ilias Tsakiris

In 2020, the global economy faced a variety of challenges along with the unprecedented COVID-19 pandemic outbreak which had a profound impact on all aspects of the global economy and trade, including international shipping and marine insurance. Additional challenges arose from Environmental, Social and Governance (ESG) issues, Brexit, Eurozone instability, and US-China trade skirmishes, to name a few. Specific to shipping, the industry was trying to come to terms with new International Maritime Organization regulations intended to reduce GHG emissions and the implementation of the IMO 2020 low sulphur fuel regulation.

American Hellenic Hull was launched in 2016 with the vision of becoming a leading hull and machinery underwriter. Hellenic Hull Management and American P& I Club as the company's sole shareholder were able to apply their experience, traditional expertise and infrastructure to reaching this goal.

Five years into our voyage, we are firmly established worldwide as a leading marine insurer. Growth has exceeded our most ambitious targets and projections. In 2020, AHHIC has recorded an excellent operating performance, following a record-breaking year in our insured portfolio. We have recorded an outstanding underwriting performance with a record-fleet of 3.049 insured vessels as of December 31st, showing a year-on-year increase of 15%. Also noteworthy is that in claims performance American Hellenic Hull strives to give its clients more, taking an average of seven days to settle claims, one of the shortest claims lifecycles in the market.

The company's performance over the last year derives from the timely and successful implementation of its business continuity plan in response to the COVID-19 pandemic outbreak, as well as the recognition of AHHIC as one of the leading players in the marine Insurance industry. As of March 12th 2020 we have implemented our business continuity plan which is based on a hybrid structure of remote and cloud servers.

Thus our company has been able to continue providing excellent service to our clientele and at the same time to protect our people against this unprecedented world crisis. In addition, along with conducting AHHIC's functions off-site, we have stress-tested the company's ability to withstand adverse events, including the COVID-19 outbreak. Looking ahead, we expect AHHIC's growth to continue in 2021 as we look to build on our success to date and further invest in our strategy of being a leader in marine insurance.

International Cooperations

IUMI
International
Union of
Marine Insurance

Ilias Tsakiris, CEO of American Hellenic Hull Insurance Company, has been elected as a member of the prestigious Ocean Hull Committee of the International Union of Marine Insurance (IUMI), the first time a Cyprus-based insurer has been represented on the body.

IUMI can trace its roots as a forum and a voice for the international marine insurance industry back to the 19th century. IUMI's mission is to enhance marine insurance standards through activities that include research and reporting, education and training, networking among members, and lobbying. The Ocean Hull Committee identifies risk trends and issues, whilst raising awareness of global threats and opportunities for the marine hull and machinery insurance sector.

Lloyd's List

In December 2020 Ilias Tsakiris, the CEO of American Hellenic Hull, has been named among the Top 10 in Marine Insurance 2020 by Lloyd's List, the internationally reputed information provider for shipping since 1734. He was included for the first time in the publication's annual Top 10 in Marine Insurance 2020, published as part of its eagerly-awaited 'One Hundred People 2020 Edition', a list of the most influential people in shipping, published in December 2020.

According to Lloyd's List, The Top 10 in marine insurance list is collated by Lloyd's List editorial team and considers a mixture of traditional power-brokers in an insular niche, as well as those doing noteworthy things within it. His entry notes that Mr. Tsakiris is "at the head of a dynamic new entrant in the sector, and he is shaking things up."

Being aligned with the 2030 sustainability agenda, we firmly support the partnership between United Nations Environment Programme and the global financial sector to mobilize private sector finance for sustainable development.

The company is the sole marine underwriter to enter into the United Nations family, as a member and signatory company of United Nations Environment Programme Finance Initiative (UNEPFI). Being part of United Nations' community, AHHIC is committed to incorporate the social, environmental, and business emerging issues into its sustainable and holistic approach.

AHHIC is the exclusive marine insurance signatory company of UNEPFI- Principles for Sustainable Insurance initiative:

Endorsed by UN Secretary – General and insurance industry CEOs, the Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address Environmental Social and Governance (ESG) risks and opportunities – and a global initiative to strengthen the insurance industry's contribution as risk managers, insurers and investors to building resilient, inclusive and sustainable communities and economies.

AHHIC is the sole marine underwriter signatory company of UNEPFI Sustainable Blue Economy Finance Initiative.

Endorsed by the European Commission, WWF, the World Resources Institute and the European Investment Bank (EIB), the Sustainable Blue Economy Finance Principles serve as a global framework for financing a sustainable ocean economy. This global initiative aims to strengthen the finance industry's contribution as risk managers, insurers, and investors to building resilient, inclusive and sustainable blue economy.

Furthermore, AHHIC has participated in the development of two pioneering guidance papers that act as a toolkit for companies' sustainability strategies aiming to tackle ESG risks:

- "Managing Environmental, Social and Governance risks for non-life business", launched by UNEPFI PSI aiming to tackle sustainability risks in non-life insurance.
- "Turning the Tide: How to finance a sustainable ocean recovery", launched by UNEPFI Sustainable blue economy Finance Initiative, aiming to manage sustainable development risks for blue economy.

1 Business Performance

Steep increase of the Company’s portfolio

1 Business Performance

During 2020, the Company reported constant improvement of underwriting and operating results following a steep increase of its portfolio. Despite the COVID-19 outbreak, the company recorded outstanding underwriting performance with a record-fleet of 3.049 insured vessels as of December 31st, showing a year-on-year increase of 15%. Noteworthy that in claims performance American Hellenic Hull strives to provide its clients more, having one of the shortest claims lifecycles in the market of seven (7) days claims settlement.

The pandemic had no impact impact on AHHIC's underwriting performance, due to the company's effective and resilient Business Continuity Plan which was implemented in response to the COVID-19 outbreak started in March 13th 2020. Furthermore, the company safeguarded its portfolio and protected its clients through its selective underwriting procedures and the set of strict and sustainable underwriting criteria is the cornerstone of its underwriting philosophy, among others its vessels need to be members of the International Association of Classification Societies, they need to fly white listed flags and their age need to be no more than 15 years old.

1.1 Business

1.1.1 Name and legal form of undertaking

The Company was incorporated on the 21st April, 2016, as a private limited liability Company by shares in accordance with the provisions of Cyprus Companies Law, Cap. 113. The registered office of the Company is at John Kennedy Str., Iris House, 3rd Floor, 3016 Limassol, Cyprus and its headquarters of the Company is at 4, Kallitheas street, Limassol Cyprus.

The Company obtained licence to conduct insurance business 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 on the 24th June 2016 (Licence Number 180) in accordance with the provisions of the Insurance and Reinsurance Services and Other Related Issues Law of 2016.

1.1.2 Name and contact details of the supervisory authority

The supervisory authority of the undertaking is the Superintendent of Insurance
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 Limassol Limited
196 Arch. Makarios Ave., Ariel Corner, 1st floor, office 102, 3030 Limassol | Cyprus
Partner, Christos Tsissios
e-mail: c.tsissios@moore-limassol.com.cy
tel.: +357 25 820280
Fax: +357 25 344237

1.1.4 Description of the holders of qualifying holdings in the undertaking

The sole shareholder of the Company which holds the entire issued share capital of the Company is AHHIC Inc, a United States Company. AHHIC Inc is a 100% subsidiary of the American Steamship Owners Mutual Protection and Indemnity Association, Inc. (trading as the American Club), which is the ultimate owner of the Company.

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

As mentioned above the Company is 100% subsidiary of AHHIC Inc which is a holding company and, in turn, is owned by the American Steamship Owners Mutual Protection and Indemnity Association, Inc. The American Club was established in New York in 1917 and 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 the world's ocean-going tonnage.

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

The Company maintains a licence issued by the Superintendent of Insurance of Cyprus 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.

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

On the 28th of April 2020, the Board of Directors alloted 2.500.000 ordinary shares at nominal value of US$1 each to its sole shareholder, AHHIC Inc. The issued shares were fully paid on 9/4/2020 in cash by the sole shareholder of the Company, AHHIC Inc. Apart from this event, there was no other significant business nor other events that have occurred over the reporting period that have had a material impact on the undertaking.

1.2 Underwriting performance

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

During 2020 the company continued the controlled growth of its portfolio with 66 new accounts written during the year and a fleet of 3,049 insured vessels as of 31st December 2020, maintaining a year on year increase of 15% in the last two years, whilst at the same time ensuring that non-profitable accounts were not renewed. The Gross Written Premium for the period was US$ 15,682,827, approximately 25% lower than the previous year.

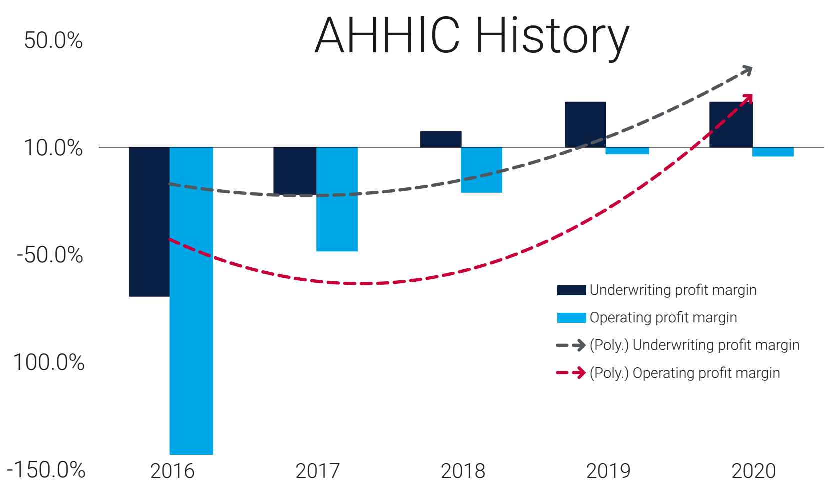
STATEMENT OF PROFIT OR LOSS	2020	2019
	US$	US$
Revenue	15,867,946	16,681,328
Reinsurance premium ceded	(2,842,935)	(3,941,060)
Net premium earned	**13,025,011**	**12,740.268**
Reversal of Additional Unexpired Risk Reserve	43,949	624,566
Claims incurred and claims adjustment expenses:		
Claims and expenses payable	(12,478,865)	(12,980,710)
Reinsurance recoveries	4,222,203	5,791,294
Movement on reserve of outstanding claims	(1,515,248)	(2,567,603)
Net claims incurred	**(9,771,910)**	**(9,757,019)**
Amortisation of deferred acquisition costs	(2,337,277)	(2,147,286)
	959,773	**1,460,529**
Other operating income	403,580	554,070
Other operating expenses	(154,725)	(231,017)
FV gain on financial assets at fair value through profit or loss	34,670	86,471
Profit on maturity or disposal of financial assets at fair value through profit or loss	1,032	2,181
Administration and selling expenses	(1,601,726)	(2,048,677)
Operating loss	**(357,396)**	**(176,443)**
Net finance costs	(248,689)	(263,415)
Loss before tax	**(606,085)**	**(439,858)**
Tax	-	-
Net loss for the year	**(606,085)**	**(439,858)**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**(606,085)**	**(439,858)**

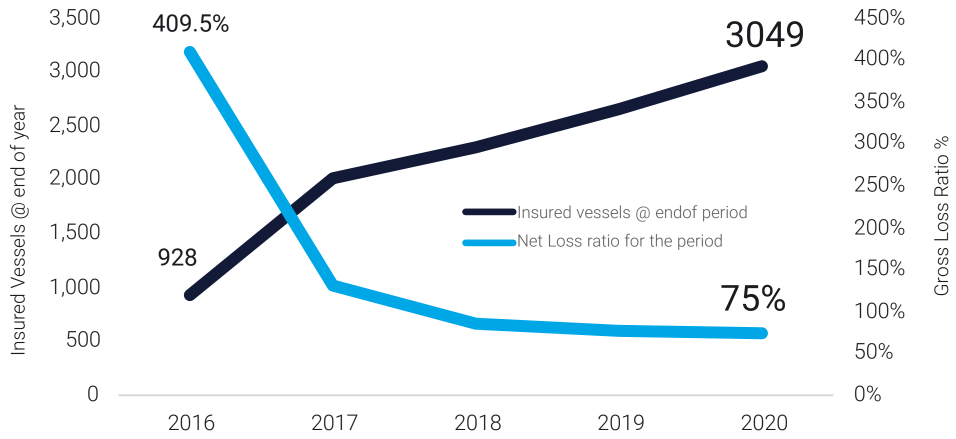
AHHIC's gross underwriting result (gross earned premiums net of ceded reinsurance premium minus gross claims paid and technical provisions including all movements net of reinsurance recoveries including all movements) took shape at 20.8% (2019: 21.5%) or $3.3m (2019: $3.6m). Gross Earned premium has decreased by 4.9%, from $16.7mio to $15.9mio.

Two important KPIs have improved: i) net loss ratio decreased from 76.8% to 75%, ii) OPEX on Gross Earned premium dropped from 12.5% to 10.6%.

KEY PERFORMANCE RATIOS	12M 2020	12M 2019
Reinsurance cost on earned premium	17.9%	23.6%
Gross claims to Gross earned	101.3%	83.0%
Net claims to Net earned	75.0%	76.8%
OPEX and other income / expenses on earned premium	10.6%	12.5%
Underwriting Result / Gross earned premium	20.8%	21.5%
Operating Result / Gross earned premium	-3.8%	-2.6%

The company has achieved a constant improvement of both, its Underwriting and Operating result since its inception (July 2016), together with a sharp increase of its portfolio of insured vessels, as indicated in the below charts and table (i.e to emphasize the U/W and Operating profit, showing that is not necessarily liaised to the increase of insured vessels).





1.2.2 Qualitative and quantitative information on the undertaking's underwriting performance by material line of business

Portfolio: The company continued its controlled growth in 2020 insuring 66 new fleets out of 372 seen (17.7%), the most seen in a year since commencement of operation, maintaining a selective approach and implementing its strict Underwriting criteria.

	2016	2017	2018	2019	2020	Overall
Fleets Seen	87	304	341	351	372	1,455
Fleets Insured	27	83	43	64	66	283
Acceptance Rate	31%	27%	13%	18%	18%	19.5%

The above-mentioned growth was accomplished in accordance with the strict Underwriting protocols in place, as far as oceangoing vessels are concerned, which among others includes the following guidelines:

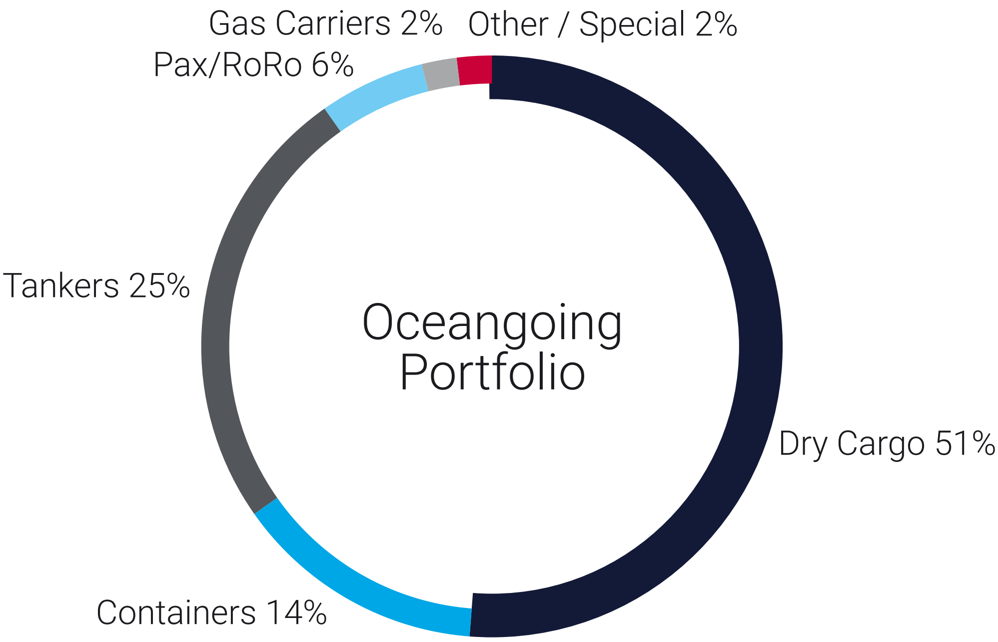
- Vessels only flying white listed flags
- Vessels only IACS classed
- Vessels no more than 15 years old, unless they are part of a fleet whose total average age does not exceed 15 years.
- No singletons / doubletons

Above guidelines do not apply to coastal/inland trading vessels due to the restricted nature of their trading.

The company during 2020 further increased its oceangoing vessels portfolio to 3,012 oceangoing vessels (98.79% of whole portfolio), whilst its coastal/inland trading vessels portfolio only comprised of 37 vessels (1.21% of whole portfolio) as at 31st December 2020.

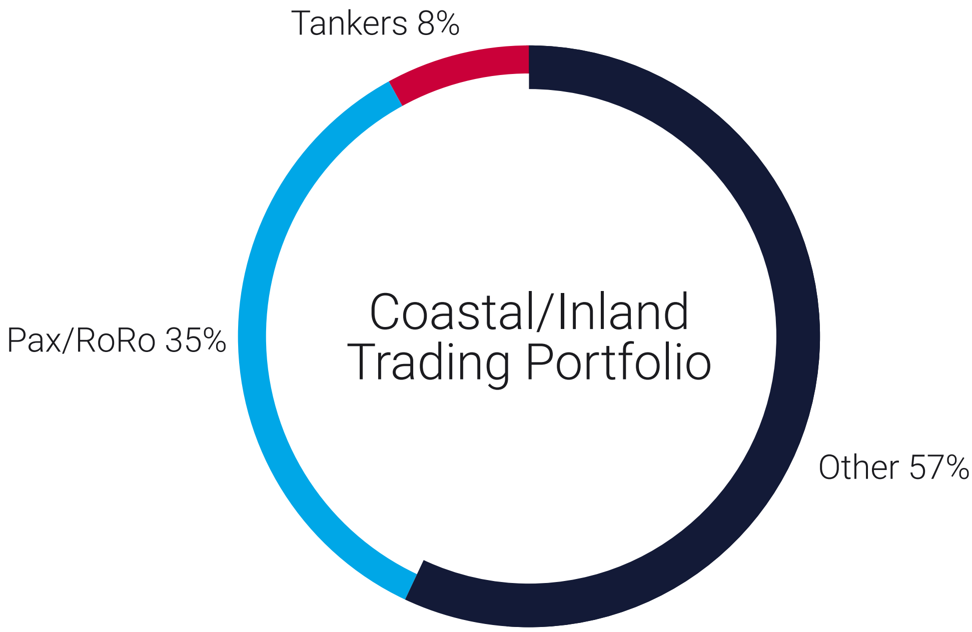
Out of the 3,012 vessels:

- 1,523 are dry cargo vessels (BBU, GGC, MPP etc.);
- 423 are container carriers (UCC etc.);
- 747 are tanker vessels (VLCC, TPD, TCH. TCR, TTA etc.);
- 180 are passenger and/or vehicle carriers (PRR, MPR, etc.);
- 67 are gas carriers (LNG, LPG etc.);
- 72 are other/special type vessels (OSV, XTG etc.).



As far as the 37 coastal/inland trading vessels are concerned:

- 21 are other/special type vessels (OSV, XTG etc.).
- 13 are passenger and/or vehicle carriers (PRR, MPR, etc.);
- 3 are tanker vessels (VLCC, TPD, TCH. TCR, TTA etc.);

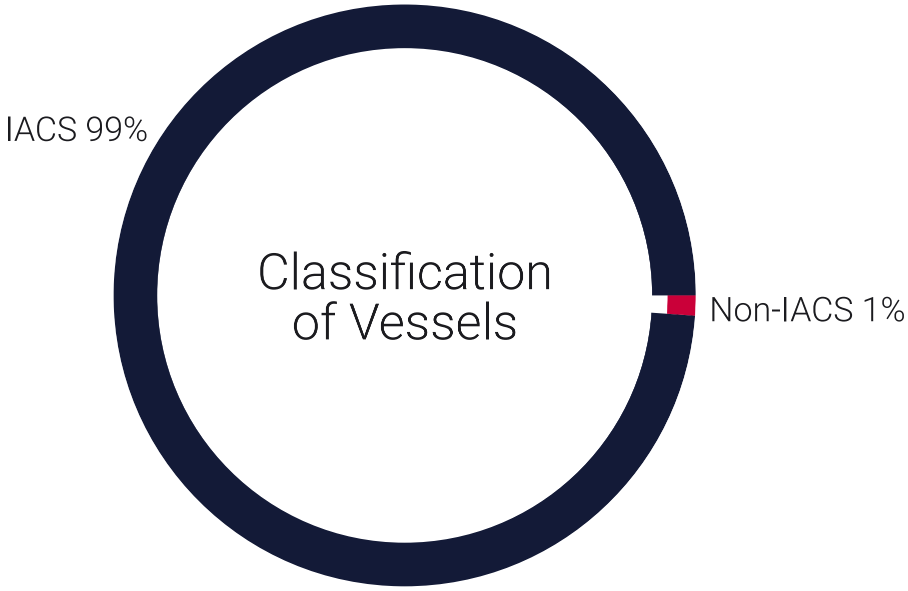


Vessels' demographics:

Vessels insured with the company as at 31st December 2020 are flagged as follows:

Flag	No of Vessels	Flag	No of Vessels
Liberia	673	Hong Kong, China	69
Marshall Islands	595	Portugal	52
Panama	325	Isle of Man	46
Malta	266	United Kingdom	33
Cyprus	194	Cayman Islands	28
Bahamas	170	Germany	25
Netherlands	150	Italy	24
Greece	124	Indonesia	19
Singapore	99	U.S.A.	15
Antigua & Barbuda	78	Other	64

Out of the 3,049 vessels insured by the company on 31st December 2020, 98.62% fly white listed flags (as per Paris MoU 2019 Performance List), an increase compared to 98.15% in 2019.



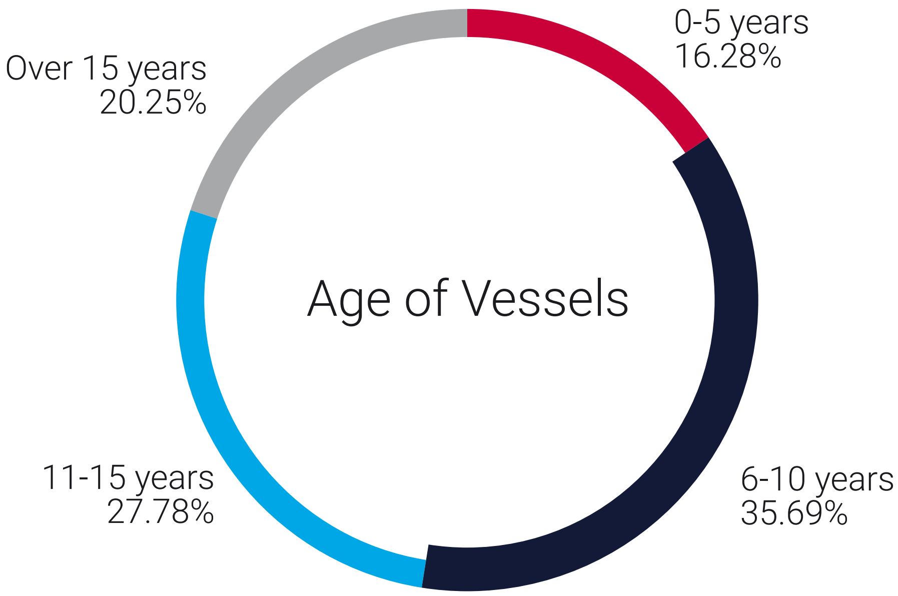
Vessels insured with the company as at 31st December 2020 are classed as follows:

Class	No of Vessels	Class	No of Vessels
DNV GL	628	RINA	160
BV	611	KR	102
NK	563	CCS	48
LR	478	RS	12
ABS	408	Other	39

Out of the 3,049 vessels insured by the company on 31st December 2020, 99.08% are IACS classed, with the rest being predominantly coastal/inland trading vessels, almost unchanged from the 99.17% in 2019.

Vessels insured with the company as at 31st December 2020 are of the following age:

Age Band	0 - 5 years	6 - 10 years	11 - 15 years	over 15 years
No of Vessels	495	973	971	610



The average age of the whole portfolio as at 31st December 2020 remains 12 years, with a slightly increased percentage of 79.99% of the whole portfolio of vessels having an age of up to 15 years, compared to 79.75% in 2019.

Production

Brokers: During 2020, 48 different Broking Houses of the following origin produced business for the company, increased by 2 compared to 2019, further establishing the Company as a marine insurer of choice for brokers internationally:

Broker Origin	U.K.	Greece	Germany	Cyprus	U.S.A.	Other
No of Brokers	15	13	6	4	4	6

Managers: As at 31st December 2020, the company insures fleets of 212 different Managers of the following origin, increased by 7 compared to 2019:

Manager Origin	Greece	Rest of Europe	Germany	Cyprus	Asia	U.S.A.	Other
No of Managers	138	25	17	9	8	8	7

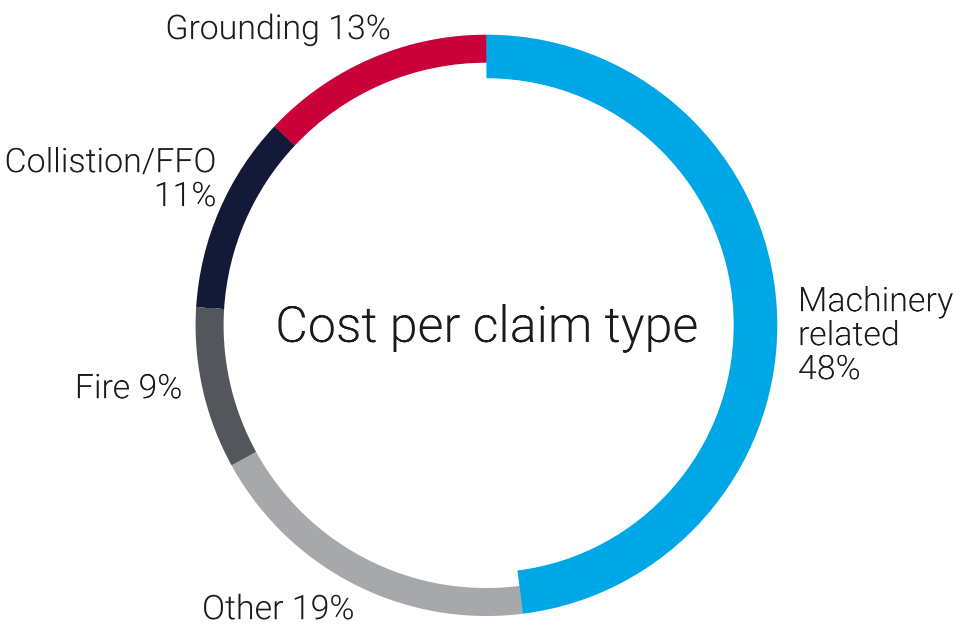
The majority of the company's insured fleets (73.11%) originate from Greece and Germany, two traditionally shipping nations.

Claims

General: During 2020, 476 claims were reported (reduced by 19% compared to those announced in 2019) with a total claim cost (excluding technical reserves) of US$8,129,168 (-11,4% compared to 2019). These 476 claims can be split in different types as follows:

Type of Claim	No of Claims	Total Claim cost (US$)	Average per claim (US$)
Machinery related	186	3,893,837	20,935
Total Loss	-	-	-
Other*	113	1,532,720	13,564
Fire	12	759,945	63,329
Collision/ FFO	115	917,227	7,976
Grounding	50	1,025,440	20,509
Total	**476**	**8,129,168**	**17,078**

* Heavy weather damage, anchor related machinery, stern tube leakages (non-grounding), rudder damage (non-grounding), propeller damage (non-grounding), structural damage (non-grounding)



The average claim cost in 2020 has slightly increased compared to 2019 (as at 31.12.2020).

Ann. Year	No of claims	Total Claim Cost (US$)	Average cost per claim (US$)
2020	476	8,129,168	17,078
2019	587	9,167,297	15,617
2018	591	12,797,729	21,654

1.3 Investment Performance

The company takes the view that investment activities should not pose undue risks to capital. Accordingly, the company maintains at all times a well-diversified investment portfolio. It currently holds money in operating accounts, time deposits and / or investments in US Treasury bills.

1.3.1 Income and expenses arising from investments by asset class

According to the performance analysis of 31 December 2020 the Investment Asset had a valuation of US$13,715,991 (31 December 2019: US$10,139,812) giving an unrealized profit in current year of

US$34,670 and a Rate of Return: of 0.25% (31 December 2019: US$88,652 and a rate of return: 0.85%).

1.3.2 Any gains and losses recognised directly in equity

As of 31st December 2020 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.

1.4 Any other information

The rapid development of the coronavirus disease (COVID-19) outbreak had no impact on the company's financial and solvency position. As far as the company's liabilities are concerned, technical provisions did not change materially as a result of the pandemic. The company continuously stress-tests its ability to withstand adverse scenarios which incorporate adverse impacts on revenue, premium collection, investments and counterparty defaults. The results of the stress tests demonstrate resilience to several adverse developments including those arising out of the COVID-19 outbreak. The pandemic had no impact on the ability of the company to operate on a going concern basis, providing reassurance for the company's clients and employees.


2020

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 currently comprised of seven directors. During 2020 James Corcoran resigned from his post as Director of the Company.

Currently, the Board of Directors has two committees: the Audit Committee and the Finance and Investment Committee.

The Audit Committee is consisted of three Board Members out of which the two of them (including the president of the Audit Committee) are independent non-executive Directors whereas the other member of the Audit Committee, following an approval from the Superindent of Insurance, is the Chairman of the Board.

The Investment Committee is consisted of two Board Members and the General Manager of the undertaking.

The BoD consists of 7 non-executive members. The current Board Members are the following:

Chairperson	Vincent Solarino
Secretary of the BoD	Fidentia Secretarial Ltd
Vice - President	Angelos Kostakos
Member	Joseph Edwin Morgan Hughes
Member	Dorothea Ioannou
Member	Andreas Georghadjis
Member	Demos Demou
Member	Manolis Hadjimanolis

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 Function Manual, which is approved by the BoD and reviewed annually.

- Compliance Function

The Compliance Function reports to the Board of Directors and 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 has been approved by the BoD.

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

There were no material changes in the system of governance over the reporting period.

2.2 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 non-executives Board Members takes into account other factors, such as their regular attendance to the 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.

The 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 and as amended on 31st March 2018.

- 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 remuneration of the company's managers, Hellenic Hull Management (HMA) Limited, there are provisions for an annual fee and profit commission. The exact provisions are described in detail in section 7 of the management agreement described above.

- 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.

2.3 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.

2.4 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. The Members of the Board have been approved, at the time of their appointment, by the Superintendent of Insurance.

2.4.1 Description of the specific requirements concerning skills, knowledge and expertise

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

2.4.3 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.

2.5 Risk management system including the own risk and solvency assessment

2.5.1 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

2.5.1.1 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.

2.5.1.2 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.

2.5.1.3 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 risks 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 has been developed to be used for a more frequent assessment of the risk exposures of the Company.

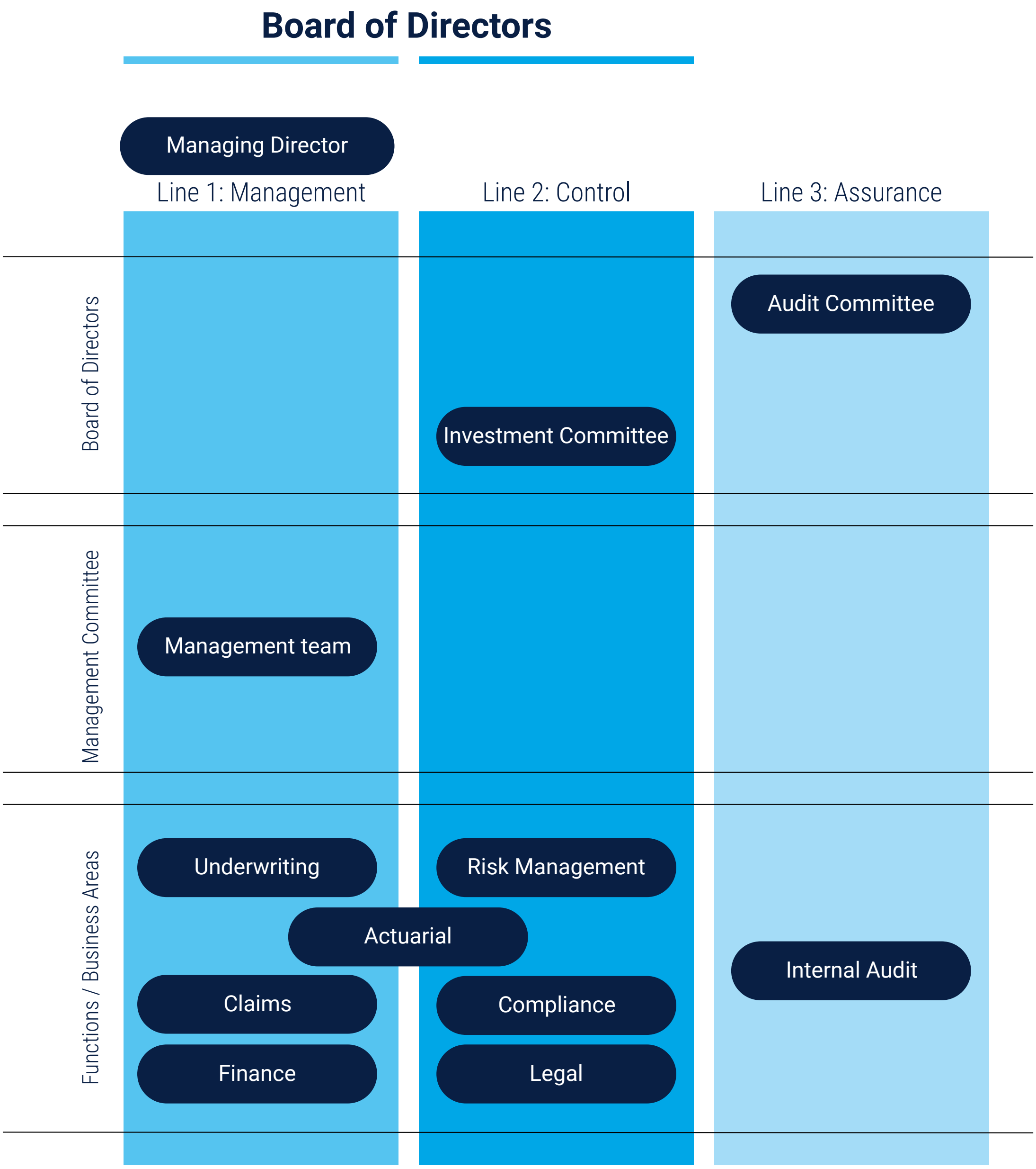
2.5.1.4 Risk Reporting

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

2.5.2 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 risk management function are outsourced to Deloitte.

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 defense** 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 is fed into the decision-making processes by assessing the risk exposure of alternative strategies that the company is considering with respect to risk mitigation, business volumes and investments.

2.5.3 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 completely ceded through the reinsurance contracts in force. 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 through a number of reinsurance agreements, 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 2020 were the premium receivables. As the Company is following leaders, it is obliged to also follow the credit periods they offer. At year-end 2020, the majority of these amounts relate to future instalments and only a very small proportion of the amounts was overdue.

The Company's exposure to market risk is minimal and aligned with its risk appetite. This was achieved through investments in high-graded Treasury bills and Treasury Notes.

2.5.4 Process adopted to fulfil the obligation to conduct an ORSA

2.5.4.1 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.

2.5.4.2 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

2.5.4.3 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.

2.5.4.4 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.

2.6 Internal control system

2.6.1 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
- Business 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.

2.6.2 Description of how the compliance function is implemented

Compliance is a responsibility shared by all staff. Regardless of their position within the Company, all individual employees, including the ones within Company Management, 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 have 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 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

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.

2.7 Internal audit function

2.7.1 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 produce relevant recommendations which are important to adding value to the Company.

Internal Audit may also provide consultancy services to the Company for any specific internal control issues, best practise recommendations, review of the ad-hoc requests subject to BoD/ Audit Committee enquiries and other services.

2.7.1.1 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.

2.7.1.2 Preparation of Internal Audit Programmes

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

2.7.1.3 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.

2.7.1.4 Summarize 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

2.7.1.5 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

2.7.2 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. 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.

2.8 Actuarial Function

2.8.1 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 Deloitte.

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 function 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.

2.9 Outsourcing

2.9.1 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 (if needed), 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 the 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.

2.9.2 List of any critical or important operational functions or activities that are outsources 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 Board of Directors of the Company	Y	Deloitte Limited
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 Board of Directors of the Company	Y	Deloitte Limited
Compliance Function		Y	Andreas Georghadjis LLC
Claims Handling		Y	Hellenic Hull Management (HMA) Ltd
Underwriting		Y	Hellenic Hull Management (HMA) Ltd
Accounting		Y	Hellenic Hull Management (HMA) Ltd

2.10 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.

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

2.11 Any other information

The outbreak of COVID-19 is not expected to significantly impact the Company's system of governance.

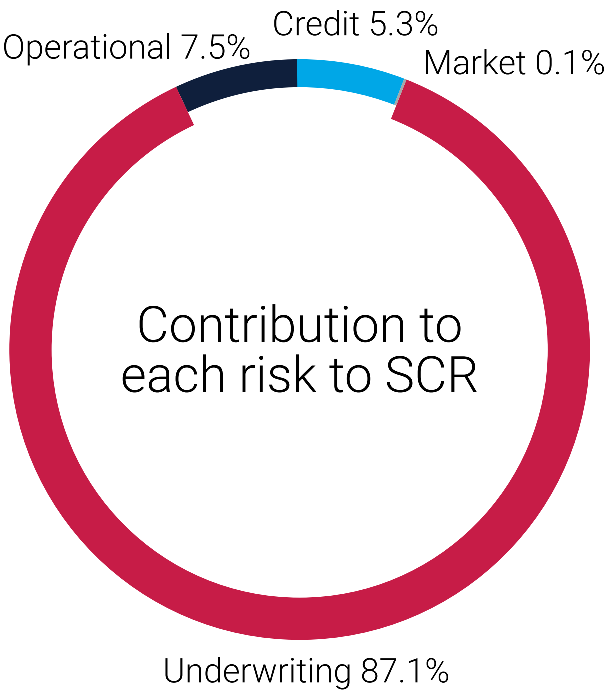

2020

3 Risk Profile

3 Risk Profile

American Hellenic Hull strives to safeguard its clients' needs as a robust, resilient and multifunctional partner. Business operations are designed and implemented through the company's effective risk management system, underpinned by innovation, sustainability strategies, monitoring processes and transparent reporting. The company carefully reviews and applies risk management procedures to new products, market business and renewal terms.

During the COVID-19 pandemic outbreak, AHHIC protected its clients needs minimizing any potential risk exposure due to its robust and effective business continuity plan.



The Company's risk profile is mainly driven by its insurance operations. Underwriting risk forms around 87% of the total risk portfolio of AHHIC. The rest of the risk exposure arises from operational risk, credit risk in relation to premium receivables from brokers, reinsurance recoveries, cash at bank and market risk, albeit minimal.

3.1 Underwriting Risk

3.1.1 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 conducting the 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 high risk exposure.

3.1.2 Description of the measures used to assess the risk

AHHIC measures its Underwriting risk using the standard formula. The measurement is done in three 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.

3.1.3 Risk Concentration

Underwriting risk is concentrated to one line of business, Marine, due to the business strategy and focus of the Company. Within this line of business, the Company diversifies the risk by type of vessel from bulk carriers to tankers, geographical location, broker and fleet.

- During 2020, AHHIC has reduced its lines (risk share per vessel) compared with 2019. In particular, its average risk share decreased from 7.47% in 2019 to 6.59% in 2020 for existing business renewing during the year, and to 5.69% for new business. These figures exclude any risk where AHHIC has a 50%+ line.

As the portfolio grows and risk share per vessel is kept low, portfolio becomes more diversified and the volatility of the claims is reduced.

3.1.4 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. Risk mitigation of course comes at a cost which under a best estimate scenario would be expected to reduce own funds.

3.1.5 Risk Sensitivity

3.1.5.1 Methods used, Assumptions made and Outcome of stress testing and sensitivity testing

The Company has carried out stress testing based on its latest projections which included underwriting risks such as higher loss ratio, lower/higher future premium volumes, higher expenses and increase of bad premium debts. Three out of the seven scenarios render the company insolvent triggering the implementation of a recovery plan as per the Company's Capital Management policy. The stress scenarios are indicative of the resilience of AHHIC to deterioration of forecasted performance and help identify the events representing a material threat to solvency and financial condition, thus necessitating the increase of capital upon their occurrence.

3.2 Market risk

3.2.1 Description of the risk

Market risk reflects the risk arising out of 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. Market risk forms 0.1% of the total SCR which is immaterial.

As at 31 December 2020, AHHIC's investment assets are held in cash in both Cyprus and USA based bank accounts and in US Treasury bills and notes. 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 US Treasury bills and notes which introduce interest rate risk. However, this exposure is minimal due to the short duration of the assets. 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 also exposure to currency risk due to operating accounts cash balances in EUR and GBP.
- AHHIC has no exposure to equity, property or derivatives.
- The overall market risk exposure is considered to be minimal.

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.

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.

AHHIC regularly reviews the financial condition of its investment counterparties and ensures that the currency, nature and duration of assets is appropriate to the characteristics of its liabilities, avoiding excessive reliance on any one counterparty or asset class or geographical location.

Prior to any material investment an SCR impact is generated that helps the management understand the marginal impact on the SCR and the solvency coverage ratio of the proposed investment.

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)
- Reinsurance recoverables

- Premium receivables

Credit risk, as measured through the SCR, is entirely composed of counterparty default risk as there is no exposure to concentration risk or spread risk in relations to the investments. Credit risk forms 5.3% of the total SCR.

The overall credit risk exposure is considered to be low. 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:

- Cash at bank are held in 3 different banks.
- XoL 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. Nonetheless, for operational efficiencies an amount is kept at local banks.

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 a reduction in the solvency coverage ratio of c. 1.4% when the credit quality 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 (US Treasury Bills), 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 a 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.

3.4.6 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

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Risk Class	Risk
Information Technology	Error in historical claims records.
Underwriting	Uncertainty around the frequency, timing and cost of claims. Inadequacy of underwriting model.
Strategy	Inadequate Company Strategy.
Claims	Delays in claims payments leading to reputational risk.
Compliance	Lack of appropriate compliance procedures (breaches of laws/ regulations including adherence to regulatory reporting timeframes).
Information Technology	Error in historical claims records.
Underwriting	Uncertainty around the frequency, timing and cost of claims. Inadequacy of underwriting model.
Strategy	Inadequate Company Strategy.

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.

3.5.3 Risk Concentration

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

3.5.4 Risk Mitigation

Since its inception, the Company has in place its Business Continuity plan, which captures a number of operational 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

3.5.5.1 Methods used, Assumptions made and Outcome of stress testing and sensitivity testing

Operational risk makes up 7% of the standard formula SCR at 31 December 2020.

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 20% decrease in business volumes over the next three-year business planning horizon. Under this scenario, the Company remained adequately capitalised in all years.

3.6 Any other material information

3.6.1 3.6.1 Environmental, Social & Governance Risks

The insurance industry plays an important role in promoting Environmental, Social and Governance (ESG) issues, which pose a shared risk to marine insurers and the shipping community. ESG risks are arising out of climate change, violation of human rights, pollution, together with risks related to health and safety of the onshore and offshore employees in the shipping industry.

AHHIC aims to integrate Environment, Social and Governance issues into risk management, underwriting and capital adequacy decision – making processes.

Unsustainable practices come at a serious cost to all insurance companies. Insurance capacity is not limitless and comes at a considerable price both for the insurance industry and the end-users of insurance products.

In order to Implement sustainability strategies and pioneer in new business models that embrace ESG risks, AHHIC has invested in partnerships towards this direction.

Thus, the company is the sole marine underwriter to enter into the United Nations family, as a member and signatory company of United Nations Environment Programme (UNEPFI) Principles for Sustainable Insurance initiative, United Nations Global Compact Initiative and UNEPFI Sustainable Blue Economy Finance Initiative. Being part of these UN initiatives, the company is committed to incorporating emerging social, environmental, and business issues into its sustainable and holistic approach.

Furthermore, AHHIC has participated in the development of two pioneering guidance papers that act as a toolkit for companies' sustainability strategies aiming to tackle ESG risks: "Managing Environmental, Social and Governance Risks for Non-life Business", launched by UNEPFI PSI and "Turning the Tide: How to finance a sustainable ocean recovery" launched by UNEPFI SBEFI.

3.6.2 COVID-19 outbreak

Since the Covid-19 outbreak, AHHIC has continuously monitored the World Health Organization's and National Government's updates, regulations and procedures. Protecting the health and safety of its executives and staff is a key focus under AHHIC's business continuity plan, and of great importance in maintaining its reputation and the trust of its clientele.

All functions of AHHIC have been conducted off-site since March 13th 2020, operating with a remote workforce. Through the establishment of reliable systems and the-state-of-the-art information technology, including cloud servers, the use of Voice over IP in order to prevent disruptions in telecoms, and the use of the Microsoft Teams application, which enables AHHIC's departments to interact and communicate effectively. Given these mitigating measures it is expected that the company will remain resilient to any adverse conditions that may arise.

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 analysed in detail in section 4.2.2.

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.

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 4.2.2.

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 2020 both gross and net of reinsurance (RI) recoverables.

$'000s	CLAIMS PROVISION	PREMIUM PROVISION	RISK MARGIN	Technical Provisions
Gross	10,621	-241	462	10,842
RI Recoverables	3,070	-292	0	2,778
Net	7,551	51	462	8,064

4.2.2 Description of the bases, methods and main assumptions used

4.2.2.1 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), the Unallocated Loss Adjustment Expenses (ULAE) and an allowance for Events Not In Data (ENID). Under Solvency II, the reserves are discounted to allow for the time value of money.

Company's own experience could not be solely used to estimate the claims provision due to the scarcity of data. As such, historical data of the Hellenic Hull Mutual were also used. In particular, a credibility approach was followed whereby more weight was placed on the claims development experience of the Hellenic Hull Mutual. This approach was considered appropriate for providing more statistically credible results.

4.2.2.2 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 premium, claims, administration expenses and reinsurance cost.

The expected claims ratio was set at equal to 79.5% for policies written before June 2020 and 72% for policies written post June 2020. This results in a blended gross loss ratio assumption for unexpired policies equal to 73.7%. The expense ratio for all policies was set equal to 6%.

4.2.2.3 Recoverables

The reinsurer's share on the outstanding reserve was determined according to the reinsurance arrangements that relate to each claim. The calculations for the reinsurance share of IBNR and IBNER by accident year was based on the proportional allocation of claims under each reinsurance arrangement. Since the proportional reinsurance arrangements are determined by underwriting year, it was required to calculate the durations of all the policies in the claims dataset to specify the company's average exposure by underwriting year.

In order to estimate the gross reserves, we ignore any cashflows related to the existence of reinsurance. In order to estimate the net reserves, the projections allow also for any cashflows related to reinsurance. A reduction of reinsurance recoverables has been made to allow for expected losses due to the default of a counterparty. The probability of default is derived from that used in the counterparty default risk under the standard formula depending on the credit quality of each reinsurer.

4.2.2.4 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%.

4.2.2.5 Discounting

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

4.2.3 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 and minimised.

As at 31 December 2020, the main source of uncertainty arises from the limited volume of own experience data on the development of claims. This forces AHHIC to rely on the use of data from another entity.

4.2.4 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 AURR	**Net Technical Provisions**
	7,551	51	462	**8,064**	7,554	5,303	0	**12,857**

The difference between the net Premium Provision and the net UPR is the result of the following (partly) offsetting effects:

(a) Under Solvency II, the full cost of XoL reinsurance is realized while under IFRS it is deferred. This leads to a lower net reserve under IFRS by c$1.2m.

(b) Under Solvency II, we allow for future profits where we expect these to emerge. This leads to the gross Premium Provision being lower than the Gross UPR (IFRS) by c$1.3m.

(c) Under Solvency II, we allow for future premium payments by installment (c$6.2m) whereas under IFRS these are held separately on the asset side as premiums receivable.

(d) Under Solvency II, we allow for future commissions payable (c$0.91m) whereas under IFRS these are held separately on the liability side as commissions payable.

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 $0.85m 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.

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

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

4.2.7 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

4.2.8 Material assumption changes

Expense ratio assumption used in premium provision decreased from 8.0% to 6.0%, in light of the expense subsidies expected by the shareholder's manager going forward. The loss ratio assumption for unexpired policies used in the calculation of premium provision was set to 79.5% for policies written before June 2020 and to 72% for policies written post June 2020. This results in a blended gross loss ratio assumption for unexpired policies equal to 73.7%. In addition, the XoL loss ratio assumption was increased from 25% in YE2019 to 60% in YE2020 to better reflect recent experience.

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 analysed in detail in section 4.2.2.

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 4.2.2.

4.4 Any other information

In light of the global outbreak of COVID-19, the Actuarial Function is closely monitoring developments and the potential impact on the Company's ability to meet its insurance liabilities. The Actuarial Function is actively assisting in closely monitoring developments, identifying potential risks, designing and implementing risk mitigation actions to ensure business continuity, limit damages and safeguard the solvency of AHHIC.

As part of its 2020 ORSA, the company has tested specific stress scenarios to understand the potential effect of COVID-19 to its solvency position. The scenarios included a short-term/long-term decrease of future volumes of business, short-term/long-term increase in premium bad debts and a short-term/long-term decrease in bond market values. The results of the short-term stress test demonstrate resilience to adverse conditions arising due to the COVID-19 outbreak. While the long-term COVID-19 scenario leads to adverse repercussions on the projected solvency position resulting in an SCR ratio below minimum requirements in the short-term, this is restored to acceptable levels by the end of the projection horizon.

These stresses indicate potential threats to solvency and financial condition which the management will monitor very closely in conjunction to its business plan, in order to mitigate such exposures. The Company has introduced mechanisms to monitor the solvency assessment on a monthly basis and take immediate corrective action once actual experience deviates from expected and jeopardises solvency.

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, 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 2020 as well as at the end of the previous reporting period.

Own Funds ($'000s)	December 2020	December 2019
Ordinary share capital	6,550	4,050
Share premium account related to ordinary share capital	10,450	10,450
Net deferred tax assets	0	0
Reconciliation reserve	-8,952	-7,943
Total Basic Own Funds	**8,048**	**6,557**

The current structure of own funds as shown above is composed entirely 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 available to cover the SCR.

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

All own fund items are eligible to cover the MCR as they are tier 1.

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	28,443	19,831	8,612
Total Liabilities	19,728	11,783	7,945
Total Own Funds	**8,715**	**8,048**	**667**
Ordinary Share Capital (incl. share premium account)	17,000	17,000	0
Retained Earnings	-8,285		-8,285
Net deferred tax assets	0	0	0
Reconciliation Reserve	0	-8,952	8,952

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 2020 the SCR of AHHIC was calculated at $6,205k and the MCR at 2,925k.

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	9
Counterparty default risk	336
Non-Life underwriting risk	5,551
Life Underwriting risks	0
Health underwriting risk	0
Sum of risk components	**5,896**
Diversification effects	-167
Diversified risk	**5,729**
Intangible asset risk	0
Basic SCR	**5,729**
Operational risk	476
Adjustments	0
SCR	**6,205**

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 has 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 €2,500K (converted to USD; $2,925k)
- SCR of $6,205k
- Net Technical Provision excluding Risk Margin $7,601k
- Net written premium in 2020 $11,619k

5.2.6 Material changes in the SCR and MCR compared to the previous reporting period

The only material change in the SCR arises from underwriting risk which is driven by the growth achieved by the Company during the year.

The change in the MCR is driven by the change in the absolute floor denominated in USD and is driven solely by exchange rate movements against the Euro.

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

5.3.1 Non-compliance with the MCR

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

AHHIC was compliant with the MCR throughout the year.

5.3.2 Non-compliance with SCR

5.3.2.1 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

Financial losses have impaired own funds thus compromising the SCR coverage ratio at the first quarter of 2020, where a solvency ratio of 91.3% was recorded. Nevertheless, claim volatility and uncertainty are understood to be an inherent characteristic in the H&M business. Such uncertainty remains well within the risk tolerances of the company's shareholder who has committed additional capital in the company in all instances of a breach of the SCR coverage. A capital injection of $2.5m was made in April 2020, restoring the solvency ratio of AHHIC to 110.5% as at 30 June 2020.

In December 2020 the Company submitted to the Superintendent of Insurance an updated business plan which detailed a set of actions already undertaken and future actions agreed upon at management, Board of Directors and shareholder levels. To facilitate the shareholder's intentions to financially support the Company, since 1st October 2020, the shareholder's Manager, SCB, Inc. ("SCB"), will enter into a modified Management Agreement with HMA (AHHIC's Manager) that will reduce overall management fees through a separate Sub-Management Agreement ("SMA") between SCB and HMA, as well as substantially relieve AHHIC of direct responsibility for making such payments. The above amounts to approximately US$1,6m additional, non-refundable, annual support to the Company. The actions aim to improve the Company's operating performance and maintain adequate levels of solvency. The impact of these actions was considered over the three-year business planning horizon. A series of stress tests and sensitivity analyses was also undertaken to identify potential threats that management will monitor very closely in order to appropriately mitigate its risk exposure.

Other measures include:

- Increases in premium rates.
- An actuarial premium rating exercise was carried out in order to identify the main rating factors and the recommended levels of premiums to ensure satisfactory underwriting performance and to mitigate cross subsidies within the portfolio.
- AHHIC implemented strict underwriting standards and continually monitors underwriting performance by type of risk including type of vessel, geographical location, broker, fleet on a monthly basis. During the third quarter of 2020, the company did not renew 26 of its accounts which were poorly performing. This had a significantly positive impact on the company's average loss ratio per account.

6 Appendix

6 Appendix

6.1 Annex 1/ P.02.01.02 / Balance Sheet

CHM	Assets	Solvency II value C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	13,716
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	13,716
R0140	Government Bonds	13,716
R0150	Corporate Bonds	
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	0
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	2,778
R0280	Non-life and health similar to non-life	2,778
R0290	Non-life excluding health	2,778
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	952
R0370	Reinsurance receivables	704
R0380	Receivables (trade, not insurance)	643
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet	0
R0410	Cash and cash equivalents	1,038
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	**19,831**

CHM	Liabilities	Solvency II value C0010
R0510	Technical provisions – non-life	10,842
R0520	Technical provisions – non-life (excluding health)	10,842
R0530	TP calculated as a whole	0
R0540	Best Estimate	10,380
R0550	Risk margin	462
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	TP calculated as a whole	0
R0670	Best Estimate	0
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	414
R0830	Reinsurance payables	473
R0840	Payables (trade, not insurance)	53
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	**11,783**
R1000	**Excess of assets over liabilities**	**8,048**

6.2 Annex 1 / P.05.01.02.01 / Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
CHM		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	0	0	0	0	13,736	0	0	0	0	0	0					13,736
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0140	Reinsurers' share	0	0	0	0	0	2,116	0	0	0	0	0	0	0	0	0	0	2,116
R0200	Net	0	0	0	0	0	11,619	0	0	0	0	0	0	0	0	0	0	11,619
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	0	0	15,868	0	0	0	0	0	0					15,868
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0240	Reinsurers' share	0	0	0	0	0	2,843	0	0	0	0	0	0	0	0	0	0	2,843
R0300	Net	0	0	0	0	0	13,025	0	0	0	0	0	0	0	0	0	0	13,025
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	0	0	16,074	0	0	0	0	0	0					16,074
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0340	Reinsurers' share	0	0	0	0	0	6,302	0	0	0	0	0	0	0	0	0	0	6,302
R0400	Net	0	0	0	0	0	9,772	0	0	0	0	0	0	0	0	0	0	9,772
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	0	0	0	0	4,338	0	0	0	0	0	0	0	0	0	0	4,338
R1200	**Other expenses**																	0
R1300	**Total expenses**																	**4,338**

6.3 Annex 1 / P.17.01.02 / Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
CHM		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0	0	0	0	-241	0	0	0	0	0	0	0	0	0	0	-241
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	-292	0	0	0	0	0	0	0	0	0	0	-292
R0150	Net Best Estimate of Premium Provisions	0	0	0	0	0	51	0	0	0	0	0	0	0	0	0	0	51
	Claims provisions																	
R0160	Gross	0	0	0	0	0	10,621	0	0	0	0	0	0	0	0	0	0	10,621
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	3,070	0	0	0	0	0	0	0	0	0	0	3,070
R0250	Net Best Estimate of Claims Provisions	0	0	0	0	0	7,551	0	0	0	0	0	0	0	0	0	0	7,551
R0260	**Total Best estimate - gross**	0	0	0	0	0	10,380	0	0	0	0	0	0	0	0	0	0	10,380
R0270	**Total Best estimate - net**	0	0	0	0	0	7,601	0	0	0	0	0	0	0	0	0	0	7,601
R0280	**Risk margin**	0	0	0	0	0	462	0	0	0	0	0	0	0	0	0	0	462
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total																	
R0320	Technical provisions - total	0	0	0	0	0	10,842	0	0	0	0	0	0	0	0	0	0	10,842
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	0	0	2,778	0	0	0	0	0	0	0	0	0	0	2,778
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	0	0	0	0	8,064	0	0	0	0	0	0	0	0	0	0	8,064

6.4 Annex 1 / P.19.01.21.AY / Non-life Insurance Claims Information

Total Non-Life Business

Z0020	**Accident year / Underwriting year**	**Z0020**	**Accident year [AY]**

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**In Current year**	**Sum of years (cumulative)**
CHM		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**											0	0	0
R0160	**N-9**	0	0	0	0	0	0	0	0	0	0		0	0
R0170	**N-8**	0	0	0	0	0	0	0	0	0			0	0
R0180	**N-7**	0	0	0	0	0	0	0	0				0	0
R0190	**N-6**	0	0	0	0	0	0	0					0	0
R0200	**N-5**	0	0	0	0	0	0						0	0
R0210	**N-4**	267	1,874	253	84	15							15	2,493
R0220	**N-3**	2,047	2,972	1,047	76								76	6,142
R0230	**N-2**	4,031	6,753	1,358									1,358	12,142
R0240	**N-1**	2,505	8,023										8,023	10,528
R0250	**N**	2,860											2,860	2,860
R0260												**Total**	12,333	34,165

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year											
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**Year end (discounted data)**
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	**Prior**											0	0
R0160	**N-9**	0	0	0	0	0	0	0	0	0	0		0
R0170	**N-8**	0	0	0	0	0	0	0	0	0			0
R0180	**N-7**	0	0	0	0	0	0	0	0				0
R0190	**N-6**	0	0	0	0	0	0	0					0
R0200	**N-5**	0	0	0	0	0	0						0
R0210	**N-4**	2,453	713	43	27	46							46
R0220	**N-3**	4,153	1,637	264	272								272
R0230	**N-2**	4,590	1,879	579									579
R0240	**N-1**	4,926	4,286										4,283
R0250	**N**	5,443											5,440
R0260												**Total**	10,621

6.5 Annex 1 / P.23.01.01 / Own funds

CHM		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		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					
R0010	Ordinary share capital (gross of own shares)	6,550	6,550		0	
R0030	Share premium account related to ordinary share capital	10,450	10,450		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	-8,285	-8,285			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-666	-666			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	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	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	**Total basic own funds after deductions**	8,048	8,048	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,048	8,048	0	0	0
R0510	Total available own funds to meet the MCR	8,048	8,048	0	0	
R0540	Total eligible own funds to meet the SCR	8,048	8,048	0	0	0
R0550	Total eligible own funds to meet the MCR	8,048	8,048	0	0	
R0580	**SCR**	6,227				
R0600	**MCR**	2,925				
R0620	**Ratio of Eligible own funds to SCR**	1.2925				
R0640	**Ratio of Eligible own funds to MCR**	2.7521				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	8,048
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	8,715
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-666
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

6.6 Annex 1 / P.25.01.21 / Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	9		
R0020	Counterparty default risk	336		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	5.551		
R0060	Diversification	-167		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	5.729		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	476
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	6.205
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	6.205
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT C0130
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

6.7 Annex 1 / P.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

CHM		C0010
R0010	MCRNL Result	2.410

CHM		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0020	Net (of reinsurance) written premiums in the last 12 months C0030
R0020	Medical expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	7.601	11.619
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

CHM		C0040
R0200	MCRL Result	0

CHM		Net (of C0050	Net (of C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

CHM	Overall MCR calculation	C0070
R0300	Linear MCR	2.410
R0310	SCR	6.205
R0320	MCR cap	2.792
R0330	MCR floor	1.551
R0340	Combined MCR	2.410
R0350	Absolute floor of the MCR	2.925
		C0070

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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 2020:

- 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

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 2020 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 (including International Independence Standards) (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.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:

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- 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 Limassol Limited

Moore Limassol Limited
Certified Public Accountants and Registered Auditors

Limassol, 7 April 2021

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