Hamilton Insurance DAC

Solvency & Financial Condition Report ("SFCR")

For Year Ending:
31st December 2020

Contents

Summary

The Solvency II regime, a harmonised EU-wide regulatory framework for Insurance Companies, came into force with effect from 1 January 2016. The regime requires reporting and public disclosure arrangements to be put in place by insurers and certain aspects are required to be published on the Hamilton Insurance Designated Activity Company ("HIDAC" or "the Company") public website. This document is the Solvency and Financial Condition Report ("SFCR"), prepared in accordance with Solvency II requirements, and seeks to provide stakeholders with an insight into the Company's overall financial condition.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate administrative body that has the responsibility for all of these matters is the Company's Board of Directors. The Board is supported in discharging this responsibility by the Company's governance structures, including its Committees, Senior Management and Internal Control Functions.

Hamilton Insurance DAC (formerly Ironshore Europe DAC) is a subsidiary of Hamilton UK Holdings Limited, which is a wholly owned subsidiary of Hamilton Insurance Group, Ltd ("Hamilton").

Some figures in the tables in this report are rounded to the nearest USD 1,000. Consequently, some totals may not be the sum of the individual items due to rounding.

A. Business and Performance

A.1 Business

Hamilton Insurance DAC (HIDAC) is a regulated non-life insurance private company limited by shares. The Company's registered address is 2 Shelbourne Buildings, Crampton Avenue, Ballsbridge, Dublin 4, Republic of Ireland.

HIDAC is regulated by the Central Bank of Ireland (CBI), North Wall Quay, Spencer Dock, PO Box 11517, Dublin 1, Republic of Ireland.

The Company is wholly owned by Hamilton UK Holdings Limited, which is a wholly owned subsidiary of Hamilton Insurance Group, Ltd ("Hamilton"). Hamilton is a Bermuda-headquartered company that underwrites specialty insurance and reinsurance risks on a global basis through its wholly-owned subsidiaries. Hamilton leverages analytics and research to create underwriting and investment value for its clients and shareholders.

As of November 30, 2020, Hamilton. has approximately $1.6 billion in shareholders' equity.

See Appendix A for Hamilton's Group Structure.

HIDAC is a non- life insurance company operating in Ireland. HIDAC closed the 2020 financial year with earned premiums, net of reinsurance of $13.5 million ($26.4 million in 2019). Total HIDAC net loss after taxes for 2020 was $7.8 million ($8.9 million net profit after taxes in 2019).

The Company's external auditor is Mazars, Chartered Accountants and Statutory Audit Firm, with an address at Block 3 Harcourt Centre, Harcourt Road, Dublin 2, Ireland.

The Company's financial year-end is 31 December.

A.2 Underwriting Performance

The Company prepares its financial statements under Irish GAAP ("GAAP"), and accordingly the underwriting performance information given in this section is on an Irish GAAP basis.

The Company writes a large product portfolio, spanning seven Solvency II lines of business. The table below shows the Company's premiums, claims and expenses split by Solvency II lines of business for the year ended 31 December 2020:

2020 US'000s	Income Protection	Marine, Aviation and Transport	Fire and Other Damage to property	General Liability	Credit and Suretyship	Legal expenses	Misc Financial Loss	Total
Net premium earned	11	713	10,466	1,229	583	144	380	13,526
Net claims incurred	8	192	8,326	1,034	240	62	132	9,994
Expenses incurred	219	315	15,948	57	860	1,308	787	19,494
Net result	(216)	206	(13,808)	138	(517)	(1,226)	(539)	(15,962)
Net loss ratio	73%	27%	80%	84%	41%	43%	35%	74%
Combined ratio	2064%	71%	232%	89%	189%	951%	242%	218%

For the purposes of this analysis direct, proportional reinsurance and non-proportional reinsurance have not been separately presented, rather the SII line of business to which the obligations relate has been presented, regardless of whether insurance or reinsurance. This is consistent with how the Company manages the business.

In the year ended 31 December 2020, the Company produced a pre-tax loss of $7.5m, of which $16m related to underwriting activities. Underwriting activities reported a net loss ratio of 74% and a combined ratio of 218%.

The Company utilises reinsurance to limit the exposure on individual risks, protecting against catastrophic risks, and controlling the aggregate exposure of the Company. Reinsurance may be purchased at several levels ranging from reinsurance of risks assumed on individual contracts to reinsurance covering a portfolio of polices or the book of business as a whole. The most material reinsurance arrangement is a whole account quota share purchased from Liberty Specialty Markets Bermuda Limited ("LSMB"), based in Bermuda. Under the terms of this arrangement, the Company cedes 100% of all risks written prior to the 19th August 2019 to LSMB. The Company also has a whole account quota share with an affiliate company, Hamilton Re Ltd., based in Bermuda. Under this agreement the Company cedes 80% (after application of external reinsurance) of all business written after 19th August 2019.

The comparative results by Solvency II lines of business for the year ended 31 December 2019 were as follows:

2019 US'000s	Medical Expenses	Income Protection	Marine, Aviation and Transport	Fire and Other Damage to property	General Liability	Credit and Suretyship	Misc Financial Loss	Total
Net premium earned	-	138	378	14,042	7,644	3,728	500	26,430
Net claims incurred	-	28	(131)	6,788	7,882	3,725	(4,487)	13,805
Expenses incurred	1	158	486	11,248	(3,325)	(1,038)	148	7,678
Net result	(1)	(48)	23	(3,994)	3,087	1,041	4,839	4,947
Net loss ratio	0%	21%	-35%	48%	103%	100%	-898%	52%
Combined ratio	0%	135%	94%	128%	60%	72%	-868%	81%

The reconciliation from the Solvency II figures presented in QRT S.05.01 to pre-tax GAAP profit / loss is as follows:

	2020 US'000s	2019 US '000s
Net result from underwriting activities	(15,962)	4,947
Investment income (excl. investment mgmt. expenses)	8,530	8,929
Consortia income	(85)[1]	-
Foreign exchange gains (losses)	42	(1,273)
(Loss) / profit before taxation	**(7,475)**	**12,603**

The geographical spread of gross premium written is presented in the table below. In this analysis risks are categorized by country based on the location of the insured.

	2020 US'000s	2019 US '000s
Ireland	3,170	1,775
Other EU	31,069	20,451
United States	142,233	124,188
Other	37,245	34,140
Total	**213,717**	**180,554**

A.3 Investment Performance

The primary objective of the investment portfolio is the preservation of capital, as opposed to return on capital. This is the foundation upon which the investment strategy is based, which reflects the

[1] This balance relates to an adjustment in previous years consortia fees.

company's relatively low risk appetite for investment risk and financial market loss over a short, medium or long term. The investment guidelines and performance benchmarks have been set accordingly with the investment manager.

The investment portfolio is managed exclusively by Conning Asset Management Limited ('Conning'). The investment portfolio is held in Fixed Income Investment Grade securities, with an average credit quality of 'A-' or better.

There have been no material or significant changes in investment strategy during 2020 when compared with the prior year.

A.3.1 - Income and Expenses with respect to Investment Activities

The table below shows the composition of the investment portfolio at the year-end and at the end of the previous financial year:

	2020 US$000	2019 US$000
Government Bonds	20,908	53,287
Agency and Corporate Debt Securities	131,926	68,115
Covered Bonds and Securitized Bonds	23,641	10,364
	176,475	131,766

This next table below provides a summary of investment performance in 2019 and for the comparative period, showing income and expenses with respect to investment activities:

	2020 Recognised in: Income US$000	Total US$000	2019 Recognised in: Income US$000	Total US$000
Interest and other income	2,593	2,593	3,636	3,636
Realised gains / (losses)	1,242	1,242	1,350	1,350
Unrealised gains / (losses)	4,694	4,694	3,943	3,943
Investment fees	(105)	(105)	(307)	(307)
	8,424	8,424	8,622	8,622

The majority of the investment fees incurred are charged by the investment managers. Fees are leveraged based on a sliding scale applied to the closing value of assets under management at each period end.

A.3.2 – Analysis of Investment Performance, total and by asset class

The table below illustrates the composition of the Company's investment portfolio at the balance sheet date and at the prior year-end. As stated above the investment restrictions and appetite did not change significantly during 2020 or the prior year. Corporate bonds now make up a larger part of the portfolio in 2020, as permitted within the guidelines.

The portfolio return during 2020 and the prior period was as follows:

	Weighted Average 2020*	Weighted Average 2019*
Treasuries	1.10%	1.91%
Governments	0.22%	2.64%
Corporates	1.53%	3.02%
MBS	1.99%	2.37%
ABS	1.35%	2.18%
CMO	2.67%	2.56%
Total	**1.46%**	**2.58%**

** Approximated, using year-end holdings by currency.*

With 92% of the assets in the Company denominated in US Dollars the US market was the main driver of investment returns during the year.

A.3.3 – Investments in Securitised Assets

The Company's investment mandate states that the Company may invest in securitized obligations as part of its ongoing investment operations.

The Company's potential market risk exposure to such investments is managed via a well-defined mandate given to Conning including specific parameters around credit quality and restrictions within classes of securitized assets.

The risk is also managed by holding a well-diversified portfolio; at all times Conning are directed to maintain a portfolio that is not only diversified at the security level but also within the deal structures. This covers all areas including geographic, servicer, insurer, and all other areas of potential concentration.

A.4 Performance of Other Activities

The Company does not carry out any activities which are not directly connected to the provision of insurance.

A.5 Any Other Information

The Company has no other material information to disclose.

B. System of Governance

B.1 General Information on the system of Governance

B.1.1 Overview of system of Governance

The Company is classified as a Medium-Low Risk firm under the Central Bank of Ireland's risk-based framework for the supervision of regulated firms, known as PRISM (Probability Risk and Impact SysteM) and is subject to the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings 2015 (the "Requirements") and the System of Governance requirements of the Solvency II regulations.

Board

The Company's Board of Directors carries responsibility for the oversight of the business and sets its strategy and risk appetite. The Board determines the overall strategy of the Company, supervises senior management and addresses key matters in the areas of strategy, finance, structure and organisation and business development. In particular, the Board approves the annual plans developed by management and reviews and approves the annual financial statements.

The Board supervises management and monitors its performance through reporting and controlling processes. Regular reporting by the CEO and other executives to the Board provides for appropriate information and updates, including key data for the core business, financial information and legal and regulatory updates.

Under section 7 of the Requirements, the Board of an insurance undertaking shall be of sufficient size and expertise to oversee adequately the operations of the insurance undertaking and shall have a minimum of five directors (majority to be INED's and Group NEDs, with at least 2 INED's).

The HIDAC Board is currently composed of six directors, has three Independent Non-Executive Directors – Karen Forte, Peter Haynes and Malcolm Beacham who bring independent thought, challenge and critical thinking to both the Board and Board Sub-Committees. Under the Requirements, Group directors shall act critically and independently so as to exercise objective and independent judgement.

Director	Position	Audit Cttee	Risk Cttee
Peter Haynes	INED and Chairman of the Board		
Karen Forte	INED and Chair of the Audit Committee	✔	✔
Malcolm Beacham	INED and Chair of the Risk Committee	✔	✔
Fiona Marry	Chief Executive Officer		✔
Alex Baker	Chief Risk Officer		
Robert Vetch	Group NED	✔	

The Company is committed to high standards of corporate governance. The Board has completed an annual review of governance, performance, and its committee structures, in line with the Corporate Governance Requirements for Insurance Undertakings 2015.

The following Committees and Control Functions have been established by the Board (and its Committees) to assist it in discharging its obligations and operated throughout the year under review. Each Committee operates under defined terms of reference and reports to the Board at each Board meeting.

Audit Committee

Composition and membership: Hamilton Insurance DAC is required to have an Audit Committee to consist of at least three Non-Executive Directors, the majority to be independent. Currently Karen Forte (Chairperson), Malcolm Beacham (INED) and Robert Vetch (NED), serve on this committee.

The Audit Committee Terms of Reference provides that the Audit Committee, as a whole, should have;

(i) an understanding of GAAP and financial statements,

(ii) experience in preparing, auditing, analysing or evaluating financial statements

(iii) an understanding of internal controls and procedures for financial reporting,

(iv) and understanding of audit committee functions.

To facilitate an ongoing exchange of information between the Risk Committee and the Audit Committee, the Chairperson of the Audit Committee is a member of the Risk Committee and the Chairperson of the Risk Committee is a member of the Audit Committee.

The Audit Committee meets at least four times a year and the Terms of Reference are reviewed on an annual basis.

The external auditors, internal auditors, and management attend these meetings by invitation in order to, inter alia, discuss auditors' reports, review and assess the audit plan and approach and the examination process, and to assess the activities of both external and internal auditors.

Risk Committee

Composition and membership: Hamilton Insurance is required to have a Risk Committee as part of the Corporate Governance Requirements. The Committee consists of three members. Currently Malcolm Beacham, Karen Forte, and Fiona Marry serve on this Committee.

In general, the Risk Committee:

i) oversees the Risk Framework, including risk management and control, risk policies, their implementation and the risk strategy and the monitoring of operational risks,

ii) reviews the methodologies for risk measurement and the company's adherence to its risk limits and reviews the performance of the Risk Management Function,

iii) reviews, with business management and the Risk Management Function, the entities general policies and procedures and satisfies itself that effective systems of risk management are established and maintained, and

iv) receives periodic reports from the HIDAC Risk Management Function and assesses whether significant issues of a risk management and control nature are being appropriately addressed by management in a timely manner.

The Risk Committee meets at least four times a year and the Terms of Reference are reviewed on an annual basis.

Other Board sub-committees

As of yet, the entity has decided not to have a separate Remuneration and Nomination committee, as allowable under the Requirements.

Management Committees

International Underwriting Committee

The Underwriting Committee meets monthly to review the underwriting performance of the Company and to review reports from the underwriting and related functions. A verbal update is presented to the Board of the salient points from the preceding Underwriting Committee meeting.

International Claims Committee

The Claims Committee meets monthly to review the claims data of the Company and to review reports from the claims and related functions. This information is also presented at the Underwriting Committee meetings.

Reserving Committee

The Reserving Committee meets quarterly and is responsible for the effective oversight of the reserving function, and reports to the Audit Committee on any matters in respect of which the Reserving Committee considers that action or improvement is needed and make recommendations as to the steps to be taken.

Product Oversight Group

As part of the review of any new products or lines of business discussed as part of the business planning process the level of product risk is assessed in line with conduct risk requirements. The Product Oversight Group (POG), which has authority delegated from the Board, as per its terms of reference, is responsible for this assessment to ensure that all lines of business are selling products that are in line with the Company's Risk Appetite. The Product Oversight Group also monitors the Company's Conduct Risk.

Control Functions

Compliance Function

HIDAC adheres to all of the Corporate Governance Requirements for Insurance Undertakings; Reserving Requirements; Fitness and Probity; Whistleblowing. Board Training is given by various functions (including compliance) on a quarterly basis.

The Compliance Officer attends the quarterly Risk, Underwriting, Audit Committee and Board meeting and gives an update to each of any new developments or issues that may have arisen in the previous quarter. The Compliance Framework, Fitness and Probity Manual, and Compliance plan are all submitted on at least an annual basis to the Board for review and approval.

Management and the Company are responsible for notifying the Compliance Officer of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Compliance Officer records the relevant breach item in the Company's breach register and discusses remedial actions with the management concerned. Where material, reporting is made to the Board and its Committees, as well as the CBI.

Risk Management Function

The Risk Management function is responsible for identifying and communicating all risks faced by the business. In particular, the overall objective is to ensure that all areas of the business are operating within the appropriate risk appetite levels that have been approved by the Board. Through the framework, Risk Management aims to recognise areas of concern that need remedial work to ensure that issues are being controlled effectively. All risks and controls are reviewed quarterly by Risk Management and the control/risk owner via an online software tool, please see section B.3.1 for further discussion around this. All risk information is reported to the quarterly Risk Committee meeting for challenge and review by all members. The Risk Appetite Statement, Risk Management Framework and ORSA Report are submitted annually to the Risk Committee and the Board for review and approval.

Remuneration Policy

The Company's remuneration policy is to provide a fixed based salary along with an annual performance based bonus which varies in accordance with the Group financials, and the Company's and individual's performance. Bonus compensation structure is based primarily on underwriting income by Company and Line of Business (LOB), not top line growth. This structure helps the prevention of poor underwriting selection. We emphasize pay-for-performance and design our executive pay practices to provide incentives that drive business results and reward financial outcomes. Our Named Executive Officers (NEO) receive incentive awards that are funded based on Company performance relative to underwriting income, investment income, and change in book value, standard measures of growth and operational performance in our industry. Actual awards for the NEOs are earned based on a combination of corporate and individual performance. There is a strong correlation between the Company's performance and executive compensation awards on both a relative and absolute basis.

Our executive compensation program is intended to focus on our strategic priorities and drive the decision-making to promote our Company's most important financial and business goals The Hamilton Group have fostered an executive compensation program that seeks to drive a performance culture, align long-term economic interests of key employees with both the short and long term interests of our shareholders; and reward successful results. At Hamilton, we expect our executive team to possess and demonstrate accountability for results, strong leadership and management competencies.

B.2 Fit and Proper Requirements

The Company has adopted a Fitness and Probity Manual, which sets out the due diligence checks that must be performed in the following areas and which aligns with the Central Bank of Ireland's Guidance on Fitness and Probity Standards 2018. These include:

i) Compliance with the minimum competency code, where relevant
ii) Professional qualification(s)
iii) Continuous Professional Development
iv) Interview and application
v) References
vi) Record of previous experience
vii) Record of experience gained outside the State
viii) Concurrent Responsibilities
ix) Individual Questionnaire

For key Control Functions (referred to as Pre-approved Control Functions or "PCFs"), approval from the CBI is required prior to appointment by the Company's Board.

B.3 Risk Management System including the Own Risk and Solvency Assessment

B.3.1 Description of Risk Management Systems

The Risk Management Function facilitates and co-ordinates risk management activity across the Company and reports to the Group CRO and Risk Committee. It is responsible for establishing and operating HIDAC's Risk Management Framework, strategy and policies in keeping with HIDAC principles.

The Risk Management function makes use of a dedicated application, called Decision Focus.

Decision Focus is HIDAC's risk management software system, which facilitates the recording, quantification, assessment and controlling of Risks and Controls. The information held within the repository is detailed and provides an opportunity, on a regular basis, to review the risks and to ensure that all key information is being analysed by management and the Risk Management Department. Decision Focus provides a full reporting suite for both high level and granular reporting which allows for easy analysis of the key risks and controls to the business. Decision Focus is also utilised as a Risk Monitoring and Risk Reporting system which is managed through Business Owners, who are responsible for monitoring risks within their divisions and reporting any risk events. After a risk event has been logged, the system automatically issues an email notification to Risk Management and Senior HIDAC Management, as assigned. To ensure good governance, all Business Owners are required to log either a 'Nil Return' or if appropriate a risk event each month to ensure no risk events have been missed.

B.3.2 Risk Management Core Functions and Strategies

HIDAC Risk Management core functions covers a wide spectrum of duties, from developing and distributing tools, techniques, methodologies, common risk language, risk framework, analysis, reporting, communication and training, ensuring HIDAC monitoring of risk management processes and policies is managed to a high standard. Critical to achieving this objective is the Company's focus on defining risk management standards, identifying, developing and updating Key Risk Indicators ('KRI's') and Key Control Indicators and mitigating actions. Overlaying these actions is the Risk Management's facilitating of risk assessments to ensure that all existing, New and Emerging Risks are appropriately captured and managed; and as a consequence updating of risk policies and the Risk Register as required and escalating issues where appropriate through management and investigation of risk events.

Other core functions include maintaining and developing strong relationships with all departments of the Company, and with Hamilton group through weekly meetings with the CRO to review HIDAC risk activities and key objectives and with external risk partners as appropriate.

Finally, producing Risk Reports for the Board, Committees and others as required, submitting all information necessary to meet statutory and regulatory requirements on time to the appropriate Committees, Boards and external bodies.

B.3.3 How Risk is integrated into the decision making process

The identification of New and Emerging Risks and movements in known and registered risks is primarily managed through Quarterly Assessments with appropriate risk owners by way of formal interviews with the risk management team. These risks represent significant events that could impact severely the operational capability of the Company. These include but are not limited to the following; risk aggregation, loss reserving, failure of IT, failure to appropriately calculate account pricing and new, or emerging risks. In addition, through the monitoring and reporting of risk events from a broader base of Business Owners via HIDAC's Decision Focus system. These risks specifically focussed on the operational risks associated to that business unit and as such are varied in their impact from being informative to critical to that unit and/or the Company as a whole in terms of HIDAC's objectives and performance.

The collective findings are reviewed by the Head of ERM and the CRO and then passed to the Risk Committee for review and challenge. In turn, the Risk Committee will then advance those findings and their recommendations to the Board for their review and challenge, as appropriate.

Any actions emanating from the recommendations approved by the Board will then be incorporated in HIDAC business strategy

B.3.4 Description of the ORSA process and how the ORSA is integrated into the Company and its business decision making processes.

The ORSA process includes contributions from both internal and external parties from Finance, Actuarial and Risk, in addition, to review and challenge from the CRO, Risk Committee and HIDAC Board. In terms of the actual process, this is initiated by creating a planned timetable identifying the critical milestones and identifying the key persons responsible for delivering the work required to achieve those milestones.

Once this has been completed the process of execution begins, including Risk Management review of the previous ORSA, with considerations to enhancing the report from both a content and structure perspective. In parallel, Risk Management, in association with the Finance team, will meet and review objectives and timings with the Company's external partner, Willis Towers Watson, specifically focused on reviewing Standard Formula requirements, reviewing various scenarios that would impact the SCR levels, such as Counterparty Risk, significant movement in revenue projections from a growth or reduction perspective. Consideration is given to additional scenarios based on discussions with the Risk Committee and Board. Discussions with the Head of Actuarial Function (HoAF) ensure our approach is in keeping with their expectations and gain any additional insight that the HoAF may suggest.

Through the ORSA process, the Risk Appetite Statement key tolerances are reviewed and results, tolerances and KRI's (business performance measurements) are assessed. These include; property modelling and marginal VaR metrics, reserve and credit risk, counterparty default and counterparty investments risk in addition to counterparty risk from reinsurance by credit rating and review of investment return valuation, portfolio analysis and duration, liquidity and cash balance reports.

Throughout this review and analysis process as those results are presented the first draft of the report is prepared for presentation to key stakeholders, for their review and challenge. Once all feedback has been incorporated and sign off received from the HoAF, the ORSA report is presented to the Risk Committee and ultimately the Board. Electronic filing is then made in accordance with regulatory requirements. Integrating the key findings of the ORSA in the decision-making process is through reviewing those findings to assess whether those findings would have a direct impact on the business objectives and dependencies to support our business.

B.3.5 How often is the ORSA reviewed and approved

The ORSA has been carried out in accordance with the ORSA policy agreed by the Board during 2020. The Policy states that the ORSA is performed annually, however, within the ORSA there are a number scenarios that would trigger a review of the ORSA, these include:

- If there is a material change to the risk profile of the Company; and
- Changes to either HIDAC's or HIG's overarching business, strategic or risk strategies.

B.4 Internal Control System

B.4.1 Description of the Internal Control System

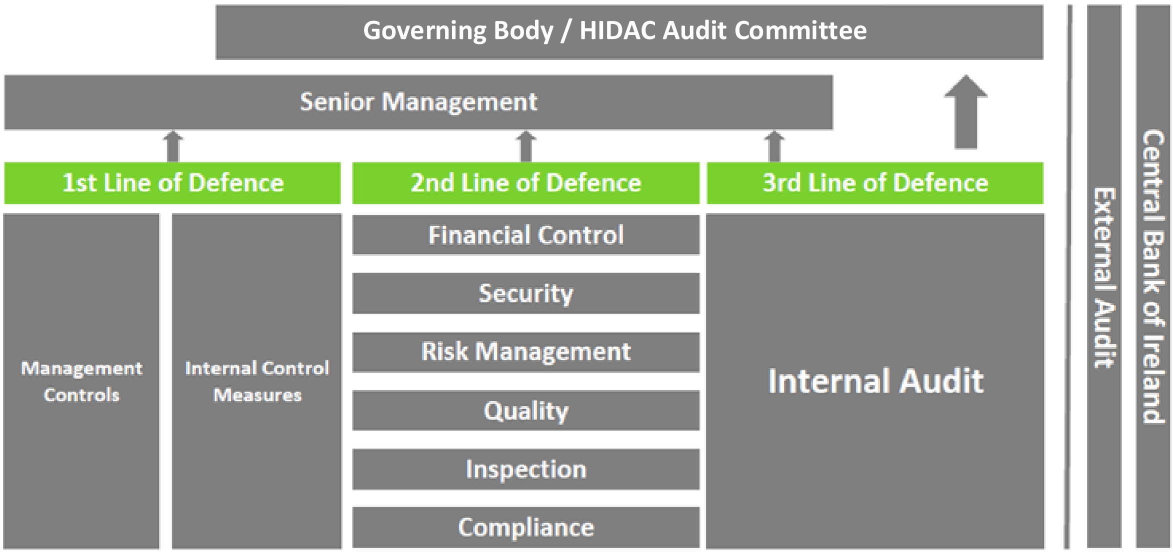
HIDAC utilises the internal control model that comprises three lines of defence. The three lines of defence address how specific duties related to risk and control are assigned and managed within the organisation. The three separate lines of defence are organized in the framework developed by the Institute of Internal Auditors (IA) and each line performs the following activities:

1. Functions that own and manage risk and control (front line operating management): The majority of employees comprise the first line of defence. Senior Management and oversight committees have responsibility setting the organization's objectives, defining strategies to achieve those objectives, and establishing governance structures. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Managers design and implement detailed policies and procedures that serve as controls and supervise the execution of those procedures by their employees.
2. Functions that monitor risk and control in support of management (Risk Management and Compliance Functions): Risk Management provides guidance to Risk Owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization. The identification of new and emerging risks and/ or movements in known and registered risks is primarily managed through monthly risk indicators reporting and quarterly Risk and Control assessments. These risks represent significant events that could impact severely the operational capability of the Company. These include but are not limited to the following; risk aggregation, loss reserving, failure of IT, failure to appropriately calculate account pricing and new, or emerging risks. In addition, through the monitoring and reporting of risk events from a broader base of Business Owners and/ or their respective subordinates via HIDAC's Decision Focus system. These risks specifically focused on the operational risks associated to that business unit and as such are varied in their impact from being informative to critical to that unit and/ or the Company as a whole in terms of HIDAC's objectives and performance.

   The collective findings are reviewed by Risk Management team and then passed to the Risk Committee for review and challenge in turn the Risk Committee will then submit those findings and their recommendations to the Board for their review and challenge. Any actions emanating from the recommendations approved by the Board will then be incorporated in HIDAC's business strategy.

   The Compliance function monitors various specific risks such as noncompliance with applicable laws and regulations.
3. The function that provides independent assurance to the board and senior management concerning the effectiveness of management of risk and control (Internal Audit): Internal Audit

provides senior management and the Audit Committee of HIDAC with assurance based on independence and objectivity. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. The Internal Controls team within the Internal Audit function provides independent testing of management's controls. Some of this work is relied upon by the external auditors, who also perform a necessary independence function.



B.4.2 Compliance Function Implementation

The Compliance Function is a key part of the Company's overall corporate governance structure. The function is responsible for the monitoring, managing, and reporting of the Compliance risks to which the Company is exposed. Compliance monitoring occurs in line with an annually approved compliance plan, to check that the Company and its service providers are adhering to its obligations. Compliance reports are issued to the Board assessing the effectiveness and adequacy of compliance within the Company.

Management of the Company, and its service providers, are responsible for notifying the Head of Compliance of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, this is recorded in the Company's breach register and remedial actions discussed with the management concerned. Where material, reporting is made to the Board, its Committees and, where appropriate, the CBI.

B.5 Internal Audit

B.5.1 Internal Audit Function Implementation

The purpose, role, professionalism, authority and responsibilities of the Internal Audit function are set out within the Group Internal Audit (GIA) Charter. It and associated methodology provide guidance on annual audit planning as well as audit review planning, fieldwork, reporting and follow-up processes. The Charter is reviewed annually with consultation and approval by subsidiary and HIDAC Audit Committee. The Charter was last reviewed and approved by the HIDAC AC in their December 2020 meeting. The methodology is continuously reviewed and updated as needed.

A risk-based approach is taken to develop the annual audit plan, auditing all areas over three years. Consideration is given to when areas were last audited and the audit rating, as well as recommendations by management, regulators and industry hot topics. With material areas, Underwriting and Investments, covered annually. Where possible audits are performed group wide to allow identification and sharing of better practices. Specific entity level audits are also completed as required. The scope of the audits includes assessment of the risks, controls, and mitigations identified by risk and control owners. External specialist resources are used where appropriate to supplement internal skills.

B.5.2 Independence & Objectivity

Internal Audit's independence and objectivity is dependent on having no operational responsibility for or authority over any of the activities subject to review. Internal audit's assessment does not relieve other personnel in the organisation of the responsibilities assigned to them. Internal Audit does make recommendations regarding the quality of operations and/or adequacy of internal controls. IA take an active role in assisting the formulation of policy or development of new systems (process or technical), but it will be an advisory capacity only. All final decisions and implementation being the responsibility of appropriate management.

B.6 Actuarial Function

The AF is responsible for the actuarial work of the Company but has the facility in place to discharge duties to external service providers. HIDAC's Actuarial Function (AF) is outsourced to Willis Towers Watson. The AF is predominately responsible for the calculation of the GAAP Reserves of the Company. The AF recommend the level of reserves required on a best estimate basis.

B.6.1 Willis Towers Watson

HIDAC have entered into an outsourcing arrangement with Willis Tower Watson (WTW) to provide the following services for the purpose of meeting its Solvency II obligations – Head of Actuarial Function ("HoAF"), quarterly calculation of technical provisions, annual validation of technical provisions and calculation of the Solvency Capital Requirement using the Standard Formula. The calculation of the Solvency Capital Requirement using the Standard Formula will be performed by the Group's inhouse capital modelling team from 2021.

B.6.2 Head of Actuarial Function

The HoAF position is held by a Senior Director of WTW. The following areas fall under her responsibility:

B.6.3 Quarterly calculation of the Technical Provisions

WTW calculate the technical provisions using GAAP data provided by HIDAC Finance and Group Reserving. At 31 December 2020 the GAAP reserves were based on a roll-forward of the reserves projected by Willis Towers Watson (with input from Group Reserving) as part of an actuarial review of the non-life technical reserves of HIDAC as at Q4 2020 Early Close (i.e. as at 31 October 2020 and earned premiums as at 30 November 2020 but only in respect of business written up to 31 October 2020). The roll-forward was calculated by HIDAC Finance. A key responsibility of the HoAF is to coordinate the calculation of the technical provisions and provide a report to the Board on the technical provisions (TPs). This includes the HoAF's own views on the TPs, including setting out how the requirements of Solvency II have been met. The HoAF interprets deviations of best estimates against experience, ensures the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of the technical provisions.

B.6.4 Calculation of the SCR

WTW calculated the SCR at 31 December 2020 based on inputs provided by HIDAC Finance.

B.6.5 Actuarial Opinion on the ORSA

The HoAF provides an actuarial opinion to the Board in respect of the Own Risk and Solvency Assessment ("ORSA") process undertaken during the year. This opinion covers the range of risks and the adequacy of stress scenarios considered as part of the ORSA process, the appropriateness of the financial projections included within the ORSA process and whether the undertaking is continuously complying with the requirements regarding the calculation of TPs and potential risks arising from the uncertainties connected to this calculation.

B.6.6 Underwriting Opinion & Reinsurance Opinion

Each year, the HoAF provides an opinion on the underwriting policy and an opinion on the reinsurance arrangements of the Company.

B.6.7 Actuarial Function report

The HoAF produces a written report at least annually, which documents all the tasks that have been undertaken by the Actuarial Function. This report summarises the work undertaken and refers back to the individual reports produced throughout the year.

B.6.8 Appropriateness of the Standard Formula

As part of the ORSA, the Company assesses the appropriateness of the standard formula in calculating the Company's Solvency Capital Requirement.

B.6.9 Validation of the Technical Provisions

The Technical Provisions (TPs) are validated at least once a year. This validation is performed by a team within WTW who are independent from the actuaries who prepared the technical provisions in the first instance. The results of this validation are approved by the HoAF.

B.6.10 Risk

The HoAF contributes to the effective implementation of the risk management system.

B.7 Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom an activity is outsourced is called a 'service provider'.

The Board is responsible for ensuring that an outsourcing arrangement does not diminish the Company's ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator. Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of the Company's processes, and the final responsibility for customers, are not outsourced.

To this end the Board have established an Outsourcing Policy. The aim of this Policy is to outline prudent practices in relation to the senior management of the Company's outsourcing arrangements, consistent with the requirement of Article 46 of the Solvency II Directive.

Adherence to this policy will ensure that the operational and financial risks associated with outsourcing arrangements are properly managed. The policy also ensures that outsourcing arrangements are subject to appropriate due diligence, approval and on-going monitoring.

The Outsourcing Policy outlines the procedures to meet the above and also incorporates the requirements of the Guidelines on Outsourcing published by the Central Bank of Ireland ("CBI") in 2016. The Central Bank acknowledges that the EBA Guidelines on outsourcing arrangements will not apply to all sectors. Nevertheless, the CBI have stated they are a source of useful information which may be of assistance to other sectors in considering how to comply with their obligations.

HIDAC's material outsourcing arrangements are the contract between the Hamilton group, including all its subsidiaries as the Group operates under a Service Company structure, and Genpact (India) and the outsourcing the Actuarial Function to Willis Towers Watson. Other outsourcing arrangements include Delegated Underwriting Authorities.

B.8 Any other information

The Company has assessed its corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

C. Risk Profile

Risk Summary

The undertaking´s Solvency Capital Requirement (SCR) is used to assess HIDAC's ability to meet all of its regulatory capital obligations under normal and stressed conditions. The Company uses the Standard Formula as defined by the European Regulator (EIOPA) to calculate the SCR. The Company's SCR at 31 December 2020 was $60.6 million (190%) compared to $48.8 million (220%) in 2019.

In order for HIDAC to be able to properly reflect its risk profile, all material risks affecting it are considered as part of HIDAC's Risk Management Framework, insofar they may adversely impact the achievement of its goals.

The aforementioned exercise covers both quantitative as well as qualitative risks (e.g. Group /Credit/ Liquidity etc.), and is undertaken both on ongoing conditions as well as part of stressed scenarios, informing HIDAC ORSA policy, as well as its Capital management strategy, includes capital needs and transferability as appropriate.

The Company has undertaken stress testing as part of its annual Own Risk and Solvency Assessment (ORSA) process. The results of the same provide assurance that HIDAC can withstand both plausible and extreme shocks over its planning horizon.

C.1 Underwriting Risk

HIDAC has a high appetite for Underwriting Risk over the near, medium and long term. This is primarily managed through the setting of underwriting limits, guidelines, premiums and pricing targets on at least an annual basis through the business planning process. Underwriting Authorities are issued in accordance with underwriters' experience. Peer reviews are subsequently performed to attest the appropriateness of the underwriting decision.

C.2 Market Risk

The Company has a low appetite for regulatory, operational, and financial risks over the near term.

The investment policy has seen no significant changes and remains conservative, reflected in the asset quality held in the investment portfolio. Conversely it is also reflected in the relatively modest rates of return over this period. The portfolio is high grade, in low risk investments and is well diversified.

There have been no purchases of investments which sit outside the dictate of HIDAC's investment management policy. There are no intentions at the date of writing for any significant structural changes in investments in the foreseeable future or any intention to amend the existing investment strategy. Conversely it is also reflected in the relatively modest rates of return over this period.

C.3 Credit Risk

HIDAC is exposed to Credit Risk through its investment portfolio and from the likelihood of a counterparty i.e. a reinsurer or broker, to fail to pay amounts owed. The Company's Credit Risk appetite is low over a short, medium and long term. All reinsurance is placed with carriers that have an S&P rating of A- or above, any exception to this must be approved by the Reinsurance Panel and reported to the Risk Committee in line with Risk tolerance reporting. The most material reinsurance arrangement is a whole account quota share purchased from another Hamilton group company, Hamilton Insurance Ltd, based in Bermuda. Net recoverables under this arrangement are fully collateralised. HIDAC's Reinsurance Strategy also benefits from the Hamilton Group reinsurance program protections. The Company also purchases its own external reinsurance protection where deemed necessary and in line with its strategy to manage the degree of net risk carried by HIDAC to an appropriate level.

Broker counterparty risk is monitored on an ongoing basis and receivables are actively followed up with intermediaries as they fall due. In the investment portfolio, risks are mitigated by constraining and monitoring the credit quality and concentration of the portfolio. Cash balances are held with an A-rated bank.

C.4 Liquidity Risk

The appetite and current exposure for liquidity risk is low on a short, medium and long term. The liquidity risk policy, which is part of the Investment Risk Framework, sets limits for cash required to meet expected cash flows. The company has maintained cash balances in USD, Euro and GBP well in excess of the tolerances of $/£/€ 1M consistently over the quarters.

C.5 Operational Risk

HIDAC has a low appetite for regulatory, operational, and financial risks over the short term. HIDAC seeks to minimize regulatory, operational and credit risk exposure that impacts on its reputation, brand or ability to conduct business.

C.6 Other Material Risks

Strategic Risk - The Company has a high appetite for strategic risk over the short and medium term. The risk tolerance is for the Solvency Capital Requirement (SCR) is that the solvency coverage ratio does not fall below 135%. The entity recognizes that along with the benefits of being part of the Hamilton Group there is also a risk that matters could arise in one part of the organization that may negatively impact other parts of the organization.

C.7 Any other information

The Company has no other material information to disclose regarding its risk profile.

D. Valuation for Solvency Purposes

D.1 Assets

31 December 2020	Solvency II Value US$000	Reclass for Solvency II US$000	Solvency II valuation adjustment US$000	Financial Statements US$000	Reference
Investments (other than assets held for index-linked and unit-linked contracts)	177,212	-	-	177,212	D.1.1
Deferred acquisition costs	-	28,283	-	28,283	D.1.2
Deferred tax asset	1,319	-	(1,319)	(0)	D.1.3
Reinsurance recoverables	494,296	169,597	24,771	688,664	D.1.4
Insurance and intermediaries receivables	2,390	87,624	-	90,014	D.1.5
Reinsurance receivables	70,447	-	-	70,447	D.1.6
Cash and cash equivalents	18,786	-	-	18,786	D.1.7
Any other assets	20,997	(10,198)	-	10,799	D.1.6
Total assets	785,447	275,306	23,452	1,084,205	

D.1.1 Investments (other than assets held for index-linked and unit-linked contracts)

The Company's investments in fixed maturity securities are carried at fair value under Solvency II. Fair values are based on quoted market prices at the reporting date or observable market data. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for investments sold or payable for investments purchased. The value of investments in the financial statements is the same as for Solvency II.

D.1.2 Deferred acquisition costs

Deferred acquisition costs arise from accrual accounting in the GAAP financial statements and are unrelated to the timing of the acquisition cost cash flows which is the criteria under which Solvency II technical provisions are recognised. Future acquisition cost cash flows are values in Solvency II technical provisions.

D.1.3 Deferred tax asset

The Company recognises deferred tax assets based on future profits which will be available to utilise those assets. The deferred tax assets are valued for Solvency II purposes on the same basis as the financial statements.

D.1.4 Reinsurance recoverables

The economic value of the reinsurance recoverable is calculated as a best estimate, which corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money. Technical provisions are discussed in Section D.2

D.1.5 Insurance and intermediaries receivables

Premium debtors are reclassified under the Solvency II economic balance sheet. In the financial statements these balances comprise netted down amounts and include premiums now due and premiums not yet due. In the economic balance sheet the 'not yet due' amounts are reclassified to technical provisions and are further split between claims provisions for the earned element of 'not yet due' and premium provisions for the unearned element.

As a result of this reclassification, the premium debtor balances are significantly reduced in the economic balance sheet as compared with the financial statements.

D.1.6 Reinsurance receivables and any other assets

Reinsurance receivables and all other assets are valued for Solvency II purposes on the same basis as the financial statements. There were no changes to any of the recognition criteria or valuation methods during the year.

D.1.7 Cash and cash equivalents

Cash and cash equivalents have an original maturity of ninety days or less. Balances held at the reporting date are denominated in Euro, Sterling and United States Dollars. Cash and cash equivalents are valued at fair value and are not adjusted or reclassified in the economic balance sheet.

D.2 Technical Provisions

	Solvency II Value US$000	Reclass for Solvency II US$000	Solvency II valuation adjustment US$000	Financial Statements US$000
Gross technical provisions	624,889	77,425	18,936	721,250
Risk margin	8,455	-	(8,455)	-
Total technical provisions	633,344	77,425	10,481	721,250

The valuation of technical provisions follows the transfer value principle, under which the value of technical provisions shall correspond to the current amount the insurer would have to pay if it was to transfer its insurance obligations immediately to another insurer. To achieve a valuation consistent with this principle, the technical provisions are calculated as a best estimate plus a risk margin. The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money. The risk margin represents the cost of providing an amount of eligible own funds equal to the solvency capital requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.

SII introduces a legal obligations concept to accounting under which all existing contracts must be valued, whether the contracts have incepted or not. For this purpose, the total technical provisions are split into earned and unearned elements. These are designated the claims and premium provision respectively.

D.2.1 Bases, methods and main assumptions for the valuation of technical provisions

Value of technical provisions as at 31 December 2020 by SII line of business

	Total best estimate - gross	Total best estimate - net	Risk Margin
	US$000	US$000	US$000
Medical expense insurance	(1)	0	0
Income protection insurance	2,121	(1,781)	28
Marine, aviation and transport insurance	11,491	8,518	902
Fire and other damage to property insurance	61,970	63,926	2,069
General liability insurance	403,357	19,221	1,172
Credit and suretyship insurance	30,834	26,085	1,206
Legal expenses insurance	9,258	328	289
Miscellaneous financial loss	17,865	3,558	636
Non-proportional health reinsurance	29	(3)	14
Non-proportional casualty reinsurance	50,559	2,034	660
Non-proportional marine, aviation and transport reinsurance	537	812	295
Non-proportional property reinsurance	36,868	7,895	1,184
	624,889	130,593	8,455

The Company is relatively young having commenced operations in 2010, and accordingly does not have a significant quantity of data and claims development history. The context for the calculation of technical provisions is therefore one of using the Company's data where appropriate, but necessarily supplementing this with external benchmarks and the use of expert judgment. The business written by the Company is also relatively standard. Accordingly, the assumptions and actuarial techniques used are relatively standard; extensive use is made of the chain-ladder and Bornhuetter-Ferguson techniques. As the business matures and its experience develops it is expected that the use of the Company's own data will increase.

Each reserving class contains homogenous risks based on the Company's assessment of the underlying policies. Each reserving class includes risks which have similar characteristics (for example, in terms of underwriting policy, claims settlement patterns, risk profile of policyholders, likely policyholder behaviour, product features including guarantees, future management actions and expense structure) to ensure that there is a sufficient volume of data for projections purposes but at the same time allowing the Company to manage the business at a sufficiently granular level.

Calculating technical provisions at a reserving class level also allows for the calculation of reinsurance recoveries (and hence the calculation of the net best estimate reserves) to be carried out at a sufficiently granular level with regards to the reinsurance programs in place. Reinsurance is typically purchased to cover specific reserving classes and performing calculations at reserving class level will ensure that sufficient allowance is made for the impact of any changes in the reinsurance structure over time.

Having established estimates of gross IBNR, and hence gross reserves, by reserving class and accident year, reinsurance is then applied to produce the equivalent net reserves.

The approach used for netted down the gross reserves is undertaken at a class level as follows:

- Quota share recoveries are allowed for in proportion to the earned premium ceded to the quota shares, and

- Outstanding claims on the excess of loss and facultative reinsurance treaties are allowed for, but no IBNR recoveries are allowed for.

It is assumed that the Company will purchase a reinsurance program for future years consistent with that described in the Company's Business Plan, which is generally set at the same coverage and cost as purchased in the previous year.

D.2.2 The level of uncertainty associated with the value of technical provisions

Estimates of Solvency II technical provisions are subject to potentially large errors of estimations, since the ultimate amounts of cash inflows (such as premiums) and cash outflows (such as claims and expenses) are subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, social / economic conditions such as inflation, returns on assets backing the liabilities and the ultimate level of business written for legally obliged contracts at the valuation date. Any estimate of future cashflows is subject to the inherent limitation on one's ability to predict the aggregate course of future events. The estimate of the Solvency II technical provisions represents a point estimate of the provisions as at the year end.

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

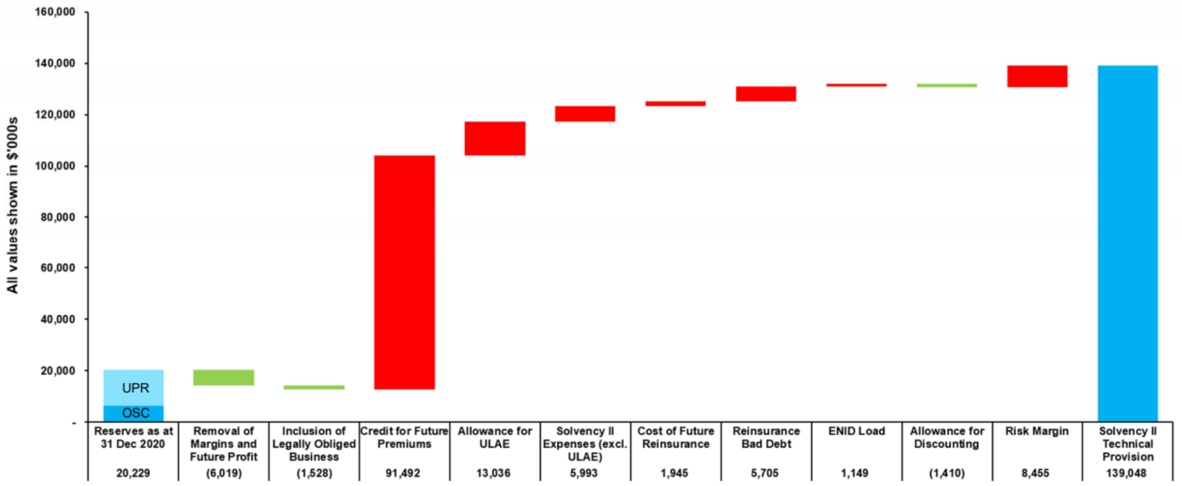
- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss,
- uncertainty as to the extent of policy coverage and limits applicable,
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring, and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

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

The Company actively manages the risks around uncertainties through on-going monitoring of claims and mitigates its gross exposure to claims through the purchase of reinsurance. The Underwriting Committee and Actuarial Function monitor claims developments and reinsurance arrangements.

D.2.3 Material differences between the bases, methods and main assumptions used by the Company for the valuation for solvency purposes and those used for their valuation in the financial statements

The changes to technical provisions as at 31 December 2020 are reflected in the waterfall diagram below:



The calculation of technical provisions under SII is significantly different from the current reserves in the GAAP financial statements. Technical provisions are reported by SII lines of business, with calculations performed at a homogeneous risk group and currency level. The differences include (but are not limited to) the following:

- Removal of margins and future profit: No implicit or explicit margins are held within technical provisions to give a "true best estimate" for solvency purposes. The Company policy is to book its GAAP reserves at best estimate and hence there is no requirement to adjust the GAAP reserves to remove any such implicit or explicit margins.
- Inclusion of legally obliged business: Contracts need to be recognised on a "legal obligation basis". For instance, policies incepting on or after 1 January which have been legally agreed in the period running up to 31 December in the preceding year are required to be included within the technical provisions as at 31 December. This will therefore generally include all renewals incepting on the first day of the forthcoming period.
- Credit for future premiums: There is no requirement to hold an unearned premium reserve or other non-monetary items. Instead future premium on legally obliged business is estimated (on a best estimate basis) and, to the extent it relates to unearned business, is included in "premium provisions". There is also an element of future premium, where it relates to earned business, within the claims provision. Technical provisions include premium (and reinsurance premium) already included as Debtors and Creditors within the GAAP Balance Sheet. All such premium is allocated to technical provisions, unless it is overdue at the Balance Sheet date.
- Unallocated Loss Adjustment Expenses ('ULAE'): These represent the cost of managing claims within technical provisions. ULAE is allowed for based on the Company's held reserves at the balance sheet date, using actual amounts for each class for the earned reserve and an average percentage for the unearned reserve.

- Solvency II expenses: The claims and premium provisions include an allocation of all expense cashflows related to running off all liabilities (including allocated / unallocated claims handling expenses, ongoing admin expenses and subrogation / salvage), but on a "going concern" basis.
- Cost of future reinsurance: Allowance is made within technical provisions for the cost of future premiums relating to incepted Losses Occurring During reinsurance contracts. There is also an allowance for a share of the cost of excess of loss contracts which have not yet been renewed but which are likely to be renewed at a point in the future that allows the current unearned business to benefit from them.
- Reinsurance bad debt: technical provisions include an allowance for counterparty default.
- Binary events: Inclusion of the valuation of very low probability extreme events, including latent claims, referred to as "events not in data", by SII class of business. The aim of this is to ensure that the technical provisions represent the mean of the full range of possible future outcomes, and not just the range of outcomes included within the data used to calculate the GAAP reserves.
- Allowance for discounting: Both inwards gross and outwards reinsurance provisions are valued on a cashflow basis. This introduces the concept of discounting (the time value of money) to the Balance Sheet. Technical provisions are discounted (within present value calculations) using risk-free interest rate term structures published by EIOPA.
- Risk margin: technical provisions include a Risk Margin in addition to the discounted best estimate. The Risk Margin calculation allows for the discounted cost of holding the required SCR during the run-off of the risks. The relevant SCR is that calculated using the Standard Formula, on the basis that the run-off liabilities are transferred to a "reference undertaking".

D.2.4 Matching adjustment

The matching adjustment referred to in Article 77b of Directive 2009/138/EC has not been applied.

D.2.5 Volatility adjustment

The volatility adjustment referred to in Article 77d of Directive 2009/138/EC has not been used by the Company.

D.2.6 The transitional risk-free interest rate-term

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC has not been applied by the Company.

D.2.6 The transitional deduction

The transitional deduction referred to in Article 308d of Directive 2009/138/EC has not been applied by the Company.

D.2.7 Reinsurance contracts

In the normal course of business, the Company seeks to mitigate its gross exposure to claims through the purchase of reinsurance. The Company participates in a quota share agreement across all risks with Liberty Specialty Markets Bermuda Limited, a company registered in Bermuda, on risks written prior to the acquisition of the Company by the Hamilton Group. The Company also participates in a number of global reinsurance policies for certain risks and, where considered to be appropriate, purchases additional facultative reinsurance protection on certain risks. The Company participates in an internal quota share agreement across all risks written since acquisition with Hamilton Re Ltd., based in Bermuda.

The Company does not have any special purpose vehicles.

D.2.8 Material changes in the assumptions made in the calculation of technical provisions

There have been no material changes in the assumptions made in the calculation of the technical provisions compared to the previous reporting period.

D.3 Other liabilities

As at 31 December 2020, the Company reported the following liabilities for Solvency II purposes:

31 December 2020	Solvency II Value US$000	Reclass for Solvency II US$000	Solvency II valuation adjustment US$000	Financial Statements US$000
Reinsurance payables	-	213,954		213,954
Payables (trade, not insurance)	37,092	(9,520)	-	27,572
Deferred tax liabilities	-	-	-	-
Total liabilities excluding technical provisions	37,092	204,434	-	241,526

The reinsurance share of deferred acquisitions costs are not recognised for solvency purposes. Deferred acquisition costs arise from accrual accounting in the GAAP financial statements and are unrelated to the timing of the acquisition cost cash flows which is the criteria under which Solvency II technical provisions are recognised. Future acquisition cost cash flows are valued in Solvency II technical provisions.

Reinsurance creditors are reclassified under the Solvency II economic balance sheet. In the financial statements these balances comprise netted down amounts and include payables now due and payables not yet due. In the economic balance sheet the 'not yet due' amounts are reclassified to reinsurance technical provisions and are further split between claims provisions for the earned element of 'not yet due' and premium provisions for the unearned element. As a result of this reclassification, the reinsurance payables balance is significantly reduced in the economic balance sheet as compared with the financial statements.

Deferred tax is calculated on the reconciliation movement between the GAAP balance sheet and the Solvency II economic balance sheet.

There have been no other valuation adjustments for solvency purposes.

D.4 Alternative valuation methods

The Company has not applied alternative valuation methods as set out in Article 10 (5) and Article 263 of the Commission Delegated Regulation (EU) 2015/35.

D.5 Valuation - Other material information

The Company has no other material information to disclose regarding its valuation for Solvency purposes.

E. Capital Management

E.1 Own funds overview

The Company classifies its own funds as tier 1, which is the best form of capital for absorbing losses. There are no restrictions on the availability of eligible own funds to support the SCR and MCR.

HIDAC carries out an Own Risk and Solvency Assessment (ORSA) exercise at least annually, or when the risk profile of the Company changes. The ORSA comprises an assessment of the capital requirements based on the current risk profile, and potential changes to that profile over the next three years.

E.1.1 Capital management objective

As the Company's risk profile and strategic plans change, so will its capital needs. The Board of Directors of the Company recognise the importance of having a plan for addressing capital requirements to meet its strategic plans for growth and in times of crisis. The Company has a Capital Management Policy which seeks to provide a thorough and realistic structure for maintaining an efficient level of capital. Shortfalls will be managed by setting out actions that may be undertaken based on the severity and urgency of the deficit.

The successful execution of the Capital Management Policy requires a set of risk management standards to be embedded within the Company to promote consistency and best practice in the identification, assessment, monitoring and updating of risk as well as a commitment to employing leading practices in the management of the risks faced by it. HIDAC seeks to maintain a risk ownership environment which recognises the accountability for risk management within the business units. The Risk Function has developed a framework which allows risk owners to identify, assess, mitigate, monitor and report risk exposure. The risk owners' responsibilities and obligations of the Company to enable risk owners to fulfil these responsibilities are clearly set out in the Company's Risk Management Framework.

E.1.2 Contingency capital planning and time horizon for business planning

The standard formula is used to calculate the Solvency II capital requirement and capital assessment. The future plans of the Company positively seek growth. The plans will be adapted year on year to reflect changes in market conditions and availability of capital.

Contingency short and medium term

Capital management is closely aligned with the business planning process and utilises the risk appetite to guide business decisions. When creating the business plan for future time periods risk management review any new business opportunities and consider any implications this will have on the overall risk exposure. If the new business alters the profile of the Company in such a way that the Risk Appetite Statement does not provide a realistic point of measurement, then revised risk appetite measures will be designed in keeping with the new profile of the Company and submitted to the Board for approval.

Contingency long term

The Company's strategy is to consistently deliver superior profitable growth through a balanced and diversified portfolio with a keen focus on execution. This is accomplished over the insurance pricing cycle through revenue growth, expense management, investment management, focus on underwriting specialty lines and developing top talent. Belonging to the Hamilton Group has the advantage of providing the Company with access to potential guarantees and capital to cover the capital requirements.

E.1.3 Structure, amount and quality of own funds

The Company's own funds are made up of ordinary share capital, capital contributions and a reconciliation reserve.

The table below shows the capital components, all of which fall under Tier 1.

	As at 31 December 2020		As at 31 December 2019	
	Total US$000	Tier 1 Unrestricted US$000	Total US$000	Tier 1 Unrestricted US$000
Ordinary share capital (gross of own shares)	2,500	2,500	2,500	2,500
Reconciliation reserve	(18,918)	(18,918)	14,186	14,186
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	-	-	(20,000)	(20,000)
An amount equal to the value of net deferred tax assets	1,319	-	409	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	130,111	130,111	110,111	110,111
Total available own funds to meet the SCR	115,012	113,693	107,206	106,797

Share capital

The Company has $2.5 million of ordinary share capital. Ordinary shares in issue in the Company rank pari passu. All ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company. Ordinary share capital is classified as Tier 1 in accordance with Article 94 (1) of Directive 2009/138/EC and meets the criteria set out in Article of 93 of that Directive.

Capital contributions

The Company has $130.1 million of capital contributions, all of which was approved by the Central Bank of Ireland to classify as Tier 1 at the 31st December 2020. Funds contributed by the Company's immediate parent undertaking are to fund the insurance operations of the Company and are not given in return for any rights such as voting rights, a share in the profits nor a share in the surplus assets of the Company on liquidation.

Reconciliation reserve

The reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. The reconciliation reserve consists of accumulated comprehensive income of the Company, the cost of share based payment awards accounted for as additional capital contribution, and movements between the GAAP balance sheet and Solvency II economic balance sheet.

The reconciliation reserve is recognised in full under Tier 1 unrestricted basic own funds.

E.1.4 Eligible own funds to cover Solvency Capital Requirement

The Company had the following eligible own funds to cover the Solvency Capital Requirement at 31 December 2020:

	As at 31 December 2020		As at 31 December 2019	
	Total	Eligible own funds	Total	Eligible own funds
	US$000	US$000	US$000	US$000
Total available own funds to meet the SCR	115,012	115,012	107,206	107,206

The amount included under "Other own fund items approved by the supervisory authority as basic own funds not specified above" represent capital contributions received by the Company from Ironshore Inc. The Central Bank of Ireland has approved the treatment of these capital contributions as Tier 1 Own Funds pursuant to the Solvency II Directive.

There was no material change in the eligible own funds to cover the Solvency Capital Requirement during the period.

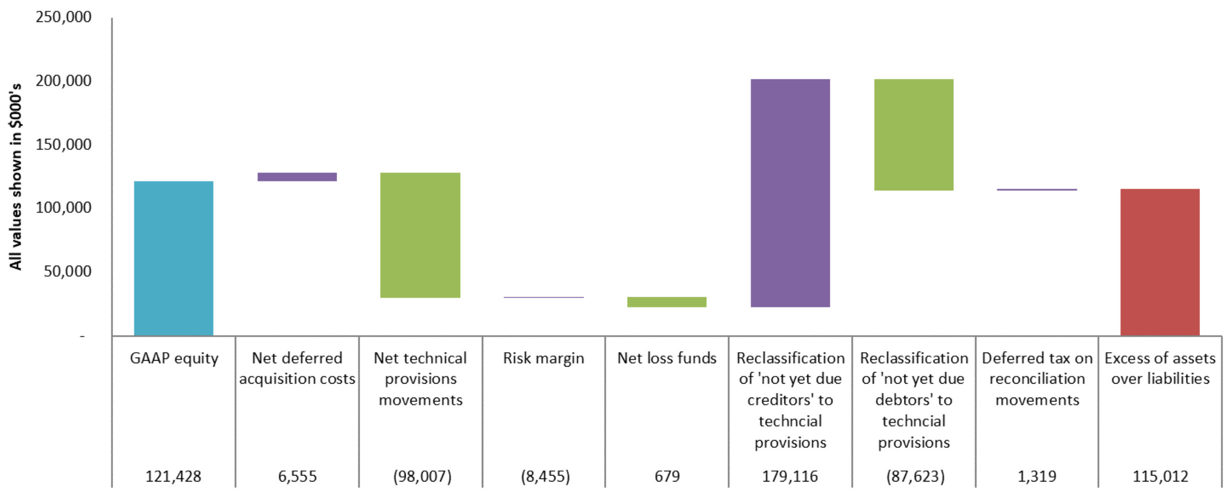
E.1.5 Eligible own funds to cover Minimum Capital Requirement

The eligible own funds presented in table E.1.4 above are available in full to cover the Minimum Capital Requirement.

E.1.6 Explanation of any material differences between equity as shown in the Financial Statements and the excess of assets over liabilities as calculated for solvency purposes

As discussed in section D, 'Valuation for solvency purposes', there are a number of reconciliation movements between the economic balance sheet and the GAAP financial statements. The table below shows a waterfall of the movement from GAAP equity to the excess of assets over liabilities under Solvency II. The main adjustments are to the technical provisions. The movement from GAAP technical reserves to Solvency II technical provisions is discussed in section D.2.3 *Material differences between bases, methods and main assumptions used by the Company for the valuation for solvency purposes and those used for their valuation in the financial statements.*

31 December 2020



E.1.7 Transitional arrangements

The Company does not have any basic own fund items that are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

E.1.8 Ancillary own funds

The Company does not have any ancillary own funds.

E.1.9 Items deducted from own funds

The Company does not deduct any items from own funds nor are there any restrictions affecting the availability and transferability of own funds within the undertaking.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

HIDAC calculates the SCR by means of the Standard Formula.

The SCR is designed to cover all aspects of the Company's risk profile. It includes an assessment of exposure to catastrophic events, reserve deterioration, asset risk, counterparty risk, the reinsurance program, operational risk and the calculation of an 'economic consistent balance sheet'. This involves a different set of calculations from treatment under GAAP. Due to the breadth of data required to perform the calculation there are a number of different teams involved in preparing the information. The Company has a Solvency Capital Framework in place which provides a guide to those involved in calculating the standard formula; articulates formal responsibilities and sign-offs required in supplying the data for the SCR and documents the process undertaken to calculate the SCR.

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement as at 31 December 2020

The table below shows HIDAC's SCR and MCR as at 31 December 2020. Please note the final amount of the SCR is still subject to supervisory assessment.

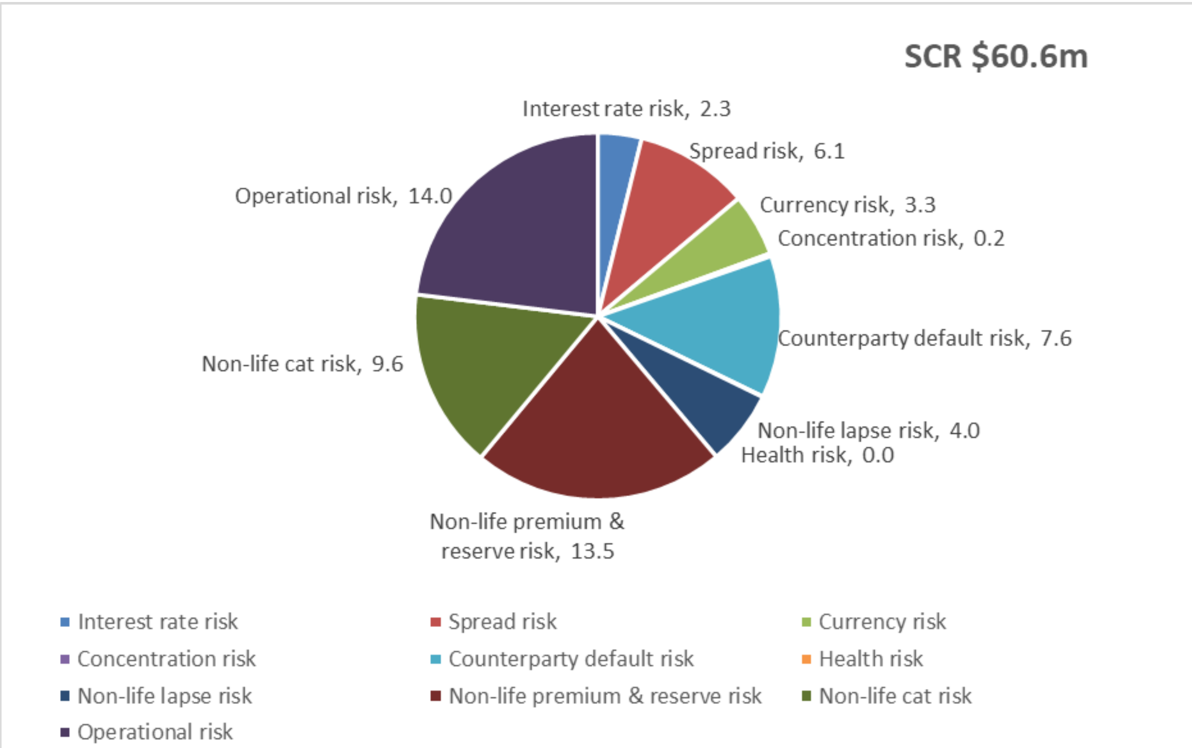
	As at 31 December 2020		As at 31 December 2019	
	US$000	Ratio of eligible own funds	US$000	Ratio of eligible own funds
Total eligible own funds to meet the SCR	115,012	115,012	107,206	107,206
Total eligible own funds to meet the MCR	113,693	113,693	106,797	106,797
SCR	189.82%	60,589	219.52%	48,838
MCR	610.51%	18,623	874.23%	12,216

E.2.2 Solvency Capital Requirement by risk modules

The key components of the SCR are:

- Premium and reserve risk of $13.5 million (22% of total)
- Operational risk of $14.0 million (23% of total)
- Counterparty default risk of $7.6 million (12% of total)
- Non-Life Cat Risk of $9.6 million (16% of total)
- Spread risk of $6.1 million (10% of total)
- Non-Life lapse risk of $4.0 million (7% of total)
- Currency risk of $3.3 million (5% of total)
- Concentration risk of $0.2 million (0% of total)
- Interest rate risk of $2.3 million (4% of total)

Below is a breakdown of the SCR by risk module as at 31 December 2020.



The following table gives a summary of the capital components of the SCR as at 31 December 2020

Risk Category (Values in $000s)		As at 31 December 2020
Market Risk	Interest rate risk	4,284
	Equity Risk	0
	Property Risk	0
	Spread risk	11,210
	Currency Risk	6,153
	Concentration Risk	291
	Diversification	(6,785)
	Total Market Risk	**15,153**
Counterparty Default risk	Type 1 (Reinsurer Default Risk, etc)	8,218
	Type 2 (Intermediary / Policyholder Default risk)	1,789
	Diversification	(374)
	Total Counterparty Default Risk	**9,632**
Non-Life Underwriting Risk	Premium and Reserve Risk (ex Catastrophe Risk)	24,607
	Non-life Catastrophe Risk	17,580
	Lapse Risk	7,291
	Diversification	(15,068)
	Total Non-Life Underwriting Risk	**34,410**
Health Underwriting Risk	Health Non SLT Risk	51
	Health Catastrophe Risk	0
	Diversification	0
	Total Health Underwriting Risk	**51**
Diversification Between Risk Categories		**(12,639)**
BSCR		**46,607**
Operational Risk		13,982
Total Solvency Capital Required (SCR)		**60,589**
MCR	*Pre-corridor MCR*	*18,623*
	Minimum Capital Requirement (MCR)	***18,623***

E.2.3 Simplified calculations

The SCR, calculated using the Standard Formula, incorporates the simplification that allows the total risk mitigating effect to be allocated to individual reinsurers in line with their expected recoveries as a proportion of expected recoveries from all reinsurers, as set out in Article 107 of the Delegated Acts. The Company believes that this is a reasonable approach given that the reinsurance cover is predominantly proportional, with the main reinsurer and percentage ceded remaining constant over time.

The Company does not apply any other simplifications to the standard formula.

E.2.4 Undertaking specific parameters

The Company does not apply any undertaking-specific parameters to the standard formula pursuant to Article 104(7) of Directive 2009/138/EC.

E.2.5 Option provided for in Article 51(2) of Directive 2009/138/EC

The Company has not received any imposed capital add-ons or imposed undertaking specific parameters.

E.2.6 Significant deviations from the assumptions underlying the standard formula calculation

The Company is not required to adopt any undertaking specific parameters in accordance with Article 110 of Directive 2009/138/EC, nor has the supervisory authority applied any capital add-on to the SCR.

E.2.7 Inputs used to calculate the Minimum Capital Requirement

The inputs used to calculate the MCR of the Company are as follows:

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	US$000	US$000
Medical expense insurance and proportional reinsurance	0	-
Income protection insurance and proportional reinsurance	-	167
Marine, aviation and transport insurance and proportional reinsurance	8,518	1,812
Fire and other damage to property insurance and proportional reinsurance	63,927	16,016
General liability insurance and proportional reinsurance	19,221	1,855
Credit and suretyship insurance and proportional reinsurance	26,085	1,294
Legal expenses insurance and proportional reinsurance	328	749
Miscellaneous financial loss insurance and proportional reinsurance	3,558	535
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	2,034	67
Non-proportional marine, aviation and transport reinsurance	811	230
Non-proportional property reinsurance	7,895	2,658

E.2.8 Material change to the Solvency Capital Requirement and the Minimum Capital Requirement over the reporting period

There was no material change to the SCR or MCR during the reporting period.

E.3 Use of the duration-based equity risk submodule in the calculation of the Solvency Capital Requirement

The Company does not use the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC.

E.4 Differences between the standard formula and any internal model used

The Company does not use an internal model to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement or significant non-compliance with the Solvency Capital Requirement

The Company has been continuously compliant with both the MCR and the SCR throughout the reporting period.

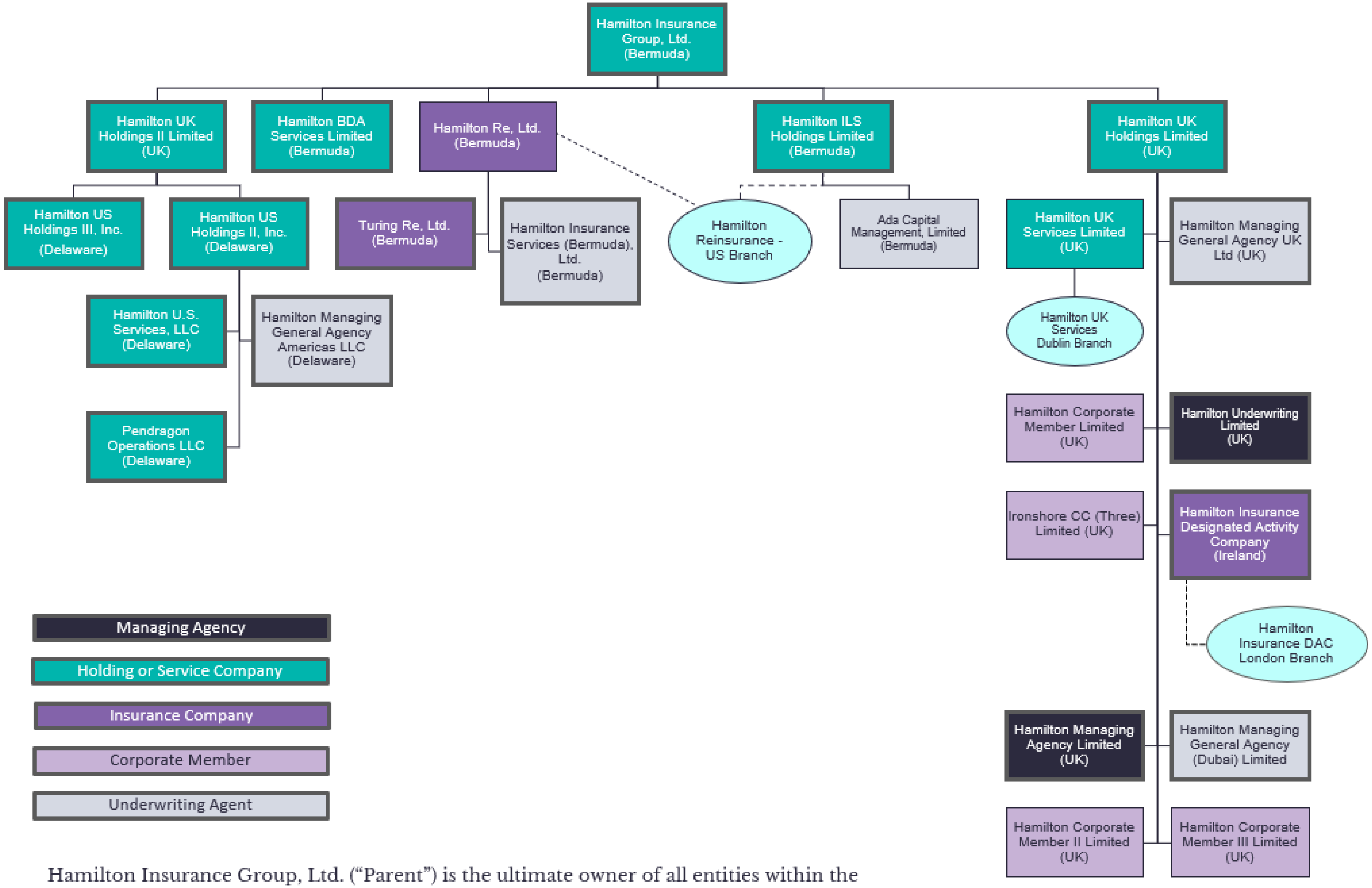
E.6 Capital Management - Other material information

The Company has no other material information to disclose regarding its capital management.

APPENDIX A

HAMILTON

Hamilton Structure



Hamilton Insurance Group, Ltd. ("Parent") is the ultimate owner of all entities within the Hamilton Insurance Group corporate group of entities. All subsidiary entities are owned 100%, directly or indirectly, by Parent, unless indicated otherwise in this Financial Condition Report.