

Deutsche Rückversicherung Switzerland Ltd

# 2020

## ANNUAL REPORT



# Deutsche Rückversicherung Switzerland Ltd

## REPORT ON THE 20<sup>TH</sup> FINANCIAL YEAR

The invaluable alternative. Based in Zurich, Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a company within the Deutsche Rück Group. Deutsche Rückversicherung AG in Düsseldorf is the main shareholder in DR Swiss, with a holding of 71.25 %. VHV Holding AG in Hanover owns 23.75 % and Oberösterreichische Versicherung AG in Linz holds 5 % of the share capital. An invaluable alternative on the market, DR Swiss offers its client partners stable and lasting reinsurance cover. With made-to-measure solutions and a high level of flexibility, DR Swiss meets clients' specific needs through its highly experienced team and its profound, long-standing knowledge of the market.

## DR Swiss Key Figures

in CHF thousand	2020	2019	Change in %
<b>Gross premiums written</b>	246,813	269,887	- 8.5
<b>Premiums earned for own account</b>	243,836	278,574	- 12.5
<b>Net investment income</b>	19,045	26,177	- 27.2
<b>Acquisition and operating expenses for own account</b>	6,656	6,126	+ 8.7
<b>Result after tax</b>	-2,551	7,097	
<b>Financial investments incl. cash deposits</b>	932,031	884,595	+ 5.4
<b>Technical provisions for own account</b>	642,689	609,083	+ 5.5
<b>Shareholders' equity incl. subordinated liabilities</b>	256,876	197,379	+ 30.1
<b>Loss ratio</b> in % of net premiums earned	75.3	72.7	+ 3.6
<b>Administrative expense ratio incl. amortisation</b> in % of net premiums earned	2.73	2.20	+ 24.1
<b>Employee headcount</b>	20	19	

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# Our Philosophy

## CONTINUITY

- Reliable and long-lasting partnership approach
- Close cooperation leading to sustainable success for both parties

## COMPETENCE

- Credible team with a high level of technical expertise and many years of professional experience
- Profound market knowledge

## CONSISTENCY

- Reinsurance arrangements according to specific customer needs
- Strong financial security (“A+” rating from Standard & Poor’s; stable group of shareholders)

## CLIENT FOCUS

- Tailor-made solutions with great flexibility
- Excellent administration, fast service and prompt claims payment
- Direct negotiations with the authorised managers

# DR Swiss Organisation

## BOARD OF DIRECTORS

Dr Frank Walthes, Chairman (since 23 March 2020)  
Friedrich Schubring-Giese, Chairman  
(until 23 March 2020)  
Peter Rainer, Deputy Chairman  
Dr Chérif Chentir (since 23 March 2020)  
Dr Andreas Jahn  
Dr Alena Kouba (since 23 March 2020)  
Othmar Nagl  
Ulrich-Bernd Wolff von der Sahl

## SHAREHOLDERS

71.25 % Deutsche Rückversicherung AG, Düsseldorf  
23.75 % VHV Holding AG, Hanover  
5.00 % Oberösterreichische Versicherung AG, Linz

## STATUTORY AUDITOR

PricewaterhouseCoopers AG, Zurich

## EXECUTIVE MANAGEMENT

Frank Schaar (Managing Director)  
Achim Bosch

## SENIOR MANAGEMENT

Andreas Aemisegger  
Pietro Lodigiani  
Heinz Lussi  
Peter Lusti  
Urs Meier  
Juan Serra  
Frank Versluis (since 1 April 2020)

## RATING

A+, Standard & Poor's



# Management Report

## GENERAL BUSINESS PERFORMANCE

Gross premiums written fell by 8.5 % to CHF 246.8 million in the 2020 financial year, compared with CHF 269.9 million in the previous year. This decline in premiums was due to changes in the shares of proportional reinsurance treaties within continuity reinsurance.

In original currency, i.e. at constant exchange rates, gross premiums written would have declined by only 4.6 %. The mean exchange rate of the euro against the Swiss franc, which is authoritative in determining liquid items, fell by 3.8 % compared with the previous year. The euro exchange rate at the end of the year, which is used to calculate provisions, was down 0.5 %.

Premiums earned for own account fell by 12.5 % to CHF 243.8 million (previous year CHF 278.6 million), a larger drop than in gross premiums. In the previous year, there had been shifts in premium reserves and unearned premiums, which led to a reduction in premium reserves. These increased again in 2020 owing to growth in market business.

Original claims expenditure fell by 17.4 % year on year, while claims expenditure after internal provisions was down by 9.3 % in both gross and net terms at CHF 183.7 million (previous year CHF 202.5 million).

Claims paid came to CHF 142.9 million and were thus down 26.1 % compared with the previous year's figure of CHF 193.4 million.

Total costs (excluding own administrative expenses) fell by 13.5 % in both gross and net terms to CHF 73.9 million (previous year CHF 85.4 million). The expense ratio dropped to 30.3 % of premiums earned for own account (previous year 30.7 %). External costs paid (i.e. without any change in provisions for profit shares) declined by 15.2 % to CHF 71.3 million (previous year CHF 84.0 million).

Administrative expenses for 2020 totalled CHF 6.7 million, a year-on-year increase of 9.0 %, which was due to a rise in the employee headcount. CHF 5.3 million of this sum related to personnel expenses.

In total, the net technical loss before own administrative expenses came to CHF 13.7 million or 5.6 % of premiums earned for own account. The previous year's technical loss had amounted to CHF 9.4 million or 3.4 %.

The worldwide spread of COVID-19, coupled with increasingly stringent emergency and lockdown measures, temporarily brought the global economy almost to a standstill, with the slump in demand weighing heavily on financial and capital markets. Governments put together extensive lending and aid programmes in response to this massive recession, in the hope of mitigating the negative impact of the pandemic. At the same time, central banks responded with an extremely aggressive monetary policy. These coordinated actions succeeded in stabilising the markets as well as the economy. However, the

development of investment markets diverged significantly from that of the economy. While the economy suffered a brief but substantial drop, capital markets recovered very quickly, thus implying the V-shaped economic recovery that had been hoped for.

Wherever interest rates still had downside potential, they were cut to practically 0 % as an emergency measure. Elsewhere, bond-buying programmes were expanded significantly. Direct co-financing of government debt also appears to have been discussed by a few central banks. The expectation of investors that governments and central banks would together continue to offer unlimited support caused risk premiums on bonds to return very quickly to the levels they were at before the beginning of the COVID-19 crisis. Three-month rates for USD dropped from 1.9 % to 0.23 %, for example, while EUR rates slipped from 0.4 % to -0.52 %. Ten-year swaps were down 46 basis points for EUR investments and 90 basis points for investments in USD year on year. As CHF rates had been well within negative territory for some time, there was only a relatively small change here.

Prices on most stock exchanges rose steadily following a sharp drop in March 2020, interrupted by a sideways movement in September and October. The US election result and the prospect of effective vaccines against COVID-19 gave markets a further considerable boost in the last quarter. Most stock market indices performed positively as a result. The US and Japanese markets achieved the best performance, with growth of 16.6 % and 16.0 % respectively. However, the SMI still fared reasonably well, with an increase of almost 1.0 %.

The impact on commodities was also clearly visible. While the price of gold has gone up by around 25.0 % in the last 12 months and at one point significantly exceeded USD 2,000 per ounce, the price of crude oil has fallen sharply. Although key figures for credit tended to be weaker, credit spreads continued to narrow thanks to the measures implemented by central banks. While the euro was more or less stable against the Swiss franc, the US dollar lost almost 9.0 %.

Investment income came to CHF 19.0 million, below the previous year's figure of CHF 26.2 million, but well above the target. While current income remained practically stable, the return on our mark-to-market investments fell year on year. Fund investments in real estate in CHF, bonds and commodities performed very positively, as did equity holdings once again. The "Other Investments (mainly mortgages)" portfolio, which we further expanded last year, also generated substantial income.

Net income for the year after tax amounted to CHF -2.6 million in 2020, compared with the previous year's figure of CHF 7.1 million. We do not plan to pay a dividend for the 2020 financial year.

## **LOSS BURDEN FROM THE CORONAVIRUS PANDEMIC**

Claims expenditure resulting from the coronavirus pandemic was calculated partly using individual cedants' portfolio information, as not all statements of account were available at the time of preparing the financial statements. Where cedants have made estimates, they have paid particular attention to the issue of legal certainty and the associated comparisons of the different countries in which cedants are based.

The calculated claims expenditure relates mainly to the first wave of infections and the lockdown in the spring of 2020. It is unclear whether the second wave and the subsequent lockdown beginning in November will lead to an additional loss burden and if so, how high this will be. The provision for large outstanding claims was therefore increased accordingly by CHF 2.1 million.

The loss burden affected the fire, business interruption, transport and other property insurance lines.

## **ASSETS**

Despite a high cash inflow from underwriting, the inclusion of new hybrid capital in the amount of EUR 60.0 million and the simultaneous repayment of a short-term loan, the value of investments – at their carrying amounts – grew by only around CHF 0.5 million to CHF 869.7 million during the year. Liquidity, on the other hand, rose significantly by CHF 46.9 million to CHF 62.3 million. We further reduced our direct holdings of fixed-income securities, but expanded our investments in funds with increased credit risks slightly further. A rebalancing of equities led to a drop in their share of the portfolio. Initial redemptions in the infrastructure energy portfolio resulted in a slight reduction in this segment. We further expanded our investments in private equity and other investments (mainly mortgages) as planned.

## **ANNUAL AVERAGE NUMBER OF FULL-TIME EQUIVALENTS**

The average number of full-time equivalents at DR Swiss in 2020 was 16.6.

## **RATING: A+**

The rating agency Standard & Poor's once again confirmed its rating of "A+" for Deutsche Rück and thus for DR Swiss as well. The outlook remains "stable", despite the coronavirus crisis. Standard & Poor's reports that the Deutsche Rück Group has a sustainable, extremely good capital base, a strong competitive position and a secure earnings position. This is supported by risk-commensurate underwriting and a conservative strategy for the recognition of reserves.

## **SUSTAINABLE INVESTMENT**

At DR Swiss, we are aware of our responsibility to the environment and society and integrate sustainability criteria into our investment processes. That is why, as part of the Deutsche Rück Group, we signed up to the investors' initiative PRI (Principles for Responsible Investment) on 17 September 2019. PRI is a globally recognised financial initiative for responsible investment created as a spin-off from the UN partner organisations Global Compact and UNEPFI. The objective of the principles is to facilitate a better understanding of the impact that investment decisions have on environmental aspects, social issues and factors relating to good corporate governance.

## **EVENTS AFTER THE BALANCE SHEET DATE**

At the present time and taking into account current business performance, there are no discernible developments that could have a significant and lasting negative impact on DR Swiss' assets, financial position or earnings.

## **RISK ASSESSMENT**

### **Risk management: Strategic framework**

The risk strategy, which is derived from the business strategy, defines the risks that must be accepted in the course of normal business activities and documents the level of risk tolerance stipulated by the Board of Directors and reviewed annually. This is based on the company's risk-bearing resources and on basic strategic considerations.

The Board of Directors and first-tier management are included on an ongoing basis in regular discussions of strategic risks.

### **Risk identification and risk management organisation**

All risks affecting DR Swiss are categorised in a risk map. Responsibility for each identified risk is clearly defined. Identified risks with regard to currentness, completeness and relevance are evaluated once a year in a controlled process.

### **Measurement and evaluation of risks**

The annual assessment is recorded in a report and the results are presented to the Board of Directors. As well as key risk indicators at the level of the company as a whole, material risks relating to underwriting and investment are managed through additional processes. Investment risk monitoring is essentially based on regular meetings of the investment committee and related reporting. Ad hoc reporting is carried out for extraordinary developments relating to major and accumulated losses in the property insurance divisions. Major losses above the reporting threshold of EUR 250,000 are also consolidated and reported to the Board of Directors each quarter.

### **Investment strategy**

The strategic asset allocation is determined as part of an annual process involving the investment committee and the Board of Directors.

### **Risk control functions within the risk management process**

The Board of Directors' responsibility for the organisation of the company, strategic management, supervision of the executive management and the organisation of accounting and financial control as established in Art. 716a of the Swiss Code of Obligations (CO) means that the Board of Directors bears overall responsibility for dealing with risks affecting the company. The Board of Directors receives regular updates regarding developments in the risk strategy, which is to be defined annually.

### **Significant risks**

Risks can in principle arise in all areas, functions and processes. We structure risks in accordance with three different risk categories:

1. Reinsurance risks
2. Investment and credit risks
3. Operational risks

#### **1. Reinsurance risks**

The premium/claims risk is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated.

The reserve risk describes the risk that emerges when the provision for outstanding claims is not adequate, as losses incurred are not yet known or insufficient reserves have been set up to cover known losses. Reserves may have been calculated with insufficient allowance or no allowance at all for extraordinary events resulting in exceptionally high loss frequencies or amounts.

Natural hazard/accumulation risks, such as windstorms, floods, earthquakes or hail, pose the biggest risks to DR Swiss. Risk exposure in this area is therefore actively managed as part of the underwriting process.

#### **Tools for limiting risks**

DR Swiss uses various tools to control and limit risks in reinsurance. The most important tools are outlined below.

**Underwriting guidelines and limits:** Underwriting guidelines set out detailed rules on which reinsurance treaties can be underwritten and up to what amount. The underwriting guidelines also stipulate that the double-checking principle must be applied throughout. Limits of indemnity are also specified and monitored regularly. Moreover, ongoing profitability measurements and accumulation checks ensure that risks remain manageable.

**Monitoring technical provisions:** Provisions for uncertain liabilities stemming from obligations assumed are regularly checked by Actuarial Services using recognised and established actuarial methods. The run-off is monitored on an ongoing basis.

## **2. Investment and credit risks**

Investment activities give rise to the following investment and credit risks:

**Market price risks:** These can arise from potential losses due to unfavourable changes in market prices, particularly on the equity, real estate and interest rate markets. In economic terms, changes in interest rates affect not only the assets side but also the liabilities side of the balance sheet. Any mismatch between the maturity structures of assets and liabilities gives rise to an economic risk.

**Credit and creditworthiness risks:** The value of existing receivables may go down as a result of changes in the assessment of the creditworthiness of issuers or contractual partners.

**Liquidity risks:** Untimely inflows and outflows of liquidity may make unscheduled disposals of investments necessary. Depending on how tradable the various investments are, this can lead to opportunity costs of varying magnitude and/or to losses, due to reductions in price.

**Currency risks:** Changes in exchange rates may lead to losses due to a mismatch between investments and technical obligations with respect to underwriting. Even if an investment strategy based on matching maturities is followed, risks may still exist as a result of misjudgements with regard to the level of claims provisions.

### **Tools for controlling and monitoring investment and credit risks**

Our investment management is based on the principles of adequate profitability combined with a high level of security. Along with the necessary distribution of risk, adequate liquidity of investments must be maintained at all times. These principles are monitored by means of ongoing reporting with regular valuation of portfolios. Our portfolio manager works in accordance with investment guidelines that are regularly reviewed and adjusted to the changing environment.

### **Stress tests and value-at-risk analyses for assessing market risks**

We measure market price risks for portfolios of fixed-income securities and equities using stress tests that simulate the effects of unexpected fluctuations in the market. As well as stress tests that are prescribed by the regulator, DR Swiss analyses historic events and maps their development on its current investment portfolio. In addition, market risks for all assets and all liabilities that are subject to market risks are assessed and managed by means of value-at-risk analyses based on an economic scenario generator.

### **Minimum rating for the containment of credit risks**

For fixed-income investments, the company carries out a credit assessment of the issuers/issues – based on ratings from recognised rating agencies, for example – and its own additional assessment of their creditworthiness. If no external rating information is available, the company calculates its own internal rating based on suitable documents.

The minimum limit for new direct investments is generally a rating of “BBB-”. Issuer risks are also widely spread. At the same time, we take into account upper limits for each issuer, which we monitor and adjust on an ongoing basis.

### **Liquidity planning**

We counter risks arising from unforeseeable liquidity requirements by ensuring a balanced maturity structure for our investments. Anticipated inflows and outflows of liquidity are reflected in ongoing investment planning.

### **Investment policy**

Falling interest rates lead to increases in the market value of fixed-income securities, while rising interest rates lead to a decline in their market value. The high proportion of fixed-income securities in its portfolio means that DR Swiss is in principle exposed to this risk. By adjusting the management of investment maturities to liabilities, we can hold securities until they mature and thereby avoid balance sheet losses.

Foreign currency items on the liabilities side are matched on the assets side of the balance sheet.

## **3. Operational risks**

Operational risks are risks in business systems or processes that are caused by human conduct or technical failure or that are due to external influences. Compliance risks are risks resulting from non-compliance with contractual agreements or general legal conditions.

### **Instruments for controlling operational risks**

Operational risks are controlled and managed using an internal control system and through specific reports that form part of the overall risk report. Internal Auditing carries out independent investigations to supplement internal risk analyses of the organisation and processes.

### **IT security concepts and emergency plans**

Employees responsible for security in data processing ensure that a comprehensive security concept is in place. Modern hardware and software helps to ensure the availability and integrity of all systems and programs. Regular checks on network security, constant refinement of the security concept and emergency plans ensure data security and make sure that the systems used are available at all times. A crisis communications concept ensures efficient communication in an emergency.

### **COVID-19**

On 11 March 2020, the World Health Organisation (WHO) officially declared the outbreak of the novel COVID-19 virus to be a pandemic. The Deutsche Rück Group's crisis team became operational at the same time and has met regularly since then. The company has continued to operate as planned and without restrictions since 12 March 2020 with staff working from home. A step-by-step plan has been drawn up for the return to the office, which will be implemented in line with the latest developments in infections. Protecting the health of our employees is our company's top priority. Where it is necessary for staff to be in the office in person, it is possible to have a limited presence that supplements the work done at home. A code of conduct has been drawn up for this, including the mandatory "AHA rules" (on distance, hygiene and face masks). The aim of these measures is to prevent and contain potential infections, in order to protect employees and ensure that business operations can continue.

In the context of the ongoing COVID-19 pandemic and the measures taken to combat it, there is a possibility of additional setbacks on the capital markets and further limited adverse effects on underwriting.

### **OPPORTUNITIES REPORT**

As a subsidiary of Deutsche Rückversicherung AG and an independent company within the Deutsche Rück Group, we are an invaluable alternative on the market and offer our client partners stable and lasting reinsurance cover. This means that opportunities and risks for our business are correspondingly diverse. In the section "Outlook for 2021", we provide an assessment of opportunities and a forecast for the development of our business, based on realistic assumptions about general conditions.

Developments on financial markets and hedge transactions in conjunction with natural catastrophes remain burdened with uncertainty. Moreover, inadequate original premiums in European property insurance business limit potential earnings from our proportional reinsurance business.



## OUTLOOK FOR 2021

Following the dramatic downturn in the global economy in 2020 due to COVID-19, the economic recovery looks set to continue in 2021. Hopes for a more stable government in the USA and the gradual roll-out of vaccines against COVID-19 are expected to provide a good basis for economic prosperity.

The monetary environment is likely to remain expansionary for the time being. Although inflation will not rise significantly from its low starting point, it is not expected to have a major impact on the global economy. Governments and central banks will take the necessary action to keep the economy running and bring unemployment figures down. Interest rate rises can therefore be expected in two to three years at the earliest.

However, markets have already anticipated these improvements to a large extent, in the expectation of a rapid, V-shaped economic recovery. As many positive factors have now been priced into the markets, they are highly susceptible to setbacks. That means that volatility will increasingly become an issue again.

DR Swiss has not suffered any major losses due to large claims at the time of writing this report. However, the property insurance portfolio assumed from our cedants remains particularly exposed to risks associated with natural hazards. Our conservative underwriting policy, which is designed for such catastrophes, allows us to provide an accurate estimate of our result for own account. Provided that claims remain within the anticipated range and within our budget for major claims, we expect to achieve a balanced result in underwriting business once again. We expect income on investments to be balanced, in line with interest rates.

Overall, we expect to achieve a balance sheet profit once again, enabling us to pay a dividend, among other things.

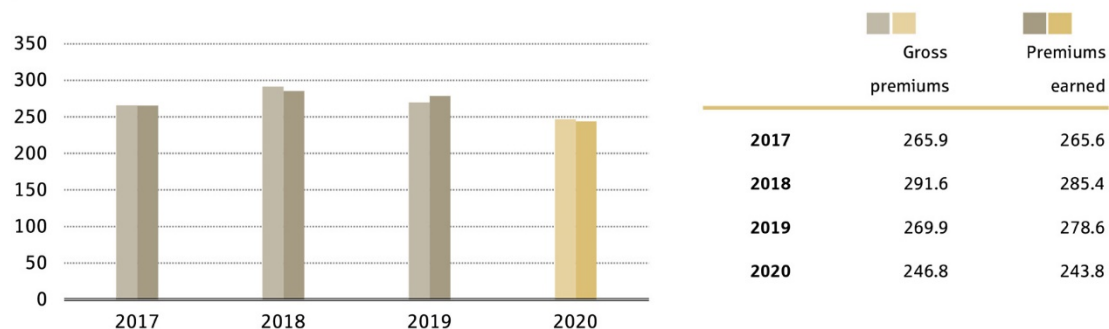
No significant changes are anticipated in net assets or earnings. However, these assumptions remain tentative in view of continuing uncertainty over the future development of the global economy.



## Multi-Year Financial Summary

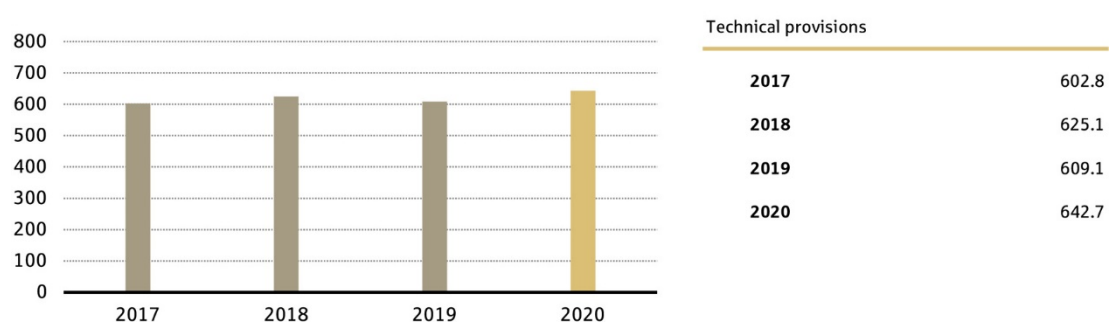
### PREMIUMS

in CHF million



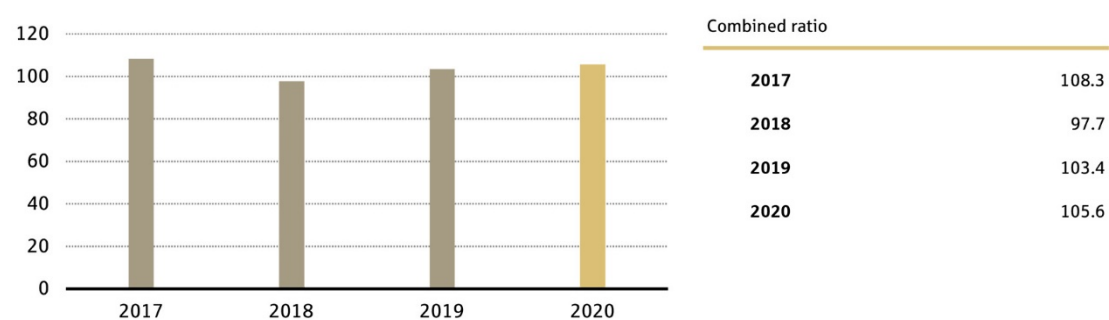
### TECHNICAL PROVISIONS

in CHF million

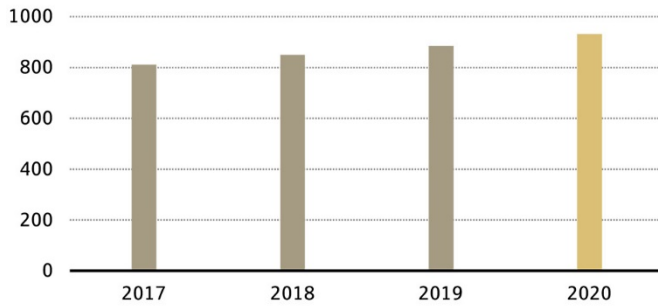


### COMBINED RATIO (ON EARNED PREMIUMS)

in %, excl. own administrative expenses



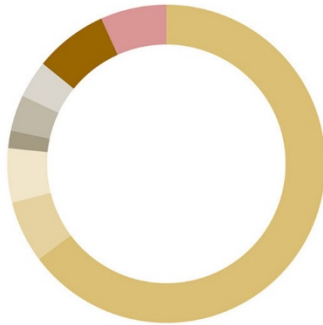
### FINANCIAL INVESTMENTS INCL. CASH DEPOSITS in CHF million



#### Financial investments

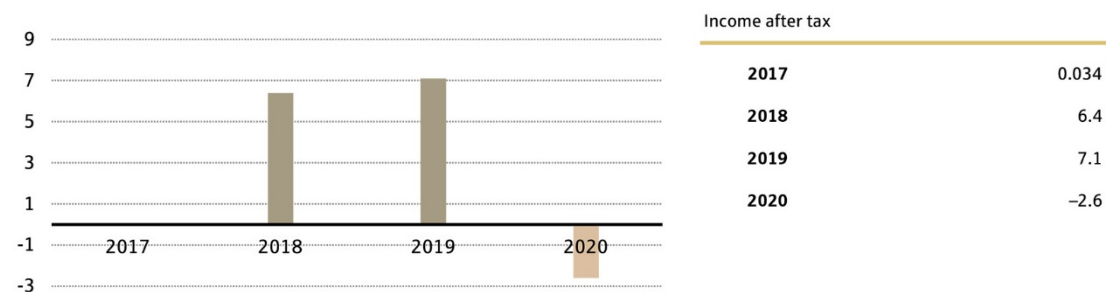
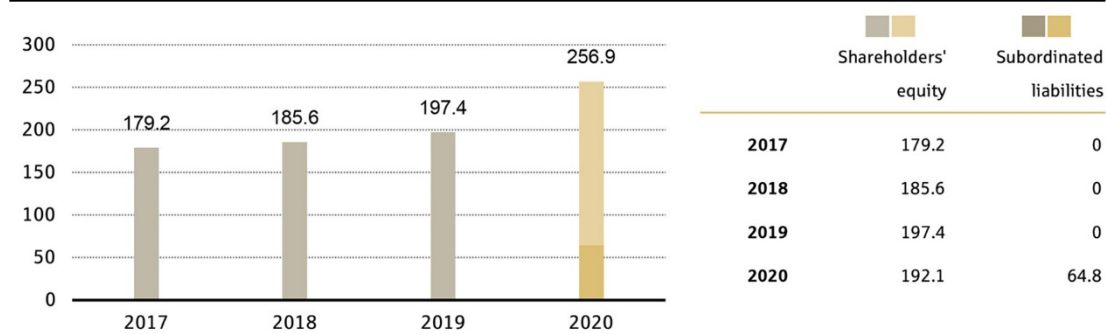
<b>2017</b>	810.9
<b>2018</b>	849.7
<b>2019</b>	884.6
<b>2020</b>	932.0

### ASSET ALLOCATION AS AT 31 DECEMBER 2020 in %



#### Asset allocation

64.8 %	Fixed-income securities
6.3 %	Real estate funds
5.5 %	Equity funds
1.8 %	Commodities funds
3.7 %	Infrastructure energy funds
3.8 %	Private equity
7.5 %	Sundry investments
6.7 %	Cash and cash equivalents

**INCOME AFTER TAX**  
 in CHF million

**SHAREHOLDERS' EQUITY INCL. SUBORDINATED LIABILITIES**  
 in CHF million




## Annual Financial Statements

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## Balance Sheet as at 31 December 2020

<b>ASSETS</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
<b>Investments</b>	<b>869,694</b>	<b>869,199</b>
Fixed-income securities	603,795	620,590
Other investments	265,899	248,609
Real estate funds	58,736	56,692
Equity funds	51,095	56,479
Commodities funds	16,945	14,250
Infrastructure energy funds	34,118	37,641
Private equity	35,441	26,822
Sundry investments	69,564	56,725
<b>Deposits from reinsurance assumed</b>	<b>38,155</b>	<b>48,574</b>
<b>Cash and cash equivalents</b>	<b>62,337</b>	<b>15,396</b>
<b>Other assets</b>	<b>439</b>	<b>337</b>
<b>Intangible assets</b>	<b>32</b>	<b>31</b>
<b>Reinsurance receivables</b>	<b>7,469</b>	<b>6,063</b>
Receivables from shareholders	0	11
Receivables from third parties	7,469	6,052
<b>Other receivables</b>	<b>0</b>	<b>149</b>
<b>Accrued income and prepaid expenses</b>	<b>4,729</b>	<b>3,854</b>
<b>Total ASSETS</b>	<b>982,855</b>	<b>943,603</b>



<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
<b>Technical provisions</b>	<b>642,689</b>	<b>609,083</b>
Reserves for unearned premiums for own account	6,961	5,490
Reserves for outstanding claims for own account	586,631	555,051
Provisions for profit commissions	49,097	48,542
<b>Non-technical provisions</b>	<b>13,500</b>	<b>10,500</b>
Fluctuation reserves for financial investments	12,500	10,000
Provisions for currency fluctuations	1,000	500
<b>Interest-bearing liabilities</b>	<b>0</b>	<b>43,416</b>
<b>Payables to insurance and reinsurance companies</b>	<b>68,839</b>	<b>80,453</b>
Payables to shareholders	7,916	6,759
Payables to third parties	60,923	73,694
<b>Other liabilities</b>	<b>374</b>	<b>220</b>
<b>Accrued expenses and deferred income</b>	<b>577</b>	<b>2,552</b>
<b>Subordinated liabilities</b>	<b>64,812</b>	<b>0</b>
<b>Total liabilities</b>	<b>790,791</b>	<b>746,224</b>
<b>Share capital</b>	<b>157,900</b>	<b>157,900</b>
<b>Legal capital reserves</b>	<b>11,203</b>	<b>11,203</b>
<b>Legal retained earnings</b>	<b>21,358</b>	<b>19,938</b>
<b>Voluntary profit reserves</b>	<b>1,223</b>	<b>1,223</b>
<b>Profit carried forward from previous year</b>	<b>2,931</b>	<b>18</b>
<b>Net income for the year</b>	<b>-2,551</b>	<b>7,097</b>
<b>Total shareholders' equity</b>	<b>192,064</b>	<b>197,379</b>
<b>Total LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>982,855</b>	<b>943,603</b>

# Income Statement

For the period 1 January to 31 December 2020

<b>TECHNICAL ACCOUNT</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
Gross premiums written	246,813	269,887
Reinsurers' share of gross premiums written	-1,339	-45
<b>Premiums for own account</b>	<b>245,474</b>	<b>269,842</b>
Change in unearned premiums	-1,638	8,732
Reinsurers' share of change in unearned premiums	0	0
<b>Premiums earned for own account</b>	<b>243,836</b>	<b>278,574</b>
<b>Other income from insurance business</b>	<b>66</b>	<b>60</b>
<b>Total income from underwriting business</b>	<b>243,902</b>	<b>278,634</b>
Gross payments for insurance claims	-142,949	-193,379
Reinsurers' share of payments for insurance claims	0	0
Change in technical provisions	-40,777	-9,140
Reinsurers' share of change in technical provisions	0	0
<b>Claims incurred for own account</b>	<b>-183,726</b>	<b>-202,519</b>
Acquisition and operating expenses	-6,462	-5,961
Depreciation of tangible assets	-194	-165
Reinsurers' share of acquisition and operating expenses	0	0
<b>Acquisition and operating expenses for own account</b>	<b>-6,656</b>	<b>-6,126</b>
Commissions and profit shares paid	-71,253	-83,991
Reinsurers' share of commissions and profit shares paid	0	0
Change in provisions for contractual surplus participations	-2,598	-1,414
<b>Other technical expenses for own account</b>	<b>-73,851</b>	<b>-85,405</b>
<b>Total expenses from underwriting business</b>	<b>-264,233</b>	<b>-294,050</b>
<b>Underwriting result</b>	<b>-20,331</b>	<b>-15,416</b>

<b>NON-TECHNICAL ACCOUNT</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
Underwriting result (carried forward)	-20,331	-15,416
Current income	13,752	13,710
Price gains on investments	12,258	19,640
Realised gains on investments	423	708
Unrealised gains on investments	11,835	18,932
Reversals of impairments on fixed-income securities	261	280
<b>Investment income</b>	<b>26,271</b>	<b>33,630</b>
Investment administration	-368	-420
Price losses on investments	-4,185	-1,637
Realised losses on investments	-1,591	-16
Unrealised losses on investments	-2,594	-1,621
Impairments on fixed-income securities	-173	-196
Fluctuation reserves for financial investments	-2,500	-5,200
<b>Expenses for investments</b>	<b>-7,226</b>	<b>-7,453</b>
<b>Investment income</b>	<b>19,045</b>	<b>26,177</b>
Other interest receivable	0	70
Income from differences in exchange rates	-904	-101
<b>Other financial income</b>	<b>-904</b>	<b>-31</b>
<b>Other financial expenses</b>	<b>-105</b>	<b>-118</b>
<b>Profit / loss before taxes</b>	<b>-2,295</b>	<b>10,612</b>
Direct taxes	-256	-3,515
<b>Profit / loss</b>	<b>-2,551</b>	<b>7,097</b>

## Cash Flow Statement

<b>CASH FLOW STATEMENT</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
<b>Cash flow from operating activities</b>		
Net income for the year	-2,551	7,097
Change in reserves for unearned premiums	1,637	-8,732
Change in outstanding claims reserves	40,777	9,140
Change in provisions for profit commissions	2,599	1,414
Change in fluctuation reserves for financial investments	2,500	5,200
Change in provisions for currency fluctuations	500	500
Realised gains/losses on sale of investments	2,554	-600
Depreciation and amortisation	194	165
Change in funds held with reinsured companies/reinsurance liabilities	9,978	-1,458
Change in other assets and liabilities	-14,816	26,442
Other non-cash expenses and income	-15,956	-18,656
<b>Total cash flow from operating activities</b>	<b>27,416</b>	<b>20,512</b>
<b>Cash flow from investing activities (net change)</b>		
Fixed-income securities	8,586	34,248
Real estate funds	342	-7,726
Equity funds	9,294	-7,892
Commodities funds	0	0
Infrastructure energy funds	3,683	-5,756
Private equity	-8,012	-16,465
Sundry investments	-12,819	-58,150
Time deposits	0	-44
Increase/decrease in tangible and intangible assets	-298	-149
<b>Total cash flow from investing activities</b>	<b>776</b>	<b>-61,934</b>
<b>Cash flow from financing activities</b>		
Contributions from equity injections	0	9,926
Contributions from subordinated liabilities	64,829	0
Interest-bearing liabilities	-43,317	10,958
Payments of dividends	-2,763	-5,250
<b>Total cash flow from financing activities</b>	<b>18,749</b>	<b>15,634</b>
<b>Total cash inflow/outflow</b>	<b>46,941</b>	<b>-25,788</b>
Cash and cash equivalents at start of period	15,396	41,184
Cash and cash equivalents at end of period	62,337	15,396
<b>Cash inflow/outflow</b>	<b>46,941</b>	<b>-25,788</b>

# Notes to the Financial Statements

## PRINCIPLES UNDERLYING THE ANNUAL FINANCIAL STATEMENTS

### General

Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a public limited company established in accordance with the Swiss Code of Obligations, with its registered office in Zurich, Switzerland.

On average, during the year the number of full-time equivalent employees at DR Swiss did not exceed 50.

The 2020 annual financial statements have been prepared in accordance with the provisions of the Swiss accounting law (Title 32 of the Swiss Code of Obligations). The balance sheet and income statement comply with the classification rules prescribed by the FINMA (Swiss Financial Market Supervisory Authority) Insurance Supervision Ordinance (AVO-FINMA).

The accounting requires the Board of Directors to make estimates and assessments that could affect the value of the reported assets and liabilities as well as contingent liabilities at the time of preparing the accounts, and which may also have an effect on expenses and earnings for the reporting period. The Board of Directors is free to decide at its own discretion the extent to which it will make use of existing options permitted by law in its accounting and valuation policies. Within the scope permitted by the principle of prudence, depreciation, amortisation, write-downs and provisions may be recognised above and beyond the extent required for financial and accounting purposes, if this serves the well-being of the company.

### Accounting and valuation policies

Direct bond investments are valued at acquisition cost on the balance sheet date, using the effective interest method.

Funds (fixed income, real estate in CHF, equities and commodities) are valued at market value on the balance sheet date. The exceptions to this are real estate funds in foreign currencies, infrastructure energy funds, illiquid bond funds, other investments and private equity, which are valued at the lower of cost or market.

Intangible and tangible assets are valued at purchase cost less scheduled amortisation and depreciation.

Receivables are recognised in the balance sheet at their nominal amount. If necessary, the risk of payment default is accounted for by means of specific provisions.

Original unearned premiums and original reserves for outstanding claims are recognised in the balance sheet in accordance with the disclosures of the ceding companies. Actuarial estimates are made for the statements of account not yet received from ceding companies as at the balance sheet date.

Liabilities are included in the balance sheet at their settlement value.

Foreign currency items in the balance sheet are translated at the exchange rate on the balance sheet date. Transactions in the non-technical account are translated at current rates; transactions in the technical account are translated at annual average rates. Unrealised gains and losses on foreign exchange are recognised in income. Any surplus will be deferred. The relevant exchange rates are shown in the table below.

EXCHANGE RATES ON THE BALANCE SHEET DATE	31 Dec. 2020	31 Dec. 2019
EUR/CHF	1.08020	1.08540
USD/CHF	0.88029	0.96617
GBP/CHF	1.20152	1.27574

AVERAGE EXCHANGE RATES	31 Dec. 2020	31 Dec. 2019
EUR/CHF	1.07050	1.11240
USD/CHF	0.93723	0.99366
GBP/CHF	1.20321	1.26730

## INFORMATION, BREAKDOWNS AND NOTES ON ITEMS IN THE BALANCE SHEET AND INCOME STATEMENT

NET RELEASE OF HIDDEN RESERVES IN ACCORDANCE WITH SWISS COMPANY LAW	2020	2019
in CHF thousand		
Net release of hidden reserves	0	0

### Interest-bearing liabilities

Interest-bearing liabilities were repaid in the 2020 financial year (previous year: short-term loan to shareholders in the amount of CHF 43.4 million/EUR 40.0 million).

### Subordinated liabilities

The company took on subordinated liabilities (due to mature on 30 November 2040) in the amount of CHF 64.8 million (EUR 60.0 million) in December 2020.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Legal capital reserves	Legal retained earnings	Voluntary reserves	Disposable profit	Total
in CHF thousand						
<b>As at 31 Dec. 2018</b>	<b>150,000</b>	<b>9,177</b>	<b>18,638</b>	<b>1,223</b>	<b>6,568</b>	<b>185,606</b>
Share capital paid in	7,900					7,900
Premium from capital increase		2,026				2,026
Dividends					-5,250	-5,250
Allocation to legal reserves			1,300		-1,300	0
Net income for the year					7,097	7,097
<b>As at 31 Dec. 2019</b>	<b>157,900</b>	<b>11,203</b>	<b>19,938</b>	<b>1,223</b>	<b>7,115</b>	<b>197,379</b>
Dividends					-2,764	-2,764
Allocation to legal reserves			1,420		-1,420	0
Net income for the year					-2,551	-2,551
<b>As at 31 Dec. 2020</b>	<b>157,900</b>	<b>11,203</b>	<b>21,358</b>	<b>1,223</b>	<b>380</b>	<b>192,064</b>

#### Estimates of technical account items with an effect on liquidity

Technical account items with an effect on liquidity are recorded on the basis of the amounts disclosed in statements of account from ceding companies as well as estimates. The estimated figures are reported net. In other words, the opening values as at 1 January 2020 are offset against the closing values as at 31 December 2020. These estimates affected the income statement items in the 2020 financial year as follows:

ITEM	Disclosed	Estimated	Total recognised
in CHF thousand			
Premiums for own account	291,739	-46,265	245,474
Claim payments	185,261	-42,312	142,949
Commissions/profit shares	85,657	-14,404	71,253
Change in provisions for profit shares	2,599	0	2,599
<b>Commissions and profit shares</b>	<b>88,256</b>	<b>-14,404</b>	<b>73,852</b>

**ACQUISITION AND OPERATING EXPENSES FOR OWN ACCOUNT**

in CHF thousand	2020	2019
Personnel expenses	5,314	4,564
Material expenses	1,148	1,397
Depreciation of tangible assets	194	165
<b>Total acquisition and operating expenses for own account</b>	<b>6,656</b>	<b>6,126</b>

**INCOME AND EXPENDITURE ON INVESTMENTS****INCOME**

in CHF thousand	2020	2019
Fixed-income securities	7,136	8,705
Real estate funds	1,482	1,369
Equity funds	47	85
Commodities funds	0	0
Infrastructure energy funds	1,912	1,809
Private equity	119	34
Sundry investments	2,598	1,265
Other current income	458	443
<b>Total income</b>	<b>13,752</b>	<b>13,710</b>

**APPRECIATION**

in CHF thousand	2020	2019
Fixed-income securities	1,065	3,410
Real estate funds	2,248	2,980
Equity funds	5,474	10,150
Commodities funds	2,728	1,980
Infrastructure energy funds	16	295
Private equity	498	397
Sundry investments	67	0
<b>Total appreciation</b>	<b>12,096</b>	<b>19,212</b>



<b>REALISED GAINS</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
Fixed-income securities	151	470
Real estate funds	62	10
Equity funds	94	71
Commodities funds	0	0
Infrastructure energy funds	83	151
Private equity	24	6
Sundry investments	9	0
<b>Total realised gains</b>	<b>423</b>	<b>708</b>

<b>DEPRECIATION, AMORTISATION AND WRITE-DOWNS</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
Fixed-income securities	-252	-303
Real estate funds	-838	-112
Equity funds	-563	0
Commodities funds	0	0
Infrastructure energy funds	-851	-814
Private equity	-263	-511
Sundry investments	0	-77
<b>Total depreciation, amortisation and write-downs</b>	<b>-2,767</b>	<b>-1,817</b>

<b>REALISED LOSSES</b>		
in CHF thousand	<b>2020</b>	<b>2019</b>
Fixed-income securities	0	-2
Real estate funds	-2	0
Equity funds	-1,247	0
Commodities funds	0	0
Infrastructure energy funds	-323	0
Private equity	-19	-14
Sundry investments	0	0
<b>Total realised losses</b>	<b>-1,591</b>	<b>-16</b>

### Security for commitments

A rent deposit in the amount of CHF 191,446 was lodged with our bankers as security for our rental commitments for business premises.

BNP Paribas holds securities that serve as cover for our technical provisions. As at the balance sheet date of 31 December 2020, these amounted to CHF 39,162 (EUR 36,254).

<b>CONTINGENT LIABILITIES</b>		
in CHF million	2020	2019
Commitments entered into for the future acquisition of real estate funds	12.3	7.2
Commitments entered into for the future acquisition of infrastructure energy funds	22.7	13.9
Commitments entered into for the future acquisition of fixed-income securities	3.0	4.1
Commitments entered into for the future acquisition of private equity investments	43.3	44.9

### Rental and leasing commitments

Rental commitments amount to CHF 558,490 as at 31 December 2020 (previous year CHF 1,005,282). There are no leasing commitments.

### Total auditor's fees

<b>FEE ITEM</b>		
in CHF	2020	2019
Audit services	91,582	71,913
Other services	0	8,382
<b>Total fees</b>	<b>91,582</b>	<b>80,295</b>

## Proposal for the Appropriation of Profit

The following net result for the year will be available to the General Meeting on 18 March 2021 in Zurich:

PROPOSAL FOR THE APPROPRIATION OF PROFIT AS AT 31 DECEMBER 2020		
in CHF thousand	2020	2019
Profit carried forward from previous year	2,931	18
Net income for the year	-2,551	7,097
<b>Disposable profit</b>	<b>380</b>	<b>7,115</b>
The Board of Directors proposes to the General Meeting that the disposable profit be distributed as follows:		
Dividends	0	2,763
Allocation to legal reserves	0	1,420
<b>Balance carried forward</b>	<b>380</b>	<b>2,931</b>

## Report of the Statutory Auditor

As the statutory auditor, we have audited the financial statements of Deutsche Rückversicherung Switzerland Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 24 to 34), for the financial year ended 31 December 2020.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system to ensure that the financial statements that are prepared are free from material misstatement due to either fraud or error. The Board of Directors is also responsible for selecting and applying appropriate accounting policies and making reasonable accounting estimates.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Swiss law and Swiss auditing standards. These standards require that we plan and perform the audit in such a way as to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence concerning the carrying amounts and other disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement in the financial statements due to either fraud or error. In assessing these risks, the auditor takes account of the internal control system where it is relevant to the entity's preparation of financial statements 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 entity's internal control system. An audit also includes an assessment of the appropriateness of the accounting policies used and the plausibility of the estimates made, as well as an evaluation of the overall presentation of the financial statements. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

**Report based on other legal requirements**

We confirm that we meet the statutory requirements on licensing in accordance with the Swiss law on audit supervision (RAG) and on independence (Art. 728 CO and Art. 11 RAG) and that there are no circumstances that are incompatible with our independence.

In accordance with Art. 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm the existence of an internal control system for the preparation of financial statements, which has been designed according to the instructions of the Board of Directors.

We also confirm that the proposed appropriation of available earnings (page 35) complies with Swiss law and the company's articles of incorporation and recommend that the financial statements be approved as submitted.

PricewaterhouseCoopers AG

Zurich, 18 March 2021

Martin Schwörer  
Audit expert  
Auditor in charge

Magali Zimmermann  
Audit expert

## **COMPANY DETAILS**

### **Published by**

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