HANNOVER RE (BERMUDA) LTD.

Financial Statements

(With Independent Auditor's Report Thereon)

Year ended 31 December 2021

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Independent auditor's report

To the Board of Directors and Shareholder of Hannover Re (Bermuda) Ltd.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hannover Re (Bermuda) Ltd. (the Company) as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2021;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

April 22, 2022

Balance Sheet as at 31 December 2021

Assets

in USD thousand	Notes	2021	2020
Fixed-income securities – available for sale	6, 8	3,659,719	3,526,760
Fixed-income securities – held to maturity	6, 8	–	12,586
Other financial assets – at fair value through profit and loss	7, 8	161,328	153,663
Other invested assets	6, 8	39,338	33,995
Cash and cash equivalents	5	96,481	79,693
Total investments and cash under own management		**3,956,866**	**3,806,697**
Funds withheld	9	117,688	128,148
Contract deposits	9	4,486	3,071
Reinsurance recoverables	10	908,214	662,844
Prepaid reinsurance premium	10	50,883	55,183
Deferred acquisition costs	9	539,777	631,987
Accounts receivable		452,068	323,427
Other assets	13	18,507	10,663
Intangible assets	12	41,809	–
Total assets		**6,090,298**	**5,622,020**

Liabilities

in USD thousand	Notes	2021	2020
Loss and loss adjustment expense reserve	10	2,361,051	1,968,193
Benefit reserve	10	21,140	17,102
Unearned premium reserve	10	271,748	234,364
Provision for profit commission	10	7,482	8,303
Ceded deferred acquisition costs	9	11,675	12,894
Ceded funds withheld	9	2,020	1,970
Contract deposits	9	6,554	12,834
Reinsurance payable	11	919,572	863,709
Other financial liabilities – at fair value through profit and loss	7, 8	32,264	47,169
Other liabilities	14	15,253	8,463
Dividends payable	18	460,000	380,000
Loans and borrowings	15	25,000	25,000
Total liabilities		**4,133,759**	**3,580,001**
Shareholder's equity			
Authorised, issued and fully paid, 104,522,359 shares of $1 par value each	2, 16	104,522	104,522
Contributed surplus	17	1,365,633	1,365,633
Accumulated other comprehensive income	19	33,461	130,586
Retained earnings		452,923	441,278
Total shareholder's equity		**1,956,539**	**2,042,019**
Total liabilities and shareholder's equity		**6,090,298**	**5,622,020**

The accompanying notes form an integral part of these financial statements

On behalf of the board

Mr. Clemens Jungsthöfel
Director

Mrs. Chantal Cardinez
Director

Statement of Income for the year ended 31 December 2021

in USD thousand	Notes	2021	2020
Income			
Gross written premium		1,590,060	996,610
Ceded written premium		(418,079)	(363,877)
Change in gross unearned premium	10	(47,123)	(34,789)
Change in ceded unearned premium	10	(4,299)	11,978
Net premium earned		**1,120,559**	**609,922**
Other technical income		**135**	**–**
Ordinary investment income	6	68,016	61,875
Realised gains and losses on investments	6	(18,324)	6,101
Changes in fair value of financial instruments	6	10,633	318
Other investment expenses	6	(6,516)	(3,662)
Income/expense on funds withheld and contract deposits	6	848	352
Net investment income	**6**	**54,657**	**64,984**
Total revenue		**1,175,351**	**674,906**
Expenses			
Loss and loss adjustment expenses incurred	10	669,046	365,050
Change in benefit reserve (net)	10	4,605	–
Commission and brokerage (net), change in deferred acquisition costs		147,234	33,577
Other acquisition costs		8,307	6,660
Administrative expenses		26,004	18,274
Total expenses		**855,196**	**423,561**
Other income/expenses	20	152,228	9,688
Finance costs	15	(638)	–
Net income (all attributable to the shareholder)		**471,745**	**261,033**

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income 2021

in USD thousand	2021	2020
Net Income	**471,745**	**261,033**
Other comprehensive (loss) income		
Reclassifiable to the statement of income		
Unrealised (depreciation) appreciation arising during the period	(76,409)	74,777
Reclassification adjustment for net realised gains included in net income	(20,654)	(5,019)
Amortisation of net unrealised appreciation related to securities transferred to held to maturity	(8)	(12)
Foreign exchange rate differences	(54)	137
Other comprehensive (loss) income for the year	**(97,125)**	**69,883**
Total comprehensive income for the year (all attributable to the shareholder)	**374,620**	**330,916**

The accompanying notes form an integral part of these financial statements

Statement of Changes in Shareholder's Equity 2021

in USD thousand	Share Capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Retained earnings	Total shareholder's equity
At 1 January 2021	**104,522**	**1,365,633**	**130,586**	**441,278**	**2,042,019**
Net income	–	–	–	471,745	471,745
Change in unrealised (depreciation) appreciation of investments	–	–	(97,125)	–	(97,125)
Dividends declared	–	–	–	(460,100)	(460,100)
Merger with HLRBer [1]	–	–	–	–	–
At 31 December 2021	**104,522**	**1,365,633**	**33,461**	**452,923**	**1,956,539**
At 1 January 2020	**104,522**	**1,097,200**	**56,092**	**276,589**	**1,534,403**
Net income	–	–	–	261,033	261,033
Change in unrealised (depreciation) appreciation of investments	–	–	69,883	–	69,883
Dividends declared	–	–	–	(380,000)	(380,000)
Merger with HLRBer [1]	–	268,433	4,611	283,656	556,700
At 31 December 2020	**104,522**	**1,365,633**	**130,586**	**441,278**	**2,042,019**

1 Refer to Note 2.3 for further details.

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows 2021

in USD thousand	2021	2020
I. Cash flow from operating activities		
Net income	471,745	261,033
Adjustments for non-cash items in net income:		
Depreciation of capital assets	11,651	702
Realised gains and losses on investments	18,324	(6,101)
Changes in fair value of financial instruments (through profit or loss)	(10,633)	(318)
Amortisation of investments	14,762	10,272
Impairment	193	–
Changes in accrued interest	(649)	(1,541)
Effect of changes in exchange rates	4,146	(10,782)
Net changes in non-cash balances relating to operations:		
Changes in funds withheld	3,060	(36,046)
Changes in contract deposits (net)	(8,031)	–
Changes in receivables from reinsurance business	(124,857)	29,291
Changes in payables from reinsurance business	55,863	131,279
Changes in funds withheld under reinsurance business	4	(209)
Changes in unearned reinsurance premium (net)	51,422	22,811
Changes in loss and loss adjustment expense reserve (net)	208,418	205,576
Changes in benefit reserve (net)	4,605	–
Changes in deferred acquisitions costs (net)	63,259	(3,455)
Changes in other assets and liabilities (net)	(9,630)	6,599
Cash flows provided by operating activities	**753,652**	**609,111**
II. Cash flows from investing activities		
Fixed-income securities – available for sale including short-term investments		
Maturities and sales	2,050,158	1,171,892
Purchases	(2,352,023)	(1,765,423)
Fixed-income securities – held to maturity		
Maturities	11,807	–
Other invested assets		
Redemptions	16,488	887
Capital calls	(26,329)	(3,297)
Cash flows from the sale/(acquisition) of tangible and intangible assets (net)	(54,251)	(47)
Merger with HLRBer [1]	–	17,667
Cash flows used in investing activities	**(354,150)**	**(578,321)**
III. Cash flows from financing activities		
Dividends paid	(380,100)	–
Interest paid	(590)	(81)
Change in lease liabilities	(878)	(627)
Cash flows used in financing activities	**(381,568)**	**(708)**
IV. Exchange rate differences on cash and cash equivalents	**(1,146)**	**1,437**
Cash and cash equivalents at beginning of year	**79,693**	**48,174**
Change in cash and cash equivalents (I.+ II.+ III.+ IV.)	**16,788**	**31,519**
Cash and cash equivalents at end of year	**96,481**	**79,693**

1 Refer to Note 2.3 for further details.

Notes to the Financial Statements

1. Corporate information

Hannover Re (Bermuda) Ltd. ("HRBer" or the "Company") is a wholly owned subsidiary of Hannover Re Holdings (UK) Limited (the "Immediate Parent"), a company incorporated in the U.K. The Immediate Parent is a wholly owned subsidiary of Hannover Rückversicherung SE ("Hannover Rück SE" or "the Parent"), a company incorporated in Germany and trading internationally under the brand name Hannover Re. Hannover Rück SE is a publicly traded company, which is majority owned (50.2%) by Talanx AG, which in turn is majority owned (with a stake of 79.0%) by HDI Haftpflichtverband der Deutschen Industrie V.a.G. ("HDI"), a German mutual insurance company. The Company is a limited company incorporated and domiciled in Bermuda. The registered office is located at Victoria Place, 31 Victoria Street, Hamilton, Pembroke, HM10, Bermuda.

On 31 December 2020, the merger of the Company with Hannover Life Reassurance Bermuda Ltd, ("HLRBer") a Class E reinsurer under common control of the same parent company, was effected with the Company being the surviving ("receiving") entity. The Company is now a Dual License holder of both a Class 4 and a Class E license issued under the Insurance Act, 1978 of Bermuda and related regulations to write all classes of property, casualty and life business.

The Company writes property catastrophe reinsurance contracts on an excess of loss basis. Property catastrophe reinsurance covers unpredictable events such as tropical cyclones, windstorms, hailstorms, earthquakes, freezes, riots and other man-made or natural disasters. Every property catastrophe excess of loss contract written by the Company provides for aggregate limits and attachment points. The Company also assumes cyber, workers' compensation, marine, aviation, credit surety, motor, casualty, personal accident and terrorism contracts primarily on an excess of loss basis.

The Company also reinsures life assurance business written by its client companies (cedants). The risks assumed generally reflect the risks inherent in the underlying life assurance policies and include mortality risk, morbidity risk, investment risk, lapse risk and surrender risk. The Company may also assume credit risk in respect of its client companies.

2. Basis of preparation

2.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were examined by the Board of Directors and adopted on 22 April 2022 and hence released for publication.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis. See Note 3 for the exceptions to this.

2.3. Merger accounting

In the prior year, the Company accounted for the merger with HLRBer prospectively ("the predecessor values method") as both entities were under the common control of Hannover Re Holdings (UK) Limited. All of the assets and liabilities of HLRBer were transferred at book value with no goodwill arising and HLRBer's shares were voided and reclassified into contributed surplus. To enhance these financial statements for the users, the Company has included a line showing the net impact of the merger marked as 'Merger with HLRBer' on any tables where a variation is presented. In addition on the Statement of Cash Flows the Company applied IAS 7.39 to show the aggregate cash flows from the merger arising from obtaining control of HLRBer separately under the line 'Merger with HLRBer' under cash flows from investing activities.

During 2021 the Company reviewed the format of the previously issued financial statements with consideration to presentation of the Statement of Income for 31 December 2021 as it will include the performance of the business previously written in HLRBer for the first time. After consideration to IAS 1.45 the review resulted in the following 2020 comparative lines being restated with a nil impact on the Net income;

in USD thousand	2020 Audited Income Statement	2020 restated	Difference
Other investment expenses	(3,773)	(3,662)	(111)
Income/expense on funds withheld and contract deposits	–	352	(352)
Net investment income	64,521	64,984	(463)
Total revenue	674,443	674,906	(463)
Commission and brokerage (net), change in deferred acquisition costs	33,225	33,577	(352)
Administrative expenses	18,555	18,274	281
Depreciation	702	–	702
Total expenses	424,192	423,561	631
Other income/expenses	10,782	9,688	1,094
Net income (all attributable to the shareholder)	261,033	261,033	–

2.4. Functional and presentation currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency.

2.5. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The area involving a higher degree of judgment and where estimates are significant to the financial statements are the reinsurance assets and liabilities. This is disclosed further in Notes 3, 9 and 10 to these financial statements.

3. Summary of significant accounting policies

In the Company's efforts to meet international disclosure standards and to meet the requirements of the local regulators, the Company has prepared financial statements in accordance with IFRS.

The financial statements reflect all IFRS in force as at 31 December 2021, as well as all interpretations issued by IFRIC, the application of which was mandatory for the 2021 financial year.

IFRS 4.38 et seq. "Insurance Contracts" requires disclosures of the nature and extent of risks stemming from reinsurance contracts, while IFRS 7.31-42 "Financial Instruments: Disclosures" requires similar information on risks from financial instruments. The disclosures resulting from these requirements are included in Note 4. With regard to the disclosures required by IFRS 4 and IFRS 7, we would refer in particular to 4.2 Technical risks and 4.3 Market risks respectively.

Since 2002, the standards adopted by the International Accounting Standards Board ("IASB") have been referred to as IFRS; the standards dating from earlier years still bear the name "International Accounting Standards ("IAS")". Standards are cited in our Notes accordingly; in cases where the Notes do not make explicit reference to a particular standard, the term IFRS is used.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

3.1. New accounting standards or accounting standards applied for the first time

In the context of Phase 2 of the Interest Rate Benchmark Reform project the IASB published "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform" in August 2020. The amendments to these standards are effective for financial years beginning on or after 1 January 2021. The changes address specific issues that may arise in connection with replacement of an existing interest rate benchmark with an alternative reference interest rate.

A separate implementation project was initiated to explore the implications of the IBOR reform for the Company and ensure a smooth transition to alternative interest rate benchmarks. The investigation was conducted at the level of individual contracts. The implications for the measurement of financial assets and the corresponding adjustments that need to be made in the IT systems were also considered. In addition to a status assessment, the effects on the accounting and financial reporting were analysed as at 31 December 2021 and our investment strategy was modified accordingly. Furthermore, communication with Hannover Group representatives took place and we also communicated with counterparties and issuers.

The transition to the new interest rate benchmarks has been implemented progressively since 2021. Measurement effects above a previously defined de minimis / materiality limit are offset through the exchange of compensatory payments with the respective counterparties. It should be pointed out that measurement effects may also arise with respect to certain assets in our portfolio whose contractual terms do not make explicit reference to the reformed interest rate benchmarks – if the determination of their fair value draws on such reference interest rates.

At the reporting date the company expects the transition will not have any appreciable effects on net income.

In March 2021 the IASB issued "Amendment to IFRS 16 'Leases': Covid-19-Related Rent Concessions beyond 30 June 2021" in order to facilitate for lessees the accounting of concessions, e.g. deferral of rent payments and rent reductions, granted in connection with the outbreak of the coronavirus pandemic. The amendment is applicable to financial years beginning on or after 1 April 2021. Earlier application is permitted. The Company did not apply the amendment in the financial year.

Apart from the above, there were no other amendments to existing standards required in the 2021 financial year.

3.2. Standards or changes in standards that have not yet entered into force or are not yet applicable

With the publication of IFRS 17 “Insurance Contracts” in May 2017, the IASB issued a standard that replaces the existing transitional arrangements of IFRS 4 and for the first time establishes a single common framework for the recognition, measurement and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. In addition, IFRS 17 requires extensive new disclosures in the notes.

The measurement model of IFRS 17 requires entities to measure groups of insurance contracts based on estimates of discounted future cash flows with an explicit risk adjustment for non-financial risks (“fulfilment cash flows”) as well as a contractual service margin, representing the expected (i.e. unearned) profit for the provision of insurance coverage in the future.

Furthermore, the standard fundamentally changes the presentation in the statement of income and introduces the new concept of insurance revenue instead of the disclosure of gross written premium. Insurance revenue is reported when it is earned by recognising in each period the changes in the liability for providing coverage for which the insurance entity receives compensation as well as the part of the premiums that covers acquisition costs. Receipts and payments relating to savings components are not recognised as revenue or as profit or loss in the statement of income. Insurance finance income and expenses result from discounting effects and financial risks. In accordance with the transition choices offered by IFRS 17, for each portfolio of insurance contracts they may be recognised either in profit or loss in the statement of income or directly in equity.

Changes in assumptions that do not relate to interest rates or financial risks are not recognised directly in the statement of income but are booked against the contractual service margin and hence spread across the remaining coverage period. Recognition in profit or loss is only immediate in the case of those groups of insurance contracts that are expected to be loss making.

Initial application of the standard was originally mandatory on a retrospective basis for annual reporting periods beginning on or after 1 January 2021. Subsequently due to stakeholder feedback on the considerable complexity of the rules and the associated implementation effort, the application date was deferred by the IASB to financial years beginning on or after 1 January 2023.

The exemption from initial application of IFRS 9 “Financial Instruments” granted to insurance and reinsurance entities has similarly been extended until 1 January 2023, thereby continuing to facilitate first-time application of both standards at the same time. In this connection, we would also refer to our remarks on IFRS 9 in this section.

In December 2021, the IASB issued "Amendment to IFRS 17 Insurance Contracts; Initial Application of IFRS 17 and IFRS 9 – Comparative Information". The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is similarly effective for annual reporting periods beginning on or after 1 January 2023.

Given that the standard affects the Company’s core business activity, major implications are expected for the Financial Statements. In view of the special significance of the new accounting rules, a multi-year implementation project was launched back in 2017 to explore the implications of the standard for the Financial Statements – including the interdependency with IFRS 9 – and the necessary implementation steps were defined and initiated. Analyses of the implications of the standard for the Company’s Financial Statements were carried out in the year under review. The implementation of the financial reporting standard is not expected to be material for the Company. It is not yet possible to determine in detail the specific quantitative effects on the Financial Statements.

In July 2014, the IASB published the first version of IFRS 9 “Financial Instruments” (last amended in October 2017), which supersedes all previous versions of this standard and replaces the existing IAS 39 “Financial Instruments: Recognition and Measurement”. The standard contains requirements governing classification and measurement, impairment based on the new expected credit loss impairment approach and general hedge accounting. The new classification requirements result in more financial instruments being measured at fair value through profit or loss. Initial mandatory application of the standard was set for annual periods beginning on or after 1 January 2018. Subsequently the IASB granted an optional temporary exemption for entities whose predominant activity is issuing insurance and reinsurance contracts within the scope of IFRS 4, from recognising their financial instruments in accordance with IFRS 9 until probable entry into force of IFRS 17 on 1 January 2023. The Company reviewed the application requirements based on the Financial Statements as at 31 December 2015 with a positive outcome and decided to make use of the deferral approach. Since the review of the application requirements, there has been no change in business activity that would have necessitated a re-evaluation of the predominant activity.

The Company primarily anticipates implications for the classification of financial instruments. The portfolio of financial instruments to be recognised at fair value through profit or loss will increase as a consequence of the new classification rules. In addition, the Company expects the new impairment model to have implications for debt instruments. Based on initial test calculations, the risk provision as at 31 December 2021 is expected to have a minimal impact. What is more, the final implications of IFRS 9 can only be fully determined by taking into consideration the interaction with the financial reporting standard IFRS 17. Consequently, it was not yet possible to reliably establish the effects on the net assets, financial position and results of operations at the time when these Financial Statements were published.

In addition to the accounting principles described above, the IASB has issued the following standards, interpretations and amendments to existing standards with possible implications for the Financial Statements of the Company, application of which was not yet mandatory for the year under review and which are not being applied early by the Company. Initial application of these new standards is not expected to have any significant implications for the Company's net assets, financial position or results of operations:

Published	Title	Initial application to annual periods beginning on or after the following date:
January / July 2020	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2023
February 2021	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
February 2021	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
May 2021	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

3.3. Reinsurance contracts

IFRS 4 sets out basic principles for the accounting of insurance contracts. Underwriting business is to be subdivided into insurance and investment contracts. Contracts with a significant insurance risk are considered to be insurance contracts, while contracts without significant insurance risk are to be classified as investment contracts. The standard is also applicable to reinsurance contracts.

IFRS 4 contains fundamental rules governing specific circumstances, such as the separation of embedded derivatives and unbundling of deposit components, but it does not set out any more extensive provisions relating to the measurement of insurance and reinsurance contracts. In conformity with the basic rules of IFRS 4 and the IFRS Framework, reinsurance-specific transactions therefore continue to be recognised in accordance with the pertinent provisions of US GAAP (United States Generally Accepted Accounting Principles) as applicable on the date of initial application of IFRS 4 on 1 January 2005.

IFRS 4 "Insurance Contracts" represents the outcome of Phase I of the IASB project "Insurance Contracts" and constitutes a transitional arrangement. IFRS 17, which was issued by the IASB in May 2017, establishes binding principles for the measurement of insurance contracts effective for annual reporting periods beginning on or after 1 January 2021. With the amendments to IFRS 17 published in June 2019 and June 2020, the IASB ultimately proposed a deferral of the date of initial application to 1 January 2023 as well as further content-related amendments to the standard.

a) Earned Premiums and unearned premium

Premiums assumed are estimated based on information received from ceding companies and reinsurance intermediaries and are included in income on a straight-line basis over the period of underlying coverage with the unearned portion deferred in the balance sheet. Reinsurance premiums ceded are similarly pro-rated over the terms of the treaties with the unearned portion being deferred in the balance sheet as prepaid reinsurance premium. Income and expenses in connection with reinsurance treaties are recognised on a basis consistent with the underlying risk of the reinsured business. Adjustments to premium estimates are recorded when updated information is reported by the ceding companies and reinsurance intermediaries. Such adjustments could result in significantly higher or lower premiums than originally estimated by the Company.

b) Reinstatement premiums and Retrospectively-rated premiums

Reinstatement premiums and retrospectively-rated premiums are recognised in accordance with provisions of the reinsurance contracts. Reinstatement premiums are premiums charged for the restoration of the reinsurance limit, generally coinciding with the payment of losses by the Company. Reinstatement premiums are earned immediately whilst the original contract premium continues to be earned over the full period of the contract. Retrospectively-rated premiums triggered by losses are earned immediately.

Premium deficiencies are recognised in the statement of income, to the extent that such deficiencies exist, in the period in which they arise.

3.4. Financial assets

As a basic principle, we recognise the purchase and sale of directly held financial assets including derivative financial instruments as at the settlement date. The recognition of fixed-income securities includes apportionable accrued interest.

a) Financial assets held to maturity

Financial assets held to maturity are comprised of non-derivative assets that entail fixed or determinable payments on a defined due date and are acquired with the intent and ability to be held until maturity. They are measured at amortised cost. The corresponding premiums or discounts are recognised in profit or loss across the duration of the instruments using the effective interest rate method. An impairment loss is taken in the event of permanent impairment.

b) Financial assets at fair value through profit or loss

Such assets consists of securities held for trading and those classified as measured at fair value through profit or loss since acquisition. This refers principally to unsecured debt instruments issued by corporate issuers and derivative financial instruments.

Within the scope of the fair value option provided under IAS 39 “Financial Instruments: Recognition and Measurement”, according to which financial assets may be carried at fair value on first-time recognition subject to certain conditions. All structured securities that would have needed to have been broken down had they been recognised as available for sale or under loans and receivables are also recognised here. The Company makes use of the fair value option solely for selected sub-portfolios of its financial assets. Securities held for trading and securities classified as measured at fair value through profit or loss since acquisition are carried at their fair value on the balance sheet date. If stock market prices are not available for use as fair values, the carrying amounts are determined using generally acknowledged measurement methods. All changes in fair values from this measurement are recognised in investment income. The classification of financial assets at fair value through profit or loss is compatible with the Company’s risk management strategy and investment strategy, which are oriented extensively towards economic fair value variables.

Derivatives are financial instruments, the fair value of which is derived from an underlying instrument such as equities, bonds, indices, or currencies. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in income.

The fair values of the derivative financial instruments were determined on the basis of the market information available at the balance sheet date and using the effective interest rate method. If there is a lack of deep and liquid market information, a mark-to-model valuation approach is used. For insurance swap-type derivatives, a discounted cash flow approach using current best estimate assumptions is utilised.

c) Financial assets classified as available for sale

Financial assets classified as available for sale are carried at fair value; accrued interest is recognised in this context. Unrealised gains and losses arising out of changes in the fair value of securities held as available for sale are recognised in shareholder's equity after deduction of deferred taxes. All financial instruments that do not satisfy the criteria for classification as held to maturity, loans and receivables, at fair value through profit or loss, or trading are allocated to the category of available for sale. Accrued interest is also recognised in this category.

3.5. Establishment of the fair value of financial instruments carried as assets or liabilities

The fair value of financial instruments carried as assets or liabilities is established using the methods and models described below. The fair value of a financial instrument corresponds to the amount that the Company would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial assets, their bid price is used; financial liabilities are valued at ask price. In other cases, the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of mathematical finance. The Company uses a number of different valuation models for this purpose. The details are set out in the table below. Financial assets for which no publicly available prices or observable market data can be used as inputs (financial instruments belonging to fair value hierarchy Level 3) are for the most part measured on the basis of proven valuations drawn up by knowledgeable, independent experts, e.g. audited net asset value, the plausibility of which has previously been subjected to systematic review. For further information, see our explanatory remarks on the fair value hierarchy in Note 8.

a) Investment income

Investment income is recognised on the accrual basis and includes the amortisation of premium or discount on debt securities purchased at amounts different from their par value.

b) Netting of financial instruments

Financial assets and liabilities are only netted and recognised in the appropriate net amount if a corresponding legal claim (reciprocity, similarity and maturity) exists or is expressly agreed by contract, in other words if the intention exists to offset such items on a net basis or to effect this offsetting simultaneously.

c) Impairment loss and reversals

Management records an impairment loss to fair value through net income for any impairment in the value of securities. Any subsequent recovery in the fair value of an impaired debt instrument classified as available for sale is reversed through net income, while a recovery in an impaired available for sale equity security is recognised in other comprehensive income.

Valuation models			
Financial instrument		***Parameter***	***Pricing model***
Fixed-income securities	Unlisted plain vanilla bonds, interest rate swaps	Yield curve	Present value method
	Unlisted structured bonds	Yield curve, volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
	Unlisted ABS / MBS, CDO / CLO	Risk premiums, default rates, prepayment speed and recovery rates	Present value method
Other invested assets	Unlisted equities, Life Settlement policies and equity investments	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Capitalised earnings method, discounted cash flow method, multiple-based approaches
	Private equity funds, private equity real estate funds	Audited net asset values (NAV)	Net asset value method
	Unlisted bond, equity and real estate funds	Audited net asset values (NAV)	Net asset value method
Other financial assets – at fair value through profit or loss	Forward exchange transactions, foreign exchange swaps, non-deliverable forwards	Yield curves, spot and forward rates	Interest parity model
	OTC stock options, OTC stock index options	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
	Insurance derivatives	Fair values, actuarial parameters, yield curve	Present value method
	Cross-currency swaps	Yield curve, currency spot rates	Present value method
	Total return swaps	Listing of underlying, yield curve	Present value method

3.6. Other invested assets

Other invested assets includes invested funds, shares in limited partnerships, and investments in life settlement contracts. Invested funds and shares in limited partnerships are carried at fair value, life settlement contracts are valued on a policy-by-policy basis using a discounted cash flow methodology. The fair value at the point of purchase is assumed to be equal to the purchase price. The fair value at future dates is calculated as the present value of expected future cash flow discounted at the risk-free term structure of spot rates plus a policy-specific risk margin. Net changes in fair value are reflected in the statement of income in unrealised gains and losses on investments for life settlements. Invested funds and shares in limited partnerships are classified as available for sale.

3.7. Cash and cash equivalents

Cash and cash equivalents are carried at face value. For purposes of the statement of cash flows, the Company considers all time deposits with an original maturity of ninety days or less and money market funds which can be redeemed without penalty as equivalent to cash.

3.8. Short term investments

This item consists of investments with an original maturity of up to one year and is carried at fair value.

3.9. Funds withheld

Funds withheld are receivables due to reinsurers from their clients in the amount of their contractually withheld cash deposits; they are recognised at acquisition cost (nominal amount). Appropriate allowance is made for credit risk.

3.10. Contract deposits

Contract deposits pertain to receivables and liabilities under insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 "Insurance Contracts" but fail to meet the risk transfer required by US GAAP. IFRS 4 in conjunction with SFAS 113 requires insurance contracts that transfer a significant technical risk from the ceding company to the reinsurer to be differentiated from those under which the risk transfer is of merely subordinate importance. Since the risk transfer under the affected transactions is of subordinate importance, these contracts are recognised using the "deposit accounting" method and hence eliminated from the technical account. The compensation for risk assumption booked to income under these contracts is netted under other income / expenses. The payment flows resulting from these contracts are shown in the cash flow statement under operating activities.

3.11. Accounts receivable

Accounts receivable are carried at nominal value; value adjustments are made where necessary on the basis of a case-by-case analysis. We use adjustment accounts for value adjustments taken on reinsurance accounts receivable, while all other write-downs are booked directly against the underlying position. Accounts receivable predominantly represent amounts due from ceding companies including amounts due from related parties. See Note 23 for details of amounts due from related parties.

3.12. Deferred acquisition costs

Deferred acquisition costs principally consist of commissions in the form of financing to cedants, brokerage, and other variable costs directly related with the acquisition or renewal of existing reinsurance contracts. These acquisition costs are capitalised and amortised over the expected period of the underlying reinsurance contracts. The Company performs loss recognition of deferred acquisition costs, on an annual basis. Loss recognition testing applies to all in force business. If loss recognition testing indicates that the present value of future net cash flows from the business currently on the books would be insufficient to recover the deferred acquisition costs and meet the cost of insurance liabilities, the difference, if any, is charged to income as accelerated amortisation of deferred acquisition costs. The Company also performs recoverability testing to ensure that expenses deferred during the current year are recoverable against future profits.

3.13. Reinsurance recoverables

Shares of our retrocessionaires in the loss and loss adjustment expense reserve are calculated according to the contractual conditions on the basis of the gross loss and loss adjustment expense reserve. Appropriate allowance is made for credit risks.

3.14. Intangible assets

Intangible assets are renewal rights acquired for certain treaty and facultative portfolios. They are measured at acquisition cost and will be amortised over 5 years. The renewal rights are tested regularly for impairment based on the actual development of the business, which is subject to the renewal rights and impairment losses are taken if necessary. Refer to Note 12 for further details.

3.15. Other assets

Fixtures, fittings and equipment are recorded at cost less accumulated depreciation calculated on a straight-line basis, over the estimated useful lives of the assets, which are as follows:

Computer equipment	5 years
Fixtures and fittings	5 years
Leasehold improvements	5 years
Vehicles	7 years

The Company leases its premises and some office equipment and as such right-of-use assets, complementary right-of-use accumulated depreciation and lease liabilities have been recorded on the Company's balance sheet. Right-of-use assets are measured at amortised cost in the amount of the initial measurement of the lease liability, adjusted by probable restoration costs. These assets are amortised on a straight-line basis, over the term of the lease contract, which range from 2 to 5 years (see also Note 13).

Receivables from ISDA - financial guarantees pertains to the actual fee income outstanding from ISDA – financial guarantees. Refer to Note 7 for further details.

3.16. Loss and loss adjustment expenses

Reserves are established for payment obligations from reinsurance losses that have occurred but have not yet been settled. They are subdivided into reserves for reinsurance losses reported by the balance sheet date and reserves for reinsurance losses that have already been incurred but not yet reported ("IBNR") by the balance sheet date. The loss and loss adjustment expense reserves are based on estimates that may diverge from the actual amounts payable. In reinsurance business a considerable period of time may elapse between the occurrence of an insured loss, notification by the insurer and pro-rata payment of the loss by the reinsurer. For this reason the realistically estimated future settlement amount based on long-standing established practice is carried out. Recognised actuarial methods are used for estimation purposes. In this regard we make allowance for past experience, currently known facts and circumstances, the expertise of the market units as well as other assumptions relating to the future development, in particular economic, social and technical influencing factors. Future payment obligations are not discounted for the time value of money. The Company involves an actuary in the annual reserving process.

Loss and loss adjustment expense reserves are shown gross in the balance sheet, i.e. before deduction of the share attributable to our reinsurers.

3.17. Benefit reserves

Benefit reserves are comprised of the underwriting reserves for claims of ceding companies in life and health reinsurance. Benefit reserves are determined using actuarial methods on the basis of the present value of future payments to cedants less the present value of premium still payable by cedants. The calculation includes assumptions relating to mortality, disability, lapse rates and the future interest rate development. The actuarial bases used in this context allow an adequate safety margin for the risks of change, error and random fluctuation. They correspond to those used in the premium calculation and are adjusted if the original safety margins no longer appear to be sufficient.

3.18. Shareholder’s equity

The items “common shares” and “contributed surplus” are comprised of the amounts paid in by the Parent. In addition to the statutory reserves of the Company and the allocations from net income, the retained earnings consist of reinvested profits generated by the Company in previous periods. For retrospective change of accounting policies, the adjustment for previous periods is recognised in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period. Unrealised gains and losses from the fair value measurement of financial instruments held as available for sale are carried in accumulated other comprehensive income under unrealised gains and losses on investments.

3.19. Related party transactions

IAS 24 defines related parties, among others, as parent companies and subsidiaries, subsidiaries of a common parent company, associated companies, legal entities under the influence of management and the management of the company itself.

All related party transactions have been recorded and disclosed in accordance with IAS 24 and include business both assumed and ceded under usual market conditions. See Note 23 for further details.

3.20. Loans and borrowings

Liability loans and borrowings are from affiliated companies which are measured at amortised cost at the balance sheet dates. See Note 15 for further details.

3.21. Currency translation

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from these transactions and balances are recognised in the statement of income for the year.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date. Exchange rate differences from the translation of assets and liabilities are recognised directly in the statement of income. Foreign currency gains and losses from components of equity are recognised in the statement of other comprehensive income.

3.22. Impairment of assets

As at each balance sheet date, we review our financial assets with an eye to the need to take impairments. Permanent impairments on all invested assets are recognised directly in the statement of income. In this context, we take as a basis the same indicators as those subsequently discussed for fixed-income securities and securities with the character of equity. Qualitative case-by-case analysis is also carried out. IAS 39 “Financial Instruments: Recognition and Measurement” contains a list of objective, substantial indications for impairments of financial assets. In the case of fixed-income securities and loans, reference is made in particular to the rating of the instrument, the rating of the issuer / borrower as well as the individual market assessment in order to establish whether they are impaired. With respect to held-to-maturity instruments as well as loans and receivables recognised at amortised cost, the level of impairment is arrived at from the difference between the book value of the asset and the present value of the expected future cash flows. The book value is reduced directly by this amount, which is then recognised as an expense. With the exception of value adjustments taken on accounts receivable, we recognise impairments directly on the assets side – without using an adjustment account – separately from the relevant items. If the reasons for the write down no longer apply, a write-up is made in income up to at most the original amortised cost in the case of fixed-income securities.

3.23. Employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.24. Lease liabilities

Lease liabilities are initially measured at the present value of essentially all lease payments that are not variable or dependent on an index or interest rate. (See Note 14).

3.25. Consolidation of special purpose entities

IFRS 10 “Consolidated Financial Statements” introduced a single control model to be used when assessing control over another entity. Under IFRS 10, control results from an investor having: power over the investee, exposure or rights to variable returns from its investment with the investee; and the ability to use its power over the investee to affect the amounts of its returns from the investee.

Some transactions are effected with the involvement of ceding special purpose entities as contracting parties that are established by parties outside the Company and from which the Company assume certain underwriting and/or financial risks. The transactions serve the purpose, for example, of transferring extreme mortality risks above a contractually defined retention or transferring longevity risks. Since the Company does not bear the majority of the economic risks or benefits arising out of its business relations with these special purpose entities and cannot exercise a controlling influence over them, there is no consolidation requirement for the Company.

Depending upon the classification of the contracts pursuant to IFRS 4 or IAS 39, the transactions are recognised either as insurance contracts or as derivative financial instruments or as financial guarantees. Refer to notes 6, 7, 8, 13 and 20.

4. Management of technical and financial risks

4.1. General risk management

The Company's risk management system is designed to be commensurate to the nature, scale and complexity of the risks inherent in the business. The Company's risk management system has been approved by the Company's Board of Directors and forms part of the annual submissions to the local regulator the Bermuda Monetary Authority (BMA).

As part of a holistic approach to risk management, the Company takes into account numerous relevant scenarios. In addition, extreme scenarios are analysed, their effect on key balance sheet variables and performance indicators are determined, evaluated in relation to the planned figures and alternative courses of action are identified.

4.2. Technical risks

The Company's exposure to insurance risk is mitigated through the existence of Underwriting Guidelines and Exposure Management Guidelines, which specify limits and thresholds to ensure that risk is accepted on a basis that is in line with the Company's risk appetite. Concentrations of insurance risk is monitored through regular reporting of business exposures by currency, line of business, insured event, geographical area and cedant.

Property and Casualty (P&C)

The P&C segment expects claims experience will generally be characterised by low frequency and high severity claims, which it assumes from a worldwide-diversified book of business that covers exposures across various catastrophe zones and perils, certain of which are protected by retrocession programs. This includes natural catastrophe risk and man-made catastrophe risk. The segment manages this exposure to catastrophic events with dedicated capacities, limiting the amount of its exposure in each geographic zones or for defined scenarios.

The under reserving of claims constitutes a significant technical risk. Loss reserves are determined using actuarial methods, primarily based on information provided by cedants and supplemented as necessary by additional reserves established on the basis of the Company's own loss assessments. Reserves are set aside for claims that have occurred and been reported to the insurer, but in respect of which the amount is not yet known and which therefore cannot yet be paid. There are also claims that do not manifest themselves until a later stage and which are therefore only reported by the policyholder to the insurer and by the insurer to its reinsurer sometime after their occurrence. Reserves must be established for such IBNR (incurred but not reported) claims because years or even decades often elapse until the final settlement of such losses. This is especially true of liability claims. For certain catastrophic events, there is considerable uncertainty underlying the assumptions and associated estimated reserve for loss and loss adjustment expenses. These estimates are reviewed regularly and as experience develops and new information becomes known, the reserves are adjusted as necessary. Uncertainties in relation to reserving are therefore unavoidable. The IBNR reserve is calculated on a differentiated basis according to risk categories and regions.

Life and Health (L&H)

The Company's main insurance risks in its L&H segment are Mortality risk, Catastrophe risk, Longevity risk, Lapse risk, Morbidity and Disability risk. These risks are further described as follows:

Mortality risk

The Company is exposed to mortality risk through the reinsurance of life insurance business from its cedants. The reinsurance structures include traditional structures such as risk premium reinsurance and stop loss reinsurance, alongside less traditional structures such as mortality swaps. The Company's risk management system mandates maximum retention of USD 5.0 million per life, and has retrocession arrangements in place to accept risk in excess of the retention limit.

Catastrophe risk

Due to the mortality exposure described in the previous section, the Company is also exposed to mortality catastrophe risk, namely pandemic risk.

Longevity risk

The Company is exposed to longevity risk via longevity swaps and financial solutions business. Exposure via longevity swaps is mitigated considerably as the swap terms are truncated to reduce exposure to increasing mortality improvements. The financial solution treaties are structured to mitigate the extent of the Company's exposure to longevity risk.

Lapse risk

The Company's exposure to lapse risk, including mass lapse risk, is primarily due to its engagement in financial reinsurance and stop-loss transactions, which typically rely on the persistency of the underlying business. The Company is party to a range of cash and non-cash financing structures with cedants across the globe. Treaties are structured to mitigate the extent of the Company's exposure to lapse risk.

Morbidity and Disability risk

The Company's exposure to morbidity and disability risk is primarily through a non-proportional transaction in China. The Company provides short-term cover against excess claims on a diversified book of critical illness products. In addition, the Company is moderately exposed to morbidity and disability risk through the inclusion of disability and critical illness products in the blocks underlying some of the Company's financing treaties

Sensitivity to insurance risks (L&H)

The Company assesses its exposure to insurance risk through Solvency II best estimate liability analysis, which is subsequently used as a key input for the economic balance sheet and to determine an economic capital allocation to each risk. The Company calculates its Solvency II numbers quarterly for Group reporting purposes. The methodology and assumptions used are in line with EIOPA Principles.

The table below shows the sensitivity of the Company's economic capital as at 31 December 2021 under a range of insurance stresses:

in USD thousand	2021	2020
Mortality+5%	(8,449)	(5,959)
Mortality-5%	9,192	5,425
Disability/Morbidity+5%	(3,455)	(3,100)
Lapse+10%	(9,030)	(4,433)
MaintenanceExpenses+10%	(2,363)	(2,097)

Movements in sensitivities are caused by changes in projection horizons and in assumptions of the underlying L&H treaties.

4.3. Market risks

The overriding principle guiding the Company's investment strategy is capital preservation while giving adequate consideration to the security, liquidity, mix and spread of the assets. Risks in the investment sector consist primarily of market, credit, spread and liquidity risks. The most significant market price risks are interest rate and currency risks. Insurance contract liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

Due to the Company's geographic diversification of business, the Company does have a minimal net exposure to currency risk, this is because the risk is largely mitigated by the Company's asset and liability currency matching policy and currency hedging strategy which employs the use of currency forwards and swaps to reduce the impact of currency movements on the Company's balance sheet and income statement. Exposure to market risk is also controlled through the existence of limits and thresholds in the Company's Underwriting and Investment Guidelines.

In order to monitor interest rate risks, management uses stress tests that estimate the loss potential under extreme market conditions as well as sensitivity and duration analyses that complement the Company's range of risk management tools. Interest rate risks refer to an unfavourable change in the value of financial assets held in the portfolio due to changes in the market interest rate level. One of management's central objectives of this strategy is to match cash flows on the assets and liabilities sides as closely as possible. In addition, management uses defined duration ranges within which asset managers can position themselves opportunistically according to their market expectations. The parameters for these ranges are directly linked to the Company's risk-carrying capacity. The below table shows the estimated impact a +/- 100 BPS would have on our Fixed Income Security portfolio:

in USD thousand	2021	2020
Interest Rate Risk	**Equity**	**Equity**
+100 basis point shift in yield curves	(183,460)	(163,836)
–100 basis point shift in yield curves	201,171	183,633

There is nil impact on the Statement of Income as our Fixed Income Security portfolio is classified as available for sale as such unrealised gains and losses arising out of changes in the fair value of securities are recognised in shareholder's equity as opposed to the Statement of Income. Management spreads these risks through systematic diversification across various sectors and regions.

Further information on the risk concentrations of our investments can be obtained from the tables on the rating structure of fixed-income securities as well as on the currencies in which investments are held in Note 6.

4.4. Credit risks

Bad debt risks in reinsurance are of relevance to the Company because the business that the Company accepts is not always fully retained, but instead portions are retroceded as necessary. Retrocession partners are therefore carefully selected in light of credit considerations. This is also true of the Company's broker relationships, under which risks may occur inter alia through the loss of the premium paid by the cedant to the broker.

The Company assumes exposure to credit risk through the risk of cedant default. This risk is controlled through the Company's Underwriting Guidelines by the existence of maximum exposure limits per cedant. An internal assessment of the credit risk of non-rated entities are performed as part of the Underwriting process.

Credit risks may arise out of a failure to pay (interest and/or capital repayment) or change in the credit status (rating downgrade) of issuers of securities. The Company attaches vital importance to credit assessment conducted on the basis of the quality criteria set out in the investment guidelines. See Note 6.5 for the rating structure of fixed-income securities and Note 9.2 for additional credit risk disclosure.

4.5. Liquidity risks

The liquidity risk refers to the risk that it may not be possible to sell holdings or close open positions due to the illiquidity of the market – or to do so only with delays or price markdowns – as well as the risk that the traded volumes influence the markets in question. Regular liquidity planning and a liquid asset structure are used by the Company to make the necessary payments. The Company manages the liquidity risk inter alia by allocating a liquidity code to every security. Adherence to the limits defined in the investment guidelines for each liquidity class is subject to daily control. The spread of investments across the various liquidity classes is specified in the monthly investment reports and controlled by limits. See Note 6.1 for the maturities of fixed-income securities and Note 10.4 for expected maturities of the technical reserves.

5. Cash and cash equivalents

in USD thousand	2021	2020
Cash at bank	96,481	47,248
Money market funds	–	19,529
Time deposits	–	12,916
Total cash and cash equivalents	**96,481**	**79,693**

The average interest rate on time deposits at 31 December 2021 was 0.00% (2020 – 0.02%) and the maturity of time deposits was 0 days (2020 - 5 days).

6. Investments including income and expenses

The Company classifies investments according to the following categories: held to maturity, loans and receivables, financial assets at fair value through profit or loss and available for sale. The allocation and measurement of investments are determined by the investment intent.

The investments also encompass investments in other invested assets, short-term investments, cash and funds withheld/contract deposits. For further explanation, see Note 3 "Summary of significant accounting policies".

6.1. Maturities of the fixed-income securities including cash and cash equivalents

	2021		2020	
in USD thousand	Amortised cost [1]	Fair value	Amortised cost [1]	Fair value
Held to maturity				
due in one year	–	–	12,586	12,815
Total	**–**	**–**	**12,586**	**12,815**
Available for sale, including cash and cash equivalents				
due in one year	540,828	542,873	474,310	475,209
due after one through two years	306,877	310,977	486,855	497,853
due after two through three years	359,397	366,726	411,395	424,654
due after three through four years	262,690	265,770	514,723	539,664
due after four through five years	355,259	357,246	343,986	356,965
due after five through ten years	1,463,718	1,465,470	814,737	861,168
due after more than ten years	436,754	447,138	434,524	450,940
Total	**3,725,523**	**3,756,200**	**3,480,530**	**3,606,453**

1 Including accrued interest

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

6.2. Amortised cost, unrealised gains and losses, accrued interest and fair value on the portfolio of investments

At December 31, 2021 there were no financial assets in the portfolio of investments classified as held to maturity. The below table shows the December 31, 2020 comparative.

	2020				
in USD thousand	Cost or Amortised cost	Accrued interest	Unrealised gains	Unrealised losses	Fair value
Held to maturity					
Fixed-income securities					
Covered bonds	12,313	273	229	–	12,815
Total	**12,313**	**273**	**229**	**–**	**12,815**

	2021				
in USD thousand	Cost or Amortised cost	Accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for Sale					
Fixed-income securities					
Government debt securities of EU member states	152,050	799	1,271	401	153,717
US Treasury notes	1,241,412	4,924	13,617	3,568	1,256,385
Debt securities issued by semi-governmental entities	176,200	590	2,139	1,358	177,573
Debt securities issued by other foreign governments	257,829	667	120	718	257,898
Corporate securities	1,611,100	12,761	38,937	18,351	1,644,447
Covered bonds	50,002	368	332	284	50,418
Asset-backed securities	119,668	671	152	1,210	119,281
Total fixed-income securities	**3,608,261**	**20,780**	**56,568**	**25,890**	**3,659,719**

	2020				
in USD thousand	Cost or Amortised cost	Accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for Sale					
Fixed-income securities					
Government debt securities of EU member states	167,264	806	5,659	–	173,729
US Treasury notes	1,080,582	4,447	37,233	6,249	1,116,013
Debt securities issued by semi-governmental entities	142,390	514	5,281	8	148,177
Debt securities issued by other foreign governments	557,608	2,181	2,582	1,057	561,314
Corporate securities	1,300,445	11,214	83,513	1,485	1,393,687
Covered bonds	46,783	404	1,480	–	48,667
Asset-backed securities	85,760	438	77	1,102	85,173
Total fixed-income securities	**3,380,832**	**20,004**	**135,825**	**9,901**	**3,526,760**

The carrying amounts of the fixed-income securities classified as available for sale as well as the short-term investments allocated to this category correspond to their fair values, in the case of interest–bearing assets including accrued interest.

in USD thousand	2021				
	Cost or Amortised cost	Accrued interest	Unrealised gains	Unrealised losses	Fair value
Other invested assets					
Available for Sale					
Invested funds	5,000	–	3,275	–	8,275
Shares in limited partnerships	29,681	–	416	907	29,190
At fair value through profit and loss					
Life Settlement contracts	2,189	–	29	345	1,873
Total other invested assets	**36,870**	**–**	**3,720**	**1,252**	**39,338**

in USD thousand	2020				
	Cost or Amortised cost	Accrued interest	Unrealised gains	Unrealised losses	Fair value
Other invested assets					
Available for Sale					
Invested funds	8,307	–	4,872	–	13,179
Shares in limited partnerships	16,457	–	239	457	16,239
At fair value through profit and loss					
Life Settlement contracts	4,269	–	327	19	4,577
Total other invested assets	**29,033**	**–**	**5,438**	**476**	**33,995**

6.3. Investment income

in USD thousand	2021	2020
Fixed-income securities – held to maturity	221	–
Fixed-income securities – available for sale	82,460	71,921
Other invested assets	79	164
Interest on investments	**82,760**	**72,085**
Amortisation	(14,762)	(10,272)
Interest on cash balances, cash equivalents and short term investments	18	62
Ordinary investment income	**68,016**	**61,875**
Realised gains on investments	19,452	12,552
Realised losses on investments	(37,776)	(6,451)
Changes in fair value of financial instruments	10,633	318
Other investment expenses	(6,516)	(3,662)
Interest income on funds withheld and contract deposits (net)	848	352
Total investment income	**54,657**	**64,984**

6.4. Net gains and losses on investments

in USD thousand	2021				
	Ordinary investment income	Realised gains and losses	Impairments/ appreciation	Changes in fair value	Net income from assets under own management
Held to maturity					
Fixed-income securities	199	–	–	–	199
Available for sale					
Fixed-income securities	65,645	(17,730)	–	–	47,915
Other invested assets	2,154	470	(193)	–	2,431
At Fair Value through profit and loss					
Derivative financial instruments	–	(2,252)	–	10,949	8,697
Other invested assets	–	1,188	–	(316)	872
Cash	**18**	**–**	**–**	**–**	**18**
Total	**68,016**	**(18,324)**	**(193)**	**10,633**	**60,132**

in USD thousand	2020				
	Ordinary investment income	Realised gains and losses	Impairments/ appreciation	Changes in fair value	Net income from assets under own management
Held to maturity					
Fixed-income securities	418	–	–	–	418
Available for sale					
Fixed-income securities	60,348	6,375	–	–	66,723
Other invested assets	1,047	–	–	–	1,047
At Fair Value through profit and loss					
Derivative financial instruments	–	(274)	–	318	44
Other invested assets	–	–	–	–	–
Cash	**62**	**–**	**–**	**–**	**62**
Total	**61,875**	**6,101**	**–**	**318**	**68,294**

The net gains and losses on the investment portfolio of held to maturity investments, loans and receivables, available for sale investments, derivative financial instruments and other are comprised of interest income, amortisation, and realised gains and losses. In the case of derivative financial instruments recognised at fair value through profit and loss, an allowance is also made for changes in unrealised gains and losses.

6.5. Rating structure of fixed-income securities

	2021					
in USD thousand	AAA	AA	A	BBB	<BBB	Total
Fixed-income securities – held to maturity	–	–	–	–	–	–
Fixed-income securities – available for sale	1,505,777	485,212	872,007	697,472	99,251	3,659,719
Total	**1,505,777**	**485,212**	**872,007**	**697,472**	**99,251**	**3,659,719**

	2020					
in USD thousand	AAA	AA	A	BBB	<BBB	Total
Fixed-income securities – held to maturity	12,586	–	–	–	–	12,586
Fixed-income securities – available for sale	1,421,586	543,439	888,478	611,484	61,773	3,526,760
Total	**1,434,172**	**543,439**	**888,478**	**611,484**	**61,773**	**3,539,346**

The maximum credit risk of the items shown here corresponds to their carrying amounts.

6.6. Breakdown of investments by currency

in USD thousand	2021 AUD	EUR	GBP	JPY	USD	Other	Total
Fixed-income securities – held to maturity	–	–	–	–	–	–	–
Fixed-income securities – available for sale	47,701	–	292,434	192,957	3,071,851	54,776	3,659,719
Other financial assets – at fair value through profit and loss	–	–	153,996	–	7,332	–	161,328
Other invested assets – available for sale	–	–	–	–	39,338	–	39,338
Cash and cash equivalents	5,628	6,259	21,421	8,255	43,258	11,660	96,481
Total	**53,329**	**6,259**	**467,851**	**201,212**	**3,161,780**	**66,436**	**3,956,866**

in USD thousand	2020 AUD	EUR	GBP	JPY	USD	Other	Total
Fixed-income securities – held to maturity	–	12,586	–	–	–	–	12,586
Fixed-income securities – available for sale	164,196	–	260,132	323,300	2,643,829	135,303	3,526,760
Other financial assets – at fair value through profit and loss	–	–	151,283	–	2,356	24	153,663
Other invested assets – available for sale	–	–	–	–	33,995	–	33,995
Cash and cash equivalents	4,167	3,051	20,504	6,755	34,126	11,090	79,693
Total	**168,363**	**15,637**	**431,919**	**330,055**	**2,714,306**	**146,417**	**3,806,697**

7. Other financial assets and liabilities – at fair value through profit and loss

The Company's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange transactions taken out to hedge currency risks. These transactions gave rise to recognition of other assets at fair value through profit and loss in an amount of USD 5.0 million (2020: USD 0.06 million) under Level 2 and other liabilities at fair value through profit and loss of USD 2.2 million (2020: USD 10.1 million) under Level 2. The maturity of the forward exchange transactions are within 13 months. The derivative financial instruments are legally entered into by the Parent, which is rated AA- by Standard & Poor's, and passed on to the Company through a contractual intercompany arrangement.

The Company entered into a Yield-Collar Stop Loss derivative contract on 1 December 2012 with an affiliate Hannover Re (Ireland) Designated Activity Company to provide longevity risk cover for a life settlement portfolio. The derivative is recognised at fair value through profit and loss and included in other liabilities at fair value through profit and loss. At 31 December 2021, the derivative was valued at USD 4.8 million (2020: USD 4.5 million). The maturity of the Yield-Collar Stop Loss derivative transactions are within 9 years.

The Company entered into a UK financing treaty, which exposes the Company to lapse risk effective 1 January 2016, of which the Company retrocedes between 0%-50% dependent on the underlying referenced tranche (2020: 0%-50%). Based on the Company's evaluation there was insufficient insurance risk under the criteria of IFRS 4. The Company has elected to account for assets and liabilities associated with these treaties at fair value through profit and loss. The inward treaty is included in other assets at fair value through profit and loss and the outward treaty is recognised as other liabilities at fair value through profit and loss. At 31 December 2021, the derivative asset was valued at USD 154.0 million (2020: USD 151.3 million) and the liability at USD 25.2 million (2020: USD 32.6 million). Both the derivative asset and liability have maturities of between 3 months and 8 years.

The Company writes three contracts where the payment obligations result from contractually defined events that relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements (so–called Triple–X or AXXX reserves) of US ceding companies. The contracts are to be categorised and recognised as stand–alone credit derivatives pursuant to IAS 39. Any day one gains or losses on these derivative instruments are deferred in accordance with IAS 39. There is a zero net fair value for these instruments on the balance sheet date. The nominal value of these transactions at the balance sheet date is USD 1,402.5 million (2020: USD 1,556.5 million). Included under Other financial assets–at fair value through profit and loss is a related receivable balance of USD 2.3 million (2020: USD 2.3 million).

Three structured transactions were entered into in order to finance statutory reserves (so–called Triple–X or AXXX reserves) for US ceding companies. In each case, such structures necessitated the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedants above a contractually defined retention and transfer these risks by way of a fixed / floating swap. The total amount of the contractually agreed capacities of the transactions is equivalent to USD 2,508.0 million (2020: USD 2,508.0 million), an amount equivalent to USD 1,958.3 million (2020: USD 1,844.5 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by the Company cover their payment obligations. Under some of the transactions the payments resulting from the swaps in the event of a claim are reimbursed by the parent companies of the cedants by way of compensation agreements. In this case, the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision. Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end, the Company uses the net method according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date. Included in Note 13 Other assets is a related receivable balance of USD 6.4 million (2020: USD 6.5 million).

8. Fair value measurement

For the purposes of the disclosure requirements pursuant to IFRS 13 "Fair Value Measurement", it is necessary to assign to a three-level fair value hierarchy not only the financial assets and liabilities recognised at fair value but also those assets and liabilities that are recognised at amortised cost but for which disclosure of fair value is required.

The fair value hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets.
- Level 2: Assets or liabilities, which are measured using observable market data and are not allocable to Level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

If input factors from different levels are used to measure a financial instrument, the level of the lowest input factor material to measurement is determinative.

8.1. Fair value hierarchy of financial assets and liabilities recognised at fair value

in USD thousand	2021			
	Level 1	Level 2	Level 3	Total
Fixed-income securities – available for sale	**–**	**3,659,719**	**–**	**3,659,719**
Other financial assets – at fair value through profit and loss				
Derivative instruments – FX Forwards	–	5,016	–	5,016
Derivative instruments linked to insurance risks	–	–	156,312	156,312
Other invested assets				
Investment funds	–	8,275	–	8,275
Shares in limited partnerships	–	–	29,190	29,190
Life Settlement contracts	–	–	1,873	1,873
Total financial assets	**–**	**3,673,010**	**187,375**	**3,860,385**
Other financial liabilities – at fair value through profit or loss				
Derivative instruments – FX Forwards	–	2,247	–	2,247
Derivative instruments linked to insurance risks	–	–	30,017	30,017
Total financial liabilities	**–**	**2,247**	**30,017**	**32,264**

in USD thousand	2020			
	Level 1	Level 2	Level 3	Total
Fixed-income securities – available for sale	**–**	**3,526,760**	**–**	**3,526,760**
Other financial assets – at fair value through profit and loss				
Derivative instruments – FX Forwards	–	61	–	61
Derivative instruments linked to insurance risks	–	–	153,602	153,602
Other invested assets				
Investment funds	–	13,179	–	13,179
Shares in limited partnerships	–	–	16,239	16,239
Life Settlement contracts	–	–	4,577	4,577
Total financial assets	**–**	**3,540,000**	**174,418**	**3,714,418**
Other financial liabilities – at fair value through profit or loss				
Derivative instruments – FX Forwards	–	10,123	–	10,123
Derivative instruments linked to insurance risks	–	–	37,046	37,046
Total financial liabilities	**–**	**10,123**	**37,046**	**47,169**

There were no transfers between levels during 2021 or 2020. At December 31, 2021 there were 20 (2020 – 15) Level 3 Investments held.

8.2. Fair value hierarchy of financial assets and liabilities measured at amortised cost

At December 31, 2021 there were no financial assets in the portfolio of investments classified as held to maturity. The below table shows the December 31, 2020 comparative.

	2020			
in USD thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	–	12,815	–	12,815
Total financial assets	**–**	**12,815**	**–**	**12,815**

The following table provides a reconciliation of the fair values of financial instruments included in Level 3 at the beginning of the financial year with the fair values as at the end of the financial year.

	2021		
in USD thousand	Other financial assets	Other invested assets	Other financial liabilities
Net book value at 1 January 2021	**153,602**	**20,816**	**37,046**
Recognised in the statement of Income	12,187	(509)	724
Recognised directly in shareholders' equity	–	(273)	–
Additions	–	26,329	–
Disposals	(9,092)	(15,300)	(7,681)
Merger with HLRBer	–	–	–
Currency translation at 31 December	(385)	–	(72)
Net book value at 31 December 2021	**156,312**	**31,063**	**30,017**

	2020		
in USD thousand	Other financial assets	Other invested assets	Other financial liabilities
Net book value at 1 January 2020	**–**	**14,077**	**–**
Recognised in the statement of Income	–	–	–
Recognised directly in shareholders' equity	–	(248)	–
Additions	–	3,297	–
Disposals	–	(887)	–
Merger with HLRBer	153,602	4,577	37,046
Currency translation at 31 December	–	–	–
Net book value at 31 December 2020	**153,602**	**20,816**	**37,046**

If models are used to measure financial instruments included in Level 3 under which the adoption of reasonable alternative inputs leads to a material change in fair value, IFRS 7 “Financial Instruments: Disclosures” requires disclosure of the effects of these alternative assumptions. The effects of alternative inputs and assumptions are immaterial in respect to the disclosed financial instruments included in Level 3.

9. Technical assets

The retrocessionaires' portions of the technical reserves are based on the contractual agreements of the underlying reinsurance treaties. For further details refer to the remarks on the technical reserves (see Note 10).

In Property and Casualty business, acquisition costs directly connected with the acquisition or renewal of contracts are deferred for the unearned portion of the premium.

In Life and Health reinsurance, the deferred acquisition costs associated with life and health policies with regular premium payments are determined in light of the period of the contracts, the expected surrenders, the lapse expectancies and the anticipated interest income.

9.1. Deferred acquisition costs

	2021			2020		
in USD thousand	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	631,987	12,894	619,093	26,999	10,403	16,596
Additions	48,626	11,710	36,916	20,419	12,842	7,577
Amortisations	(113,104)	(12,930)	(100,174)	(14,559)	(10,437)	(4,122)
Merger with HLRBer	–	–	–	598,389	86	598,303
Currency translation at 31 December	(27,732)	1	(27,733)	739	–	739
Net book value at 31 December for the year under review	**539,777**	**11,675**	**528,102**	**631,987**	**12,894**	**619,093**

For further explanatory remarks, see Note 3 "Summary of significant accounting policies".

9.2. Reinsurance

In 2021 and 2020, the Company, along with the Parent and other Group Companies entered into Whole Account excess of loss treaty reinsurance agreements with third party retrocessionaires. These agreements protect the Parent and its subsidiaries from specific named perils including earthquake, flood, storm and similar natural catastrophes, as well as aviation and marine events. The Parent pays premium on behalf of the Company to the respective retrocessionaires and collects and distributes recoveries to the Company according to its share of affected losses. Counterparty default risk from these group-wide retrocessions is borne by the Parent, which is rated AA- by Standard & Poor's and A+ by A.M. Best. (See also Note 23).

The Company also participates in the Parent's K Quota Share, which involves a quota share cession on geographically specific natural catastrophe risks as well as worldwide aviation and marine risks. The transaction has an indefinite term and can be cancelled annually by the investors. Each investor's participation is collateralised by contractually defined investments in the form of cash and equivalent liquid assets, as well as letters of credit.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for any amounts deemed uncollectible.

9.3. Funds withheld

The funds withheld totalling USD 117.7 million (2020: USD 128.1 million) represent the cash and security deposits furnished by the Company to cedants that do not trigger any cash flows and cannot be realised by cedants without the Company's consent. Refer to

Note 23 for related party exposures within funds withheld. Total interest earned on funds withheld reflected on the statement of income during 2021 amounted to USD 0.8 million (2020: USD 0.4 million).

9.4. Ceded funds withheld

Ceded funds withheld under reinsurance treaties totalling USD 2.0 million (2020: USD 2.0 million), represent cash deposits furnished to the Company by our retrocessionaires that do not trigger any cash flows and cannot be realised without the consent of our retrocessionaires.

9.5. Contract deposits asset and liability

Contract deposits asset totalling USD 4.5 million (2020: USD 3.1 million) and Contract deposits liabilities totalling USD 6.6 million (2020: USD 12.8 million) pertain to receivables and liabilities under insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 "Insurance Contracts" but fail to meet the risk transfer required by US GAAP. The compensation for risk assumption booked to income under these contracts totalling USD 155.2 million is reported under other income / expenses. In 2020, compensation totalled USD 106.8 million received by HLRBer which was subsequently included under retained earnings of the Company at 31 December 2021. Refer to Note 2.3 for further details relating to the merger.

10. Technical provisions

In order to show the net reinsurance reserves retained, the following table summarises the gross reserves together with the corresponding retrocessionaires' shares, which are shown as assets in the balance sheet.

10.1. Technical provisions

in USD thousand	2021			2020		
	gross	retro	net	gross	retro	net
Loss and loss adjustment expense reserve	2,361,051	908,152	1,452,899	1,968,193	662,780	1,305,413
Benefit reserve	21,140	62	21,078	17,102	64	17,038
Unearned premium reserve	271,748	50,883	220,865	234,364	55,183	179,181
Total	**2,653,939**	**959,097**	**1,694,842**	**2,219,659**	**718,027**	**1,501,632**

The loss and loss adjustment expense reserve are in principle recorded on the basis of information supplied by the ceding companies. Additional IBNR reserve are established for losses that have been incurred but not as yet reported. This estimate is based on past experience and estimations of the future development.

The development of the loss and loss adjustment expense reserve is shown in the following table. Commencing with the gross reserve, the change in the reserve after deduction of the reinsurers' portions is shown in the year under review and the previous year.

10.2. Loss and loss adjustment expense reserve roll forward

in USD thousand	2021			2020		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	**1,968,193**	**662,780**	**1,305,413**	**1,599,112**	**582,468**	**1,016,644**
Loss and loss adjustment expenses incurred						
Year under review	1,084,898	471,814	613,084	747,763	305,745	442,018
Previous years	81,193	25,231	55,962	(86,648)	(9,680)	(76,968)
	1,166,091	**497,045**	**669,046**	**661,115**	**296,065**	**365,050**
Less:						
Loss and loss adjustment expenses paid						
Year under review	(164,080)	(96,151)	(67,929)	(67,088)	(38,800)	(28,288)
Previous years	(531,308)	(138,608)	(392,700)	(315,675)	(184,490)	(131,185)
	(695,388)	**(234,759)**	**(460,629)**	**(382,763)**	**(223,290)**	**(159,473)**
Merger with HLRBer	–	–	–	17,796	26	17,770
Currency translation at 31 December	(77,845)	(16,914)	(60,931)	72,933	7,511	65,422
Net book value at 31 December for the year under review	**2,361,051**	**908,152**	**1,452,899**	**1,968,193**	**662,780**	**1,305,413**

Included within incurred and paid losses are amounts which relate to certain longevity swaps the Company is party to. Based on actuarial analysis, the Company does not hold any reserves for these longevity swap contracts.

The loss and loss adjustment expense reserve is based upon estimations that entail an element of uncertainty. Owing to the fact that the period of some reinsurance treaties is not the calendar year or because they are concluded on an underwriting-year basis, it is frequently impossible in reinsurance business to make an exact allocation of claims expenditures to the current financial year and the previous year and as such management has to make estimates as part of the allocation process.

10.3. Net loss reserve and its run-off in the property and casualty reinsurance segment

The run-off triangles show the run-off of the reserve established as at each balance sheet date, this reserve comprising the provisions constituted in each case for the current and preceding occurrence years. The run-off of the reserve for individual occurrence years is not shown in this regard, but rather the run-off of the reserve constituted annually in the balance sheet as at the balance sheet date.

The following tables show the gross and net loss reserve for the property and casualty reinsurance business in the years 2012 to 2021 as well as the run-off of the reserve (so-called run-off triangle). The run-off results shown reflect the changes in the ultimate loss arising in the 2021 financial year for the individual run-off years.

in USD million	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims:											
- at end of year	139	218	189	226	242	418	339	378	442	581	
- one year later	133	203	201	235	225	476	433	448	447	–	
- two years later	71	175	171	154	187	442	352	412	–	–	
- three years later	66	146	150	120	185	421	300	–	–	–	
- four years later	61	132	137	94	156	397	–	–	–	–	
- five years later	55	125	131	90	145	–	–	–	–	–	
- six years later	53	120	128	80	–	–	–	–	–	–	
- seven years later	52	119	125	–	–	–	–	–	–	–	
- eight years later	52	118	–	–	–	–	–	–	–	–	
- nine years later	52	–	–	–	–	–	–	–	–	–	
Current estimate of ultimates	52	118	125	80	145	397	300	412	447	581	**2,657**
Cumulative payments to date	(38)	(73)	(85)	(53)	(89)	(301)	(178)	(184)	(142)	(36)	**(1,179)**
Cumulative effects of currency rate changes	(14)	(33)	(21)	(3)	7	(3)	4	(2)	9	(11)	**(67)**
Total	**–**	**12**	**19**	**24**	**63**	**93**	**126**	**226**	**314**	**534**	**1,411**
Liability in respect of years prior to 2012											**18**
Liability recognised in the balance sheet											**1,429**

10.4. Maturities of reinsurance reserves

IFRS 4.38 in conjunction with 4.39(d) requires information that helps to clarify the amount and timing of cash flows expected from reinsurance contracts. In the following tables, the future maturities of the technical reserves are shown and these are broken down by the expected remaining payment profiles of the liability. The analysis below excludes funds withheld directly related to the reserves. For further explanation of the recognition and measurement of the reserves see Note 3 “Summary of significant accounting policies”.

in USD thousand	2021					
	Loss and loss adjustment expense reserve			Benefit reserve		
	Gross	Retro	Net	Gross	Retro	Net
Due in one year	671,130	225,148	445,982	1,446	5	1,441
Due after one through five years	1,248,035	504,920	743,115	6,196	31	6,165
Due after five through ten years	402,366	162,555	239,811	4,077	23	4,054
Due after ten through twenty years	39,520	15,529	23,991	9,401	3	9,398
Due after twenty years	–	–	–	20	–	20
Total	**2,361,051**	**908,152**	**1,452,899**	**21,140**	**62**	**21,078**

in USD thousand	2020					
	Loss and loss adjustment expense reserve			Benefit reserve		
	Gross	Retro	Net	Gross	Retro	Net
Due in one year	321,545	69,350	252,195	1,363	3	1,360
Due after one through five years	1,235,321	445,702	789,619	6,331	28	6,303
Due after five through ten years	339,586	122,278	217,308	3,820	28	3,792
Due after ten through twenty years	71,741	25,450	46,291	5,546	5	5,541
Due after twenty years	–	–	–	42	–	42
Total	**1,968,193**	**662,780**	**1,305,413**	**17,102**	**64**	**17,038**

The average duration of the gross loss and loss adjustment expense reserve was 2.9 years (2020 – 2.9 years) and is determined using projections of the expected future payments based on the historical payment pattern.

The payment patterns are determined with the aid of estimation methods and adjusted to reflect changes in payment behaviour and outside influences. The payment patterns used can be compared year for year by contrasting the projected payments with the actual amounts realised.

10.5. Development of benefit reserve

in USD thousand	2021			2020		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	17,102	64	17,038	–	–	–
Changes	4,603	(2)	4,605	–	–	–
Merger with HLRBer	–	–	–	17,102	64	17,038
Currency translation at 31 December	(565)	–	(565)			
Net book value at 31 December of the year under review	**21,140**	**62**	**21,078**	**17,102**	**64**	**17,038**

Benefit reserve is established to meet the expected liability to cedants arising from future claims. Deferred acquisition costs are described in Note 9. Provision for profit commission of USD 7.5 million (2020: USD 8.3 million) is established to meet the expected liability to cedants arising from future profit commission payments. Benefit reserve; profit commission reserve and deferred acquisition costs are calculated using a net premium valuation methodology, as required under provisions of US GAAP. The reserving basis is based on prospective actuarial assumptions relating to mortality, morbidity, persistency, expenses and future interest rate development. Bases are determined using current pricing bases with a provision for adverse deviation in future experience.

In accordance with US GAAP, valuation assumptions are locked in at outset and are not unlocked unless a loss recognition event occurs. Loss recognition is assessed annually at treaty level by determining the expected future profits from a treaty on the current best estimate assumption bases. In accordance with this assessment, no treaties incurred a loss recognition event during 2021 or 2020.

10.6. Development of unearned premium reserve

in USD thousand	2021			2020		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	234,364	55,183	179,181	186,227	43,209	143,018
Changes	47,123	(4,300)	51,423	34,789	11,978	22,811
Merger with HLRBer	–	–	–	3,289	–	3,289
Currency translation at 31 December	(9,739)	–	(9,739)	10,059	(4)	10,063
Net book value at 31 December of the year under review	**271,748**	**50,883**	**220,865**	**234,364**	**55,183**	**179,181**

The unearned premium reserve derives from the deferral of gross written premium. The unearned premium is determined by the period during which the risk is carried and established in accordance with the information supplied by the ceding companies. Premium paid for periods subsequent to the date of the balance sheet was deferred from recognition within the statement of income.

11. Reinsurance payable

Reinsurance payable of USD 919.6 million (2020: USD 863.7 million) represent balances payable to reinsurers including amounts due for retroceded premiums netted off against amounts recoverable from retrocessionaires for their share of claims recoverable, as calculated in accordance with individual retrocession arrangements. USD 230.3 million (2020: USD 302.1 million) of the balance is expected to be non-current and is expected to be settled after more than 12 months but within 10 years. The non-current balance all relates to one treaty between the Company and its Parent and is contra to associated related deferred acquisition costs under the same treaty. Refer to Note 22 for related party exposures within reinsurance payable.

The carrying value of these amounts approximates fair value due to the short-term nature of the payables except for the referenced non-current balance whose carrying value is carried at amortised cost.

12. Intangible assets

Intangible assets pertains to the acquisition of renewal rights for designated treaties and facultative portfolios transferred from the Parent Company with an effective date of 1 January 2021. The acquisition cost was based on the discounted expected cash flows for the designated contracts taking into account expected gross premiums, claims costs, administrative costs and other costs. After a period of two years from the effective date, a review of the valuation shall be performed based on the actual development of the business, which is subject to the Renewal Rights. If the actual development of premium deviates significantly from the data used for the valuation, an adjustment of the acquisition cost shall be calculated and paid between the Company and the Parent.

The Intangible assets has determined to have a finite life of 5 years, which the Company has chosen to amortise on a straight-line basis over the 5 years.

in USD thousand	2021	2020
Balance as at 1 January	–	–
Additions during the year	52,261	–
Amortisation	(10,452)	–
Total	**41,809**	**–**

13. Other assets

in USD thousand	2021	2020
Fixtures, fittings and equipment	2,097	422
Right-of-use assets from lease contracts	2,077	2,897
Other receivables/prepaid expenses	7,917	805
Receivables from ISDA - financial guarantees	6,416	6,539
Total	**18,507**	**10,663**

Right-of-use assets from lease contracts are measured at amortised cost in the amount of the initial measurement of the lease liability adjusted by prepaid lease payments, lease incentives received, initial direct costs incurred and probable restoration costs. Right of use assets are amortised on a straight-line basis over the term of the lease contract.

14. Other liabilities

in USD thousand	2021	2020
Sundry non-reinsurance provisions	13,353	5,745
Lease Liabilities	1,900	2,718
Total	**15,254**	**8,463**

All of the sundry non–reinsurance provisions are due within one year except for share-based payment of USD 0.7 million (2020: USD 1.3 million) which fall due within 5 years.

Lease liabilities are initially measured at the present value of essentially all lease payments that are not variable or dependent on an index or an (interest) rate. The discount factor used is the implicit interest rate of the lease contract or the lessee's incremental borrowing cost.

15. Loans and borrowings

On 28 December 2012, HLRBer obtained a loan facility from the Parent premerger. The facility allows additional financing up to USD 80.0 million. It has a fixed interest rate of 2.55% and expires on 28 December 2027. No collateral has been pledged. As of 31 December 2021, the amount borrowed was USD 25.0 million (2020: USD 25.0 million), interest of USD 0.6m (2020: USD 0.0 million) was included in finance costs No capital repayments were made in 2021 (2020: USD 25.0 million).

The carrying amounts of the loans are a close approximation of their fair value.

in USD thousand	2021	2020
Balance as at 31 December	**25,000**	**25,000**

16. Shareholder's equity

Shareholder's equity is shown as a separate component of the financial statements in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholder's equity comprises of not only the net income deriving from the statement of income but also the issue of new shares and changes in the value of asset and liability items not recognised in the statement of income.

The 104,522,359 common shares (2020 – 104,522,359) of $1 par value represent the total authorised, issued and fully paid share capital of the Company. Each share carries an equal voting right and an equal dividend settlement.

17. Contributed surplus

Contributed surplus represents cash contributed by the shareholder in excess of the issued share capital. See Note 2.3 and Note 3 for further details.

18. Dividends

The dividends declared in 2021 were USD 460.1 million (2020: USD 380.0 million). This represents a dividend per share in United States Dollars of $4.40 (2020 – $3.64).

19. Accumulated other comprehensive income

Accumulated other comprehensive income amounted to USD 33.5 million (2020 USD 130.6 million). This arose primarily from the recognition of unrealised gains and losses on investments at year-end.

20. Other income and expenses

in USD thousand	2021	2020
Income from contracts recognised in accordance with the deposit accounting method	155,187	–
Other income relating to financial guarantees (net)	13,949	–
Sundry income	224	154
Exchange gains/(losses)	(4,146)	10,782
Amortisation	(10,452)	–
Sundry expenses	(2,534)	(1,248)
Total	**152,228**	**9,688**

21. Taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on profits or income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being introduced the Company will be exempted from taxation until the year 2035.

22. Staff and expenditures on personnel

Staff

The number of staff for the Company at 31 December 2021 is 48 (2020 - 44).

Defined contribution plans

The Company operates a defined contribution pension plan that is based on length of service, employees' income, and level of contributions. The expense recognised for these obligations in the year under review in accordance with IAS 19.46 amounted to USD 1.3m million (2020: USD 0.7 million).

Key management compensation

in USD thousand	2021	2020
Salaries and other short-term employee benefits	4,600	6,084
Post-employment benefits	375	254
Share-based payment	1,012	–
Total	**5,987**	**6,338**

23. Related party disclosures

Loans and Investments from related parties

All loans as disclosed in Note 15 are with related party entities. Refer to Note 7 for investments associated with related parties.

Transactions and balances with related parties arise from the normal course of business and are unsecured.

in USD thousand	2021		
Income statement	**Hannover Rück SE**	**Companies related through common control**	**Total**
Gross written premium	121,587	230,576	352,163
Ceded written premium	200	6,572	6,772
Commission and brokerage (net), change in deferred acquisition costs	57,830	11,661	69,491
Loss and loss adjustment expenses incurred	11,536	159,535	171,071
Change in benefit reserve (net)	5,565	(19)	5,546
Net investment income	(3,403)	(4,807)	(8,210)
Other income and (expenses)	(12,310)	126,132	113,822
Finance costs	(638)	–	(638)

in USD thousand	2021		
Balance sheet	**Hannover Rück SE**	**Companies related through common control**	**Total**
Other financial assets – at fair value through profit and loss	5,016	–	5,016
Funds withheld	–	74,829	74,829
Deferred acquisition costs	352,003	1,822	353,825
Accounts receivable	68	119,390	119,458
Loss and loss adjustment expense reserve	1,388	210,143	211,531
Benefit reserve	14,362	13	14,375
Unearned premium reserve	–	24,592	24,592
Contract deposits	–	6,554	6,554
Reinsurance payable	263,218	5,372	268,590
Other financial liabilities – at fair value through profit and loss	2,247	4,789	7,036
Other liabilities	594	659	1,253
Dividends payable	–	460,000	460,000
Loans and borrowings	25,000	–	25,000

in USD thousand	2020		
Income statement	**Hannover Rück SE**	**Companies related through common control**	**Total**
Gross written premium	5,925	214,820	220,745
Ceded written premium	333	(1)	332
Commission and brokerage (net), change in deferred acquisition costs	98	11,484	11,582
Loss and loss adjustment expenses incurred	5,419	124,228	129,647
Change in benefit reserve (net)	0	0	0
Net investment income	158	–	158
Other income and (expenses)	(57)	–	(57)
Finance costs	0	0	0

in USD thousand	2020		
Balance sheet	**Hannover Rück SE**	**Companies related through common control**	**Total**
Other financial assets – at fair value through profit and loss	62	–	62
Funds withheld		97,293	97,293
Deferred acquisition costs	454,156	2,102	456,258
Accounts receivable	50,182	30,532	80,714
Loss and loss adjustment expense reserve	3,358	227,864	231,222
Benefit reserve	9,248	33	9,281
Unearned premium reserve	3,046	26,707	29,753
Contract deposit liability	12,834	–	12,834
Reinsurance payable	355,346	4,896	360,242
Other financial liabilities – at fair value through profit and loss	10,123	4,490	14,613
Other liabilities	453	742	1,195
Dividends payable	–	380,000	380,000
Loans and borrowings	25,000	–	25,000

Whole Account transactions and balances

The Company's participation in group-wide Whole Account retrocession agreements controlled by the Parent resulted in the following amounts that are included in the financial statements (See also Note 9.2 Reinsurance):

in USD thousand	2021	2020
Statement of Income		
Ceded earned premium	121,524	87,420
Commission and brokerage	672	464
Reinsurance recoveries	279,145	87,339
Balance Sheet		
Deferred acquisition costs	–	2
Prepaid reinsurance premium	1,461	1,333
Reinsurance recoverable on unpaid claims	357,605	205,761
Reinsurance payable	65,906	24,438

24. Statutory requirements

As a Class 4 and Class E insurer, the Company must at all times maintain a solvency margin and an enhanced capital requirement ("ECR") in accordance with the provisions of the Insurance Act. Each year the Company is required to file with the Bermuda Monetary Authority (the "Authority") a capital and solvency return within four months of its relevant financial year-end (unless specifically extended).

Under the Bermuda Insurance Act, 1978 and related regulations, the Company is subject to capital requirements calculated using the Bermuda Solvency Capital Requirement ("BSCR"), which is a standardised statutory risk–based capital model used to measure the risk associated with the Company's assets, liabilities, premiums and the risk associated with operations. The Authority requires all Class 4 and Class E insurers to maintain their capital at a target level which is 120% of the ECR calculated in accordance with the BSCR and to maintain the minimum margin of solvency. All statutory requirements were met as at 31 December 2021 and 31 December 2020.

Actual statutory capital and surplus, as determined using statutory accounting principles, is as follows:

in USD thousand	2021	2020
Total shareholder's equity	1,956,539	2,042,019
Non-admitted assets	(41,809)	-
Statutory capital and surplus	**1,914,730**	**2,042,019**

The Company is also required under its Class 4 license to maintain a minimum liquidity ratio, whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of 31 December 2021 and 31 December 2020, the Company met the minimum liquidity ratio.

The Company is prohibited from declaring or paying dividends if its Class 4 or Class E statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividends would cause such breach. Further, the Company, as a Class 4 and Class E insurer, is prohibited from paying in any year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the Authority an affidavit stating that it will continue to meet its solvency margin and minimum liquidity ratio. The Company must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to those under the Companies Act 1981, which apply to all Bermuda companies.

25. Capital management

The preservation and consistent enhancement of its capital is a key strategic objective for the Company. The Company satisfies the capital expectations of the rating agencies that assess its financial strength. The Company comfortably met the applicable local regulatory minimum capital requirements in the year under review.

26. Letters of credit

Ceding companies domiciled in the United States and Australia are required, pursuant to their insurance laws, to obtain letters of credit issued on the Company's behalf from approved banks in order to further secure the Company's obligations under certain reinsurance contracts. At 31 December 2021, letters of credit totalling USD 373.8 million (2020: USD 281.1 million) were in place.

27. Subsequent events

The impacts of the armed conflict that broke out in February in the territory of Ukraine cannot be assessed at the present point in time. Even though direct consequences of war are normally excluded from reinsurance coverage, the possibility cannot be ruled out that losses may occur in specialty lines and that the sanctions threatened in this connection could indirectly affect the Company. A reasonable estimate of the impact, if any, can however not be made at the date of the financial statements.