



Catlin Re Switzerland Ltd

AN AXA SA GROUP COMPANY

Annual Report 2021

Report of the statutory auditor

to the General Meeting of Catlin Re Switzerland Ltd

Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Catlin Re Switzerland Ltd (the 'Company'), which comprise the income statement, balance sheet, cash flow statement and notes, for the year ended 31 December 2021.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Nebojsa Baratovic
Audit expert
Auditor in charge

Flora Avdii
Audit expert

Zürich, 27 April 2022

Enclosures:

- Financial statements (income statement, balance sheet, cash flow statement and notes)
- Proposed appropriation of the available earnings

FINANCIAL STATEMENTS

INCOME STATEMENT

CHF millions	Notes	2020	2021
Reinsurance			
Gross premiums written		1,634.78	1,623.71
Reinsurance premiums ceded		(247.48)	(341.19)
Net premium written		1,387.30	1,282.52
Change in gross unearned premiums	1	108.15	249.63
Change in ceded unearned premiums	1	16.45	72.75
Net premium earned		1,511.90	1,604.90
Total income from reinsurance activities			
Gross claims paid and claim adjustment expenses		(2,290.76)	(991.24)
Ceded claims paid and claim adjustment expenses		211.08	77.09
Net claims paid		(2,079.68)	(914.15)
Change in gross loss reserves and loss expenses	1	1,047.30	(214.64)
Change in ceded loss reserves and loss expenses	1	(102.39)	15.54
Net claims incurred		(1,134.77)	(1,113.25)
Gross acquisition costs and administration expenses	3	(591.48)	(660.43)
Ceded acquisition costs and administration expenses		42.82	39.27
Net acquisition costs		(548.66)	(621.16)
Total expenses from reinsurance activities			
		(1,683.43)	(1,734.41)
Net reinsurance result			
		(171.53)	(129.51)
Investments			
	2		
Investment income		120.92	53.48
Investment expenses		(69.19)	(8.86)
Net investment result		51.73	44.62
Interest income		18.06	16.65
Interest expense		(1.14)	(1.10)
Operating result			
		(102.88)	(69.34)
Foreign exchange		(11.16)	17.92
(Loss)/income before tax		(114.04)	(51.42)
Direct taxes		(1.36)	(2.63)
Net (loss)/income		(115.40)	(54.05)

The accompanying notes form an integral part of the financial statements

FINANCIAL STATEMENTS

BALANCE SHEET

As of December 31

Assets	Notes	2020	2021
CHF millions			
Investments			
Investment in affiliated companies	12	756.87	700.93
Fixed income securities		496.07	694.92
Equity securities		18.65	—
Other investments		63.34	6.38
<i>Short term investments</i>		63.34	6.38
Total investments		1,334.93	1,402.23
Funds withheld	9	648.85	860.80
Cash and cash equivalents		123.50	130.81
Reinsurer's share in technical provisions	5	256.31	338.13
Deferred acquisition costs		406.49	297.99
Premiums and other receivables from reinsurance, net of bad debts	4	1,323.41	1,055.28
Other receivables		31.36	67.16
Other assets		0.63	0.44
Accrued income		2.18	2.23
Total assets		4,127.66	4,155.07

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

BALANCE SHEET

As of December 31

Liabilities and shareholder's equity

CHF millions	Notes	2020	2021
Technical provisions	5		
Reserves for losses and loss expenses		1,607.59	1,834.48
Unearned premiums		1,272.84	1,026.74
Provision for profit commissions		114.61	124.32
Total technical provisions		2,995.04	2,985.54
Non-technical provisions			
Provision for taxation		1.61	3.10
Provision for currency fluctuation		99.39	109.73
Total non-technical provisions		101.00	112.83
Funds held under reinsurance treaties		15.11	42.88
Payables to reinsurance companies	6	248.94	274.63
Other liabilities		39.41	64.64
Accrued expenses		1.26	1.70
Total liabilities		3,400.76	3,482.22
Shareholder's equity			
Common stock		100.00	100.00
Legal capital reserves		633.24	633.24
<i>Legal reserves from capital contribution</i>		633.24	633.24
Legal profit reserves		45.15	45.15
Retained earnings (losses)		63.91	(51.49)
Profit/(loss) for the financial year		(115.40)	(54.05)
Total shareholder's equity	7	726.90	672.85
Total liabilities and shareholder's equity		4,127.66	4,155.07

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

As of December 31

CHF millions	2020	2021
Cash and cash equivalents at the beginning of the period	260.36	123.50
Net cash provided/(used) for operating activities	(126.88)	(93.66)
Net cash provided/(used) for investing activities	0.00	90.63
Net cash provided/(used) for financing activities	—	—
Change of cash and equivalents	(126.88)	(3.03)
FX movements	(9.98)	10.34
Cash and cash equivalents at the end of the period	123.50	130.81

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

The financial statements of Catlin Re Switzerland Ltd ("Catlin Re" or the "Company"), domiciled in Zurich, Switzerland, are prepared in accordance with Swiss Company Law. The financial statements adhere to the requirements of Swiss Code of Obligations and to additional requirements defined by the Swiss Financial Market Supervisory Authority ("FINMA"), Art. 5-6a AVO-FINMA. The 2021 financial year comprises the accounting period from January 1 to December 31, 2021. The prior period was from January 1 to December 31, 2020.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the related disclosures. Actual results could differ significantly from the estimates.

Foreign currency translation

Foreign currency transactions incurred in each of the Company's business units are revalued into the functional currency using average exchange rates applicable to the period in which the transactions take place. Foreign exchange gains and losses resulting from the settlement of such transactions and from revaluation at the period end of monetary assets and liabilities denominated in foreign currencies are deemed realised exchange gains and losses and recorded in the income statement.

Each business unit with a functional currency different from the Company's statutory reporting currency Swiss Francs is translated as follows:

- Income and expenses at the monthly average rates of exchange;
- Assets and liabilities (including unearned premiums and deferred acquisition costs) at exchange rates prevailing at the balance sheet date; and
- Resulting unrealised exchange losses are either offset against the provision for currency fluctuation or recorded in the income statement. Unrealised exchange gains are deferred and recorded as a separate line item on the balance sheet.

All assets and liabilities arising from reinsurance contracts are treated as monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Investments

Fixed income and short-term securities are valued at the Amortised-Cost-Scientific Method.

Short-term investments are composed of instruments with original maturities of more than 90 days and less than one year from the date of purchase.

The following assets are carried at cost less necessary and legally permissible depreciation:

- Investments in affiliated companies
- Equity securities

The valuation rules prescribed by FINMA are followed whereby all investments are valued individually.

Funds withheld

Funds withheld are balances held by cedants in respect of open reinsurance contracts.

Reinsurer's share in technical provisions

Reinsurer's share in technical provisions include balances due from reinsurance companies for paid and unpaid losses and loss expenses that will be recovered from reinsurers, based on contracts in force.

The technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

Deferred acquisition costs

Deferred acquisition costs principally consist of commissions and other external variable costs directly connected with the acquisition or renewal of existing reinsurance contracts. Deferred acquisition costs represent the proportion of commission incurred which corresponds to the element of the premium that is unearned on the related contracts. Deferred acquisition costs are capitalised in accordance with the business plan submitted to FINMA.

Other assets and other receivables

Other assets are carried at nominal value after deduction of known credit risks, and if applicable, less necessary and legally permissible depreciation.

Premiums and other receivables from reinsurance are carried at nominal value after deduction of known credit risks if applicable.

Technical provisions

The technical provisions are valued in accordance with the following principles:

A liability is established for unpaid losses and loss expenses when insured events occur. The liability is based on the expected ultimate cost of settling the claims. The reserves for losses and loss expenses include: (1) case reserves for known but unpaid claims as at the balance sheet date, including any potential deterioration on existing estimates; (2) incurred but not reported reserves ("IBNR") for claims where the insured event has occurred but has not been reported to Catlin Re as at the balance sheet date; and (3) loss adjustment expense reserves for the expected handling costs of settling the claims.

The estimation of the necessary claim reserves requires the use of informed estimates and judgements and as such are subject to considerable uncertainty. Reserves for losses and loss expenses are based on the analysis of the historical amounts reported by the ceding companies together with other relevant information. The methods and assumptions chosen follow generally accepted actuarial principles.

Contracts where coverage period relates to future periods are stated as unearned premiums and are calculated by statistical methods. The accrual of commission is determined correspondingly and is reported in the line item Deferred acquisition costs.

Provisions for profit commissions are to cover instances where the commission is dependent on the claim experience of the contract, e.g. sliding scale or profit commission, so that an additional liability is due in excess of the commission already incurred or, in the case where the loss experience is worse than expected, a rebate of commission is due.

Non-technical provisions

Provision for taxation contains direct taxes for the financial year.

Provision for currency fluctuation comprises of unrealised foreign exchange gains from the translation of assets and liabilities from the business units functional currencies to the reporting currency Swiss Francs.

Funds held under reinsurance treaties

Funds held under reinsurance treaties mainly contain cash deposits withheld from retrocessionaires, which are stated at redemption value.

Payables to reinsurance companies

Payables to reinsurance companies are held at redemption value.

Interest income

Other interest income is mainly comprised of interest earned on funds withheld.

Operating costs

Administration and other expenses are disclosed within the Gross acquisition costs and administration expenses line item. Unallocated loss adjustment expenses are included within the Gross claims paid and claim adjustment expenses line item.

Direct taxes

Direct taxes relate to the financial year and include income and capital taxes.

FINANCIAL STATEMENT NOTES

Note 1: Change in technical provisions

CHF millions			2021
	Gross	Ceded	Net
Change in unearned premiums	249.63	72.75	322.38
Change in reserves for losses and loss expenses	(214.64)	15.54	(199.10)
Total change in technical provisions	34.99	88.29	123.28

CHF millions			2020
	Gross	Ceded	Net
Change in unearned premiums	108.15	16.45	124.60
Change in reserves for losses and loss expenses	1,047.30	(102.39)	944.91
Total change in technical provisions	1,155.45	(85.94)	1,069.51

Note 2: Net investment result

CHF millions				2021
	Income	Unrealised gains	Realised gains	Total
Investments in affiliated companies	—	—	39.21	39.21
Fixed income securities	8.83	4.42	0.99	14.24
Equity securities	—	—	—	—
Other investments	—	—	0.03	0.03
<i>Private equity investments</i>	—	—	—	—
<i>Short term investments</i>	—	—	0.03	0.03
Cash and cash equivalents	—	—	—	—
Total investment income	8.83	4.42	40.23	53.48

CHF millions				Total
	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	—	—	—	—
Fixed income securities	—	(2.35)	(3.21)	(5.56)
Equity securities	—	—	—	—
Other investments	—	—	—	—
<i>Private equity investments</i>	—	—	—	—
<i>Short term investments</i>	—	—	—	—
Cash and cash equivalents	—	—	—	—
Investment management fees	(3.30)	—	—	(3.30)
Total investment expenses	(3.30)	(2.35)	(3.21)	(8.86)

CHF millions				2020
	Income	Unrealised gains	Realised gains	Total
Investments in affiliated companies	17.71	—	—	17.71
Fixed income securities	46.58	2.25	54.20	103.03
Equity securities	—	—	—	—
Other investments	0.07	—	0.01	0.08
<i>Private equity investments</i>	—	—	—	—
<i>Short term investments</i>	0.07	—	0.01	0.08
Cash and cash equivalents	—	—	0.10	0.10
Total investment income	64.36	2.25	54.31	120.92

CHF millions				Total
	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	—	(46.08)	—	(46.08)
Fixed income securities	—	(7.04)	(6.00)	(13.03)
Equity securities	—	(5.18)	—	(5.18)
Other investments	—	—	(0.05)	(0.05)
<i>Private equity investments</i>	—	—	—	—
<i>Short term investments</i>	—	—	(0.05)	(0.05)
Cash and cash equivalents	—	—	—	—
Investment management fees	(4.84)	—	—	(4.84)
Total investment expenses	(4.84)	(58.30)	(6.05)	(69.19)

Note 3: Administration and other expenses

Administration and other expenses, included in Gross acquisition costs and administration expenses amounted to CHF 83.33m in 2021 (2020: CHF 49.69m), thereof CHF 0.28m (2020: CHF 0.30m) are related to audit fees.

Note 4: Premiums and other receivables from reinsurance

CHF millions	2020	2021
Receivables from agents and brokers	1,098.13	814.99
Receivables from reinsurance companies	225.28	240.29
Total premiums and other receivables from reinsurance	1,323.41	1,055.28

The Company does not write direct business with policyholders. Most business is generated through agents and brokers.

Note 5: Net technical provisions

CHF millions	2020			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
Reserves for losses and loss expenses	1,607.59	(209.11)	1,398.48	1,834.48	(216.09)	1,618.39
Unearned premiums	1,272.84	(47.20)	1,225.64	1,026.74	(122.04)	904.70
Provisions for profit commissions	114.61	—	114.61	124.32	—	124.32
Total net technical provisions	2,995.04	(256.31)	2,738.73	2,985.54	(338.13)	2,647.41

Note 6: Payables from reinsurance business

CHF millions	2020	2021
Payables to agents and brokers	18.51	260.79
Payables to reinsurance companies	230.43	13.84
Total payables to reinsurance companies	248.94	274.63

Note 7: Shareholder's equity rollforward

CHF millions	Common Stock	Legal reserves from capital contribution	Legal profit reserves	Profit/(loss) for the financial year	Retained earnings (losses)	Total
as of 1 January 2021	100.00	633.24	45.15	(115.40)	63.91	726.90
Allocation of 2020 profit to retained earnings (losses)				115.40	(115.40)	—
Profit/(loss) for the financial year				(54.05)	—	(54.05)
as of 31 December 2021	100.00	633.24	45.15	(54.05)	(51.49)	672.85

Share capital of the Company amounts to CHF 100m that is fully paid-in. It is divided into ten million registered shares with a nominal value of ten Swiss Francs per share.

Note 8: Contingent liabilities

The Company is not exposed to any non-cancellable future obligations.

Catlin Re belongs to the VAT group of AXA Versicherungen AG, Winterthur, and is jointly liable for any VAT claims from the tax authorities.

The Company has access to unsecured and secured letter of credit facilities to support its reinsurance business. As at December 31, 2021, unsecured irrevocable letters of credit in the amount of CHF 326m (2020: CHF 307m) have been issued under these facilities. Letters of credit are predominantly used to secure the reserves ceded to the Company under certain reinsurance contracts.

Note 9: Funds withheld

Funds withheld of CHF 861m (2020: CHF 649m) represent deposits held by cedants. The increase is mainly driven by an additional underwriting year on a large external corporate quota share contract.

Note 10: Restricted assets

In certain markets, the Company is required to maintain assets in accounts pledged for the benefit of ceding companies. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions.

The Company also has investments in segregated portfolios to provide collateral for certain bank letters of credit issued for the benefit of ceding companies.

The total value of these restricted assets by category as at December 31, 2021 and 2020 are as follows:

CHF millions	2020	2021
Fixed income securities	383.21	433.63
Short term investments	12.37	4.55
Cash and cash equivalents	51.90	30.16
Accrued income and other receivables	1.52	0.92
Total restricted assets	449.00	469.26

Note 11: Claims on and obligations towards AXA XL Group companies

CHF millions	2020	2021
Assets		
Premiums and other receivables from reinsurance	106.08	114.00
Other receivables	30.39	67.15
Liabilities		
Payables to reinsurance companies	53.14	62.54
Other liabilities	36.82	86.87

Note 12: Investments in affiliated companies

CHF millions		2021	
	City, Country	Net Book value	Equity/Voting Shares
Seaview Re Holdings Inc	Delaware, USA	666.70	100 %
AXA XL Resseguros S.A.	Sao Paulo, Brasil	34.23	50 %
XL Re Latin America Argentina SA	Buenos Aires, Argentina	—	80 %
XL Value Offshore LLC	Hamilton, Bermuda	—	— %
Total investments in affiliated companies		700.93	

CHF millions		2020	
	City, Country	Net book value	Equity/Voting shares
Seaview Re Holdings Inc	Delaware, USA	666.70	100 %
AXA XL Resseguros S.A.	Sao Paulo, Brasil	34.23	50 %
XL Re Latin America Argentina SA	Buenos Aires, Argentina	—	80 %
XL Value Offshore LLC	Hamilton, Bermuda	55.94	25 %
Total investments in affiliated companies		756.87	

During the first half of 2021, XL Bermuda Ltd contributed USD 75m to Seaview Re Ltd, a wholly-owned subsidiary of Seaview Re Holdings Inc., with XL Bermuda Ltd acquiring no rights as shareholder of Seaview Re. In the second half of 2021, AXA XL Re Ltd contributed USD 200m to Seaview Re acquiring no rights as shareholder.

During 2021 AXA Corporate Solutions Brasil e América Latina Resseguros S.A. ("AXA Latam") was renamed to AXA XL Resseguros S.A. Effective January 21, 2022, Catlin Re acquired the remaining 49.68% shares in AXA XL Re Brasil from XL Insurance Company SE, Dublin ("XLICSE").

Effective November 1, 2021, the minority interest in XL Value Offshore LLC of 25% was sold to XL Bermuda Ltd with the realised gain disclosed in Note 2 Net investment result.

Note 13: Staff

The average number of full time equivalents employed for 2021 was less than 10. Employee services are mostly provided via a personal lending agreement between the Company and XL Catlin Services SE, Dublin, Zurich Branch.

Note 14: Subsequent events**War in Ukraine**

On February 24, 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Ruble has significantly weakened and the Russian economy is facing a major crisis with repercussions on the global economy.

Although no material claims have been reported at this stage, the Company closely monitors exposures to the conflict, including (i) the operational impact on its business, (ii) the consequences from a potential deterioration in macroeconomic conditions, (iii) exposure through its reinsurance policies and (iv) change in asset prices and financial conditions (including interest rates).

Singapore branch

During 2021 Catlin Re established a Singapore Branch to assume any 2022 new/renewed business previously written by XLB Singapore Branch. Effective January 1, 2022, any assets and liabilities from XLB Singapore Branch will be

transferred to the Company's Singapore Branch. The Singapore Branch is a MAS (Monetary Authority of Singapore) licensed reinsurer to carry on general business in Singapore under section 8 of the Insurance Act.

There have been no other further material events between December 31, 2021 and the date of this report which are required to be disclosed.

APPROPRIATION OF EARNINGS

The Board of Directors will propose at the Annual Shareholder Meeting to be held in Zurich on June 16, 2022 to allocate the loss of the financial year of CHF 54.05m to retained earnings:

CHF millions	2020	2021
Retained earnings (losses) brought forward	63.91	(51.49)
Profit/(loss) for the financial year	(115.40)	(54.05)
Retained earnings (losses) after allocation	(51.49)	(105.54)