



 **Reinsurance**

Catlin Re Switzerland Ltd

AN AXA SA GROUP COMPANY

Annual Report 2022

To the General Meeting of
Catlin Re Switzerland Ltd, Zurich

Zurich, 27 April 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Catlin Re Switzerland Ltd (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other matter

The financial statements for the year ended 31 December 2021 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 27 April 2022.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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 Swiss law and SA-CH 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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.

Ernst & Young Ltd



Philip Kirkpatrick
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Sophie Krumsiek
(Qualified
Signature)

Chartered certified accountant (UK)

Enclosures

- ▶ Financial statements (statement of financial position, statement of income, statement of cash flows, notes to the financial statements)
- ▶ Proposed appropriation of available earnings

FINANCIAL STATEMENTS

INCOME STATEMENT

CHF millions	Notes	2021	2022
Reinsurance			
Gross premiums written		1,623.71	733.10
Reinsurance premiums ceded		(341.19)	(178.14)
Net premium written		1,282.52	554.96
Change in gross unearned premiums	1	249.63	580.08
Change in ceded unearned premiums	1	72.75	(25.98)
Net premium earned		1,604.90	1,109.06
Total income from reinsurance activities		1,604.90	1,109.06
Gross claims paid and claim adjustment expenses		(991.24)	(1,027.58)
Ceded claims paid and claim adjustment expenses		77.09	105.56
Net claims paid		(914.15)	(922.02)
Change in gross loss reserves and loss expenses	1	(214.64)	196.57
Change in ceded loss reserves and loss expenses	1	15.54	43.60
Net claims incurred		(1,113.25)	(681.85)
Gross acquisition costs and administration expenses	3	(660.43)	(473.96)
Ceded acquisition costs and administration expenses		39.27	49.08
Net acquisition costs		(621.16)	(424.88)
Total expenses from reinsurance activities		(1,734.41)	(1,106.73)
Net reinsurance result		(129.51)	2.33
Investments	2		
Investment income		53.48	626.26
Investment expenses		(8.86)	(629.28)
Net investment result		44.62	(3.02)
Interest income		16.65	25.96
Interest expense		(1.10)	(5.56)
Operating result		(69.34)	19.71
Other income		—	3.42
Foreign exchange		17.92	1.60
(Loss)/income before tax		(51.42)	24.73
Direct taxes		(2.63)	(13.54)
Net (loss)/income		(54.05)	11.19

The accompanying notes form an integral part of the financial statements

FINANCIAL STATEMENTS

BALANCE SHEET

As of December 31

Assets

CHF millions	Notes	2021	2022
Investments			
Investment in affiliated companies	12	700.93	202.28
Fixed income securities		694.92	1,035.40
Other investments		6.38	—
<i>Short term investments</i>		6.38	—
Total investments		1,402.23	1,237.68
Funds withheld	9	860.80	609.18
Cash and cash equivalents		130.81	290.73
Reinsurer's share in technical provisions	5	338.13	463.19
Deferred acquisition costs		297.99	126.17
Premiums and other receivables from reinsurance, net of bad debts	4	1,055.28	832.98
Other receivables		67.16	32.07
Other assets		0.44	0.51
Accrued income		2.23	5.39
Total assets		4,155.07	3,597.90

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	2021	2022
Technical provisions	5		
Reserves for losses and loss expenses		1,834.48	1,767.96
Unearned premiums		1,026.74	473.00
Other technical provisions		124.32	207.05
Total technical provisions		2,985.54	2,448.01
Non-technical provisions			
Provision for taxation		3.10	6.92
Provision for currency fluctuation		109.73	66.95
Total non-technical provisions		112.83	73.87
Funds held under reinsurance treaties		42.88	—
Payables to reinsurance companies	6	274.63	347.62
Other liabilities		64.64	41.07
Accrued expenses		1.70	3.29
Total liabilities		3,482.22	2,913.86
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)		(51.49)	(105.54)
Profit/(loss) for the financial year		(54.05)	11.19
Total shareholder's equity	7	672.85	684.04
Total liabilities and shareholder's equity		4,155.07	3,597.90

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

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

As of December 31

CHF millions	2021	2022
Cash and cash equivalents at the beginning of the period	123.50	130.81
Net cash provided/(used) for operating activities	(93.66)	(128.58)
Net cash provided/(used) for investing activities	90.63	331.28
Net cash provided/(used) for financing activities	—	—
Change of cash and equivalents	(3.03)	202.70
FX movements	10.34	(42.78)
Cash and cash equivalents at the end of the period	130.81	290.73

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

The financial statements of Catlin Re Switzerland Ltd ("CRCH" 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 2022 financial year comprises the accounting period from January 1 to December 31, 2022. The prior period was from January 1 to December 31, 2021.

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 less legally permissible depreciation.

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			2022
	Gross	Ceded	Net
Change in unearned premiums	580.08	(25.98)	554.10
Change in reserves for losses and loss expenses	196.57	43.60	240.17
Total change in technical provisions	776.65	17.62	794.27

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

Note 2: Net investment result

CHF millions				2022
	Income	Unrealised gains	Realised gains	Total
Investments in affiliated companies	598.08	—	—	598.08
Fixed income securities	19.13	8.09	0.83	28.05
Other investments	—	—	—	—
<i>Short term investments</i>	—	—	—	—
Cash and cash equivalents	0.03	—	0.10	0.13
Total investment income	617.24	8.09	0.93	626.26

CHF millions	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	(537.69)	—	—	(537.69)
Fixed income securities	—	(78.80)	(11.06)	(89.86)
Other investments	—	—	—	—
<i>Short term investments</i>	—	—	—	—
Cash and cash equivalents	—	—	(0.15)	(0.15)
Investment management fees	(1.58)	—	—	(1.58)
Total investment expenses	(539.27)	(78.80)	(11.21)	(629.28)

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
Other investments	—	—	0.03	0.03
<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	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	—	—	—	—
Fixed income securities	—	(2.35)	(3.21)	(5.56)
Other investments	—	—	—	—
<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)

As a result of increased interest rates during 2022 and fallen market values as a consequence, Fixed income securities were temporarily impaired in the amount of CHF 73m to the lower of amortised cost and market value and it is included in the Unrealised losses.

Seaview Re, through its shareholder Seaview Re Holdings Inc. declared a USD 600m (CHF 598m) dividend to the Company included in investment income with a December 2022 settlement date. Consequently, the valuation of the investment in affiliated company was reviewed and a CHF 538m write-down at P&L rate is included in investment expenses. The adjusted net book value of Seaview Re Holdings Inc. is disclosed in Note 12.

Note 3: Administration and other expenses

Administration and other expenses, included in Gross acquisition costs and administration expenses amounted to CHF 55.44m in 2022 (2021: CHF 83.33m), thereof CHF 0.18m (2021: CHF 0.28m) are related to audit fees.

Note 4: Premiums and other receivables from reinsurance

CHF millions	2021	2022
Receivables from agents and brokers	814.99	585.04
Receivables from reinsurance companies	240.29	247.94
Total premiums and other receivables from reinsurance	1,055.28	832.98

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

Note 5: Net technical provisions

CHF millions	2021			2022		
	Gross	Ceded	Net	Gross	Ceded	Net
Reserves for losses and loss expenses	1,834.48	(216.09)	1,618.39	1,767.96	(368.45)	1,399.51
Unearned premiums	1,026.74	(122.04)	904.70	473.00	(94.74)	378.26
Other technical provisions	124.32	—	124.32	207.05	—	207.05
Total net technical provisions	2,985.54	(338.13)	2,647.41	2,448.01	(463.19)	1,984.82

Other technical provisions include the provision for profit commissions in the amount of CHF 186m (2021: CHF 124m) and a deferred gain of CHF 21m for a Loss Portfolio Transfer ("LPT") cover placed during 2022.

Note 6: Payables from reinsurance business

CHF millions	2021	2022
Payables to agents and brokers	260.79	172.36
Payables to reinsurance companies	13.84	175.26
Total payables to reinsurance companies	274.63	347.62

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 2022	100.00	633.24	45.15	(54.05)	(51.49)	672.85
Allocation of 2021 loss to retained earnings (losses)				54.05	(54.05)	—
Profit/(loss) for the financial year				11.19	—	11.19
as of 31 December 2022	100.00	633.24	45.15	11.19	(105.54)	684.04

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.

CRCH 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, 2022, unsecured irrevocable letters of credit in the amount of CHF 115m (2021: CHF 103m) 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 609m (2021: CHF 861m) represent deposits held by cedants. The decrease is mainly driven by the cancellation of 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, 2022 and 2021 are as follows:

CHF millions	2021	2022
Fixed income securities	433.63	454.70
Short term investments	4.55	—
Cash and cash equivalents	30.16	24.40
Accrued income and other receivables	0.92	1.76
Total restricted assets	469.26	480.86

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

CHF millions	2021	2022
Assets		
Premiums and other receivables from reinsurance	114.00	98.80
Other receivables	67.15	31.98
Liabilities		
Payables to reinsurance companies	62.54	91.11
Other liabilities	86.87	75.54

Note 12: Investments in affiliated companies

CHF millions		2022	
	City, Country	Net Book value	Equity/Voting Shares
Seaview Re Holdings Inc	Delaware, USA	125.45	100 %
AXA XL Resseguros S.A.	Sao Paulo, Brasil	76.83	100 %
XL Re Latin America Argentina SA	Buenos Aires, Argentina	—	80 %
Total investments in affiliated companies		202.28	

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 %
Total investments in affiliated companies		700.93	

Effective January 21, 2022, the Company acquired the remaining 49.68% shares in AXA XL Resseguros S.A. from XL Insurance Company SE, Dublin. As a result, the net book value increased from CHF 34m to CHF 77m, with the equity interest increasing from 50.32% to 99.99%.

Seaview Re Holdings Inc. declared a USD 600m (CHF 598m) dividend to the Company. Consequently, the valuation was reviewed and a CHF 541m write-down to CHF 125m was recorded.

Note 13: Staff

In 2021 employees were mostly provided via a personal lending agreement between the Company and XL Catlin Services SE, Dublin, Zurich Branch ("XLCSSSE ZH"). During 2022 some employees were transferred from XLCSSSE ZH to the Company, as a consequence the average number of full time equivalents ("FTEs") employed by the Company for 2022 was more than 10 but less than 50 (2021 less than 10).

Note 14: Subsequent events

There have been no other further material events between December 31, 2022 and the date of this report which are required to be disclosed.

APPROPRIATION OF EARNINGS

The Board of Directors proposes at the Annual Shareholder Meeting to be held in Zurich on April 28, 2023 to allocate the profit of the financial year of CHF 11.19m to retained earnings, and, subject to FINMA approval, a distribution of USD 400m. The distribution is paid out of legal reserves from capital contribution, it will be translated into CHF at the spot rate on the date of settlement and must not exceed CHF 365m.

Distributions paid in foreign currencies have to meet the capital protection requirements in CHF and as such maximum amounts in CHF have to be approved by the Annual Shareholder Meeting.

CHF millions	2021	2022
Retained earnings (losses) brought forward	(51.49)	(105.54)
Profit/(loss) for the financial year	(54.05)	11.19
Retained earnings (losses) after allocation	(105.54)	(94.35)
Legal reserves from capital contribution brought forward	633.24	633.24
Distribution	—	(365.00)
Legal reserves from capital contribution after distribution	633.24	268.24