



RenaissanceRe Europe AG
Financial Condition Report
Year ended 31 December 2020

30 April 2021

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Note on forward-looking statements

This Financial Condition Report (“FCR”) for the year ended 31 December 2020 of RenaissanceRe Europe AG (“RREAG” or the “Company”) contains forward-looking statements. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. In particular, statements using words such as “may”, “should”, “estimate”, “expect”, “anticipate”, “intend”, “believe”, “predict”, “potential”, or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in the discussion and analysis of our solvency positions with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, fees, reserves, market conditions, risk management and exchange rates. This FCR also contains forward-looking statements with respect to our business and industry, such as those in relation to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

The inclusion of forward-looking statements in this report should not be considered as a representation by us or any other person that our current objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

- The uncertainty of the continuing impact of the COVID-19 pandemic and measures taken in response thereto
- The effect of legislative, regulatory, judicial or social influences related to the COVID-19 pandemic on our financial performance, including the emergence of unexpected or un-modelled insurance or reinsurance losses and our ability to conduct our business
- The impact and potential future impacts of the COVID-19 pandemic on the value of our investments and our access to capital in the future or the pricing or terms of available financing
- The effect that measures taken to mitigate the COVID-19 pandemic have on our operations and those of our counterparties
- The frequency and severity of catastrophic and other events we cover
- The effectiveness of our claims and claim expense reserving process
- The effect of climate change on our business, including the trend towards increasingly frequent and severe climate events
- Our ability to maintain our financial strength ratings
- The effect of emerging claims and coverage issues
- Collection on claimed retrocessional coverage, and new retrocessional reinsurance being available on acceptable terms and providing the coverage that we intended to obtain
- Our reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue
- Our exposure to credit loss from counterparties in the normal course of business
- The effect of continued challenging economic conditions throughout the world
- The performance of our investment portfolio
- The effect of cybersecurity risks, including technology breaches or failure, on our business
- Our ability to retain our key senior officers and to attract or retain the executives and employees necessary to manage our business
- Foreign currency exchange rate fluctuations
- Changes in reinsurance underwriting market conditions

- Changes in the method for determining the London Inter-bank Offered Rate (“LIBOR”) and the potential replacement of LIBOR
- Losses we could face from terrorism, political unrest or war
- Our ability to successfully implement our business strategies and initiatives
- Our ability to determine the impairments taken on our investments
- The effects of inflation
- The ability of our ceding companies to accurately assess the risks they underwrite
- The effect of operational risks, including system or human failures
- Our ability to raise capital if necessary
- Our ability to comply with covenants in our debt agreements
- Changes to the regulatory systems under which we operate, including as a result of increased global regulation of the insurance and reinsurance industries
- The cyclical nature of the reinsurance and insurance industries
- Consolidation of competitors, customers and insurance and reinsurance brokers
- Other political, regulatory or industry initiatives adversely impacting us
- Our ability to comply with applicable sanctions and foreign corrupt practices laws
- Increasing barriers to free trade and the free flow of capital
- International restrictions on the writing of reinsurance by foreign companies and government intervention in the natural catastrophe market
- The effect of Organisation for Economic Co-operation and Development or European Union (“EU”) measures to increase our taxes and reporting requirements
- Changes in regulatory regimes and accounting rules that may impact financial results irrespective of business operations
- Our need to make many estimates and judgments in the preparation of our financial statements
- The effect of the exit by the United Kingdom (the “U.K.”) from the EU.

As a consequence, our future financial position and results may differ from those expressed in any forward-looking statements made by or on behalf of us. The factors listed above should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to revise or update forward-looking statements to reflect new information, events, or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

These forward-looking statements should be read in conjunction with section IX., *Subsequent events*.

I. Executive summary

The FCR of the Company is prepared in accordance with the rules and guidance laid out by the Swiss Financial Market Supervisory Authority (“FINMA”) and the Bermuda Monetary Authority (“BMA”). The FCR documents the measures governing the Company’s business activities, governance framework, risk and capital management, solvency, and financial performance for the year ended 31 December 2020. The FCR is based on the Company’s financial statements, prepared this year in accordance with the Swiss Code of Obligations (“Swiss OR”) accounting guidelines.

On 22 March 2019 (the “Closing Date”), RenaissanceRe Holdings Ltd. (“RRHL”) and RenaissanceRe Specialty Holdings (UK) Limited (“RRSHUKL”) acquired Tokio Millennium Re AG (“TMR”), its subsidiaries and affiliate, Tokio Millennium Re (UK) Limited (“TMRUK”), pursuant to the Stock Purchase Agreement, dated 30 October 2018, by and among RRHL, Tokio Marine & Nichido Fire Insurance Co., Ltd. (“TMNF”), and (solely with respect to certain provisions thereof) Tokio Marine Holdings, Inc., a Japanese joint stock company and parent of TMNF, for approximately USD 1.5 billion in total consideration (the “Acquisition”).

In connection with the Acquisition, on the Closing Date, Tokio Marine & Nichido Fire Insurance Co., Ltd. (“TMNF”) as Reinsurer, and TMR and TMRUK (collectively, “Cedants”), entered into a USD 500million Reserve Development Agreement (“RDA”) that protects the Cedants’ stated reserves as of the Closing Date, including Unearned Premium Reserve (“UPR”).

Following the Acquisition, TMR changed its name to RenaissanceRe Europe AG and TMRUK changed its name to RenaissanceRe (UK) Limited (“RRUKL”).

On 8 August 2020, RRUKL was sold to AXA Liabilities Managers. As agreed with TMNF, the RRUKL reserves held at RenaissanceRe Group (“RenaissanceRe”) level as at Q4 2019 were to be treated as paid under the RDA, with no other changes to the RDA premium paid or terms and conditions.

The Company ended 2020 with a net profit after tax of CHF 67.1 million (USD 71.8 million), compared to a net loss after tax of CHF 52.4 million (USD 52.7 million) in 2019. This was primarily driven by a loss on the technical result of CHF 86.5 million against a loss of CHF 110.4 million in 2019 and then net profit from the investments of CHF 204.4 million against a profit of CHF 3.0 million in 2019.

The gross premiums written during 2020 increased (in the USD functional currency) according to the Company’s risk appetite and underwriting framework, applied since the Company’s Acquisition by RenaissanceRe. The increase in the purchased ceded premium to CHF 349.9 million (USD 374.3 million) resulted in lower net premiums earned by the Company.

On incurred claims, the Company experienced a net impact of CHF 80.9 million (USD 86.6million) of COVID-19 related losses which were the main drivers to the negative underwriting result. These losses were partly offset by the booked recoveries from the RDA. These developments influenced the loss ratio by 1.2 points compared to prior year (2020 being at 72.1%), which then ultimately led to a combined ratio of 110.0% in 2020 compared to 111.0% in 2019.

The investment portfolio performed well and was also impacted by the reversal of the provisioning of unrealised gains of CHF 117 million (USD 118 million) when applying the accounting standards of the Swiss OR, which led to an increase of 6’654% in net investment income. Hence, net investment income for 2020 was CHF 204.5 million (USD 218.8 million), compared to CHF 3.0 million (USD 3.0 million) in 2019.

The Company’s capitalisation strength increased with shareholder’s equity of CHF 724.5 million (USD 814.8 million) and total assets over CHF 3.9 billion (USD 4.5 billion) at the end of 2020. The increase in shareholder’s equity was driven by a capital injection of CHF 132.7 million (USD 150.0 million) and the net profit of the year as mentioned above.

II. Business activities

A. Name of insurer

RenaissanceRe Europe AG (formerly known as Tokio Millennium Re AG) is a Swiss-based reinsurance company. The Company's registered office is located at Beethovenstrasse 33, 8002 Zurich, Switzerland.

This FCR covers the Company as a legal entity and includes its branches and subsidiaries.

B. Supervisors

Legal entity supervisor

Swiss Financial Market Supervisory Authority
Laupenstrasse 27
3003 Bern
Switzerland

Group supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM12, Bermuda

Details on the supervisors of the Company's branches and subsidiaries can be found in section *II. E., Ownership details* and group structure, below.

C. Approved auditor

The approved external auditor of the Company as of 31 December 2020 was Ernst & Young AG ("EY"), with its registered office located at Maagplatz 1, 8005 Zurich, Switzerland.

D. Business strategy and objectives

The Company participates in various excess of loss property catastrophe, workers compensation catastrophe, crop/hail, and terrorism reinsurance contracts. RREAG also offers non-catastrophe property and casualty covers on both proportional and non-proportional excess of loss treaties. Casualty lines of business include motor, general liability, excess casualty, employer's liability, professional liability, workers' compensation, directors and officers, errors and omissions and medical malpractice. In addition, RREAG assumes specialty risks such as credit and marine. RREAG also provides non-traditional customised reinsurance and financial solutions for its clients' worldwide property and casualty exposures.

During 2020, a number of factors have come together to create what we would consider a hardening market in nearly all lines of business. These factors include the COVID-19 pandemic leading to uncertainty in both the economic environment and the ultimate claims impact to insurance / reinsurance companies, the constrained availability of retro cover, and an increased overall cost of capital for the industry. Additionally, there is a continuation of the concern around social inflation impacts, casualty reserves and frequency of cat events across multiple perils. The extent of rate increase will differ by line of business and territory however our current view is that there will be an element of rate increase across the majority of the RREAG portfolio in 2021 following achieved rate increase during 2020.

RREAG's business strategy is to facilitate RenaissanceRe's wider corporate strategy of matching well-structured risks with the most efficient sources of capital by offering clients/brokers an additional platform that allows RenaissanceRe access to well-structured risks in Europe and Australia. To achieve this, RREAG is embedded within RenaissanceRe's integrated system of risk and capital.

RREAG uses proprietary tools to further improve its risk selection while continuing to clearly define, allocate and measure downside risk limits. Where it is more efficient to do so business can be moved to / from different balance sheets within RenaissanceRe, applying RenaissanceRe's Gross-Ceded-Net strategy and underwriting framework.

When it comes to organisation and governance, the underwriting team constantly strives to be a consistent, seamless, risk selection function focused on efficiency in process and effectiveness with the client. Customer centricity, and facing the customer in multiple locations, is a core value of RenaissanceRe including RREAG. Additionally, RREAG will ensure clear vision over lines of business and clarity over portfolio ownership. Among other priorities, there will be greater top-down ownership of underwriting planning, a stronger governance and risk culture, and clearer career

planning for employees.

Due to the unprecedented global economic uncertainty from the COVID-19 pandemic, leading to increased levels of uncertainty, scarcity of capital, accelerated market hardening and overall favourable market conditions, RRHL raised an additional USD 1.1 billion of equity capital in June 2020, to take advantage of growth opportunities. USD 150 million of capital was deployed to RREAG by year-end 2020 to support the planned growth in business during 2021, across all lines but predominantly Casualty and Specialty, with a current estimated increase of approx. USD 200 million of gross written premium in 2021.

In addition to the planned growth, RREAG has the following business strategy by office:

- RenaissanceRe Europe AG, US Branch (“RREAG US”) submitted a revised Plan of Operation to the NYDFS in August 2019 (the “Plan of Operation”). Pursuant to the Plan of Operation, RREAG (i) has transferred its US casualty portfolio to Renaissance Reinsurance U.S. Inc., (“RRUSI”) a Maryland domiciled insurance company licensed in New York through a Loss Portfolio Transfer Retrocession Agreement (the “US LPT”) effective 1 October 2019; (ii) has ceased underwriting activities and (iii) is running off any remaining short tail property/specialty business until all liabilities are extinguished through novation, commutation or expiration, subject to ceding company consent
- RenaissanceRe Europe AG, Bermuda Branch (“RREAG BDA”) will contain predominantly the run-off of the legacy RREAG business written from Bermuda; and the internal retrocession cover for RenaissanceRe Syndicate Management Limited (“RRSM”)/ Syndicate 1458, however RREAG BDA will still remain available for some limited new business
- Despite the non-renewal of the RenaissanceRe Europe AG, UK Branch (“RREAG UK”) motor book, significant growth is expected in RREAG UK, and also from RenaissanceRe Europe AG, Switzerland Office (“RREAG CH”), predominantly from existing European business currently being written on other RenaissanceRe balance sheets.

RREAG aims to continue to diversify by:

- Continuing to balance its catastrophe exposures with US property catastrophe contracts written from RREAG BDA being renewed onto other RenaissanceRe balance sheets. RREAG however continues to have catastrophe exposure from Syndicate 1458’s internal Quota Share (“QS”) and from RREAG UK. RREAG’s catastrophe exposure is expected to flatten off over time
- RREAG has established an agency agreement with RenaissanceRe Underwriting Managers U.S. LLC (“RUMUS”), effective 1 April 2020, which allows RREAG to underwrite US business directly to RREAG’s main balance sheet. As of year-end 2020 RREAG has not placed any business through this arrangement
- Continued implementation of the RREAG US Plan of Operation
- The continued non-renewal of UK and US auto business
- Reshaping other international motor business in line with target metrics
- Existing European non-catastrophe business currently written on other RenaissanceRe balance sheets and potential new European business being written on RREAG’s balance sheet
- Continuing growth in specialty products such as marine, credit & surety, terrorism, professional lines
- Continuing to run-off the Third-Party Capital (“TPC”) business
- Ongoing development of pricing tools, which have contributed to more efficient processing, better data quality and supported decision-making.

Prior to the Company’s Acquisition, RREAG had built relationships with capital market investors in reinsurance linked assets by providing rated paper to facilitate the transfer of reinsurance risk to external investors, as well as providing products that offer collateral leverage (through stop loss reinsurance agreements). The leveraged quota share reinsurance agreements between RREAG and TPC partners have been transferred to rated retrocessionaires and hence RREAG now relies on their credit ratings.

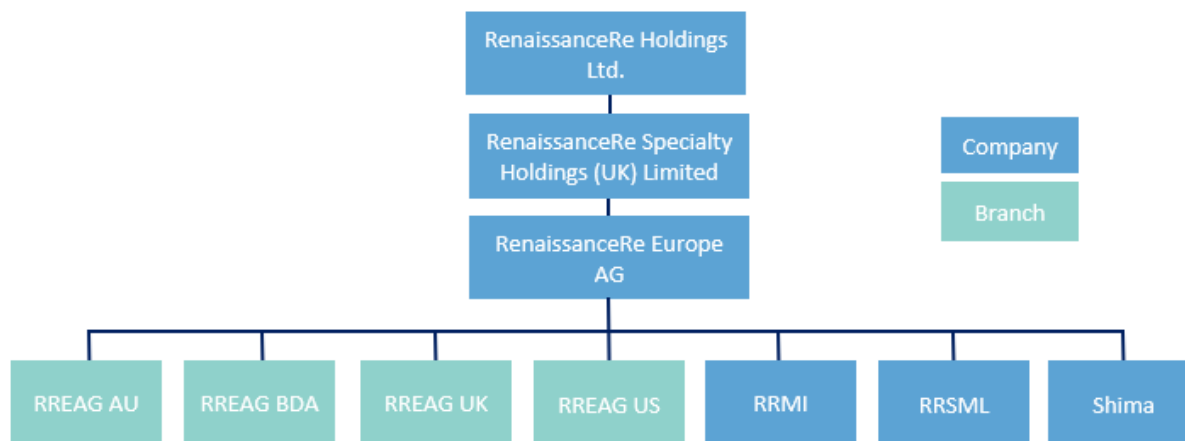
Post-acquisition, given that RenaissanceRe does not have the appetite for fronting or sourcing business, this business

has been put into run off with only USD 35 million in force aggregate limit remaining as of 31 December 2020.

Other bespoke transactions that were also provided as part of the TPC strategy, such as cat bonds, loss portfolio transfers, and derivative swaps are also in run off with USD 356 million in force limit remaining as of 31 December 2020. The bespoke transactions are backed by collateral that is managed via pre-defined contractual arrangements, and RREAG continues to manage the run-off and associated credit risk assumed under the ceded quota share reinsurance agreements.

E. Ownership details and group structure

The Company is a wholly owned subsidiary of RRSUKL, a company incorporated in Bermuda and managed and controlled in the UK. The ultimate parent is RRHL, a Bermuda-domiciled holding company.



As of 31 December 2020, the Company had four branches and three wholly owned subsidiaries:

- RenaissanceRe Europe AG, Australia Branch (“RREAG AU”)
- RenaissanceRe Europe AG, Bermuda Branch
- RenaissanceRe Europe AG, UK Branch
- RenaissanceRe Europe AG, US Branch
- RenaissanceRe Management, Inc. (“RRMI”)
- RenaissanceRe Solution Management Ltd (“RRSML”)
- Shima Reinsurance Ltd (“Shima”).

RRMI is the US management company for RREAG US, which is now in run-off.

The general account of Shima is 100% owned by RREAG and is a Bermuda domiciled Class 3 (re)insurer. Shima is registered as a segregated account company and provides third-party investors with access to reinsurance risk. RRSML was previously the insurance manager of Shima and two other segregated cells, Norwood Re Ltd. and Blizzard Re Ltd. However, during Q4 2020, the insurance management responsibilities of the segregated cells were transferred to other insurance managers in Bermuda. Since RRSML no longer managed any entities, the company completed its voluntary liquidation in April 2021.

Risks assumed by Shima were direct business written by the segregated account itself. This business is now in run-off and the net limits of liability to be assumed by the cells in Shima are fully collateralised via highly rated/backed letters of credit or via trust accounts.

Regulatory supervision

The Company's principal regulator is FINMA, and its branches and subsidiaries are also supervised by the following:

- RREAG BDA, Shima – BMA
- RREAG AU – Australian Prudential Regulation Authority (“APRA”)
- RREAG US – New York State Department of Financial Services (“NYDFS”)
- RREAG UK – Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”).

III. Performance

A. Underwriting performance

The technical results (excluding investment income and foreign exchange gains/losses) for the years ended 31 December 2020 and 2019 are shown below:

Technical result in '000	CHF	USD	CHF	USD
	2020	2020	2019	2019
Gross premiums written	947,283	1,013,410	969,214	975,261
Net premiums written	597,371	639,072	818,915	824,025
Net premiums earned	663,600	709,924	1,000,581	1,006,825
Net acquisition expenses	(184,991)	(197,905)	(300,369)	(302,244)
Net losses incurred	(478,314)	(511,703)	(709,437)	(713,863)
Net other underwriting result	(19,998)	(21,394)	19,113	19,233
General and administrative expenses	(66,829)	(71,494)	(120,294)	(121,045)
Technical result	(86,532)	(92,572)	(110,406)	(111,094)

The technical result (excluding investment income and foreign exchange gains/losses), by the lines of business as prescribed by FINMA, for the years ended 31 December 2020 and 2019 are as follows:

Technical result in '000	CHF	USD	CHF	USD	CHF	USD
	2020	2020	2019	2019	Variance	Variance
FINMA Line of Business						
Personal accident	487	521	(961)	(967)	1,448	1,488
Motor	(6,108)	(6,535)	(1,482)	(1,491)	(4,626)	(5,044)
Marine, aviation and transport	9,943	10,637	(4,821)	(4,851)	14,764	15,488
Property	(8,751)	(9,362)	43,988	44,262	(52,739)	(53,624)
Casualty	(9,867)	(10,556)	(44,202)	(44,477)	34,335	33,921
Miscellaneous	(5,406)	5,784	17,399	17,475	(22,805)	(23,259)
Subtotal	(19,703)	(21,078)	9,888	9,951	(29,591)	(31,029)
General and administrative expenses	(66,829)	(71,494)	(120,294)	(121,045)	53,465	49,551
Technical result	(86,532)	(92,572)	(110,406)	(111,094)	23,874	18,522

Overall underwriting performance improved in 2020 with a technical loss of CHF 86.5 million (USD 92.5 million) compared to a loss of CHF 110.4 million (USD 111.1 million) in 2019. This was driven by a decrease of 33.7% in net earned premium to CHF 663.6 million (USD 709.9 million) from CHF 1,000.6 million (USD 1,006.8 million) in 2019. The decrease was primarily due to the increase of ceded written premium to CHF 349.9 million (USD 374.3 million) from CHF 150.3 million (USD 151.2 million) in 2019 as well as the recognition of the net losses coming from COVID-19 of CHF 80.9 million (USD 86.6 million). In comparison the 2019 technical result was negatively influenced by the drop in net earned premium and the recognition of the RDA premium.

Net claims and claim expenses incurred decreased by 32.6% to CHF 478.314 million (USD 511.703 million) in 2019, whereas in 2019 it was CHF 709.437 million (USD 713.863 million). The decrease in net claims and claim expenses is primarily driven by the decrease in earned premium. Also contributing to the decrease in the net claims and claim expenses was the recovery under the RDA that offset the recognition of unfavourable reserve development in the non-catastrophe book coming from large loss events and COVID-19 losses.

Refer to section I., *Executive Summary*, above for general commentary on the Company's 2020 results. Additional information on material one off expenses incurred in the financial year 2020 is provided in section III. C., *Material income and expenses for the reporting period*, below. Also refer to the Appendix 'Performance Solo Reinsurance' for further details.

i. Insurance business written by segment

The details of annual gross premiums written split by the lines of business as prescribed by FINMA are provided below:

in '000	CHF	USD	Percentage of total	CHF	USD	Percentage of total
	2020 Gross premiums written	2020 Gross premiums written		2019 Gross premiums written	2019 Gross premiums written	
FINMA Line of business						
Personal accident	(2,200)	(2,353)	-0.2	9,973	10,035	1
Motor	12,195	13,046	1.3	154,173	155,135	15.9
Marine, aviation and transport	40,650	43,488	4.3	34,177	34,391	3.5
Property	474,985	508,142	50.1	374,139	376,474	38.6
Casualty	261,498	279,753	27.6	344,366	346,514	35.5
Miscellaneous	160,155	171,335	16.9	52,386	52,712	5.5
Total	947,283	1,013,410	100.0	969,214	975,261	100.0

⁽¹⁾ 2019 gross premiums written have been aligned to RenaissanceRe's methodology for the recognition of premium on proportional and non-proportional business.

The largest segment written by the Company has historically been Property (including Property catastrophe), which represented 50.1% of gross premiums written for the year ended 31 December 2020. In comparison to the prior year, the Company's underwriting book continued to decrease due to the following: i) a continued general revision of the Company's underwriting portfolio post the Acquisition leading to non-renewal of certain treaties which were not within RenaissanceRe's appetite; this affected all lines of business to some extent; ii) reallocation of certain business (predominantly Property lines) to other RenaissanceRe balance sheets making use of post-Acquisition synergies and allowing for more cost-efficient underwriting; iii) the shift of business to other RenaissanceRe balance sheets was partially offset by the placement of several large deals from RenaissanceRe to the Company; iv) the impact of the foreign currency exchange from USD to CHF drove the gross written premium down in comparison to the USD amount.

ii. Insurance business written by geographical region

The details of annual gross premiums written by geographic area of risk insured are provided below:

in '000	CHF	USD	2020 Percentage of total	CHF	USD	2019 Percentage of total
	2020 Gross premiums written	2020 Gross premiums written		2019 Gross premiums written	2019 Gross premiums written	
Geographic area of risk insured						
North America	310,054	331,697	32.7	518,588	521,824	53.5
Europe	132,879	142,154	14.0	202,501	203,765	20.9
Worldwide	478,987	512,424	50.6	183,237	184,380	18.9
Australasia	22,067	23,608	2.3	41,816	42,077	4.3
Asia	409	437	0.0	19,052	19,170	2.0
Other	2,888	3,089	0.3	4,020	4,0455	0.4
Total	947,283	1,013,410	100.0	969,214	975,261	100.0

⁽¹⁾ 2019 gross premiums written have been aligned to RenaissanceRe's methodology for the recognition of premium on proportional and non-proportional business. The Company's largest exposure has been to the Worldwide market, which represented 50.6% of its gross premiums written for the year ended 31 December 2020.

B. Investment performance

The Company's investments were comprised of short-term investments and investments in fixed interest, equity, and other securities.

Short term investments represented bank deposits and investments in money market funds with an original term of greater than 90 days but less than one year. Fixed interest securities consist of debt securities (e.g., U.S. treasuries, non-U.S. government, corporate, agency residential mortgage-backed securities, etc.) which were classified as trading. Other securities consisted of investments in investment funds organised as limited partnerships, investments in funds organised as limited liability companies and investment in an absolute return fund. These were designated at fair value through profit or loss from the date of Acquisition.

The components of net investment income by asset category for the years ended 31 December 2020 and 2019 are as follows:

31-Dec-20								
CHF '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income
Fixed interest securities	31,946	199,218	231,163	0	(4,575)	(38,151)	(42,726)	188,437
Shares	0	0	0	0	0	0	0	0
Other investments	18,096	0	18,096	0	0	(136)	(136)	17,960
Investment management fees	0	0	0	(1,886)	0	0	(1,886)	(1,886)
Dividend income from participation	0	0	0	0	0	0	0	0
Net investment income	50,041	199,218	249,259	(1,886)	(4,575)	(38,287)	(44,748)	204,511
31-Dec-19								
CHF '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income
Fixed interest securities	52,052	34,579	86,631	0	(14,310)	(82,692)	(97,002)	(10,371)
Shares	0	3,570	3,570	0	(613)	0	(613)	2,957
Other investments	6,697	2,883	9,580	0	0	(367)	(367)	9,213
Investment management fees	0	0	0	(1,712)	0	0	(1,712)	(1,712)
Dividend income from participation	2,941	0	2,941	0	0	0	0	2,941
Net investment income	61,690	41,032	102,722	(1,712)	(14,923)	(83,059)	(99,694)	3,028

31-Dec-20									
USD '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income	
Fixed interest securities	34,176	213,124	247,300	0	(4,895)	(40,814)	(45,709)	201,591	
Shares	0	0	0	0	0	0	0	0	
Other investments	19,359	0	19,359	0	0	(146)	(146)	19,213	
Investment management fees	0	0	0	(2,017)	0	0	(2,017)	(2,017)	
Dividend income from participation	0	0	0	0	0	0	0	0	
Net investment income	53,534	213,124	266,659	(2,017)	(4,895)	(40,960)	(47,872)	218,787	
31-Dec-19									
USD '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income	
Fixed interest securities	52,377	34,795	87,172	0	(14,399)	(83,208)	(97,607)	(10,435)	
Shares	0	3,593	3,593	0	(617)	0	(617)	2,976	
Other investments	6,739	2,900	9,639	0	0	(370)	(370)	9,269	
Investment management fees	0	0	0	(1,722)	0	0	(1,722)	(1,722)	
Dividend income from participation	2,959	0	2,959	0	0	0	0	2,959	
Net investment income	62,075	41,288	103,363	(1,722)	(15,016)	(83,578)	(100,316)	3,047	

As mentioned in section I., *Executive Summary*, above, the net investment income increased by 6'654% compared to the prior year, primarily due to the reversal of the provisioning of unrealised gains of CHF 117 million (USD 118 million). Additional contributors were realized gains on traded investments as well as an increase in other assets of CHF 135 million (USD 160 million). In addition, there was a substantial decrease in unrealised losses on fixed interest securities. The unrealised losses were derived mainly from the difference between the amortised cost valuation and the mark to market value of the portfolio.

Profit and loss items are recognised directly in the income statement and include changes in unrealised gains on investments, foreign currency translation adjustment and tax reserve for unrealised gains on investments.

C. Material income and expenses for the reporting period

The Company's main revenue source is premiums (refer to section III. A., *Underwriting performance*, above). The Company's major expenses come from incurred losses, acquisition costs and general and administrative expenses. In 2020, the Company still incurred one-off costs in relation to the Acquisition in the amount of CHF 13.8 million (USD 14.7 million). These costs were composed of compensation related expenses, audit fees, actuarial fees, fixed assets impairments and not needed licenses write off.

Refer to section I., *Executive Summary*, above for commentary on the Company's 2020 results. Also refer to the Appendix '*Performance Solo Reinsurance*' for further details.

D. Any other material information

The information presented in section III., *Performance*, provides a true and fair view of the business and performance of the Company during the year. There is no other material information to disclose.

IV. Governance and risk management

The following diagram depicts the governance structure of the Company as of 31 December 2020:



A. Board of Directors, Executive Committee, and other committees

The following is a description of the Company's governance structure as of 31 December 2020:

i. Board of Directors ("Board")

The Board is entrusted with the ultimate direction of the Company as well as the supervision of its management. The Board represents the Company towards third parties and attends to all matters which are not delegated to or reserved for another corporate body of the Company by law, the Articles of Association, or the regulations.

As outlined in the Swiss OR, and as set out in the Company's Articles of Association, the Board has the following non-transferable and inalienable duties:

- The overall management of the Company and the issuing of all necessary directives
- Determination of the Company's organisation
- The organisation of the accounting, internal control system ("ICS"), financial control and financial planning systems as required for management of the Company
- The appointment and dismissal of persons entrusted with managing and representing the Company and the granting of signatory power
- Overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, the articles of association, operational regulations and directives
- Compilation of the annual report, preparation for the annual (shareholders) general meeting and implementation of its resolutions
- Notification to FINMA in the event of reasonable concern of over indebtedness or serious liquidity problems.

ii. Audit and Risk Committee ("ARC")

The following encompass the role of the Committee:

- To recommend to the shareholder the appointment of external auditors
- To assess the independence and the effectiveness of the external audit process
- To review auditor's management letters and monitor action taken in response to them

- To liaise with the external auditor in relation to their audit findings
- To monitor external audit expenditure
- To monitor the effectiveness, independence and performance of the Internal Audit function
- To review and approve the RREAG Internal Audit Charter on an annual basis
- To review and approve the risk-based annual Internal Audit Plan as well as material changes thereto
- To review internal audit reports and monitor management’s action taken in response to them
- To review the annual statutory financial statements of RREAG prior to recommending them to the Board for approval at the shareholder’s meeting
- To review internal loss reserve reports prepared by the RREAG Reserving Actuary
- To review a high-level summary of the independent actuarial report prepared by the independent reserve reviewer
- To review the effectiveness of the risk management policies and procedures.

iii. Executive Committee (“EC”)

The purpose of the EC is to exercise all the powers and authority of the Board in the management of the business and affairs of the Company between the meetings of the Board, subject to certain limitations on authorities, duties and responsibilities and matters that are specifically reserved for the Board or another committee of the Board.

The EC is supported by one additional decision-making body namely the Reserve Committee.

iv. Reserve Committee

The primary duties of the Reserve Committee are to:

- Oversee the loss reserving function and appraise the sufficiency and effectiveness of the loss reserving practices of the Company
- Review the adequacy of estimated loss and loss expense reserves, including unallocated loss adjustment expenses (“ULAE”)
- Approve the loss and loss expense reserves to be recorded by the Company
- Review the Reserving Policy and oversee the Company’s compliance with it.

v. Shareholder controllers, persons who exercise significant influence, the Board or senior executive material transactions

There were no material transactions during the year.

B. Fitness and proprietary requirements

i. Fit and proper process in assessing the Board of Directors and senior executives

Board

Members of the Company’s Board are elected by the Shareholders Meeting, and only after a formal, rigorous, and transparent process for each appointment has been followed. This process ensures that the fitness and probity of potential Board candidates is assessed prior to an individual being appointed to the Board. All appointments are also subject to FINMA approval and notification to other branch regulators. The Company’s Board is responsible for determining its own constitution and is also responsible for the appointment and dismissal of persons entrusted with managing and representing the Company.

Senior executives

The Company has several processes in place for assessing the fitness and probity of senior executives prior to appointment and ensuring that they continue to be fit and proper throughout their period of service to the Company. The assessment of an individual’s fitness and probity will take place prior to being appointed. A summary of these processes is as follows:

- **Code of Ethics and Conduct (the “Code of Ethics”):** All RenaissanceRe companies aspire to the highest standards of honesty, integrity and business conduct. The RenaissanceRe Code of Ethics is provided to all new employees and is available on the Compliance Portal of RenaissanceRe’s intranet. Ethical and compliant behaviour is the responsibility of all RenaissanceRe employees. All employees are required to confirm their compliance with the Code of Ethics on an annual basis
- **Compliance Training:** There is mandatory compliance training for all RenaissanceRe staff every year. Employees are also required to revisit the Code of Ethics and Critical Compliance Policies each year and sign off to confirm their understanding, commitment and ongoing compliance
- **Performance Management Programme:** The annual performance management programme is conducted for all employees. This involves an appraisal of performance for the previous year including whether or not goals set the previous year were achieved, how an employee measures up against clearly defined skill sets that he/she is expected to possess in order to be effective and successful in his/her current position, an assessment of personal qualities including communication, interpersonal and leadership skills and an assessment against the corporate core values. The annual appraisal also provides an opportunity to document goals and development plans for the following year.

For both Board members and senior executives, the Company conducts reference checks and/or employment background screening by reputable third parties and/or governmental authorities, as applicable, and a criminal record certificate is required in support of any application to FINMA.

The Head of Compliance is responsible for the following matters as they relate to applying fit and proper requirements:

- For all potential new candidates, taking into account their competency and capability, integrity and financial soundness, as well as determining their skills, knowledge and experience
- Periodically reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, particularly prior to any contemplated change to the Board’s composition
- Giving due regard to any relevant legal or regulatory requirements
- Ensuring that there are no major conflict of interest issues in accordance with RenaissanceRe’s Conflicts of Interest Policy, in particular for those persons holding interests outside of RenaissanceRe.

ii. Board and senior executives’ professional qualifications, skills, and expertise

As of 31 December 2020, the Company’s Board was comprised of 4 Non-Executive Directors, 2 of whom were independent. Ian Branagan resigned as a non-executive director on 1 September 2020.

The roles and responsibilities of the non-executive directors are outlined in a Board of Directors Charter.

As of 31 December 2020, the Company’s senior executive team comprised the Managing Director & Head of Underwriting, the Head of Finance & Business Operations, the Head of Risk, the Chief Operating Officer - Europe (“COO Europe”) and the Chief Underwriting Officer - Europe (“CUO Europe”).

Details regarding the professional qualifications, skills, expertise, and experience of each member of the Company’s Board and senior executive team as of 31 December 2020 are as follows:

Board

Richard Murphy

Independent Non-Executive Director and Chairman of the Board

Richard Murphy was appointed as an Independent Non-Executive Director and President of the Board of RREAG in March 2019.

Mr Murphy is the Chairman of RenaissanceRe Syndicate Management Limited (“RSM”). Prior to this, he served as CEO of RSM and its predecessor Spectrum Syndicate Management Ltd from 2001 to 2015.

Prior to joining RenaissanceRe, Mr Murphy was CEO of Aviation & General Insurance Company Ltd. from 2003 to 2009 and from 1999 to 2001 he was also CEO of Crowe Syndicate Management. From 1987 to 1999 he was involved in a variety of roles for the Corporation of Lloyd’s.

Mr Murphy has a Bachelor of Arts degree in Law and Politics from the University of Kent at Canterbury and is a Fellow of the Chartered Association of Certified Accountants, an Associate of the Chartered Institute of Management Accounts and Associate of the Chartered Insurance Institute.

Thomas Overtveld

Independent Non-Executive Director

Thomas Overtveld was appointed as an Independent Non-Executive Director of the Board of RREAG in March 2019. He is a member of and chairs the RREAG Audit and Risk Committee.

Mr Overtveld currently holds various Board member positions in reinsurance captives and insurance companies, as well as being a member of the Boards of Aon Insurance Managers Switzerland and Liechtenstein.

Mr Overtveld started his insurance career in 1982 as a facultative property underwriter with Swiss Re. In 1985, he joined Winterthur Re as an Assistant Vice President and 6 years later was promoted to European Property Manager. In 1994, as Managing Director he successfully established the Swiss branch of the reinsurer CNA Re Ltd., London. From 2000 to 2014, he headed the captive operations of Aon in Switzerland and Liechtenstein.

Conor McMenamin

Non-Executive Director

Conor McMenamin was appointed as a Non-Executive Director of the Board of RREAG in March 2019. He is a member of the RREAG Audit and Risk Committee.

Mr McMenamin joined RenaissanceRe in 2009 and is currently the Head of Risk & Underwriting Integration, having held Chief Risk Officer positions for Property and, before that, European Operations. He is a reinsurance risk specialist with extensive IT knowledge and is responsible for maintaining an open and positive risk culture across RenaissanceRe's Underwriting Operations worldwide, with an emphasis on ensuring the effective and efficient running of the 'Integrated System'. He also serves as a Director on the Board of RSM.

Mr McMenamin has a Doctor of Philosophy (D.Phil) from Department of Mathematics and Physics from the University of Sussex and B.Sc. (Hons) in Physics from the University of Manchester.

Divyesh Upadhyaya

Non-Executive Director

Divyesh Upadhyaya was appointed as a Non-Executive Director of the Board of RREAG in March 2019. He is a member of the RREAG Audit and Risk Committee.

Mr Upadhyaya is the Finance Director for the European Operations of RenaissanceRe, including providing oversight of the UK Reserving team and process. He is a member of the UK leadership team working with the Executive team in defining and driving forward the strategy for the UK and European Operations. He also serves as a Director on the Board of RSM.

Mr Upadhyaya has over fifteen years of senior management experience within the London Insurance Market and is a Fellow of the Chartered Association of Certified Accountants.

Senior executives

Andrea Manella

Managing Director and Head of Underwriting

Andrea Manella was appointed Managing Director & Head of Underwriting of RREAG in March 2019 and is a member of and chairs the RREAG Executive Committee.

Prior to this, Mr Manella was Executive Vice President, Member of the local Zurich Executive Team and Head of Underwriting for Continental Europe for RREAG. He joined RREAG in 2014.

Mr Manella has been in the reinsurance industry for more than 30 years and has held senior positions for over 20 years. He has an Executive Master of Business Administration ("EMBA") from the Graduate School of Business Administration, Zurich and State University of New York at Albany, USA and a Bachelor of Business Administration from the Graduate

School of Business Administration, Zurich.

Angelo Giglio

Head of Finance and Business Operations

Angelo Giglio was appointed Head of Finance & Business Operations of RREAG in March 2019 and is a member of the RREAG Executive Committee.

Mr Giglio joined RenaissanceRe in 2018 as General Manager of the Swiss Operation and responsible for management of Swiss Operations, ILS distribution, risk management and internal control system framework and preparation of tax returns and reporting to supervisory authority.

Prior to this, Mr Giglio was CEO of The Toa 21st Century Reinsurance Company AG and Director of Accounting & Client Strategies with AON Insurance Managers (Switzerland) AG. He has a Master of Advanced Studies FH in Controlling and the Chartered Expert in Financial and Managerial Accounting and Reporting (Advanced Federal Diploma of Higher Education).

Jennifer Gray

Head of Risk

Jennifer Gray was appointed as Head of Risk of RREAG in September 2019 and is a member of the RREAG Executive Committee.

Prior to this, Ms Gray was the Responsible Actuary at RREAG and previously the Chief Actuary and Chief Risk Officer for RRUKL.

Ms Gray joined RREAG in 2011. Ms Gray has held a variety of risk and actuarial positions in consultancy, insurance and reinsurance markets for over 20 years. She qualified as a fellow of the Institute of Actuaries in 2005 and has a M.Sc. in Industrial Applied Mathematics from Southampton University and B.Sc. in Mathematics from Hull University.

Hugh Brennan

COO Europe

Hugh Brennan was appointed as COO Europe of RREAG in March 2019 and is a member of the RREAG Executive Committee.

Mr Brennan is also the Chief Executive Officer of RSM, Head of RREAG UK, and Chairs the UK Operations Executive Committee.

Prior to this, Mr Brennan served as Finance Director for RSM, with ultimate responsibility for the UK & Irish finance function and related processes as they pertain to the UK & Irish operations of RenaissanceRe. He joined RenaissanceRe in Bermuda in 2009 and moved to London later that year.

Previously, Mr Brennan spent nine years with PricewaterhouseCoopers working in their Dublin, New York, and Bermuda offices, respectively. During his time with PricewaterhouseCoopers, he worked in an audit and latterly in an advisory capacity within the company's financial services sector, primarily focused on the Insurance/Reinsurance market.

Mr Brennan graduated from Trinity College Dublin with a Bachelor of Arts degree in Business and Economics, before qualifying as a Chartered Accountant through the Irish Institute in 2003. In 2012, he was also awarded the CFA charter.

Bryan Dalton

CUO Europe

Bryan Dalton was appointed CUO Europe of RREAG in March 2019 and is a member of the RREAG Executive Committee.

Mr Dalton is also responsible for the broader underwriting activities in RenaissanceRe's European platform and offices in London, Zurich, and Dublin. Prior to this, he was the Active Underwriter for RSM's Lloyd's syndicate from 2014 to 2020.

Mr Dalton started at RenaissanceRe in Dublin in 2002, in a natural catastrophe analyst role. He was then based with

RenaissanceRe in Bermuda, starting in 2005, where he focused on the international and retrocessional side for RRL and a number of affiliated balance sheets (Top Layer Re, DaVinci & Upsilon).

Mr Dalton has a Masters in Chemical Engineering & Environmental Law from the University of Manchester (UMIST) and a Masters in Management Science from the University of Dublin (Smurfit Business School, UCD).

C. Risk management and solvency self-assessment

i. Risk management process and procedures to identify, measure, manage and report on risk exposures

Risk governance describes the accountability (or ownership), roles and responsibilities, and information flow for risk management. It includes the stakeholders and constituent groups, including the Company's Board, management, committees, and employees. Risk governance sets out the required structure and reporting and defines the guidelines and processes for making risk related decisions.

The risk management framework of RenaissanceRe governs the risk management framework and practices of all branches and subsidiaries of the Company, and as such is taken as the starting point of the Company's risk management framework.

Risk management system and changes

The Company's Risk Management system builds on:

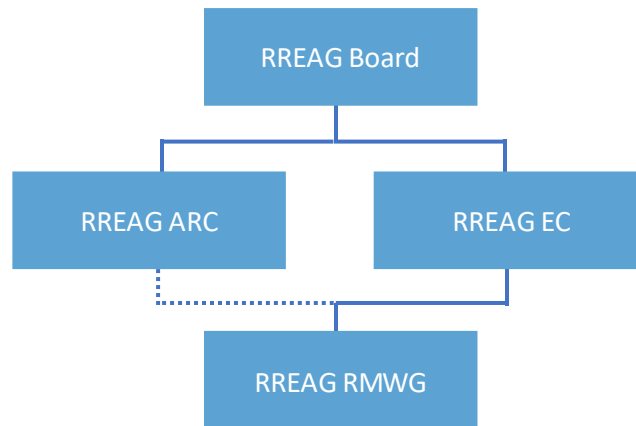
- The Company's risk strategy, as defined by the risk appetite tolerances and limits, in the Risk Management Policy, restricting risk amounts that the Company is willing to accept in pursuing its business strategy
- The Company's risk management organisation and governance
- The Company's risk management process ensuring the identification of all material risks inherent in its business, assessing, controlling, mitigating and managing these risks
- Timely risk monitoring and reporting.

The Company is continuously reviewing and improving the adequacy of its risk management system to address the changing risk and innovation landscape. During the reporting period the following changes have been made:

- The Company applied for Internal Model Approval from FINMA of the RenaissanceRe Nat Cat model for use in the RREAG Swiss Solvency Test ("SST") on 31 March 2020. A final decree from FINMA was received on 30 July 2020 giving approval for the use of the RenaissanceRe Nat Cat model in the SST going forwards
- As part of the Internal Model Approval Process ("IMAP"), the RREAG SST Model Governance Policy was updated and approved by the Board
- To ensure appropriate control testing coverage through both annual SOX testing and periodic operational audits, additional testing of some of the material controls in the Company's Risk Register was also performed as part of the ICS.

Risk Governance Structure

The Risk Function is led and managed by the Head of Risk (and is staffed by experienced risk managers. A key element of the risk governance system is the Risk Management Working Group ("RMWG"), which discusses and escalates, via the Head of Risk, Risk Management related topics to the EC and the ARC. The following diagram depicts the Company's risk governance structure:



The risk framework is aligned with the ICS, which acts to define minimum requirements and standards for the identification, assessment, control, and monitoring of these risks and their sub risks.

The Company operates a three lines of defence model in order to ensure effective risk management and control, with:

- Operational management acting as the first line of defence
- The Risk and Compliance Functions acting as the second line of defence, with the Risk Function also actively involved in supporting the first line of defence
- Internal Audit primarily, and external audit, acting as the third line of defence.

Risk culture

An appropriate risk culture encompassing all activities conducted at the Company is the foundation of the Company’s Risk Management framework. Risk culture at the Company starts with the Board and EC who lead by example in risk management activities, set the overall tone and have clear accountabilities. Senior management form part of the process by ensuring that risks are communicated, the importance of controls is understood, and that consideration is given to risks in all decision-making processes. Thus, ensuring that risk management is embedded throughout the entire organisation. These more informal processes are supported by formal strategies, policies, processes, organisational structure, and description of roles which are clearly documented and communicated. Risk and Compliance as the second line of defence closely work and consult with business functions based on their know-how and technical expertise. Recognising this the Company’s Risk Management Policy, as signed off by the Board, builds on a statement about Risk Culture highlighting its importance.

Risk strategy

The Company’s risk strategy comprises the risk objectives, as described in the Risk Management policy, and the strategy for how they will be implemented.

The risk strategy and appetite are owned and set by the Board. It represents the Company’s overall philosophy to risk taking in line with its objectives and the expectations of its stakeholders including, but not limited to, parent company, policyholders, shareholders, regulators, directors, and employees.

The Company’s risk strategy, as defined by the risk appetite, risk tolerance and risk limits, aims to:

- Safeguard the Company’s financial strength and reputation in line with its Risk Appetite
- Support the Company to achieve its business strategy, as well as to inform changes to the business strategy
- Ensure that risks will be properly identified, assessed and quantified
- Manage and control risk accumulations within tolerable limits by following risk appetite statements
- Ensure that the Company can pay its liabilities, including day-to-day cash requirements, in a timely manner by holding an appropriate level of secure and liquid assets
- Ensure the Company is using its risk capacity in an efficient and effective way and in line with RenaissanceRe’s business strategy.

Risk management process

The Company, through its risk management function, and RMWG, seeks to identify all material risks inherent in its business including emerging risks; to understand the manifestations of each risk; and to assess, control, mitigate and manage these risks appropriately. The objectives of the risk management process are to ensure that:

- All material risks are proactively identified
- The potential to cause losses or generate profits is understood and assessed
- Appropriate action is taken to manage the assumption of each risk based on that assessment and the Company's stated risk appetite
- Appropriate controls are in place to mitigate risks
- An appropriate level of capital is held to cover financial and non-financial risks from all sources
- Following a severe catastrophic event(s), appropriate capital action can be executed to remain solvent and meet its obligations under reinsurance contracts.

The Company's risk management process builds on RenaissanceRe's quantitative and qualitative risk management capabilities. Beyond risk management key results of the quantitative risk assessment, such as capital allocation, are used to inform other business processes, to optimise the Company's liability portfolio to generate improved Return on Equity.

Risk identification

The Company's Head of Risk and RMWG are responsible for risk identification and reporting these risks to the EC and ARC. The RMWG identifies risks, including any emerging risks, using available resources such as risk-based self-assessments performed by each function and the findings of internal audits.

All financial risks are identified, controls are implemented and tested as part of the control framework process. The Company also maintains a risk register which includes a description of non-financial (i.e., operational) risks, the probability of their occurrence, severity level, controls in place to mitigate such risks and the risk owners. The risk owners are responsible for managing the risk and ensuring the controls are designed and operating effectively. The risk and control owners certify to the risk and controls bi-annually and the Risk Function, in conjunction with RenaissanceRe Risk Oversight Function, conduct testing on an annual basis. The results are reported to the EC and ARC.

Risk evaluation

Each material risk is measured and modelled over a one-year time horizon using RenaissanceRe's internal economic capital model, Renaissance Re Exposure Management System[®] ("REMS[®]"). The results are aggregated into a probability distribution of the Company's profit and loss to provide a holistic view of all risks and their interplay. In the risk aggregation process, both risk correlation and diversification effects are taken into account.

Within RenaissanceRe and the Company, risks are evaluated using the internal economic capital model for a number of purposes including: business planning; capital allocation; reinsurance pricing; risk guidance and portfolio optimisation; and retrocessions.

Operational risks, that by nature have a lack of sufficient empirical data, are assessed through the risk register process via a scenario analysis approach based on expert judgment. Risk Management holds bi-annual discussions with each risk owner and updates the likelihood and financial impact of each identified operational risk. This risk assessment is reviewed by the RMWG and presented to the EC and ARC.

The Company's internal model (REMS[®]) for the natural catastrophe premium is used in conjunction with the standard approach for premium (non-cat); reserve, market and credit risk and market value margin for the SST[®].

Stress and scenario testing

Stress and scenario tests form part of the suite of tools that the Company uses in its risk management process. Stress and scenarios tests are used to assess the effects of one or more risk drivers on the Company's risk profile and financial strength in order to improve understanding of the business, in addition to validate the models used for evaluation

purposes.

A stress test is the analysis of the impact of a single adverse event while a scenario test analyses the impact of a combination of adverse events.

The Company performs one-year stress and multiyear scenario tests as part of exposure management, the risk register and Own Risk and Solvency Assessment (“ORSA”) processes.

Risk monitoring and reporting

Risk reporting includes relevant, sufficient, accurate and timely information provided to senior management enabling appropriate monitoring and the fulfilment of their accountabilities. To this end the Company has implemented quarterly risk reporting and an annual ORSA.

- The Quarterly Risk Report is provided to the RMWG, EC and ARC. It contains a dashboard, which monitors adherence to risk tolerance and limits as defined in the Risk Management Policy as well as information about internal and regulatory capital adequacy
- The annual ORSA report, as provided to the RMWG, EC, ARC, Board and FINMA, contains information on risk capital and solvency over the business planning time horizon. In addition, capital adequacy under various stress and scenarios and risk mitigation measures.

Business continuity plans

The Company has in place a comprehensive business continuity and IT disaster recovery programme to prepare for various emergency situations.

The suite of documents assesses the requirements and defines the appropriate response, mitigation, and recovery actions during or after an emergency:

- Business Continuity Plan – outlines the framework and detailed plan to ensure the continuity of business in the event of a disaster or incident that affects the normal running of business
- Business Impact Analysis – describes the critical business activities, essential personnel and the timeframes to which they must be restored to ensure the viability of the enterprise in the event of a disaster or incident
- Building Fire and Evacuation Plans – outlines the procedures and essential information needed for staff in the event that an emergency evacuation of the physical building is required
- IT Disaster Recovery Plan – details the recovery and resumption of critical technology assets in case of a disaster or incident.

ii. Risk management and solvency self-assessment systems implementation

The Solvency Self-Assessment, of the quantity and quality of capital required to support the Company’s business goals given the amount of risk the Company has taken on (or plans to take on) and environmental factors, is monitored on an internal and regulatory (SST) basis.

The Solvency Self-Assessment on both capital bases are reported on a quarterly basis, via the Quarterly Risk Report to the RMWG, EC, ARC and Board, to ensure that the Company’s capital adequacy and liquidity resources are sufficient based on the risks to the Company that arise from its operations.

iii. Relationship between solvency self-assessment, solvency needs and capital, and risk management

The Company’s ORSA provides an assessment of current and projected future risk and solvency for the current year and two full years of new business. The report is provided by the Head of Risk for use by the EC, Board, Senior Management as part of their strategic planning and business oversight. It is also required for regulatory purposes and is provided to FINMA in January each year.

iv. Solvency self-assessment approval process

The Company’s ORSA Report is prepared by the Head of Risk, in consultation with relevant functions and branches, and reviewed by the RMWG, EC and ARC and approved by the Board. Post Board approval, the report is provided to FINMA.

The process respects the ‘Three Lines of Defence’ in that it is managed by the Second Line (rather than First) and is subject to review by Internal Audit (“IA”) as part of their planning process.

D. Internal controls

i. Internal control system

The Company has implemented an ICS Policy, which outlines the Company’s processes and requirements regarding internal controls. The ICS outlines the processes in place to ensure that the Company’s risks are identified, and appropriate controls are in place to mitigate these risks and ensure the Company’s assets are protected, errors and irregularities (including fraud) are prevented, laws and regulations are adhered to and operations are managed effectively and efficiently. Key processes include a risk and control assessment, control attestations and testing process. The ICS outlines the responsibilities of the three lines of defence for identifying, assessing, and monitoring risks and establishing, monitoring, and testing controls. Clear reporting and oversight are established through the ICS including review by the RMWG and reporting by the Head of Risk to the EC and ARC.

RenaissanceRe’s Code of Ethics underpins the control environment within all RenaissanceRe entities, including the Company. The Code of Ethics provides a framework by which all employees are expected to work. An assessment of an individual’s achievement in meeting the Code of Ethics is included within the annual performance management process and all employees are required to sign off against the Code of Ethics and critical compliance policies on an annual basis. All new employees are required to sign off against the Code upon joining RenaissanceRe.

In support of the Code of Ethics, there are a number of specific activities which operate within RenaissanceRe that collectively form a control framework and play an important role in minimising risk throughout the organisation.

ii. Compliance function

Compliance is an integral part of the business, as it establishes standards and helps build a reputation, whilst avoiding regulatory penalties and reducing liability. Senior management, along with the Legal, Regulatory & Compliance (“LR&C”) function, work to build a corporate culture in which all members of staff understand the importance of following guidelines and controls. The Board is ultimately responsible for the Company’s compliance and delegates day to day compliance responsibilities to the Head of Compliance, who is supported by RenaissanceRe’s LR&C function. The Head of Compliance reports regularly to the Board on all LR&C related issues via a quarterly report, which enables the Board to continuously ensure that the Company complies fully with all applicable rules and requirements. The LR&C function principally acts as a second line of defence in the Company, though also acts in a first line capacity in terms of its advisory and training and awareness activities, as described below.

The LR&C function is principally concerned with conduct of business rules, codes and standards set by regulators and other related legal, regulatory and market conduct standards, including sanctions, licenses, anti-money laundering, insider dealing, market manipulation and financial promotion requirements.

Whilst the LR&C function is not expected routinely to monitor for other matters, it is encouraged and entitled to raise and pursue a wider range of issues that come to its attention which are likely to be of concern to regulators or affect the reputation of the business.

Generally, the LR&C function will not have responsibility for day-to-day management of business and operational matters (other than advisory support), nor for matters such as financial reporting, capital adequacy, credit and trading risk management, data protection, other IT and security issues and non-compliance related training.

In order to achieve the above purpose, the LR&C function provides assistance and guidance to management and business functions through the following main activities:

- Advisory – provision of proactive and reactive advisory service on compliance issues
- Monitoring – development and maintenance of appropriate compliance monitoring programmes
- Training and awareness – procedures designed to ensure staff are aware of relevant regulatory requirements
- Regulatory relationships – management of external relationships with regulators

- Reporting – regular reporting to management and as appropriate, to regulators
- Investigations – carrying out compliance related investigatory work.

These activities require appropriate independence and autonomy. However, it is vital that the LR&C function should not simply be regarded as a function to ‘control’ management. Instead, the LR&C function should be regarded as a critical and integral part of the Company, working closely with business areas, and contributing towards the wider management of the risks within the Company’s business, with particular regard to regulatory and reputational risk.

E. Internal audit

The Company has an Internal Audit function established as the third line of defence whose primary responsibility is to assist Management and the ARC in discharging their responsibilities by: a) furnishing them with analyses, advice and recommendations concerning the key risk areas reviewed and related assurance activities performed; b) promoting effective and efficient controls; and c) pursuing corrective action on significant issues. The Internal Audit function operates in accordance with its Charter, which outlines the mission, scope, responsibilities, and reporting structure of the function, and is reviewed and approved by the ARC annually.

The scope of IA’s work is to determine whether risk management, internal control, and governance processes, as designed and represented by management, are adequate and operating effectively. To accomplish this, Internal Audit activities will include:

- Development and delivery of an annual risk-based internal audit plan based upon the significant financial, compliance and operational risks of the Company
- Testing of internal controls over financial reporting in order to support RenaissanceRe’s requirements of Section 404 of the Sarbanes-Oxley Act of 2002
- Reviewing the effectiveness of risk management, internal controls and governance processes at the Company
- Evaluating processes and controls which ensure that the Company is complying with applicable laws, regulations, and governance standards
- Evaluating change activities including significant projects or large-scale business initiatives
- Periodic reporting to senior management and the ARC.

The Internal Audit function of RREAG is carried out by the Head of Internal Audit – Europe, with support from the wider Internal Audit function within RenaissanceRe. The independence of the Internal Audit function is evaluated by the ARC on an annual basis with the assistance from the EC. In conjunction with the annual evaluation, the Head of Internal Audit – Europe will confirm to the ARC, at least annually, the organisational independence of the Internal Audit function. The Internal Audit function is comprised of professional staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Internal Audit Charter. The Head of Internal Audit - Europe oversees the activities of any external consultants who are engaged from time-to-time to assist in the Company’s Internal Audit function.

F. Actuarial function

The Actuarial function is responsible for:

- Coordinating the calculation of the technical reserves
- Ensuring appropriateness of methodologies, models and assumption used in the calculation of the technical reserves
- Assessing sufficiency and quality of data used in the calculation of the technical reserves
- Contributing to the effective implementation of the Company’s risk management system
- Ensuring RenaissanceRe’s reporting and governance standards are adhered to
- Ensuring the solvency margin is calculated correctly and tied assets are in accordance with supervisory legislation.

The Company's overall reserving process includes reviews by internal and external parties. The Company's Reserving Actuary is responsible for recommending, monitoring, and adjusting the reserves. The reserves are approved by the Reserving Committee, which is chaired by the COO, and reviewed by the ARC on a quarterly basis. An external independent analysis of the Company's reserves is also conducted by Willis Towers Watson ("WTW"), with an annual certification that the financial statement losses and loss adjustment expenses ("LAE") reserves are adequate. In addition, EY, who are appointed as the Company's external auditors, opine on the appropriateness of the Company's Swiss OR financial statements, including reserves.

The Actuarial function assists with the effective implementation of the risk management system of the Company, with respect to the risk modelling underlying the calculations of the capital requirements. The Company has developed REMS[®] an internal model for internal reporting purposes and uses the Premium Cat risk component of this model, in conjunction with the standard approach for other risk components for the SST. Results are reviewed by the EC and Board, and SST figures are submitted to FINMA.

In addition, in accordance with Swiss Insurance Supervisory law, the function has a Responsible Actuary.

G. Outsourcing

i. Outsourcing policy and key functions that have been outsourced

The Company has an Outsourcing Policy that sets out how the Company seeks to manage potential or actual outsourced arrangements and has been designed by taking into account the size and complexity of the business of the Company.

All outsourcing arrangements entered into by the Company are subject to the framework established in the Outsourcing Policy, with particular focus on material or critical operational functions. Outsourcing arrangements may be provided by both independent third-party providers and other companies within RenaissanceRe (intra-group outsourcing). The Company will outsource material or critical operations only when doing so is economically justified or when third party assistance is necessary to provide expert or essential services.

As of 31 December 2020, the Company outsourced the following key functions:

- Investment management
- IT Infrastructure.

ii. Material intra-group outsourcing

As of 31 December 2020, the Company had material intra-group outsourcing arrangements with:

- RenaissanceRe Services Ltd. for investment management services and IT infrastructure services and Renaissance Services of Europe Limited for investment management services.

H. Other material information

No other material information to report.

V. Risk profile

A. Material risks exposed to during the reporting period

In the course of the Company's risk identification, assessment, control, monitoring and reporting process, it has identified and categorised all of its risks into the following categories:

- Insurance risk including non-natural catastrophe premium risk, natural catastrophe risk and reserve risk
- Market risk including interest rate risk, foreign exchange risk, revaluation risk, equity price risk and credit spread risk
- Credit risk
- Liquidity risk
- Other risk: operational; compliance and regulatory; model; strategic etc.

The chart below shows the composition of risk components on an SST basis pre-RDA.



i. Insurance risk

Insurance risk consists of non-natural catastrophe premium risk, natural catastrophe risk and reserve risk.

Total Premium Risk (i.e., including catastrophe risk) may be due to either the acceptance of risks that do not comply with the Company's underwriting guidelines and corporate strategy, or the acceptance of risks that result in losses and expenses greater than it had anticipated at the time of underwriting.

As a reinsurance company, the Company is in the business of taking premium risk and therefore this is the most material risk. The Company's risk limits are defined in its Risk Management Policy for insurance risk combined. The Company has Underwriting Guidelines in place that define the geographical scope, excluded business and underwriting authorities.

The Company employs experienced catastrophe analysts and modellers, as well as experienced and credentialed actuaries, to perform pricing analyses to ensure that each risk is adequately priced.

Non-natural catastrophe premium risk

Non-natural catastrophe premium risk is the risk that the premium to be earned over the next twelve-month period from the in-force, new or renewal reinsurance contracts is insufficient to cover the claim costs, claim adjustment expenses as well as the acquisition costs to be incurred by those contracts over the same period.

Non-natural catastrophe premium risk under SST 2021 is USD 240.3m on a standalone basis. The level of non-natural catastrophe premium risk has increased from SST 2020 in line with the business plan.

The Company has purchased retrocessions in the past several years to enhance the diversity of the portfolio, improve capital efficiency, manage the net retention, and protect the capital of the Company. The Company will continue to utilise this important risk management tool when the pricing and risk mitigation impact justifies doing so.

Natural catastrophe risk

Natural catastrophe risk is the risk that the premium to be earned over the next twelve-month period from the catastrophe exposed reinsurance contracts (in-force, new or renewal) is insufficient to cover potential claim costs, claim adjustment expenses as well as the acquisition costs associated with those contracts that may originate from extreme or exceptional catastrophic events over the same period, such as hurricanes, earthquakes, windstorms, and landslides.

Natural catastrophe risk is classified as a separate and distinct class of premium risk mainly due to its low-frequency and high severity characteristics, its potential to affect numerous contracts simultaneously and inflict significant erosion of the Company's capital.

Natural catastrophe risk is the dominant contributor and driver of the Company's total risk with USD 683.8m of SST Target Capital allocated to it on a standalone basis for SST 2021. The level of natural catastrophe premium risk has increased from SST 2020 in line with the business plan. US Hurricane, US & Canadian Earthquake and European Windstorm exposures are the largest regions and perils contributing to Catastrophe risk.

The Company has made a series of strategic moves to diversify, spread and dilute its catastrophe exposures as well as optimise its underwriting portfolio through geographical diversification and by writing casualty and specialty lines and lower layers of business. Hence the Company's catastrophe exposures are managed by limiting the amount of exposure in any one geographic area.

The Company also writes reinsurance risks for periods of mainly one year so that the contracts can be assessed for pricing and terms and adjusted to reflect any changes in market conditions.

In addition, retrocession is purchased to enhance the diversity of the Company's portfolio, maintain the net retention and even out peak exposures, and more effectively manage the volatility of the Company's book of business.

There is a large diversification benefit between natural catastrophe and non-natural catastrophe premium risk.

Reserve risk

Reserve risk is the risk that the best (point) estimate of unpaid loss and LAE reserves are inadequate to cover all future payments for the full settlement of claims from all prior accident years (on or prior to the valuation date).

Reserve risk is distinct from total premium risk and is related to exposures that have already been earned and claims that have already been incurred but have not yet been reported ("IBNR") or fully settled.

Reserve risk under the SST for 2021 is USD 387.0m pre-RDA on a standalone basis. The increase in reserve risk from the 2020 SST submission is due to a higher level of reserves.

A full analysis of loss and LAE reserves is performed on a quarterly basis. The reserve analyses are reviewed by and discussed with underwriters, actuaries, claims, finance, and senior management prior to submission to the Reserve Committee. The Reserve Committee is appointed by the EC to review the sufficiency of the estimated loss reserves and to appraise the adequacy and effectiveness of the loss reserving practices of the Company. The Reserve Committee comprises of the COO Europe; Head of Finance & Business Operations; and Head of Risk. As per section *IV. F., Actuarial function*, above, the Responsible Actuary is responsible for ensuring that adequate technical reserves are established. An independent review of the reserves at Q3 and Q4 is also conducted by WTW.

Retrocessional contracts

RenaissanceRe, in conjunction with the Company, purchase retrocession cover on a yearly basis for the Company. The company closely monitors its risk aggregation on an ongoing basis and assesses its risk profile/ appetite when considering retrocession coverage each year to enhance the diversification of the portfolio, improve capital efficiency, manage the net retention, and protect the net income of the Company.

The Company will continue to utilise this important risk management tool when the pricing and risk mitigation impact justifies doing so.

Reserve Development Agreement

The RDA leads to a reduction in insurance risk of 6.0% for SST 2021 (not reflected in the standalone figures above). As expected, this impact has reduced significantly compared to a 14.0% decrease for SST 2020. The reason for this decrease is that most of the business subject to the RDA has been earned as of 1 January 2021, especially capital-intensive Natural Catastrophe business, the RDA covered reserves have decreased and the RDA recovery is closer to being exhausted.

The expected recovery from the RDA is considered as part of the expected underwriting result.

ii. Market risk

Market risk refers to the risk of financial loss due to a change in the value of the financial assets in the Company's investment portfolio or a change of market risk factors that affect the value of such assets or the Company's liabilities. The Company has identified interest rate risk, foreign exchange risk, revaluation risk, equity price risk and credit spread risk as its main sources of market risk.

Market risk under the SST for 2021 is USD 168.0m on a standalone basis. The increase in market risk compared to SST 2020 is driven by an investment in riskier securities and in Private Equity.

Interest rate risk

Interest rate risk is a function of general economic and financial market factors (such as the level, trend, and volatility of interest rates) as well as the characteristics of the individual fixed interest securities held in the Company's investment portfolio. The Company cannot control the former, but it can control the latter.

Investment guidelines are established to manage this risk. These guidelines set parameters within which external investment managers and the internal RenaissanceRe investment function must operate. The guidelines are set by RenaissanceRe investment function and are approved by the Company's Board. The Company's Investment Principles specify the limitations on the maximum percentage of assets that can be invested in a single issuer or in a single asset class. There are also specific limitations on the maximum maturity for various classes of fixed interest securities and the minimum requirements of credit ratings. RenaissanceRe's investment function reviews the composition, duration, and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. RenaissanceRe's investment function also mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines.

Foreign exchange risk

The Company operates internationally and its exposures to foreign exchange risk arise primarily with respect to the U.S. dollar, Australian dollar, Euro, Pound Sterling and New Zealand dollar. The Company's reporting currency for its financial results is the U.S. dollar, albeit the Company's Swiss OR financial statements are reported in Swiss Francs. The effect of this on foreign exchange risk is that the Company is exposed to fluctuations in exchange rates for non-U.S. dollar denominated transactions and net assets.

The Company has largely divested from non-USD (excluding AUD) denominated investments and reduced the non-USD cash balances. To mitigate the risk of currency mismatch a derivative hedging strategy is in place at the RenaissanceRe balance sheet level.

Revaluation risk

In relation to the Company's Swiss, Australian and United Kingdom operations, whose functional currencies are the

Euro, Australian Dollar and Pound Sterling, respectively, the Company is subject to revaluation risk as a result of the translation into the Company's U.S. dollar reporting currency for its balance sheet.

Equity price risk

After the liquidation of the Non-Core portfolio in the reporting period, the equity exposure has been reduced to zero. However, it has during Q4 2020 added USD 188m of alternative exposures (private equity) in Renaissance Other Investments Holdings III Ltd ("ROIHL III") to its investment assets.

Credit spread risk

The Company's investment strategy acknowledges the risk of declining market values for the Company's fixed interest securities due to the widening of credit spreads. However, as a result of the backstop provided by governments and central banks, the impact on credit spreads may be to some extent limited. Investment limits per portfolio as set out in the Company's Investment Principles are used to manage and monitor this risk. The advantage of being able to invest in long duration securities gives the Company the opportunity to invest in securities yielding spreads over the risk-free return and earning this additional yield component.

iii. Credit risk

Credit risk is the risk of potential financial loss due to unexpected default, or deterioration in the credit ratings, of the debtors or counterparties of the Company for example:

- Asset credit risk may arise from the unexpected default, or deterioration in the credit ratings, of the debtors or issuers of the financial instruments that the Company holds in its investment portfolio, which may cause them to lose value
- Bank credit risk involves the loss of the Company's funds held by a bank due to its insolvency
- Broker credit risk stems from the insolvency of a broker that is either holding premium owed to the Company or claim payments owed by the Company to a cedant
- Retrocessionaire credit risk involves the default of one of the Company's retrocession partners who is then unable to indemnify a substantial claim to the Company following a large covered loss.

Credit risk under the SST for 2021 is USD 157.9m on a standalone basis. Credit risk increased for SST 2021 due to investing in riskier securities, an increased amount of uncollateralised ceded reserves and the use of the new FINMA stochastic credit risk model (which may be used by companies on an opt-in basis for SST 2021) to replace the old Basel III model, however after diversification the credit risk component adds significantly less to the Target Capital compared to before. Overall, this leads to a reduction in the SST ratio compared to using the Basel III approach.

The Company's investment portfolio is appropriately diversified to limit the amount of credit exposure with respect to lower rating categories and any one issuer. RenaissanceRe's investment function has established comprehensive guidelines for the Company's investment managers regarding the type, duration and quality of investments acceptable to the Company. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines by RenaissanceRe's investment function.

Credit risk on premiums receivable from cedants is managed by conducting business with reputable broking organisations, with whom the Company has established relationships, and by rigorous cash collection procedures.

For the purchase of retrocessions, to control and mitigate counterparty credit risk most of the retrocessions are either collateralised or placed with highly rated reinsurers.

There is also a RenaissanceRe Counterparty Credit Committee in place, which is chaired by the RenaissanceRe CUO. The Counterparty Credit Committee is responsible for ensuring appropriate ceded counterparty credit limits are set based on a counterparty's credit rating and to a lesser degree, the size of its reserves. On a quarterly basis, counterparty credit exposures are assessed against the established credit limits by counterparty, which is then reported to the Counterparty Credit Committee.

iv. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its contractual obligations in a timely manner due to the

inability of its investment assets to be sold without causing a significant movement in the price and with minimum loss of value. Liquidity risk can be an outcome or consequence of the Company's exposures to catastrophe risk and market risk.

RenaissanceRe's treasury function aims to keep liquidity risk as low as possible so that the Company will be able to meet its contractual obligations in a timely manner, even under stressed scenarios such as following a major catastrophic event. Sufficient liquid assets are maintained, or assets that can be converted into cash at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid assets are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. The RenaissanceRe's investment function also monitors market changes and outlooks and reallocates assets as deemed necessary.

The Company defined an optimal level of operational cash in various currencies within each branch and therefore holds an internally managed investment portfolio that can be used for liquidity requirements. For the purpose of monitoring, the Company's Quarterly Risk Report provides an overview of liquidity coverage ratios and excess liquidity in a 'Normal State' and a 'Stressed State (95% Value at Risk "VaR")', as well as other percentiles.

v. Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people, and systems or from external events.

Operational risk reduced in the year due to the integration of all remaining systems, processes, and controls into all of RenaissanceRe's systems, processes and controls now being complete. This has been offset to an extent due to COVID-19 impacting operations.

Some examples of the key operational risks facing the Company include: inaccurate application of processes, models and assumptions related to reserving, pricing, financial processes; failure to record, monitor, and respond to aggregate exposures; failure of ceded contracts to provide intended coverage; investment guidelines not being adhered to; and failure to execute on the gross and net business plan.

Through the scenario analysis process, the Company has also made efforts to identify and assess the financial impact of various operational risks. These risks are managed through internal controls and monitoring tools such as the risk register.

vi. Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions or inability to act in response to business opportunities or to adapt to changes in its operating environment.

The following are examples of strategic risks facing the Company:

- Industry overcapacity that results in prolonged soft market conditions
- Flawed response plans to market price cycles, including maintaining premium volume and market share during market declines and improper performance incentives for underwriters and others
- Planning processes (e.g. plan loss ratio setting, target premium volume) that are not fully integrated with internal financial indicators and external benchmarks or are based on forecasts that are inherently optimistic
- Expansion into new lines or territories with inadequate underwriting expertise, pricing systems, price monitoring capabilities, understanding of regulatory requirements, claims handling staff
- Failure of large information technology and infrastructure projects to achieve the specified goals.

Strategic risks can be split into two components, one being the risk emanating from making business decisions (active) such as the last two risks in the list above, and the other emanating from a lack of response to industry challenges (passive) such as the first three risks in the list above.

Strategic risk is especially important for the Company because it has optimised the risk profile of its business by

growing those lines of business which help to diversify its concentration in catastrophe exposures. Although there is inherent risk in such strategic expansion into new lines and geographical areas, there are also many benefits. RenaissanceRe has a Corporate Strategy Department that further assist in mitigating this risk. In setting the Company's appetite for this risk, both the risk and the benefits are taken into consideration.

The Company identifies and assesses the strategic risk, around inability to execute the business strategy, within its risk register and performs scenario analyses to evaluate the potential financial impact that may arise from such a risk.

New business will be evaluated periodically to determine whether or not it has met the strategic goals of the Company.

B. Risk mitigation in the organisation

The Company controls risk in the organisation through a variety of ways, but ultimately risks are reported and monitored centrally by the risk management function. The risk management function also verifies that risks are either kept within agreed limits or temporary breaches for unique situations are appropriately escalated to the relevant Board, and/or sub-committee, and either approved or rectified. Further, the Board, ARC and Internal Audit review the Risk Management framework and ensure the controls in place for managing the risk exposures are operating as intended. If a new risk emerges, the RMWG establishes controls to manage the risk.

As above, the Company has various risk mitigation frameworks, tools, and processes in place to either reduce the likelihood of a loss occurring, or, if it does, reducing its impact, including:

- Risk appetite and risk tolerance/limits - limiting the risk that the Company is willing to accept by balance sheet, at risk type level
- Diversification both by product line and by geography
- Underwriting practices including the underwriting controls, employment of experienced catastrophe analysts, modellers and actuaries to perform pricing analyses to ensure that risks are adequately priced
- Use of numerous inwards reinsurance contract clauses to reduce its contractual liabilities; these include limits and exclusions as well as the rights that the Company have such as the right to cancel the contract in certain circumstances
- Purchase of retrocessional contracts to protect its balance sheet against peak exposures; although it is recognised that whilst this can significantly reduce insurance risk, a retrocession will introduce counterparty credit risk
- Setting investment guidelines and defining permitted investments; setting restrictions and limits on each type of investment to enhance diversification, increase liquidity and decrease concentration risk
- The Company has implemented an ICS Framework which is reviewed and reported on annually by the Head of Risk. The Risk Register also documents the controls in place for each key operational risk and attestations are provided by control owners annually. Testing of controls is carried out by the second and third lines of defence. The Risk Register also documents the controls in place for each operational risk.

See section V. A., *Material risks exposed to during the reporting period*, above for further details on mitigations specific to each risk category.

The Quarterly Risk Report, as provided to the EC and the ARC, monitors the adherence to risk tolerance and limits; monitors branch regulatory capital limits; covers operational and qualitative risks; monitors liquidity risk; shows the internal modelled risks results by risk type based on the latest in-force exposure; includes information from the RMWG e.g., on new and emerging risks.

The management of the investment portfolios is delegated to RenaissanceRe investment function, which can further allocate funds to selected external asset managers. RenaissanceRe investment function regularly monitors compliance with the Company's Investment Principles. The quarterly Investment Portfolio Overview, as presented by RenaissanceRe investment function to the Board, shows the macro and market overview; the Company's investment portfolio update; and adherence to the Company's investment limits.

Underwriting practices are monitored in many ways by the Underwriting department. Each underwriting decision is

peer reviewed by an independent second underwriter (Second Set of Eyes, “SSE”) and documented in the SSE document within REMS[®]. Every deal is analysed, and a representation of every deal is recorded in REMS[®]. This stochastic representation is intended to be comprehensive in terms of capturing all sources of risk, robust in terms of being reasonable when back-testing post event and realistic across all return periods including probability of exhaustion. In a significant number of deals, an actuary or analyst undertakes a large portion of the analysis that goes into the final decision-making process and on larger deals there will always be involvement of multiple underwriters and management. As per the Underwriting Guidelines, in exceptional situations, deviations from the guidelines are possible if they are adequately documented and approved by the Chief Underwriting Officer - Europe.

REMS[®] is “rolled-up” across all deal representations on a nightly basis and detailed results of this roll-up are easily accessible by all employees. At each quarter end, these roll-ups consider the actual in-force portfolio whereas between quarters they consider the best estimate of the future portfolio. Actual vs Expected data is also constantly updated comparing actual booked figures with underwriting expectations. The availability of this data and the constant scrutiny of reports based on this data are an effective risk mitigation and capital management tool. Reports based on this data are reviewed at RenaissanceRe quarterly Risk and Capital Management meetings. Also, quarterly there is an Underwriting Strategy meeting attended by the global Underwriting leadership team as well as annual offsite meetings for various lines of business, which include attendees from both underwriting and risk. These meetings aim to ensure that all underwriters are aligned as a group around execution strategy as well as to spread awareness of current hot topics or areas of concern within the portfolio.

RenaissanceRe’s Underwriting Book reports are discussed in RenaissanceRe’s quarterly Risk and Capital Management meetings, which monitor risk aggregation by consideration of PMLs on a gross and net basis, by region and different return periods.

For each ceded contract there is a designated overall owner of the deal and in some instances this individual may not be directly associated with RREAG. However, the RREAG management and underwriting team will work in collaboration with the global placement team to optimise terms, coverage, and contracts for RREAG. Although purchasing retrocession introduces counterparty credit risk this is mitigated by: extensive due diligence before entering into agreements with new counterparties which thoroughly assesses the business model and financial performance and stability of the organisation. RenaissanceRe also has established counterparty credit rating guidelines which assist in this process by providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines are aimed at core, strategic reinsurance purchases and are not aimed at more tactical, facultative reinsurance transactions entered into occasionally, on an opportunistic basis.

Further, in pricing each outwards reinsurance contract, the Company directly incorporates a credit risk modelled component, which is based upon the credit rating of the Reinsurer.

RenaissanceRe’s Counterparty Credit Committee, which is chaired by the Group CUO, reviews credit reports on a quarterly basis setting out:

- Open Limit by Counterparty / Rating
- Changes in Credit exposure over the quarter
- Collateral held by counterparties
- List of new Counterparties.

For counterparties which are not rated by a major credit rating agency, the underwriter may require the counterparty to post collateral equal to the full reinsurance contract limit net of premiums.

C. Material risk concentrations

As above, the Company has policies governing risk concentrations including but not limited to:

- Risk Management Policy
- Underwriting Guidelines

- Reserving Policy
- Investment Guidelines
- Business continuity and IT disaster recovery programme.

See above section *V. A., Material risks exposed to during the reporting period*, above for further details on material concentrations specific to each risk category.

D. Investment in assets

Cash and short-term investments are managed internally by the Treasury unit, while the management of the Company's investment portfolios is outsourced to third party investment management firms or affiliated group companies to generate investment income supporting the underwriting profitability. The investment portfolios supporting the technical provisions have an appropriate level of liquidity to ensure the ability to pay all contractual policyholder benefits and expense obligations, taking into account the management of interest rate, foreign exchange and liquidity risks between assets and liabilities as defined by the Company's Investment Principles. These guidelines are reviewed on an annual basis or ad-hoc if any significant events have occurred and subsequently approved by the Board of Directors.

E. Stress testing and sensitivity analysis to assess material risks

Stress and scenario work has been conducted in different forms over the year:

- The scenarios required for the SST Target Capital and reporting: quantification of scenarios is undertaken as part of the annual submission of the SST report for FINMA
- Risk register scenarios: quantification of scenarios is undertaken as part of the annual risk register review; these are assessed through a scenario analysis approach based on expert judgment
- Multi-year scenarios for ORSA purposes.

Based on the capital and solvency assessments performed, the Company is adequately capitalised to support the risks associated with its current business activities and to pursue its business strategy while meeting the expectations of its clients and shareholders.

VI. Solvency valuation

A key component of the Solvency Valuation is the Risk Bearing Capital (“RBC”). The RBC is calculated by applying the SST market consistent principles for the valuation of both asset and liabilities.

The starting point of the SST RBC calculation is the Company’s US Generally Accepted Accounting Principles (“US GAAP”) balance sheet, after the reversal of PGAAP. The Company’s US GAAP balance sheet is then converted into a Market Consistent Balance Sheet (“MCBS”) for SST purposes. The Company’s US GAAP balance sheet covers the accounts of the Company, including its branches and subsidiaries. All significant intercompany transactions and balances are eliminated on consolidation.

A. Valuation bases, assumptions, and methods to derive the value of each asset class.

i. Asset valuation before market consistent conversion

All assets are booked at fair values in accordance with US GAAP. The fair value of an asset or liability is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date under the current market conditions regardless of whether that price is directly observable or an estimate using another valuation technique.

The fair value principles used for the Company’s investment assets are outlined below.

1. Cash and cash equivalents include cash at bank and on hand, short-term deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value. Cash and cash equivalents are carried in the balance sheet at amortised cost and carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.
2. Investments are comprised of short-term investments and investments in fixed interest, equity, and other securities:
 - **Short-term investments** – the carrying value reported in the consolidated balance sheet approximates the fair value due to the short-term nature of the investments
 - **Fixed interest securities** – priced using pricing services, such as index providers and pricing vendors. The pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilise market data and other observable inputs in pricing models to determine prices
 - **Equity securities** – comprised of common stock, mutual funds and real estate investment trusts. Fair value is generally based on prices obtained from market exchanges in active markets. For investment in mutual funds, the fair value of the fund is estimated to be the net asset value reported by the fund administrator at the balance sheet date
 - **Other securities (mostly alternatives)** – consist of investments in investment funds organised as limited partnerships, investment in funds organised as limited liability companies, real estate investments held by limited liability companies and investment in an absolute return fund. For private equity investments, since quoted market prices are not available, the transaction price is used as the best estimate of fair value at inception. For investments in funds organised as limited liability companies, the funds’ financial statements constitute the key valuation input.

Note that as of 31 December 2020 RREAG is not invested in any Public Equity or Alternative securities, however it holds Private Equity in Renaissance Other Investments Holdings III Ltd (“ROIHL III”) at a value of USD 188 million.

The following tables show the value of investment assets broken down by asset class. The small increase from the previous year is driven by the capital injection, partially offset by movements in the market values.

ii. Transition from US GAAP to SST Market Consistent valuation of investment assets

No adjustments to the fair value of investment assets have been made to convert the Company’s US GAAP balance sheet to MCBS as of 31 December 2020:

USD '000	US GAAP	MCBS	Delta	Comment
Fixed income securities	1,760,776	1,760,776	–	No adjustment
Loans	201,062	201,062	–	No adjustment
Equities	–	–	–	No adjustment
Alternatives	188,158	188,158	–	No adjustment
Cash and cash equivalents	183,567	183,567	–	No adjustment

iii. Transition from US GAAP to SST Market Consistent valuation of non-investment assets

The following adjustments to non-investment assets have been made to convert the Company's US GAAP balance sheet to MCBS as of 31 December 2020:

USD '000	US GAAP	MCBS	Delta	Comment
Reinsurance recoverable	1,107,373	1,148,706	41,333	Discounting impact, RDA Hidden Reserve Gross Up
Capital assets	–	–	–	No adjustment
Prepaid reinsurance premiums	206,698	205,144	-1,554	Discounting impact
Deferred acquisition costs ("DAC")	146,780	–	(146,780)	Offset against UPR
Deferred tax asset ("DTA")	2,045	–	(2,045)	DTA removed
Premiums receivable	693,846	693,846	–	No adjustment
Accrued investment income and Receivable for investments sold	17,823	17,823	–	No adjustment
Other assets	123,059	122,918	(141)	Reduced by the amount of prepaid expenses

All other asset line items remained unchanged from the US GAAP valuation.

Note the gross up of recoveries under the RDA of USD 63.4 million from USD 315.0 million to the true economic value of USD 378.4 million was undertaken, as this was conservatively booked under US GAAP. The latter is equal to 95% of the actual observed adverse development of USD 398.3 million of business covered under the RDA. The 95% equals 100% minus the 5% retention under the RDA. The USD 63.4 million lower ceded reserves on the Company's US GAAP balance sheet were due to conservatively allowing for an additional prudence margin on top of best estimate assumptions. This approach has been chosen under US GAAP to mitigate future volatility of this ceded reserve amount. However, under a market consistent approach the true best estimate needs to be considered which is equal to 95% of actual observed adverse development according to the RDA.

B. Valuation bases, assumptions, and methods to derive the value of technical provisions

i. Liability valuation before market consistent conversion

The reinsurance liabilities are based on the best estimate made by the Company derived from reasonable assumptions and appropriate generally accepted actuarial principles and methods.

Outstanding losses and loss expenses

Outstanding losses and loss expenses are the Company's estimate of reasonable accruals for the unpaid loss and LAE that must be posted on the balance sheet on the valuation date in order to make an adequate provision for all unpaid loss and LAE obligations of the Company under the terms of its contracts and agreements. They are comprised of the case reserves estimated by the ceding companies and IBNR reserves estimated by the Company.

Loss and LAE reserves are estimated by the Reserving Actuary. The adequacy of the Company's carried reserves is independently reviewed by the Responsible Actuary who issues an actuarial report on their findings.

Unearned premiums

UPRs represent the unexpired portion of the premiums assumed and are the second largest liability of the Company. This liability item can be determined relatively more objectively than the loss and LAE reserves.

Premiums assumed are recorded on the accrual basis and are included in income over the period of exposure to risk with the UPR deferred in the balance sheet. Reinsurance premiums ceded are similarly earned over the period of exposure to risk with the unearned portion being deferred in the Company's US GAAP balance sheet as prepaid reinsurance premiums.

For excess of loss contracts, the ultimate premium is estimated at the contract inception. Subsequent premium adjustments, if any, are recorded in the period in which they are determined.

For proportional treaties, the amount of premium is normally estimated at inception of the contract by the ceding company. The Company accounts for such premium quarter by quarter – at inception using initial estimates, reviewed regularly with respect to the actual premium reported by the ceding company. Changes in estimates are recognised in the quarter in which they are determined.

ii. Transition from US GAAP liabilities to SST Market Consistent valuation of liabilities

The loss and loss adjustment reserves carried out on the Company's US GAAP balance sheet are on a fully undiscounted basis.

In order to value its balance sheet liabilities in a market consistent manner, loss and LAE reserves are discounted to reflect the time value of money using the average payment patterns and the SST-specified yield curves. The amount of discount as of 31 December 2020 is USD 13.4 million. Including this adjustment, the gross value of loss and LAE reserves is USD 2,474.8 million with the corresponding net value being USD 1,326.1 million as of 31 December 2020.

As another adjustment, UPR is discounted and offset against DAC as mentioned in section VI. A., *Valuation bases, assumptions, and methods to derive the value of each asset class*, above. Including these adjustments, the value of UPR is USD 399.5 million. The total best estimate value of provisions for insurance liabilities as of 31 December 2020 is USD 2,874.3 million (gross value of loss and LAE reserves plus UPR). In addition to provisions for insurance liabilities, the market consistent value of reinsurance balances payable is USD 404.4 million, and the market consistent value of other liabilities is at USD 179.5 million as of 31 December 2020.

The following table provides an overview of liability items with a difference between the Company's US GAAP balance sheet and MCBS as of 31 December 2020:

USD '000	US GAAP	MCBS	Delta	Comment
Loss and LAE reserve (gross)	2,488,123	2,474,762	(13,361)	Discounting impact
UPR	549,265	399,536	(149,729)	DAC offset and discounting impact

Claim provisions in this context represent the discounted loss and LAE. In the context of SST valuation, Risk Margin (known as Market Value Margin) is not valued in the balance sheet construction but rather a deduction to the RBC. The Risk Margin as of 31 December 2020 is valued at USD 101.5 million and is calculated using the SST standard approach.

Premium provisions are equivalent to the UPR, offset by DAC. This does not recognise any equity in UPR.

C. Description of recoverable from reinsurance contracts

Reinsurance recoverable from reinsurers represent the provisions for ceded reserves. They are discounted to reflect the time value of money using the average payment patterns and the SST-specified yield curves. The amount of discount is USD 22.1 million. In addition, the MCBS is increased by USD 63.4 million for the gross up of the RDA recovery, as conservatively booked under US GAAP to the true economic value of USD 378.4million.

D. Description of losses payable

This liability represents losses payable to the reinsured in accordance with the terms of the reinsurance contracts on losses already paid by the reinsured. Therefore, the value of this liability can be determined objectively and subject to little or no uncertainty. The Company as the reinsurer may require from the reinsured proper proof and documentation for the loss payments and may need to verify coverage of the losses by the reinsurance contract.

E. Valuation bases, assumptions, and methods to derive the value of other liabilities

All other liabilities are valued on an US GAAP basis apart from Deferred Tax Liabilities which are removed from the MCBS as are any Deferred Tax Assets. Included in other liabilities are deposit liabilities, payables for investments purchased, fair value of derivative liabilities, derivative balances payable, accounts payable and accrued expenses, deferred fee income, retirement benefit obligation and deferred commission income.

F. Any other material information

No additional material information to report.

VII. Capital management

A. Capital management process and policy

As part of the Company's risk appetite, the Company defines the amount of capital required to meet its internal risk appetite and regulatory requirements and commercial constraints. The Company's main objective is to ensure that it has sufficient capital resources to remain solvent on both regulatory and economic bases. Also, the capital projections shown in the Company's ORSA to the end of the current year and the two-year business planning period facilitates Board discussion on the capital requirements for the Company.

Localised assets in the Company's US and Australia branches are ring-fenced to meet local regulatory requirements, otherwise fungibility of assets is unrestricted. With the Company's US branch Plan of Operation US, asset fungibility is becoming less of a concern for the Company.

As of 31 December 2020, the Company benefitted from a capital support agreement with RRHL, which is referred to as the Net Worth Maintenance Agreement ("NWMA"). Under the NWMA, RRHL agrees to cause the Company to maintain capital solvency margins as required under the SST. The NWMA is not considered as part of the annual SST calculation.

The Company also benefits from various external and internal retrocession agreements which allows it to manage its capital position in an agile and flexible way.

There have been no further material changes to the Company's capital management process during 2020.

B. GAAP capital

Shareholder's equity under the Company's US GAAP balance sheet as of 31 December 2020 and 31 December 2019 are shown in the table below.

Shareholder's equity		
USD '000	31 December 2020	31 December 2019
Share capital	250,000	250,000
Contributed surplus	574,503	424,503
Retained earnings	301,045	218,435
Accumulated other comprehensive loss	(31,985)	(12,182)
Total shareholder's equity	1,093,563	880,755

Fully paid issued shares, which have a par value of USD 1 each, carry one vote per share and carry a right to dividends. Contributed surplus represents cash contributed to the shareholder in excess of the issued share capital. Accumulated other comprehensive loss comprise foreign currency translation reserve and retirement benefit obligation. The increase in contributed surplus from 31 December 2019 to 31 December 2020 is related to the capital injection of USD 150.0 million.

VIII. Solvency

A. Regulatory capital requirements

The Company evaluates its regulatory solvency position under the SST using a partial internal solvency model. For SST 2021, which is based on the valuation date 31 December 2020, the Company has used its internal model for natural catastrophe risks only since no standard model is provided by FINMA. Natural catastrophe risks are modelled using RenaissanceRe's internally developed proprietary natural catastrophe model. The Company has used the SST standard model components for non-natural catastrophe insurance risk, market risk, credit risk, the risk margin and risk aggregation. FINMA gave the Company approval to use the natural catastrophe risks internal model for SST 2021 on 30th of July 2020.

For SST 2021, as was the case for SST 2020, consideration is given to the RDA between TMNF and the Company in connection with the Acquisition. The RDA reinsures all business bound by the Company as of 22 March 2019, including any unearned or unexpired exposure.

Target capital

The following table shows a breakdown of the Company's Target Capital under the SST into its key components for the current and the previous reporting period. The main driver of the Company's Target Capital is underwriting risk which reflects the Company's core business and the main driver for the change in Target Capital is the higher underwriting risk due mainly from natural catastrophe risk as well as a significantly higher risk margin due to the lower impact from the RDA as the business covered under the RDA is earning and expiring, partially offset by higher expected underwriting results from the increased business.

Target capital key components	Current Year – SST 2021	Previous Year – SST 2020
USD millions	As of 31 December 2020	As of 31 December 2019
Underwriting risk	720.2	516.4
Market risk	168.0	108.0
Credit risk	157.9	91.5
Diversification between market, credit, and underwriting risk	(256.5)	(85.0)
Other effects including expected results and risk margin	(9.6)	(43.6)
Target Capital	780.0	587.3

Underwriting risk

The table below shows the breakdown of the Company's underwriting risk under the SST into its key components including previous year and current year figures. For SST 2021, the Company is using FINMA's standard model for non-natural catastrophe premium risk, reserve risk and insurance risk aggregation. The main component of underwriting risk is natural catastrophe risk which increases significantly for SST 2021 in line with the Company's business plan. Non-natural catastrophe premium risk increases slightly, and reserve risk increases due to a higher level of net reserves. Finally, for SST 2021 the impact of the RDA is further reducing as expected due to earning and expiring of covered business which is shown in a reduced stand-alone RDA impact.

Underwriting risk key components USD millions	Current Year – SST 2021 As of 31 December 2020	Previous Year – SST 2020 As of 31 December 2019
Natural catastrophe risk	683.8	504.1
Non-natural catastrophe premium risk	240.3	211.6
Reserve risk	387.0	328.4
Diversification effect	(464.9)	(221.8)
Reserve Development Agreement	(126.0)	(305.9)
Total underwriting risk	720.2	516.4

Market risk

The table below shows the breakdown of the Company's market risk under the SST into its key components including previous year and current year figures. Market risk is calculated using the SST standard model. Overall market risk increases due to a shift into lower rated investments as well as the ROIHL III private equity. This is partially offset by a higher diversification effect compared to SST 2020.

Market risk key components USD millions	Current Year – SST 2021 As of 31 December 2020	Previous Year – SST 2020 As of 31 December 2019
Interest Rate Risk	99.3	77.3
Spread Risk	112.9	67.6
Currency risk	125.8	106.7
Equity and alternatives risk	91.6	0.0
Diversification effect	(261.6)	(143.6)
Total market risk	168.0	108.0

Risk bearing capital

The following table shows a breakdown of the Company's RBC under the SST into its key components for the current and the previous reporting period. Overall, RBC increases compared to last year mainly driven by the capital injection and 2020 net income. The RBC results from the market consistent valuation as described in section VI., *Valuation*, above. No dividend payment is planned for 2021 and there are no further deductions. Furthermore, the Company does not hold any supplementary capital.

Risk bearing capital key components USD millions	Current Year – SST 2021 As of 31 December 2020	Previous Year – SST 2020 As of 31 December 2019
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,063.7	948.4
Deductions	–	–
Supplementary capital	–	–
Risk bearing capital	1,063.7	948.4

As of 31 December 2020, the Company's SST 2021 solvency ratio is at 141.8%¹.

As of 31 December 2019, the Company's SST 2020 solvency ratio was at 165.2% and higher compared to SST 2021, mainly driven by the 2021 increased Target Capital due to natural catastrophe risk and the increase in risk margin partially offset by the increase in RBC. Note that the 2021 review of the PGAAP balance sheet positions led to a downward adjustment of the SST 2020 ratio of approximately 5.5%. This review was a refinement of the RenaissanceRe alignment process deriving from the Company's acquisition.

B. Risk Bearing Capital calculation and dividend payable

There are no dividends planned to be paid in 2021 and there have been no dividend payments in 2020. Since no further deductions apply to the Company, its Core Capital is equal to the market-consistent value of assets minus total best estimate liabilities plus market-consistent value of other liabilities. Note that the removal of intangibles is considered in this difference rather than under Deductions.

The Company's Core Capital is calculated to be USD 1,063.7 million for SST 2021, which is USD 53.9 million higher than the total shareholder's equity per the Company's US GAAP balance sheet as of 31 December 2020. This difference between US GAAP shareholder's equity and RBC is due to the valuation differences described in section VI. A. iii., *Transition from US GAAP to SST Market Consistent valuation of non-investment assets*, above and section VI. B. ii., *Transition from US GAAP liabilities to SST Market Consistent valuation of liabilities*, above and can be summarised as follows:

- Difference between market consistent and US GAAP valuation of assets: USD 109.2 million lower
- Difference between market consistent and US GAAP valuation of liabilities: USD 163.1 million lower.

The Company does not have any supplementary capital and hence RBC is equal to core capital.

IX. Subsequent events

Operationally, as a Swiss company belonging to an international group with offices around the globe, the COVID-19 pandemic and restrictions related thereto have presented certain challenges. However, we believe we have adjusted well to date to the work paradigms required by the COVID-19 pandemic, benefiting from prior and enhanced investments in technology, systems, and training, which have enabled us to maintain robust oversight of the company. As appropriate, our employees are working remotely with the office made available on a limited basis in accordance with applicable local Public Health guidance. However, an extended period of remote work arrangements could strain our business continuity plans, introduce additive operational risk, including but not limited to cybersecurity risks such as ransomware attacks, and adversely affect our ability to manage our business.

There are no other subsequent events to note.

¹ The information about solvency as shown in this section is identical to the information which has been submitted to FINMA and for SST 2021 figures is still subject to regulatory audit.

Appendices to the Financial Condition Report

Financial situation report: quantitative template 'Performance Solo Reinsurance'

Basis: Swiss OR financial statements

Currency: CHF (Amounts stated in millions)

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
Gross premiums	969.3	947.3	10.0	(2.2)	-	-	154.2	12.2	34.2	40.7	374.1	475.0	344.4	261.5	52.4	160.2
Reinsurers' share of gross premiums	(150.3)	(349.9)	(4.1)	0.9	-	-	86.8	(1.3)	(2.5)	(23.8)	(61.6)	(147.0)	(163.4)	(108.3)	(5.5)	(70.3)
Premiums for own account (1 + 2)	819.0	597.4	5.9	(1.3)	-	-	241.0	10.9	31.7	16.9	312.5	328.0	180.9	153.2	46.9	89.8
Change in unearned premium reserves	314.9	(89.7)	0.9	4.3	-	-	70.9	36.3	(5.5)	6.7	168.6	(59.6)	75.9	30.3	4.1	(107.6)
Reinsurers' share of change in unearned premium reserves	(133.3)	155.9	1.6	(0.6)	-	-	(63.6)	(0.2)	0.1	6.3	(133.1)	41.5	59.9	52.2	1.8	56.7
Premiums earned for own account (3 + 4 + 5)	1,000.6	663.6	8.4	2.3	-	-	248.2	47.0	26.3	29.9	348.0	309.9	316.7	235.6	52.9	38.9
Other income from insurance business	34.5	5.2	-	-	-	-	8.1	(0.0)	(0.5)	0.0	19.4	0.8	7.3	3.0	0.2	1.4
Total income from underwriting business (6 + 7)	1,035.1	668.8	8.3	2.3	-	-	256.3	46.9	25.8	29.9	367.5	310.7	324.0	238.6	53.0	40.3
Payments for insurance claims (gross)	(815.0)	(953.5)	(7.2)	(5.0)	-	-	(193.5)	(134.0)	(16.7)	(17.6)	(454.6)	(563.6)	(138.7)	(230.5)	(4.3)	(2.7)
Reinsurers' share of payments for insurance claims	250.0	379.1	-	0.2	-	-	-	0.2	-	3.2	246.6	361.6	3.4	17.7	-	(3.8)
Change in technical provisions	(576.3)	121.1	(2.1)	2.3	-	-	(40.8)	77.1	(10.1)	(15.4)	(312.6)	174.9	(189.3)	(84.7)	(21.4)	(33.1)
Reinsurers' share of change in technical provisions	432.0	(25.0)	1.6	0.9	-	-	65.9	14.1	0.8	12.2	311.7	(196.4)	51.5	132.9	0.5	11.3
Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(709.3)	(478.3)	(7.7)	(1.7)	-	-	(168.4)	(42.6)	(26.0)	(17.6)	(209.0)	(223.5)	(273.2)	(164.6)	(25.1)	(28.3)
Acquisition expenses (gross)	(334.5)	(230.6)	(1.8)	(1.0)	-	-	(63.0)	(13.0)	(4.6)	(5.3)	(132.1)	(103.9)	(122.4)	(92.4)	(10.6)	(15.0)
Reinsurers' share of acquisition expenses	34.1	45.6	0.2	0.3	-	-	(15.9)	0.4	0.0	2.7	23.7	19.6	26.1	18.1	0.0	4.3
Administration expenses	(120.3)	(66.8)														
Acquisition and administration expenses for own account (15 + 16 + 16.1)	(420.7)	(251.8)	(1.6)	(0.7)	-	-	(78.9)	(12.6)	(4.6)	(2.5)	(108.4)	(84.2)	(96.3)	(74.3)	(10.6)	(10.7)
Other underwriting expenses for own account	(15.3)	(25.2)	-	0.5	-	-	(10.4)	2.2	-	0.2	(6.2)	(11.7)	1.3	(9.6)	-	(6.7)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(1,145.4)	(755.3)	(9.3)	(1.8)	-	-	(257.8)	(53.0)	(30.6)	(19.9)	(323.5)	(319.5)	(368.2)	(248.5)	(35.7)	(45.7)
Investment income	102.7	249.3														
Investment expenses	(99.7)	(44.7)														
Net investment income (20 + 21)	3.0	204.5														
Capital and interest income from unit-linked life insurance	-	-														
Other financial income	2.2	9.7														
Other financial expenses	-	-														
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	(105.2)	127.6														
Interest expenses for interest-bearing liabilities	-	-														
Other income	58.2	10.8														
Other expenses	-	(61.4)														
Extraordinary income/expenses	-	-														
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	(47.1)	77.0														
Direct taxes	(5.3)	(9.8)														
Profit / loss (31 + 32)	(52.4)	67.1														

Financial situation report: quantitative template 'Performance Solo Reinsurance'

Basis: Swiss OR financial statements

Currency: USD (Amounts stated in millions)

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
Gross premiums	975.2	1,013.4	10.0	(2.4)	-	-	155.1	13.0	34.4	43.5	376.5	508.1	346.5	279.8	52.7	171.3
Reinsurers' share of gross premiums	(151.2)	(374.3)	(4.1)	0.9	-	-	87.3	(1.4)	(2.5)	(25.4)	(62.0)	(157.3)	(164.4)	(115.9)	(5.5)	(75.2)
Premiums for own account (1 + 2)	824.0	639.1	5.9	(1.4)	-	-	242.4	11.6	31.9	18.0	314.5	350.9	182.1	163.9	47.2	96.1
Change in unearned premium reserves	317.0	(95.9)	0.9	4.6	-	-	71.3	38.8	(5.5)	7.2	169.7	(63.8)	76.4	32.4	4.2	(115.1)
Reinsurers' share of change in unearned premium reserves	(134.1)	166.8	1.6	(0.6)	-	-	(64.0)	(0.2)	0.1	6.8	(133.9)	44.4	60.3	55.8	1.8	60.6
Premiums earned for own account (3 + 4 + 5)	1,006.9	709.9	8.4	2.5	-	-	249.7	50.2	26.5	32.0	350.3	331.5	318.7	252.1	53.2	41.6
Other income from insurance business	34.7	5.5	-	-	-	-	8.2	(0.0)	(0.5)	0.0	19.5	0.9	7.3	3.2	0.2	1.5
Total income from underwriting business (6 + 7)	1,041.6	715.5	8.4	2.5	-	-	257.9	50.2	26.0	32.0	369.8	332.4	326.1	255.3	53.4	43.1
Payments for insurance claims (gross)	(820.1)	(1,020.1)	(7.2)	(5.4)	-	-	(194.7)	(143.4)	(16.8)	(18.8)	(457.5)	(603.0)	(139.6)	(246.6)	(4.3)	(2.8)
Reinsurers' share of payments for insurance claims	251.5	405.6	-	0.2	-	-	-	0.2	-	3.4	248.1	386.9	3.4	18.9	-	(4.1)
Change in technical provisions	(579.9)	129.5	(2.2)	2.4	-	-	(41.0)	82.5	(10.1)	(16.5)	(314.6)	187.1	(190.5)	(90.6)	(21.5)	(35.4)
Reinsurers' share of change in technical provisions	434.7	(26.8)	1.6	1.0	-	-	66.3	15.1	0.8	13.1	313.7	(210.1)	51.8	142.1	0.5	12.0
Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(713.8)	(511.7)	(7.8)	(1.8)	-	-	(169.4)	(45.6)	(26.2)	(18.8)	(210.3)	(239.1)	(274.9)	(176.1)	(25.3)	(30.3)
Acquisition expenses (gross)	(336.6)	(246.7)	(1.8)	(1.1)	-	-	(63.4)	(13.9)	(4.7)	(5.6)	(132.9)	(111.1)	(123.2)	(98.9)	(10.6)	(16.1)
Reinsurers' share of acquisition expenses	34.3	48.8	0.2	0.4	-	-	(16.0)	0.5	-	2.9	23.9	21.0	26.3	19.4	-	4.6
Administration expenses	(121.0)	(71.5)														
Acquisition and administration expenses for own account (15 + 16 + 16.1)	(423.3)	(269.4)	(1.6)	(0.7)	-	-	(79.4)	(13.5)	(4.7)	(2.7)	(109.0)	(90.1)	(96.9)	(79.5)	(10.6)	(11.5)
Other underwriting expenses for own account	(15.4)	(26.9)	-	0.5	-	-	(10.5)	2.3	-	0.2	(6.2)	(12.5)	1.3	(10.3)	-	(7.1)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(1,152.6)	(808.0)	(9.4)	(2.0)	-	-	(259.4)	(56.7)	(30.8)	(21.3)	(325.7)	(341.8)	(370.5)	(265.8)	(35.9)	(48.9)
Investment income	103.4	266.7														
Investment expenses	(100.3)	(47.9)														
Net investment income (20 + 21)	3.0	218.8														
Capital and interest income from unit-linked life insurance	-	-														
Other financial income	2.2	10.3														
Other financial expenses	-	-														
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	(105.9)	136.5														
Interest expenses for interest-bearing liabilities	-	-														
Other income	58.5	11.5														
Other expenses	-	(65.7)														
Extraordinary income/expenses	-	-														
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	(47.3)	82.3														
Direct taxes	(5.4)	(10.5)														
Profit / loss (31 + 32)	(52.7)	71.8														

Financial situation report: quantitative template 'Market-consistent Balance Sheet Solo'

Basis: Swiss OR financial statements

Currency: USD (Amounts stated in millions)

		SST 2020 31.12.2019	Adjustments Previous period	SST 2021 31.12.2020
Market-consistent value of investments	Real estate	-	-	-
	Shareholdings	-	-	-
	Fixed-income securities	1,722.3	-	1,760.8
	Loans	125.0	-	201.1
	Mortgages	-	-	-
	Equities	-	-	-
	Other investments	-	-	188.2
	Collective investment schemes	-	-	-
	Alternative investments	-	-	188.2
	Other investments	-	-	-
	Total investments	1,847.3	-	2,150.0
	Financial investments from unit-linked life insurance	-	-	-
	Receivables from derivative financial instruments	-	-	-
Market-consistent value of other assets	Cash and cash equivalents	94.3	-	183.6
	Receivables from insurance business	1,826.9	-	2,047.7
	Other receivables	11.8	-	17.8
	Other assets	284.2	-	122.9
	Total other assets	2,217.3	-	2,372.0
Total market-consistent value of assets	Total market-consistent value of assets	4,064.5	-	4,522.0
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities	2,684.7	-	2,874.3
	Direct insurance: life insurance business (excluding ALV)	-	-	-
	Direct insurance: non-life insurance business	2,684.7	-	2,874.3
	Direct insurance: health insurance business	-	-	-
	Direct insurance: unit-linked life insurance business	-	-	-
	Direct insurance: other business	-	-	-
	Outward reinsurance: life insurance business (excluding ALV)	-	-	-
	Outward reinsurance: non-life insurance business	-	-	-
	Outward reinsurance: health insurance business	-	-	-
	Outward reinsurance: unit-linked life insurance business	-	-	-
	Outward reinsurance: other business	-	-	-
	Reinsurers' share of best estimate of provisions for insurance liabilities	189.4	-	404.4
	Direct insurance: life insurance business (excluding ALV)	-	-	-
	Direct insurance: non-life insurance business	-	-	-
	Direct insurance: health insurance business	-	-	-
	Direct insurance: unit-linked life insurance business	-	-	-
	Direct insurance: other business	-	-	-
	Outward reinsurance: life insurance business (excluding ALV)	-	-	-
	Outward reinsurance: non-life insurance business	189.4	-	404.4
	Outward reinsurance: health insurance business	-	-	-
	Outward reinsurance: unit-linked life insurance business	-	-	-
Outward reinsurance: other business	-	-	-	
Market-consistent value of other liabilities	Non-technical provisions	-	-	-
	Interest-bearing liabilities	-	-	-
	Liabilities from derivative financial instruments	49.6	-	-
	Deposits retained on ceded reinsurance	116.3	-	-
	Liabilities from insurance business	-	-	-
	Other liabilities	76.2	-	179.5
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	3,116.1	-	3,458.3
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities		948.4	-	1,063.7

Financial situation report: quantitative template ‘Solvency Solo’

Basis: US GAAP balance sheet

Currency: USD (Amounts stated in millions)

		SST 2020 31.12.2019	Adjustments SST 2020	SST 2021 31.12.2020
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	948.4		1,063.7
	Deductions	-		-
	Core capital	948.4		1,063.7
	Supplementary capital	-		-
	RBC	948.4	(30.6)	1,063.7

		SST 2020 31.12.2019	Adjustments SST 2020	SST 2021 31.12.2020
Derivation of Target Capital	Underwriting risk	516.4		720.2
	Market risk	108.0		168.0
	Credit risk	91.5		157.9
	Diversification effects	(85.0)		(256.5)
	Risk margin and other effects on target capital	(43.7)		(9.6)
	Target Capital	587.3	-	780.0

		SST 2020 31.12.2019	Adjustments SST 2020	SST 2021 31.12.2020
SST ratio	Risk-bearing capital / Target Capital	165.2%	(5.5%)	141.8%

Note the SST 2020 adjustment has been calculated approximately.

To the General Meeting of
RenaissanceRe Europe AG, Zurich

Zurich, 21 April 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of RenaissanceRe Europe AG, which comprise the income statement, balance sheet and notes, for the year ended 31 December 2020.



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 the 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 2020 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 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.

Ernst & Young Ltd



Rolf Bächler
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Sergio Sardo
(Qualified
Signature)

US Certified Public Accountant (CPA)

Enclosures

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

RENAISSANCERE EUROPE AG
Income statement
31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

	<u>Notes</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
		CHF	USD ⁽¹⁾	CHF	USD ⁽¹⁾
Gross premiums written		947,283	1,013,410	969,214	975,261
Premium ceded to reinsurers		<u>(349,912)</u>	<u>(374,338)</u>	<u>(150,299)</u>	<u>(151,236)</u>
Net premiums written		597,371	639,072	818,915	824,025
Change in unearned premiums – gross		(89,665)	(95,925)	315,014	316,980
Change in unearned premiums – ceded		<u>155,894</u>	<u>166,777</u>	<u>(133,348)</u>	<u>(134,180)</u>
Change in unearned premiums		<u>66,229</u>	<u>70,852</u>	<u>181,666</u>	<u>182,800</u>
Net premiums earned		663,600	709,924	1,000,581	1,006,825
Other technical income		5,175	5,536	34,436	34,651
Total technical income		<u>668,775</u>	<u>715,460</u>	<u>1,035,017</u>	<u>1,041,476</u>
Gross claims and claim expenses paid		(953,499)	(1,020,060)	(815,056)	(820,141)
Reinsurer's share of claims and claim expenses paid		379,131	405,597	249,978	251,537
Change in technical provisions		121,071	129,522	(576,310)	(579,905)
Change in reinsurer's share of technical provisions		<u>(25,017)</u>	<u>(26,763)</u>	<u>431,951</u>	<u>434,646</u>
Net claims and claim expenses incurred		(478,314)	(511,704)	(709,437)	(713,863)
Gross acquisition costs		(230,604)	(246,701)	(334,483)	(336,570)
Reinsurer's share of acquisition costs		45,613	48,797	34,114	34,326
General and administrative expenses		<u>(66,829)</u>	<u>(71,494)</u>	<u>(120,294)</u>	<u>(121,045)</u>
Net acquisition cost and administrative expenses		(251,820)	(269,398)	(420,663)	(423,289)
Other technical expense		<u>(25,173)</u>	<u>(26,930)</u>	<u>(15,323)</u>	<u>(15,418)</u>
Total technical expense		<u>(755,307)</u>	<u>(808,032)</u>	<u>(1,145,423)</u>	<u>(1,152,570)</u>
Technical result		<u>(86,532)</u>	<u>(92,572)</u>	<u>(110,406)</u>	<u>(111,094)</u>
Investment income	12	249,259	266,659	102,722	103,363
Investment expenses	12	<u>(44,748)</u>	<u>(47,872)</u>	<u>(99,694)</u>	<u>(100,316)</u>
Net investment income		204,511	218,787	3,028	3,047
Other financial income		<u>9,652</u>	<u>10,326</u>	<u>2,164</u>	<u>2,177</u>
Operating result		127,631	136,541	(105,214)	(105,870)
Other income		10,763	11,515	58,161	58,524
Other expense		<u>(61,418)</u>	<u>(65,706)</u>	<u>-</u>	<u>-</u>
(Loss) profit before tax		76,976	82,350	(47,053)	(47,346)
Tax expense		<u>(9,834)</u>	<u>(10,521)</u>	<u>(5,319)</u>	<u>(5,353)</u>
(Loss) profit after tax		<u>67,142</u>	<u>71,829</u>	<u>(52,372)</u>	<u>(52,699)</u>

⁽¹⁾ USD balances shown above are solely for presentational purposes

See accompanying notes to financial statements

RENAISSANCERE EUROPE AG

Balance sheet

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

	Notes	2020	2020	2019	2019
		CHF	USD ⁽¹⁾	CHF	USD ⁽¹⁾
Assets					
Investments					
Participations	3	117	132	128	132
Fixed interest securities		1,449,275	1,637,963	1,589,148	1,639,310
Loans		177,900	201,062	121,175	125,000
Shares		-	-	-	-
Other Investments	4	209,379	236,639	73,947	76,281
Deposits retained on assumed reinsurance business		60,695	68,597	107,653	111,051
Deposit assets		106,263	120,098	112,713	116,270
Cash and cash equivalents		161,388	182,400	70,835	73,071
Reinsurers' share of technical provisions	6	1,172,365	1,325,001	1,308,500	1,349,805
Property and equipment		1,035	1,169	1,314	1,356
Deferred acquisition costs		129,871	146,780	136,418	140,724
Reinsurance receivable	5	514,496	581,481	462,022	476,606
Derivative assets		4,534	5,125	45,707	47,149
Other receivable		7,628	8,621	9,996	10,312
Other assets		1,073	1,213	5,219	5,381
Prepaid expenses		125	141	271	282
Total assets		<u>3,996,145</u>	<u>4,516,422</u>	<u>4,045,046</u>	<u>4,172,730</u>
Liabilities and equity					
Technical provisions	6	2,764,636	3,124,577	2,972,890	3,066,732
Non-technical provisions	7	131	4,202	136,403	139,382
Payables from derivative financial instruments		8,728	9,865	34,489	35,577
Deposits retained on ceded reinsurance business		14,965	16,913	11,742	12,113
Deposit liabilities		106,263	120,098	112,713	116,270
Reinsurance payable	8	283,887	320,847	182,696	188,463
Derivative liabilities		2,353	2,659	13,568	13,996
Other liabilities		30,445	34,411	46,506	47,974
Deferred income		60,179	68,013	9,343	9,639
Total liabilities		<u>3,271,587</u>	<u>3,701,585</u>	<u>3,520,350</u>	<u>3,630,146</u>
Shareholders' equity					
Share capital	10	227,675	257,317	227,675	234,862
Statutory capital reserves	10				
Legal reserves		113,837	128,658	113,837	117,430
Reserves from capital contributions		298,542	337,411	165,822	171,056
Retained earnings	10				
Profit carried forward		17,362	19,622	69,734	71,935
(Loss) profit for the year		67,142	71,829	(52,372)	(52,699)
Total equity		<u>724,558</u>	<u>814,837</u>	<u>524,696</u>	<u>542,584</u>
Total liabilities and equity		<u>3,996,145</u>	<u>4,516,422</u>	<u>4,045,046</u>	<u>4,172,730</u>

⁽¹⁾ USD balances shown above are solely for presentational purposes

1. General and basis of preparation

RREAG, formerly known as Tokio Millennium Re AG, is a Swiss-based reinsurance company and is licensed and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"). RREAG's registered office is located at Beethovenstrasse 33, 8002 Zurich, Switzerland. The Company is a wholly-owned subsidiary of RenaissanceRe Specialty Holdings (UK) Limited ("RRSHUKL"). The ultimate parent company is RenaissanceRe Holdings Ltd. ("RRHL"), a company incorporated in Bermuda.

The Company was formed in Bermuda on 15 March 2000 and redomesticated to Switzerland on 15 October 2013, becoming subject to Swiss law without liquidation and re-establishment. The Company has branches in Australia, Bermuda, the United Kingdom and the United States and has three subsidiaries, as detailed in Note 3.

On 22 March 2019, RRHL and RRSUKL acquired Tokio Millennium Re AG, its subsidiaries and affiliate, Tokio Millennium Re (UK) Limited, pursuant to the Stock Purchase Agreement ("SPA"), dated 30 October 2018, by and among RRHL, Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNF"), and (solely with respect to certain provisions thereof) Tokio Marine Holdings, Inc., a Japanese joint stock company and parent of TMNF, (the "Acquisition"). Following the Acquisition, Tokio Millennium Re AG changed its name to RenaissanceRe Europe AG.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the OR (Art. 957-963b OR, applicable as of 1 January 2013). Apart from the Swiss Code of Obligations, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a AVO-FINMA, applicable as of 15 December 2015) have been applied.

2. Accounting principles

The Company's accounting principles are in line with those prescribed by the OR and AVO-FINMA. They are consistent with those applied in the previous year. The accounting and valuation principles applied for the main balance sheet items are as follows:

(a) Investments

Fixed interest securities are valued at amortised cost less required impairments.

Shares and other investments (short-term investments, absolute return fund) are valued at fair value.

All other investments (limited partnerships and limited liability companies) are valued at the lower of cost and market value.

Participations are valued at cost.

(b) Receivables and payables from derivative financial instruments

Receivables and payables from derivative financial instruments are booked at nominal value.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at amortised cost. Carrying amounts approximate nominal value due to the short-term nature and high liquidity of the instruments.

(d) Deferred acquisition costs

Acquisition costs, mainly commission and brokerage, related to unearned premiums are deferred and amortised to income over the periods in which the premiums are earned. The method followed in determining the deferred acquisition costs limits the amount of the deferral to its realisable value, by giving consideration to losses and expenses expected to be incurred as premiums are earned.

(e) Reinsurance receivable

Reinsurance receivable are recorded net of commissions, brokerage, premium taxes and other levies on premium, unless the contract specifies otherwise, and are booked at nominal value. These balances are reviewed for impairment, with any impairment losses recognised as an expense in the period in which it is determined. The position mainly consists of receivables from insurance companies and brokers.

(f) Derivative assets and liabilities

Assets and liabilities in derivative financial instruments comprise reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments and are accounted based on the lower of cost or market value principle. However, for back-to-back deals where the company enters into two identical, but opposite directed derivatives, both derivatives were recorded at market value.

(g) Deposit assets and liabilities

Certain contracts do not transfer sufficient insurance risk and are accounted for using the deposit method of accounting. Management exercises judgment in determining whether contracts contain sufficient risk to be accounted for as reinsurance contracts. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. In subsequent periods, the deposit asset or liability is adjusted by calculating the effective yield on the deposit to reflect actual receipts or payments to date and future expected receipts or payments.

Notes to Financial Statements

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

(h) Technical provisions

Technical provisions comprise unearned premium reserves, outstanding losses and loss expense reserves and equalisation reserves

Outstanding losses and loss expenses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance companies plus a provision for losses incurred but not reported ("IBNR"). The IBNR provision is estimated by management based on reports from industry sources, including initial estimates of aggregate industry losses, individual loss estimates received from ceding companies and brokers, output from commercially available catastrophe loss models and actuarial analysis using historical data available to the Company on the business assumed together with industry data.

Unearned premium reserves are earned over the period of exposure to risk of the underlying contract.

Equalisation reserves are set in accordance with Article 54b of the ISO and FINMA Circular 2011/3. These reserves are booked in addition to the best estimate for claims reserves.

(i) Non-technical provisions

In future years, this general provision is released to the extent that it offsets any net unrealised losses.

(j) Foreign currency translation

The functional currency of the Bermuda and U.S. operations is the U.S. dollar. The functional currencies of the Company's Swiss, Australian and U.K. operations are the Euro, Australian dollar and Pound Sterling, respectively. The Company's reporting currency is the U.S. dollar under the accounting principles generally accepted in the United States of America ("US GAAP"). For the Swiss OR annual financial statements, assets and liabilities are converted into Swiss francs at year-end exchange rates. Income and expenses are converted into Swiss francs at average exchange rates for the reporting year.

The following table shows the main foreign exchange rates used:

Exchange rates in USD per 1 of foreign currency		2020		2019	
		Closing Rate	Average Rate	Closing Rate	Average Rate
Australian dollar	AUD	0.77	0.69	0.70	0.69
British pound	GBP	1.37	1.29	1.31	1.28
Euro	EUR	1.22	1.15	1.12	1.12
Swiss Franc	CHF	1.13	1.07	1.03	1.01

3. Participations

Name of Subsidiary	Domicile	Description	Share Capital		Percentage Ownership
			CHF	USD	
RenaissanceRe Solution Management Ltd	Bermuda	Management Services Company	10.7	12.0	100%
Shima Reinsurance Ltd	Bermuda	Class 3 Segregated Accounts Company	106.5	120.0	100%
RenaissanceRe Management, Inc.	United States	Management Services Company			100%

The total book value of participations as at 31 December 2020 was CHF 0.1 million/USD 0.1 million (2019 – CHF 0.1 million/USD 0.1 million). The voting rights are 100% held by RREAG.

4. Other investments

Other investments comprise of the following:

	2020	2020	2019	2019
	CHF	USD	CHF	USD
Short-term investments (i)	42,895	48,480	73,947	76,281
Investment in limited partnerships	166,483	188,158	-	-
	209,379	236,639	73,947	76,281

(i) Short-term investments comprise of money market funds and short-term fixed deposits.

Notes to Financial Statements

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

5. Reinsurance receivable

Reinsurance receivable comprise the following:

	2020	2020	2019	2019
	CHF	USD	CHF	USD
Receivable from insurance companies	553,222	625,248	496,798	512,480
Bad debt reserve	<u>(38,726)</u>	<u>(43,767)</u>	<u>(34,776)</u>	<u>(35,874)</u>
	<u>514,496</u>	<u>581,481</u>	<u>462,022</u>	<u>476,606</u>

6. Technical provisions

Technical provisions comprise the following:

	2020			2019		
	CHF			CHF		
	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Unearned premiums ⁽¹⁾	485,992	(182,887)	303,105	398,679	(22,111)	376,568
Outstanding losses and loss expenses	2,210,400	(989,478)	1,220,922	2,499,441	(1,286,389)	1,213,052
Equalisation reserves	<u>68,244</u>	<u>-</u>	<u>68,244</u>	<u>74,770</u>	<u>-</u>	<u>74,770</u>
	<u>2,764,636</u>	<u>(1,172,365)</u>	<u>1,592,271</u>	<u>2,972,890</u>	<u>(1,308,500)</u>	<u>1,664,390</u>

	2020			2019		
	USD			USD		
	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Unearned premiums ⁽¹⁾	549,265	(206,698)	342,567	411,264	(22,809)	388,455
Outstanding losses and loss expenses	2,498,181	(1,118,303)	1,379,879	2,578,337	(1,326,996)	1,251,341
Equalisation reserves	<u>77,131</u>	<u>-</u>	<u>77,131</u>	<u>77,131</u>	<u>-</u>	<u>77,131</u>
	<u>3,124,577</u>	<u>(1,325,001)</u>	<u>1,799,576</u>	<u>3,066,732</u>	<u>(1,349,805)</u>	<u>1,716,927</u>

Changes in technical provisions, included as part of net claims and claim expenses incurred in the income statement for the years 2020 and 2019, were related to changes in outstanding losses and loss expense reserves and equalisation reserves.

⁽¹⁾ 2019 Unearned premium contains (CHF 147.7 million/USD 152.3 million) of accounting policy alignment adjustments following the adoption of the RenRe's Group methodology for the recognition of premium on proportional and non proportional business.

7. Non-technical provisions

Non-technical provisions comprise the following:

	2020	2020	2019	2019
	CHF	USD	CHF	USD
Translation gains on shareholders' equity	-	-	26,348	27,179
Unrealised gains on investment assets	-	-	114,370	117,980
Other non-technical adjustments	<u>131</u>	<u>4,202</u>	<u>(4,315)</u>	<u>(5,777)</u>
	<u>131</u>	<u>4,202</u>	<u>136,403</u>	<u>139,382</u>

Notes to Financial Statements

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

8. Reinsurance payable

Reinsurance payable as at 31 December 2020 and 2019 comprise of liabilities to insurance/reinsurance companies.

9. Receivables from and payables to related parties

Transactions were conducted with related parties during the year and were based on arms' length arrangements.

At the balance sheet date, there were receivables from and payables to related parties, as follows:

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	CHF	USD	CHF	USD
Reinsurance receivable	85,835	97,010	573,720	591,830
Loans	177,900	201,062	122,119	125,974
Other investments	166,483	188,158	-	-
Reinsurance payable	114,569	129,486	575,123	593,278
Other liabilities	13,317	15,051	20,702	21,356

10. Statement of changes in equity

	<u>Share capital</u>	<u>Statutory capital reserves</u>	<u>Voluntary profit reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	CHF	CHF	CHF	CHF	CHF
Balance 1 January 2019	227,675	279,659	-	69,734	577,068
Loss	-	-	-	(52,372)	(52,372)
Balance 31 December 2019	227,675	279,659	-	17,362	524,696
Capital contribution	-	132,720	-	-	132,720
Profit	-	-	-	67,142	67,142
Balance 31 December 2020	<u>227,675</u>	<u>412,379</u>	<u>-</u>	<u>84,504</u>	<u>724,558</u>

	<u>Share capital</u>	<u>Statutory capital reserves</u>	<u>Voluntary profit reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	USD	USD	USD	USD	USD
Balance 1 January 2019	231,260	284,062	-	71,401	586,723
Loss	-	-	-	(52,699)	(52,699)
FX translation adjustment	3,602	4,424	-	534	8,560
Balance 31 December 2019	234,862	288,486	-	19,236	542,584
Capital contribution	-	150,000	-	-	150,000
Loss	-	-	-	71,829	71,829
FX translation adjustment	22,455	27,583	-	386	50,424
Balance 31 December 2020	<u>257,317</u>	<u>466,069</u>	<u>-</u>	<u>91,451</u>	<u>814,837</u>

11. Audit fees

The audit fees for the year amounted to CHF 0.6 million/USD 0.7 million (2019 – CHF 1.2 million/USD 1.2 million). The fees exclude outlays and VAT.

The audit fees included fees for engagements with a direct or indirect connection to a current or future audit engagement and fees for audit-related activities.

Notes to Financial Statements

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

12. Investment income and expense

	CHF						
	Income	Realised gains	Total income	Expense	Realised losses	Unrealised losses ⁽¹⁾	Total expense
31 December 2020							
Fixed interest securities	31,946	199,218	231,163	-	4,575	38,151	42,726
Shares	-	-	-	-	-	-	-
Other investments	18,096	-	18,096	-	-	136	136
Investment management fees	-	-	-	1,886	-	-	1,886
Dividend income from participation	-	-	-	-	-	-	-
	50,041	199,218	249,259	1,886	4,575	38,287	44,748

	USD						
	Income	Realised gains	Total income	Expense	Realised losses	Unrealised losses ⁽¹⁾	Total expense
31 December 2020							
Fixed interest securities	34,176	213,124	247,300	-	4,895	40,814	45,709
Shares	-	-	-	-	-	-	-
Other investments	19,359	-	19,359	-	-	146	146
Investment management fees	-	-	-	2,017	-	-	2,017
Dividend income from participation	-	-	-	-	-	-	-
	53,534	213,124	266,659	2,017	4,895	40,960	47,872

(1) Unrealised losses include impairment losses of CHF 13.9 million (Fixed interest securities - CHF 13.9 million)

	CHF						
	Income	Realised gains	Total income	Expense	Realised losses ⁽¹⁾	Unrealised losses ⁽¹⁾	Total expense
31 December 2019							
Fixed interest securities	52,052	34,579	86,631	-	14,310	82,692	97,002
Shares	-	3,570	3,570	-	613	-	613
Other investments	6,697	2,883	9,580	-	-	367	367
Investment management fees	-	-	-	1,712	-	-	1,712
Dividend income from participation	2,941	-	2,941	-	-	-	-
	61,690	41,032	102,722	1,712	14,923	83,059	99,694

	USD						
	Income	Realised gains	Total income	Expense	Realised losses ⁽¹⁾	Unrealised losses ⁽¹⁾	Total expense
31 December 2019							
Fixed interest securities	52,377	34,795	87,172	-	14,399	83,208	97,607
Shares	-	3,593	3,593	-	617	-	617
Other investments	6,739	2,900	9,639	-	-	370	370
Investment management fees	-	-	-	1,722	-	-	1,722
Dividend income from participation	2,959	-	2,959	-	-	-	-
	62,075	41,288	103,363	1,722	15,016	83,578	100,316

(1) Unrealised losses include impairment losses of CHF 1.8 million (Fixed interest securities - CHF 1.8 million)

13. Depreciation of property and equipment and amortisation of intangible assets

The depreciation expense on property and equipment and amortisation expense on intangible assets, as included in general and administrative expenses in the income statement, were as follows:

	2020	2020	2019	2019
	CHF	USD	CHF	USD
Depreciation of property and equipment	380	407	1,441	1,450
Amortisation of intangible assets	37	40	1,067	1,074
	417	447	2,508	2,524

Notes to Financial Statements

31 December 2020 and 2019

(Expressed in thousands of Swiss Francs and US Dollars)

14. Restricted assets and commitments*Restricted assets*

In the normal course of business, fixed interest securities and cash and cash equivalents with fair value of CHF 478.5 million/USD 540.8 million as at 31 December 2020 (2019 – CHF 491.5 million/USD 507.1 million), were deposited in trust for the benefit of ceding companies and credit institutions.

Commitments

Effective 27 March 2018, the Company entered into a letter of credit facility agreement ('Credit Suisse Facility') with Credit Suisse (Switzerland) Ltd. ('Credit Suisse'). Effective 26 June 2020 the facility increased to USD 200 million. At 31 December 2020, Credit Suisse has issued letters of credit of CHF 170.9 million/USD 193.1 million (2019 – CHF 107.7 million/USD 111.1 million).

Effective January 2020, the Mizuho Bank letter of credit facility was cancelled. At 31 December 2019, Mizuho Bank had issued letters of credit of CHF 71.7 million/USD 73.9 million in favour of ceding companies used to support the Company's reinsurance obligations.

Effective January 2020, the Mitsubishi Bank letter of credit facility was cancelled. At 31 December 2019, Mitsubishi Bank had issued letters of credit of CHF 64.9 million/USD 67.0 million in favour of ceding companies used to support the Company's reinsurance obligations.

Effective 22 March 2019, the Company entered into a letter of credit facility agreement with Citibank Europe. At 31 December 2020, Citibank had issued letters of credit of CHF 232.2 million/USD 262.4 million (2019 – CHF 259.9 million/USD 268.1 million) in favour of ceding companies.

15. Lease obligations

The Company leases office space under operating leases which expire at various dates. The Company renews and enters into new leases in the ordinary course of business as required.

Future minimum lease payments under the leases are expected to be as follows:

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	CHF	USD	CHF	USD
1 to 5 years	3,986	4,505	4,986	5,144
More than 5 years	-	-	233	240
	<u>3,986</u>	<u>4,505</u>	<u>5,219</u>	<u>5,384</u>

The above lease agreements also include a maintenance commitment. Maintenance expense for the current year amounts to CHF 0.0 million/USD 0.0 million (2019 – CHF 0.2 million/USD 0.2 million) which has been included in general and administrative expenses.

Some lease agreements for office space provide an option to extend the lease beyond the expiration date.

16. Full-time equivalents and personnel expenses

The average number of full-time equivalents for the year ended 31 December 2020 was 35.0 (2019 – 41.8).

Personnel expenses for the year ended 31 December 2020 amounted to CHF 17.9 million/USD 19.2 million (2019 – CHF 61.7 million/USD 62.1 million).

17. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of 31 December 2020, through to the date the financial statements were authorised for issue. There were no subsequent events that would warrant an adjustment to the financial statements.

RENAISSANCERE EUROPE AG**Proposed appropriation of retained earnings****31 December 2020 and 2019**

(Expressed in thousands of Swiss Francs and US Dollars)

Appropriation of retained earnings

	<u>2020</u> CHF	<u>2020</u> USD	<u>2019</u> CHF	<u>2019</u> USD
Retained earnings or profit carried forward	17,362	19,622	69,734	71,935
Profit (loss) for the year	<u>67,142</u>	<u>71,829</u>	<u>(52,372)</u>	<u>(52,699)</u>
Retained earnings at the end of the year	<u><u>84,504</u></u>	<u><u>91,451</u></u>	<u><u>17,362</u></u>	<u><u>19,236</u></u>

The Board of Directors proposes to carry forward the retained earnings.

Allocation of statutory capital reserves

	<u>2020</u> CHF	<u>2020</u> USD	<u>2019</u> CHF	<u>2019</u> USD
Legal reserve ⁽²⁾	113,837	128,658	113,837	117,430
Reserves from capital contributions	<u>298,542</u>	<u>337,411</u>	<u>165,822</u>	<u>171,056</u>
Statutory capital reserves at the end of the year	<u><u>412,379</u></u>	<u><u>466,069</u></u>	<u><u>279,659</u></u>	<u><u>288,486</u></u>

The Board of Directors proposes to carry forward the statutory capital reserves.

⁽¹⁾ No dividend will be declared for the 2020 financial year.

⁽²⁾ In accordance with the Swiss Code of Obligations, RREAG's legal reserves are equivalent to 50% of its share capital.