RenaissanceRe Europe AG

Financial Condition Report Year ended 31 December 2019

30 April 2020

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Note on forward-looking statements

This Financial Condition Report ("FCR") for the year ended 31 December 2019 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, this FCR may include certain forward-looking statements in the discussion and analysis of the Company's financial condition and results of operations 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 the Company's business and industry, such as those relating to the Company's strategy and management objectives, market standing and product volumes, competition and new entrants in the Company's 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 the Company or any other person that the Company's current objectives or plans will be achieved. Numerous factors could cause the Company's actual results to differ materially from those addressed by the forward-looking statements, including the following:

- The frequency and severity of catastrophic and other events the Company covers
- The effectiveness of the Company's claims and claim expense reserving process
- The effect of climate change on the Company's business, including the trend towards increasingly frequent and severe climate events
- The Company's ability to maintain its 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 coverage that the Company intended to obtain
- The Company's reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of its revenue
- The Company's exposure to credit loss from counterparties in the normal course of business
- The effect of continued challenging economic conditions throughout the world
- Soft reinsurance underwriting market conditions
- The performance of the Company's investment portfolio
- The Company's ability to retain its key senior officers and to attract or retain the executives and employees necessary to manage its business
- Foreign currency exchange rate fluctuations
- Changes in the method for determining the London Inter-bank Offered Rate ("LIBOR") and the potential replacement of LIBOR
- Losses the Company could face from terrorism, political unrest or war
- The effect of cybersecurity risks, including technology breaches or failure, on the Company's business
- The Company's ability to successfully implement its business strategies and initiatives
- The Company's ability to determine any impairments taken on its investments
- The effects of inflation

- The effect of operational risks, including system or human failures
- The Company's ability to raise capital if necessary
- The Company's ability to comply with covenants in its debt agreements
- Changes to the regulatory systems under which the Company operates including as a result of increased global regulation of the insurance and reinsurance industries
- The cyclical nature of the insurance and reinsurance industries
- Consolidation of competitors, customers and insurance and reinsurance brokers
- Other political, regulatory or industry initiatives adversely impacting the Company
- The Company's 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 the Company's taxes and reporting requirements
- The effect of the vote by the United Kingdom to leave the EU
- Changes in regulatory regimes and accounting rules that may impact financial results irrespective of business operations
- The Company's need to make many estimates and judgments in the preparation of its financial statements.

As a consequence, the Company's future financial condition 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 the Company undertakes 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

On 22 March 2019 (the "Closing Date"), RenaissanceRe Holdings Ltd. ("RRHL") and RenaissanceRe Specialty Holdings (UK) Limited 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, TMNF as Reinsurer, and TMR and TMRUK (collectively, "Cedants"), entered into a USD 500m 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.

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 2019. 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, whereas for previous years the financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS").

The Company ended 2019 with a net loss after tax of CHF 52.4 million (USD 52.7 million), compared to a profit after tax of CHF 69.7 million (USD 71.4 million) in 2018. This was primarily driven by a loss on the technical result of CHF 110.4 million against a profit of CHF 20.5 million in 2018.

The gross premiums written during 2019 were lower following a change in strategy triggered by the Acquisition of the Company, such as non-renewal of certain lines of business outside of the RenaissanceRe Group ("RenaissanceRe") appetite or the shifting of business to other group balance sheets, making use of post-Acquisition synergies and allowing for more cost-efficient underwriting. The reduction in premium together with the cost of the RDA of CHF 79.1 million (USD 79.6 million) resulted in lower net premiums earned by the Company.

On incurred claims, the Company experienced adverse development on certain prior year catastrophe loss events, such as the New Zealand earthquakes and Hurricane Irma. In addition, in the year there was the recognition of the adverse reserve development in the non-catastrophe book, following a detailed reserve review undertaken by the Company, which contributed to the technical loss. This reserve development was partly offset by the booked recoveries from the RDA. These developments influenced the loss ratio by 10 points compared to prior year (2019 being at 70.9%), which then ultimately led to a combined ratio of 111.0% in 2019 compared to 98.3% in 2018.

The investment portfolio performed well but was impacted by the provisioning of unrealised gains of CHF 117 million (USD 118 million) when applying the accounting standards of the Swiss OR, which led to a decrease of 93% in net investment income. Hence, net investment income for 2019 was CHF 3.0 million (USD 3.0 million), compared to CHF 43.3 million (USD 44.4 million) in 2018.

The Company's capitalisation remained strong with shareholder's equity of CHF 524.7 million (USD 542.6 million) and total assets over CHF 4 billion (USD 4.2 billion) at the end of 2019.

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 2019 was Ernst & Young AG ("EY"), with its registered office located at Maagplatz 1, 8005 Zurich, Switzerland.

D. Business strategy and objectives

The Acquisition has been well received by brokers and ceding companies, with minimal impact to the continuation of desired business.

Following several years of downward pricing pressure in the reinsurance market, market factors have led to a more favourable pricing environment for property catastrophe risks. Factors include three consecutive years of large Nat Cat loss events, broad market underwriting discipline and contraction in available retrocession due to general contraction in third party capital. This more positive rating environment is, however, not currently reflected with cedants in the continental European market due to continued pricing pressure following years without large events in that market. Non-catastrophe property is also expected to see improved terms in the near future due to less positive results in previous year. At the same time, for casualty lines, constrained supply, social inflation and a trend towards large U.S. jury verdicts is resulting in positive rate movement in the casualty market. The Company aims to largely avoid or reduce exposure to the classes of business that are most impacted by social inflation. There is also new traditional reinsurance capacity entering the market in Europe which may result in continued pricing pressure. Merger & Acquisition activity continues, sub-scale companies being possible acquisition targets often seen as a viable source of portfolio growth.

The Company participates in various excess of loss property catastrophe, workers' compensation catastrophe, crop/hail and terrorism reinsurance contracts. The Company also offers non-catastrophe property and casualty covers on both proportional and per risk excess of loss treaties. Casualty lines of business include motor, general liability, excess casualty, commercial and personal auto, employer's liability, professional liability, workers' compensation, directors and officers, errors and omissions and medical malpractice. In addition, the Company assumes specialty risks such as credit and marine. The Company also provides non-traditional customised reinsurance and financial solutions for its clients' worldwide property and casualty exposures. The Company'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 further access to well-structured risks in Europe and Australia. To achieve this, the Company is embedded within RenaissanceRe's integrated system of risk and capital.

The Company uses proprietary tools to further improve its risk selection while continuing to clearly define, allocate and measure downside risk limits.

Where has been more efficient to do so, certain business has migrated onto different balance sheets within RenaissanceRe, applying RenaissanceRe's Gross-Ceded-Net strategy and underwriting framework. Similarly, the Company has benefited from the migration of other legacy RenaissanceRe business to the Company.

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 the Company. Additionally, the Company ensures clear vision over lines of business and clarity over portfolio ownership.

Post-Acquisition, a decision was taken to put the US branch of the Company into run-off, by:

- Transferring the US casualty portfolio, via a Loss Portfolio Transfer ("LPT"), to Renaissance Reinsurance US Inc. ("RRUSI"), a Maryland domiciled company
- Running off the remaining short tailed property/specialty business
- Renewing certain expiring US treaties with RRUSI, until all liabilities are extinguished through novation, commutation or expiration (together referred to as the "US LPT").

The deployment of the Bermuda branch of the Company will also reduce materially with related legacy business, within RenaissanceRe appetite, having been mostly renewed with Renaissance Reinsurance Ltd. ("RRL"), a Bermuda domiciled company. The branch will continue to write some limited new business.

Post-Acquisition, RenaissanceRe did not have an appetite for the fronted or sourced business that was historically written by the Company (the "TPC" business). As a result, the TPC business has been put into run off, with a significantly reduced in-force aggregate limit remaining as at year-end.

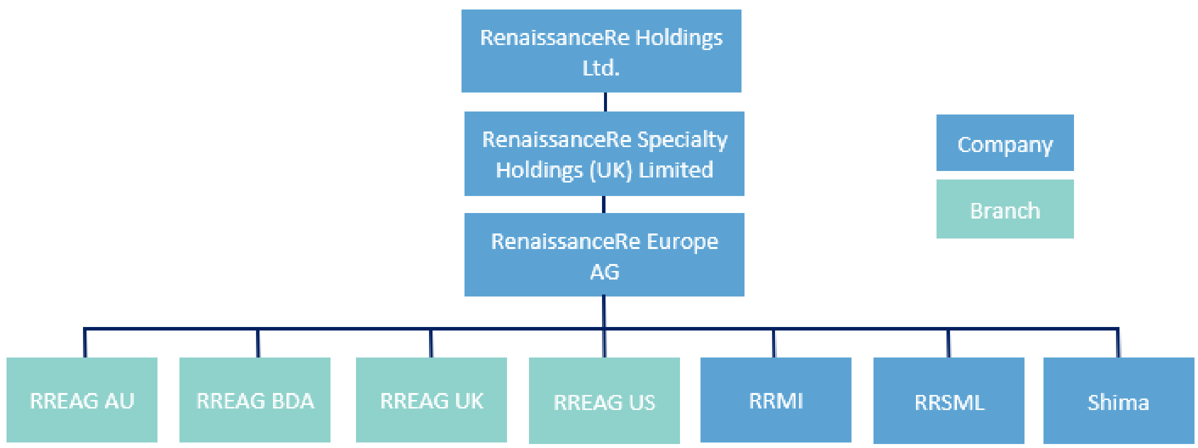
Despite the non-renewal of the Company's UK motor book, significant growth is expected in the UK branch, and also from the Company's Swiss office, through the renewal and transfer of certain existing European business which is currently being written on other RenaissanceRe balance sheets, as well as other business which is deemed more efficient on these vehicles. The Company aims to continue to build out a diversified, profitable underwriting portfolio by:

- Continuing to balance its catastrophe exposures with US property catastrophe contracts written outside the US being renewed onto other RenaissanceRe balance sheets
- Invoking the Company's US run-off strategy by transferring the US casualty portfolio, via the US LPT, to RRUSI
- Reducing its relative exposure to UK and US auto business by the non-renewal of this business
- Reshaping other international motor business in line with target metrics
- Transferring existing European non-CAT business, currently written on other RenaissanceRe balance sheets and

potential new European business to the Company's balance sheet
- Continuing growth in specialty products such as marine, credit & surety, terrorism, professional lines
- Continuing to run-off the TPC business
- Ongoing development of pricing tools, leveraging new Renaissance Re capabilities and the use of steering and underwriting/pricing workflow initiatives which have contributed to more efficient processing, better data quality and supported decision making.

E. Ownership details and group structure

The Company is a wholly owned subsidiary of RenaissanceRe Specialty Holdings (UK) Limited. The ultimate parent is RenaissanceRe Holdings Ltd., a Bermuda-domiciled holding company.



The Company has four branches and three wholly owned subsidiaries:

- RenaissanceRe Europe AG, Australia Branch ("RREAG AU")
- RenaissanceRe Europe AG, Bermuda Branch ("RREAG BDA")
- RenaissanceRe Europe AG, UK Branch ("RREAG UK")
- RenaissanceRe Europe AG, US Branch ("RREAG US")
- 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.

Shima operates segregated accounts that allowed external investors to access reinsurance business. RRSML manages the operations of Shima and other vehicles for which it earns a fee. 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:

II. Business activities (continued)

- RREAG BDA, RRSML, 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 2019 and 2018 are shown below:

Technical result in '000	**CHF 2019**	USD 2019	**CHF 2018**	USD 2018
Gross premiums written	**969,214**	975,261	**1,588,220**	1,626,174
Net premiums written	**818,915**	824,025	**1,151,755**	1,179,279
Net premiums earned	**1,000,581**	1,006,825	**1,237,329**	1,266,898
Net acquisition expenses	**(300,369)**	(302,244)	**(333,739)**	(341,715)
Net losses incurred	**(709,437)**	(713,863)	**(753,635)**	(771,645)
Net other underwriting result	**19,113**	19,233	**(8,479)**	(8,681)
General and administrative expenses	**(120,294)**	(121,045)	**(120,958)**	(123,849)
Technical result	**(110,406)**	(111,094)	**20,518**	21,008

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 2019 and 2018 are as follows:

Technical result in '000	**CHF 2019**	USD 2019	**CHF 2018**	USD 2018	**CHF Variance**	USD Variance
FINMA Line of Business						
Personal accident	**(961)**	(967)	**26**	27	**(987)**	(994)
Motor	**(1,482)**	(1,491)	**(6,340)**	(6,491)	**4,858**	5,000
Marine, aviation and transport	**(4,821)**	(4,851)	**1,087**	1,113	**(5,908)**	(5,964)
Property	**43,988**	44,262	**115,703**	118,468	**(71,715)**	(74,206)
Casualty	**(44,202)**	(44,477)	**17,038**	17,445	**(61,240)**	(61,922)
Miscellaneous	**17,399**	17,475	**13,962**	14,295	**3,404**	3,180
Subtotal	**9,888**	9,951	**141,476**	144,857	**(131,588)**	(134,906)
General and administrative expenses	**(120,294)**	(121,045)	**(120,958)**	(123,849)	**664**	2,804
Technical result	**(110,406)**	(111,094)	**20,518**	21,008	**(130,924)**	(132,102)

Overall underwriting performance deteriorated in 2019 with a technical loss of CHF 110.4 million (USD 111.1 million) compared to a profit of CHF 20.5 million (USD 21.0 million) in 2018. This was driven by a decrease of 19.1% in net earned premium to CHF 1'000.6 million (USD 1,006.8 million) from CHF 1,237.3 million (USD 1,266.9 million) in 2018. The decrease was primarily due to the non-renewal of certain lines of business which were not within RenaissanceRe's appetite or the shifting of business to other group balance sheets as well as the recognition of the RDA premium. In comparison the 2018 technical result was positively influenced by release of reserves for CHF 53.9 million (USD 55.2

million).

Net claims and claim expenses incurred decreased by 5.9% to CHF 709’437 million (USD 713’863 million) in 2019, whereas in 2018 it was CHF 753’635 (USD 771’645 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, based upon a proactive reserve review undertaken by the Company. In the catastrophe book there was adverse development on the prior year events such as the New Zealand earthquakes and Hurricane Irma.

Refer to section *I., Executive Summary*, above for general commentary on the Company’s 2019 results. Additional information on material one off expenses incurred in the financial year 2019 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		**CHF**	USD	
	2019 Gross premiums written	2019 Gross premiums written	**2019 Percentage of total**	**2018 Gross premiums written**	2018 Gross premiums written	**2018 Percentage of total**
FINMA Line of business						
Personal accident	**9,973**	10,035	1	**12,542**	12,842	0.8
Motor	**154,173**	155,135	15.9	**261,541**	267,791	16.5
Marine, aviation and transport	**34,177**	34,391	3.5	**29,075**	29,770	1.8
Property	**374,139**	376,474	38.6	**824,036**	843,728	51.9
Casualty	**344,366**	346,514	35.5	**414,586**	424,494	26.1
Miscellaneous	**52,386**	52,712	5.5	**46,440**	47,549	2.9
Total	**969,214**	975,261	**100.0**	**1,588,220**	1,626,174	**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. 2018 gross premiums written are based on the TMR recognition of premium.

The largest segment written by the Company has historically been Property (including Property catastrophe), which represented 38.6% of gross premiums written for the year ended 31 December 2019. In comparison to the prior year, the Company’s underwriting book decreased due to the following: i) a 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 (and especially the TPC business, which was put into run off); ii) a strong decline of casualty business especially UK Motor, US General Liability and US Motor lines of business (this process has been facilitated and accelerated by the US LPT which included unearned business); this is in line with RenaissanceRe’s strategy when acquiring TMR and due to low risk appetite for these lines of business; iii) 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; and the alignment of gross premiums written to RenaissanceRe's methodology for the recognition of premium on proportional and non-proportional business.

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 2019 Gross premiums written	USD 2019 Gross premiums written	2019 Percentage of total	CHF 2018 Gross premiums written	USD 2018 Gross premiums written	2018 Percentage of total
Geographic area of risk insured						
North America	**518,588**	521,824	53.5	**1,012,914**	1,037,120	63.8
Europe	**202,501**	203,765	20.9	**261,189**	267,431	16.4
Worldwide	**183,237**	184,380	18.9	**211,380**	216,431	13.3
Australasia	**41,816**	42,077	4.3	**67,978**	69,602	4.3
Asia	**19,052**	19,170	2.0	**30,711**	31,445	1.9
Other	**4,020**	4,045	0.4	**4,048**	4,145	0.3
Total	**969,214**	975,261	**100.0**	**1,588,220**	1,626,174	**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. 2018 gross premiums written are based on the TMR recognition of premium.

The Company's largest exposure has been to the North American market, which represented 53.5% of its gross premiums written for the year ended 31 December 2019.

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 (whereas in 2018 classified as available for sale). 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 2019 and 2018 are as follows:

III. Performance (continued)

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-18

CHF '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income
Fixed interest securities	76,513	4,478	*80,991*	0	(5,301)	(35,917)	*(41,218)*	39,773
Shares	991	3,150	*4,141*	0	(674)	(398)	*(1,072)*	3,069
Other investments	2,654	496	*3,150*	0	(168)	0	*(168)*	2,982
Investment management fees	0	0	*0*	(8,053)	0	0	*(8,053)*	(8,053)
Dividend income from participation	5,564	0	*5,564*	0	0	0	*0*	5,564
Net investment income	85,722	8,124	*93,846*	(8,053)	(6,143)	(36,315)	*(50,511)*	43,335

III. Performance (continued)

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

31-Dec-18 USD '000	Income	Realised gains	Total income	Expense	Realised losses	Unrealized losses	Total expense	Net income
Fixed interest securities	78,341	4,585	82,926	0	(5,428)	(36,775)	(42,203)	40,723
Shares	1,015	3,226	4,241	0	(690)	(408)	(1,098)	3,143
Other investments	2,717	508	3,225	0	(172)	0	(172)	3,053
Investment management fees	0	0	0	(8,245)	0	0	(8,245)	(8,245)
Dividend income from participation	5,697	0	5,697	0	0	0	0	5,697
Net investment income	87,770	8,319	96,089	(8,245)	(6,290)	(37,183)	(51,718)	44,371

III. Performance (continued)

As mentioned in the Executive Summary above, the net investment income decreased by 93% compared to the prior year, primarily due to the provisioning of unrealised gains of CHF 117 million (USD 118 million). Additional contributors were a decrease in investment assets from the liquidation of the 'Delphi' portfolio to fund the pre-closing dividend payment (USD 419.3m), a transfer of assets for the US LPT and a reduction in fixed-interest securities as part of the re-allocation of RenaissanceRe balance sheets, which corresponds to the reduction in the premiums assumed by the Company in 2019 compared to 2018. In addition, there was an increase 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 2019, the Company also incurred one-off costs in relation to the Acquisition in the amount of CHF 54.6 million (USD 55.9 million). These costs were composed of compensation related expenses, audit fees, actuarial fees, fixed assets impairments, parental guarantees, legal and regulatory fees.

Refer to section *I., Executive Summary*, above for commentary on the Company's 2019 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 2019:

A. Board of Directors, Executive Committee and other committees

The following is a description of the Company's governance structure as of 31 December 2019:

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. The US Branch Audit Committee

The US Branch Audit Committee was responsible for overseeing the accounting and financial reporting processes of the US Branch and assessing the auditing of the statutory financial statements of the US Branch.

iv. 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 Reserving Committee.

v. 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.

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

There were no material transactions during the year.

IV. Governance and risk management (continued)

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 on-going 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 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 2019, the Company's Board was comprised of 5 Non-Executive Directors, 2 of whom were independent. During the reporting period and as a direct consequence of the Acquisition the entire body of the Board and the senior executive team changed.

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

As of 31 December 2019, the Company's senior executive team comprised the Managing Director & Head of Underwriting, the Head of Finance & Business Operations, the Head of Risk, 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 2019 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 ("RRSM"). Prior to this, Mr Murphy served as CEO of RRSM 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.

Thomas Overtveld
Independent Non-Executive Director

Thomas Overtveld was appointed as an Independent Non-Executive Director of the Board of RREAG in March 2019.

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.

He 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.

Ian Branagan
Non-Executive Director and Vice-Chairman of the Board

Ian Branagan was appointed as a Non-Executive Director and Vice-President of the Board of RREAG in March 2019.

Mr Branagan joined RenaissanceRe in 1998 to open the Dublin office and lead the company's modelling and client risk intelligence activities. He relocated to Bermuda and most recently London, assuming underwriting authority for several classes of business and ultimately becoming Group Chief Risk Officer in 2009.

Prior to joining RenaissanceRe, Mr Branagan led the international activities of Applied Insurance Research Inc. ("AIR"), which included the development and marketing of AIR's catastrophe models and tools. He also worked in the London market at DP Mann Limited, developing pricing and risks analytics. Mr Branagan has a Bachelor of Science degree in Economics and European Economic History from Manchester Metropolitan University. He currently serves as Chair of the Risk Modelling & Mapping Group of the Insurance Development Forum.

Conor McMenamin
Non-Executive Director

Conor McMenamin was appointed as a Non-Executive Director of the Board of RREAG in March 2019.

Mr McMenamin joined RenaissanceRe in 2009 and is the Chief Risk Officer for Property. Mr McMenamin is a reinsurance risk specialist with extensive IT knowledge and is responsible for maintaining an open and positive risk culture within RenaissanceRe's Property Operations worldwide and contributes to Group and Business Unit strategy as it relates to Property. He also serves as a Director on the Board of RenaissanceRe Syndicate Management.

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.

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.

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 ("FCCA").

Senior Executive

Andrea Manella
Managing Director and Head of Underwriting

Andrea Manella was appointed Managing Director & Head of Underwriting of RREAG in March 2019.

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

Mr Manella has held senior positions in the Insurance industry for over 18 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.

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).

Hugh Brennan
COO Europe

Hugh Brennan was appointed as COO Europe of RREAG in March 2019.

Mr Brennan is the Chief Executive Officer of RenaissanceRe Syndicate Management Limited. Prior to this, Mr. Brennan served as Finance Director with ultimate responsibility for the finance function and related processes as they pertain to the London operations of RenaissanceRe. Mr. Brennan 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, Mr Brennan 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.

Jennifer Gray
Head of Risk

Jennifer Gray was appointed as Head of Risk of RREAG in September 2019. Prior to this, Ms Gray was the Responsible Actuary at TMR and previously the Chief Actuary and Chief Risk Officer for TMR (UK) Ltd.

Ms Gray joined TMR in 2011. Ms Gray has held a variety of risk and actuarial positions in consultancy, company and reinsurance markets for over 19 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.

Bryan Dalton

CUO Europe

Bryan Dalton was appointed CUO Europe of RREAG in March 2019.

Mr Dalton has been Active Underwriter of RenaissanceRe's syndicate at Lloyd's since 2014. The syndicate is a multi-line syndicate, covering property, specialty & casualty and writes said classes via both insurance & reinsurance. Mr Dalton also sits on a global underwriting executive team, reporting into the global CUO. Via these roles Mr Dalton is responsible for all aspects of underwriting locally at Lloyd's, but also co-ordinating with RenaissanceRe's global teams & leadership.

Prior to this role Mr Dalton had been 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 started at RenaissanceRe in Dublin in 2002, in a natural catastrophe analyst role.

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:

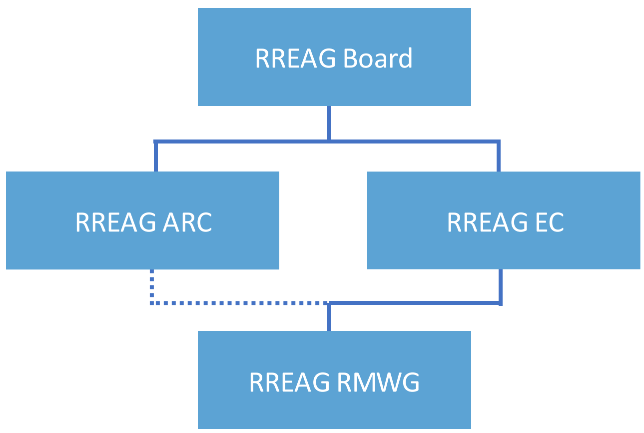
- The Company's risk strategy, as defined by the risk appetite tolerances and limits, in the Risk Management Policy, restricting risk amounts that the Company is willing to accept in pursuing its business strategy
- The Company's risk management organisation and governance
- The Company's risk management 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, as a result of the Acquisition, the following changes have been made:

- Alignment of the risk management processes with RenaissanceRe. As a result, the Risk Management Committee was dissolved by the EC in Q2 2019 and the Risk Management Working Group ("RMWG") was refocused to ensure that the Company's balance sheet risk-related issues are discussed, including new and emerging risks. A new filing was made to FINMA as part of RREAG's Geschäftsplan (business plan)
- Update and alignment of the risk appetite tolerances and limits; risk reporting; and risk policies with RenaissanceRe
- Update of the 2019 Risk Register to reflect changes in risk profile, new processes, risk owners and controls.

Risk Governance Structure

The Risk Function is led and managed by the Head of Risk ("HoR") and is staffed by experienced risk managers. A key element of the risk governance system is the RMWG, which discusses and escalates, via the HoR, 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 HoR 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 Enterprise Risk Management 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 Swiss Solvency Test ("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 basis 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 HoR 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 HoR, 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 HoR 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 IA 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 IA 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, IA 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
- 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 IA function of RREAG is carried out by the Head of Internal Audit – Europe, with support from the wider IA function within RenaissanceRe. The independence of the IA 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 IA function. The IA function is comprised of professional staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of the IA 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 completion of IA projects.

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 the Group'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. This role was brought in-house during 2018 (previously this was outsourced to EY).

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 2019, the Company outsourced the following key functions:

- Investment management.

ii. Material intra-group outsourcing

As of 31 December 2019, the Company had material intra-group outsourcing arrangements with:

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

H. Other material information

No other material information to report.

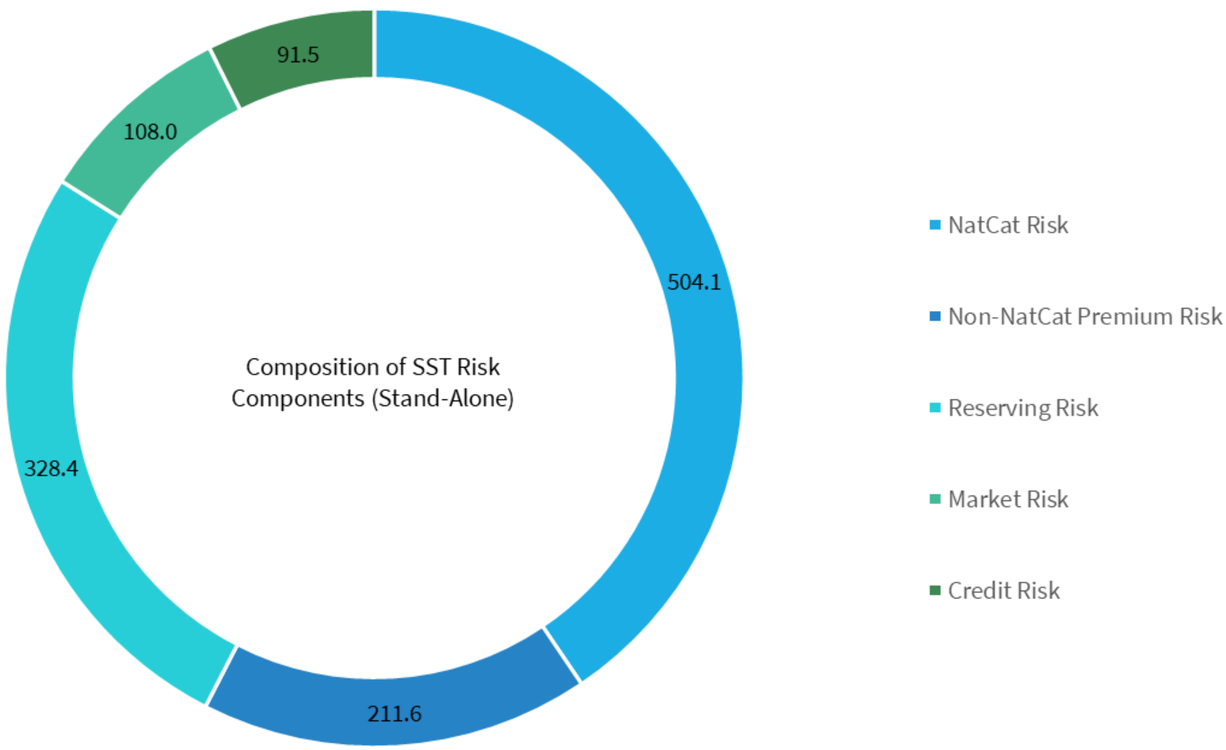
V. Risk Profile

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:

- Underwriting risk including premium risk, 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
- Operational risk
- Strategic risk.

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



i. Underwriting risk

Underwriting risk consists of premium risk, catastrophe risk and reserve risk.

Underwriting 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 underwriting risk and therefore this is the most material risk. The Company's risk limits are defined in its Risk Management Policy for underwriting 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.

Premium Risk

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 pre-RDA under SST at year-end 2019 is USD 211.6m on a standalone basis. The level of non-natural catastrophe premium risk has increased from SST 2019 in line with the business plan and a change in business mix towards more volatile lines of business such as Financial Losses and Marine, Aviation and Transport. There is a large diversification benefit between natural catastrophe and non-natural catastrophe risk.

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.

Catastrophe Risk

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, landslides and terrorist attacks.

Catastrophe risk is classified as a separate and distinct class of underwriting 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 504.1m of SST Target Capital allocated to it on a standalone basis for SST 2020 pre-RDA. US Hurricane 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.

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 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 2020 is USD 328.4m pre-RDA on a standalone basis. The Company has focused on short-tailed property lines of business in the past but now has increased its appetite for longer-tailed casualty and specialty lines of business. The proportion of medium and long-tailed lines of business underwritten by the Company continues to create a shift towards greater proportion of reserving risk in the risk profile. Having said that, reserve risk has decreased from last year following the US LPT.

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. 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. As per section *IV. F., Actuarial function*, above, the Responsible Actuary is responsible for ensuring that adequate technical reserves are established.

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 significant reduction in insurance risk of 14.0% for SST 2020 (not reflected in the standalone figures above). This impact has reduced significantly compared to a 54.1% decrease for SST 2019. The reason for this decrease is that most of the business subject to the RDA has been earned as of 1 January 2020, especially capital-intensive Natural Catastrophe business.

The expected recovery from the RDA is consistently 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 2020 is USD 108.0m on a standalone basis. The decrease in market risk compared to SST 2019 is driven by the US LPT and complete divestment of the former Delphi portfolio which consisted of higher risk investments.

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.

In the reporting period, the Company has divested of 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.

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. 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. The decrease in credit spread risk in the reporting period is driven by the above-mentioned non-core portfolio divestment.

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 2020 is USD 91.5m on a standalone basis. Credit risk decreased in 2019 due to several reasons. First, the former Delphi portfolio consisting of higher credit risk investments has been fully divested. Second, the US LPT decreased the overall investment asset base and hence credit risk. Third, credit risk from non-investment assets, especially premiums receivable, has been decreasing during 2019. Finally, while this trend is reversing, the initial asset allocation post close has been more prudent compared to year end 2018.

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 Group Credit Committee in place, which is chaired by the Group CUO. The 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 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 (99.6% 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.

Some examples of the key operational risks facing the Company include: risk of key person knowledge leaving the Company prior to legacy systems being decommissioned; the Internal Model Approval Process ("IMAP") for the Nat Cat model component for the SST not being approved; group related risks; inaccurate application of processes, models and assumptions related to reserving, pricing, financial processes; 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.

A. 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 HoR. 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 certain exposures are referred to the group chief underwriting officer, currently nuclear, biological, chemical and radiological ("NCBR") risks and unlimited occurrence covers.

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 Probable Maximum Losses ("PMLs") on a gross and net basis, by region and different return periods.

Reinsurance purchases for the Company's non-UK branches is managed at RenaissanceRe and Company level and for the Company's UK branch by RRSM and the Company. 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 Credit Committee, which is chaired by the group chief underwriting officer, reviews credit reports on a quarterly basis setting out:

- Open Limit by Counterparty / Rating
- Recoverable Balances by Counterparty / Rating.

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.

B. Material risk concentrations

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

- Risk Management Policy
- Underwriting Guidelines
- 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.

C. 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.

D. 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: 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
- Deterministic scenarios used for exposure management purposes
- 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. 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, with a bridge performed between the Company’s Swiss OR financial statements and the US GAAP balance sheet. 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 2019 RREAG is not invested in any Equity or Alternative securities.

The following tables show the value of investment assets broken down by asset class. The reduction from the previous year is driven by the US LPT and the pre closing dividend (see section *III. B., Investment performance*, above).

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 2019:

USD '000	US GAAP	MCBS	Delta	Comment
Fixed income securities	1,722,257	1,722,257	–	No adjustment
Loans	125,000	125,000	–	No adjustment
Equities	0	0	–	No adjustment
Alternatives	0	0	–	No adjustment
Cash and cash equivalents	94,324	94,324	–	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 2019:

USD '000	US GAAP	MCBS	Delta	Comment
Reinsurance recoverable	1,303,817	1,202,943	(100,873)	Discounting impact, RDA gross up of prudent estimation, reallocation of US LPT UPR
Capital assets	30,255	–	(30,255)	Intangible assets removed
Prepaid reinsurance premiums	22,809	111,514	88,705	Including the US LPT UPR amount
Deferred acquisition costs ("DAC")	100,924	–	(100,924)	Offset against UPR
Deferred tax asset ("DTA")	(1,867)	–	1,867	DTA removed
Other assets	8,610	8,330	(280)	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 42.5 million from USD 124.8 million to the true economic value of USD 167.3 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 176.1 million of business covered under the RDA. The 95% equals 100% minus the 5% retention under the RDA. The USD 42.5 million lower ceded reserves on the Company's US GAAP balance sheet was 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.

VI. Valuation (continued)

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 its 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 using initial estimates, which are reviewed regularly with respect to the actual premium reported by the ceding company, changes in estimates are recognised in the period 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 2019 is approximately USD 108.3 million. Including this adjustment, the gross value of loss and LAE reserves is USD 2,374.4 million with the corresponding net value being USD 1,171.4 million as of 31 December 2019.

As another adjustment, UPR is offset against DAC as mentioned in section *VI. A., Valuation bases, assumptions and methods to derive the value of each asset class*, above. Including this adjustment, the value of UPR is USD 310.3 million. The total best estimate value of provisions for insurance liabilities as of 31 December 2019 is USD 2,684.7 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 189.4 million and the market consistent value of other liabilities is at USD 242.0 million as of 31 December 2019.

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 2019:

USD '000	US GAAP	MCBS	Delta	Comment
Loss and LAE reserve (gross)	2,482,667	2,374,374	(108,293)	Discounting impact
UPR	411,264	310,340	(100,924)	DAC offset
Deferred tax liability ("DTL")	162	-	(162)	DTL removed

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 2019 is valued at USD 33.0 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 54.7 million. In addition, the MCBS is i) reduced to allow for the ceded UPR of USD 88.7 million under the US LPT and ii) increased by USD 42.5 million for the gross up of the RDA recovery, as conservatively booked under US GAAP to the true economic value of USD 167.3m.

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 DTLs which are removed from the MCBS as are any DTAs. 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

As part of the Company's risk appetite, the Company defines the amount of capital required to meet its internal risk appetite, regulatory and rating agency 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.

As of 31 December 2019, 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 2019.

B. Capital

Shareholder's equity under the Company's US GAAP balance sheet as of 31 December 2019 and under IFRS as of 31 December 2018 are shown in the table below.

Shareholder's equity

USD '000	31 December 2019	31 December 2018
Share capital	250,000	250,000
Contributed surplus	424,503	400,000
Retained earnings	218,435	670,781
Accumulated other comprehensive loss	(12,182)	(63,538)
Total shareholder's equity	**880,755**	**1,257,243**

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 unrealised gain/loss on investments, foreign currency translation reserve and retirement benefit obligation. The drop in retained earnings from 31 December 2018 to 31 December 2019 is related to a pre closing dividend in the amount of USD 419.3m paid to TMNF prior to and as part of the Acquisition.

VIII. Solvency

A. Regulatory capital requirements

The Company evaluates its regulatory solvency position under the SST using a partial internal solvency model. For SST 2020, which is based on the valuation date 31 December 2019, 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. Approval by FINMA has been given to use the partial internal model for the SST 2020. The Company has applied with FINMA for full approval of its natural catastrophe risks internal model component for SST. This IMAP is currently ongoing.

For SST 2020 as was the case for SST 2019, 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 to a lower impact from the RDA as the business covered under the RDA is earning and expiring.

Target Capital key components **USD millions**	**Current Year – SST 2020** **As of 31 December 2019**	**Previous Year – SST 2019** **As of 31 December 2018**
Underwriting risk	516.4	271.3
Market risk	108.0	119.4
Diversification between market and underwriting risk	(85.0)	(86.2)
Credit risk	91.5	157.2
Other effects including expected results and risk margin	(43.6)	4.2
Target Capital	**587.3**	**465.9**

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 2020, 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 is flat for SST 2020 in line with the Company's business plan. Non-natural catastrophe premium risk increases also in line with the business plan due to a shift towards more volatile lines of business such as Financial Losses and Marine, Aviation and Transport. Reserve risk decreases due to the US LPT. Finally, for SST 2020 the impact of the RDA is reducing due to earning and expiring of covered business which is shown in a reduced stand-alone RDA impact and a reduced diversification effect.

Underwriting risk key components USD millions	Current Year – SST 2020 As of 31 December 2019	Previous Year – SST 2019 As of 31 December 2018
Natural catastrophe risk	504.1	506.0
Non-natural catastrophe premium risk	211.6	146.9
Reserve risk	328.4	376.7
Diversification effect	(221.8)	(373.1)
Reserve Development Agreement	(305.9)	(385.2)
Total underwriting risk	**516.4**	**271.3**

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 decreases due to the complete divestment of the Company's non-core investment portfolio. This is especially visible in the reduction of spread risk. While interest rate risk and currency risks increased on a stand-alone basis due to an increase in asset-liability mismatch this is mostly offset by a higher diversification effect.

Market risk key components USD millions	Current Year – SST 2020 As of 31 December 2019	Previous Year – SST 2019 As of 31 December 2018
Interest Rate Risk	77.3	20.7
Spread Risk	67.6	105.4
Currency risk	106.7	29.3
Equity and alternatives risk	0.0	18.4
Diversification effect	(143.6)	(54.5)
Total market risk	**108.0**	**119.4**

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 stays flat compared to last year. The negative impact on the market consistent value of assets minus liabilities from the 2019 financial result is due to the pre-closing dividend (deduction) of USD 419.3 million which has been agreed and paid as part of the Acquisition. The RBC results from the market consistent valuation as described in section *VI., Valuation*, above. No dividend payment is planned for 2020 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 2020 As of 31 December 2019	Previous Year – SST 2019 As of 31 December 2018
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	948.4	1,362.3
Deductions	–	(419.3)
Supplementary capital	–	–
Risk Bearing Capital	**948.4**	**943.0**

As of 31 December 2019, the Company's SST 2020 solvency ratio is at 165.2%[1].

As of 31 December 2018, the Company's SST 2019 solvency ratio was at 209.0% and higher compared to SST 2020, mainly driven by the reduced impact of the RDA for SST 2020.

B. Risk Bearing Capital calculation and dividend payable

There are no dividends planned to be paid in 2020 and there have been no dividend payments in 2020 to date. Since no further deductions apply to the Company, its Core Capital is equal to the market-consistent value of assets minus total from 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 948.4 million for the year 2020, which is USD 67.6 million higher than the total shareholder's equity per the Company's US GAAP balance sheet as of 31 December 2019. 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 141.8 million lower
- Difference between market consistent and US GAAP valuation of liabilities: USD 209.4 million lower.

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

[1] The information about solvency as shown in this section is identical to the information which has been submitted to FINMA and for SST 2020 figures is still subject to regulatory audit.

IX. Subsequent events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries. In January 2020, the World Health Organization declared the outbreak a global health emergency, and on 11 March 2020, the World Health Organization characterized COVID-19 as a pandemic. Due to the recent, ongoing and evolving nature of the pandemic, the Company's assessment of the impact and potential exposures is in its preliminary stages. The Company has also taken various measures to ensure business continuity and protect the health and safety of its employees.

There are no other subsequent events to note.

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	1,588.2	969.2	12.5	10.0	–	–	261.5	154.2	29.1	34.2	824.0	374.1	414.6	344.4	46.4	52.4
Reinsurers' share of gross premiums	(436.5)	(150.3)	–	(4.1)	–	–	(0.4)	86.8	(0.0)	(2.5)	(411.9)	(61.6)	(24.2)	(163.4)	–	(5.5)
Premiums for own account (1 + 2)	1,151.8	818.9	12.5	5.9	–	–	261.1	241.0	29.1	31.7	412.2	312.5	390.4	180.9	46.4	46.9
Change in unearned premium reserves	7.4	315.0	0.5	0.9	–	–	83.4	70.9	(1.7)	(5.5)	(37.1)	168.6	(34.8)	75.9	(2.9)	4.1
Reinsurers' share of change in unearned premium reserves	78.2	(133.3)	–	1.6	–	–	(0.1)	(63.6)	-	0.1	69.1	(133.1)	9.1	59.9	–	1.8
Premiums earned for own account (3 + 4 + 5)	1,237.3	1,000.6	13.0	8.4	–	–	344.4	248.2	27.4	26.3	444.2	348.1	364.7	316.7	43.6	52.9
Other income from insurance business	1.2	34.4	–	(0.0)	–	–	(0.5)	8.1	–	(0.5)	1.8	19.4	(0.1)	7.3	–	0.2
Total income from underwriting business (6 + 7)	1,238.6	1,035.0	13.0	8.3	–	–	343.9	256.3	27.4	25.8	446.0	367.5	364.6	324.0	43.6	53.0
Payments for insurance claims (gross)	(927.6)	(815.1)	(3.5)	(7.2)	–	–	(231.7)	(193.5)	(16.0)	(16.7)	(567.3)	(454.6)	(104.5)	(138.7)	(4.7)	(4.3)
Reinsurers' share of payments for insurance claims	345.6	250.0	–	–	–	–	6.2	–	–	–	339.1	246.6	0.4	3.4	–	–
Change in technical provisions	(461.7)	(576.3)	(7.0)	(2.1)	–	–	(53.5)	(40.8)	(8.7)	(10.1)	(237.6)	(312.6)	(140.9)	(189.3)	(14.0)	(21.4)
Reinsurers' share of change in technical provisions	290.1	432.0	–	1.6	–	–	(5.6)	65.9	3.6	0.8	283.1	311.7	9.0	51.5	–	0.5
Change in technical provisions for unit-linked life insurance	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	753.6)	(709.4)	(10.5)	(7.7)	–	–	(284.6)	(168.4)	(21.1)	(26.0)	(182.7)	(209.0)	(236.0)	(273.2)	(18.7)	(25.1)
Acquisition expenses (gross)	(378.8)	(334.5)	(2.3)	(1.8)	–	–	(65.3)	(63.0)	(5.3)	(4.6)	(132.4)	(132.1)	(115.7)	(122.4)	(57.7)	(10.6)
Reinsurers' share of acquisition expenses	45.0	34.1	–	0.2	–	–	(4.9)	(15.9)	-	0.0	(2.0)	23.7	5.1	26.1	46.8	0.0
Administration expenses	(121.0)	(120.3)														
Acquisition and administration expenses for own account (15 + 16 + 16.1)	(454.7)	(420.7)	(2.3)	(1.6)	–	–	(70.2)	(78.9)	(5.3)	(4.6)	(134.4)	(108.4)	(110.7)	(96.3)	(10.9)	(10.6)
Other underwriting expenses for own account	(9.7)	(15.3)	(0.2)	–	–	–	4.5	(10.4)	0.0	–	(13.2)	(6.2)	(0.9)	1.3	0.1	–
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(1,218.0)	(1,145.4)	(13.0)	(9.3)	–	–	(350.3)	(257.8)	(26.3)	(30.6)	(330.3)	(323.5)	(347.6)	(368.2)	(29.6)	(35.7)
Investment income	93.8	102.7														
Investment expenses	(50.5)	(99.7)														
Net investment income (20 + 21)	43.3	3.0														
Capital and interest income from unit-linked life insurance	–	–														
Other financial income	2.5	2.2														
Other financial expenses	–	–														
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	66.4	(105.2)														
Interest expenses for interest-bearing liabilities	–	–														
Other income	10.9	58.2														
Other expenses	(4.9)	–														
Extraordinary income/expenses	–	–														
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	72.3	(47.1)														
Direct taxes	(2.6)	(5.3)														
Profit / loss (31 + 32)	69.7	(52.4)														

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	1,626.2	975.3	12.8	10.0	-	-	267.8	155.1	29.8	34.4	843.7	376.5	424.5	346.5	47.5	52.7
Reinsurers' share of gross premiums	(446.9)	(151.2)	-	(4.1)	-	-	(0.4)	87.3	(0.0)	(2.5)	(421.7)	(62.0)	(24.8)	(164.4)	-	(5.5)
Premiums for own account (1 + 2)	1,179.3	824.0	12.8	5.9	-	-	267.4	242.5	29.8	31.9	422.0	314.5	399.7	182.1	47.5	47.2
Change in unearned premium reserves	7.5	317.0	0.5	0.9	-	-	85.3	71.3	(1.8)	(5.5)	(37.9)	169.7	(35.7)	76.4	(3.0)	4.2
Reinsurers' share of change in unearned premium reserves	80.1	(134.2)	-	1.6	-	-	(0.1)	(64.0)	-	0.1	70.8	(133.9)	9.3	60.3	-	1.8
Premiums earned for own account (3 + 4 + 5)	1,266.9	1,006.8	13.4	8.4	-	-	352.7	249.7	28.0	26.5	454.9	350.3	373.4	318.7	44.6	53.2
Other income from insurance business	1.3	34.7	-	(0.0)	-	-	(0.5)	8.2	-	(0.5)	1.8	19.5	(0.1)	7.3	-	0.2
Total income from underwriting business (6 + 7)	1,268.2	1,041.5	13.4	8.4	-	-	352.2	257.9	28.0	26.0	456.7	369.8	373.3	326.1	44.6	53.4
Payments for insurance claims (gross)	(949.8)	(820.1)	(3.6)	(7.2)	-	-	(237.2)	(194.7)	(16.4)	(16.8)	(580.8)	(457.5)	(107.0)	(139.6)	(4.8)	(4.3)
Reinsurers' share of payments for insurance claims	353.8	251.5	-	-	-	-	6.3	-	-	-	347.2	248.1	0.4	3.4	-	-
Change in technical provisions	(472.8)	(579.9)	(7.2)	(2.2)	-	-	(54.8)	(41.0)	(8.9)	(10.1)	(243.3)	(314.6)	(144.3)	(190.5)	(14.3)	(21.5)
Reinsurers' share of change in technical provisions	297.1	434.6	-	1.6	-	-	(5.7)	66.3	3.7	0.8	289.9	313.7	9.2	51.8	-	0.5
Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(771.6)	(713.9)	(10.8)	(7.8)	-	-	(291.4)	(169.5)	(21.6)	(26.2)	(187.1)	(210.3)	(241.7)	(274.9)	(19.2)	(25.3)
Acquisition expenses (gross)	(387.8)	(336.6)	(2.4)	(1.8)	-	-	(66.8)	(63.4)	(5.4)	(4.7)	(135.6)	(132.9)	(118.5)	(123.2)	(59.1)	(10.6)
Reinsurers' share of acquisition expenses	46.1	34.3	-	0.2	-	-	(5.0)	(16.0)	-	0.0	(2.0)	23.9	5.2	26.3	47.9	0.0
Administration expenses	(123.8)	(121.0)														
Acquisition and administration expenses for own account (15 + 16 + 16.1)	(465.6)	(423.3)	(2.4)	(1.6)	-	-	(71.8)	(79.4)	(5.4)	(4.7)	(137.6)	(109.0)	(113.3)	(96.9)	(11.2)	(10.6)
Other underwriting expenses for own account	(9.9)	(15.4)	(0.2)	-	-	-	4.6	(10.5)	0.0	-	(13.5)	(6.2)	(0.9)	1.3	0.1	-
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(1,247.2)	(1,152.6)	(13.3)	(9.4)	-	-	(358.7)	(259.4)	(26.9)	(30.8)	(338.2)	(325.7)	(355.8)	(370.5)	(30.3)	(35.9)
Investment income	96.1	103.4														
Investment expenses	(51.7)	(100.3)														
Net investment income (20 + 21)	44.4	3.0														
Capital and interest income from unit-linked life insurance	-	-														
Other financial income	2.6	2.2														
Other financial expenses	-	-														
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	68.0	(105.9)														
Interest expenses for interest-bearing liabilities	-	-														
Other income	11.1	58.5														
Other expenses	(5.1)	-														
Extraordinary income/expenses	-	-														
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	74.0	(47.3)														
Direct taxes	(2.6)	(5.4)														
Profit / loss (31 + 32)	71.4	(52.7)														

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

Basis: Swiss OR financial statements
Currency: USD (Amounts stated in millions)

		SST 2019 31.12.2018	Adjustments Previous period	SST 2020 31.12.2019
Market-consistent value of investments	Real estate	–	–	–
	Shareholdings	–	–	–
	Fixed-income securities	2,274.9	–	1,722.3
	Loans	141.0	–	125.0
	Mortgages	–	–	–
	Equities	2.7	–	-
	Other investments	14.7	–	-
	Collective investment schemes	–	–	–
	Alternative investments	14.7	–	-
	Other investments	–	–	–
	Total investments	2,433.4	–	1,847.3
	Financial investments from unit-linked life insurance	–	–	–
	Receivables from derivative financial instruments	–	–	–
Market-consistent value of other assets	Cash and cash equivalents	399.2	–	94.3
	Receivables from insurance business	1,708.5	–	1,826.9
	Other receivables	20.8	–	11.8
	Other assets	270.8	–	284.2
	Total other assets	2,399.3	–	2,217.3
Total market-consistent value of assets	**Total market-consistent value of assets**	**4,832.6**	**–**	**4,064.5**

Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities	2,947.9	–	2,684.7
	Direct insurance: life insurance business (excluding ALV)	–	–	–
	Direct insurance: non-life insurance business	2,947.94	–	2,684.7
	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	238.1	–	189.4
	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	238.1	–	189.4
	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	80.0	–	49.6
	Deposits retained on ceded reinsurance	120.8	–	116.3
	Liabilities from insurance business	–	–	–
	Other liabilities	83.5	–	76.2
Total BEL plus market-consistent value of other liabilities	**Total BEL plus market-consistent value of other liabilities**	**3,470.3**		**3,116.1**

Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**1,362.3**		**948.4**

Financial situation report: quantitative template ‘Solvency Solo’

Basis: US GAAP balance sheet
Currency: USD (Amounts stated in millions)

		SST 2019 31.12.2018	Adjustments SST 2018	SST 2020 31.12.2019
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,362.3		948.4
	Deductions	419.3		-
	Core capital	943.0		948.4
	Supplementary capital	–		–
	RBC	943.0	–	948.4

		SST 2018 31.12.2017	Adjustments SST 2018	SST 2019 31.12.2018
Derivation of Target Capital	Underwriting risk	271.3		516.4
	Market risk	119.4		108.0
	Diversification effects	(86.2)		(85.0)
	Credit risk	157.2		91.5
	Risk margin and other effects on target capital	4.2		(43.7)
	Target Capital	465.9	–	587.3

		SST 2018 31.12.2017	Adjustments SST 2018	SST 2019 31.12.2018
SST ratio	Risk-bearing capital / Target Capital	209.0%	0.0%	165.2%

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To the General Meeting of
RenaissanceRe Europe AG, Zurich

Zurich, 17 April 2020

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 balance sheet, income statement and notes, for the year ended 31 December 2019.

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 association. 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 2019 comply with Swiss law and the company's articles of association.

Other matter

The financial statements of RenaissanceRe Europe AG for the year ended 31 December 2018 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 14 March 2019.

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 association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Rolf Bächler
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)

Daniel Nikoltchev
(Qualified
Signature)

ACCA (UK)

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

RENAISSANCERE EUROPE AG

Balance sheet

31 December 2019 and 2018
(Expressed in thousands of Swiss Francs and US Dollars)

	Notes	2019	2019	2018	2018
		CHF	**USD**[1]	**CHF**	**USD**[1]
Assets					
Investments					
Participations	3	**128**	132	**130**	132
Fixed interest securities		**1,589,148**	1,639,310	**2,087,403**	2,120,267
Loans		**121,175**	125,000	**-**	-
Shares		**-**	-	**2,680**	2,723
Other Investments	4	**73,947**	76,281	**295,643**	300,298
Receivables from derivative financial instruments		**-**	-	**29,815**	30,284
Deposits retained on assumed reinsurance business		**107,653**	111,051	**90,654**	92,081
Deposit assets		**112,713**	116,270	**115,710**	117,531
Cash and cash equivalents		**70,835**	73,071	**392,920**	399,106
Reinsurers' share of technical provisions	6	**1,308,500**	1,349,805	**682,199**	692,939
Property and equipment		**1,314**	1,356	**7,240**	7,354
Deferred acquisition costs		**136,418**	140,724	**320,208**	325,250
Intangible assets		**-**	-	**6,789**	6,896
Reinsurance receivable	5	**462,022**	476,606	**922,450**	936,973
Derivative assets		**45,707**	47,149	**46,437**	47,169
Other receivable		**9,996**	10,312	**16,623**	16,885
Other assets		**5,219**	5,381	**6,433**	6,531
Prepaid expenses		**271**	282	**4,129**	4,193
Total assets		**4,045,046**	4,172,730	**5,027,463**	5,106,612
Liabilities and equity					
Technical provisions	6	**2,972,890**	3,066,732	**3,434,649**	3,488,724
Non-technical provisions	7	**136,403**	139,382	**95,278**	96,209
Payables from derivative financial instruments		**34,489**	35,577	**53,948**	54,797
Deposits retained on ceded reinsurance business		**11,742**	12,113	**3,229**	3,280
Deposit liabilities		**112,713**	116,270	**115,710**	117,531
Reinsurance payable	8	**182,696**	188,463	**233,702**	237,381
Derivative liabilities		**13,568**	13,996	**24,779**	25,169
Other liabilities		**46,506**	47,974	**52,333**	53,157
Deferred income		**9,343**	9,639	**23,950**	24,325
Total liabilities		**3,520,350**	3,630,146	**4,037,578**	4,100,573
Shareholders´ equity					
Share capital	10	**227,675**	234,862	**227,675**	231,260
Statutory capital reserves	10				
Legal reserves		**113,837**	117,430	**113,837**	115,629
Reserves from capital contributions		**165,822**	171,056	**250,443**	254,386
Retained earnings	10				
Profit carried forward		**69,734**	71,935	**328,196**	333,363
(Loss) profit for the year		**(52,372)**	(52,699)	**69,734**	71,401
Total equity		**524,696**	542,584	**989,885**	1,006,039
Total liabilities and equity		**4,045,046**	4,172,730	**5,027,463**	5,106,612

[1] USD balances shown above are solely for presentational purposes

RENAISSANCERE EUROPE AG

Income statement

31 December 2019 and 2018
(Expressed in thousands of Swiss Francs and US Dollars)

	Notes	2019 CHF	2019 USD[1]	2018 CHF	2018 USD[1]
Gross premiums written		**969,214**	975,261	**1,588,220**	1,626,174
Premium ceded to reinsurers		**(150,299)**	(151,236)	**(436,465)**	(446,895)
Net premiums written		**818,915**	824,025	**1,151,755**	1,179,279
Change in unearned premiums – gross		**315,014**	316,980	**7,372**	7,548
Change in unearned premiums – ceded		**(133,348)**	(134,180)	**78,202**	80,071
Change in unearned premiums		**181,666**	182,800	**85,574**	87,619
Net premiums earned		**1,000,581**	1,006,825	**1,237,329**	1,266,898
Other technical income		**34,436**	34,651	**1,237**	1,267
Total technical income		**1,035,017**	1,041,476	**1,238,566**	1,268,165
Gross claims and claim expenses paid		**(815,056)**	(820,141)	**(927,590)**	(949,757)
Reinsurer's share of claims and claim expenses paid		**249,978**	251,537	**345,580**	353,839
Change in technical provisions		**(576,310)**	(579,905)	**(461,743)**	(472,778)
Change in reinsurer's share of technical provisions		**431,951**	434,646	**290,118**	297,051
Net claims and claim expenses incurred		**(709,437)**	(713,863)	**(753,635)**	(771,645)
Gross acquisition costs		**(334,483)**	(336,570)	**(378,757)**	(387,808)
Reinsurer's share of acquisition costs		**34,114**	34,326	**45,018**	46,093
General and administrative expenses		**(120,294)**	(121,045)	**(120,958)**	(123,849)
Net acquisition cost and administrative expenses		**(420,663)**	(423,289)	**(454,697)**	(465,564)
Other technical expense		**(15,323)**	(15,418)	**(9,716)**	(9,948)
Total technical expense		**(1,145,423)**	(1,152,570)	**(1,218,048)**	(1,247,157)
Technical result		**(110,406)**	(111,094)	**20,518**	21,008
Investment income	12	**102,722**	103,363	**93,846**	96,089
Investment expenses	12	**(99,694)**	(100,316)	**(50,511)**	(51,718)
Net investment income		**3,028**	3,047	**43,335**	44,371
Other financial income		**2,164**	2,177	**2,546**	2,607
Operating result		**(105,214)**	(105,870)	**66,399**	67,986
Other income		**58,161**	58,524	**10,853**	11,112
Other expense		**-**	-	**(4,940)**	(5,058)
(Loss) profit before tax		**(47,053)**	(47,346)	**72,312**	74,040
Tax expense		**(5,319)**	(5,353)	**(2,578)**	(2,639)
(Loss) profit after tax		**(52,372)**	(52,699)	**69,734**	71,401

[1] USD balances shown above are solely for presentational purposes

See accompanying notes to financial statements

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 RRSHUKL 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.

(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		2019		2018	
		Closing Rate	Average Rate	Closing Rate	Average Rate
Australian dollar	AUD	0.70	0.69	0.70	0.75
British pound	GBP	1.31	1.28	1.27	1.33
Euro	EUR	1.12	1.12	1.14	1.18
Swiss Franc	CHF	1.03	1.01	1.02	1.02

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 2019 was CHF 0.1 million/USD 0.1 million (2018 – 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:

	2019 CHF	2019 USD	2018 CHF	2018 USD
Short-term investments (1)	**73,947**	76,281	**249,730**	253,661
Investment in limited partnerships	**-**	-	**10,949**	11,122
Investment in limited liability companies	**-**	-	**1,663**	1,689
Investment in absolute return fund	**-**	-	**33,301**	33,826
	73,947	76,281	**295,643**	300,298

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

(Expressed in thousands of Swiss Francs and US Dollars)

5. Reinsurance receivable

Reinsurance receivable comprise the following:

	2019 CHF	2019 USD	2018 CHF	2018 USD
Receivable from insurance companies	**496,798**	512,480	**991,882**	1,007,498
Bad debt reserve	**(34,776)**	(35,874)	**(69,432)**	(70,525)
	462,022	476,606	**922,450**	936,973

6. Technical provisions

Technical provisions comprise the following:

	2019 CHF Gross	2019 CHF Ceded	2019 CHF Net	2018 CHF Gross	2018 CHF Ceded	2018 CHF Net
Unearned premiums (1)	**398,679**	**(22,111)**	**376,568**	**1,198,816**	**(163,739)**	**1,035,077**
Outstanding losses and loss expenses	**2,499,441**	**(1,286,389)**	**1,213,052**	**2,159,899**	**(518,460)**	**1,641,439**
Equalisation reserves	**74,770**	**-**	**74,770**	**75,934**	**-**	**75,934**
	2,972,890	**(1,308,500)**	**1,664,390**	**3,434,649**	**(682,199)**	**2,752,450**

	2019 USD Gross	2019 USD Ceded	2019 USD Net	2018 USD Gross	2018 USD Ceded	2018 USD Net
Unearned premiums (1)	411,264	(22,809)	388,455	1,217,689	(166,317)	1,051,372
Outstanding losses and loss expenses	2,578,337	(1,326,996)	1,251,341	2,193,904	(526,622)	1,667,282
Equalisation reserves	77,131	-	77,131	77,131	-	77,131
	3,066,732	(1,349,805)	1,716,927	3,488,724	(692,939)	2,795,785

Changes in technical provisions, included as part of net claims and claim expenses incurred in the income statement for the years 2019 and 2018, were related to changes in outstanding losses and loss expense reserves and equalisation reserves.

(1) Unearned premium contains (CHF 152.3 million/USD 147.7 million) of accounting policy alignment adjustments following the adoption of the RenRe Group methodology for the recognition of premium on proportional and non proportional business. If the alignment policy was adopted in 2018, unearned premium would have been adjusted by (CHF 493.4 million/USD 501.2 million).

7. Non-technical provisions

Non-technical provisions comprise the following:

	2019 CHF	2019 USD	2018 CHF	2018 USD
Translation gains on shareholders' equity	**26,348**	27,179	**90,006**	91,423
Unrealised gains on investment assets	**114,370**	117,980	**3,395**	3,448
Other non-technical adjustments	**(4,315)**	(5,777)	**1,877**	1,338
	136,403	139,382	**95,278**	96,209

(Expressed in thousands of Swiss Francs and US Dollars)

8. Reinsurance payable

Reinsurance payable as at 31 December 2019 and 2018 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:

	2019 CHF	2019 USD	2018 CHF	2018 USD
Reinsurance receivable	**573,720**	591,830	**31,586**	32,083
Loans	**122,119**	125,974	**-**	-
Reinsurance payable	**575,123**	593,278	**-**	-
Other liabilities	**20,702**	21,356	**1,772**	1,800

10. Statement of changes in equity

	Share capital CHF	Statutory capital reserves CHF	Voluntary profit reserves CHF	Retained earnings CHF	Total CHF
Balance 1 January 2018	**227,675**	**364,280**	**-**	**328,196**	**920,151**
Profit	**-**	**-**	**-**	**69,734**	**69,734**
Allocation to voluntary profit reserves	**-**	**(84,621)**	**84,621**	**-**	**-**
Extraordinary Dividends	**-**	**-**	**(84,621)**	**(328,196)**	**(412,817)**
Balance 31 December 2018	**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**

	Share capital USD	Statutory capital reserves USD	Voluntary profit reserves USD	Retained earnings USD	Total USD
Balance 1 January 2018	231,260	370,015	-	333,363	934,638
Profit	-	-	-	71,401	71,401
Allocation to voluntary profit reserves	-	(85,953)	85,953	-	-
Extraordinary Dividends	-		(85,953)	(333,363)	(419,316)
Balance 31 December 2018	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

11. Audit fees

The audit fees for the year amounted to CHF 1.2 million/USD 1.2 million (2018 – CHF 0.8 million/USD 0.8 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.

(Expressed in thousands of Swiss Francs and US Dollars)

12. Investment income and expense

31 December 2019 (CHF)	Income	Realised gains	Total income	Expense	Realised losses	Unrealised losses (1)	Total expense
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**

31 December 2019 (USD)	Income	Realised gains	Total income	Expense	Realised losses	Unrealised losses (1)	Total expense
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)

31 December 2018 (CHF)	Income	Realised gains	Total income	Expense	Realised losses (1)	Unrealised losses (1)	Total expense
Fixed interest securities	**76,513**	**4,478**	**80,991**	**-**	**5,301**	**35,917**	**41,218**
Shares	**991**	**3,150**	**4,141**	**-**	**674**	**398**	**1,072**
Other investments	**2,654**	**496**	**3,150**	**-**	**168**	**-**	**168**
Investment management fees	**-**	**-**	**-**	**8,053**	**-**	**-**	**8,053**
Dividend income from participation	**5,564**	**-**	**5,564**	**-**	**-**	**-**	**-**
	85,722	**8,124**	**93,846**	**8,053**	**6,143**	**36,315**	**50,511**

31 December 2018 (USD)	Income	Realised gains	Total income	Expense	Realised losses (1)	Unrealised losses (1)	Total expense
Fixed interest securities	78,341	4,585	82,926	-	5,428	36,775	42,203
Shares	1,015	3,226	4,241	-	690	408	1,098
Other investments	2,717	508	3,225	-	172	-	172
Investment management fees	-	-	-	8,245	-	-	8,245
Dividend income from participation	5,697	-	5,697	-	-	-	-
	87,770	8,319	96,089	8,245	6,290	37,183	51,718

(1) Realised and unrealised losses include impairment losses of CHF 36.4 million (Fixed interest securities - CHF 36.2 million, Shares - CHF 0.2 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:

	2019 CHF	2019 USD	2018 CHF	2018 USD
Depreciation of property and equipment	**1,441**	1,450	**1,833**	1,877
Amortisation of intangible assets	**1,067**	1,074	**5,011**	5,131
	2,508	2,524	**6,844**	7,008

(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 491.5 million/USD 507.1 million as at 31 December 2019 (2018 – CHF 138.3 million/USD 140.4 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'). The facility was renewed at acquisition and the size increased to USD 125 million. At 31 December 2019, Credit Suisse has issued letters of credit of CHF 107.7 million/USD 111.1 million (2018 – CHF/USD Nil).

At 31 December 2019, Mizuho Bank had issued letters of credit of CHF 71.7 million/USD 73.9 million (2018 – CHF 331.1 million/USD 336.3 million) in favour of ceding companies used to support the Company's reinsurance obligations. The facility was cancelled in January 2020.

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 (2018 – CHF 255.5 million/USD 259.5 million) 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 2019, Citibank had issued letters of credit of CHF 259.9 million/USD 268.1 million (2018 – CHF/USD Nil) 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:

	2019	2019	2018	2018
	CHF	USD	CHF	USD
1 to 5 years	**4,986**	5,144	**6,626**	6,729
More than 5 years	**233**	240	**-**	-
	5,219	5,384	**6,626**	6,729

The above lease agreements also include a maintenance commitment. Maintenance expense for the current year amounts to CHF 0.2 million/USD 0.2 million (2018 – CHF 0.6 million/USD 0.6 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 2019 was 41.8 (2018 – 190.8).

Personnel expenses for the year ended 31 December 2019 amounted to CHF 61.7 million/USD 62.1 million (2018 – CHF 68.1 million/USD 69.7 million).

17. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of 31 December 2019, through 16 April 2020, the date the financial statements were authorised for issue. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries. In January 2020, the World Health Organization declared the outbreak a global health emergency, and on 11 March 2020, the World Health Organization characterized COVID-19 as a pandemic. Due to the recent, ongoing and evolving nature of the pandemic, the Company's assessment of the impact and potential exposures is in its preliminary stages. The Company has also taken various measures to ensure business continuity and protect the health and safety of its employees.

RENAISSANCERE EUROPE AG

Proposed appropriation of retained earnings

31 December 2019 and 2018
(Expressed in thousands of Swiss Francs and US Dollars)

Appropriation of retained earnings

	2019 CHF	2019 USD	2018 CHF	2018 USD
Retained earnings or profit carried forward	**69,734**	71,935	**328,196**	333,363
(Loss) profit for the year	**(52,372)**	(52,699)	**69,734**	71,401
Retained earnings at the end of the year	**17,362**	19,236	**397,930**	404,764
Extraordinary dividend as per EGM resolution (2)	**-**	-	**(328,196)**	(333,363)
Retained earnings after dividend and extraordinary dividend	**17,362**	19,236	**69,734**	71,401

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

Allocation of statutory capital reserves

	2019 CHF	2019 USD	2018 CHF	2018 USD
Legal reserve (3)	**113,837**	117,430	**113,837**	115,629
Reserves from capital contributions	**165,822**	171,056	**250,443**	254,386
Statutory capital reserves at the end of the year	**279,659**	288,486	**364,280**	370,015
Allocation to voluntary profit reserves as per EGM resolution (4)	**-**	-	**(84,621)**	(85,953)
Allocation to general legal reserve	**279,659**	288,486	**279,659**	284,062
Statutory capital reserves after allocation				

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

Appropriation of voluntary profit reserves

	2019 CHF	2019 USD	2018 CHF	2018 USD
Voluntary profit reserves carried forward	**-**	-	**-**	-
Voluntary profit reserves at the end of the year	**-**	-	**-**	-
Allocation from statutory capital reserves as per EGM resolution (4)	**-**	-	**84,621**	85,953
Extraordinary dividend as per EGM resolution (2)	**-**	-	**(84,621)**	(85,953)
Voluntary profit reserves after EGM resolution	**-**	-	**-**	-

The Board of Directors proposes to carry forward the voluntary profit reserves.

(1) No dividend will be declared for the 2019 financial year.

(2) The extraordinary dividend declared on 28 February 2019 of USD 419.3 million has been translated to Swiss Francs at the 31 December 2018 year end closing rate of USD = CHF 0.98450.

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