

**Validus Reinsurance
(Switzerland) Ltd**

**Financial Condition Report
2021**

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1. General Remarks

This report on the financial condition of Validus Reinsurance (Switzerland) Ltd (hereafter referred to as “the Company” or “VRS”) has been prepared to comply with art. 111a of the Swiss Insurance Supervision Ordinance effective 1 January 2016 and is not intended, nor necessarily suitable, for any other purpose. The content and structure of this report are in accordance with circular 2016/02 Public disclosure (the “Circular”) issued by the Swiss Financial Market Supervisory Authority (“FINMA”) and consider the specific situation, size and complexity of the Company. This report contains both qualitative and quantitative information.

Quantitative information is based on the Company’s 2021 audited financial statements (“statutory financial statements”) and the Company’s 2022 reporting on the Swiss Solvency Test (“SST”) as submitted to FINMA in April 2022, which is still subject to FINMA’s regulatory review. The information contained in this report is consistent with information reported to FINMA in accordance with art. 25 of the Insurance Supervision Act and art. 53 of the Insurance Supervision Ordinance. Appendix I contains the report of the statutory auditor to the General Meeting on the 2021 financial statements, including the statutory financial statements prepared in accordance with Swiss law. Appendix II contains further quantitative information as prescribed by FINMA, including the performance of the Company with line of business specific information, the solvency balance sheet as well as details on the Company’s risk bearing capital, target capital and resulting SST ratio.

This report has been prepared for the period from 1 January 2021 to 31 December 2021, with the exception of Section 9 – Solvency, which contains certain forward-looking information. Figures are presented in U.S. Dollars (“USD”), in line with the Company’s SST reporting and the statutory financial statements, which are also prepared in USD. Amounts are rounded to USD millions. Certain amounts may not sum to their total due to rounding.

The Company’s Board of Directors approved this report on 26 April 2022.

2. Management Summary

2021 saw global insured catastrophe losses of USD 112 billion, making it the fourth-costliest year for the industry since 1970 according to Swiss Re. The main natural catastrophes during 2021 were Hurricane Ida, Winter Storm Uri and the European floods.

These events had a material impact on the Company's financial results, although the costliest event losses to VRS in 2021 originated from droughts in Canada and Brazil impacting the agriculture line of business. Overall, an underwriting loss of USD 77 million resulted for the year 2021 compared to an underwriting loss of USD 98 million in 2020, which was heavily affected by Covid-19 related losses.

Overall, the Company recorded a net income of USD 91 million in 2021 compared to a net loss of USD 65 million in 2020, mainly as a result of a cash contribution recorded as other income offsetting the underwriting losses of the year.

From a business perspective, VRS continued to increase its premium volume in 2021 across key lines of business. Gross premiums written increased by USD 399 million or 33% to USD 1,613 million and premiums earned after retrocession increased by USD 298 million or 30% to USD 1,303 million. The increase in premium volume compared to 2020 primarily reflects the writing of additional business in casualty, property and marine where the Company mainly took advantage of an improving rate environment. Claims after reinsurance recoveries were USD 1,018 million, an increase of USD 172 million or 20% compared to last year. The increase in claims from 2020 to 2021 is a result of the growing business volume, with both 2020 and 2021 being impacted by significant event loss activity. Net acquisition and administrative expenses increased by USD 105 million or 41% to USD 362 million primarily driven by the increased business volume.

The resulting loss ratio for 2021 was 78%, a decrease of 6 percentage points from 2020, and an expense ratio of 28%, up from 26% in 2020 due to a change in business mix towards lines that generally have a higher acquisition cost ratio, whilst operating expenses remained stable on a relative basis. The combined ratio for the year 2021 was 106%, an improvement of 4 percentage points from 2020.

From a capital perspective, the Company maintained its strong capital position and exceeded its internal target solvency and capital requirements. The Company continues to be "A" rated by A.M. Best and was upgraded to "A+" by Standard & Poor's in 2021. Shareholder's equity increased from USD 1,145 million at the end of 2020 to USD 1,236 million at the end of 2021 as a result of the net income of USD 91 million. The Risk Bearing Capital as per the 2022 SST amounts to USD 1,401 million, the Target Capital to USD 617 million and the risk margin to USD 153 million, resulting in an SST ratio of 269%, which represents an increase of 33 percentage points from prior year.

The carrying value of the Company's investment portfolio grew from USD 1,715 million in 2020 to USD 2,047 million in 2021, mainly due to the business growth. The investment result of USD 44 million for 2021 includes net investment income of USD 67 million, up from USD 30 million in 2020 mainly as a result of income from investment in subsidiary. This was partially offset by net realised losses of USD 7 million mainly from the sale of investments in Insurance Linked Securities funds and net unrealised losses of USD 13 million in the fixed income securities portfolio as a result of the interest rate environment and market volatility.

This report provides hereafter a detailed review of VRS' business activities including its lines of business and corporate strategy in Section 3. Section 4 summarises the performance of the Company during the financial year 2021 in context of the preceding financial year. Sections 5 and 6 of the report elaborate on the Company's Corporate Governance and Risk Management framework as well as on its risk profile.

The quantitative information contained in the report and its appendix is complemented by Section 7, providing details on valuation methods used and differences between solvency and statutory views. Section 8 describes VRS' capital management strategy and capital position, including the statutory shareholder's equity of the Company as at 31 December 2021 and significant valuation differences between solvency and statutory views. The solvency information provided in Section 9 is based on information provided in the Company's 2022 SST report as submitted to FINMA.

3. Business Activities

3.1. Shareholding, strategy, objectives and key business segments

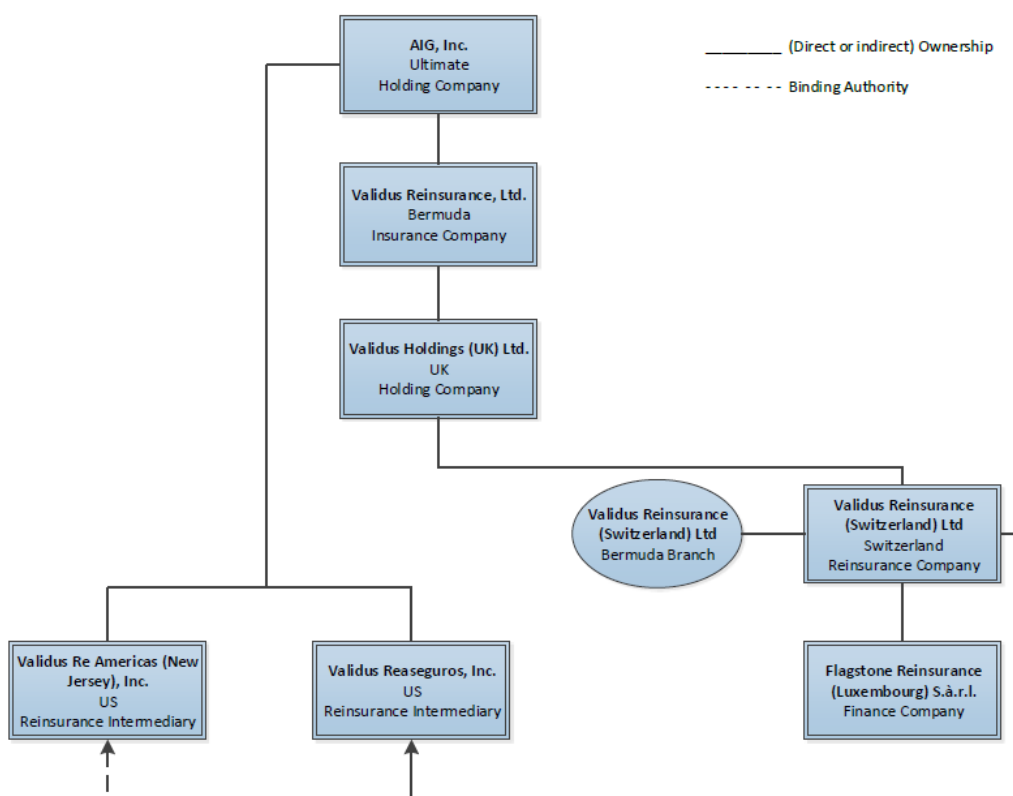
The Company is part of the American International Group ("AIG"), a leading global insurance organisation. Its top parent company American International Group, Inc. is listed on the New York Stock Exchange. VRS is a direct subsidiary of Validus Holdings (UK) Ltd, which is a wholly-owned subsidiary of Validus Reinsurance, Ltd., a Bermuda based reinsurance company. Together with Validus Reinsurance, Ltd., VRS forms part of Validus Re, a business unit that belongs to the AIG assumed reinsurance operations known as AIG Re.

The Company is located at Talstrasse 83, 8001 Zurich, Switzerland. It is licensed as a reinsurer by FINMA in Switzerland. The Company is also a licensed permit company through its Bermuda branch, registered as a Class 4 insurer under the Bermuda Insurance Act.

The Validus Re strategy is to be a leader in the global reinsurance markets. The principal objective is to use capital efficiently by underwriting a portfolio of reinsurance contracts that maximises the return on equity subject to prudent risk constraints on the amount of capital that it exposes to any single event. Validus Re manages underwriting risks through a variety of means, including contract terms, portfolio selection, diversification by lines of business and by geographies, retrocession purchasing, and by using proprietary and commercially available third-party vendor models. The Company's strategy is closely aligned with the Validus Re strategy and focuses on efficient capital use and the underwriting of reinsurance contracts with superior risk and return characteristics while ensuring risks and corresponding solvency requirements, are assessed appropriately.

The Company primarily writes Property, Marine & Energy, Agriculture, Casualty and Specialty reinsurance business from its Swiss head office and/or its Bermuda branch. In addition, VRS conducts an important part of its business activities through affiliated U.S. Managing General Agents ("MGAs") writing onto VRS paper. Specifically, these reinsurance intermediaries are Validus Re Americas (New Jersey), Inc. ("VRA") and Validus Reaseguros, Inc. ("VRI").

The following shows a simplified group structure chart:



3.2. Group structure and group transactions

The Company, together with its indirect parent company Validus Reinsurance, Ltd., is part of the reinsurance unit within AIG. The reinsurance unit operates globally and is primarily focused on treaty reinsurance as well as the offering of Insurance-Linked Securities.

The operational setup involves affiliated MGAs as described under 3.1. Since 1 January 2020, the Company provides a 75% whole account quota share protection to the Canadian Branch of Validus Reinsurance, Ltd.

Effective 1 January 2022, the Company entered into an adverse development excess of loss reinsurance agreement (“ADC”) with a wholly owned subsidiary of AIG. The treaty provides for USD 300 million in coverage as at 31 December 2021 and prior aggregate ultimate net losses paid over a retention of USD 100 million.

3.3. Major shareholders

The Company is a wholly owned subsidiary of Validus Holdings (UK) Ltd, which is an indirect wholly owned subsidiary of American International Group, Inc.

3.4. Major branches and subsidiaries

VRS notably operates through a Bermuda registered branch, which is a Class 4 insurer licensed by the Bermuda Monetary Authority.

The Company holds a 100% stake in Flagstone Reinsurance (Luxembourg) Sàrl (“FRL”), which is mainly engaged in intra-group finance activities.

3.5. External auditors

The Company’s external auditors pursuant to art. 28 of the Insurance Supervisory Act are PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland.

3.6. Extraordinary events

There were no extraordinary events in 2021 with a material effect on the Company.

4. Performance

The following table provides a summary of the Company's financial results in 2021:

in USD millions	2021	2020
Gross premiums written	1,613	1,214
Net premiums written	1,559	1,162
Net premiums earned	1,303	1,005
Net claims incurred	(1,018)	(846)
Net acquisition costs	(328)	(230)
Administrative expenses	(34)	(28)
Underwriting result	(77)	(98)
Investment result	44	34
Others, net	124	(2)
Net income / (loss) for the year	91	(65)
Loss ratio	78%	84%
Expense ratio	28%	26%
Combined ratio	106%	110%

Overall, net income for the year 2021 was USD 91 million compared to a net loss of USD 65 million in 2020. Underwriting losses of USD 77 million in 2021 and USD 98 million in 2020 are primarily a result of an unprecedented loss activity in both years.

The Company's primary lines of business are Property, Marine & Energy, Agriculture, Casualty and Specialty. Premiums written by line of business for financial years 2021 and 2020, respectively, were as follows:

in USD millions	2021			2020		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	296	(39)	257	214	(40)	174
Marine & Energy	101	(2)	99	51	(1)	51
Agriculture	478	(7)	470	511	(10)	501
Casualty	624	(0)	623	294	0	294
Specialty	115	(6)	109	145	(2)	143
Total	1,613	(54)	1,559	1,214	(53)	1,162

Premiums are written by underwriters in Switzerland and Bermuda, and through dedicated Managing General Agents in Miami and New Jersey. In 2021, the Company managed to significantly grow its premium volume in Casualty, and to a lesser extent in Property and Marine, partially offset by a decline in Agriculture and Specialty.

Gross premiums written increased by USD 399 million or 33% to USD 1,613 million and premiums earned after retrocession increased by USD 298 million or 30% to USD 1,303 million. The increase in premium volume compared to 2020 primarily reflects the writing of additional business in casualty, property and marine where the Company mainly took advantage of an improving rate environment.

Following the significant loss experience in 2020 from COVID-19 pandemic losses as well as losses from storms in the U.S., the Company also recorded a significant amount of losses in 2021. These mainly stemmed from droughts in Canada and Brazil affecting the Company's agriculture line of business, as well as European floods, Hurricane Ida and Winter Storm Uri, which led to losses in the Company's property line. Claims after reinsurance recoveries were USD 1,018 million, an increase of USD 172 million or 20% compared to last year. The increase in claims from 2020 to 2021 is a result of the growing business volume, with both 2020 and 2021 being impacted by significant event loss activity. This resulted in an overall underwriting loss in 2021 at a slightly reduced loss ratio of 78% compared to 2020 at a loss ratio of 84%.

Net acquisition and administrative expenses increased by USD 105 million or 41% to USD 362 million primarily driven by the increased business volume. The expense ratio of the Company increased by 2 percentage points to 28% in 2021 due to a change in business mix towards lines that generally have a higher acquisition cost ratio. Administrative expenses remained stable relative to net premiums earned.

Overall, the combined ratio for the year was 106% compared to 110% in 2020 as the loss ratio slightly improved from prior year despite a significant event loss activity.

The total investment return in 2021 was USD 47 million (excluding asset management costs of USD 3 million) compared to a return of USD 37 million in 2020. The investment result includes USD 41 million of income from subsidiary (nil in 2020). Excluding this dividend, the investment return decreased as a result of the continuously low interest rate environment leading to a decline in reinvestment yields for VRS and to market volatility, which also manifested itself in unrealised losses in the fixed income securities portfolio. Additionally, 2021 saw realised losses related to the sale of investments in Insurance Linked Securities ("ILS") funds. The following shows a breakdown of income and expenses by investment class:

2021

	Income/(Expenses)	Realised gains/(losses)	Unrealised (losses)	Total
in USD millions				
Fixed income securities	25.9	3.5	(12.9)	16.5
Other investments	0.5	(10.2)	-	(9.7)
Cash and cash equivalents	(0.4)	-	-	(0.4)
Investments in subsidiaries	40.8	-	-	40.8
Total	66.8	(6.8)	(12.9)	47.1

2020

	Income	Realised gains	Unrealised gains/(losses)	Total
in USD millions				
Fixed income securities	28.1	0.3	1.6	30.0
Other investments	0.6	13.7	(8.4)	5.9
Cash and cash equivalents	1.0	-	-	1.0
Investments in subsidiaries	-	-	-	-
Total	29.7	13.9	(6.8)	36.9

The Company did not record any gains or losses directly in equity.

Other income, net of USD 124 million in 2021 mainly consists of a cash contribution from the Company's indirect parent company of USD 125 million recorded as other income.

The information included in the tables above is consistent with information contained in Appendix II; Agriculture and Specialty lines as per the above table on gross, ceded and net premiums are included under "Miscellaneous" in Appendix II.

5. Corporate Governance and Risk Management

5.1. Corporate governance

5.1.1. Board of Directors

The Company's Board of Directors, which is entrusted with the supervision and the ultimate management of the Company as well as with the supervision and control of management, is currently composed of the following members:

- Peter Gujer is an independent, non-executive Board member and the Chairman of the Board of Directors;
- Michael Carpenter is an independent and non-executive member of the Board of Directors;
- Simon Biggs is a member of the Board of Directors; he also serves as Chief Executive Officer of Validus Research;
- Alexander Nagler is a member of the Board of Directors; he also serves as Managing Director of the DACH region at AIG;
- Christopher Schaper is the Vice-Chairman of the Board of Directors; he also serves as Chief Executive Officer of AIG Re and is a member of the AIG General Insurance Executive Leadership Team.

There were no changes to the Company's Board of Directors in 2021.

The Company's Board of Directors has established a combined Audit and Risk Committee and has delegated the preparation, implementation and supervision of the Board of Directors' resolutions with regard to audit and risk matters to this Committee. Michael Carpenter chairs the Committee, with Peter Gujer and Christopher Schaper being members of the Committee.

5.1.2. Executive Management

The Executive Management of the Company, which manages the operations and the overall business of the Company and controls all employees of VRS, consisted of the following individuals as at 31 December 2021:

- Sven Wehmeyer as Chief Executive Officer;
- Patrick Boisvert as Chief Financial Officer;
- Stéphane Sauthier as Managing Director.

There were the following new appointments to the Company's Executive Management in 2021:

- Florian Lutz as Underwriting Director;
- Valentin Franke as Finance Director.

5.2. Risk management

The Company's Board of Directors is ultimately responsible for risk management matters and organisation of the Company's internal control system ("ICS"). At the end of 2019, the Company's Board of Directors established a combined Audit and Risk Committee composed of three of its members and delegated the preparation, implementation and supervision of its resolutions with regard to audit and risk matters to this Committee. Management is responsible for ensuring that appropriate risk management structures and procedures, including the ICS, are implemented with the decision-making persons having the requisite seniority, knowledge and experience. Management also formulates the Company's risk appetite for approval by the Board of Directors. Management has established the Validus Re Risk Management Committee headed by the Company's Chief Risk Officer to ensure that proper standards for risk management are established in respect of all material risks faced

by the Company. The Chief Risk Officer of VRS reports to the Company's Chief Actuary, who reports directly to the VRS Chief Executive Officer.

VRS has adopted the Validus Re Risk Management Framework, which fits within the Company's overall ICS structure. The framework outlines the risk management governance structure, key roles and responsibilities, various risk management tools, a risk classification system and procedures to identify, assess, control and monitor risks faced by the Company.

The framework is also designed to assist in setting strategic objectives in line with those of Validus Re and promote the use of qualitative and quantitative tools to evaluate the risk/reward trade-offs associated with key strategic decisions.

The Risk Management Framework also provides a risk classification scheme, which yields a consistent and common language for purposes of capturing all material risks and comparing them with each other and across other areas within Validus Re. Risk categories include Insurance Risk (Underwriting, Catastrophe and Reserving), Market Risk, Credit Risk and Operational Risks.

The Company performs a regular risk assessment process for the identification, assessment, control and monitoring of risks that considers the likelihood and impact of causes of risk, both before and after the existence of relevant controls. The approaches used to identify and update causes of risk include scenario building, incident and near miss reporting and market intelligence. Controls have been established to appropriately manage the likelihood and impact of risks, focused on those with the most significance and after considering the tolerance level established for each risk. New controls may also be designed as a result of the incident reporting process.

VRS also has in place policies, including underwriting, investment, and credit policies, to manage the assumption of risk. These policies provide for the Company's risk limits, tolerance levels and other guidelines, as well as the processes for ensuring compliance with the desired risk profile of the Company. The Company has at its disposal a variety of risk mitigation tools, including the purchase of retrocessional coverage, which it uses to ensure that its risk profile stays within prescribed limits and tolerance levels.

In order to manage the assumption of Insurance Risk, the Company has established risk limits through both qualitative and quantitative considerations, including market share, history of and expertise in a class of business or jurisdiction, transparency and symmetry of available information, reliability of pricing models and availability and cost of reinsurance. These limits are reviewed at least annually and aligned to the overall risk appetite approved by the Company's Board of Directors. Furthermore, an exposure management policy is in place to ensure appropriate and consistent risk assessment and aggregation of most exposures that accumulate across the Company.

In addition to the Risk Management function, VRS has a separate Compliance function that is responsible for ensuring compliance with regulatory requirements and other internal policies and procedures. The Compliance function reports breaches and issues directly to Management, and reports to the Board of Directors or its Audit and Risk Committee regularly. Compliance and Risk Management meet quarterly, or more frequently if required, to discuss any potential issues surrounding risks, control performance and incident reporting.

The Internal Audit function is centralised at AIG Group level since 2019 and includes VRS. Part of the Internal Audit function's role is to report to the Board of Directors or its Audit and Risk Committee at least annually on the implementation of the annual audit plan, which forms part of the Company's overall Risk Management Framework.

VRS has in place an ICS that is governed by its Internal Control Policy. The ICS of the Company is built on three lines of defence, with the control owners being the first Line of Defence, Compliance and Risk Management being the second Line of Defence, and Internal Audit being the third Line of Defence. The ICS includes control activities as described in relevant VRS Policies and Procedures, communication within the Company to all relevant functions, and monitoring and reporting on the Company's ICS to the relevant committees and Board of Directors.

There were no material changes to the Risk Management and Compliance functions or processes during the year under report.

6. Risk Profile

The main risks faced by VRS and some of the activities directly associated with controlling such risks are outlined below. Quantitative information in respect of the Company's risks as described below is provided as part of Section 9 on Solvency.

6.1. Insurance Risk

Insurance Risk is the risk of loss arising from inadequate pricing or of adverse change in the value of insurance liabilities due to inadequate provisioning assumptions. For VRS, the most significant Insurance Risk is Underwriting Risk, which is primarily driven by our exposures to natural catastrophe perils as well as to the casualty and agriculture underwriting classes. Other material risks include the risk that the Company underestimates its reserves for incurred losses, the risk of heightened claims due to emerging claims or coverage issues, the risk posed by competition leading to a loss of market share or a deterioration in business quality.

6.1.1 Underwriting Risk

To help mitigate Underwriting Risk, VRS has established a set of risk tolerances for significant risk classes. These are combined with available equity to determine absolute underwriting limits by product line and geographical area and reflect the maximum loss we are willing to incur per category. The scope of the geographical areas over which our limits are aggregated is based on the largest areas likely to be impacted by any one event. Aggregate limits in-force by peril and zone are updated and monitored quarterly, at a minimum, to ensure compliance with key underwriting risk limits and reported to the VRS Board of Directors.

Additionally, the underwriting process for all business is governed by the Validus Re Global Underwriting Guidelines as adopted by VRS. All transactions are entered into VCAPS (proprietary Validus Re integrated pricing and exposure management system), and underwriting authorization limits are automated within the system in accordance with the Validus Re Global Underwriting Guidelines (i.e. transactions can only be authorized within VCAPS according to the referral matrices in the guidelines).

Additional notable Underwriting Risk mitigation is currently delivered through retrocession purchases at the Validus Re business unit level, and is therefore inclusive of VRS risks.

6.1.2 Reserving Risk

Reserves are set at the actuarial best estimate, which is also the basis for the booked reserves. Given the uncertainty of Reserving Risk, our strategy is to book reserves that represent management's best estimate of the likely future claims payments. To that end, the reserve estimation process is subject to an extensive and rigorous process. This includes initial assessment by the reserving actuaries, followed by a Reserve Committee review with annual, independent actuarial reviews from both our independent Responsible Actuary, as well as an external consulting firm.

Additional notable Reserving Risk mitigation is currently delivered primarily through the ADC that the Company entered into effective 1 January 2022.

6.2. Market Risk

Management and oversight procedures relating to the investments of the Company are outlined in the VRS Investment Guidelines and in the Discretionary Investment Management Agreement between VRS and AIG Asset Management (Europe) Limited. The Investment Guidelines set out the risk appetite related to asset class, type of security, concentrations for issuers

and industries and credit quality, the latter of which are designed to manage investment related Credit Risk. The Guidelines also outline duration restrictions for the fixed income portfolio to control liquidity risk. With respect to liquidity risk, the Company produces a Liquidity Report for the Management on an annual basis. The report notably discusses liquidity risk management, liquidity positions under normal and stressed circumstances, off balance sheet risks and results of the liquidity assessment.

6.3. Credit Risk

In order to control credit risk associated with counterparties for retrocession purchasing, VRS generally only enters into retrocession arrangements where the limits are either fully collateralized and the collateral is invested in cash, cash equivalents or other approved securities as specified in executed trust agreements, or are with counterparties that have been approved by the AIG Reinsurance Credit Department.

Where no collateral is provided, it is ultimately the responsibility of the Chief Executive Officer to set limits with regard to the amount of exposure the Company is willing to take with retrocessionaires. Decision is made on a case-by-case basis primarily based on specified criteria relevant for the selection of retrocessionaires as well as on the type of exposure. In general, VRS keeps exposure limits at a low level in relation to its financial capacity.

Recoverable exposure is monitored regularly by the finance and operations departments and settlements are requested on a regular basis and thus do not pose significant credit risk.

6.4. Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

The processes for identifying, assessing, controlling and monitoring Operational Risks, as outlined in detail in the Risk Management Framework, are summarised below.

The identification process starts with an inventory of strategic and internal business processes. The Risk Management team works with managers of the respective functional or executive areas to document each business process, including its estimated reputational or financial impact, and creates a workflow diagram outlining major steps and interrelations involved in the process where possible. Risk Management selects processes for the risk identification stage based on the estimated financial and/or reputational impact. Risks and related causes are then identified through scenario building, internal incident and near-miss reports and external incident/market intelligence reports.

Business processes for which risks and related causes have been identified include Risk Management, Actuarial Pricing and Reserving, Scientific Research and Capital Modelling, Financial Reporting, Legal and Regulatory, Operations, Underwriting, Claims Management, Compliance Management, Human Resources, Systems and Administration, Outsourcing and Strategic Planning.

Risks relating to fraud, the external business environment, including regulatory, rating agency and political conditions, and risks considered as emerging are also included in identifying Operational Risks.

The assessment process for these risks consists of scoring each identified cause of risk for its likelihood of occurrence and financial/reputational impact given occurrence. The risk management team works with risk owners to calibrate scoring to maintain consistency across functional areas and business processes. All scoring schemes, tolerance levels and scores assigned to risks are approved by the Validus Re Risk Management Committee.

A control framework is established to manage the impact of each cause of risk on the Company. Each cause is prioritised based on its impact and likelihood scoring relative to its tolerance or established limit. Control activities for causes given priority are developed by the Risk Management team in conjunction with risk owners and require approval by the Validus Re Risk Management Committee.

Risks and controls are documented in the Risk and Control Register. This register includes information about the control owners, mechanisms, objectives and frequency of performance along with scoring for financial impact and likelihood. Risk controls are monitored by risk owners to ensure they are working as intended and the Risk and Control Register is reviewed annually by the Risk Management team for relevance and adequacy. Changes to the Risk and Control Register, as approved by the Validus Re Risk Management Committee, are presented to the VRS Board of Directors or its Audit and Risk Committee.

Incident and near miss reports, which are prepared by risk owners, are presented to the Validus Re Risk Management Committee, which then escalates significant incidents to the VRS Executive Management, the Audit and Risk Committee and Board of Directors as appropriate.

6.5. Top Operational Risks

Operational Risk is assessed on the basis of the Validus Capital Model (“VCM”) to determine a distribution of outcomes via stochastic modelling.

Each cause of risk is scored for its likelihood of occurrence and financial impact given occurrence, both gross and net of controls assigned to each risk cause. Dependencies are established between causes of risk using normal correlation assumptions. Correlation coefficients are selected judgementally and are reviewed on an annual basis by the Risk Management team. Projected losses for each risk are assumed to follow a PERT distribution and the annual frequency is modelled using a Bernoulli distribution.

The table below provides an overview of all top Operational Risks and the mitigating measures based on the VRS current Risk and Control Register:

VRS Top Operational Risks				
Business Area	Risk	Risk Cause	Tolerance Risk Level	Mitigating Measures
Actuarial	Mispriced accounts	Pricing with inaccurate actuarial parameters	High	- Perform Actual vs. Expected analysis to validate parameters - Pricing Peer Reviews - Profitability Study
Actuarial	Misestimation of event IBNR	Inaccurate loss estimates from broker/client	High	- Client loss estimates are benchmarked against modelled loss - Underwriters confirm that client's ground up estimates are consistent with market shares and are reasonable relative to peer group
Actuarial	Misestimation of non-event IBNR	Incorrect expected loss ratio assumptions	High	- Perform Actual vs. Expected analysis to validate parameters
Research	Mispriced submissions	Inaccurate Catastrophe Models	Very High	- Periodic independent verification and validation of the modelled output
Research	Mispriced submissions	Analysis based on inaccurate broker data	Medium	- Catastrophe Risk Analyst checks information for reasonableness and accuracy
Underwriting	Systemic grant of unintended coverage	Systemic exposure to unforeseen events	High	- Ad hoc studies performed to test clash scenarios - Risk appetite and tolerance is reviewed annually

6.6. Other material risks

There are no other material risks that the Company is aware of, which are not already included in the above.

6.7. Pledged assets

As at 31 December 2021, fixed income securities with an estimated fair value of USD 456.5 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2020: USD 336.9 million).

7. Valuation for solvency purposes

This section provides details on methods used for the valuation of the Company's assets and liabilities for solvency purposes as part of the SST calculation. It also provides details on methods used for valuation in the statutory financial statements and, where relevant, provides explanations of the differences between solvency and statutory views. In general, market-consistent values are used for SST purposes and further details are provided in Appendix II.

7.1. Valuation of assets

7.1.1. Value of investments by investment class

The following table summarises the investments by investment class held by the Company as at 31 December 2021 and 2020, respectively, including market-consistent values relevant for solvency purposes and book values as per the statutory financial statements. Book values are the lower of (amortised) cost or market values by individual security for the Company's fixed income securities and other investments. Book value of investments in subsidiaries is acquisition cost less necessary impairments.

in USD millions	31 December 2021			31 December 2020			MV Change	
	Market Value	Book Value	Market Value Allocation %	Market Value	Book Value	Market Value Allocation %	\$	%
Fixed Income Securities								
Corporate	547.8	541.1	26.0%	378.6	360.9	20.7%	169.1	44.7%
Agency Mortgage Backed	269.6	267.6	12.8%	316.3	310.3	17.3%	(46.7)	-14.8%
Asset Backed	268.3	267.9	12.7%	191.9	190.1	10.5%	76.4	39.8%
Mortgage Backed	206.7	204.7	9.8%	155.0	150.2	8.5%	51.7	33.3%
US Government Collateralized Mortgage Obligation	38.8	38.4	1.8%	60.8	58.4	3.3%	(22.0)	-36.2%
Non-US Government	139.3	139.0	6.6%	38.1	37.4	2.1%	101.2	266.0%
Municipals	120.2	119.8	5.7%	31.5	29.9	1.7%	88.7	281.2%
Agency Collateralized Mortgage Obligation	56.5	56.4	2.7%	15.2	15.1	0.8%	41.3	270.8%
Interest Only	3.9	3.8	0.2%	8.6	8.4	0.5%	(4.8)	-55.4%
Agency	0.4	0.4	0.0%	0.6	0.6	0.0%	(0.1)	-23.3%
Subtotal	1,651.6	1,639.5	78.3%	1,196.8	1,161.4	65.5%	454.8	38.0%
Other Investments								
Investment Funds	0.0	0.0	0.0%	24.4	24.4	1.3%	(24.4)	-100.0%
AlphaCat funds	5.1	5.1	0.2%	127.1	127.1	7.0%	(122.0)	-96.0%
Subtotal	5.1	5.1	0.2%	151.5	151.5	8.3%	(146.4)	-96.6%
Investments in subsidiaries								
Subtotal	452.7	401.9	21.5%	477.7	401.9	26.2%	(25.0)	-5.2%
Total investments	2,109.4	2,046.5	100.0%	1,826.1	1,714.8	100.0%	283.3	15.5%

7.1.2. Basis and methods used for the valuation of investments

The amortised cost and market-consistent values of both fixed maturities and other investments are determined based on information provided by the Company's investment accountants and fund administrators. Amortised cost values are determined based on the scientific amortisation or constant yield method, whereas market-consistent values are generally based on observable market prices, or in the absence thereof, on model valuations. The Company does not adjust the market or amortised cost values as provided by the investment accountants and fund administrators.

7.1.3. Explanation of significant differences between the solvency and statutory valuation of investments

For SST purposes, the Company generally uses market-consistent values for fixed income securities and other investments. In the statutory financial statements, the Company uses the lower of (amortised) cost and market-consistent values per individual security to record its fixed income securities and other investment balances. As at 31 December 2021, this leads to a lower statutory valuation of USD 12.1 million (2020: USD 35.5 million) compared to the valuation used for solvency purposes.

The investment in subsidiary is recorded at USD 405.2 million (2020: USD 424.8 million) for solvency purposes, representing the market-consistent value less a deferred tax asset of USD 47.5 million (2020: USD 52.9 million) in line with SST requirements, whereas for statutory purposes the investment in subsidiary is recorded at acquisition cost value less any necessary impairments in line with Swiss law, which leads to a lower statutory valuation of USD 3.3 million. Note that in the market consistent balance sheet 2021, a look-through is applied to the investment in subsidiary and the value of USD 405.2 million is split into a loan of USD 400 million, cash of USD 4.6 million and receivables of USD 0.6 million.

Refer to Appendix II for the market-consistent balance sheet used for SST purposes.

7.1.4. Other assets

Other assets as per Appendix II contain cash and cash equivalents, funds withheld, reinsurance receivables and other receivables, all of which are recorded at nominal values, and there is no material difference between the market-consistent and statutory values.

7.2. Valuation of technical provisions

7.2.1. Gross and net value of technical provisions

The following table provides an overview of the Company's gross and net best estimate of reserves for losses and loss expenses on both an undiscounted and discounted basis as at 31 December 2021 and 2020 (in USD millions):

	31.12.2021	31.12.2021	31.12.2020	31.12.2020
	Undiscounted	Discounted	Undiscounted	Discounted
Gross reserves for losses and loss expenses	1,432.7	1,381.4	1,062.6	1,054.2
Ceded reserves for losses and loss expenses	(149.6)	(146.5)	(64.7)	(64.1)
Net loss reserves for losses and loss expenses	1,283.1	1,234.9	997.9	990.1

As at 31 December 2021, the reserves for losses and loss expenses (“loss reserves”) based on the management’s best estimate, net of retrocession, are USD 1,283.1 million on an undiscounted basis and USD 1,234.9 million on a discounted basis. Discounting is applied in line with FINMA requirements and prescribed yield curves.

The details of gross and ceded technical provisions as at 31 December 2021 and 2020, respectively, were as follows as per the Company’s statutory financial statements (in USD millions):

2021	Gross	Ceded	Net Reserve
Unearned premium reserves	776.2	(8.9)	767.3
Reserves for losses and loss expenses	1,432.7	(149.6)	1,283.1
Total	2,208.9	(158.5)	2,050.4

2020	Gross	Ceded	Net Reserve
Unearned premium reserves	516.7	(5.5)	511.2
Reserves for losses and loss expenses	1,062.6	(64.7)	997.9
Total	1,579.3	(70.2)	1,509.1

7.2.1.1. Basis, methods and key assumptions used in the valuation of best estimate liabilities

The loss reserves include reserves for unpaid reported losses (“case reserves”), losses incurred but not reported (“IBNR”), and unallocated loss adjustment expenses. Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company. IBNR reserves are established by management based on actuarially determined estimates of ultimate losses and loss expenses using the reported loss development, reported Bornhuetter-Ferguson or Initial Expected Loss methods. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the statutory financial statements of the Company. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to these estimates recognised in the current year that relate to reserves for losses and loss expenses established in previous calendar years.

Reserves for unearned premiums represent the portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies in force.

7.2.2. Risk margin

7.2.2.1. Value of the risk margin and other effects on target capital

As at 31 December 2021, the risk margin, also referred to as the market value margin (MVM), is USD 153 million (2020: USD 72 million). For the computation of the Company’s target capital including the risk margin and other effects on target capital as per the 2022 SST calculation, refer to Section 9.2 and Appendix II of this report.

7.2.2.2. Basis, methods and key assumptions used

The risk margin for VRS is determined as part of the 2022 SST process using FINMA's StandRe standard approach. This takes into account existing undiscounted claims reserves as well as undiscounted claims reserves from new business written during the following 12 months and run-off applying capital costs of 6% of the discounted capital requirements over the entire run-off period.

7.2.3. Explanation of significant differences between the solvency and statutory valuation

For statutory purposes, the value of reserves for losses and loss expenses is the undiscounted best estimate of USD 1,433 million, gross of retrocession. Reserves for unearned premiums gross of retrocession amount to USD 776 million, providing for a total gross best estimate liability of USD 2,209 million. Net of retrocession, statutory reserves for losses and loss expenses amount to USD 1,283 million and reserves for unearned premiums amount to USD 767 million.

For solvency purposes, the technical provisions consist of reserves for losses and loss expenses and an unexpired risk reserve (URR). The value of reserves for losses and loss expenses in the market-consistent balance sheet for solvency purposes is the discounted best estimate of USD 1,381 million, gross of retrocession, and USD 1,235 million, net of retrocession. The URR represents the market value of premium reserves, considering the present value of future cash flows related to the unearned premium reserve and is a methodological update from prior years, when the Company included the unearned premium reserve on a discounted basis in the SST balance sheet. For the calculation of the URR, the Company considers the expected future losses and expenses on the unearned portion of written premiums on a discounted basis, net of deferred acquisition costs. This results in a total of USD 445 million for 2021 (2020: USD 499 million under the old methodology).

The differences between the solvency and statutory valuation for technical provisions are therefore a) the discounting of reserves for losses and loss expenses and b) the market valuation of premium reserves (URR) for solvency purposes.

Refer to Appendix II for the SST market consistent balance sheet.

7.3. Valuation of other liabilities

7.3.1. Value of provisions for other liabilities

For solvency purposes, other liabilities according to the SST balance sheet included as Appendix II amount to USD 89 million as at 31 December 2021 (2020: USD 26 million). Other liabilities are recorded at nominal value, i.e. the net payable as at 31 December 2021. The position mainly comprises accrued expenses and accounts payable.

7.3.2. Basis, methods and key assumptions used in the valuation

As noted above, the other liabilities are recorded at nominal value, with no difference between solvency and statutory valuation.

8. Capital Management

8.1. Goals, strategy and time horizon for capital planning

The primary capital management objectives of the Company are as follows:

1. Ensure sufficient capital to meet and/or exceed all relevant solvency requirements;
2. Maintain some amount of excess capital over and above item 1; and
3. Return true excess capital above items 1 and 2 to the Company's shareholders.

The Company regularly assesses its overall capital and solvency position, including the SST ratio and A.M. Best Capital Adequacy Ratio. When assessing the level of shareholder's equity in relation to these measures, the Company will also consider recent business development and strategic planning, current and future market conditions, uncertainty around loss reserves development and other relevant factors.

The time horizon management considers for capital planning is highly dependent on the Company's business plan and strategy, asset-liability-management considerations as well as general market trends and conditions. At a minimum, the Company considers a three-year planning horizon, which is linked to the Company's financial planning, Own Risk and Solvency Assessment and rating process; however, a longer-term view is considered as appropriate.

From a capital perspective, the Company maintained its strong capital position and exceeded its internal target solvency and capital guidelines in 2021. The Company continues to be "A" rated by A.M. Best and was upgraded to "A+" by Standard & Poor's in 2021.

8.2. Structure, level and quality of equity

The statutory shareholder's equity of the Company as at 31 December 2021 and 2020, respectively, is structured as follows:

Shareholder's equity (in USD millions)	2021	2020
Statutory share capital	71.6	71.6
Statutory capital reserves		
Legal reserves from capital contributions	35.8	35.8
Other reserves from capital contributions	889.1	889.1
Organisation fund from capital contributions	7.4	7.4
Accumulated income	232.2	140.7
Total	1,236.1	1,144.6

8.3. Description of material changes during the period

There were no changes in the shareholder's equity of the Company during 2021 other than in accumulated income due to the financial result of the year.

8.4. Explanation of discrepancies between solvency and statutory equity

The Risk Bearing Capital as at 31 December 2021, which represents the difference between market-consistent assets and liabilities used for solvency purposes (refer to Appendix II and Section 9 of this report for further details), amounts to USD 1,401 million. The difference of USD 165 million to the Company's statutory shareholder's equity of USD 1,236 million can be explained as follows:

in USD millions	2021	2020
Risk Bearing Capital	1,401	1,217
Adjustment for investments as per section 7.1.3 above	(15)	(59)
Adjustments for technical provisions as per section 7.2.3 above	(153)	(29)
Other adjustments for statutory purposes, net	3	16
Statutory shareholder's equity	1,236	1,145

The adjustment for investments of USD 15.4 million consists of USD 12.1 million related to the valuation of the investments at the lower of amortised cost or market values and USD 3.3 million related to the different valuation of the investment in subsidiary as discussed in section 7.1.3.

The adjustment for technical provisions, net of retrocession of USD 153 million relates to the statutory adjustment for reserves for losses and loss expenses and reserves for unearned premiums as discussed in section 7.2.3.

Other adjustments, net of USD 3 million, include a number of legally required adjustments for Swiss statutory purposes.

9. Solvency

9.1. Solvency model

In general, the Company used the Standard Model for Reinsurers (“StandRe”), as prescribed by FINMA, in order to perform the 2022 SST calculation.

Specifically, Attritional Event Premium, Individual Events, Attritional Events Reserves and the Risk Margin are evaluated using StandRe as prescribed by FINMA, Market Risk is assessed using the Market Risk Model as prescribed by FINMA, and Standard Scenarios and adjustments for expected financial performance are evaluated using FINMA prescribed templates and methodologies.

The modelling of natural catastrophe perils is undertaken using the Company’s internal model for Natural Catastrophe risks, as approved by FINMA.

For the 2022 SST, the new Credit Risk Model as prescribed by FINMA was used for the first time, which consists of the following two components:

- The Basel III Securitization Standard Approach (SEC-SA) used for VRS’ Non-agency securitization portfolio. The use of this model, considered a company specific adjustment, was approved by FINMA.
- For all other assets in scope, the credit risk capital requirements are estimated using the new Credit Risk Standard model “Merton”.

9.2. Target Capital

For solvency purposes, the minimum Target Capital is determined by the SST calculation taking into account the expected shortfall at the 99% percentile of the overall distribution, expected insurance result, expected financial performance and risk margin.

Target Capital for the 2022 SST is determined to be USD 617 million (2021 SST: USD 557 million), an increase of USD 59 million or 11% from last year’s Target Capital requirement.

Insurance Risk increased by USD 53 million or 12% to USD 477m. The increase is the result of the an increase in Underwriting Risk mainly as a result of growth in business volume, partially offset by a reduction in Reserving Risk driven by the ADC that the Company entered into effective 1 January 2021 covering reserves as at 31 December 2021 and prior. Resulting from this, diversification benefits within Insurance Risk also decreased compared to prior year.

Market Risk has increased by USD 86 million or 134% from USD 65 million to USD 151 million due to the modelling of an intercompany loan as well as the overall growth in the investment portfolio.

Credit Risk increased by USD 89 million or 78% to USD 204 million following the overall growth in assets complemented by the impact of the implementation of the new Credit Risk model (the Basel III standard approach SEC-SA for non-agency securitizations and the Merton stochastic model for all other asset classes).

Following the overall increase in all risks combined with the implementation of the new stochastic Credit Risk model, the overall diversification benefits increased substantially by USD 167 million.

The impact of non-insurance scenarios decreased to USD 3 million, a USD 18 million decrease compared to prior year.

Lastly, the Risk Margin increased by USD 81 million or 112% mainly due to the overall increase in prior year risks gross of the impact of the ADC.

Components of the Target Capital calculation are given below:

Target Capital Composition (in USD millions)	2022	2021	Variance
Insurance Risk	477	424	53
Underwriting Risk	406	303	103
Reserving Risk	152	287	(135)
<i>Diversification</i>	<i>(81)</i>	<i>(166)</i>	<i>85</i>
Market Risk	151	65	86
Interest Rate Risk	106	18	88
Spread Risk	171	48	123
Private Equity Risk	-	12	(12)
<i>Diversification</i>	<i>(127)</i>	<i>(13)</i>	<i>(114)</i>
Credit Risk	204	115	89
<i>Diversification (Insurance, Market & Credit Risks)</i>	<i>(218)</i>	<i>(51)</i>	<i>(167)</i>
Insurance, Market & Credit Risk	614	552	(62)
Scenarios	3	20	(18)
Expected Insurance Result	(141)	(74)	(67)
Expected Financial Result	(12)	(13)	1
Solvency Capital Requirements	464	485	(22)
Risk Margin	153	72	81
Target Capital	617	557	59

9.3. Risk Bearing Capital

For solvency purpose, the Risk Bearing Capital is the Company's total market-consistent value of assets less market-consistent liabilities. All of the Company's Risk Bearing Capital is considered core capital, with no supplementary capital in place.

In line with Appendix II, the total Risk Bearing Capital for VRS as per the 2022 SST as at 31 December 2021 is USD 1,401 million compared to USD 1,217 million in 2020. The breakdown of this figure is given below:

Risk Bearing Capital Composition (in USD millions)	2021	2020	Variance
Assets			
Investments	2,062	1,773	289
Cash and Cash Equivalents	301	180	122
Ceded Technical Provisions	146	64	82
Other assets	808	766	42
Total assets	3,317	2,783	534
Liabilities			
Gross Technical Provisions	1,827	1,539	287
Other liabilities	89	26	63
Total liabilities	1,916	1,565	350
Assets - Liabilities	1,401	1,217	184
Deductions	-	-	-
Risk Bearing Capital	1,401	1,217	184

Further details are provided in Section 7 of this report regarding valuation of all assets and liabilities.

9.4. SST Ratio

Based on the information above, the Company's SST ratio for 2022 amounts to 269% (2021 SST: 236%) in accordance with the FINMA calculation formula. It demonstrates that the Company remains in a strong solvency position. The increase of the 2022 SST ratio compared to prior year is driven by the increase in Risk Bearing Capital mainly due to a cash contribution in 2021 and the calculation of the market-consistent value of premium reserves, which was reviewed in the 2022 SST. This was partially offset by an increase in Target Capital due to business and resulting investment portfolio growth, leading to an increase in all risks (i.e. Insurance, Market and Credit risk), partially mitigated by increased diversification benefits mainly following the implementation of the new Credit Risk Model, the impact of the ADC and an increase in the expected insurance result.

The solvency information contained in this section is consistent with the information provided to FINMA as part of the Company's 2022 SST reporting, which is subject to regulatory review by FINMA.

10. Appendix

In accordance with the Circular, the report of the statutory auditor to the General Meeting on the financial statements 2021 including the statutory financial statements (Appendix I), as well as the quantitative templates as required by FINMA (Appendix II), respectively, are attached to this report.

10.1. Appendix I – Audited statutory financial statements 2021

**Validus Reinsurance
(Switzerland) Ltd**
Zürich

**Report of the statutory auditor
to the General Meeting**

on the financial statements 2021

Report of the statutory auditor

to the General Meeting of Validus Reinsurance (Switzerland) Ltd

Zürich

Report of the statutory auditor on the financial statements

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

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company'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 Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG



Martin Schwörer
Audit expert
Auditor in charge



Enrico Grazzi

Zürich, 26 April 2022

Enclosures:

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

BALANCE SHEET

in USD '000		31 December 2021	31 December 2020
ASSETS			
Fixed income securities		1,639,501	1,161,372
Other investments		5,105	151,512
Investments in subsidiary		401,913	401,913
Total Investments	4	2,046,519	1,714,797
Cash and cash equivalents	4	301,683	179,681
Funds withheld		135,594	123,860
Reinsurance recoveries	5	158,460	70,226
Deferred acquisition costs		216,953	137,200
Receivables from reinsurance operations	6	642,920	521,805
Other receivables	7	7,839	13,073
Prepayments and accruals		6,554	6,269
TOTAL ASSETS		3,516,524	2,766,911
LIABILITIES AND SHAREHOLDER'S EQUITY			
<u>Liabilities</u>			
Reserves for losses and loss expenses	5	1,432,736	1,062,591
Unearned premium reserves	5	776,163	516,736
Liabilities from reinsurance operations	8	14,917	16,566
Other liabilities	9	49,495	21,954
Accrued liabilities		7,162	4,504
Total liabilities		2,280,473	1,622,351
<u>Shareholder's Equity</u>			
Share capital		71,565	71,565
Statutory capital reserves:			
Legal reserves from capital contributions		35,782	35,782
Other reserves from capital contributions		889,077	889,077
Organisation fund from capital contributions		7,407	7,407
Accumulated Income		232,220	140,729
Total shareholder's equity	10	1,236,051	1,144,560
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,516,524	2,766,911

INCOME STATEMENT

For the years ended		31 December 2021	31 December 2020
In USD '000			
Gross premiums written		1,613,067	1,214,320
Reinsurer's share of gross premiums written		(54,377)	(52,653)
Net premiums written	11	1,558,689	1,161,667
Change in unearned premiums		(259,427)	(158,733)
Reinsurer's share of change in unearned premiums		3,296	2,023
Net premiums earned		1,302,558	1,004,958
Gross paid losses		(732,501)	(505,828)
Reinsurer's share of paid losses		15,095	16,354
Change in reinsurance reserves		(385,594)	(347,589)
Reinsurer's share of change in reinsurance reserves		84,993	(8,547)
Claims incurred, net of reinsurance		(1,018,007)	(845,610)
Acquisition expenses		(334,115)	(233,106)
Reinsurer's share of acquisition expenses		5,939	3,585
Administrative expenses	12	(33,697)	(27,523)
Acquisition and administrative expenses, net of reinsurance		(361,873)	(257,044)
<u>Underwriting result</u>		<u>(77,322)</u>	<u>(97,696)</u>
Investment income	4	66,794	29,677
Realised gains / (losses)	4	(6,767)	13,924
Unrealised gains / (losses)	4	(12,909)	(6,745)
Asset management costs		(2,957)	(2,375)
<u>Investment result</u>		<u>44,161</u>	<u>34,481</u>
Other financial expenses		(80)	(107)
<u>Operating result</u>		<u>(33,241)</u>	<u>(63,322)</u>
Other income	13	125,000	612
Net Income / (loss) before tax		91,759	(62,711)
Tax expenses		(268)	(2,555)
NET INCOME / (LOSS) FOR THE YEAR		91,491	(65,266)

NOTES TO THE FINANCIAL STATEMENTS

1. General

Validus Reinsurance (Switzerland) Ltd (hereafter referred to as "the Company" or "VRS") is part of the American International Group ("AIG"), a leading global insurance organisation. Its top parent company American International Group, Inc. is listed on the New York Stock Exchange. VRS is a direct subsidiary of Validus Holdings (UK) Ltd, which is a wholly-owned subsidiary of Validus Reinsurance, Ltd., a Bermuda based reinsurance company.

The Company is domiciled at Talstrasse 83, 8001 Zurich, Switzerland. It is licensed by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The Company is also a licensed permit company through its Bermuda branch, registered as a Class 4 insurer under the Bermuda Insurance Act.

The Company's primary lines of business are Property, Marine & Energy, Agriculture, Casualty and Specialty. Those primary lines of business include the following main types of business:

- *Property:* Property catastrophe reinsurance, property per risk reinsurance and property pro rata reinsurance.
- *Marine & Energy:* Reinsurance on excess of loss or pro rata basis for damage to or loss of marine vessels or cargo, marine accidents and offshore energy properties.
- *Agriculture:* Multiple Peril Crop Insurance ("MPCI"), Crop Hail, Dairy Revenue Protection and Livestock. MPCI, Dairy Revenue Protection and Livestock business is generally written on a pro rata basis and Crop Hail on an excess of loss basis.
- *Casualty:* Directors and Officers liability, Error and Omissions, Medical Malpractice and Other Casualty, with the majority being written on a pro rata basis.
- *Specialty:* Other specialty lines including technical lines, financial lines, terrorism, trade credit and composite lines. Trade credit is generally written on a pro rata basis while other lines are written on both pro rata and excess of loss basis.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (art. 957 to 963b Swiss Code of Obligations, effective since 1 January 2013). Amounts are presented in thousands of U.S. Dollars ("USD") for both current and prior period, except for share amounts in Note 10 and proposed appropriation of available earnings. Certain amounts may not sum to their total due to rounding.

The following is a summary of the significant accounting policies adopted by the Company:

(a) Premiums

Premiums are recognised rateably over the terms of the related contracts and policies. The gross premiums written are based on policy and contract terms and include estimates based on information received from both insured and ceding companies.

Premiums on excess of loss contracts are recorded in accordance with contract terms and earned over the contract period. Since premiums for excess of loss contracts are usually established with some certainty at the outset of the contract and the reporting lag for such premiums is minimal, estimates for premiums written for these contracts are usually not significant. The minimum and deposit premiums on excess of loss contracts are usually set forth in the language of the contract and are used to record premiums on these contracts. Actual premiums are determined in subsequent periods based on actual exposures and any adjustments are recorded in the period in which they are identified.



For pro rata contracts, gross premiums written are normally estimated on a quarterly basis based on discussions with ceding companies, together with historical experience and management's judgement. Premiums written on pro rata contracts are earned over the risk periods of the underlying policies issued and renewed. As a result, the earning pattern of pro rata contracts may extend up to 24 months. This is generally twice the contract period due to the fact that some of the underlying exposures may attach towards the end of our contracts (i.e. risks attaching basis), and such underlying exposures generally have a one year coverage period.

Reinsurance ceded is accounted for on a consistent basis as that of the assumed.

(b) Unearned premiums

Premiums are earned over a period that is consistent with the risks covered under the terms of the contract, which is generally one to two years. The portion of the premium related to the unexpired portion of the risk period is reflected in unearned premiums reserve.

(c) Deferred acquisition costs

Cedent reported commissions and other costs that vary with and are primarily related to the production of insurance business are deferred and amortized over the terms of the underlying policies.

Provisions for commissions are determined the same way as the corresponding acquisition costs.

Deferred acquisition costs are shown net of commissions on reinsurance ceded.

(d) Loss reserves and loss adjustment expenses

Loss and loss adjustment expense reserves, including losses incurred but not reported ("IBNR") and provisions for settlement expenses, include amounts determined from loss reports on individual cases, independent actuarial determinations and amounts based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry data and management estimates.

IBNR reserves are estimated by management using various actuarial methods as well as a combination of the Company's loss experience, insurance industry loss experience, underwriters' experience, general market trends and management's judgement.

(e) Investments in subsidiaries

Investments in subsidiaries are carried at cost less other than temporary impairments, if any.

(f) Investments in fixed income securities

Investments in fixed income securities are carried at the lower of amortised cost or fair market value per individual security.

(g) Other investments

Other investments, comprised of investment funds, are carried at the lower of cost or fair value.

(h) Foreign currency translation

As permitted by Swiss law, the Company's accounting records are maintained in USD, which is the currency of the Company's primary business activities and also the Company's functional currency for group consolidation purposes.

Assets and liabilities in foreign currencies are translated into USD at year-end exchange rates, while income and expenses have been translated at the exchange rates at the date the transaction occurred. Both the Company's Swiss head office and its Bermuda branch maintain their books and records in USD.

Swiss law requires companies presenting their statutory financial statements in a currency other than CHF to present the foreign currency values also in CHF for illustrative purposes. The corresponding CHF values are presented in the notes to these financial statements under Note 16, applying the 2021 year-end spot rate of USD/CHF 1.097525 (as published by the Swiss Federal Tax Authority) for balance sheet positions and the 2021 average rate of USD/CHF 1.093723 (as published by the Swiss Federal Tax Authority) for income statement positions. Share capital and capital contribution reserves as at the end of the financial year 2016 are translated using the historic exchange rate of USD/CHF 0.980681 applicable at the time of transition to the new reporting currency. For any subsequent changes in share capital and capital contribution reserves, the spot rate at the transaction date is used. Any translation gain or loss from the translation is directly recorded in equity.

3. *Contingent obligations*

The Company has no material contingent obligations as at 31 December 2021 and 2020, respectively.

4. *Investments*

The total amortised cost and estimated fair value of investments in fixed income securities as at 31 December 2021 and 2020, respectively, were as follows. Amounts recorded in the balance sheet as at 31 December 2021 and 2020, respectively, differ from the below as the fixed income securities are valued at the lower of amortised cost or fair value on an individual security basis, amounting to USD 1,639,501,272 as at 31 December 2021 (USD 1,161,372,345 as at 31 December 2020).

In USD '000	2021	2020
Amortised cost	1,656,012	1,164,553
Difference	(4,424)	32,272
Estimated fair value	1,651,588	1,196,825

Pledged Investments

The Company established a Multi-Beneficiary Reinsurance Trust to collateralize its reinsurance liabilities associated with and for the benefit of U.S. domiciled cedents, and was approved as a trustee reinsurer in the State of New Jersey in December 2015.

As at 31 December 2021, fixed income securities with an estimated fair value of USD 456.5 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2020: USD 336.9 million). Pledged assets are generally for the benefit of the Company's cedents and policyholders, and to facilitate the accreditation of the Company as non-admitted reinsurer by certain regulators.

Net investment result

The following tables show the income and expenses on Investments by investment category:

2021	Income/(Expenses)	Realised gain/(losses)	Unrealised (losses)	Total
In USD '000				
Fixed income securities	25,937	3,458	(12,909)	16,486
Other investments	516	(10,224)	-	(9,708)
Cash and cash equivalents	(429)	-	-	(429)
Investments in subsidiary	40,770	-	-	40,770
Total	66,794	(6,767)	(12,909)	47,118

2020	Income	Realised gains	Unrealised gains/(losses)	Total
In USD '000				
Fixed income securities	28,097	256	1,607	29,960
Other investments	580	13,668	(8,352)	5,896
Cash and cash equivalents	1,000	-	-	1,000
Investments in subsidiary	-	-	-	-
Total	29,677	13,924	(6,745)	36,856

Investments in subsidiaries

In 2019, the Company received a capital contribution in kind from its parent company in the form of an investment in subsidiary of Flagstone Reinsurance (Luxembourg) Sàrl. The investment in subsidiary was contributed at a value of USD 401.9 million, which is not higher than the estimated fair value of Flagstone Reinsurance (Luxembourg) Sàrl at the time of contribution.

The investment in subsidiary continues to be recorded at acquisition cost in 2021.

5. Reinsurance reserves

The details of gross and ceded insurance reserves by classification as at 31 December 2021 and 2020, respectively, were as follows:

2021	Gross	Ceded	Net
In USD '000			
Unearned premium reserves	776,163	(8,856)	767,307
Reserves for losses and loss expenses	1,432,736	(149,604)	1,283,131
Total	2,208,899	(158,460)	2,050,438

2020	Gross	Ceded	Net
In USD '000			
Unearned premium reserves	516,736	(5,560)	511,176
Reserves for losses and loss expenses	1,062,591	(64,666)	997,925
Total	1,579,327	(70,226)	1,509,101

6. Receivables from reinsurance operations

The details of the account as at 31 December 2021 and 2020, respectively, were as follows.

In USD '000	2021	2020
Third parties	641,653	513,410
Related parties	1,267	8,396
Total	642,920	521,805

All reinsurance receivable balances are receivables from insurance companies (rather than individual policyholders or insurance brokers/agents).

7. Other receivables

The details of the account as at 31 December 2021 and 2020, respectively, were as follows:

In USD '000	2021	2020
Third parties	3,622	11,849
Related parties	4,217	1,224
Total	7,839	13,073

8. Liabilities from reinsurance operations

The details of the account as at 31 December 2021 and 2020, respectively, were as follows:

In USD '000	2021	2020
Third parties	14,917	8,932
Related parties	-	7,635
Total	14,917	16,566

All reinsurance payable balances are payables towards insurance companies (rather than individual policyholders or Insurance brokers/agents).

9. Other liabilities

The details of the account as at 31 December 2021 and 2020, respectively, were as follows:

In USD '000	2021	2020
Third parties	-	249
Related parties	49,495	21,705
Total	49,495	21,954

10. Shareholder's equity

In USD '000	Share capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 31 December 2019	1,103,831	205,995	1,309,826
Dividends paid	(100,000)	-	(100,000)
Loss for the year	-	(65,266)	(65,266)
Balances as at 31 December 2020	1,003,831	140,729	1,144,560
Profit for the year	-	91,491	91,491
Balances as at 31 December 2021	1,003,831	232,220	1,236,051

The details of statutory share capital and capital reserves as at 31 December 2021 and 2020 were as follows:

In USD	2021	2020
Share capital	71,564,626	71,564,626
Statutory capital reserves		
Legal reserves from capital contributions	35,782,313	35,782,313
Other reserves from capital contributions	889,077,154	889,077,154
Organisation fund from capital contributions	7,407,215	7,407,215
Total	1,003,831,308	1,003,831,308

Under Swiss tax law, effective 1 January 2011 repayments of capital contribution reserves established since 1997 are no longer subject to withholding tax deduction. Capital contribution reserves of USD 924.9 million and the organisation fund from capital contributions of USD 7.4 million would not be subject to the withholding tax deduction in case of repayment.

11. Premiums written

The details of gross and ceded premiums written for the years ended 31 December 2021 and 2020, respectively, were as follows:

In USD '000	2021			2020		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	295,989	(38,978)	257,012	213,562	(39,894)	173,668
Marine & Energy	101,086	(1,870)	99,216	51,424	(922)	50,502
Agriculture	477,667	(7,303)	470,364	510,736	(9,981)	500,756
Casualty	623,507	(93)	623,413	293,688	41	293,729
Specialty	114,817	(6,133)	108,684	144,909	(1,897)	143,012
Total	1,613,067	(54,377)	1,558,689	1,214,320	(52,653)	1,161,667

12. Administrative expenses

The Company's administrative expenses for the years ended 31 December 2021 and 2020, respectively, are as follows:

In USD '000	2021	2020
Staff, office and service costs	33,602	27,467
Information Technology expenses	95	56
Total	33,697	27,523

Audit fees during the year 2021 amounted to USD 326,854 (2020: USD 278,923).

13. Other income

The Company received a direct cash contribution of USD 125 million in 2021 from its indirect parent Validus Reinsurance, Ltd., which was recorded as other income.

14. Other disclosures in accordance with art. 959c of the Swiss Code of Obligations

During the year, the Company employed an average of less than 50 full time employees in Switzerland and Bermuda.

There are no other disclosures required according to art. 959c of the Swiss Code of Obligations and the Insurance Supervisory Ordinance ISO-FINMA, except for the disclosure of CHF amounts according to art. 958d para. 3 as included in Note 15 and 16.

15. Subsequent events

The Russia/Ukraine conflict began in February 2022. The conflict has and may continue to have a significant impact on the global macroeconomic and geopolitical environments, including increased volatility in capital and commodity markets, rapid changes to regulatory conditions around the globe including the use of sanctions, operational challenges for multinational corporations, inflationary pressures and an increased risk of cybersecurity incidents.

The conflict is evolving and has the potential to adversely affect the Company's business and results of operations from an investment, underwriting and operational perspective. While management believe they have taken appropriate actions to minimize related risk, management continues to monitor potential exposure and operational impacts, as well as any actual and potential claims activity. The ultimate impact will depend on future developments that are uncertain and cannot be predicted, including scope, severity and duration, the governmental, legislative and regulatory actions taken (including the application of sanctions), and court decisions, if any, rendered in response to those actions.

16. Translation of USD presentation currency values to CHF in accordance with art. 958d para. 3 Swiss Code of Obligations

BALANCE SHEET

In CHF '000	31 December 2021	31 December 2020
ASSETS		
Fixed income securities	1,493,817	1,026,588
Other investments	4,652	133,928
Investments in subsidiary	366,199	355,269
Total Investments	1,864,668	1,515,785
Cash and cash equivalents	274,876	158,828
Funds withheld	123,545	109,485
Reinsurance recoveries	144,380	62,076
Deferred acquisition costs	197,675	121,277
Receivables from reinsurance operations	585,791	461,247
Other receivables	7,143	11,556
Prepayments and accruals	5,972	5,541
TOTAL ASSETS	3,204,049	2,445,795
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Reserves for losses and loss expenses	1,305,424	939,271
Unearned premium reserves	707,194	456,765
Liabilities from reinsurance operations	13,592	14,644
Other liabilities	45,097	19,406
Accrued liabilities	6,525	3,981
Total liabilities	2,077,832	1,434,068
Shareholder's Equity		
Share capital	72,974	72,974
Statutory capital reserves		
Legal reserves from capital contributions	36,487	36,487
Other reserves from capital contributions	898,605	898,605
Organisation fund from capital contributions	7,553	7,553
Accumulated income / (loss)	110,598	(3,892)
Total shareholder's equity	1,126,217	1,011,727
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,204,049	2,445,795

INCOME STATEMENT

For the years ended	31 December 2021	31 December 2020
in CHF '000		
Gross premiums written	1,474,840	1,139,132
Reinsurer's share of gross premiums written	(49,718)	(49,393)
Net premiums written	1,425,122	1,089,739
Change in unearned premiums	(237,196)	(148,904)
Reinsurer's share of change in unearned premiums	3,014	1,898
Net premiums earned	1,190,940	942,733
Gross paid losses	(669,732)	(474,509)
Reinsurer's share of paid losses	13,801	15,342
Change in reinsurance reserves	(352,552)	(326,067)
Reinsurer's share of change in reinsurance reserves	77,710	(8,017)
Claims incurred, net of reinsurance	(930,772)	(793,251)
Acquisition expenses	(305,484)	(218,672)
Reinsurer's share of acquisition expenses	5,430	3,363
Administrative expenses	(30,810)	(25,819)
Acquisition and administrative expenses, net of reinsurance	(330,863)	(241,128)
Underwriting result	(70,696)	(91,647)
Interest income	61,070	27,839
Realised gains	(6,187)	13,062
Unrealised gains / (losses)	(11,803)	(6,327)
Asset management costs	(2,704)	(2,228)
Investment result	40,376	32,346
Other financial expenses	(73)	(100)
Operating result	(30,392)	(59,401)
Other income	114,289	574
Net income / (loss) before tax	83,896	(58,828)
Tax expenses	(245)	(2,397)
NET INCOME / (LOSS) FOR THE YEAR	83,651	(61,225)

Fixed income securities in CHF '000	2021	2020
Amortised cost	1,508,860	1,029,400
Difference	(4,031)	28,527
Estimated fair value	1,504,830	1,057,926

2021	Income/(Expense)	Realised gains/(losses)	Unrealised (losses)	Total
in CHF '000				
Fixed income securities	23,714	3,162	(11,803)	15,073
Other investments	472	(9,348)	-	(8,876)
Cash and cash equivalents	(392)	-	-	(392)
Investments in subsidiary	37,276	-	-	37,276
Total	61,070	(6,187)	(11,803)	43,080

2020	Income	Realised gains	Unrealised gains/(losses)	Total
in CHF '000				
Fixed income securities	26,357	240	1,338	27,935
Other investments	544	12,822	(7,665)	5,701
Cash and cash equivalents	938	-	-	938
Investments in subsidiary	-	-	-	-
Total	27,839	13,062	(6,327)	34,574

CHF 403.5 million of fixed maturities were pledged as at 31 December 2021 (2020: CHF 297.8 million).

Reinsurance Reserves in CHF '000			
2021	Gross	Ceded	Net Reserve
Unearned premium reserves	707,194	(8,069)	699,125
Reserves for losses and loss expenses	1,305,425	(136,310)	1,169,113
Total	2,012,619	(144,379)	1,868,238
2020			
	Gross	Ceded	Net Reserve
Unearned premium reserves	456,765	(4,915)	451,851
Reserves for losses and loss expenses	939,271	(57,161)	882,110
Total	1,396,037	(62,076)	1,333,961

Receivables from reinsurance operations in CHF '000	2021	2020
Third parties	584,636	453,826
Related parties	1,154	7,422
Total	585,791	461,247

Other receivables in CHF '000	2021	2020
Third parties	3,300	10,474
Related parties	3,842	1,082
Total	7,142	11,556

Liabilities from reinsurance operations in CHF '000	2021	2020
Third parties	13,591	7,895
Related parties	-	6,749
Total	13,591	14,644

Other liabilities in CHF '000	2021	2020
Third parties	-	220
Related parties	45,097	19,186
Total	45,097	19,406

Shareholder's equity in CHF '000	Share Capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 1 January 2020	1,112,975	155,427	1,268,401
Dividends paid	(97,356)	-	(97,356)
Loss for the year	-	(61,225)	(61,225)
Loss from translation recorded directly in equity	-	(98,094)	(98,094)
Balances as at 31 December 2020	1,015,619	(3,892)	1,011,727
Profit for the year	-	83,651	83,651
Gain from translation recorded directly in equity	-	30,839	30,839
Balances as at 31 December 2021	1,015,619	110,598	1,126,217

Shareholder's equity in CHF	2021	2020
Share capital	72,974,418	72,974,418
Statutory capital reserves		
Legal reserves from capital contributions	36,487,209	36,487,209
Other reserves from capital contributions	898,604,546	898,604,546
Organisation fund from capital contributions	7,553,134	7,553,134
Total	1,015,619,307	1,015,619,307

Premiums written in CHF '000	2021			2020		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	270,625	(35,638)	234,988	200,339	(37,424)	162,915
Marine & Energy	92,424	(1,710)	90,714	48,240	(865)	47,375
Agriculture	436,735	(6,677)	430,058	479,112	(9,363)	469,750
Casualty	570,078	(85)	569,992	275,503	38	275,542
Specialty	104,978	(5,607)	99,371	135,937	(1,780)	134,157
Total	1,474,840	(49,717)	1,425,122	1,139,132	(49,393)	1,089,739

Administrative expenses in CHF '000	2021	2020
Staff, office and service costs	30,723	25,766
Depreciation expenses	0	-
Information Technology expenses	87	53
Total	30,809	25,819

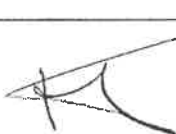
Audit fees during the year 2021 amounted to CHF 298,845 (2020: CHF 261,653).

The Company received a direct cash contribution of CHF 114.3 million in 2021 from its indirect parent Validus Reinsurance, Ltd., which was recorded as other income.

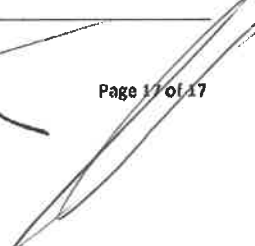
PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Company's Board of Directors proposes that the available earnings as at 31 December 2021 of USD 232,219,993 (CHF 110,597,710) be carried forward to the succeeding financial year.

Since the Company's legal reserves from capital contributions amount to 50% of the share capital, no further allocation to legal reserves is required in accordance with art. 671 Swiss Code of Obligations.



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10.2. Appendix II – Quantitative templates

Currency: USD
Amounts stated in
millions

		2020	Adjustments previous period	2021
Market-consistent value of investments	Real estate	-	-	-
	Participations	425	-	-
	Fixed-income securities	486	-	765
	Loans	-	-	400
	Mortgages	-	-	-
	Equities	-	-	-
	Other investments	-	-	-
	Collective investment schemes	-	-	-
	Alternative investments	-	-	-
	Structured products	152	-	5
Other investments	710	-	891	
Total investments	1,773	-	2,062	
Market-consistent value of other assets	Financial investments from unit-linked life insurance	-	-	-
	Receivables from derivative financial instruments	-	-	-
	Deposits made under assumed reinsurance contracts	125	-	136
	Cash and cash equivalents	180	-	301
	Reinsurers' share of best estimate of provisions for insurance liabilities	-	-	-
	Direct insurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Reinsurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Direct insurance: non-life insurance business	-	-	-
	Direct insurance: health insurance business	-	-	-
	Reinsurance: non-life insurance business	64	-	146
	Reinsurance: health insurance business	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Direct insurance: unit-linked life insurance business	-	-	-
	Reinsurance: unit-linked life insurance business	-	-	-
	Fixed assets	-	-	-
	Deferred acquisition costs	-	-	-
Intangible assets	-	-	-	
Receivables from insurance business	477	-	659	
Other receivables	3	-	4	
Other assets	155	-	-	
Unpaid share capital	-	-	-	
Accrued assets	6	-	8	
Total other assets	1,010	-	1,254	
Total market-consistent value of assets	Total market-consistent value of assets	2,783	-	3,317
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance liabilities	-	-	-
	Direct insurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Reinsurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Direct insurance: non-life insurance business	-	-	-
	Direct insurance: health insurance business	-	-	-
	Reinsurance: non-life insurance business	1539	-	1,827
	Reinsurance: health insurance business	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Best estimate of provisions for unit-linked life insurance liabilities	-	-	-
Direct insurance: unit-linked life insurance business	-	-	-	
Reinsurance: unit-linked life insurance business	-	-	-	
Market-consistent value of other liabilities	Non-technical provisions	-	-	-
	Interest-bearing liabilities	-	-	-
	Liabilities from derivative financial instruments	-	-	-
	Deposits retained on ceded reinsurance	-	-	-
	Liabilities from insurance business	-	-	35
	Other liabilities	26	-	49
	Accrued liabilities	-	-	5
Subordinated debts	-	-	-	
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	1565	-	1,916
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	1,217	-	1,401

Currency: USD
Amounts stated in
millions

		2020	Adjustments previous period	2021
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,217		1,401
	Deductions	-		-
	Core capital	1,217		1,401
	Supplementary capital	-		-
	RBC	1,217		1,401

		2020	Adjustments previous period	2021
Derivation of target capital	Insurance risk	424		477
	Market risk	65		151
	Diversification effects	(51)		(218)
	Credit risk	115		204
	Risk margin and other effects on target capital	4		3
	Target capital	557		617

		2020	Adjustments previous period	2021
		in %	in %	in %
SST ratio		236%	-	269%