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Validus Reinsurance (Switzerland) Ltd

Financial Condition Report 2020

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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 *i)* the Company’s 2020 audited financial statements (“statutory financial statements”) and *ii)* the Company’s 2021 reporting on the Swiss Solvency Test (“SST”) as submitted to FINMA in April 2021, 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 2020 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 2020 to 31 December 2020, 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 29 April 2021.

2. Management Summary

The year 2020 was characterised by the global pandemic, which had unprecedented effects on the global economy, including on the (re-)insurance industry. Global financial markets experienced significant volatility and the spread of COVID-19 resulted in travel and border restrictions, quarantines, business closures, event cancellations, supply chain disruptions, lower consumer demand and other general market uncertainty, leading to the deepest recession since the Great Depression of the 1930s. Additionally, 2020 saw a large amount of insured industry losses from natural catastrophes and man-made disasters globally, making it one of the costliest years for the industry. The main natural catastrophes during 2020 were a record number of severe storms including hurricanes and derechos, hailstorms and wildfires.

All this had an impact on the Company's financial results, with COVID-19 related losses as well as losses from storms in the U.S. being the main loss events for the Company. These events resulted in an overall underwriting loss for the year 2020 of USD 98 million compared to an underwriting income of USD 26 million in 2019. In addition, the continuously low interest rate environment as well as the market volatility during the year led to a decline in the Company's investment result from USD 58 million in 2019 to USD 34 million in 2020. Overall, the Company recorded a net loss of USD 65 million in 2020 compared to a net income of USD 87 million in 2019.

From a business perspective, VRS significantly increased its premium volume in 2020 across all lines of business. The main drivers for growth were Agriculture, Casualty, U.S. Property and Specialty, where the Company either increased market share, entered into new sub-lines or took advantage of an improved rate environment.

Gross premiums written increased by USD 530 million to USD 1,214 million and premiums earned after retrocession increased by USD 499 million to USD 1,005 million. The increase in premium volume compared to 2019 primarily reflects the writing of additional business across all lines of business in 2020, mainly in Agriculture, where the Company was able to regain market share following the loss of business as a result of a past acquisition, as well as in Casualty where the Company took advantage of an improving rate environment.

The total investment return in 2020 was USD 35 million compared to a return of USD 58 million in 2019. This is related to the continuously low interest rate environment leading to a decline in reinvestment yields for VRS and to market volatility. Additionally, 2019 saw a large amount of unrealised gains on investments from the favourable market conditions, which was not the case in 2020.

Claims after reinsurance recoveries were USD 846 million, an increase of USD 512 million compared to last year. The increase in claims from 2019 to 2020 is not only a result of the above-mentioned event losses that the Company experienced during the year, but also a result of change in business mix as well as the significantly higher business volume, which led to overall increased claims. As a result, the loss ratio of the Company increased from 66% in 2019 to 84% in 2020.

Net acquisition and administrative expenses increased by USD 111 million to USD 257 million primarily driven by the increased business volume. The expense ratio of the Company improved from 29% 2019 to 26% in 2020 due to a change in business mix having a positive impact on the acquisition cost ratio and a lower G&A expense ratio.

Overall, the combined ratio for the year was 110% compared to 95% in 2019, due the increased loss experience, partially offset by an improved expense ratio due to business mix changes and lower administrative expenses in proportion to premiums earned.

From a capital perspective, the Company maintained its strong capital position and exceeds its internal target solvency and capital guidelines. The Company continues to be "A" rated by Standard & Poor's and A.M. Best. The Risk-bearing Capital as per the 2021 SST amounts to USD 1,217 million with a Target Capital of USD 557 million, resulting in an SST ratio of 236%.

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 2020 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 2020 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 2021 SST report as submitted to FINMA

3. Business Activities

3.1. Shareholding, strategy, objectives and key business segments

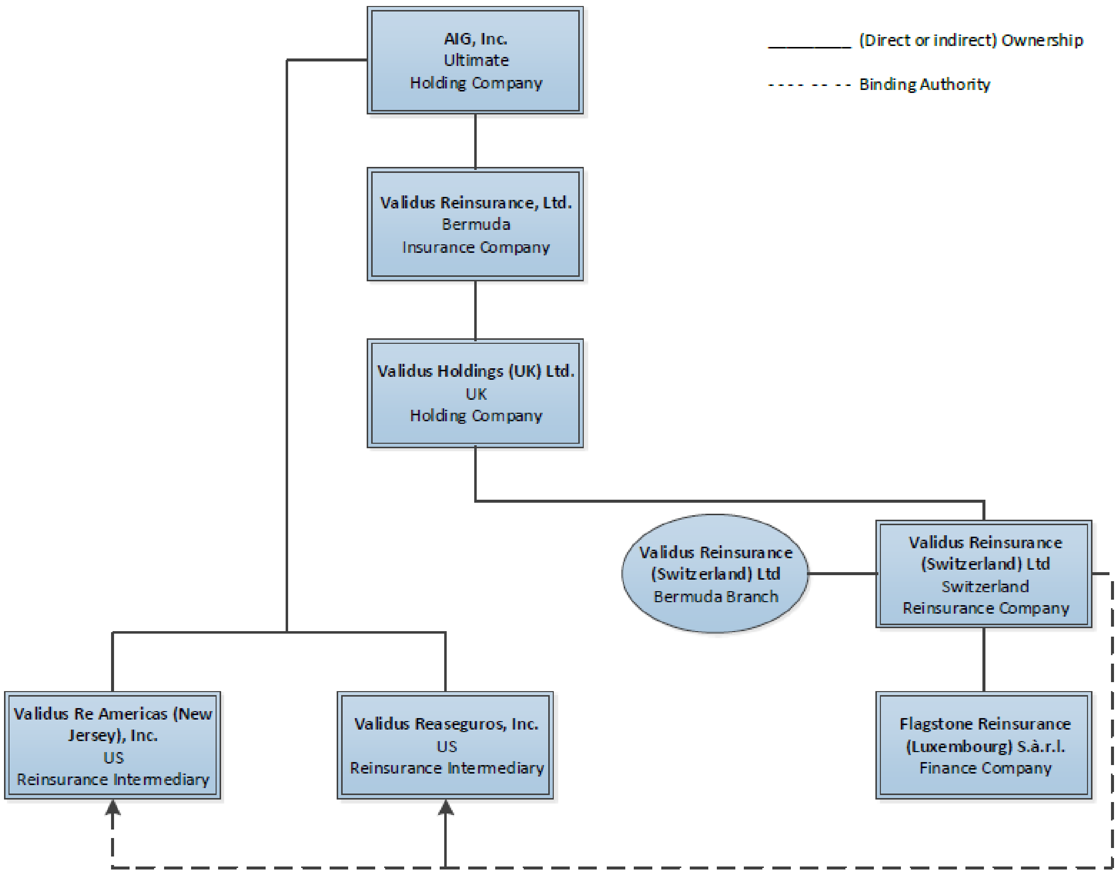
The Company is part of the American International Group ("AIG"), a leading global insurance organisation. Its top parent company American International Group, Inc. is listed on the New York Stock Exchange. VRS is a direct subsidiary of Validus Holdings (UK) Ltd, which is a wholly-owned subsidiary of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

3.3. Major shareholders

The Company is a wholly owned subsidiary of Validus Holdings (UK) Ltd, which indirectly is a wholly owned subsidiary of the AIG Group's top holding company 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 and, to a lesser extent, in the holding of investments in subsidiaries.

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

The year 2020 was characterised by the global pandemic, which had unprecedented effects on the global economy, including on the (re-)insurance industry. Global financial markets experienced significant volatility and the spread of COVID-19 resulted in travel and border restrictions, quarantines, business closures, event cancellations, supply chain disruptions, lower consumer demand and other general market uncertainty, leading to the deepest recession since the Great Depression of the 1930s.

Whilst the Company experienced certain volatility in its investment portfolio during the first quarter of 2020, the Company recorded unrealised gains on investments for the full year 2020. As regards to COVID-19 losses, the Company recorded certain pandemic losses mainly in its Agriculture and, to a lesser extent, Marine and Casualty book. The Company continues to closely monitor its exposure to COVID-19.

4. Performance

4.1. Underwriting performance

The Company's primary lines of business are Property, Marine, Agriculture, Casualty and Specialty, which includes financial lines, terrorism, trade credit, technical and composite lines. Premiums written by line of business for financial years 2020 and 2019, respectively, were as follows (in USD millions):

Gross written premiums	2020			2019		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Property	213.6	(39.9)	173.7	140.6	(26.4)	114.2
Marine	51.4	(0.9)	50.5	43.2	(0.9)	42.4
Agriculture	510.7	(9.9)	500.8	165.3	(1.8)	163.5
Casualty	293.7	0.1	293.7	229.1	3.1	232.2
Specialty	144.9	(1.9)	143.0	105.6	(2.5)	103.2
Total	**1,214.3**	**(52.7)**	**1,161.7**	**683.9**	**(28.5)**	**655.4**

Premiums are written by underwriters in Switzerland and Bermuda, and through dedicated Managing General Agents in Miami and New Jersey. In 2020, the Company managed to grow its premium volume across all lines of business, with Agriculture, Casualty, U.S. Property and Specialty being the main growth drivers. The business growth is spread over all underwriting locations of the Company.

Following the benign 2019 loss experience, the Company mainly suffered from COVID-19 pandemic losses as well as from losses related to storms in the U.S. in 2020. This resulted in an increase of the loss ratio from 66% in 2019 to 84% in 2020. The expense ratio decreased from 29% in 2019 to 26% in 2020 driven by a lower acquisition cost ratio due to the change in business mix as well as lower administrative expenses in proportion of premiums earned than in 2019.

The information included in the table above is consistent with information contained in Appendix II; Agriculture and Specialty lines as per the above table are included under "Miscellaneous" in Appendix II.

4.2. Financial performance

in USD millions	2020	2019
Gross premiums written	1,214.3	683.9
Net premiums written	1,161.7	655.4
Net premiums earned	1,004.9	506.1
Net claims incurred	(845.6)	(333.6)
Net acquisition costs	(229.5)	(129.0)
Administrative expenses	(27.5)	(17.2)
Underwriting result	**(97.7)**	**26.3**
Investment result	34.5	58.5
Other income / (expenses), net	(2.1)	2.7
Net income / (loss) for the year	**(65.3)**	**87.5**

Key Performance indicators		
Loss ratio %	84.1	65.9
Expense ratio %	25.6	28.9
Combined ratio %	**109.7**	**94.8**

The loss ratio is the ratio of net claims incurred to net earned premiums. The expense ratio is the ratio of net acquisition costs plus administrative expenses to net earned premiums.

Net loss for the year was USD 65 million compared to a net income of USD 87 million in 2019. The 2019 result was mainly driven by a benign loss experience as well as strong investment results. The 2020 loss is primarily the result of an unprecedented loss activity for VRS.

Gross premiums written increased by USD 530 million to USD 1,214 million and premiums earned after retrocession increased by USD 499 million to USD 1,005 million. The increase in premium volume compared to 2019 primarily reflects the writing of additional business across all lines of business in 2020, mainly in Agriculture, where the Company was able to regain market share following the loss of business as a result of a past acquisition, as well as in casualty where the Company took advantage of an improving rate environment.

Claims after reinsurance recoveries were USD 846 million, an increase of USD 512 million compared to last year. The increase in claims from 2019 to 2020 is not only a result of the above-mentioned event losses that the Company experienced during the year, but also a result of change in business mix as well as the significantly higher business volume, which led to overall increased claims. As a result, the loss ratio increased from 66% in 2019 to 84% in 2020.

Net acquisition and administrative expenses increased by USD 111 million to USD 257 million primarily driven by the increased business volume. The expense ratio of the Company improved from 2019 due to a change in business mix having a positive impact on the acquisition cost ratio and a lower G&A expense ratio.

Overall, the combined ratio for the year was 110% compared to 95% in 2019, due the increased loss experience, partially offset by an improved expense ratio due to business mix changes and lower administrative expenses in proportion to premiums earned.

The total investment return in 2020 was USD 35 million compared to a return of USD 58 million in 2019. This is related to the continuously low interest rate environment leading to a decline in reinvestment yields for VRS and to market volatility.

Additionally, 2019 saw a large amount of unrealised gains on investments from the favourable market conditions, which was not the case in 2020.

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

Other expenses, net of USD 2.1 million in 2020 mainly consist of tax expenses.

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 since October 2018; he also serves as Chief Executive Officer of Validus Research;
- Alexander Nagler is a member of the Board of Directors since October 2018; he also serves as Managing Director of the DACH region at AIG;
- Christopher Schaper is the Vice-Chairman of the Board of Directors, to which he was appointed in November 2019; he also serves as Chief Executive Officer of AIG Re and Validus Reinsurance, Ltd. and is a member of the AIG General Insurance Executive Leadership Team.

There were no changes to the Company's Board of Directors in 2020.

The Company's Board of Directors established a combined Audit and Risk Committee and 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 2020:

- Sven Wehmeyer is the Chief Executive Officer;
- Patrick Boisvert is the Chief Financial Officer and Head of Investments;
- Stéphane Sauthier is the Head of Swiss Operations.

There were no changes to the Company's Executive Management in 2020.

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.

The Company 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.

The Company 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 reinsurance and 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 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 1st Line of Defence, Compliance and Risk Management being the 2nd Line of Defence, and Internal Audit being the 3rd 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 covering cat risks 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.

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

To help mitigate counterparty credit risk, VRS enters into retrocessional arrangements where either the limit is fully collateralised, and the collateral is invested in cash, cash equivalents or U.S. backed securities, or with counterparties that have been duly approved. For 2020, all core property retrocessional arrangements at the Validus Re business unit level, which includes VRS risks, are either fully collateralized or backed by counterparties approved by the AIG Reinsurance Credit Department.

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

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
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
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

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 2020, fixed income securities with an estimated fair value of USD 336.9 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2019: USD 195.4 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 2020 and 2019, respectively, including market-consistent values relevant for solvency purposes and amortised cost values. The below amortised cost value of the investment in subsidiary represents cost of acquisition less any necessary impairments.

As at 31 Dec (in USD millions)	Market Value 2020	Market Value 2019	Amortised Cost 2020	Amortised Cost 2019	Variance (MV)	Variance (MV) %
Fixed Income Securities						
Agency MBS	325.1	145.1	319.6	143.5	180.0	124.0%
Non Agency MBS and CMO	193.0	184.2	188.1	183.0	8.8	4.8%
Asset Backed Securities	192.4	222.5	192.3	223.0	(30.1)	-13.5%
US Gov & Gov Agency	60.8	116.3	58.4	114.5	(55.5)	-47.7%
Non-US Gov & Gov Agency	31.5	62.8	29.9	61.4	(31.2)	-49.8%
Corporate	378.6	327.9	361.1	319.0	50.7	15.5%
Municipalities	15.2	13.4	15.2	13.3	1.9	13.9%
	1,196.8	**1,072.3**	**1,164.6**	**1,057.7**	**124.6**	**11.6%**
Other Investments						
Investment Funds	151.5	159.8	151.5	157.0	(8.3)	-5.2%
Investment in subsidiary	477.4	405.0	401.9	401.9	72.4	17.9%
Total Investments	**1,825.7**	**1,637.0**	**1,718.0**	**1,616.6**	**188.7**	**11.5%**

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 independent 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 independent 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 investment funds. 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 2020, this leads to a lower statutory valuation of USD 35.5 million (2019: USD 19.4 million) compared to the valuation used for solvency purposes. Since the valuation for Swiss statutory purposes is performed on an individual security level, the total of amortised cost values as per the table above differs from the amount recorded in the statutory financial statements by USD 3.3 million.

The investment in subsidiary is recorded at USD 424.8 million for solvency purposes, representing the market value less a deferred tax asset of USD 52.6 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.

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, other receivables and deferred acquisition costs, all of which are recorded at nominal values, and there is no 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 2020 and 2019 (in USD millions):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Undiscounted	Discounted	Undiscounted	Discounted
Gross reserves for losses and loss expenses	1,063	1,054	690	657
Ceded reserves for losses and loss expenses	(65)	(64)	(73)	(70)
Net loss reserves for losses and loss expenses	**998**	**990**	**616**	**587**

As at 31 December 2020, the reserves for losses and loss expenses ("loss reserves") based on the Company's best estimate, net of retrocession, are USD 998 million on an undiscounted and USD 990 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 2020 and 2019, respectively, were as follows as per the Company's statutory financial statements (in USD millions):

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**

2019	Gross	Ceded	Net Reserve
Unearned premium reserves	358.0	(3.5)	354.5
Reserves for losses and loss expenses	709.7	(73.2)	636.5
Total	**1,067.7**	**(76.7)**	**991.0**

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 2020, the risk margin, also referred to as the market value margin (MVM), is USD 72 million (2019: USD 49 million). For the computation of the Company's target capital including the risk margin and other effects on target capital as per the 2021 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 2021 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 solvency purposes, the best estimate loss reserves gross of retrocession amount to USD 1,054 million on a discounted basis and the gross unearned premium reserves amount to USD 499 million, providing for a total gross best estimate liability of USD 1,553 million. Net of retrocession, reserves for losses and loss expenses amount to USD 990 million and reserves for unearned premiums amount to USD 490 million.

For statutory purposes, the value of reserves for losses and loss expenses is the undiscounted best estimate of USD 1,063 million, gross of retrocession. Reserves for unearned premiums gross of retrocession amount to USD 517 million, providing for a total gross best estimate liability of USD 1,579 million. Net of retrocession, statutory reserves for losses and loss expenses amount to USD 998 million and reserves for unearned premiums amount to USD 511 million.

The difference in net reserves for losses and loss expenses between the statutory and solvency view is the discounting of USD 8 million. The difference of USD 21 million between the statutory value of net reserves for unearned premiums of USD 511 million and the solvency value of net reserves for unearned premiums of USD 490 million is due to required statutory adjustments.

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 76 million as at 31 December 2020 (2019: USD 66 million). Other liabilities are recorded at nominal value, i.e. the net payable as at 31 December 2020. 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;
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.

8.2. Structure, level and quality of equity

The statutory shareholder's equity of the Company as at 31 December 2020 and 2019, respectively, is structured as follows:

Shareholder's equity (in USD millions)	2020	2019
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	989.1
Organisation fund from capital contributions	7.4	7.4
Accumulated income	140.7	206.0
Total	**1,144.6**	**1,309.9**

8.3. Description of material changes during the period

On 24 April 2020, the Annual General Meeting of Shareholders of the Company decided to pay an ordinary dividend of USD 100 million out of other reserves from capital contributions, in accordance with the Company's capital management objectives.

There were no other changes in the shareholder's equity of the Company during 2020 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 2020, 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 1,217 million. The difference of USD 72 million to the Company's statutory shareholder's equity of USD 1,145 million can be explained as follows:

in USD millions	2020	2019
Risk-bearing capital	**1,217**	**1,286**
Adjustment for dividend	-	100
Adjustment for investments as per section 7.1.3 above	(59)	(19)
Adjustments for reinsurance reserves as per section 7.2.3 above	(29)	(49)
Other adjustments for statutory purposes, net	16	(8)
Statutory shareholder's equity	**1,145**	**1,310**

The adjustment for investments consists of USD 36 million related to the valuation of the investments at the lower of amortised cost or market values and USD 23 million related to the different valuation of the investment in subsidiary as discussed in section 7.1.3.

The adjustment for reinsurance reserves of USD 29 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 16 million, include a number of legally required adjustments for Swiss statutory purposes.

9. Solvency

9.1. Solvency model

As in prior years, the Company used the Standard Model for Reinsurers ("StandRe"), as prescribed by FINMA, in order to perform the 2021 SST calculation. This includes the Insurance, Market and Credit Risk, the risk margin, standard scenarios and adjustments for expected financial performance.

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, Credit Risk is modelled using the Basel III approach, 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.

The aggregation of the StandRe components and the Natural Catastrophe modelling is performed using simulation for Insurance Risk, and subsequently aggregated with Market Risk to obtain Insurance and Market Risk. This is combined with Credit Risk using the additive approach set out in the templates by FINMA; no diversification is given between Credit Risk and the combined Insurance and Market Risk.

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 2021 SST is determined to be USD 557 million (2020 SST: USD 454 million), an increase of USD 103 million from last year's Target Capital requirement.

Insurance Risk increased by USD 54 million from the previous evaluation and continues to be the most significant risk for the Company.

The main driver for the increased Insurance Risk is the increase in Reserving Risk of USD 104 million, which is linked to increased reserves held mainly for North American casualty business, where the Company has grown its book over recent years, as well as increased property reserves related to portfolio growth. This was partially offset by reduced reserves held for Insurance-Linked Securities funds due to sale of one of the funds. Overall, the Reserving Risk in proportion to the loss reserves held by the Company is consistent with prior year.

The increased Reserving Risk was partially offset by a decrease of Underwriting Risk by USD 33 million. This was mainly driven by a reduced natural catastrophe exposure in the U.S. portfolio.

Market Risk showed an increase of USD 14 million as a result of the growth in underlying investments held by the Company as well as adjustments to the parametrisation of the StandRe model. The Company also invests in affiliated Insurance-Linked Securities funds, however, their primary underlying risk is natural catastrophe exposure and the cash underlying the funds is held in AAA-rated money market funds, which do not add to the Market Risk charge.

Credit Risk increased by USD 18 million from prior year's assessment, which is mainly due to increased premium receivables resulting from a higher business volume.

The scenario line item in the 2021 SST reflects the FINMA prescribed standard scenarios and the main risk charge stems from the counterparty risk concentration scenario, which is related to the Company's investment in subsidiary Flagstone Reinsurance (Luxembourg) Sàrl.

The movements in both expected insurance result and expected financial performance over one year risk free are a direct result of the Company's financial plan for 2021 and reflect the budgeted underwriting result and budgeted investment return at FINMA prescribed risk free rates.

As at 31 December 2020, the risk margin, also referred to as the market value margin, is USD 72 million (2019: USD 49 million). The risk margin for VRS is determined as part of the 2021 SST process using FINMA's StandRe standard approach.

Components of the Target Capital calculation are given below:

Target Capital Composition (in USD millions)	2021	2020	Variance
Model based Results (Expected Shortfall)			
Insurance Risk	**424**	**370**	**54**
Underwriting Risk	303	336	(33)
Reserving Risk	287	183	104
Diversification benefits	(166)	(149)	(17)
Market Risk	**65**	**51**	**14**
Interest Rate Risk	18	35	(17)
Spread Risk	48	50	(2)
Private Equity Risk	12	12	-
Diversification benefits	(13)	(46)	33
Diversification benefits (Insurance & Market Risk)	(51)	(40)	(11)
Insurance & Market Risk	**438**	**381**	**57**
Model based Results			
Credit Risk	115	97	18
Scenarios	20	21	(1)
Aggregation with Insurance & Market Risk	**573**	**499**	**74**
Allowance for Expected Results			
Expected Insurance Result	(74)	(82)	8
Expected Financial Performance over 1 year risk free	(13)	(12)	(1)
Capital for Insurance & Market & Credit Risks	**485**	**405**	**80**
Risk Margin	**72**	**49**	**23**
Target Capital	**557**	**454**	**103**

9.3. Risk-bearing Capital

For solvency purpose, the Risk-bearing Capital is the Company's total market-consistent value of assets less discounted best-estimate liabilities and market-consistent value of other 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 2021 SST as at 31 December 2020 is USD 1,217 million compared to USD 1,286 million in 2019. The breakdown of this figure is given below:

Risk-bearing Capital Composition (in USD millions)	2020	2019
Assets		
Investments	1,773	1,637
Cash and cash equivalents	180	182
Premiums Receivables	477	331
Other assets	353	235
Total assets	**2,783**	**2,385**
Liabilities		
Gross discounted reserves	1,054	657
Gross unearned premium reserves	499	346
Less: ceded discounted reserves	(64)	(70)
Reinsurance balances payable and accrued expenses	76	66
Total liabilities	**1,565**	**999**
Risk-bearing Capital (pre dividends)	**1,217**	**1,386**
Less ordinary dividend	-	(100)
Risk-bearing Capital	**1,217**	**1,286**

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

Based on the information above, the Company's SST ratio for 2021 amounts to 236% (2020 SST: 305%) in accordance with the FINMA calculation formula deducting the risk margin of USD 72 million (2020 SST: USD 49 million) from both the Company's Risk-bearing Capital and Target Capital. It demonstrates that the Company remains in a strong solvency position. The decrease of the SST ratio compared to prior year is driven by the increased Target Capital given the increase of business volume, resulting in an increased insurance, market and credit risk as well as an increased risk margin. At the same time, the Risk-bearing Capital decreased from prior year mainly as a result of the Company's loss in 2020.

The solvency information contained in this section is consistent with the information provided to FINMA as part of the Company's 2021 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 2020 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 2020

Validus Reinsurance (Switzerland) Ltd.

Zurich

Report of the statutory auditor
to the General Meeting

on the financial statements 2020

Report of the statutory auditor

to the General Meeting of Validus Reinsurance (Switzerland) Ltd.

Zurich

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 2020.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 2020 comply with Swiss law and the Company's articles of incorporation.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
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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

Nicolas Stadler
Audit expert

Zürich, 29 April 2021

Enclosures:

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

BALANCE SHEET

in USD '000		31 December 2020	31 December 2019
ASSETS			
Fixed income securities	4	1,161,372	1,055,625
Other investments	4	151,512	156,966
Investments in subsidiaries	4	401,913	401,913
Total investments		**1,714,797**	**1,614,504**
Cash and cash equivalents	4	179,681	181,531
Funds withheld		123,860	41,664
Reinsurance recoveries		70,226	76,688
Deferred acquisition costs		137,200	99,893
Receivables from reinsurance operations	6	521,805	345,830
Other receivables	7	13,073	26,106
Prepayments and accruals		6,269	6,543
TOTAL ASSETS		**2,766,911**	**2,392,761**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Reserves for losses and loss expenses	5	1,062,591	709,648
Unearned premium reserves	5	516,736	358,003
Liabilities from reinsurance operations	8	16,566	-
Other liabilities	9	21,954	9,509
Accrued liabilities		4,504	5,775
Total liabilities		**1,622,351**	**1,082,935**
Shareholder's Equity			
Share capital	10	71,565	71,565
Statutory capital reserves:			
Legal reserves from capital contributions	10	35,782	35,782
Other reserves from capital contributions	10	889,077	989,077
Organisation fund from capital contributions	10	7,407	7,407
Accumulated income	10	140,729	205,995
Total shareholder's equity		**1,144,560**	**1,309,826**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,766,911**	**2,392,761**

INCOME STATEMENT

For the years ended		31 December 2020	31 December 2019
in USD '000			
Gross premiums written	11	1,214,320	683,837
Reinsurer's share of gross premiums written	11	(52,653)	(28,453)
Net premiums written	11	1,161,667	655,384
Change in unearned premiums		(158,733)	(135,395)
Reinsurer's share of change in unearned premiums		2,023	(13,892)
Net premiums earned		**1,004,958**	**506,098**
Gross paid losses		(505,828)	(250,506)
Reinsurer's share of paid losses		16,354	18,538
Change in reinsurance reserves		(347,589)	(105,734)
Reinsurer's share of change in reinsurance reserves		(8,547)	4,075
Claims incurred, net of reinsurance		**(845,610)**	**(333,626)**
Acquisition expenses		(233,106)	(134,691)
Reinsurer's share of acquisition expenses		3,585	5,688
Administrative expenses	12	(27,523)	(17,185)
Acquisition and administrative expenses, net of reinsurance		**(257,044)**	**(146,188)**
Underwriting result		**(97,696)**	**26,283**
Investment income	4	29,677	36,969
Realised gains	4	13,924	569
Unrealised gains / (losses)	4	(6,745)	23,369
Asset management costs		(2,375)	(2,455)
Investment result		**34,481**	**58,452**
Other financial expenses		(107)	(114)
Operating result		**(63,322)**	**84,621**
Other income		612	4,465
Net income / (loss) before tax		**(62,711)**	**89,086**
Tax expenses		(2,555)	(1,633)
NET INCOME / (LOSS) FOR THE YEAR		**(65,266)**	**87,453**

NOTES TO THE FINANCIAL STATEMENTS

1. General

Validus Reinsurance (Switzerland) Ltd ("VRS" or 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.

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, 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*: 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 Casualty.
- *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.

(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.

Up to and including the financial year 2016, the Company presented its statutory financial statements in CHF. In 2017, VRS changed the presentation currency of its statutory financial statements from Swiss Francs ("CHF") to USD as permitted by art. 958d para.3 Swiss Code of Obligations.

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 14, applying the 2020 year-end spot rate of USD/CHF 1.131293 (as published by the Swiss Federal Tax Authority) for balance sheet positions and the 2020 average rate of USD/CHF 1.066005 (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 2020 and 2019, respectively.

4. Investments

The total amortised cost and estimated fair value of investments in fixed income securities as at 31 December 2020 and 2019, respectively, were as follows. Amounts recorded in the balance sheet as at 31 December 2020 and 2019, 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.

in USD '000	2020	2019
Amortised cost	**1,164,553**	**1,057,737**
Difference	32,272	14,537
Estimated fair value	**1,196,825**	**1,072,274**

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 2020, fixed income securities with an estimated fair value of USD 336.9 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2019: USD 195.4 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:

2020 in USD '000	Income	Realised gains	Unrealised gains/losses	Total
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 subsidiaries	-	-	-	**-**
Total	**29,677**	**13,924**	**(6,745)**	**36,856**

2019 in USD '000	Income	Realised gains	Unrealised gains	Total
Fixed income securities	30,238	569	14,078	**44,885**
Other investments	4,826	-	9,291	**14,117**
Cash and cash equivalents	1,904	-	-	**1,904**
Investments in subsidiaries	-	-	-	**-**
Total	**36,969**	**569**	**23,369**	**60,907**

Unrealised gains of USD 23.4 million in 2019 represent write ups of previously recorded unrealised losses in the respective investment category, i.e. the respective investments are still recorded below their original cost value and the unrealised gains are therefore not deferred.

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.

There were no changes in 2020 and the investment in subsidiary remains to be recorded at acquisition cost value.

5. Reinsurance reserves

The details of gross and ceded insurance reserves by classification as at 31 December 2020 and 2019, respectively, were as follows:

2020 in USD '000	Gross	Ceded	Net
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**

2019 in USD '000	Gross	Ceded	Net
Unearned premium reserves	358,003	(3,537)	354,466
Reserves for losses and loss expenses	709,648	(73,151)	636,497
Total	**1,067,651**	**(76,688)**	**990,963**

6. Receivables from reinsurance operations

The details of the account as at 31 December 2020 and 2019, respectively, were as follows.

in USD '000	2020	2019
Third parties	513,410	344,461
Related parties	8,396	1,370
Total	**521,805**	**345,830**

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 2020 and 2019, respectively, were as follows:

in USD '000	2020	2019
Third parties	11,849	16,480
Related parties	1,224	9,626
Total	**13,073**	**26,106**

8. Liabilities from reinsurance operations

The details of the account as at 31 December 2020 and 2019, respectively, were as follows:

in USD '000	2020	2019
Third parties	8,932	-
Related parties	7,635	-
Total	**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 2020 and 2019, respectively, were as follows:

in USD '000	2020	2019
Third parties	249	40
Related parties	21,705	9,469
Total	**21,954**	**9,509**

10. Shareholder's equity

in USD '000	Share capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 31 December 2018	**701,918**	**118,542**	**820,460**
Capital contributions	401,913	-	**401,913**
Profit for the year	-	87,453	**87,453**
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**

The details of statutory share capital and capital reserves as at 31 December 2020 and 2019 were as follows:

in USD	2020	2019
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	989,077,154
Organisation fund from capital contributions	7,407,215	7,407,215
Total	**1,003,831,308**	**1,103,831,308**

In 2020, the Company made a distribution to its shareholder out of the capital contribution reserves for an amount of USD 100 million.

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 2020 and 2019, respectively, were as follows:

in USD '000	**2020**			**2019**		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Property	213,562	(39,894)	173,668	140,570	(26,393)	114,177
Marine	51,424	(922)	50,502	43,240	(878)	42,362
Agriculture	510,736	(9,981)	500,756	165,287	(1,763)	163,523
Casualty	293,688	41	293,729	229,120	3,033	232,153
Specialty	144,909	(1,897)	143,012	105,620	(2,451)	103,169
Total	**1,214,320**	**(52,653)**	**1,161,667**	**683,837**	**(28,453)**	**655,384**

12. Administrative expenses

The Company's administrative expenses for the years ended 31 December 2020 and 2019, respectively, are as follows:

in USD '000	**2020**	**2019**
Staff, office and service costs	27,467	17,101
Depreciation expenses	-	3
Information Technology expenses	56	80
Total	**27,523**	**17,185**

Audit fees during the year 2020 amounted to USD 278,923 (2019: USD 321,668).

13. 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 14.

14. 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 2020	31 December 2019
ASSETS		
Fixed income securities	1,026,588	1,022,240
Other investments	133,928	152,002
Investments in subsidiaries	355,269	389,202
Total investments	**1,515,785**	**1,563,444**
Cash and cash equivalents	158,828	175,790
Funds withheld	109,485	40,346
Reinsurance recoveries	62,076	74,263
Deferred acquisition costs	121,277	96,734
Receivables from reinsurance operations	461,247	334,893
Other receivables	11,556	25,280
Prepayments and accruals	5,541	6,336
TOTAL ASSETS	**2,445,795**	**2,317,088**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Reserves for losses and loss expenses	939,271	687,205
Unearned premium reserves	456,765	346,681
Liabilities from reinsurance operations	14,644	-
Other liabilities	19,406	9,208
Accrued liabilities	3,981	5,592
Total liabilities	**1,434,068**	**1,048,686**
Shareholder's Equity		
Share capital	72,974	72,975
Statutory capital reserves		
Legal reserves from capital contributions	36,487	36,487
Other reserves from capital contributions	898,605	995,960
Organisation fund from capital contributions	7,553	7,553
Accumulated income / (loss)	(3,892)	155,427
Total shareholder's equity	**1,011,727**	**1,268,401**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**2,445,795**	**2,317,088**

INCOME STATEMENT

For the years ended	31 December 2020	31 December 2019
in CHF '000		
Gross premiums written	1,139,132	679,000
Reinsurer's share of gross premiums written	(49,393)	(28,252)
Net premiums written	1,089,739	650,749
Change in unearned premiums	(148,904)	(134,437)
Reinsurer's share of change in unearned premiums	1,898	(13,794)
Net premiums earned	**942,733**	**502,519**
Gross paid losses	(474,509)	(248,734)
Reinsurer's share of paid losses	15,342	18,407
Change in reinsurance reserves	(326,067)	(104,986)
Reinsurer's share of change in reinsurance reserves	(8,017)	4,046
Claims incurred, net of reinsurance	**(793,251)**	**(331,266)**
Acquisition expenses	(218,672)	(133,738)
Reinsurer's share of acquisition expenses	3,363	5,648
Administrative expenses	(25,819)	(17,063)
Acquisition and administrative expenses, net of reinsurance	**(241,128)**	**(145,154)**
Underwriting result	**(91,647)**	**26,097**
Interest income	27,839	36,708
Realised gains	13,062	565
Unrealised gains / (losses)	(6,327)	23,204
Asset management costs	(2,228)	(2,438)
Investment result	**32,346**	**58,039**
Other financial expenses	(100)	(113)
Operating result	**(59,401)**	**84,023**
Other income	574	4,433
Net income / (loss) before tax	**(58,828)**	**88,456**
Tax expenses	(2,397)	(1,621)
NET INCOME / (LOSS) FOR THE YEAR	**(61,225)**	**86,834**

Fixed income securities in CHF '000	2020	2019
Amortised cost	**1,029,400**	**1,024,285**
Difference	28,527	14,077
Estimated fair value	**1,057,926**	**1,038,362**

2020 in CHF '000	Income	Realised gains	Unrealised gains/losses	Total
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 subsidiaries	-	-	-	**-**
Total	**27,839**	**13,062**	**(6,327)**	**34,574**

2019 in CHF '000	Income	Realised gains	Unrealised gains	Total
Fixed income securities	30,024	565	13,978	**44,568**
Other investments	4,792	-	9,225	**14,017**
Cash and cash equivalents	1,891	-	-	**1,891**
Investments in subsidiaries	-	-	-	**-**
Total	**36,708**	**565**	**23,204**	**60,476**

CHF 297.8 million of fixed maturities were pledged as at 31 December 2020 (2019: CHF 189.2 million).

Reinsurance Reserves in CHF '000

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**

2019	Gross	Ceded	Net Reserve
Unearned premium reserves	346,681	(3,425)	343,256
Reserves for losses and loss expenses	687,205	(70,838)	616,367
Total	**1,033,885**	**(74,263)**	**959,623**

Receivables from reinsurance operations in CHF '000	2020	2019
Third parties	453,826	333,567
Related parties	7,422	1,327
Total	**461,247**	**334,893**

Other receivables in CHF '000	2020	2019
Third parties	10,474	15,959
Related parties	1,082	9,322
Total	**11,556**	**25,280**

Liabilities from reinsurance operations in CHF '000	2020	2019
Third parties	7,895	-
Related parties	6,749	-
Total	**14,644**	**-**

Other liabilities in CHF '000	2020	2019
Third parties	220	39
Related parties	19,186	9,170
Total	**19,406**	**9,208**

Shareholder's equity in CHF '000	Share Capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 1 January 2019	**715,745**	**93,051**	**808,796**
Dividends paid	-	-	**-**
Profit for the year	-	86,834	**86,834**
Capital contributions	397,229	-	**397,229**
Loss from translation recorded directly in equity	-	(24,458)	**(24,458)**
Balances as at 31 December 2019	**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**

Shareholder's equity in CHF	2020	2019
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	995,960,146
Organisation fund from capital contributions	7,553,134	7,553,134
Total	**942,644,888**	**1,112,974,907**

Premiums written in CHF '000	2020			2019		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	200,339	(37,424)	162,915	139,576	(26,206)	113,369
Marine	48,240	(865)	47,375	42,934	(872)	42,062
Agriculture	479,112	(9,363)	469,750	164,118	(1,751)	162,366
Casualty	275,503	38	275,542	227,500	3,012	230,511
Specialty	135,937	(1,780)	134,157	104,873	(2,434)	102,439
Total	**1,139,132**	**(49,393)**	**1,089,739**	**679,000**	**(28,252)**	**650,749**

Administrative expenses in CHF '000	2020	2019
Staff, office and service costs	25,766	16,980
Depreciation expenses	-	3
Information Technology expenses	53	79
Total	**25,819**	**17,063**

Audit fees during the year 2020 amounted to CHF 261,653 (2019: CHF 319,393).

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Company's Board of Directors proposes that the available earnings as at 31 December 2020 of USD 140,728,907 (accumulated loss of CHF 3,892,173) 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.

10.2. Appendix II – Quantitative templates

Financial condition report: quantitative template "Performance Solo Reinsurance"

Currency: USD
Amounts stated in millions

		Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1	Gross premiums	683.8	1,214.3	-	-	-	-	-	-	43.2	51.4	140.6	213.6	229.1	293.7	270.9	655.6
2	Reinsurers' share of gross premiums	(28.5)	(52.6)	-	-	-	-	-	-	(0.9)	(0.9)	(26.4)	(39.9)	3.0	0.1	(4.2)	(11.9)
3	Premiums for own account (1 + 2)	655.3	1,161.7	-	-	-	-	-	-	42.3	50.5	114.2	173.7	232.1	293.8	266.7	643.7
4	Change in unearned premium reserves	(135.4)	(158.7)	-	-	-	-	-	-	(3.2)	(6.7)	(14.7)	(35.1)	(87.0)	(53.2)	(30.5)	(63.7)
5	Reinsurers' share of change in unearned premium reserves	(13.9)	2.0	-	-	-	-	-	-	(3.6)	(3.3)	(0.1)	7.4	(14.1)	(2.6)	3.9	0.5
6	Premiums earned for own account (3 + 4 + 5)	506.0	1,005.0	-	-	-	-	-	-	35.5	40.5	99.4	146.0	131.0	238.0	240.1	580.5
7	Other income from insurance business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	**Total income from underwriting business (6 + 7)**	**506.1**	**1,005.0**	**-**	**-**	**-**	**-**	**-**	**-**	**35.5**	**40.5**	**99.4**	**146.0**	**131.0**	**238.0**	**240.1**	**580.5**
9	Payments for insurance claims (gross)	(250.5)	(505.9)	-	-	-	-	-	-	(19.0)	(13.1)	(59.1)	(72.0)	(48.0)	(43.5)	(124.4)	(377.3)
10	Reinsurers' share of payments for insurance claims	18.5	16.4	-	-	-	-	-	-	3.6	2.3	10.1	7.9	1.8	3.8	3.0	2.4
11	Change in technical provisions	(105.7)	(347.6)	-	-	-	-	-	-	(5.2)	(4.4)	1.2	(75.6)	(56.8)	(116.8)	(44.9)	(150.8)
12	Reinsurers' share of change in technical provisions	4.1	(8.5)	-	-	-	-	-	-	1.3	(4.1)	(6.0)	(4.6)	9.7	(1.8)	(0.9)	2.0
13	Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**(333.6)**	**(845.6)**	**-**	**-**	**-**	**-**	**-**	**-**	**(19.3)**	**(19.3)**	**(53.8)**	**(144.3)**	**(93.3)**	**(158.3)**	**(167.2)**	**(523.7)**
15	Acquisition and administration expenses	(134.7)	(233.1)	-	-	-	-	-	-	(7.6)	(8.6)	(26.6)	(40.5)	(36.3)	(72.3)	(64.2)	(111.7)
16	Reinsurers' share of acquisition and administration expenses	5.7	3.6	-	-	-	-	-	-	0.0	0.0	0.7	2.2	4.8	0.6	0.2	0.8
17	Acquisition and administration expenses for own account (15 + 16)	(129.0)	(229.5)	-	-	-	-	-	-	(7.6)	(8.6)	(25.9)	(38.3)	(31.5)	(71.7)	(64.0)	(110.9)
18	Other underwriting expenses for own account	(17.2)	(27.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**(479.8)**	**(1,102.6)**	**-**	**-**	**-**	**-**	**-**	**-**	**(26.9)**	**(27.9)**	**(79.7)**	**(182.6)**	**(124.8)**	**(230.0)**	**(231.2)**	**(634.6)**
20	Investment income	61.0	36.9														
21	Investment expenses	(2.5)	(2.4)														
22	**Net investment income (20 + 21)**	**58.5**	**34.5**														
23	Capital and interest income from unit-linked life insurance	-	-														
24	Other financial income	-	-														
25	Other financial expenses	(0.1)	(0.1)														
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**84.7**	**(63.2)**														
27	Interest expenses for interest-bearing liabilities	-	-														
28	Other income	4.5	0.6														
29	Other expenses	-	-														
30	Extraordinary income/expenses	-	-														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**89.1**	**(62.6)**														
32	Direct taxes	(1.6)	(2.6)														
33	**Profit / loss (31 + 32)**	**87.5**	**(65.3)**														

Currency: USD
Amounts stated in millions

		2019	Adjustments previous period	2020
Market-consistent value of investments	Real estate	-	-	-
	Participations	405	-	425
	Fixed-income securities	1,072	-	1,197
	Loans	-	-	-
	Mortgages	-	-	-
	Equities	-	-	-
	Other investments			
	Collective investment schemes	-	-	-
	Alternative investments	-	-	-
	Structured products	-	-	-
	Other investments	160	-	151
	Total investments	**1,637**	**-**	**1,773**
Market-consistent value of other assets	Financial investments from unit-linked life insurance	-	-	-
	Receivables from derivative financial instruments	-	-	-
	Deposits made under assumed reinsurance contracts	-	-	-
	Cash and cash equivalents	182	-	180
	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	-	-	-
	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	331	-	477
	Other receivables	-	-	-
	Other assets	235	-	353
	Unpaid share capital	-	-	-
	Accrued assets	-	-	-
	Total other assets	**748**	**-**	**1,010**
Total market-consistent value of assets	Total market-consistent value of assets	**2,385**	**-**	**2,783**

		2019	Adjustments previous period	2020
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	933	-	1489
	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	-	-	-
	Other liabilities	66	-	76
	Accrued liabilities	-	-	-
	Subordinated debts	-	-	-
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	**999**	**-**	**1,565**

		2019	Adjustments previous period	2020
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**1,386**	**-**	**1,217**

Currency: USD
Amounts stated in millions

		2019	Adjustments previous period	2020
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,386		1,217
	Deductions	(100)		-
	Core capital	1,286		1,217
	Supplementary capital	-		-
	RBC	1,386		1,217

		2019	Adjustments previous period	2020
Derivation of target capital	Insurance risk	370		424
	Market risk	51		65
	Diversification effects	(40)		(51)
	Credit risk	97		115
	Risk margin and other effects on target capital	(24)		4
	Target capital	454		557

	2019	Adjustments previous period	2020
	in %	in %	in %
SST ratio	305%	-	236%