Validus Reinsurance (Switzerland) Ltd

Financial Condition Report 2023

RenaissanceRe

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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 2023 audited financial statements (“statutory financial statements”) and the Company’s 2024 reporting on the Swiss Solvency Test (“SST”) as submitted to FINMA in April 2024, 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 2023 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 2023 to 31 December 2023, 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 24 April 2024.

2. Management Summary

Validus Reinsurance (Switzerland) Ltd (hereafter referred to as "VRS" or "the Company") recorded a net income of USD 185 million driven by strong underwriting income and a substantially improved investment income of USD 129 million as a result of the improved market environment. This compares to a net loss of USD 39 million in 2022, which was primarily due to a net investment loss of USD 102 million driven by unrealised losses on the fixed income securities portfolio.

The Company had another strong year from an underwriting perspective, with an underwriting income of USD 75 million compared to an underwriting income of USD 62 million in 2022. This represents a combined ratio of 96%, the same as in 2022. Both the loss ratio and expense ratio remained also stable at 66% and 30%, respectively.

From a business perspective, VRS continued to moderately increase its premium volume in 2023. The main drivers for growth were Property, Marine and Casualty, where the Company took advantage of the continuously positive rate environment and saw earnings come through from growth seen in prior years mostly in Casualty. The increase in Property, Marine and Casualty was partially offset by a decrease in Agriculture and Specialty.

From a capital perspective, the Company maintained its strong capital position and exceeded its internal target solvency and capital guidelines. The Company continues to be "A" rated by A.M. Best and "A+" by Standard & Poor's. The Risk Bearing Capital as per the 2024 SST amounts to USD 622 million and the Target Capital to USD 381 million, resulting in an SST ratio of 163%, which represents a decrease of 213 percentage points from prior year but remains well above the regulatory requirement as well as the Company's internal capital management requirements. The decrease is mainly due to a reduction in Risk Bearing Capital following a distribution of USD 700 million to the shareholder in October 2023, with the Target Capital remaining stable compared to prior year.

The carrying value of the Company's investment portfolio grew from USD 2'343 million at the end of 2022 to USD 2'383 million at the end of 2023, despite the distribution of USD 700 million. The growth in the fixed income securities portfolio was mainly due to business growth in recent years and related premium receipts. The investment result for 2023 was a net income of USD 128 million due to more favourable market conditions with increasing book yields on the Company's fixed income securities as well as unrealised gains, partially offset by realised losses due to sales. This strong investment result compares to a net investment loss of USD 102 million in 2022, which was mainly the result of unrealised losses in the fixed income securities portfolio due to the increased interest rates and widened spreads in prior year.

On 22 May 2023, the Company's ultimate parent company American International Group, Inc. ("AIG") announced that it had entered into a definite agreement to sell Validus Re, including AlphaCat and the Talbot Treaty reinsurance business, to RenaissanceRe Holdings Ltd. The transaction closed on 1 November 2023 and as of that date, VRS is part of the RenaissanceRe Group.

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 2023 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 the Company's capital management strategy and capital position, including the statutory shareholder's equity of the Company as at 31 December 2023 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 2024 SST report as submitted to FINMA.

3. Business Activities

3.1. Shareholding, strategy, objectives and key business segments

On 22 May 2023, the ultimate parent company of VRS, AIG announced that it had entered into a definite agreement to sell Validus Re, including AlphaCat and the Talbot Treaty reinsurance business, to RenaissanceRe Holdings Ltd. The transaction closed on 1 November 2023 and as of that date, VRS is part of the RenaissanceRe Group.

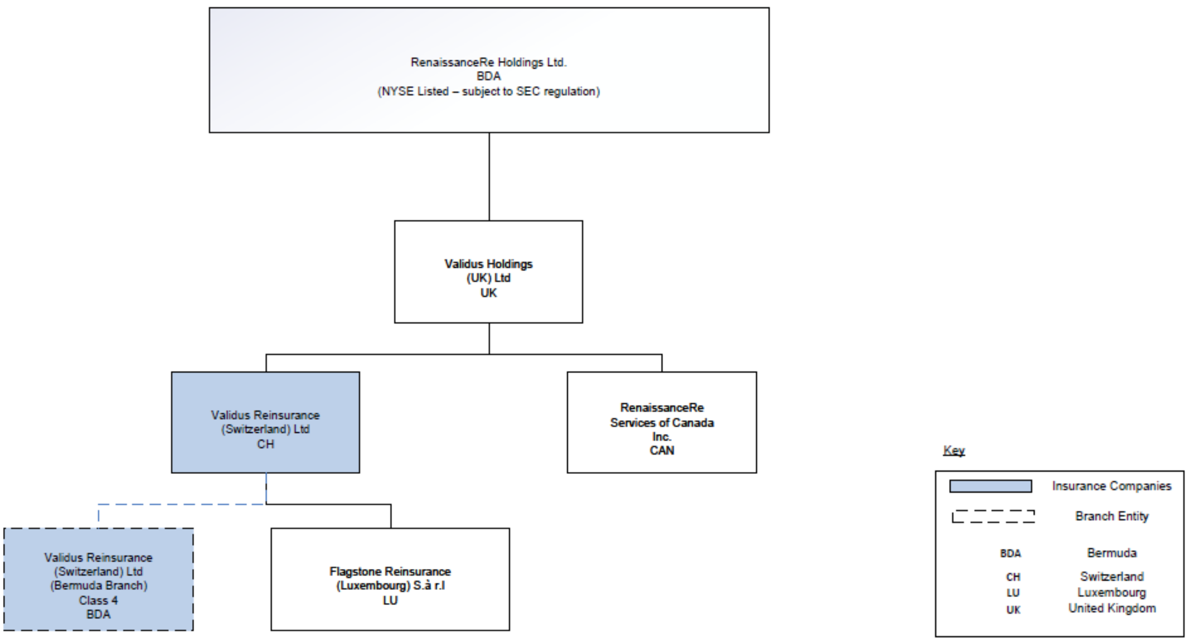
RenaissanceRe is a leading global reinsurance group headquartered in Bermuda and its ultimate parent company RenaissanceRe Holdings Ltd. is listed on the New York Stock Exchange. VRS continues to be a direct subsidiary of Validus Holdings (UK) Ltd, which is a wholly-owned subsidiary of RenaissanceRe Holdings Ltd.

The Company is domiciled at Beethovenstrasse 33, 8002 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 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. and Validus Reaseguros, Inc.

The following shows a simplified group structure chart:



3.2. Group structure and group transactions

The Company forms part of the RenaissanceRe Group following the close of the acquisition on 1 November 2023. As at 31 December 2023, the Company is a direct subsidiary of Validus Holdings (UK) Ltd, which in turn is a direct subsidiary of the RenaissanceRe Group's ultimate parent company RenaissanceRe Holdings Ltd.

The operational setup of VRS involves a Bermuda Branch and affiliated MGAs as described under 3.1.

Since 2020, the Company provides a 75% whole account quota share protection to the Canadian Branch of Validus Reinsurance, Ltd.

In 2022 and 2023, the Company also entered into internal retrocession agreements with wholly owned subsidiaries of AIG, which were cancelled upon closing of the acquisition through RenaissanceRe effective 1 November 2023.

The Stock Purchase Agreement ("SPA") between AIG and RenaissanceRe Holdings Ltd. ("RRH") includes a Reserve Development Agreement ("RDA") that effectively transfers to AIG 95% of the reserve risk from Validus Re reserves earned as at 1 November 2023, the closing date of the acquisition by RenaissanceRe.

Economically, the RDA provides significant capital support to RRH. While the agreement is between AIG and RRH, the RDA relates to the Validus Re assumed reinsurance entities, i.e. Validus Reinsurance, Ltd. and VRS. Therefore, any recoveries under the RDA are recorded at entity level (including VRS) and not RRH level.

To provide contractual certainty and legal enforceability of VRS receiving such recoveries, RRH, Validus Reinsurance, Ltd. and VRS entered into a Remittance Agreement ("RA") effective 1 November 2023 that guarantees transmission of any recoveries related to any adverse or positive development of Validus Reinsurance, Ltd.'s and VRS' reserves covered under the RDA between the two parties.

3.3. Major shareholders

The Company is a wholly owned subsidiary of Validus Holdings (UK) Ltd, which is a direct wholly owned subsidiary of RenaissanceRe Holdings Ltd.

3.4. Major branches and subsidiaries

The Company 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 financing activities with no substantial activities as at 31 December 2023.

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

As noted above, the Company was acquired by RenaissanceRe during 2023.

As a result of the acquisition, it is expected that the Company will be merged with its sister company RenaissanceRe Europe AG during 2024, with VRS expected to be the absorbed entity and RenaissanceRe Europe AG expected to be the surviving entity of the transaction.

4. Performance

The following table provides a summary of the Company's financial results in 2023:

in USD millions	2023	2022	Variance
Gross premiums written	1'778	1'730	48
Net premiums written	1'655	1'637	18
Net premiums earned	1'758	1'412	346
Net claims incurred	(1'160)	(922)	(238)
Net acquisition costs	(488)	(397)	(91)
Administrative expenses	(35)	(32)	(3)
Underwriting result	**75**	**62**	**13**
Investment result	129	(102)	231
Others, net	(19)	1	(20)
Net income / (loss) for the year	**185**	**(39)**	**224**
Loss ratio	66%	65%	1%
Expense ratio	30%	30%	0%
Combined ratio	**96%**	**96%**	**0%**

Overall, the Company recorded a net income of USD 185 million driven by strong underwriting income and a substantially improved investment income of USD 129 million as a result of the improved market environment. This compares to a net loss of USD 39 million in 2022, which was primarily due to a net investment loss of USD 102 million driven by unrealised losses on the fixed income securities portfolio.

The Company had another strong year from an underwriting perspective, with an underwriting income of USD 75 million compared to an underwriting income of USD 62 million in 2022. This represents a combined ratio of 96%, the same as in 2022. Both the loss ratio and expense ratio remained also stable at 66% and 30%, respectively.

The Company's primary lines of business are Property, Marine & Energy, Agriculture, Casualty and Specialty. Premiums written by line of business for financial years 2023 and 2022, respectively, were as follows:

in USD millions	2023			2022		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	360	(46)	314	281	(53)	228
Marine & Energy	138	(16)	122	89	(10)	79
Agriculture	225	(10)	215	257	(7)	250
Casualty	1'011	(49)	962	978	(12)	966
Specialty	44	(2)	42	126	(11)	115
Total	**1'778**	**(123)**	**1'655**	**1'730**	**(93)**	**1'637**

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

Premiums are written by underwriters in Switzerland and Bermuda, and through dedicated Managing General Agents in Miami and New Jersey. In 2023, the Company continued to grow its premium volume in Property, Marine and Casualty, partially offset by a decline in Agriculture and Specialty.

Gross premiums written increased by USD 48 million or 3% to USD 1,778 million and premiums earned after retrocession increased by USD 346 million or 25% to USD 1,758 million. The increase in premiums written compared to 2022 primarily reflects the writing of additional business in Property, Marine and Casualty where the Company took advantage of a continuously or further improved favourable rate environment, partially offset by decreases in Agriculture and Specialty. The main driver for the increase in net premiums earned is mostly a result of earnings related to Casualty premium growth in 2021 and 2022.

Claims after reinsurance recoveries were USD 1,160 million, an increase of USD 238 million or 26% compared to last year. The increase in claims from 2022 to 2023 reflects the increase of earned premiums at a stable ultimate loss ratio.

Net acquisition and administrative expenses increased by USD 94 million or 22% to USD 523 million primarily driven by the increase of earned premiums. The expense ratio of the Company remained stable compared to prior year.

The combined ratio for the year was 96% compared to 96% in 2022, resulting in another favourable underwriting result.

The total investment income in 2023 was USD 129 million, compared to a loss of USD 102 million in 2022. This is primarily a result of investment income of USD 101 million, an increase of 60% from prior year reflecting the portfolio growth and increased interest rates, and unrealised gains of USD 84 million compared to unrealised losses of USD 156 million in 2022. The significant change in unrealised gains / losses is a result of the material rate increases by central banks in 2022 and a flattening of the curve in 2023. The net investment income and unrealised gains were partially offset by realised losses of USD 54 million (2022: USD 6 million) as a result of increased sales of fixed income securities during 2023 in relation to the acquisition and a different strategic asset allocation.

Overall, net income for the year was USD 185 million compared to a net loss of USD 39 million in 2022. The variance is predominantly driven by the movement in unrealised gains / losses on investments. The following shows a breakdown of income /loss by investment class (excluding asset management expenses):

2023 in USD millions	**Income**	**Realised gain/(loss)**	**Unrealised gain/(loss)**	**Total**
Fixed income securities	67.9	(54.6)	84.3	**97.6**
Other investments	0.3	1.1	-	**1.4**
Cash and cash equivalents	13.4	()	-	**13.4**
Investment in subsidiary	19.0	-	-	**19.0**
Total	**100.6**	**(53.6)**	**84.3**	**131.4**

2022 in USD millions	**Income**	**Realised gain/(loss)**	**Unrealised gain/ (loss)**	**Total**
Fixed income securities	42.1	(6.4)	(156.4)	**(120.7)**
Other investments	0.3	0.8	-	**1.0**
Cash and cash equivalents	0.6	()	()	**0.6**
Investment in subsidiary	20.6	-	-	**20.6**
Total	**63.6**	**(5.6)**	**(156.4)**	**(98.5)**

The above table is consistent with information contained in Appendix II for investment income.

The Company did not record any gains or losses directly in equity. There was no material other income in 2023 or 2022.

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;
- Richard Murphy is an independent and non-executive member of the Board of Directors. He joined the Board of Directors of VRS on 1 November 2023;
- Divyesh Upadhyaya is a member of the Board of Directors. He also serves as Head of Finance – Property Segment of RenaissanceRe. He joined the Board of Directors of VRS on 1 November 2023;
- Leo Barran is a member of the Board of Directors. He also serves as Chief Counsel – Europe. He joined the Board of Directors of VRS on 1 November 2023.

Alexander Nagler stepped down from the Board of Directors of VRS in June 2023. Christopher Schaper and Simon Biggs stepped down from the Board of Directors of VRS effective 1 November 2023.

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 Divyesh Upadhyaya 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, is composed of the following individuals as at 31 December 2023:

- Sven Wehmeyer as Chief Executive Officer;
- Patrick Boisvert as Chief Financial Officer;
- Stéphane Sauthier as Managing Director;
- Florian Lutz as Underwriting Director;
- Valentin Franke as Finance Director.

Effective 1 March 2024, Patrick Boisvert stepped down from the Executive Management Board and was replaced by Angelo Giglio, taking over the Chief Financial Officer role.

Effective 31 March 2024, Valentin Franke stepped down from the Executive Management Board.

5.2. Risk management

The Company's Board of Directors is ultimately responsible for risk management matters and the 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 (“VRMC”) 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. In November 2023, following the acquisition of Validus Re by RenaissanceRe, the tasks and responsibilities of the VRMC have been assumed by the Company’s Executive Committee and the title of the Chief Risk Officer changed to VRS Head of Risk. The VRS Head of Risk reports to the RenaissanceRe Group Chief Risk Officer and has direct access to the VRS Board of Directors.

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 (Premium, 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 regularly to discuss any potential issues surrounding risks, control performance and incident reporting.

The Internal Audit function is centralised at AIG Group level 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.

With the exception of the above-mentioned changes following the acquisition of Validus Re by RenaissanceRe, 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 reserve risk, which is the risk that the Company underestimates its reserves for incurred losses, the risk of heightened claims due to emerging claims or coverage issues.

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 proportional and non-proportional retrocession purchases.

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 Reserve Development Arrangement between RenaissanceRe and AIG that was part of the Stock Purchase Agreement and effectively removes 95% of the VRS Reserving Risk of all business earned as at 1 November 2023 to AIG.

6.2. Market and Liquidity Risk

Management and oversight procedures relating to the investments of the Company are outlined in the VRS Investment Guidelines and in the Investment Management Agreement between VRS and BlackRock Financial Management, Inc. 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 (or after 1 November 2023 the RenaissanceRe Ceded Counterparty Credit Committee).

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, Research, Financial Reporting, Legal and Regulatory, Operations, Underwriting, Claims, Compliance, Human Resources, Information Technology and Executive.

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, causes 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 quantified using 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 models and 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
Human Resources	Inability to attract and retain top talent	Delays in HR requisition processes	Medium	- Quarterly updates on open positions provided by HR to the Executive Committee - Pre-determined timeframes for completing the requisition process

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 2022, fixed income securities with an estimated fair value of USD 900.9 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2022: USD 847.5 million).

In addition, the Company has established private trusts with certain cedants. As at 31 December 2023, fixed income securities with an estimated fair value of USD 516.3 million were pledged in private trusts (2022: USD 329.2 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 tables summarise the investments by investment class held by the Company as at 31 December 2023 and 2022, respectively, including market-consistent values relevant for solvency purposes, amortised cost values as well as book values used for 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.

Invested asset summary	**31 December 2023**			
in USD millions	**Market Value**	**Amortised Cost Value**	**Book Value**	**MV Allocation %**
Fixed Income Securities				
Corporate	1'015.5	1'031.7	1'009.6	42.4%
Agency Mortgage Backed	178.2	204.5	177.2	7.4%
Asset Backed	189.0	202.4	189.0	7.9%
Mortgage Backed	162.4	177.3	162.0	6.8%
US Government	762.9	764.4	760.6	31.9%
Collateralized Mortgage Obligation	5.3	5.4	5.3	0.2%
Non-US Government	75.1	81.2	75.1	3.1%
Municipals	0.0	0.0	0.0	0.0%
Agency Collateralized Mortgage Obligation	0.0	0.0	0.0	0.0%
Agency	0.332	0.368	0.332	0.0%
Subtotal	2'388.7	2'467.4	2'379.1	99.8%
Other Investments				
AlphaCat funds	3.7	3.7	3.7	0.2%
Subtotal	3.7	3.7	3.7	0.2%
Investments in subsidiaries				
Subtotal	0.5	0.5	0.5	0.0%
Total investments	**2'392.9**	**2'471.7**	**2'383.3**	**100.0%**

Invested asset summary in USD millions	**31 December 2022**			
	Market Value	**Amortised Cost Value**	**Book Value**	**MV Allocation %**
Fixed Income Securities				
Corporate	726.9	778.4	726.8	30.4%
Agency Mortgage Backed	192.0	224.6	192.0	8.0%
Asset Backed	259.6	284.9	259.4	10.9%
Mortgage Backed	223.4	238.4	223.4	9.4%
US Government	188.7	194.1	188.7	7.9%
Collateralized Mortgage Obligation	152.2	176.4	152.1	6.4%
Non-US Government	123.7	135.0	123.7	5.2%
Municipals	65.2	72.3	65.2	2.7%
Agency Collateralized Mortgage Obligation	6.3	6.5	6.3	0.3%
Agency	0.2	0.2	0.2	0.0%
Subtotal	1’938.2	2’110.6	1’937.7	81.1%
Other Investments				
AlphaCat funds	3.2	3.2	3.2	0.1%
Subtotal	3.2	3.2	3.2	0.1%
Investments in subsidiaries				
Subtotal	447.8	447.8	401.9	18.7%
Total investments	**2’389.2**	**2’561.6**	**2’342.8**	**100.0%**

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 2023, this leads to a lower statutory valuation of USD 9.6 million (2022: USD 0.5 million) compared to the valuation used for solvency purposes.

The investment in subsidiary is recorded at USD 0.5 million (2022: USD 404.9 million) for solvency purposes, consistent with the value applied for statutory purposes. This reflects the updated net asset value following a distribution in kind of an intercompany loan held by the subsidiary of USD 400 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 recoverables, premium receivables and other receivables, all of which are recorded at nominal values for statutory purposes. For solvency purposes, reinsurance recoverables are discounted and there is a resulting valuation difference of USD 22 million for 2023.

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 2023 and 2022 (in USD millions):

	31.12.2023	31.12.2023	31.12.2022	31.12.2022
	Undiscounted	Discounted	Undiscounted	Discounted
Gross reserves for losses and loss expenses	2'376.4	2'085.5	1'740.9	1'563.2
Ceded reserves for losses and loss expenses	(222.6)	(201.4)	(151.0)	(138.6)
Net loss reserves for losses and loss expenses	**2'153.8**	**1'884.1**	**1'589.9**	**1'424.6**

As at 31 December 2023, the reserves for losses and loss expenses ("loss reserves") based on the management's best estimate, net of retrocession, are USD 2'153.8 million on an undiscounted basis and USD 1'884.1 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 2023 and 2022, respectively, were as follows as per the Company's statutory financial statements (in USD millions):

2023	Gross	Ceded	Net Reserve
Unearned premium reserves	907.5	(18.6)	888.9
Reserves for losses and loss expenses	2'376.4	(222.6)	2'153.8
Total	**3'283.9**	**(241.2)**	**3'042.7**

2022	Gross	Ceded	Net Reserve
Unearned premium reserves	1'004.8	(12.6)	992.2
Reserves for losses and loss expenses	1'740.9	(151.0)	1'589.9
Total	**2'745.7**	**(163.6)**	**2'582.1**

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 2023, the risk margin, also referred to as the market value margin (MVM), is USD 116 million (2022: USD 162 million). For the computation of the Company's target capital including the risk margin and other effects on target capital as per the 2024 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 is calculated using the FINMA standard methodology based on StandRe, FINMA's standard model for reinsurers, as well as the standard methodology on a modified basis and calibration of the StandRe inputs assuming the RDA and RA were not in place.

The total MVM considers the run-off of the capital requirements as per (i) for the four following years and the run-off of the capital requirements as per (ii) going forward.

This conservatively assumes that the RDA/RA is terminated after five years, which is the minimum duration as per the SPA.

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 2'376 million, gross of retrocession. Reserves for unearned premiums gross of retrocession amount to USD 908 million, providing for a total gross best estimate liability of USD 3'284 million. Net of retrocession, statutory reserves for losses and loss expenses amount to USD 2'154 million and reserves for unearned premiums amount to USD 889 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 2'086 million, gross of retrocession, and USD 1'884 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. 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 340 million for 2023 (2022: USD 488 million).

The differences between the solvency and statutory valuation for technical provisions therefore mainly relate to the discounting of reserves for losses and loss expenses and 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 136 million as at 31 December 2023 (2022: USD 44 million). Other liabilities are recorded at nominal value, i.e. the net payable as at 31 December 2023. The position mainly comprises liabilities from reinsurance business, accrued expenses and other liabilities.

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. When assessing the level of required shareholder's equity, 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 and Own Risk and Solvency Assessment; 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 2023. The Company continues to be "A" rated by A.M. Best and "A+" by Standard & Poor's.

8.2. Structure, level and quality of equity

The statutory shareholder's equity of the Company as at 31 December 2023 and 2022, respectively, is structured as follows:

Shareholder's equity (in USD millions)	2023	2022
Statutory share capital	71.6	71.6
Statutory capital reserves		
Legal reserves from capital contributions	35.8	35.8
Other reserves from capital contributions	189.1	889.1
Organisation fund from capital contributions	7.4	7.4
Accumulated income	378.6	193.2
Total	**682.4**	**1'197.1**

8.3. Description of material changes during the period

On 18 October 2023, the shareholders of the Company approved a distribution in cash and in kind of together USD 700 million out of other reserves from capital contributions. Other than this, the only change in the shareholder's equity of the Company during 2023 was a change of accumulated income reflecting the 2023 net income of USD 185.3 million.

8.4. Explanation of discrepancies between solvency and statutory equity

The Risk Bearing Capital as at 31 December 2023, 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 622 million. The difference of USD 60 million to the Company's statutory shareholder's equity of USD 682 million can be explained as follows:

in USD millions	31 Dec 2023	31 Dec 2022
Assets - Liabilities	**1'238**	**1'585**
MVM	(116)	(162)
Risk Bearing Capital before deductions	**1'122**	**1'424**
Deductions	(500)	-
Risk Bearing Capital	**622**	**1'424**
Adjustment for investments	(10)	(3)
Adjustment for reinsurance recoverables	43	12
Adjustments for technical provisions	17	(240)
Other adjustments for statutory purposes, net	10	4
Statutory shareholder's equity	**682**	**1'197**

The planned deductions of USD 500 million are planned dividends included in the SST 2024 calculations.

The adjustment for investments of USD 10 million is the valuation of the investments at the lower of amortised cost or market values for statutory purposes as prescribed by law.

The adjustment for reinsurance recoverables of USD 43 million is due to discounting for solvency purposes.

The adjustment for technical provisions of USD 17 million relates to the adjustment of reserves for losses and loss expenses and reserves for unearned premiums from a statutory to a market-consistent valuation. This mainly relates to the discounting of reserves for losses and loss expenses as well as the adjustment of unearned premiums for future profits, discounting and netting of deferred acquisition costs.

Other adjustments, net of USD 10 million, contain other statutory adjustments required by law.

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 2024 SST calculation. There were no changes to the SST methodology from prior year.

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 Credit Risk, the Company used the Credit Risk Model as prescribed by FINMA, which consists of the following two components:

- The Basel III Securitization Standard Approach (SEC-SA) used for VRS' non-agency securitizations 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 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 2024 SST is determined to be USD 381 million (2023 SST: USD 378 million excluding MVM), an increase of USD 3 million or 0.8% from last year's Target Capital requirement.

Insurance Risk decreased by USD 300 million or 49% to USD 313 million. The decrease is due to both a decrease in Reserving (prior year) Risk and Underwriting (current year) Risk as a result of the RDA/RA that was put in place taking away 95% of the Company's Reserving Risk as well as the de-risking strategy, with the vast majority of the business renewed on other RenaissanceRe balance sheets.

Market Risk has decreased by USD 54 million or 40% from USD 134 million to USD 80 million mainly due to the distribution of an intercompany loan of USD 400 million, an increased asset-liability matching as well as an increased portion of fixed income securities held in U.S. Treasuries as at 31 December 2023 resulting in lower spread risk in the portfolio.

Credit Risk halved by USD 119 million to USD 121 million following reduced exposure to the previous ultimate parent AIG namely through the distribution of the intercompany loan of USD 400 million as well as the cancellation of internal retrocession agreements. This was supported by a slightly increased credit quality of the investment portfolio.

Following the overall decrease in Insurance, Market and Credit Risk, the overall diversification benefits decreased by USD 126 million.

The impact of non-insurance scenarios remained stable at USD 3 million, a USD 1 million decrease from prior year.

Due to the de-risking strategy and non-renewal of business on VRS paper, the expected insurance result for the SST 2024 is assumed to be zero, a decrease of USD 347 million from prior year, which more or less offset the decreased Insurance, Market and Credit Risks.

Components of the Target Capital calculation are given below:

Target Capital Composition (in USD millions)	SST 2024	SST 2023	Variance
Insurance Risk	**313**	**613**	**(300)**
Underwriting Risk	263	478	(215)
Reserving Risk	126	285	(159)
Diversification	*(77)*	*(151)*	*74*
Market Risk	**80**	**134**	**(54)**
Interest Rate Risk	31	64	(33)
Spread Risk	74	143	(69)
Hedge Fund Risk	1	1	()
FX Risk	28	-	28
Diversification	*(54)*	*(74)*	*30*
Credit Risk	**121**	**240**	**(119)**
Diversification (Insurance, Market & Credit Risks)	*(127)*	*(253)*	*126*
Insurance, Market & Credit Risk	**387**	**733**	**(346)**
Scenarios	3	4	(1)
Expected Insurance Result	-	(347)	347
Expected Financial Result	(10)	(13)	3
Target Capital	**381**	**378**	**3**

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 2024 SST as at 31 December 2023 is USD 622 million compared to USD 1'424 million in the 2023 SST. The breakdown of this figure is given below:

Risk Bearing Capital Composition (in USD millions)	2024 SST	2023 SST	Variance
Assets			
Investments	2'400	2'346	54
Cash and Cash Equivalents	263	255	8
Ceded Technical Provisions	201	139	62
Other assets	932	940	(8)
Total assets	**3'796**	**3'680**	**116**
Liabilities			
Gross Technical Provisions	2'422	2'051	371
Other liabilities	136	44	92
Market value margin	116	162	(46)
Total liabilities	**2'675**	**2'257**	**418**
Assets - Liabilities	**1'122**	**1'424**	**(302)**
Deductions	(500)	-	(500)
Risk Bearing Capital	**622**	**1'424**	**(802)**

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 2024 amounts to 163% (2023 SST: 376%) in accordance with the FINMA Standard Model. It demonstrates that the Company remains in a strong solvency position and despite the reduced Risk Bearing Capital with a stable Target Capital remains well above the regulatory solvency requirement and above the internal capital and solvency requirements. As noted above, the decrease of the 2024 SST ratio compared to prior year is predominantly driven by the reduction in Risk Bearing Capital as a result of the distribution of USD 700 million during 2023 and the planned deduction of USD 500 million in 2024, partially offset by net income in 2023. Target Capital remained stable due to reductions in Insurance, Market and Credit Risks offset by a reduction in expected insurance result.

The solvency information contained in this section is consistent with the information provided to FINMA as part of the Company's 2024 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 2023 including the statutory financial statements 2023 (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 2023

Validus Reinsurance (Switzerland) Ltd

Zurich

Report of the statutory auditor
to the General Meeting

on the financial statements 2023

Report of the statutory auditor

to the General Meeting of Validus Reinsurance (Switzerland) Ltd

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Validus Reinsurance (Switzerland) Ltd (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Other information

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

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

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

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

Board of Directors' responsibilities for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

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

Licensed audit expert
Auditor in charge

Enrico Grazzi

Zürich, 2 April 2024

Enclosures:

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

BALANCE SHEET

in USD '000	Note	31 December 2023	31 December 2022
ASSETS			
Fixed income securities		2'379'086	1'937'716
Other investments		3'742	3'208
Investment in subsidiary		480	401'913
Total investments	4	**2'383'308**	**2'342'837**
Cash and cash equivalents	4	270'138	255'060
Funds withheld		88'569	63'910
Reinsurance recoveries	5	241'210	163'607
Deferred acquisition costs		265'420	293'305
Receivables from reinsurance operations	6	875'153	905'388
Other receivables	7	26'443	20'034
Prepayments and accruals		15'352	10'173
TOTAL ASSETS		**4'165'593**	**4'054'314**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Reserves for losses and loss expenses	5	2'376'415	1'740'883
Unearned premium reserves	5	907'519	1'004'847
Liabilities from reinsurance operations	8	121'887	80'393
Other liabilities	9	43'996	25'979
Accrued liabilities		33'363	5'160
Total liabilities		**3'483'180**	**2'857'262**
Shareholder's Equity			
Share capital		71'565	71'565
Statutory capital reserves:			
Legal reserves from capital contributions		35'782	35'782
Other reserves from capital contributions		189'077	889'077
Organisation fund from capital contributions		7'407	7'407
Accumulated income		378'582	193'221
Total shareholder's equity	10	**682'413**	**1'197'052**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**4'165'593**	**4'054'314**

INCOME STATEMENT

For the years ended		31 December 2023	31 December 2022
in USD '000			
Gross premiums written		1'777'644	1'730'349
Reinsurer's share of gross premiums written		(122'696)	(93'111)
Net premiums written	11	1'654'948	1'637'237
Change in unearned premiums		97'328	(228'684)
Reinsurer's share of change in unearned premiums		5'984	3'729
Net premiums earned		**1'758'260**	**1'412'282**
Gross paid losses		(725'275)	(558'241)
Reinsurer's share of paid losses		57'585	12'662
Change in reinsurance reserves		(562'249)	(377'725)
Reinsurer's share of change in reinsurance reserves		70'042	1'366
Claims incurred, net of reinsurance		**(1'159'897)**	**(921'937)**
Acquisition expenses		(517'651)	(402'321)
Reinsurer's share of acquisition expenses		30'017	5'825
Administrative expenses	12	(35'472)	(31'691)
Acquisition and administrative expenses, net of reinsurance		**(523'105)**	**(428'187)**
Underwriting result		**75'257**	**62'157**
Investment income	4	100'636	63'566
Realised losses	4	(53'598)	(5'650)
Unrealised gains / losses	4	84'315	(156'407)
Asset management costs		(2'859)	(3'586)
Investment result		**128'495**	**(102'076)**
Other financial expenses		(61)	(61)
Operating result		**203'691**	**(39'980)**
Other income	13	195	1'323
Net income / (loss) before tax		**203'886**	**(38'657)**
Tax expenses		(18'525)	(342)
NET INCOME / (LOSS) FOR THE YEAR		**185'361**	**(38'999)**

NOTES TO THE FINANCIAL STATEMENTS

1. General

On 22 May 2023, the ultimate parent company of Validus Reinsurance (Switzerland) Ltd (hereafter referred to as "the Company" or "VRS") American International Group, Inc. ("AIG") announced that it had entered into a definite agreement to sell Validus Re, the treaty reinsurance business of AIG, which includes Validus Reinsurance Ltd. and its consolidated subsidiaries, AlphaCat Managers Ltd., and all renewal rights to the Assumed Reinsurance Treaty Unit of Talbot (together, "Validus Re"), to RenaissanceRe Holdings Ltd. The transaction closed on 1 November 2023 and as of that date, VRS forms part of the RenaissanceRe.

RenaissanceRe is a leading global reinsurance group headquartered in Bermuda and its ultimate parent company RenaissanceRe Holdings Ltd. is listed on the New York Stock Exchange. VRS continues to be a direct subsidiary of Validus Holdings (UK) Ltd, which is a wholly-owned subsidiary of RenaissanceRe Holdings Ltd.

The Company is domiciled at Beethovenstrasse 33, 8002 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). Apart from the Swiss Code of Obligations, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a AVO-FINMA, applicable as of 15 December 2015) have been applied. 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) General

Following the acquisition through RenaissanceRe Holdings Ltd. effective 1 November 2023, the Company reviewed its accounting policies in connection with the accounting policies applied by RenaissanceRe in order to align its applied accounting policies, where necessary.

The Company identified accounting policy alignment differences in policy writing and earnings (including acquisition costs) mostly for proportional contracts. Expected premium income (EPI) has been written upfront under Validus accounting policies, whereas RenaissanceRe's accounting policies require EPI to be written evenly over the contract period for proportional contracts. Such contracts' monthly earned percentages applied by RenaissanceRe also differ slightly to the percentages previously applied by Validus.

Accounting policy alignment differences were also identified in reserving, where RenaissanceRe applies a different reserving methodology for property catastrophe events, losses in relation to the Ukraine/Russia conflict and casualty business. In addition, the accounting policy alignment on earned premium as noted above had an impact on loss reserves.

The accounting policy alignment has been applied retrospectively for the full financial year 2023 and had an impact on reinsurance recoveries, deferred acquisition costs, receivables from reinsurance operations, reserves for losses and loss expenses, unearned premium reserves and liabilities from reinsurance operations on the balance sheet and corresponding impact on premiums written and earned, claims incurred and acquisition expenses, with a total impact of USD (24.4) million on the Company's net result.

(b) 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.

As noted under Note 1 (a) above, the Company aligned its accounting policy with RenaissanceRe retrospectively for 2023, which had an impact on the way the Company writes and earns premiums.

(c) 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.

As noted under Note 1 (a) above, the impact from accounting policy alignment differences on earned premiums affected the Company's unearned premiums in 2023.

(d) 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.

As noted under Note 1 (a) above, the accounting policy alignment with RenaissanceRe accounting policies on policy writings and earnings including acquisition costs had an impact on the Company's deferred acquisition costs.

(e) 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.

As noted above under Note 1 (a), the accounting policy alignment also had an impact on reserving for certain classes where the Company aligned its reserving methodology with methodologies applied by RenaissanceRe, which had an impact on the Company's reserves for losses and loss expenses.

(f) Investments in subsidiaries

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

(g) 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.

(h) Other investments

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

(i) 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 15, applying the 2023 year-end spot rate of USD/CHF 1.188179 (as published by the Swiss Federal Tax Authority) for balance sheet positions and the 2023 average rate of USD/CHF 1.112593 (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 were 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 2023 and 2022, respectively.

4. Investments

The total estimated fair value, amortised cost and book value of investments in fixed income securities as at 31 December 2023 and 2022, respectively, were as follows:

in USD '000	2023	2022
Fair value	2'388'689	1'938'197
Amortised cost	2'467'422	2'110'640
Book value	2'379'086	1'937'716

Pledged investments

The Company established a Multi-Beneficiary Reinsurance Trust ("MBRT") to collateralize its reinsurance liabilities associated with and for the benefit of U.S. domiciled cedents. The lead state regulator of the Company's MBRT is the New Jersey Department of Banking and Insurance. The Company's MBRT is effective in all U.S. states except Florida, New York and New Mexico.

As at 31 December 2023, fixed income securities with an estimated fair value of USD 900.9 million were pledged as part of the Company's participation in a Multi-Beneficiary Reinsurance Trust during the normal course of business (2022: USD 847.5 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.

In addition, the Company has established private trusts with certain cedants. As at 31 December 2023, fixed income securities with an estimated fair value of USD 516.3 million were pledged in private trusts.

Net investment result

The following tables show the income/loss on investments by investment category (excluding asset management expenses):

2023 in USD '000	Income	Realised gain/(loss)	Unrealised gain/(loss)	Total
Fixed income securities	67’919	(54’645)	84’315	**97’589**
Other investments	290	1’080	-	**1’370**
Cash and cash equivalents	13’440	(33)	-	**13’407**
Investment in subsidiary	18’987	-	-	**18’987**
Total	**100’636**	**(53’598)**	**84’315**	**131’353**

2022 in USD '000	Income	Realised gain/(loss)	Unrealised gain/(loss)	Total
Fixed income securities	42’073	(6’393)	(156’413)	**(120’733)**
Other investments	267	744	-	**1’011**
Cash and cash equivalents	598	(1)	6	**603**
Investment in subsidiary	20’628	-	-	**20’628**
Total	**63’566**	**(5’650)**	**(156’407)**	**(98’491)**

Investment in subsidiary

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 was not higher than the estimated fair value of Flagstone Reinsurance (Luxembourg) Sàrl at the time of contribution.

On 17 October 2023, the Company’s extraordinary meeting of shareholders approved a contribution in kind to its sole shareholder Validus Holdings (UK) Ltd of USD 417’905’644, consisting of an intercompany loan of USD 400’000’000 held by Flagstone Reinsurance (Luxembourg) Sàrl plus accrued interest of USD 17’905’644. The investment in subsidiary was subsequently impaired to its net asset value as at 31 December 2023.

5. *Reinsurance reserves*

The details of gross and ceded insurance reserves by classification as at 31 December 2023 and 2022, respectively, were as follows:

2023 in USD '000	Gross	Ceded	Net
Unearned premium reserves	907'519	(18'569)	888'950
Reserves for losses and loss expenses	2'376'415	(222'641)	2'153'774
Total	**3'283'934**	**(241'210)**	**3'042'724**

2022 in USD '000	Gross	Ceded	Net
Unearned premium reserves	1'004'847	(12'585)	992'262
Reserves for losses and loss expenses	1'740'883	(151'022)	1'589'861
Total	**2'745'730**	**(163'607)**	**2'582'123**

6. *Receivables from reinsurance operations*

The details of the account as at 31 December 2023 and 2022, respectively, were as follows.

in USD '000	2023	2022
Third parties	839'306	902'386
Related parties	35'847	3'002
Total	**875'153**	**905'388**

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 2023 and 2022, respectively, were as follows:

in USD '000	2023	2022
Third parties	4'190	13'140
Related parties	22'253	6'895
Total	**26'443**	**20'034**

8. Liabilities from reinsurance operations

The details of the account as at 31 December 2023 and 2022, respectively, were as follows:

in USD '000	2023	2022
Third parties	88'327	78'517
Related parties	33'560	1'876
Total	**121'887**	**80'393**

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 2023 and 2022, respectively, were as follows:

in USD '000	2023	2022
Third parties	21'542	-
Related parties	22'455	25'979
Total	**43'996**	**25'979**

10. Shareholder's equity

in USD '000	Share capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 31 December 2021	**1'003'831**	**232'220**	**1'236'051**
Loss for the year	-	(38'999)	**(38'999)**
Balances as at 31 December 2022	**1'003'831**	**193'221**	**1'197'052**
Return of capital	(700'000)	-	**(700'000)**
Profit for the year	-	185'361	**185'361**
Balances as at 31 December 2023	**303'831**	**378'582**	**682'413**

The details of statutory share capital and capital reserves as at 31 December 2023 and 2022 were as follows:

in USD	2023	2022
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	189'077'154	889'077'154
Organisation fund from capital contributions	7'407'215	7'407'215
Total	**303'831'308**	**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. Following a return of capital to shareholder of USD 700 million out of other reserves from capital contributions in October 2023, remaining capital contribution reserves of USD 224.9 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 2023 and 2022, respectively, were as follows:

in USD '000	2023			2022		
	Gross	Ceded	Net	Gross	Ceded	Net
Property	360'024	(46'180)	313'844	281'314	(53'449)	227'865
Marine & Energy	137'910	(15'532)	122'378	88'651	(9'636)	79'015
Agriculture	224'757	(9'878)	214'878	256'899	(7'337)	249'561
Casualty	1'011'149	(48'902)	962'247	977'933	(12'090)	965'843
Specialty	43'805	(2'204)	41'601	125'552	(10'600)	114'952
Total	**1'777'644**	**(122'696)**	**1'654'948**	**1'730'349**	**(93'111)**	**1'637'237**

12. Administrative expenses

The Company's administrative expenses for the years ended 31 December 2023 and 2022, respectively, are as follows:

in USD '000	2023	2022
Staff, office and service costs	35'384	31'608
Information Technology expenses	88	83
Total	**35'472**	**31'691**

Audit fees during the year 2023 amounted to USD 356'401 (2022: USD 308'398).

13. Any other material information

As a result of the acquisition by RenaissanceRe Holdings Ltd. that closed in the fourth quarter of 2023, it is expected that the Company will be merged with its sister company RenaissanceRe Europe AG during 2024, with VRS expected to be the absorbed entity and RenaissanceRe Europe AG expected to be the surviving entity of the transaction.

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.

15. 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 2023	31 December 2022
ASSETS		
Fixed income securities	2'002'296	1'792'829
Other investments	3'149	2'968
Investments in subsidiary	404	371'861
Total investments	**2'005'849**	**2'167'658**
Cash and cash equivalents	227'354	235'989
Funds withheld	74'541	59'132
Reinsurance recoveries	203'008	151'374
Deferred acquisition costs	223'384	271'374
Receivables from reinsurance operations	736'550	837'690
Other receivables	22'255	18'536
Prepayments and accruals	12'921	9'410
TOTAL ASSETS	**3'505'863**	**3'751'165**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Reserves for losses and loss expenses	2'000'047	1'610'714
Unearned premium reserves	763'790	929'713
Liabilities from reinsurance operations	102'583	74'382
Other liabilities	37'028	24'037
Accrued liabilities	28'079	4'774
Total liabilities	**2'931'528**	**2'643'619**
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	270'043	898'605
Organisation fund from capital contributions	7'553	7'553
Accumulated income / (loss)	187'278	91'927
Total shareholder's equity	**574'335**	**1'107'546**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**3'505'863**	**3'751'165**

INCOME STATEMENT

For the years ended	31 December 2023	31 December 2022
in CHF '000		
Gross premiums written	1'597'749	1'650'563
Reinsurer's share of gross premiums written	(110'280)	(88'818)
Net premiums written	1'487'469	1'561'745
Change in unearned premiums	87'479	(218'140)
Reinsurer's share of change in unearned premiums	5'378	3'557
Net premiums earned	**1'580'326**	**1'347'162**
Gross paid losses	(651'878)	(532'501)
Reinsurer's share of paid losses	51'757	12'078
Change in reinsurance reserves	(505'350)	(360'308)
Reinsurer's share of change in reinsurance reserves	62'953	1'303
Claims incurred, net of reinsurance	**(1'042'518)**	**(879'427)**
Acquisition expenses	(465'266)	(383'770)
Reinsurer's share of acquisition expenses	26'980	5'557
Administrative expenses	(31'882)	(30'230)
Acquisition and administrative expenses, net of reinsurance	**(470'168)**	**(408'444)**
Underwriting result	**67'640**	**59'291**
Interest income	90'452	60'635
Realised losses	(48'174)	(5'389)
Unrealised gains / losses	75'783	(149'195)
Asset management costs	(2'569)	(3'420)
Investment result	**115'492**	**(97'370)**
Other financial expenses	(55)	(58)
Operating result	**183'077**	**(38'137)**
Other income	175	1'262
Net income / (loss) before tax	**183'252**	**(36'875)**
Tax expenses	(16'650)	(326)
NET INCOME / (LOSS) FOR THE YEAR	**166'602**	**(37'201)**

Fixed income securities in CHF '000	2023	2022
Fair value	2'010'378	1'793'274
Amortised cost	2'076'642	1'952'823
Book value	2'002'296	1'792'829

2023 in CHF '000	Income	Realised gains/(losses)	Unrealised gains/(losses)	Total
Fixed income securities	61'046	(49'115)	75'783	**87'714**
Other investments	261	971	-	**1'232**
Cash and cash equivalents	12'080	(30)	-	**12'050**
Investments in subsidiary	17'066	-	-	**17'066**
Total	**90'452**	**(48'174)**	**75'783**	**118'061**

2022 in CHF '000	Income/ (expense)	Realised gains/(losses)	Unrealised (losses)	Total
Fixed income securities	40'133	(6'098)	(149'201)	(115'166)
Other investments	255	710	-	**964**
Cash and cash equivalents	570	(1)	6	**575**
Investments in subsidiary	19'677	-	-	**19'677**
Total	**60'635**	**(5'389)**	**(149'195)**	**(93'950)**

CHF 1'192.7 million of fixed maturities were pledged as at 31 December 2023 (2022: CHF 1'088.7 million).

Reinsurance Reserves in CHF '000

2023	Gross	Ceded	Net
Unearned premium reserves	763'790	(15'628)	748'162
Reserves for losses and loss expenses	2'000'047	(187'380)	1'812'668
Total	**2'763'837**	**(203'008)**	**2'560'829**

2022	Gross	Ceded	Net
Unearned premium reserves	929'713	(11'644)	918'069
Reserves for losses and loss expenses	1'610'714	(139'730)	1'470'984
Total	**2'540'426**	**(151'374)**	**2'389'052**

Receivables from reinsurance operations in CHF '000	2023	2022
Third parties	706'380	834'913
Related parties	30'170	2'778
Total	**736'550**	**837'690**

Other receivables in CHF '000	2023	2022
Third parties	3'526	12'157
Related parties	18'729	6'379
Total	**22'255**	**18'536**

Liabilities from reinsurance operations in CHF '000	2023	2022
Third parties	74'338	72'646
Related parties	28'246	1'736
Total	**102'583**	**74'382**

Other liabilities in CHF '000	2023	2022
Third parties	18'130	-
Related parties	18'899	24'037
Total	**37'028**	**24'037**

Shareholder's equity in CHF '000	Share Capital and Statutory Capital Reserves	Accumulated Income	Total
Balances as at 1 January 2022	**1'015'619**	**110'598**	**1'126'217**
Profit / (Loss) for the year	-	(37'201)	**(37'201)**
Gain / (Loss) from translation recorded directly in equity	-	18'530	**18'530**
Balances as at 31 December 2022	**1'015'619**	**91'927**	**1'107'546**
Return of capital	(628'562)	-	**(628'562)**
Profit / (Loss) for the year	-	166'603	**166'603**
Gain / (Loss) from translation recorded directly in equity	-	(71'252)	**(71'252)**
Balances as at 31 December 2023	**387'058**	**187'278**	**574'336**

Shareholder's equity in CHF	2023	2022
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	270'043'046	898'604'546
Organisation fund from capital contributions	7'553'134	7'553'134
Total	**387'057'807**	**1'015'619'307**

Premiums written in CHF '000	2023			2022		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Property	323'590	(41'507)	282'083	268'343	(50'984)	217'358
Marine & Energy	123'954	(13'960)	109'993	84'563	(9'192)	75'372
Agriculture	202'012	(8'878)	193'133	245'053	(6'999)	238'054
Casualty	908'822	(43'953)	864'869	932'841	(11'533)	921'308
Specialty	39'372	(1'981)	37'391	119'763	(10'111)	109'652
Total	**1'597'749**	**(110'280)**	**1'487'469**	**1'650'563**	**(88'818)**	**1'561'745**

Administrative expenses in CHF '000	2023	2022
Staff, office and service costs	31'803	30'151
Information Technology expenses	79	79
Total	**31'882**	**30'230**

Audit fees during the year 2023 amounted to CHF 320'334 (2022: CHF 294'178).

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Company's Board of Directors proposes that the available earnings as at 31 December 2023 of USD 378'582'350 (CHF 187'277'904) 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 Swiss Code of Obligations.

10.2. Appendix II – Quantitative templates

Currency: USD
Amounts stated in millions

		Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
1	Gross premiums	1,777.6	1,730.3	-	-	-	-	-	-	139.6	88.7	366.4	281.3	1,032.8	977.9	238.8	382.5
2	Reinsurers' share of gross premiums	(122.7)	(93.1)	-	-	-	-	-	-	(15.5)	(9.6)	(46.2)	(53.5)	(48.8)	(12.1)	(12.2)	(17.9)
3	Premiums for own account (1 + 2)	1,654.9	1,637.2	-	-	-	-	-	-	124.1	79.1	320.2	227.8	984.0	965.8	226.6	364.6
4	Change in unearned premium reserves	97.3	(228.7)	-	-	-	-	-	-	(11.7)	4.4	(17.3)	(12.4)	100.9	(229.3)	25.4	8.6
5	Reinsurers' share of change in unearned premium reserves	6.0	3.7	-	-	-	-	-	-	3.2	(2.2)	(2.2)	1.8	0.0	0.1	5.0	4.0
6	Premiums earned for own account (3 + 4 + 5)	1,758.3	1,412.3	-	-	-	-	-	-	115.6	81.3	300.7	217.2	1,084.9	736.6	257.1	377.2
7	Other income from insurance business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	**Total income from underwriting business (6 + 7)**	**1,758.3**	**1,412.3**	**-**	**-**	**-**	**-**	**-**	**-**	**115.6**	**81.3**	**300.7**	**217.2**	**1,084.9**	**736.6**	**257.1**	**377.2**
9	Payments for insurance claims (gross)	(725.3)	(558.2)	-	-	-	-	-	-	(46.6)	(27.8)	(154.3)	(146.8)	(174.0)	(85.6)	(350.4)	(298.0)
10	Reinsurers' share of payments for insurance claims	57.6	12.7	-	-	-	-	-	-	3.0	0.4	7.3	3.9	41.5	7.1	5.8	1.3
11	Change in technical provisions	(562.2)	(377.7)	-	-	-	-	-	-	(30.7)	(29.5)	(10.0)	29.3	(607.8)	(365.9)	86.3	(11.6)
12	Reinsurers' share of change in technical provisions	70.0	1.4	-	-	-	-	-	-	1.5	4.5	(33.5)	(4.0)	73.1	4.0	28.9	(3.1)
13	Change in technical provisions for unit-linked life insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**(1,159.9)**	**(921.9)**		**-**	**-**	**-**	**-**	**-**	**(72.8)**	**(52.4)**	**(190.5)**	**(117.6)**	**(667.2)**	**(440.4)**	**(229.4)**	**(311.5)**
15	Acquisition and administration expenses	(517.7)	(402.3)	-	-	-	-	-	-	(33.9)	(23.4)	(90.4)	(71.3)	(356.2)	(238.1)	(37.2)	(69.5)
16	Reinsurers' share of acquisition and administration expenses	30.0	5.8	-	-	-	-	-	-	3.9	0.8	4.9	3.4	20.0	0.0	1.2	1.6
17	Acquisition and administration expenses for own account (15 + 16)	(487.6)	(396.5)	-	-	-	-	-	-	(30.0)	(22.6)	(85.5)	(67.9)	(336.2)	(238.1)	(35.9)	(67.9)
18	Other underwriting expenses for own account	(35.5)	(31.7)														
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**(1,683.0)**	**(1,350.1)**	**-**	**-**	**-**	**-**	**-**	**-**	**(102.8)**	**(75.0)**	**(276.0)**	**(185.5)**	**(1,003.4)**	**(678.5)**	**(265.3)**	**(379.4)**
20	Investment income	131.4	(98.5)														
21	Investment expenses	(2.9)	(3.6)														
22	**Net investment income (20 + 21)**	**128.5**	**(102.1)**														
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)**	**203.7**	**(40.0)**														
27	Interest expenses for interest-bearing liabilities	-	-														
28	Other income	0.2	1.3														
29	Other expenses	-	-														
30	Extraordinary income/expenses	-	-														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**203.9**	**(38.7)**														
32	Direct taxes	(18.5)	(0.3)														
33	**Profit / loss (31 + 32)**	**185.4**	**(39.0)**														

		Currency: USD Amounts stated in millions		
		2023	**Adjustments previous period**	**2022**
Market conform value of investments	Real estate	-		-
	Participations	1		405
	Fixed-income securities	1,861		1,103
	Loans	-		-
	Mortgages	-		-
	Equities	-		-
	Other investments	-		
	Collective investment schemes	-		-
	Alternative investments	-		-
	Structured products	4		3
	Other investments	534		836
	Total investments	**2,400**		**2,346**
Market conform value of other assets	Financial investments from unit-linked life insurance	-		-
	Receivables from derivative financial instruments	-		-
	Deposits made under assumed reinsurance contracts	89		64
	Cash and cash equivalents	263		255
	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	201		139
	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	823		853
	Other receivables	4		12
	Other assets	-		-
	Unpaid share capital	-		-
	Accrued assets	16		10
	Total other assets	**1,396**		**1,334**
Total market conform value of assets	Total market conform value of assets	**3,796**		**3,680**

Market conform value 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	2,422		2,051
	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 value margin	116		162
Market conform value of other liabilities	Non-technical provisions	-		-
	Interest-bearing liabilities	-		-
	Liabilities from derivative financial instruments	-		-
	Deposits retained on ceded reinsurance	-		-
	Liabilities from insurance business	100		17
	Other liabilities	36		24
	Accrued liabilities	0		3
	Subordinated debts	-		-
Total market conform value of liabilities	Total market conform value of liabilities	**2,675**		**2,257**

	Market conform value of assets minus market conform value of liabilities	**1,122**		**1,424**

Currency: USD
Amounts stated in millions

		2023	Adjustments previous period	2022
Derivation of RBC	Market conform value of assets minus market conform value of liabilities	1,122	-	1,424
	Deductions	-500	-	-
	Tier 1 risk-absorbing capital instruments (RAC) counted towards core capital	-	-	-
	Core capital	622	-	1,424
	Supplementary capital	-	-	-
	RBC	622	-	1,424

		2023	Adjustments previous period	2022
Derivation of target capital	Underwriting risk	313	-	613
	Market risk	80	-	134
	Diversification effects	-127	-	-253
	Credit risk	121	-	240
	Market value margin and other effects on target capital	-6	-	-356
	Target capital	381	-	378

	2023	Adjustments previous period	2022
	in %	in %	in %
SST ratio	163%	-	376%