Financial Condition Report 2020

Local GAAP format
(Swiss Code of Obligations and FINMA circular 2016/2)

new/re

Who we are

around **120** specialists in Zurich

over **90** years' experience

CHF **118**m annual result

AA- S&P rating

A+ A.M. Best rating

194% SST ratio

Contents

Executive summary

As in previous years, NewRe focused on its four established areas of business. NewRe is a professional property and casualty reinsurance company and at the same time, through its Capital Partners unit a leading underwriter of structured reinsurance solutions, and via its Weather & Agro business unit an active reinsurer in the fields of insurance derivatives and parametric trigger covers. The Company also specialises in variable annuity reinsurance and capital management solutions for life business.

In 2020, its financial performance was positive, primarily driven by life variable annuity business and Non-Life business . At CHF 118m, NewRe's overall result for 2020 was down compared to the previous year's extraordinary result of CHF 210m and was below plan. The lower 2020 result was primarily due to the impact of Covid-19 on our Life and Non-Life business as well as losses in weather business. Without Covid-19 losses NewRe's result would considerably exceed the plan.

NewRe's capital requirements decreased during 2020, which had a positive effect on the solvency ratio. The main reasons for this were the change in reporting currency and a decrease in Life risk. The change from CHF to EUR as the functional currency reduces NewRe's foreign exchange position and, thereby, its market risk. On the Life side, NewRe was able to conclude a retrocession agreement under which the risk of deteriorating long-term mortality expectation for its US business is transferred within the Group. Overall, NewRe's SST ratio increased from last year's figure of 171% to 194%

In the management of its statutory equity capital, the goal of NewRe's capital planning is stable and solid capitalisation. The statutory equity capital is deemed adequate to sustain the expected development of the business over the coming years. As in the preceding year, NewRe therefore intends to pay a dividend approximately equal to the annual result.

A) NewRe business activities

a) NewRe at a glance – an overview

New Reinsurance Company Ltd. (NewRe) is a Swiss reinsurer founded in Zurich in 1926. In 1988, NewRe became part of Munich Re (Group), one of the world's leading reinsurers.

NewRe is a property and casualty reinsurance company, a leading underwriter of structured reinsurance solutions and an active reinsurer in the fields of insurance derivatives and parametric trigger covers. The company also specialises in variable annuity reinsurance and capital management solutions for life business. NewRe is considered a core company of Munich Re (Group) and combines exceptional financial strength with the efficiency and creativity of a medium-sized reinsurer.

We want to be a reliable partner for our clients. We think beyond traditional models and design tailor-made reinsurance solutions with the aim of enhancing our clients' capital structure, earnings stability and liquidity. Working with our broker partners, we offer mono-line and multi-line solutions, including life and specialty classes of business, in the form of both prospective and retrospective covers.

Key figures

in CHFm	**2020**	**2019**
Gross premiums written	5'619.5	5'383.5
Net premiums earned	5'351.0	5'344.8
Overall technical result - Life & Non-life (incl. interest, before administration costs)	170.4	147.5
Investment result (excluding interest on technical provisions, before administration costs)	3.7	18.3
Net result from derivative financial instruments	67.3	146.8
Administration costs	-65.5	-69.0
Other results	-39.0	-4.8
Tax	-19.2	-28.5
Profit for the year	117.8	210.3
Investments	2'462.3	2'509.7
Technical provisions (net)	14'663.5	12'768.5
Shareholder's equity*	**824.3**	916.7

*before appropriation of available earnings

b) Board of Management

Dr. Renate Strasser, Chief Executive Officer, until 30 September 2020
Dr. Thomas Braune, Chief Executive Officer, as of 1 October 2020
Dr. Jürgen Kammerlohr, Chief Financial Officer
Dr. Artur Klinger, Chief Underwriting Officer Property & Casualty, until 31 January 2020
Dirk Herrenpoth, Chief Underwriting Officer Property & Casualty, as of 1 July 2020
Dr. Christian Dahmen, Chief Risk Officer

c) *Business segments*

NewRe's strategic focus is that of a specialised risk carrier within Munich Re (Group). Here, we make full use of our efficiency and creativity as a medium-sized reinsurer. In each of our four business segments, we aim to be a reliable partner for our clients. We habitually think beyond traditional models and design tailor-made reinsurance solutions. All our business segments follow this overarching strategic focus and apply it to their respective market segment.

Property & Casualty Reinsurance

NewRe offers treaty reinsurance solutions, operating independently as a boutique-style risk carrier within Munich Re (Group). Our highly skilled underwriting team offers risk transfer solutions that deliver value to our clients, supported by a strong financial rating and meaningful capacities. We focus on cedants based in continental Europe and the United Kingdom whom we mainly serve through brokers.

At NewRe, we think of the broker as a business facilitator with whom we can work together to find the most suitable solutions. With the can-do mindset we bring to the table, we always strive for the best outcomes for our clients who benefit from an integrated approach that is structured around fast responses and consistent execution.

We provide a broad range of traditional treaty reinsurance solutions in Property and Casualty and support our clients with recognised competence in tailoring non-traditional solutions to individual needs or in finding alternative solutions (parametric triggers etc.).

Capital Partners

With a global mandate, Capital Partners' offering is diverse with (re-)insurance and derivative solutions in (re-)insurance, capital and industrial markets. We believe reinsurance offers profound value to our clients. Our agile deal teams, consisting of experts from NewRe in Zurich as well as from Munich Re in Munich and New York, are dedicated to making sure that it does. We work closely with clients to structure unconventional risk transfer solutions around their corporate finance needs.

The results are highly flexible, turnkey packages that support clients in portfolio optimisation strategies (asset transactions, M&A), offer protection against earnings and result volatility, or optimise capital under a specific solvency, statutory or rating-agency capital model.

In a low-yield environment with increasing shareholder expectations, reinsurance can enable growth or unlock capital, for example by monetising future earnings. And when business plans encounter disruptions or surprises, a tailormade reinsurance solution can limit the impact of stress situations and protect a client's business plan and capital base.

Our solutions include structured, prospective and retroactive reinsurance, together with risk transfer instruments like insurance-linked securities (ILS) and derivatives. The team in Zurich specialises in business in continental Europe, the Middle East, Africa and the Asia-Pacific region – broker-sourced or direct – and in public-sector business and captive solutions.

Weather & Agro

Weather risks have a substantial financial impact on businesses in all economies. Sectors affected include energy and agriculture, construction, real estate, transport, hospitality, leisure, and many more.

Worldwide, the impact of climate change is noticeable and increasingly evident in the form of exceptionally mild winters, cool summers, and periods of sustained drought or low wind levels.

The volatility of weather has seen pro-active risk management of extreme events gain more attention worldwide. While corporate and public entities have long used insurance to manage the risk of catastrophic weather events, weather covers have more recently gained relevance and are becoming an important risk management tool.

As part of Munich Re's global Weather and Agricultural Risk unit, which also runs teams in Houston and Munich, we in Zurich offer tailored risk management solutions that provide financial relief to entities whose revenues are sensitive to the influence of weather. Our financial hedging instruments are used to manage weather-driven fluctuations in financial and operational key performance indicators.

The NewRe-based team's focus is in energy clients (both conventional and renewable production) in Europe, Asia-Pacific and Latin America. The main exposures covered are temperature, rainfall, sunshine and wind risks. With our strategy, we aim to develop new client relationships in all markets to further expand and diversify the portfolio.

Life

In the context of today's intense competition, with challenging financial markets and stringent rating and solvency requirements, active capital and risk management is becoming increasingly important for life insurance companies.

NewRe addresses such needs by providing risk management solutions tailored to our life reinsurers clients worldwide. With our structuring capabilities we continuously seize business opportunities driven by corporate risk management or corporate finance, particularly where management of market risks, credit risks, behavioural risks or complex biometric risks are key.

Our book has grown significantly over the years to include reinsurance for variable annuities, immediate and contingent financing contracts, traditional and extreme mortality covers, and capital relief transactions covering – among others – lapse, mortality and financial market risks. Every transaction is tailored to our clients' specific needs.

As a core subsidiary of Munich Re (Group), NewRe with its Life team in Zurich has access to the Group's technology and resources, allowing us to develop strong expertise in capital and reserve relief reinsurance for developed life insurance markets across Europe, Asia and North America.

d) *Management report*

General overview

In 2020, NewRe's top line developed positively. Primarily driven by Non-Life business, premium volume rose from CHF 5.4bn in 2019 to CHF 5.6bn in 2020. At CHF 118m, NewRe's overall 2020 result was impacted by both Covid-19 and Weather losses and as a result is below the previous year's figure of CHF 210m.

Market conditions, competition, supply and demand

NewRe saw overall price increases in its P&C lines of business in Europe,.

In Property reinsurance, price levels increased across Europe, especially in natural catastrophe reinsurance business, while the per risk reinsurance business remained challenging. Casualty again suffered from declining interest rates and high claims inflation, however, this was largely compensated for by price increases.

In Life reinsurance, business opportunities arose in the North American market, where mortality covers were written, and in the German market, due to interest-rate-based reserving requirements (so-called "Zinszusatzreserve") and generally due to solvency requirements for primary insurance clients. NewRe was able to benefit from this environment and several new Life transactions were signed.

Staff

NewRe had roughly 120 employees translating into 109 Full-time Equivalents at the beginning and 111 FTEs at the end of 2020, with an average of 110 FTEs during the year.

Innovation and development

In Non-life reinsurance, our aim has been to continue to offer solvency and earnings protection and retrospective products. In Life reinsurance, our focus has been on supporting primary insurance companies in offering innovative products to their clients and on covering the risks associated with those new products.

Significant events

Non-life and Life reinsurance experienced a year of Covid-19 related losses with a bottom-line impact of about CHF 110m. Apart from Covid-19, no significant loss was experienced.

Weather business incurred losses in Europe which were partly offset by intra-group business stemming from the US.

Risk management

Due to the volatile nature of the reinsurance business and the potential for significant losses, NewRe has a dedicated risk policy and maintains a tight risk management system. The features of this risk management system are explained in more detail in the relevant section of this report.

Outlook

In NewRe's Non-life reinsurance business, 1 January is the date on which a significant portion of the book is due for renewal. The 1 January 2021 business renewals saw growth in both the Property and Casualty segments. Risk adjusted, price levels essentially stayed flat in Casualty considering the lower interest rates, whereas Property saw increased prices across Europe, especially in natural catastrophe reinsurance business.

Life reinsurance business is written throughout the year. In the light of NewRe's positioning in the market and its growth strategy, bottom line growth is expected despite the top line being affected by the termination of a structured transaction in the US with substantial premium volume.

All in all, the outlook for NewRe's business in 2021 is favourable, but the coronavirus pandemic might again impact results, all the more so as reinsurance business remains highly volatile by nature. The natural catastrophe reinsurance segment, and parametric weather business in particular, may be affected by large loss events and weather extremes. In addition, NewRe has significant risk in the Life segment from a number of possible events such as pandemic, large losses, lapse and losses on our market risk transfer portfolio.

On the basis of NewRe's current capitalisation and growth expectations, profits in future years will likely be distributed to shareholders as dividends.

NewRe will change its functional currency from CHF to EUR as of 1 January 2021.

Risk assessment – addendum to the management report

Governance and responsibilities

The Board of Directors is responsible for the risk management principles and policies, as well as for approving the overall risk tolerance. NewRe's risk management function is fully embedded in the Group risk management framework. The risk management function sets up and implements a risk management system. This risk management system comprises strategies, processes and procedures necessary to regularly identify, measure, monitor, manage and report any risks to which NewRe is or could be exposed.

Risk management objectives and methodology

The careful selection of underwritten risks is at the core of NewRe's business model. The company deploys a variety of risk management tools, processes and functions to manage its risks, and seeks to optimise the balance between risks taken and earnings opportunities.

NewRe's risk management strategy is aimed at

- maintaining NewRe's financial strength,
- safeguarding the reputation of NewRe and Munich Re (Group),
- enabling NewRe to protect and generate sustainable shareholder value.

The three main elements of NewRe's risk management approach are:

- risk identification
- the regular and structured analysis and measurement of risks
- the effective management of operational risks (internal control system)

Risk identification

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively, significantly affect NewRe's financial situation or result in a reputational damage. Risks are identified and classified according to their potential exposure to one or a combination of the following risk types: strategic, financial (underwriting, market, credit, liquidity), operational, reputational and compliance risks. Only the financial risks are quantified with appropriate models, while the rest are assessed qualitatively.

Risk measurement
The evaluation and measurement of the quantifiable risks are documented in the Internal Risk Report prepared on a regular basis. NewRe determines the economic capital required to carry its risks by using a stochastic internal risk model. This internal risk model is based on the Munich Re (Group) capital model and was specially developed for the Swiss Solvency Test (SST). The economic risk capital corresponds to the 99% Tail Value-at-Risk (TVaR) over a one-year time horizon. This represents an estimate of the expected annual loss likely to occur with a frequency of less than once in a hundred years.

Internal control system (ICS)
As part of its operational risk management, NewRe operates an effective internal control system (ICS). The objective is to promote and enhance a risk and control culture for the relevant processes. NewRe has a holistic approach to the ICS, and its application is a continuous process based mainly on the segregation of duties. The ICS is refined periodically to reflect changes in the processes and business environment. NewRe’s ICS is embedded into the Group’s operational risk control system process.

NewRe's risk and control activities focus on the area of underwriting, in particular correct pricing and contract wording.

e) *Additional information*

Dr. Thomas Braune, Chief Executive Officer (as of 1 October)

Thomas Braune has been Chief Executive Officer of NewRe since October 2020.

Before joining NewRe, Thomas Braune was in charge of Munich Re's life and health reinsurance business in Europe, Latin America and some markets in the Middle East.Prior to taking over that division, he reported directly to Munich Re's CEO, with responsibility for corporate strategy and organisation, corporate responsibility and Group-wide human resources management.

For an interim period, he was also responsible for Munich Health, the Group's health insurance and reinsurance business.. Before becoming Head of Group Development, he was Chief Financial Officer at Munich Re Italy, Milan, prior to which he was in charge of strategic investments at Munich Re, where his role included managing worldwide M&A activities.

At the beginning of his career, Thomas worked for an international law firm. He holds a law degree from Ludwig Maximilian University in Munich, a doctorate in tax law from Regensburg University and an MBA in financial services and insurance from the University of St. Gallen, Nyenrode Business University (Netherlands) and Vlerick Leuven Gent Management School (Belgium).

Dr. Jürgen Kammerlohr, Chief Financial Officer

Jürgen Kammerlohr was nominated Chief Financial Officer and member of the Board of Management of NewRe in January 2013.

At the start of his career, he spent eight years as an attorney at an international law firm in Germany, specialising in corporate, commercial and insurance law. In 1998, he joined Munich Re as a Senior Consultant in the Finance Department. He was Head of M&A/Group Investments (Europe) from 2004 to 2007, where he was primarily responsible for Group-wide M&A work, as well as debt and equity capital market transactions.

From 2008 until 2012, Jürgen Kammerlohr was Chief Financial Officer and member of the Board of Directors of American Modern Insurance Group. American Modern was acquired by Munich Re in early 2008 and Jürgen Kammerlohr was responsible for integrating American Modern into the Munich Re America Group.

Jürgen Kammerlohr holds a doctorate in German law and a US Master of Law degree.

Dirk Herrenpoth, Chief Underwriting Officer Property & Casualty (as of 1 July)

Dirk Herrenpoth was appointed Chief Underwriting Officer Property & Casualty in July 2020 and sits on the Board of Management of NewRe.

He originally joined Munich Re in 2001 after a couple of years with AXA Insurance at the outset of his career. At Munich Re, Dirk was initially an underwriter for property business in Germany, and later worked as Senior Underwriter for Global Clients business. In 2006, he joined Corporate Underwriting as Senior Corporate Underwriter.

Since 2009, Dirk has held a number of management functions within the Munich Re Group. He was appointed Managing Director of MR UKGB in London where he was based from 2016 until his appointment to NewRe in Zurich. Most recently, he was Head of Great Lakes UK Branch, in which capacity he also headed up the facultative and corporate London Market business for Munich Re.

Dirk Herrenpoth is a Fellow of the Chartered Insurance Institute in London (FCII).

Dr. Christian Dahmen, Chief Risk Officer

Christian Dahmen was appointed Chief Risk Officer and member of the Board of Management of NewRe in January 2018.

In the past, he spent several years in financial risk consulting with d-fine in Germany. After joining Munich Re in 2009, he held various management positions in the investment risk area at Munich Re and MEAG and, in the preparation phase for Solvency II, he managed Munich Re's Group-wide internal model application project. He then went on to head up the global risk management function of the Munich Health segment within the Group.

Christian Dahmen holds a doctorate in Physics from the Technical University of Aachen, Germany, and an M.Sc. in Mathematical Finance from the University of Oxford in the UK.

Board of Directors

Dr. Doris Höpke, President

Doris Höpke was appointed President of the Board of NewRe in March 2017.

She has held various functions on the Board of Management of Munich Reinsurance Company, NewRe's sole shareholder, since 2014. In August 2018, she took over responsibility for the Europe and Latin America division, including Financial Lines. She also has global responsibility for human resources in the reinsurance field of business, including the function of Labour Relations Director which she assumed in April 2017.

She began her career as assistant to the Board of Management at HDI Haftpflichtverband der Deutschen Industrie V.a.G. before working as in-house attorney responsible for managing and negotiating large industrial liability claims of corporate clients worldwide.

She joined Munich Reinsurance Company in 1999 and has since been responsible for various global projects, as well as running the Munich Re Madrid office, the Munich Health business segment and the Special and Financial Risks division.

Doris Höpke completed her law studies at the universities of Osnabruck, Hanover and Leiden with a doctorate.

Claudia Hasse, Vice-President

Claudia Hasse has sat on the Board of Directors of NewRe since January 2019.

She is the Chief Executive Manager for Germany, Cyber in Europe & Latin America and Pharmapool, as well as serving as the Head of Supervisory Board for Great Lakes Insurance SE and Munich Re of Malta.

A lawyer by training, she joined Munich Re and stared her career in the reinsurance industry in 2003 as Claims Manager and later Chief Claims and Operations Officer.

She has since held many senior management positions, including Chief Underwriting Officer Property overseeing worldwide property business in the large corporate area. She also held the global function of Chief Underwriting Officer Special Enterprise Risks, where she was in charge of developing tailor-made solutions for corporations and start-ups, covering such diverse areas as cyber, artificial intelligence, the Internet of Things and green technologies.

Claudia Hasse holds a law degree from the University of Passau and a Master of Laws from the University of Connecticut School of Law.

Bruno Meyenhofer, Board Member

Bruno Meyenhofer has been on the Board of Directors of NewRe since 2011.

Prior to his appointment, he spent more than 30 years in the reinsurance industry, working in various management and executive functions.

In the past, he held the function of divisional CEO at PartnerRe (within the executive committee), which culminated in the position of Chairman of PartnerRe Global from 1999 until 2010.

Earlier in his career, he served in various functions at Winterthur Insurance Group and ultimately as a member of the Group Executive Board in charge of Reinsurance and Risk Management (1987–1998). Over the course of his long reinsurance career, he had management responsibility in life, non-life and speciality lines, as well as holding a number of Board of Director mandates at subsidiary companies.

Bruno Meyenhofer has an MA degree in Mathematics from the University of Fribourg, an Associateship of the Chartered Insurance Institute in London and an MBA from INSEAD in Fontainebleau.

Dr. René Schnieper, Board Member

René Schnieper has been on the Board of Directors of NewRe since 2017.

Prior to his appointment, he spent more than 30 years in the re/insurance field, holding various management and executive positions. From 1983 to 1993, he worked in the reinsurance department of Winterthur Swiss Insurance Company, where he was largely responsible for pricing non-proportional property and casualty (P&C) reinsurance business. At Zurich Financial Services, which he joined in 1994, he was in charge of underwriting assumed P&C reinsurance business from European cedants. In 2002, he took over responsibility for writing specialty lines business.

In 2005, he joined FOPI, the Federal Office of Private Insurance, the predecessor organisation of FINMA. When FOPI merged into FINMA, he joined the new entity as a member of the Executive Board. Soon thereafter, he assumed responsibility for the supervision of insurance companies. He was instrumental in implementing the Swiss Solvency Test.

He left FINMA in 2014 and has since held a number of consultancy mandates.

René Schnieper has a PhD in Mathematics from ETH Zurich.

Shareholder

100% Munich Reinsurance Company, Munich

Rating

AA- by Standard & Poor's
A+ by A.M. Best

Auditors

KPMG AG, Zurich, until 23 April 2020
Ernst & Young AG, Zurich, as of 24 April 2020

Branch offices

NewRe does not maintain any branch offices.

B) Financial performance

a) Financial statements

Balance sheet as at 31 December

in CHF

Assets		**2020**		**2019**
Investments				
Real estate		9'600'376		9'676'295
Fixed-income securities		709'182'757		539'024'710
Shares		4'712'324		5'162'853
Other investments		1'738'777'263		1'955'834'741
Receivables from derivative financial instruments		2'179'454'745		1'105'135'687
Deposits retained on assumed reinsurance business		12'968'776'783		11'067'413'681
Cash and cash equivalent		851'130'112		701'450'551
Technical provisions ceded		436'062'337		239'364'041
Tangible assets		33'927'971		34'301'178
Deferred acquisition costs		500'080'491		467'027'608
Receivables from insurance and reinsurance business		271'365'507		221'460'702
of which due from brokers	12'487		9'905	
of which due from insurance and reinsurance companies	271'353'020		221'450'797	
Other receivables		1'600'911'967		665'766'225
Total assets		**21'303'982'633**		**17'011'618'272**

Liabilities and equity		**2020**		**2019**
Technical provisions		15'099'552'004		13'007'826'025
Non-technical provisions		163'676'996		165'361'434
Liabilities from derivative financial instruments		3'116'238'154		1'531'526'165
Deposits retained on ceded reinsurance business		349'617'768		230'526'830
Payables on insurance and reinsurance business		501'885'285		423'930'281
of which due to brokers	3'467'417		2'920'921	
of which due to insurance and reinsurance companies	498'417'868		421'009'360	
Other liabilities		1'248'672'215		735'701'599
Total liabilities		**20'479'642'422**		**16'094'872'334**
Share capital		260'000'000		260'000'000
Legal reserves from capital		122'687		122'687
Legal reserves from profit		129'877'313		129'877'313
Free reserves		316'535'938		316'491'018
Profit for the year		117'804'273		210'254'920
Total equity		**824'340'211**		**916'745'938**
Total liabilities and equity		**21'303'982'633**		**17'011'618'272**

Income statement for the year

Technical accounts Life

in CHF

Life			**2020**			**2019**
Gross premiums	4'727'126'705			4'737'857'055		
Premiums ceded	-21'913'455			-13'085'521		
Net premiums written		4'705'213'250			4'724'771'534	
Change in unearned premium reserves gross	4'078'143			-2'816'865		
Change in unearned premium reserves ceded	1'125'000			0		
Change in unearned premium reserves net		5'203'143			-2'816'865	
Net premiums earned			4'710'416'393			4'721'954'669
Other income from reinsurance business			7'531'997			9'426'119
Technical interest - premium funds		431'583'120			233'920'125	
Technical interest - other technical provisions		278'140			924'950	
Technical interest			431'861'260			234'845'075
Total technical income			**5'149'809'650**			**4'966'225'863**
Claims paid gross	-3'172'604'733			-2'432'640'715		
Claims paid ceded	9'795'630			5'868'602		
Claims paid net		-3'162'809'103			-2'426'772'113	
Change in technical provisions gross	638'672'750			257'364'322		
Change in technical provisions ceded	15'865'052			13'286'601		
Change in technical provisions net		654'537'802			270'650'923	
Net claims and claims expenses incurred			-2'508'271'301			-2'156'121'190
Acquisition costs gross		-2'553'544'866			-2'812'026'850	
Acquisition costs ceded		1'015'168			439'987	
Acquisition costs net			-2'552'529'698			-2'811'586'863
Administration costs			-34'386'741			-19'110'228
Other underwriting expenses			-			-
Total technical expenses			**-5'095'187'740**			**-4'986'818'281**
Technical result for Life			**54'621'910**			**-20'592'418**

Technical accounts Non-Life

in CHF

Non-life			**2020**			**2019**
Gross premiums	892'325'097			645'650'653		
Premiums ceded	-168'994'324			-7'984'506		
Net premiums written		723'330'773			637'666'147	
Change in unearned premium reserves gross	-163'297'054			-12'239'136		
Change in unearned premium reserves ceded	80'572'199			-2'556'287		
Change in unearned premium reserves net		-82'724'855			-14'795'423	
Net premiums earned			640'605'918			622'870'724
Other income from reinsurance business			1'536'545			337'296
Technical interest			5'888'032			7'122'049
Total technical income			**648'030'495**			**630'330'069**
Claims paid gross	-446'134'508			-231'004'259		
Claims paid ceded	52'996'527			1'637'518		
Claims paid net		-393'137'981			-229'366'741	
Change in technical provisions gross	-35'088'370			-136'111'368		
Change in technical provisions ceded	2'147'677			3'712'744		
Change in technical provisions net		-32'940'693			-132'398'624	
Net claims and claims expenses incurred			-426'078'674			-361'765'365
Acquisition costs gross		-163'490'758			-121'015'577	
Acquisition costs ceded		23'325'264			2'621'447	
Acquisition costs net			-140'165'494			-118'394'130
Administration costs			-16'471'828			-18'488'026
Other underwriting expenses			-407'395			-1'209'494
Total technical expenses			**-583'123'391**			**-499'857'015**
Technical result for Non-life			**64'907'104**			**130'473'054**
Overall technical result			**119'529'014**			**109'880'636**

General accounts

in CHF

			2020			2019
Investment income	471'511'827			275'809'295		
Investment expenses	-30'057'196			-15'578'051		
Investment result		441'454'631			260'231'244	
Interest on technical provisions - Life	-431'861'260			-234'845'075		
Interest on technical provisions - Non-life	-5'888'032			-7'122'049		
Interest on technical provisions		-437'749'292			-241'967'124	
Investment result excluding interest on technical provisions			**3'705'339**			**18'264'120**
Net result from derivative financial instruments			67'347'467			146'773'498
Administration costs		-65'457'457			-68'970'448	
Administration costs - Life		34'386'741			19'110'228	
Administration costs - Non-life		16'471'828			18'488'026	
Administration costs - Investments			-14'598'888			-31'372'194
Operating result			**175'982'932**			**243'546'060**
Other income			318'311			4'081'013
Other expenses			-39'334'244			-8'843'862
Profit before taxes			**136'966'999**			**238'783'211**
Income tax			-19'162'726			-28'528'291
Profit for the year			**117'804'273**			**210'254'920**

Cash flow statement

in CHFm

	2020	2019
Profit for the year	118	210
Net change in technical provisions	1'895	4'266
Net change in deferred acquisition costs	-33	-72
Change in deposits retained and accounts receivable and payable	-1'730	-4'163
Change in other receivables and liabilities	1'161	318
Gains and losses on the disposal of investments	-14	15
Change in derivative from reinsurance business	-1'813	-505
Change in other balance sheet items	-4	-4
Other income/expenses without impact on cash flow	758	255
I. Cash flows from operating activities	**338**	**320**
Change in affiliated companies and participating interests	196	47
Change from acquisition, sale and maturities of other investments	-175	-68
Other	0	0
II. Cash flows from investing activities	**21**	**-21**
Inflows from increases in capital	0	0
Outflows from share buy-backs	0	0
Dividend payments	-210	-133
III. Cash flows from financing activities	-210	**-133**
Cash flows for the financial year (I.+II.+III.)	**149**	**166**
Cash at the beginning of the financial year	702	536
Cash at the end of the financial year	851	702
Change in cash for the financial year	**149**	**166**

Notes to the financial statements

1. Accounting principles

The company's accounting principles are in line with those prescribed by the Swiss Code of Obligations (OR) and the Insurance Supervisory Ordinance (AVO). They are consistent with those applied in the previous year. The accounting and valuation principles applied for the main balance sheet items are as follows:

Investments

Third-party-use real estate is valued at the lower of original acquisition cost (including capitalised cost for improvements) less amortisation, or market value. Amortisation is at a rate of 2% on a straight-line basis.

Equity investments and investment funds are valued at the lower of cost or market value.

Fixed-income securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised within the investment result.

Receivables and liabilities arising out of derivative financial instruments

Derivative assets and liabilities are accounted for at fair value.

Tangible assets

Own-use real estate and all other tangible assets are amortised on a straight-line basis.

Deferred acquisition costs

Acquisition costs paid in respect of financing-type Life reinsurance contracts are capitalised and amortised in proportion to the gross profit amounts expected to be realised over the duration of the Life contract.

Acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.

Receivables

Receivables are booked at nominal values and adjusted if there is a risk of them not being fully recoverable. The adjustment is calculated on the basis of individual exposures and a general allowance based on analysis of the receivables.

Other assets and liabilities

These are shown at their nominal value.

Claims expenses and claims reserves

Case reserves are created for the amounts reported by cedants. At year-end closing, most statements of account received for recent underwriting years are incomplete and are subject to estimates. The claims reserves are valued at the expected ultimate cost – including reserves for incurred but not reported claims – either reported by cedants or estimated by underwriters and the actuarial department, less claims paid.

Premiums
Premiums are earned on a pro-rata-temporis basis over the period of the risk, or in proportion to the cover provided.

Other income from reinsurance business and Other underwriting expenses
These items include technical income and expenses from reinsurance business. Other income from reinsurance business primarily comprises structuring and recapture fees.

Other income and expenses
A large component of other income and expenses is foreign exchange gains and losses, which are partially offset by currency hedges. The offsetting gains and losses from currency hedge transactions are recorded as part of the results from derivative financial instruments.

2. Transactions conducted in foreign currencies

All balance sheet items are translated from their original currency into CHF using the year-end exchange rate. The company books a provision for net unrealised foreign exchange gains.

3. Other information pursuant to the Swiss Code of Obligations (OR) and Insurance Supervisory Ordinance-FINMA (AVO-FINMA)

Investments
The own-use real estate, previously reported under "Investments"; is reported under the balance sheet position "Tangible assets" for the first time. The previous year's amount was adjusted accordingly.

Receivables and liabilities from derivative financial instruments
"Receivables from derivative financial instruments" increased by CHF 1.1bn and "Liabilities from derivative financial instruments" increased by CHF 1.6bn (see Balance sheet as at 31.12.2020 for details) both mainly due to a new Life deal.

Affiliated companies

At the balance sheet date, there were receivables and liabilities in respect of other affiliated companies belonging to the Munich Re (Group) as follows:

in CHF	2020	2019
Amount due from companies for reinsurance business		
Deposits retained on assumed reinsurance business	7'485'859'720	6'916'926'649
Receivables from insurance and reinsurance business	10'772'321	10'837'051
Total	**7'496'632'041**	**6'927'763'700**

Amount due to companies for reinsurance business		
Deposits retained on ceded reinsurance business	0	0
Payables on insurance and reinsurance business	873'868	805'999
Total	**873'868**	**805'999**

Deposit retained

Overall “Deposits retained on assumed reinsurance business” increased by CHF 1.9bn and “Technical provisions” by CHF 2.1bn in 2020 (see Balance sheet as at 31.12.2020 for details). Both increases were mainly due to a US transaction, two intra-group life treaties and one external contract with a German client covering interest-rate-based reserving requirements (so called “Zinszusatzreserve”: ZZR). The structure of the business requires that assets covering the provisions be deposited. These high deposits, together with the new ZZR treaty, increased our income from “Technical interest on premium funds” by CHF 198m, from CHF 234m to CHF 432m (see Income statement for details).

The total of “Deposits retained on ceded reinsurance business” increased in line with the “Technical provisions ceded” by CHF 119m (see Balance sheet as at 31.12.2020 for details).

Tangible assets

The own-use real estate, previously reported under “Investments” is reported under the balance sheet position “Tangible assets” for the first time. The amount of “Tangible assets” of the previous year was adjusted accordingly.

Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

in CHF

	2020	2019
Assets under reservation of ownership	690'899'988	566'810'395
Cash collateral	1'563'344'617	608'649'855
Total	**2'254'244'605**	**1'175'460'250**

The amounts are reported in the balance sheet items “Fixed-income securities”, “Cash and cash equivalent” and “Other receivables”. The increase of “Assets under reservation of ownership” is mainly due to Life transactions and a new deposit for a Non-life transaction.

The posted "Cash collateral" concerns collateral posted for variable annuity business and derivatives used to hedge this business. The increase is driven by increased liabilities from variable annuity transactions and OTC derivatives.

Auditors' fees

The fees for the Ernst & Young (EY) audit of the 2020 financial statements (including regulatory audit) amount to CHF 266k (2019: CHF 271k for the audit 2019 performed by KPMG). The fees exclude outlays and VAT. Fees for other services came to CHF 51k for EY (2019: CHF 11k for KPMG).

Full-time equivalents

During the year, an average of 110 FTEs were employed by NewRe.

Technical provisions

in CHF

Technical provisions	Gross	Retro	Net	Gross	Retro	Net
			2020			2019
Unearned premiums	361'205'670	76'273'046	284'932'624	219'873'020	988'887	218'884'133
Loss reserves	1'871'691'240	10'157'735	1'861'533'505	1'803'703'869	7'796'055	1'795'907'814
Other technical reserves	39'391'775	19'255	39'372'520	84'116'876	62'638	84'054'238
Future policy benefits reserves	12'827'263'319	349'612'301	12'477'651'018	10'900'132'260	230'516'461	10'669'615'799
Total	**15'099'552'004**	**436'062'337**	**14'663'489'667**	**13'007'826'025**	**239'364'041**	**12'768'461'984**

Changes in technical provisions	2020 Net	2019 Net
Change in unearned premium reserves net	77'521'712	17'612'288
Changes in loss reserves	148'709'646	195'162'255
Other technical reserves	-40'549'389	37'228'106
Changes in future policy benefits reserves *)	1'934'733'968	4'289'242'135
Total	**2'120'415'937**	**4'539'244'784**

The change in "Technical provisions" (Net) as per balance sheet and the "Changes in technical provisions" per the income statement deviate due to different foreign exchange rates.

*) Including portfolio movements the changes in future policy benefits reserves amount to CHF 729'757'366

Total “Technical provisions” (net) increased from CHF 12.8bn to CHF 14.7bn. This was mainly caused by Life transactions.

Total “Technical provisions ceded” rose by CHF 197m (see Balance sheet as at 31.12.2020 for details). This was due primarily to a higher retrocession share from a life transaction and quota increase for a Non-life transaction.

The increase in “Loss reserves” (net) of CHF 66m in 2020 was mainly triggered by a Life transaction (Covid-19 reserves).

“Other technical reserves” (net) decreased by CHF 45m, primarily caused by a decrease in the profit commission reserves for one Non-life treaty.

Statement of changes in equity

in CHF

Year ended December 2020	Share Capital	Legal reserves from capital	Legal reserves from profit	Free reserves from profit	Profit for the year	Total equity
Balances as at 31 December 2019	260'000'000	122'687	129'877'313	316'491'019	210'254'920	**916'745'939**
Appropriation of earnings						
Dividend payment					-210'210'000	**-210'210'000**
Allocation to free reserves				44'920	-44'920	**0**
Profit for the year 2020					117'804'273	**117'804'273**
Balances as at 31 December 2020	**260'000'000**	**122'687**	**129'877'313**	**316'535'939**	**117'804'273**	**824'340'212**

Year ended December 2019	Share Capital	Legal reserves from capital	Legal reserves from profit	Free reserves from profit	Profit for the year	Total equity
Balances as at 31 December 2018	260'000'000	122'687	129'877'313	316'431'026	133'439'993	**839'871'019**
Appropriation of earnings						
Dividend payment					-133'380'000	**-133'380'000**
Allocation to free reserves				59'993	-59'993	**0**
Profit for the year 2019					210'254'920	**210'254'920**
Balances as at 31 December 2019	**260'000'000**	**122'687**	**129'877'313**	**316'491'019**	**210'254'920**	**916'745'939**

Investments and investment result

in CHF

2020	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	501'265	0	0	**501'265**	-75'919		**-75'919**
Fixed-income securities	11'926'165	0	2'468	**11'928'633**	-4'108'608	-84	**-4'108'692**
Shares	0	0	0	**0**	0	0	**0**
Other investments	456'821'501	0	2'260'428	**459'081'929**	-25'872'585		**-25'872'585**
			Total	**471'511'827**		**Total**	**-30'057'196**

2019	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	724'681	0	0	**724'681**	-75'919		**-75'919**
Fixed-income securities	12'515'358	0	0	**12'515'358**	-4'629'698	-799	**-4'630'497**
Shares	0	0	0	**0**	0	0	**0**
Other investments	262'185'684	0	383'572	**262'569'256**	-10'871'635		**-10'871'635**
			Total	**275'809'295**		**Total**	**-15'578'051**

"Real estate" in the table above is the NewRe office building in Zurich. Part of the office space is let to external tenants. The rental income and associated expenses are recorded as investment income "Real estate". The decrease in rental income was due to a temporary vacancy of rental space.

Investment income from "Fixed-income securities" decreased slightly in 2020 compared to 2019, due to lower interest rates. The decrease in investment expenses for "Fixed-income securities" was due to lower write-downs.

Income from "Other investments", which, besides investment income, mainly includes income linked to deposits retained on assumed reinsurance business, increased by CHF 197m. This was due to higher technical interest on deposits retained and additional life interest in connection with new Life transactions. Increased volume also drove increases in write-downs.

The balance sheet position "Other investments" reads as follows:

in CHF

	2020	**2019**
Short term investments	147'696'027	172'234'548
Bond funds	60'114'178	59'196'436
Equity funds	17'973'785	17'973'785
Special funds	1'512'993'273	1'706'429'972
Total	**1'738'777'263**	**1'955'834'741**

"Other investments" decreased by CHF 217m in 2020. This was due to a disposal of a special fund.

"Fixed-income securities" (see Balance sheet as at 31.12.2020 for details) increased by CHF 170m in 2020 following new bond purchases.

Overall technical result Life

New Life business as well as business in force contributed to the positive Life result. The negative Life result in the previous year was due to a strengthening of the Life fluctuation reserve.

Overall technical result Non-life

The positive Non-life technical result was mainly driven by profits in Property and Casualty excl. Covid-19. Reserve releases in long tail business such as Motor were partially offset by Covid-19 losses.

Net result from derivative financial instruments

in CHF

	Current income	Write-ups	Total investment income	Current expenses	Write-downs and value adjustments	Total investment expenses
						2020
Insurance risk related instruments	847'666'723	19'389'589	**867'056'312**	-47'575'038	-1'124'668'646	**-1'172'243'684**
Other derivatives instruments	38'168'900	1'843'196'669	**1'881'365'569**	-20'681'586	-1'488'149'144	**-1'508'830'730**
		Total	**2'748'421'881**		**Total**	**-2'681'074'414**
						2019
Insurance risk related instruments	469'860'835	55'686'174	**525'547'009**	-62'511'852	-315'231'468	**-377'743'320**
Other derivatives instruments	15'920'785	1'069'853'205	**1'085'773'990**	-21'993'354	-1'064'810'828	**-1'086'804'182**
		Total	**1'611'320'999**		**Total**	**-1'464'547'502**

The "Net result from derivative financial instruments" decreased by CHF 79m from CHF 147m to CHF 67m. Whilst the positive result related to our Life reinsurance business covering market risks, which developed positively in line with the growth of our portfolio, the decrease compared to the previous year resulted from direct losses and lower performance of intra-group Weather business.

Administration costs

The two positions "Administration costs" for the Life technical result and "Administration costs - Investments" have been regrouped and must therefore be considered together.

Personnel expenses

Personnel expenses for fiscal year 2020 amount to CHF 25'910'175 (2019: CHF 26'847'441) and are included in the line items Administration costs.

Other income and expenses

A large component of "Other income" and "Other expenses" was foreign exchange gains and losses which were in part offset by currency hedges (see Income statement for details). The offsetting gains and losses from currency hedge transactions with derivatives are recorded within the investment result.

Depreciation of real estate and tangible assets

in CHF

	2020	2019
Investments - Real estate	75'919	75'919
Tangible assets	430'422	476'919
Total	**506'341**	**552'838**

The above item “Tangible assets” includes depreciation on own-use real estate.

Events after the balance sheet date

None

Shareholder

The shareholder of New Reinsurance Company Ltd., Zurich is Munich Reinsurance Company (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München) which holds 100% of the shares in the Company.

The share capital consists of 1.3 million shares, each with a nominal value of CHF 200.

b) *Additional information –"Performance Solo Reinsurance" template*

Quantitative template "Performance Solo Reinsurance"

	CHF millions	Total		Personal accident		Health		Motor	
		2019	2020	2019	2020	2019	2020	2019	2020
1	Gross premiums	5'384	5'619	4	3	0	1	470	550
2	Premiums ceded	-21	-191	-1	0	0	-1	0	0
3	Net premiums written	5'363	5'429	3	3	0	0	470	550
4	Change in unearned premium reserves	-17	-159	2	0	0	0	-8	-78
5	Change in unearned premium reserves cede	-2	82	-2	0	0	0	0	0
6	Net premium earned	5'344	5'351	3	3	0	0	462	472
7	Other income from reinsurance business	9	9	0	0	0	0	0	0
8	Technical interest	242	438	0	0	0	0	7	6
9	**Total technical income**	**5'595**	**5'798**	**3**	**3**	**0**	**0**	**469**	**478**
10	Claims paid gross	-2'665	-3'619	0	-3	-1	0	-200	-331
11	Claims paid ceded	8	63	1	1	1	0	0	0
12	Change in technical provisions gross	120	604	-1	-3	1	0	-133	16
13	Change in technical provisions ceded	18	18	1	-1	-1	0	0	0
14	Net claims and claims expenses incurred	-2'519	-2'934	1	-6	0	0	-333	-315
15	Acquisition cost gross	-2'933	-2'717	-2	0	0	0	-84	-117
16	Acquisition cost ceded	3	24	2	0	0	0	0	0
17	Acquisition cost net	-2'930	-2'693	0	0	0	0	-84	-117
18	Administration cost	-35	-51	0	0	0	0	-8	-8
19	Other underwriting expenses	-1	0	0	0	0	0	-1	0
20	**Total technical expenses**	**-5'485**	**-5'678**	**1**	**-7**	**0**	**0**	**-426**	**-441**
21	**Technical result**	**110**	**120**	**4**	**-3**	**0**	**0**	**43**	**37**
22	Investment income	34	34						
23	Investment expenses	-47	-45						
24	**Investment result**	**-13**	**-11**						
25	Net result from derivatives financial instruments	147	67						
26	**Operating result**	**244**	**176**						
27	Other income	4	0						
28	Other expenses	-9	-39						
29	**Profit before taxes**	**239**	**137**						
30	Income tax	-29	-19						
31	**Profit for the year**	**210**	**118**						

Continued:

Quantitative template "Performance Solo Reinsurance"

	CHF millions	Total		Marine, aviation, transport		Property		Casualty		Miscellaneous (incl. Life)	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
1	Gross premiums	5'384	5'619	9	9	106	229	30	41	4'765	4'786
2	Premiums ceded	-21	-191	0	-1	-7	-113	-1	0	-12	-76
3	Net premiums written	5'363	5'429	9	8	99	116	29	41	4'753	4'711
4	Change in unearned premium reserves	-17	-159	0	0	-4	-52	-3	-6	-4	-23
5	Change in unearned premium reserves cede	-2	82	0	0	0	53	0	0	0	29
6	Net premium earned	5'344	5'351	9	8	95	117	26	35	4'749	4'717
7	Other income from reinsurance business	9	9	0	0	0	1	0	0	9	8
8	Technical interest	242	438	0	0	0	0	0	0	235	432
9	**Total technical income**	**5'595**	**5'798**	**9**	**8**	**95**	**118**	**26**	**35**	**4'993**	**5'156**
10	Claims paid gross	-2'665	-3'619	-3	-4	-3	-60	-18	-27	-2'440	-3'194
11	Claims paid ceded	8	63	0	0	2	37	-2	0	6	25
12	Change in technical provisions gross	120	604	-2	1	-35	-40	33	-1	257	631
13	Change in technical provisions ceded	18	18	0	0	1	3	4	0	13	16
14	Net claims and claims expenses incurred	-2'519	-2'934	-5	-2	-35	-59	17	-29	-2'164	-2'522
15	Acquisition cost gross	-2'933	-2'717	-1	-1	-11	-29	-6	-6	-2'829	-2'564
16	Acquisition cost ceded	3	24	0	0	1	15	0	0	0	9
17	Acquisition cost net	-2'930	-2'693	-1	-1	-10	-14	-6	-6	-2'829	-2'555
18	Administration cost	-35	-51	0	0	-7	-6	-1	-1	-19	-36
19	Other underwriting expenses	-1	0	0	0	0	0	0	0	0	0
20	**Total technical expenses**	**-5'485**	**-5'678**	**-6**	**-4**	**-52**	**-80**	**10**	**-35**	**-5'012**	**-5'111**
21	**Technical result**	**110**	**120**	**3**	**4**	**43**	**39**	**36**	**0**	**-19**	**45**
22	Investment income	34	34								
23	Investment expenses	-47	-45								
24	**Investment result**	**-13**	**-11**								
25	Net result from derivatives financial instruments	147	67								
26	**Operating result**	**244**	**176**								
27	Other income	4	0								
28	Other expenses	-9	-39								
29	**Profit before taxes**	**239**	**137**								
30	Income tax	-29	-19								
31	**Profit for the year**	**210**	**118**								

Life reinsurance business represents a significant portion of NewRe's business portfolio. In the financial statements, technical accounts are provided separately for non-life and life reinsurance business. Following the line-of-business structure provided for in the “Performance Solo Reinsurance” template, life reinsurance business is reported as “Miscellaneous”. Life represents by far the greater part of business in the “Miscellaneous” category; any other business being minor.

“Investment income” and “Investment expenses” are reported in lines 22 and 23 and with a lower granularity than shown in the income statement. Line 22 “Investment income” shows the “Investment result excluding interest on technical provisions” as reported in the income statement but before investment expenses. Line 23 “Investment expenses” includes the two income statement items “Investment expenses” and “Administration costs – investments”, which are reported separately in the income statement.

Comments on quantitative template “Performance Solo Reinsurance”

Premium Income

Three of NewRe’s four business segments, Property & Casualty, Capital Partners and Life, write business that predominantly takes the form of reinsurance contracts with a premium income and a technical result, while the parametric contracts of Weather & Agro are recorded as derivative instruments.

Premium income from reinsurance contracts grew from CHF 5,384m to CHF 5,619m.

The Property & Casualty unit focuses on its core lines of reinsurance business, so that business volume in personal accident, health, and marine, aviation and transport continues to be low, whereas casualty, especially motor, and property represent the core business lines. Motor reinsurance includes structured quota share contracts with significant premium volumes per treaty, while both property and casualty are dominated by excess-of-loss contracts. Life reinsurance business is recorded as ‘Miscellaneous’ following the line-of-business structure provided for in the “Performance Solo Reinsurance” template.

The increase in premium income from CHF 5,384m to CHF 5,619m was due mainly to motor business driven by a UK motor quota share and Property business driven by a large quota share transaction.

Other income from reinsurance business and Other underwriting expenses

These items include technical income and expenses from reinsurance business. Other income from reinsurance business primarily comprises structuring and recapture fees.

Technical result

The technical result was CHF 120m, up from CHF 110m in the previous year.

The higher overall technical result was driven by life business. The increase in the life result was due primarily to the US life portfolio, which benefitted from reserve releases in excess of Covid-19 losses. The non-life technical result on the other hand, was lower than in the previous year, due to Covid-19 losses in both the property and the casualty segment.

Investment result

The investment result was in line with the previous year.

Net result from derivative financial instruments in 2020

Derivative financial instruments are used in two of NewRe’s business segments. In the Life reinsurance segment, we write and hedge products that transfer financial market guarantees such as variable annuity and unit-linked guarantees. Derivatives are also used in the Weather & Agro business segment for products offering clients tailor-made solutions to minimise weather-related risk. The main driver of the lower result compared to 2019 was weather derivatives.

Other income and expenses
A large component of other income and expenses is foreign exchange gains and losses, which are partially offset by currency hedges. The offsetting gains and losses from currency hedge transactions are recorded as part of the results from derivative financial instruments. The increase in other expenses was driven by foreign currency losses.

Profit/loss
NewRe's premium volume rose from CHF 5.4bn in 2019 to CHF 5.6bn in 2020. In Life reinsurance, NewRe was able to benefit from business opportunities primarily in the North American market compensating for terminated business, while overall seeing price increases and growth in its Property & Casualty lines in Europe.

At CHF 118m, NewRe's overall 2020 result was below the previous year's exceptional figure of CHF 210m. However, without the losses from Covid-19 in Life and Non-Life, NewRe would have achieved an excellent result once again.

C) *Corporate governance and risk management*

a) *Corporate governance*
The Board of Directors of NewRe has overall responsibility for the Company and for the supervision and control of the Board of Management. The duties of the Board of Directors are defined in the articles of association and in the organisational regulations of NewRe.

To ensure that appropriate attention is paid to the relevant topics, the Board of Directors has set up an Audit and Risk Committee and a Remuneration Committee.

The CEO is the Chairman of the Board of Management and is responsible for managing and governing the Company in such a way as to ensure its success. The members of the Board of Management jointly govern and manage the Company and are accountable for its results. The Board of Management has decision-making authority on matters relating to business assigned to it. The Board of Management additionally involves key employees in the decision-making on an as-needed basis.

The composition of the Board of Directors and the Board of Management is shown in chapter A e) of this report, including the changes that occurred in 2020.

b) *Key control functions*
The key control functions of NewRe are Risk Management, Compliance and Internal Audit.

NewRe's Chief Risk Officer (CRO) heads up the Risk Management Department and has a functional reporting line to the Group CRO and has direct access to the Chairman of the Audit and Risk Committee.

NewRe's Head of Legal & Compliance (L&C) has a reporting line to the Chairman of the Audit and Risk Committee and Munich Re Group Compliance & Legal. L&C makes an independent assessment of NewRe's key compliance risks and submits the assessment directly to the Board of Directors.

The Internal Audit function is outsourced to the internal audit function of the Munich Re Group. The focus and schedule of internal audits at NewRe are set by the Board of Directors via its respective committee, and the audits themselves are carried out by the internal audit function of the Munich Re Group.

c) *Risk management*

Organisational structure and governance

As a Munich Re Group core company, NewRe is fully integrated into the Group's risk management framework in terms of organisational framework, policies, processes and tools.

The local framework is designed to be fully compliant with Swiss regulatory requirements in general, and with the Swiss Solvency Test (SST) and ORSA requirements in particular. In parallel, all additional requirements for NewRe regarding Solvency II compliance of the Munich Re Group are met.

The NewRe risk governance policy ensures that an appropriate risk and control framework is in place. For all significant risks, the roles and responsibilities of the different management bodies, functions and persons are clearly defined. For example, the Board of Management must consult the risk management function prior to any major decision affecting NewRe's risk profile. Also, topics for the Board of Directors relevant to risk are referred to the Audit and Risk Committee before they are dealt with by the Board of Directors.

There were no material changes in risk management during 2020.

Risk strategy

NewRe's risk strategy is embedded in the Munich Re Group's risk strategy, including a system of risk criteria, limits and triggers that are relevant from the Group's perspective. Whilst certain risks may be acceptable from a Group perspective, they may be viewed as undesirable from NewRe's point of view. Therefore, NewRe sets its own risk tolerance and has a local limit system to ensure that any risks taken by NewRe stay within the established risk-bearing and operational capacity. NewRe's risk criteria are based on those of the Group, adapted to local conditions:

Whole portfolio criteria:
The whole portfolio criteria relate to the entire portfolio of risks. Their purpose is to protect NewRe's financial strength with regard to SST– see the relevant table in Section G)b)

Supplementary criteria:
The supplementary criteria cover single, systematic risk types to which NewRe is exposed. Their purpose is to limit the losses per individual risk and thereby reduce the accumulation risk.

The risk strategy is firmly embedded within the annual planning cycle, and is hence aligned with the business strategy. The risk strategy is closely linked to the company's own risk and solvency assessment (ORSA), where current and future risks of the company and the resulting capital requirements are continuously analysed and evaluated.

d) *Control and monitoring systems*

Operational risks are inherent in all business activities and processes. An operational risk is the risk of losses arising from inadequate or failed internal processes, personnel or systems, or from external events. It includes legal and compliance risks, but excludes strategic risk.

NewRe's internal control system (ICS) is embedded in Munich Re's operational risk control system process and supports the effective management of operational risks and their respective key controls. It creates transparency on those operational risks that might have a significant negative impact on NewRe's reputation and/or financial situation.

A key ingredient of the ICS is the regular self-assessment of operational risks and controls by the process owners. The self-assessments start with the identification of the relevant processes across the area of responsibility. This is then followed by an assessment of the process-related operational risks and respective key controls for each of these risks. For each material risk, a statement of tolerance must be made (i.e. accept/mitigate) that is based on the process owner's own risk tolerance. If applicable, mitigating measures (e.g. via risk transfer, additional controls, improvement of controls) have to be defined.

D) Risk profile

The risks are measured using NewRe's internal model and are classified according to the four standard categories of Property & Casualty, Life & Health (together forming the insurance risks), Market and Credit. The table below shows the one-year capital requirements for these four risk categories based on the SST risk measure (99% tail value at risk).

It should be noted that NewRe changed its functional currency as of 01.01.2021, namely from CHF to EUR. Therefore, all SST figures for 2020 are shown in EUR, while the previous year's figures are shown in CHF on the one hand (according to the previous year's report) and in EUR on the other. The conversion of the previous year figures is carried out according to the exchange rate EUR/CHF of 1.087 as at 31.12.2019. It should be noted that this straight conversion does not consider the change in currency exposure as a result of a change in the underlying currency. Therefore, comparisons with the previous year's figures should be taken with caution.

Composition of target capital	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Property & Casualty	470	432	537
Life & Health	1'129	1'039	719
Market	533	490	320
Credit	357	328	386
Market Value Margin	584	537	511
Diversification	-758	-697	-613
Other Effects	-43	-40	-40
Target capital	**2'272**	**2'090**	**1'820**

a) *Insurance*

Property & Casualty

The Property & Casualty risk is defined as the risk of insured losses being higher than expected, and consists of the premium and the reserve risks. The premium risk is the risk of claims payments for losses that have not yet occurred being higher than expected. The reserve risk, on the other hand, is the risk of the technical provisions formed for losses already incurred being insufficient. In determining the technical provisions, NewRe adopts a prudent approach and estimates uncertainties conservatively. In each quarter, the reported claims are compared with the expected claims. This to ensure that the reserve level always remains high.

The Property & Casualty risk includes the underwriting risks in the reinsurance lines property, motor, third-party liability, personal accident and marine. It also includes the risk inherent in weather derivative business. This representation differs from the accounting perspective, where the weather derivative business is classified as financial derivatives.

The risk profile in Property & Casualty is dominated by catastrophe reinsurance. Storm Europe and Earthquake Switzerland/Germany are the largest NatCat exposures, as shown in Section f).

Life & Health

The Life & Health underwriting risk is defined as the risk of insured benefits being higher than expected. For NewRe, the main source for this risk is higher than expected mortality, although unexpected changes in policyholder behaviour, especially changes in lapse rates, may also have an adverse impact.

In terms of NewRe's life reinsurance business, the greatest risks are events that have either a short-term or a long-term impact on the portfolio. As far as short-term impacts are concerned, the focus is on events where mortality rates increase significantly over a short period of time, as is conceivable in the case of a severe pandemic, for example. Regarding the long-term impacts, unfavourable developments of future mortality rates can adversely affect the expected value of future profits.

In the Life business segment, NewRe also offers financial market guarantees on variable annuity products, thus covering financial guarantees embedded in life insurance contracts. Interest-rate and other market risks arising from traditional life reinsurance are limited by depositing the reserves with the cedant, with a guaranteed interest rate on the deposit. In individual cases, these risks are also hedged by suitable capital market instruments.

Overall, NewRe's Life risk decreased during 2020. Various effects have contributed to this, partly with offsetting effects. Two new retrocession agreements have had a risk-reducing effect. One is a two-year excess-of-loss retrocession with the Group, aimed at protecting NewRe's Life portfolio against large short-term losses. The purpose of the other is to provide protection against long-term deteriorating mortality rates in NewRe's traditional US mortality business. The recapture of a number of structured transactions also had a risk-reducing effect. In contrast to this, the conclusion of a large transaction on a block of Japanese Variable Annuity policies increased the life risk. The key risk from this transaction is that lapse rates are lower than expected. Finally, US interest rates fell sharply in the wake of the first wave of the coronavirus pandemic, which also contributed to an increase in the Life risk.

b) *Market*

Market risk is defined as the risk of economic losses resulting from price changes in the capital markets. Market risk includes equity risk, interest-rate risk, credit spread risk, real-estate risk and currency risk. Interest-rate risk refers to changes in the base yield curves, while spread risk results from changes in credit spreads. The risk of changes in inflation rates and implicit volatilities (cost of options) is also included in the market risk. Capital market fluctuations, especially in interest rates, not only affect the investments, but may also impact the value of the insurance liabilities, either through discounting or through benefits that depend on capital market developments.

NewRe follows a stringent asset-liability management strategy by investing mainly in government and corporate fixed-income instruments that closely match the cash flow of insurance liabilities and allow only a limited duration mismatch. Most of the risks are thus associated with interest rates and foreign currencies. Appropriate limit and early-warning systems are used to manage market risks.

The foreign exchange rate risk remains the largest driver within market risk, despite the change in reporting currency from CHF to EUR effective 01.01.2021. The reason for its size in comparison to the other market risk drivers lies in the investment strategy on the one hand and in large life transactions denominated in USD, CAD, and EUR on the other. Finally, market moves and exposure updates throughout the year on both the asset and liability side led to a further reduction in market risk.

c) *Credit*

Credit risk is defined as the financial loss arising from a change in the creditworthiness of a counterparty. In addition to credit risks in securities investments and payment transactions with clients, NewRe also assumes credit risks by writing financial reinsurance. Other credit risk exposures include deposits retained with insurance clients and reserves in funds-withheld contracts, but also expected future profits from the life reinsurance business and outstanding deferred acquisition costs. All these exposures are also captured in the credit risk module.

NewRe's credit risk continues to be dominated by exposures linked to the life reinsurance business.

d) *Operational risk*

An operational risk is the risk of losses arising from inadequate or failed internal processes, personnel or systems, or from external events. It includes legal and compliance risks, but excludes strategic risk.

Operational risk is neither modelled nor quantified at NewRe. It is managed through the internal control system ICS, see Section C).

e) *Other important risks*

Reputational risk

Reputational risk is the potential loss to financial capital or market share resulting from damage to NewRe's or, indirectly, to the Group's reputation. Monitoring and limiting reputational risk is an essential part of operational risk management within the framework of the internal control system ICS, see Section C). NewRe's internal whistle-blower portal also contributes to risk mitigation in this category.

Strategic risk

Strategic risk is defined as the risk of making wrong business decisions, implementing decisions poorly, or not being able to adapt to changes in the operating environment. Changes in the market environment as well as other developments and their potential impact on NewRe's strategy are assessed annually. Strategic risk management includes the identification of the key drivers followed by an assessment of the impacts, mitigation measures and NewRe's readiness to react should they materialise. Strategic risk is an integral part of the ORSA.

Liquidity risk

The objective in managing liquidity risk is to ensure that NewRe can meet its payment obligations at all times. NewRe does this by adhering to stringent requirements regarding the availability of liquidity, which also comply with regulatory requirements. Moreover, liquidity risk is assessed under a severe stress scenario with simultaneous occurrence of investment losses, natural catastrophes and reserve strengthening. In addition, the liquidity impact from a significant downgrade of NewRe is also analysed.

f) *Risk concentrations*

Risk concentration means the underwriting of a number of like risks, where the same or similar loss events have the potential to threaten the company's financial soundness. Risk concentrations can arise on the asset or liability side of the balance sheet through a combination of similar exposures.

NewRe's approach to assessing the concentration risk is to limit the net exposure to single events to a return period of 250 years.

The key risk concentration within Property & Casualty is the natural catastrophe risk, which is modelled by several scenarios that are considered as independent events. A relatively large number of treaties are exposed to the risk from Storm Europe. Another significant exposure is Earthquake Switzerland/Germany due to a few large treaties. The exposure to Earthquake Canada comes mainly from a single intra-group excess-of-loss treaty and, to a lesser extent, from international programmes.

The key risk concentration within Life is lethal pandemic. It should be noted that NewRe's exposure to a lethal pandemic has decreased significantly compared to last year, which is why this risk no longer appears among the peak scenarios in the table below. The reason for the large reduction in NewRe's lethal pandemic exposure is the recapture of the majority of NewRe's Epidemic Risk Solution (ERS) business.

The table below shows the estimated exposures for the peak scenarios:

Top accumulation scenarios - 1 in 250 years event	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Storm Europe	349	321	471
Earthquake Switzerland/Germany	301	277	291
Earthquake Canada	287	264	254
Earthquake Turkey	142	131	185

Within market risk, there is some risk concentration on foreign exchange risk. NewRe conducts global reinsurance activities and partially follows an investment strategy in emerging markets. Therefore, its market risk profile is characterised by asset-liability mismatches in a broad range of currencies.

g) *Risk mitigation*

To reduce the net risk of NewRe from Property & Casualty and Life & Health business, the Company makes use of retrocession, with the retrocession covers being provided almost exclusively by counterparties within the Group. The retrocession programmes are structured to transfer excess life or natural catastrophe risks, and to achieve capital efficiency.

The current life retrocession programmes are structured both to transfer the losses from mortality shocks and to transfer the risk from future mortality deterioration (mortality trend risk). With regard to the transfer of the trend risk, NewRe has concluded a corresponding retrocession agreement with the Group effective 1 January 2021. This protects NewRe from worsening mortality in its assumed US business.

NewRe does not currently retrocede any risk from natural catastrophes.

Hedging is used to reduce the risk from derivative business and financial market guarantees. Market and credit risks are mitigated by a liability-driven investment strategy and by clearly defined investment guidelines.

The main tool for monitoring the ongoing effectiveness of risk mitigation measures is a risk limit system, which defines the measurement of risks at different levels, sets the level of risks that is acceptable and defines the monitoring and reporting frequency. In order to avoid risks that are not within NewRe's risk appetite and to assess risks associated with new significant transactions, a referral process is in place that provides for assessment of large or new types of risks by an interdisciplinary expert group before they are written.

E) Valuation

Quantitative template "Market-consistent Balance Sheet Solo"

in Currency millions	Note		2019 CHF	2019 EUR	2020 EUR
Market-consistent value of investments	1	Real estate	98	91	20
		Participations	9		
	2	Fixed-income securities	542	499	668
		Loans			
		Mortgages			
		Equities	9	9	20
		Other investments	2'230	2'052	1'850
	2	Collective investment schemes	2'230	2'052	1'850
		Alternative investments			
		Structured Products			
		Other investments			
		Total investments	5'120	4'702	2'558
Market-consistent value of other assets		Financial investments from unit-linked life insurance			
		Receivables from derivative financial instruments	1'105	1'017	2'015
	3	Deposits made under assumed reinsurance contracts	11'067	10'182	11'991
	4	Cash and cash equivalents	701	645	787
	5	Reinsurers' share of best estimate of provisions for insurance	239	220	188
		Direct insurance: life insurance business	231	212	108
		Reinsurance: life insurance business			
		Direct insurance: non-life insurance business	9	8	80
		Direct insurance: health insurance business			
		Reinsurance: non-life insurance business			
		Reinsurance: health insurance business			
		Direct insurance: other business			
		Reinsurance: other business			
		Direct insurance: unit-linked life insurance business			
		Reinsurance: unit-linked life insurance business			
	1	Fixed assets	0	0	71
		Deferred acquisition costs			
		Intangible assets			
	3, 4	Receivables from insurance business	221	204	251
	4	Other receivables	666	612	1'480
		Other assets			
		Unpaid share capital			
		Accrued assets			
	5	Total other assets	14'001	12'880	16'783
Total market-consistent value of assets		**Total market-consistent value of assets**	**16'882**	**15'530**	**19'342**
Best estimate liabilities (BEL)		Best estimate of provisions for insurance liabilities	10'236	9'417	11'305
		Direct insurance: life insurance business			
	6	Reinsurance: life insurance business	8'739	8'040	9'805
		Direct insurance: non-life insurance business			
		Direct insurance: health insurance business			
	7	Reinsurance: non-life insurance business	1'496	1'376	1'499
		Reinsurance: health insurance business	1	1	1
		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			
		Reinsurers' share of best estimate of provisions for insurance			
		Outward reinsurance: life insurance business (excluding ALV)			
		Outward reinsurance: non-life insurance business			
Market-consistent value of other liabilities		Non-technical provisions	51	47	52
		Interest-bearing liabilities			
	4	Liabilities from derivative financial instruments	1'532	1'409	2'881
	4	Deposits retained on ceded reinsurance	231	212	323
	4	Liabilities from insurance business	424	390	464
		Other liabilities	736	677	1'155
	4	Accrued liabilities			
		Subordinated debts			
Total BEL plus market-consistent value of other liabilities		**Total BEL plus market-consistent value of other liabilities**	**13'209**	**12'151**	**16'181**
		Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**3'673**	**3'379**	**3'161**

Notes on changes

1 The own-use real estate, previously reported under Real estate, is now reported under the position Fixed assets for the first time.

2 Change in market prices and positions.

3 Deposits retained under assumed reinsurance business.

4 In this case SST and local GAAP valuations coincide and the changes are explained under local GAAP.

5 Reinsurer's share of best estimate included as an asset.

6 Growth in life reinsurance business – liability increase lower than local GAAP due to significant corresponding PVFP increase allowed for in SST.

7 Increase in Non-life reinsurance liability – mostly attributable to an increase in local GAAP technical provisions.

SST balance sheet comparison with local GAAP

The SST balance sheet comparison with the audited financial statements provides insights into the main valuations and differences between treatment under local GAAP and SST. We comment below on items that are valued differently under these regimes.

ASSETS:

	local GAAP		*SST*
in Currency millions	**CHF**	**EUR**	**EUR**
Real estate	10	9	20
Fixed interest securities	709	656	668
Shares	5	4	20
Other investments	1'739	1'608	1'850
Receivables from derivative financial instruments	2'179	2'015	2'015
Deposits retained on assumed rein. bus.	12'969	11'991	11'991
Cash and cash equivalent	851	787	787
Underwriting provisions ceded	436	403	188
Other assets (tangibles)	34	31	71
Deferred Acquisition costs	500	462	-
Accounts receivable from reins. business	271	251	251
Other accounts receivable	1'601	1'480	1'480
Total Assets	**21'304**	**19'698**	**19'342**

Other assets

This position mainly consist of NewRe's own-occupied office building. Under SST, the value is based on the most recent appraisal (conducted in 2018). Under local GAAP, real estate is carried at amortised cost, i.e. buildings are valued at the lower of original acquisition cost (including capitalised cost for improvements) less amortisation or market value.

Fixed interest securities, shares, other investments

The fixed interest and shares positions listed in the table above are those that NewRe directly manages. The position “Other investments” are collective investment schemes in special funds, which are 100% owned. The vast majority of the fixed interest securities, shares and single positions in the “Other investments” are traded assets. Under SST, their valuation is “mark to market”, based on quoted prices in active markets or observable inputs. Under local GAAP, fixed interest securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised within the investment result. Shares and other investments are valued at the lower of cost or market.

Deferred acquisition costs

Acquisition costs are mainly from Life business. Under local GAAP, acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.

Under SST, this position is fully depreciated.

LIABILITIES:

	local GAAP		*SST*
in Currency millions	**CHF**	**EUR**	**EUR**
Technical Provision	15’100	13’961	11’305
Non-technical provisions	164	151	52
Liabilities due to derivative financial instrument	3’116	2’881	2’881
Deposits retained on ceded business	350	323	323
Accounts payable on reinsurance business	502	464	464
Other Liabilities	1’249	1’155	1’155
Total Liabilities	**20’480**	**18’935**	**16’181**

Technical provisions

The technical provisions contain all Life and Non-life technical reserve positions. Under local GAAP, liabilities from Non-life business are valued on an undiscounted basis and contain various fluctuation reserves. The majority of Life reserves are held for NewRe’s balance sheet protection solutions with counterparties in Germany. Expected future profits are generally not accounted for, other than the use of deferred acquisition costs for financing transactions.

The difference between liabilities under local GAAP and SST liabilities arises mostly out of the expected present value of future profits from our in-force Life reinsurance business and, to a lesser extent, the discounting effect of Property & Casualty liabilities (based on government rates). For SST, the fluctuation reserves are reclassified as risk-bearing capital.

Non-technical and other provisions

The fluctuation reserve for weather risks is visible under local GAAP. Under SST, this reserve is treated as risk-bearing capital.

Risk-bearing capital

The risk-bearing capital (RBC) is the difference between assets and liabilities after deduction of the expected dividend. Consistent with this definition, the risk-bearing capital can be also derived from the statutory equity by showing the adjustments to the market-consistent valuation:

Composition of the RBC	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Statutory shareholder equity	917	843	762
Unrealised gains on assets	337	310	106
Adjustments on statutory liabilities	1’905	1’753	1’838
Fluctuation reserves	514	473	454
Expected dividend	-210	-193	-109
Risk bearing capital	**3'463**	**3'186**	**3'052**

The adjustments to statutory liabilities are mainly due to expected future profits embedded in Life contracts.

The reconciliation between risk-bearing capital and the economic balance sheet following the quantitative template "Market-consistent Balance Sheet Solo" is shown in the table below:

Market consistent balance sheet & RBC	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Market consistent balance sheet	3'673	3'379	3'161
Expected dividend	-210	-193	-109
Risk bearing capital	**3'463**	**3'186**	**3'052**

Market value margin (MVM)

The risk margin covers the cost of capital for our current liabilities under a run-off scenario. The MVM is the present value of the future cost of capital, assessed at 6%, over the future expected lifetime of our commitments.

We calculate an MVM for market and credit risk only for a one-year time horizon into the future. We estimate one year to be the time required to restructure our asset portfolio and eliminate any duration and currency mismatch.

For Property & Casualty, as well as for Life business, we project the capital requirements over the whole duration of the respective liabilities at a highly granular level. Any non-hedgeable credit risk emanating from reinsurance business is also projected over the whole lifetime of the respective contract (e.g. PVFP of insurance business).

The explicit amount of the MVM is shown in section D).

F) Capital management

Goals, strategy and time horizon

As regards statutory equity capital, the goal of NewRe’s capital planning is stable and solid capitalisation. The statutory equity capital is deemed sufficient to sustain the forecast business development over the coming years. As for the previous year, NewRe therefore intends to pay a dividend equal to the local GAAP annual result for 2020.

To be able to absorb the inherent volatility of the business, NewRe aims for a diversified business mix and has built a buffer of both free reserves and retained earnings, as well as equalisation reserves in the technical and non-technical provisions.

Our strategy foresees steady growth for all strategic pillars and an increase in earnings from all business segments, as well as continuously growing dividends for our shareholder. This strategy is based on continued strong development of our Life portfolio, especially in the variable annuity business, further growth and diversification of our Weather book, and stable to slightly increasing Non-Life business across Europe.

Equity reported in the Annual Report

In CHF	2020	2019
Share capital	260'000'000	260'000'000
Legal reserves from capital	122'687	122'687
Legal reserves from profit	129'877'313	129'877'313
Free reserves	316'535'938	316'491'018
Profit for the year	117'804'273	210'254'920
Total equity	**824'340'211**	**916'745'938**

There have not been any material changes to the structure, level or quality of the equity reported in the Annual Report. NewRe considers the quality of the statutory equity to be very high. The accounting and valuation principles for assets and liabilities are set out in the notes to the financial statements, and NewRe is of the opinion that all valuations are prudent.

NewRe does not have a stand-alone rating from rating agencies. It is regarded as a core strategic company of Munich Re and is therefore granted the Munich Re Group rating.

G) *Solvency*

a) *Internal risk model*

NewRe writes a portfolio that contains traditional reinsurance as well as tailor-made reinsurance solutions and insurance risks in derivative form. These include weather derivatives in the Weather & Agro segment and hedged financial market guarantees in the Life segment. To adequately reflect the complexity of the NewRe risk profile, and in particular risks that go beyond traditional reinsurance business, an internal risk model is used.

In 2017, due to regulatory changes related to internal models, NewRe filed the proof of need with FINMA, which was approved the same year. NewRe subsequently reapplied for its internal SST model and now has unconditional FINMA approval to use all risk modules except the market risk module. With regard to the latter, NewRe has received temporary approval for using its internal model in the SST calculations as of 01.01.2021.

NewRe's internal risk model is consistent with the risk model used by Munich Re Group in the Solvency II context.

The following paragraphs provide an overview of the components of the models and their characteristics. The main differences from the standard model are summarised in the table below:

Risk module	*Standard SST model*	*NewRe's internal risk model*
Property & Casualty	StandRe comprises NatCat events, attritional events and individual events	Stochastic model comprising basic losses, large losses, weather derivatives, structured business and accumulation (including Terror)

Life & Health	Standard stress tests on key cashflow projection assumptions	Simulation of key risks such as pandemic and mortality trend to produce full stochastic loss distributions for each product
Market	Multivariate Gaussian distribution for standardised risk factors	Full re-valuation of single instruments under economic scenarios
Credit	Basel III factor approach	Stochastic model on rating migration and debtor defaults
Aggregation	Gaussian Copula between insurance risk and market risk, simple addition of credit risk	Gumbel Copula approach between all modules to reflect tail dependencies

The following sections describe the main characteristics of the internal model and the stand-alone risk figures for each module.

Property & Casualty

NewRe's Property & Casualty business is modelled by the four modules basic losses, large losses, accumulations and Weather derivatives. The loss from a single treaty can affect more than one module.

Basic losses

Basic losses from Property & Casualty risk refer to the premium and the reserve risk. The premium risk is the risk of claims payments for losses that have not yet occurred being higher than expected. The reserve risk, on the other hand, is the risk of the technical provisions formed for losses already incurred being insufficient. The quantification of these risks is based on analytical methods using standard reserving procedures. The models are calibrated on the basis of NewRe's own historical loss and run-off data, thereby separating the portfolio into homogeneous classes. The aggregation to the portfolio level is done with dependency assumptions calibrated on NewRe's own loss experience.

Large losses

The modelling of large individual losses is carried out with a collective model. The parameters for each large loss segment are calibrated on the basis of historical loss experience, taking into account the current portfolio characteristics.

To capture the loss-smoothing mechanisms of the structured business, the most important contracts are modelled individually and are then aggregated using an adequate dependency structure that reflects the potentially strong correlation in the tail. The calibration of the individual loss distributions is based on both the historical loss experience of the cedants and the current contract terms and conditions.

Accumulations

To manage the risk from natural and man-made catastrophes, including terrorism and cyber, NewRe controls its exposure by setting limits and budgets. For natural catastrophe events, NewRe's experts develop scenarios that take into account scientific data, probabilities of occurrence and potential loss amounts. Based on these scenarios, the impacts of various events on the portfolio are calculated and fed into a stochastic model. These models, developed in-house by the Munich Re Group, are supplemented by commercial natural catastrophe models. Together, these models serve as the basis for calculating the capital requirement for accumulation risks

Weather derivatives

NewRe is also active in the weather derivatives business. To quantify the risks, the internal model uses risk factors such as precipitation or temperature, which are calibrated against historical data. This historical data is adjusted for macro and micro trends over the past decades.

The stand-alone capital requirements for the various risks are in millions of EUR.

Composition of target capital - P&C	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Basic losses	313	288	360
Large losses	147	135	117
Accumulations	414	381	501
Weather derivatives	181	167	153
Diversification	-585	-538	-594
Target capital	**470**	**433**	**537**

NewRe has succeeded in expanding both the Property and the Casualty portfolios, which has increased the risk in basic losses. The increase in accumulation risk is driven by the growth in Property, and is mainly related to Storm Europe and Earthquake Switzerland/Germany.

Life & Health

NewRe's Life and Health portfolio contains a wide range of products including traditional proportional mortality reinsurance, bespoke structured solutions and market risk transfer (MRT) business. Risks in this diverse portfolio are modelled using a flexible, customised approach based on Munich Re's sophisticated internal risk model. The key risks from each product line are carefully modelled using stochastic simulations to include all relevant risks, with particular emphasis on pandemic, mortality trend, lapse and MRT risks. These are then aggregated using a dependency structure that takes into account possible correlations between each group to obtain an overall loss distribution.

The stand-alone capital requirements for the key drivers of the Life & Health underwriting risk are as follows:

Composition of target capital - Life & Health	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Mortality	802	738	514
Morbidity	7	6	8
Longevity	13	12	9
Lapses & Financing	122	113	129
Non-Proportional	340	313	125
Market Risk Transfer	116	107	175
Diversification and other benefits	-271	-249	-241
Target capital	**1'129**	**1'039**	**719**

NewRe's Life risk decreased significantly compared to the previous year's calculation, mainly due to a new retrocession transaction with the Group. This 'Earnings Stabilisation' retrocession provides protection against losses from NewRe's large traditional US portfolio. Further reductions were due to the recapture and expiry of a number of structured transactions, partially offset by a new large MRT transaction, reinsuring Variable Annuity policies in Japan.

Market

Market risks are modelled by means of a Monte Carlo simulation, in which a large number of potential economic scenarios for all relevant risk drivers are taken into account. The model allows for a wide range of capital market variables as risk drivers, from interest rates and exchange rates for all relevant currencies to a range of credit spreads for corporate and government debt. Both assets and liabilities are fully re-evaluated for every market scenario simulated in order to derive market risk figures.

The stand-alone capital requirements broken down by main risk categories of market risk are as follows:

Composition of target capital - Market	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Equity	52	48	50
Interest rate	259	238	148
Real estate	28	25	25
Foreign exchange	521	479	297
Diversification	-327	-300	-200
Target capital	**533**	**490**	**320**

Despite the change in reporting currency, foreign exchange risk remains the largest market risk component. The reason for its size in comparison to the other market risk components lies in NewRe's investment strategy with exposures in emerging markets and in large life transactions in USD, CAD, and EUR, resulting in an increased asset-liability mismatch in these currencies.

Credit

We determine credit risks using a portfolio model, which is calibrated over a longer period (at least one full credit cycle) and takes account of both changes in fair value caused by rating migrations and debtor default. The credit risk arising out of investments (including government bonds) as well as deposits retained on assumed reinsurance and NewRe's share in cedants' technical provisions is calculated by individual debtor. In particular, the credit risk arising through exposure to cedants' technical provisions is allowed for by calculating the loss in PVFP that would occur should a default occur at individual cedant level. In addition, other credit exposures such as counterparties to weather derivative transactions and accounts receivable are also allowed for in the calculation.

We use historical capital-market data to determine the associated migration and default probabilities. The correlation effects between debtors derive from the sectors and countries in which they operate, and sector and country correlations are based on the interdependencies between the relevant stock indices.

We use our own historical company loss experience to calibrate the credit risk arising out of receivables.

The stand-alone capital requirements for credit risk are as follows:

Composition of target capital - Credit	2019		2020
in Currency millions	**CHF**	**EUR**	**EUR**
Investments	67	61	68
Life Business	316	290	335
Derivatives	32	30	13
Others	14	13	12
Diversification	-72	-66	-41
Target capital	**357**	**328**	**386**

The largest credit risk component is in relation to Life business, both from the loss of deposits held by the cedant on a funds-withheld basis and risk of a loss in PVFP. In addition, the remaining credit risk arises from the assets in the investment portfolio and from the counterparties to weather derivative transactions.

Aggregation

The risk distributions of the various modules are aggregated using a Gumbel copula in order to allow for adequate dependency in the tail. The dependency parameters of the copula are derived and regularly validated by evaluating the impact of remote cross balance sheet scenarios on the risk-bearing capital.

b) *Solvency ratio*

NewRe has a diversified portfolio in terms of both geographical spread and type of business. This diversification is reflected in the target capital calculation.

With a risk-bearing capital of EUR 3052m and a target capital of EUR 1820m as at 01.01.2021 / 31.12.2020, NewRe's solvency position is very strong, with a solvency ratio of 194%.

NewRe is in a position to comfortably meet all its contractual obligations.

Financial situation report: Quantitative template "Solvency Solo"

in Currency millions	2019		2020
Derivation of RBC	CHF	EUR	EUR
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	3'673	3'379	3'161
Deductions (expected dividend)	210	193	109
Core capital	**3'463**	**3'186**	**3'052**
Supplementary capital	0	0	0
RBC	**3'463**	**3'186**	**3'052**

	2019		2020
Derivation of target capital	CHF	EUR	EUR
Underwriting risk	1'599	1'471	1'258
Market risk	533	490	320
Diversification effects	-758	-697	-615
Credit risk	357	328	386
Market value margin and other effects on target capital	541	498	471
Target capital	**2'272**	**2'090**	**1'820**

SST ratio (in %)	CHF		EUR
(Risk-bearing capital - MVM) / (Target Capital - MVM)	**171%**		**194%**

The explicit amount of the MVM is shown in section D).

The figures reported in this document correspond to the official SST calculation performed as at 1 January 2021. The SST calculation is submitted to FINMA at the same time as this report is published, 30 April 2021, and is subject to their regulatory review.

Sign-off by the executive body

The Board of Directors of NewRe has the overall management responsibility for the company. In its meeting on 15 April 2021, the Board of Directors of NewRe approved this 2020 Financial Condition Report.

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