



***Annual Report 2013***

Local GAAP format  
(Swiss Code of Obligations)

**new/re**

risk. covered.



Members of the Executive Board from left to right  
sitting: Jean-Luc Bourgault, Chief Underwriting Officer Property and Casualty;  
Andreas Molck-Ude, Chief Executive Officer  
standing: Jürgen Kammerlohr, Chief Financial Officer;  
Artur Klingler, Chief Underwriting Officer Specialties;  
Paolo Monticolo, Chief Risk Officer

## *Contents*

NewRe at a glance	3
Key figures	4
The 2013 financial year	5
Balance sheet as at 31 December 2013	7
Profit and loss account for 2013	8
Notes to the financial statements	12
Proposed appropriation of the 2013 available earnings	18
Report of the Statutory Auditors	19



## *NewRe at a glance*

New Reinsurance Company Ltd. was founded in Zurich in 1926 and has been part of Munich Re since 1988. We are a professional property and casualty reinsurance company and a leading underwriter of structured reinsurance solutions in Europe. We also specialise in underwriting variable annuity and life financing business on a worldwide scale. NewRe combines exceptional financial strength with the flexibility and creativity of a medium-sized reinsurer.

Our strategy is clear, but not rigid. Responding swiftly and effectively to client needs and market developments is a key component of our entrepreneurial approach. Our multilingual underwriters specialise in numerous lines of business and countries. They are experts in their field, have developed unique skill sets and are closely in touch with all relevant segments of the European market.

As NewRe is staffed by experts in their respective fields, we concentrate on doing what we do best – and avoid “me-too” business. In our defined areas of expertise, we seek to underwrite meaningful shares and act as a significant partner for our clients. Also, we think beyond traditional models and design structured reinsurance solutions that often significantly enhance our clients’ capital structure and value proposition.

# Summary

## Key figures

IN CHF	2013	2012
Gross premiums written	1,106,532,605	1,319,285,845
Net earned premiums	1,099,182,352	1,216,242,395
Investment result	167,821,322	137,683,239
Management expenses	-38,165,159	-37,591,139
Result for the year	106,784,704	61,677,113
Investments	3,467,168,882	3,318,055,696
Technical provisions (net)	2,792,063,869	2,861,903,804
Shareholder's equity*	813,058,786	767,894,082

\*before appropriation of available earnings

## *The 2013 financial year*

Given the continuing difficult market environment with historically low interest rates and fierce competition due to capacity exceeding demand, NewRe produced a satisfactory performance in 2013. Overall, we achieved a very good result for the year of CHF 106.8m, compared to CHF 61.7m in 2012 (+73%). The excellent investment result was a key factor in this success.

### *Focus on bottom line led to reduction in premium volume*

The decrease in gross premium volume from CHF 1.32bn in 2012 to CHF 1.11bn (-16%) was mainly attributable to NewRe's policy of underwriting business only if prices, terms and conditions are adequate. We strive for quality, not for quantity.

The Non-Life reinsurance gross premium decreased from CHF 875m in 2012 to CHF 695m (-21%). This was primarily driven by our focus on bottom-line results and the restructuring of one major contract.

The Life business delivered gross premiums of CHF 412m (CHF 444m in 2012). Two new large financing transactions contributed positively to the development of premiums. However, the increase was offset by a decrease in premium from one major contract due to a client restructuring.

### *Good technical result*

NewRe once again ended the financial year with a positive overall technical result of CHF 127m compared to CHF 48m in 2012 (+ 165%). The technical result for Non-Life increased from CHF 3m in 2012 to CHF 39m. The comparatively low result in 2012 was due to reserve strengthening for periodical payment orders in our UK motor business. The technical result for Life almost doubled from CHF 45m in 2012 to CHF 88m.

This excellent technical result was particularly notable in the light of large claims resulting from hailstorms that hit northern and south-western Germany in June. The hailstorms plus the floods in Germany and parts of Eastern Europe, windstorm Christian and winter storm Xaver had an adverse impact of CHF 130m on our results.

### *Excellent investment result*

The investment result again grew substantially from CHF 138m to CHF 168m (+22%), positively reflecting on NewRe's hedging strategy for currency risks in euros. These hedging gains were only partially offset by foreign exchange losses.

### *Strong capital base*

The good overall result achieved in 2013 increased NewRe's shareholder's equity from CHF 768m in 2012 to CHF 813m (+6%). With an S&P rating of AA- with a stable outlook, we remain a strongly capitalised and reliable partner for our clients.

### *Outlook for 2014*

There are no signs of an improving market in 2014. Prices in most lines of business will remain very competitive given the capital flowing into the market and an increasing tendency of cedants to raise their retentions. Also, the investment outlook for the coming years remains challenging with interest income at rock-bottom levels.

We will continue to adhere to our strict underwriting discipline and write business only if prices, terms and conditions are adequate. As our philosophy is to deliver sustainable results irrespective of market conditions, we strive to compensate for the loss in premium in our traditional segments by expansion of our specialties and structured reinsurance business. To enhance this approach, we reorganised our underwriting units in 2013, and in 2014 will focus on new business opportunities. We will continue to adopt a client-focused and solution-oriented approach.

*«We listen attentively to each other's input to clearly understand the clients' needs.»*

Management meeting



# Balance sheet as at 31 December 2013

(BEFORE APPROPRIATION OF AVAILABLE EARNINGS)

## Assets

IN CHF	2013	2012
Bank and post office accounts and cash	236,967,338	180,240,832
Short-term investments	96,880,938	76,656,801
Securities	3,088,031,867	3,015,919,652
Real estate	45,288,739	45,238,411
Amounts due from companies for reinsurance business:		
Current account	88,095,940	207,458,736
Thereof affiliated companies	27,236,429	33,359,044
For deposits made	1,068,082,832	1,029,885,783
Thereof affiliated companies	66,435,926	61,846,331
Sundry debtors and transitory assets	1,062,665,604	243,977,297
<b>TOTAL</b>	<b>5,686,013,258</b>	<b>4,799,377,512</b>

## Liabilities and equity

IN CHF	2013	2012
Capital subscribed	260,000,000	260,000,000
General reserve fund	130,000,000	130,000,000
Free reserves	316,274,082	316,216,969
Retained earnings (incl. profit/loss brought forward)	106,784,704	61,677,113
<b>SHAREHOLDER'S EQUITY</b>	<b>813,058,786</b>	<b>767,894,082</b>
Technical provisions for own account:		
Future policy benefits reserves	721,196,008	719,011,851
Unearned premiums	334,001,571	352,480,872
Claims reserves	1,429,911,703	1,549,142,885
Equalisation reserves	306,954,587	241,268,196
Amounts due to companies for reinsurance business:		
Current account	345,322,450	282,961,674
Thereof affiliated companies	14,980,999	17,833,039
For deposits retained	13,613,840	13,906,558
Thereof affiliated companies	0	0
Sundry creditors and transitory liabilities	1,721,954,313	872,711,394
<b>TOTAL LIABILITIES</b>	<b>4,872,954,472</b>	<b>4,031,483,430</b>
<b>TOTAL</b>	<b>5,686,013,258</b>	<b>4,799,377,512</b>



# Profit and loss account for the business year 2013

## Technical accounts

IN CHF

LIFE		2013	2012
1. Net earned premiums:			
Gross premiums	411,952,468	444,497,724	
Premiums retroceded	5,477,911	-33,643,466	
Change in unearned premiums	-2,379,325	27,216,791	
		415,051,054	438,071,049
2. Expenditure for claims on death or maturity for own account, incl. change in claims reserves and change in premium funds		-273,646,484	-359,233,474
3. Commissions for own account		-84,652,257	-54,634,768
4. Interest for own account			
On premium funds	20,400,011	17,240,393	
On other technical provisions	12,181,260	5,655,589	
		32,581,271	22,895,982
5. Management expenses		-1,751,926	-1,838,668
<b>TECHNICAL RESULT FOR LIFE</b>		<b>87,581,658</b>	<b>45,260,121</b>

NON-LIFE		2013	2012
6. Net earned premiums:			
Gross premiums	694,580,137	874,788,121	
Premiums retroceded	-18,695,193	-23,712,218	
Change in unearned premiums	8,246,354	-72,904,557	
		684,131,298	778,171,346
7. Claims for own account, incl. change in claims reserves		-560,802,700	-642,705,990
8. Commissions for own account		-88,390,357	-147,959,088
9. Interest on technical provisions for own account		26,067,647	35,310,460
10. Management expenses		-21,691,209	-20,073,243
<b>TECHNICAL RESULT FOR NON-LIFE</b>		<b>39,314,679</b>	<b>2,743,485</b>
<b>OVERALL TECHNICAL RESULT</b>		<b>126,896,337</b>	<b>48,003,606</b>

## General accounts

IN CHF

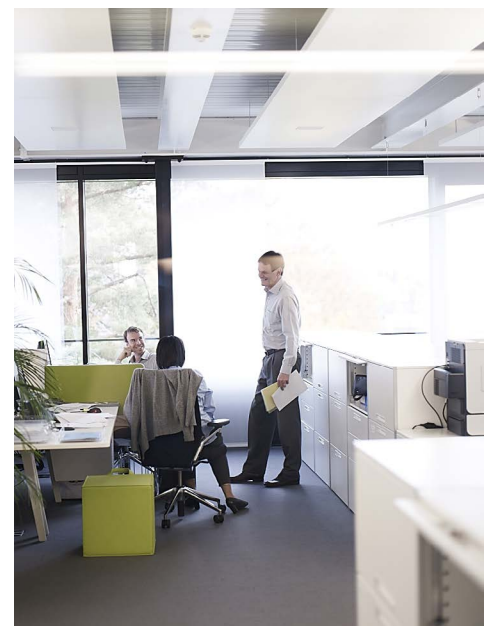
		2013	2012
11. Investment income	568,208,724	638,351,818	
12. Investment expenses	-400,387,402	-500,668,579	
Investment result		167,821,322	137,683,239
13. Interest on technical provisions			
Interest on technical provisions – life	-32,581,271	-22,895,982	
Interest on technical provisions – other classes	-26,067,647	-35,310,460	
		-58,648,918	-58,206,442
		109,172,404	79,476,797
14. Other result		-109,756,620	-46,374,916
15. Management expenses			
Management expenses – life f.o.a.	-38,165,159	1,838,668	-37,591,139
Management expenses – other classes f.o.a.	1,751,926	20,073,243	1,838,668
	21,691,209		20,073,243
		-14,722,024	-15,679,228
16. Writedowns and value adjustments		-572,561	-938,453
17. Taxes		-4,232,832	-2,810,693
<b>RESULT FOR THE YEAR</b>		<b>106,784,704</b>	<b>61,677,113</b>
Profit/loss brought forward from previous year		0	0
<b>BALANCE SHEET RETAINED EARNINGS</b>		<b>106,784,704</b>	<b>61,677,113</b>





***«We discuss the clients' needs internally  
to find the right solution.»***

Internal discussion







***«We work independently  
to think the solution through.»***

Independent analysis

# Notes to the financial statements

## 1. Accounting principles

The company's accounting policies 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:

### **Financial instruments**

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

Fixed-interest securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised as current income.

Derivative assets and liabilities in the variable annuities business are booked at their market value.

### **Real estate**

Buildings are valued at the lower of original acquisition cost plus the cost of renovations or market value.

### **Accounts receivable**

Receivables are booked at nominal values and adjusted if there is a risk of their 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 or at fair value for derivative instruments.

Acquisition costs that are directly attributable to non-life reinsurance contracts are capitalised and amortised

over the lifetime of the contract in proportion to the premium income earned.

Commissions 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 life of the contract. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test.

### **Claim expenses and claims reserves**

Case reserves are recorded for the amounts reported by ceding companies. 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 ceding companies 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 coverage provided.

## 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 according to the Swiss Code of Obligations (OR)***

##### ***Art. 663b N°2 OR***

The assets pledged or assigned to secure NewRe's commitments, plus the assets under reservation of ownership, amounted to CHF 836m as at 31 December 2013 (2012: CHF 385m). The increase is mainly due to guarantees to third parties regarding the weather business.

##### ***Art. 663b N°4 OR***

##### ***Insured values of tangible assets (fire cover):***

IN TCHF	2013	2012
Buildings	36,750	36,750
Furniture and computer equipment	4,600	4,600
<b>TOTAL</b>	<b>41,350</b>	<b>41,350</b>

**Art. 663b N° 12 OR**  
**Information on risk**  
**assessment**

***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. The operational risk processes are delegated to an independent risk function that is responsible for risk assessment, reporting and escalating.

NewRe's risk management function is fully embedded in the group risk management framework. It is one of the objectives of an efficient Internal Control System (ICS) to promote and enhance the risk and control culture at NewRe in all areas and at all levels. All staff are instructed to proactively report deficiencies and risks in their areas of activity to enable timely action to be taken to remedy them.

***Risk management objectives and methodology***

The careful selection of reinsurance 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 operational and financial risks, and seeks to optimize the balance between risks taken and earnings opportunities.

NewRe's risk management strategy is aimed at:

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

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

- a system of internal controls aimed at avoiding and reducing undesired risk and
- the regular analysis and measurement (quantification) of risks.

The primary tool for measuring and quantifying risks at the legal-entity level is the internal risk modelling framework developed for the Swiss Solvency Test (SST) and based on the Munich Re (Group) capital model.

#### ***Risk identification***

Risk identification is organized by risk categories and is based on the Risk Catalogue. It identifies and evaluates the most significant risks.

The majority of NewRe's risk and control activities are in the area of reinsurance, focusing on the correct assessment of risk, exposure, price, wording and guidelines.

#### ***Risk evaluation and measurement***

The evaluation and quantitative measurement of the risks is documented in the quarterly Internal Risk Report.

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively, significantly affect the financial situation of NewRe.

NewRe determines the economic capital required to carry its risks by using the

stochastic internal risk model as 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 one hundred years.

#### ***Internal control system (ICS)***

NewRe has a holistic approach to the ICS and its application is a continuing process, mainly based on the segregation of duties. The ICS is adjusted periodically to reflect changes in the business and control environment.

As part of Munich Re (Group), NewRe adheres to the group compendium of regulations and guidelines.

There are no other facts requiring disclosure under Art. 663b OR.

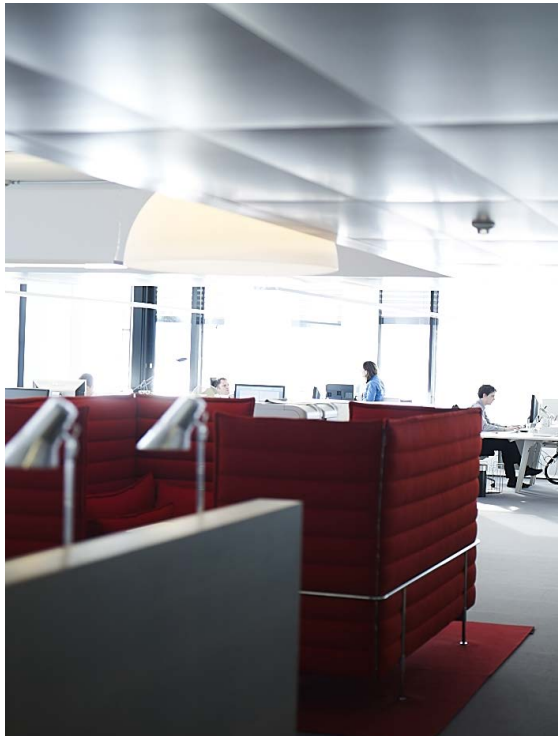
#### ***Art. 663c OR***

NewRe's shareholder is the 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.







***«We review the solution  
with our colleagues and  
challenge ourselves.»***

Exchange among colleagues

# Proposed appropriation of the 2013 available earnings

Retained earnings for 2013 amounted to CHF 106,784,704 (2012: CHF 61,677,113). The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 82.10 per share be paid, resulting in the following appropriation of the balance sheet retained earnings of CHF 106,784,704:

IN CHF	2013
Allocation to free reserve	54,704
Dividend	106,730,000
<b>BALANCE SHEET RETAINED EARNINGS</b>	<b>106,784,704</b>

As the general reserve fund meets the regulatory requirement, no further allocations to the fund will be made.

Zurich, 26 June 2014

Chairman  
of the Board of Directors



Dr. Thomas Blunck

Chairman  
of the Executive Board



Andreas Molck-Ude

# ***Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of New Reinsurance Company Ltd., Zurich***

As statutory auditor, we have audited the accompanying financial statements of New Reinsurance Company Ltd., which comprise the balance sheet (page 7), the profit and loss account (page 8) and the notes (pages 12 to 15) for the year ended 31 December 2013.

## ***Board of Directors' responsibility***

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

## ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

## ***Report on other legal requirements***

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

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

We further confirm that the proposed appropriation of available earnings on page 18 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Patrick Scholz  
*Licensed Audit Expert*  
*Auditor in Charge*

Bill Schiller  
*Licensed Audit Expert*

Zurich, 26 June 2014

\* *perfect match*



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