

** ambitious*



Annual Report 2016
Local GAAP format
(Swiss Code of Obligations)

new/re

risk. covered.

The NewRe brand stands for smart reinsurance solutions. Thanks to our size, structure and strategy, we can leverage our expertise and operate swiftly and flexibly.

We serve our clients both responsively and proactively – with open minds and a refreshing attitude.



Jens Ziser, Senior Casualty Underwriter and Celina Wang, Actuary Structuring Capital Partners

Contents

<i>NewRe at a glance</i>	<i>05</i>
Overview	05
Board of Management	06
Letter from the CEO	08
Business segments	09
Key figures	10
<i>Management report</i>	<i>11</i>
<i>Financial statements</i>	<i>14</i>
Balance sheet as at 31 December 2016	14
Income statement for 2016	15
Cash flow statement	19
Notes to the financial statements	20
<i>Proposed appropriation of the 2016 earnings</i>	<i>24</i>
<i>Report of the statutory auditor</i>	<i>25</i>

We work together to develop the best solutions for our clients.



Marco Tavazzani, Structurer Associate Life with Isabelle Layat, Head of IT and Conor Cassidy, Senior Structurer Weather & Agro

NewRe at a glance

Overview

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

NewRe is a professional 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 that aim to enhance our clients' capital structure, earnings stability and liquidity. Working with our broker partners, we offer monoline and multi-line solutions, including life and specialty classes of business, in the form of both prospective and retrospective covers.

Board of Directors

Dr. Thomas Blunck,
President until 28 February 2017
Dr. Doris Höpke,
President as of 1 March 2017
Claus-Ulrich Kroll, Vice-President
Dr. Konrad Annasohn, until 1 June 2017
Bruno Meyenhofer
René Schnieper, as of 1 March 2017

Board of Management

Dr. Renate Strasser,
Chief Executive Officer
Jean-Luc Bourgault, Chief Underwriting
Officer Property & Casualty
Dr. Jürgen Kammerlohr,
Chief Financial Officer
Paolo Monticolo, Chief Risk Officer

Shareholder

100% Munich Reinsurance Company,
Munich

Rating

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

Auditors

KPMG AG, Zurich

Board of Management

Dr. Renate Strasser, Chief Executive Officer

Before joining Munich Re, Renate Strasser worked as an Assistant Professor for Corporate Finance at the University of Klagenfurt for six years. She joined Munich Re in 2004 as Consultant Pricing for Aviation, developing aviation pricing tools and pricing complex aviation risks. From 2007 onwards, she took over the role of Head of Aviation Facultative, where she was responsible for the worldwide portfolio.

In January 2016, Renate Strasser was appointed CEO of NewRe. In this function, she has responsibility for the entire legal entity operating out of Zurich, including traditional property and casualty reinsurance business, structured reinsurance solutions, weather derivative business and life business.

Renate Strasser holds a Master of Business Administration from the University of Graz, Austria and a PhD in Business Administration with a focus on Corporate Finance from the University of Klagenfurt, Austria.

Dr. Jürgen Kammerlohr, Chief Financial Officer

After working for eight years as an attorney at an international law firm in Germany focusing on corporate, commercial and insurance law, Jürgen Kammerlohr joined Munich Re in 1998 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. During a comprehensive nine-month project, Jürgen was responsible for integrating American Modern into the Munich Re America Group.

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

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

Jean-Luc Bourgault, Chief Underwriting Officer Property & Casualty

Jean-Luc Bourgault started his career as a life underwriter at SCOR in Paris and then moved to MMA Re (Covea Group), where he spent 20 years with various underwriting responsibilities in international markets, including Managing Director of the Canadian Branch from 1985 to 1990 and Chief Underwriting Officer Life and Non-life from 1990 to 1998. In 1998, he was appointed General Manager of Le Mans Re, a joint venture between MMA and XL capital (now XL Re Europe).

He joined NewRe in 2000 and was appointed in 2001 to the Board of Management as Chief Underwriting Officer responsible for all life and non-life business. He oversaw the strategic refocusing of NewRe in European markets and non-proportional business and built the analytics capabilities of the company.

From 2008 onwards, he focused on developing the P&C operations and positioned NewRe as a leading market player for innovative non-standard and structured solutions.



Members of the Board of Management:

Jean-Luc Bourgault, Chief Underwriting Officer Property & Casualty;

Dr. Renate Strasser, Chief Executive Officer;

Dr. Jürgen Kammerlohr, Chief Financial Officer;

Paolo Monticolo, Chief Risk Officer

He holds a Master of Business Administration from ESCP Europe Business School in Paris, a Master of Economics from Sorbonne University and an MBA from the University of Toronto, Canada.

Paolo Monticolo, Chief Risk Officer

Paolo Monticolo began his career at SCOR in Paris in 1996 and moved to the Italian subsidiary in Milan in 1997 where he was responsible for pricing and reserving.

He joined NewRe in 2001 as a Senior Life and Non-life Underwriter. In 2002, he moved to the newly created risk management department, initially in charge of life and non-life reserving. He was appointed Head of Department in 2004

and became Appointed Actuary in 2008. In this function, Paolo Monticolo developed the internal risk management model in parallel with the development of the Swiss Solvency Test (SST) framework. NewRe was one of the first companies to obtain approval for a full internal risk model in 2011.

In 2013, Paolo Monticolo became Chief Risk Officer and was promoted to the Board of Management.

Paolo Monticolo studied actuarial sciences in Trieste, Italy and London, UK, and is a member of the Italian Institute of Actuaries.

Letter from the CEO

NewRe closed its 90th financial year successfully with gross premiums written up from CHF 1.1bn in 2015 to CHF 4.0bn in 2016. The more than threefold increase in gross premiums written was mainly due to one transaction in the Life business. Also, new property and casualty business as well as new structured solutions business drove top-line growth. The investment result rose from CHF 41 m to CHF 104 m due to very positive results in the weather derivatives business and investment gains realised. The result for the year decreased slightly compared to 2015 from CHF 117 m to CHF 113 m. Drivers of our 2016 performance are explained in more detail in our financial statements and in the management report.

One of the cornerstones of our success in recent years has been the continuous adaptation of our business model to changing requirements and clients' needs. As a part of this process, we have diversified and expanded our business portfolio. The diversification helps us to smooth the results and lessen the price pressure that is particularly evident in commoditised property and casualty business.

Today's business model is built on four strategic business segments (see also p. 9 "Business segments"), which all contributed to our strong performance in 2016. In the property and casualty business, which continues to be our core business, we pursue a second-brand strategy operating independently from Munich Re Group and complementing the Group's offerings. In the other three business segments, Capital Partners for complex tailored solutions, Weather & Agro and Life reinsurance, we act as a specialised risk carrier for the Group and work in group-wide teams.

With this set-up we can offer our clients the best of both worlds: the flexibility, agility and efficiency of a medium-sized reinsurer coupled with the financial strength and wealth of expertise of a member of the world's largest reinsurance group.

We will strive to expand our range of solutions even further. We focus, for example, also on new, innovative business such as underwriting start-ups and working with newly established managing general agents (MGAs). We also intend to strengthen both our weather business and unconventional risk transfer solutions. In this context, Dr. Artur Klinger, Managing Director of Capital Partners Zurich, has decided to step down from the Board of Management of NewRe to concentrate fully on developing Capital Partners' business. We thank Artur for his commitment as a member of our Board of Management and look forward to continuing to work with him on innovative customised solutions.

Constant change and adaptation mean hard work for our employees, who often need to leave their comfort zone. Our qualified, committed and flexible employees are our key asset. We sincerely thank our staff for their efforts and dedication. Some of them are featured in the photographs in this Annual Report.

Dear clients, we thank you for your trust and loyalty. NewRe will remain a strong and reliable partner for you by not standing still and developing the best solutions for you. We hope you share our confidence in the future and look forward to continuing to work together.

Yours sincerely,
Dr. Renate Strasser

Business segments

Property & Casualty reinsurance

Reinsurance solutions for property and casualty are our core business. With a geographical focus on Europe, we provide highly effective non-life treaty reinsurance as well as structured solutions. Our approach is broker-focused and transaction-oriented. In property, we concentrate on excess-of-loss business (Cat XL, Risk XL) and on non-standard covers such as Aggregate XL, stop-loss and umbrella protection. In casualty, our established core strengths are motor and non-motor third-party liability excess-of-loss and customised solutions for capital relief.

Capital Partners for tailored solutions

In Capital Partners, experts from NewRe in Zurich as well as Munich Re in Munich and New York work in deal teams to develop unconventional risk transfer solutions for clients' specific requirements from a single source on a worldwide scale. Solutions include insurance-linked securities (ILS), derivatives and retroactive, structured multi-line and multi-year covers, which help our clients to achieve capital strengthening, earnings smoothing or to satisfy additional liquidity requirements. These solutions are developed in close collaboration with our existing client and underwriting teams. The team in Zurich specialises in broker-sourced business in Continental Europe, the Middle East and Africa, and in public-sector business and insurance captives.

Weather & Agro

The volatility of weather can have a big impact on a company's profits. Worldwide, the recent past has shown that unfavourable weather conditions are tending to become more and more frequent. The global Weather & Agro unit with teams in Zurich, Houston and Munich offers tailor-made solutions to minimise our clients' weather-related risk. On the basis of a detailed analysis of the client's weather exposure and risk appetite, the team proposes a solution tailored to the client's needs. The Weather & Agro unit also structures weather hedges to save costs in project financing and stabilise the client's balance sheet. The NewRe team in Zurich focuses on the weather risks of clients outside of North America.

Life

NewRe writes structured reinsurance solutions in the developed life insurance markets as a specialised risk carrier for Munich Re. We structure solutions such as balance sheet and profit and loss optimisation, solvency relief, financing of new business, and value-in-force financing. In addition, we provide transfers of financial market guarantees such as variable annuity and unit-linked guarantees. Thanks to our experts' in-depth knowledge of life insurance, reinsurance and modern financial engineering techniques, we are able to address a wide range of challenges efficiently and comprehensively.



Isabelle Blaas, Head of Business Support (BSU), Nicole Eichenberger, Head of BSU Operations, Patrick Bertheau, BSU Business Partner and Catherine Morard, BSU Specialist

Key figures

in CHFm	2016	2015
Gross premiums written	3,955.5	1,071.3
Net earned premiums	3,914.4	1,082.5
Overall technical result – Life & Non-life (incl. interest, after management expenses)	66.7	152.6
Investment result (excl. interest on techn. prov., before mgmt exp.)	61.4	18.6
Management expenses – investments	-23.0	-12.3
Result for the year	113.3	116.8
Investments	2,387.9	2,447.0
Technical provisions (net)	2,497.2	2,046.8
Shareholder's equity*	819.7	823.1

*before appropriation of available earnings

Management report

General overview

NewRe experienced a positive development in 2016. Primarily driven by a large life transaction with inception on 1 January 2016, premium volume rose to nearly CHF 4.0bn. Furthermore, the two rather volatile business segments of natural catastrophe reinsurance and weather/agricultural risks produced positive results in 2016.

At CHF 113m, NewRe's 2016 result was close to the previous year's figure of CHF 117m.

Competition, supply and demand

The non-life reinsurance market has remained very soft, with further rate reductions and broadening of terms, i.e. the scope of cover provided by the reinsurance treaties has become wider.

In life reinsurance, products related to Solvency II have gained relevance, leading to a balanced situation in competition, supply and demand. In this favourable market environment, it has been possible to pursue innovative products, including solutions for German cedants seeking protection for their balance sheets.

Staff

During 2016, the total workforce was 115 FTE on average, reduced from 118 FTE at the beginning of the year to 112 FTE at year-end. The main driver behind this reduction was improvements in efficiency in the central- and back-office functions.

A further organisational change involved Dr. Artur Klinger, who is now fully concentrating on his role as Managing Director Capital Partners Zurich within the global Munich Re Capital Partners organisation. To enable him to dedicate the time required to this role, he has decided to step down from NewRe's Board of Management.

Innovation and development

In non-life reinsurance, there has been a focus on developing solutions for innovative start-up companies and virtual insurers, with some transactions having materialised already. In life reinsurance, the innovation and development activity has been concentrated on the products mentioned above.

In the segment of weather and agricultural risks, the product range offered has been widened to now also include weather- and yield-based index solutions for agricultural clients. So far the volume of business in this new niche has been small.

Extraordinary events

A new life reinsurance treaty commenced on 1 January 2016. This large new contract has added a premium volume of CHF 2.5bn to NewRe's top-line and has a term of three years. In addition, non-life business contributed to the rise in premium via growth in the field of structured solutions. Across all segments, and mainly driven by a small number of large contracts, gross premiums written grew to nearly CHF 4.0bn, compared to CHF 1.1bn in 2015.

Three major factors had a direct impact on NewRe's 2016 result:

The natural catastrophe reinsurance business written by NewRe had a quiet year in 2016. As in 2015, losses in this segment were below the expected level.

Secondly, a reallocation of investments led to increased turnover in the portfolio and hence higher-than-usual realisation of previously unrealised gains. This had a positive effect on our investment income in 2016.

Thirdly, European temperatures in the first few months of the year and then again in November were significantly below average. Driven by this, the parametric weather business produced very positive results both in the winter months in early 2016 and towards the end of the year. In view of the volatile nature of the parametric weather business, the positive and unusually high investment results were used to strengthen reserves.

In addition, in the United Kingdom the discount rates applicable to lump sum payments for personal injury claims were revised in late February 2017 from a previous rate of 2.5% to a negative rate of 0.75%. This change will have a significant impact on the cost of personal injury claims. As NewRe's overall reserve position is strong, the change had no impact on the result.

Risk management

Due to the volatile nature of 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 dedicated section of this report (see p. 13).

All events and impacts seen in 2016 were within the expected range.

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. In the continuing soft market, the volume of business renewed as of 1 January 2017 was slightly below that of the previous year.

On the other hand, we have signed an increasing number of multi-year contracts that mutually bind the reinsured and NewRe for a number of years.

The change in the discount rates applicable to UK personal injury claims will influence the market. The expectation is that this move should lead to a hardening of rates in UK motor insurance.

All in all, the outlook for NewRe's business in 2017 is promising. However, reinsurance business is by nature highly volatile, and the natural catastrophe reinsurance segment and the parametric weather business in particular may be affected by large loss events and weather extremes.

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

NewRe's risk management function is fully embedded in the Group risk management framework. One of the objectives of an effective Internal Control System (ICS) is 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 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 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 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.

Risks are identified and classified according to their potential exposure to one or a combination of the following risk types: underwriting, market, credit, operational, liquidity, reputational and strategic risks.

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

Risk evaluation and measurement

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

NewRe determines the economic capital required to carry its risks by using a 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 continuous 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 framework of regulations and policies.

Financial statements

Balance sheet as at 31 December

before appropriation of available earnings

in CHF

Assets	2016		2015	
Investments				
Real estate		44,517,761		44,902,606
Fixed interest securities		503,419,887		544,141,683
Shares		5,417,972		2,666,601
Other investments		1,834,542,666		1,855,264,808
Receivables from derivative financial instruments		1,029,395,758		851,964,543
Deposits retained on assumed reinsurance business		932,088,876		460,547,794
Cash and cash equivalent		254,906,201		157,799,373
Underwriting provisions ceded		10,558,234		21,123,951
Tangible assets		1,103,809		1,742,391
Deferred acquisition costs		424,081,524		457,458,223
Accounts receivable from reinsurance companies		70,839,025		52,014,496
Other accounts receivable		447,276,503		304,757,547
		5,558,148,216		4,754,384,016
Liabilities and equity		2016		2015
Technical provisions		2,507,788,064		2,067,930,450
Non-technical provisions		164,638,617		97,934,851
Liabilities due to derivative financial instruments		932,723,118		791,604,576
Deposits retained on ceded reinsurance business		2,434,954		9,859,029
Accounts payable on reinsurance business		291,791,638		259,799,896
thereof due to brokers	1,270,931		1,627,271	
thereof due to insurance companies	290,520,707		258,172,625	
Other liabilities		839,102,474		704,142,000
Total liabilities		4,738,478,865		3,931,270,802
Share capital		260,000,000		260,000,000
Legal reserves from profit		130,000,000		130,000,000
Free reserves		316,373,214		316,334,064
Retained earnings		113,296,137		116,779,150
Total equity		819,669,351		823,113,214
		5,558,148,216		4,754,384,016

Income statement for the year

Technical accounts

in CHF

Life	2016		2015	
Gross premiums	3,141,343,012		469,682,182	
Premiums ceded	-680,580		-496,285	
Premiums for own account		3,140,662,432		469,185,897
Change in unearned premiums gross	7,523,906		11,663,229	
Change in unearned premiums ceded	0		0	
Change in unearned premiums for own account		7,523,906		11,663,229
Net earned premiums for own account		3,148,186,338		480,849,126
Interest for own account – on premium funds		15,444,279		460,322
Interest for own account – on other technical provisions		10,181,473		10,103,901
Interest on own account		25,625,752		10,564,223
Total technical income for own account		3,173,812,090		491,413,349
Claims payment gross	-1,302,368,648		-343,311,363	
Claims payment ceded	941,575		2,712,013	
Claims payment for own account		-1,301,427,073		-340,599,350
Change in provision gross	-71,034,392		3,770,762	
Change in provision ceded	-744,569		-3,515,051	
Change in provision for own account		-71,778,961		255,711
Expenditure for incurred claims for own account		-1,373,206,034		-340,343,639
Commissions expenses gross	-1,788,560,915		-108,156,417	
Commissions expenses ceded	-243,375		95,556	
Commissions expenses for own account		-1,788,804,290		-108,060,861
Management expenses – life for own account		-4,922,325		-2,770,962
Total technical expenses for own account		-3,166,932,649		-451,175,462
Technical result for Life		6,879,441		40,237,887

Technical accounts

in CHF

Non-Life	2016		2015	
Gross premiums	814,201,930		601,584,192	
Premiums ceded	-14,769,922		-10,559,758	
Premiums for own account		799,432,008		591,024,434
Change in unearned premiums gross	-34,107,681		11,998,918	
Change in unearned premiums ceded	849,678		-1,386,782	
Change in unearned premiums for own account		-33,258,003		10,612,136
Net earned premiums for own account		766,174,005		601,636,570
Interest on technical provisions for own account		16,735,650		11,994,355
Total technical income for own account		782,909,655		613,630,925
Claims payment gross	-525,048,706		-343,152,106	
Claims payment ceded	11,373,370		2,637,253	
Claims payment for own account		-513,675,336		-340,514,853
Change in provision gross	-55,269,455		-50,055,652	
Change in provision ceded	-11,725,030		-1,490,370	
Change in provision for own account		-66,994,485		-51,546,022
Expenditure for incurred claims for own account		-580,669,821		-392,060,875
Commissions expenses gross		-124,123,395		-84,970,720
Commissions expenses ceded		2,840,280		683,747
Commissions expenses for own account		-121,283,115		-84,286,973
Management expenses – other classes for own account		-21,142,017		-24,914,009
Total technical expenses for own account		-723,094,953		-501,261,857
Technical result for Non-Life		59,814,702		112,369,068
Overall technical result		66,694,143		152,606,955

General accounts

in CHF

	2016		2015	
Investment income	113,584,146		47,511,228	
Investment expenses	-9,876,996		-6,363,465	
Investment result		103,707,150		41,147,763
Interest on technical provisions – life	-25,625,752		-10,564,223	
Interest on technical provisions – other classes	-16,735,650		-11,994,355	
Interest on technical provisions		-42,361,402		-22,558,578
Investment result excluding interest on technical provisions		61,345,748		18,589,185
Net result from derivative financial instruments		65,641,334		-28,558,889
Management expenses		-49,096,253		-39,952,424
Management expenses – life for own account		4,922,325		2,770,962
Management expenses – other classes for own account		21,142,017		24,914,009
Management expenses – investments		-23,031,911		-12,267,453
Operating Result (overall techn. result and investment result incl. management expenses)		170,649,314		130,369,798
Other income		2,612,244		89,657,308
Other expenses		-43,373,469		-81,787,654
Profit before taxes		129,888,089		138,239,452
Direct taxes		-16,591,952		-21,460,302
Result for the year		113,296,137		116,779,150
Profit/loss brought forward from previous year		0		0
Retained earnings		113,296,137		116,779,150

We share and exchange ideas across functions and departments.



Ioulia Del Fabro, Accounting Associate with David Maguire, Senior Manager Origination Capital Partners

Cash flow statement

in CHFm

	2016	2015
Profit for the year	113	117
Net change in technical provisions	484	-24
Change in deposits retained and accounts receivable and payable	-463	-79
Change in other receivables and liabilities	128	-180
Gains and losses on the disposal of investments	-1	-12
Change in derivative from reinsurance business	-200	-40
Change in other balance sheet items	65	-31
Other income/expenses without impact on cash flow	26	53
I. Cash flows from operating activities	152	-196
Change in affiliated companies and participating interests	22	76
Change from acquisition, sale and maturities of other investments	39	93
Other	1	0
II. Cash flows from investing activities	62	169
Inflows from increases in capital	0	0
Outflows from share buy-backs	0	0
Dividend payments	-117	-114
III. Cash flows from financing activities	-117	-114
Cash flows for the financial year (I.+II.+III.)	97	-141
Cash at the beginning of the financial year	158	299
Cash at the end of the financial year	255	158
Change in cash for the financial year	97	-141

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

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

Receivables from and liabilities due to derivative financial instruments

Derivative assets and liabilities are accounted for at their fair value.

Tangible assets

All fixed assets are amortised on a straight-line basis.

Deferred acquisition cost

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.

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.

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.

Claims expenses and claims reserves

Case reserves are created 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 cover 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) and Insurance Supervisory Ordinance-FINMA (AVO-FINMA)

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	2016	2015
Amount due from companies for reinsurance business		
Deposits retained on assumed reinsurance business	502,921,786	0
Accounts receivable	5,632,088	883,339
Total receivables	508,553,874	883,339
Amount due from companies for reinsurance business		
Deposits retained on ceded reinsurance business	0	0
Accounts payable	4,980,597	5,358,571
Total liabilities	4,980,597	5,358,571

The increase in the deposits retained on assumed reinsurance business from 2015 to 2016 was driven by a new life reinsurance treaty with an affiliated company.

Contingencies

The assets pledged or assigned to secure NewRe's commitments, plus the assets subject to reservation of ownership, amounted to CHF 595m as at 31 December 2016 (2015: CHF 501m). The increase was mainly due to a new life treaty.

Auditors' fees

The fees for the audit of the 2016 financial statements amounted to CHF 237k. CHF 45k related to other services. In each case, fees exclude outlays and VAT.

Full-time equivalents

During the year an average of 115 FTEs worked at NewRe.

Technical provisions

in CHF

Technical provisions	2016			2015		
	Gross	Retro	Net	Gross	Retro	Net
Unearned premiums	254,759,591	4,732,675	250,026,916	256,681,790	3,718,837	252,962,953
Loss reserves	1,551,889,729	3,456,647	1,548,433,082	1,614,809,689	14,314,139	1,600,495,550
Future policy benefits reserves	701,138,744	2,368,912	698,769,832	196,438,971	3,090,975	193,347,996
Total	2,507,788,064	10,558,234	2,497,229,830	2,067,930,450	21,123,951	2,046,806,499

Changes of the technical provisions	2016		2015	
	Net		Net	
Changes in loss reserves	65,138,736		39,882,048	
Changes in future policy benefits reserves	73,634,710		11,408,263	
Total	138,773,446		51,290,311	

Statement of changes in equity

in CHF

Year ended December	Share capital	Legal reserves from profit	Free reserves from profit	Profit for the year	Total equity
Year ended December 2016					
Balances as at 31 December 2015	260,000,000	130,000,000	316,334,064	116,779,150	823,113,214
Appropriation of earnings					
Dividend payment				-116,740,000	-116,740,000
Allocation to free reserves			39,150	-39,150	-
Profit for the year 2016				113,296,137	113,296,137
Balances as at 31 December 2016	260,000,000	130,000,000	316,373,214	113,296,137	819,669,351
Year ended December 2015					
Balances as at 31 December 2014	260,000,000	130,000,000	316,328,786	114,405,278	820,734,064
Appropriation of earnings					
Dividend payment				-114,400,000	-114,400,000
Allocation to free reserves			5,278	-5,278	0
Profit for the year 2015				116,779,150	116,779,150
Balances as at 31 December 2015	260,000,000	130,000,000	316,334,064	116,779,150	823,113,214

Investment result

in CHF

							2016
	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	900,181	0	0	900,181	-84,095	0	-84,095
Fixed interest securities	13,814,001	0	1,659,167	15,473,168	-5,450,387	-32,412	-5,482,799
Other investments	96,182,252	0	1,028,545	97,210,797	-2,154,247	-2,155,855	-4,310,102
			Total	113,584,146		Total	-9,876,996

							2015
	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	1,164,682	0	0	1,164,682	-85,383	0	-85,383
Fixed interest securities	31,639,497	0	12,242,902	43,882,399	-5,318,530	0	-5,318,530
Other investments	2,464,147	0	0	2,464,147	-959,552	0	-959,552
			Total	47,511,228		Total	-6,363,465

Net result from derivative financial instruments

This item mainly includes income and expenses from insurance-related derivative financial instruments.

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.

Proposed appropriation of the 2016 available earnings

Retained earnings for 2016 amounted to CHF 113,296,137 (2015: CHF 116,779,150). The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 87.15 per share be paid, resulting in the following appropriation of the retained earnings of CHF 113,296,137 (2015: CHF 116,779,150):

in CHF	2016
Allocation to free reserves	1,137
Dividend	113,295,000
Retained earnings	113,296,137

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

Zurich, 1 June 2017

President
of the Board of Directors



Dr. Doris Höpke

President
of the Board of Management



Dr. Renate Strasser

Report of the Statutory Auditor to the General Meeting of Shareholders of New Reinsurance Company Ltd., Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of New Reinsurance Company Ltd, which comprise the balance sheet, income statement, cash flow statement and notes for the year ended 31 December 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Bill Schiller
Licensed Audit Expert
Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 1 June 2017

New Reinsurance Company Ltd.
Zollikerstrasse 226
CH-8008 Zurich

Phone +41 (0)58 226 65 00
www.newre.com

