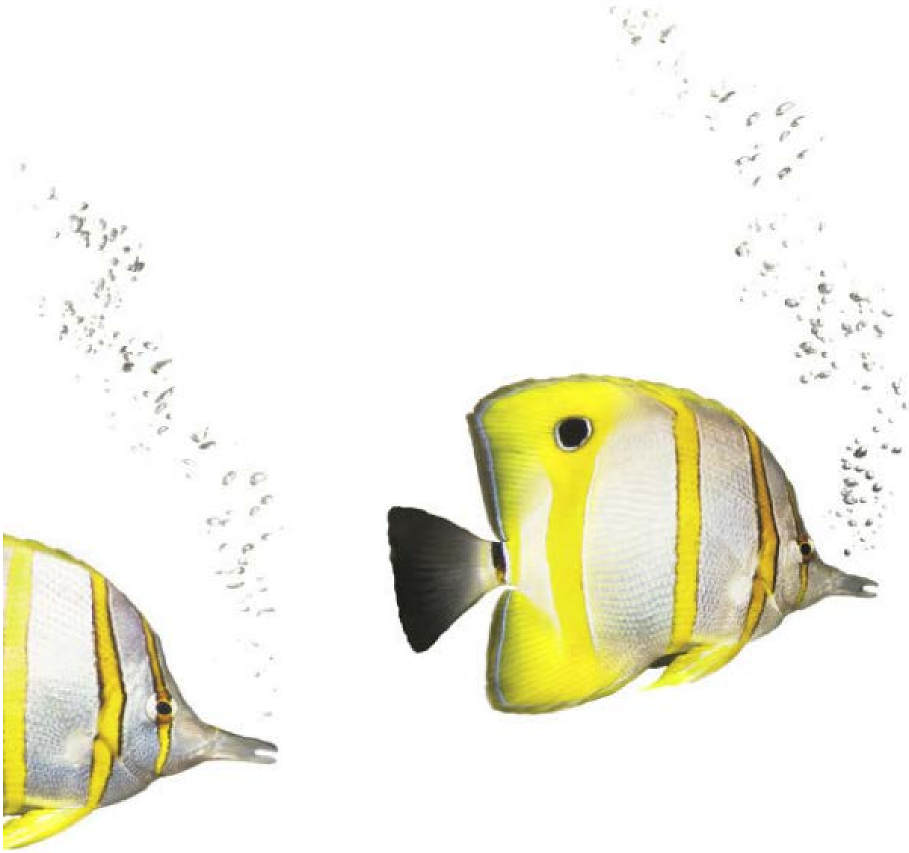


Financial Condition Report 2019

Local GAAP format

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

Who we are

around 120 specialists in Zurich

over 90 years' of experience

CHF 210m annual result

AA- S&P rating

A+ A.M. Best rating

171% SST

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 plus, simultaneously 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 2019, its financial performance was very positive, primarily driven by new life and Non-life transactions, as well as positive results from life and Non-life business in force. All business segments (Life, Property & Casualty, Structured Solutions and Weather) were profitable in 2019. At CHF 210m, NewRe's overall result for 2019 was higher than the previous year's result of CHF 133m and is CHF 100m above plan.

The new life transactions significantly increased NewRe's capital requirement during 2019 due to their associated Life, Credit and Market risk. NewRe's P&C risk has also increased, driven by higher exposure to Natural Catastrophes. This increase in capital requirement has been largely offset by growth in the Risk Bearing Capital, leaving the SST ratio largely unchanged at 171% versus last year's figure of 173%.

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	**2019**	**2018**
Gross premiums written	5'383.5	5'319.9
Net premiums earned	5'344.8	5'263.6
Overall technical result - Life & Non-life (including interest, after administration costs)	109.9	90.6
Investment result (excluding interest on technical provisions, before administration costs)	18.3	13.4
Net result from derivative financial instruments	146.8	81.6
Administration costs	-69.0	-51.4
Profit for the year	210.3	133.4
Investments	2'543.5	2'412.3
Technical provisions (net)	12'768.5	8'502.7
Shareholder's equity*	**916.7**	839.9

*before appropriation of available earnings

b) Board of Management

Dr. Renate Strasser, Chief Executive Officer

Renate Strasser has been Chief Executive Officer of NewRe since January 2016 and holds 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.

Since her appointment, Renate Strasser has driven strong diversification of the NewRe book, which has resulted in significant and profitable growth in the various business segments.

Before joining the Munich Re (Group), Renate Strasser spent six years as an Assistant Professor for Corporate Finance at the University of Klagenfurt. 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.

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

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, focusing on corporate, commercial and insurance law. In 1998, Jürgen Kammerlohr 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.

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

Dr. Artur Klinger, Chief Underwriting Officer Property & Casualty

Artur Klinger was appointed Chief Underwriting Officer Property & Casualty in September 2018. He sits on the Board of Management of NewRe.

He started his career in the business economics department of Bavarian Re (later Swiss Re Germany). From 2001, he built up the pricing and catastrophe modelling department of Alea Europe, an innovative reinsurance company located in Basel, Switzerland, and was appointed member of Alea Europe's Executive Board in 2005. In 2006, he joined Allianz Risk Transfer (ART) as Chief Actuary for the ART Group.

Artur Klinger moved to NewRe in 2008, where he set up structured solutions for Non-life business and insurance derivatives as a strategic pillar for NewRe. From 2015 to 2018, he was Head of Capital Partners Zurich, a hub of a global Munich Re Group business unit that focuses on solutions for integrated risk, financial and capital management.

Artur Klinger has a PhD in Statistics from the University of Munich.

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 around investment risk modelling 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 the global risk management organisation of the Munich Health segment within the Group.

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

c) Business segments

NewRe's strategic focus is that of a specialised risk carrier within the 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 as a separate brand within the Munich Re (Group) and thus complementing Munich Re's Property and Casualty offerings. We are a transaction-oriented reinsurer delivering client value by providing high-quality financial rating and large capacities, paired with the ability to structure and evaluate customised solutions.

We focus on European cedants and trade mainly with brokers, not only because this is how most clients buy reinsurance today, but also because we think of the broker as a business facilitator with whom we can work together to find the best suitable solutions.

Our pan-European team set-up enables us to allocate resources where they are most needed and ensure swift response times and a transactional mindset. Our underwriters are dedicated sparring partners to our clients, providing them with full transparency concerning decision-making processes.

- We are a quoting market for Property and Casualty treaty excess of loss reinsurance

- We have recognised competencies in customised reinsurance to support solvency and growth and protect earnings. Products such as Solvency Q/S, Multi-Line Aggregate XL and retrospective reinsurance benefit from our close cooperation with the local Capital Partners team.

Capital Partners

We believe reinsurance offers profound value for 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 jointly develop and structure unconventional risk transfer solutions around their needs.

The results are highly flexible, turnkey packages that support the fulfilment of solvency requirements, optimise capital management or ensure business plan protection. Relying on our support in structuring risk transfers ensures fitting them to specific solvency and rating models. In a low-yield environment with increasing shareholder expectations, locked-up capital can be freed up using reinsurance. And when business plans encounter disruptions or surprises, a tailor-made reinsurance solution can limit the impact of distressed situations and protect a client's business plan and capital base.

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

Weather & Agro

Worldwide, unfavourable weather conditions are becoming more frequent. NewRe's global Weather team offers solutions tailored to companies' weather risks and safeguards their profits against the whims of nature.

Over two-thirds of the world's economy is directly or indirectly affected by volatile weather that can have a substantial financial impact on businesses in developed and emerging economies. Affected sectors typically include energy and agriculture, as well as travel, entertainment, logistics and construction.

As part of Munich Re's global Weather & Commodity unit, which runs teams in Houston and Munich as well, 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 of financial and operational key performance indicators.

The NewRe-based team's focus areas are energy clients (both conventional and renewable production) in Europe, Latin America and parts of Asia. 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 grow and diversify the portfolio. The focus going forward will be to expand renewable business in Europe, as well as to create opportunities in Latin America.

Life

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

NewRe addresses such needs by providing risk management solutions for life insurers worldwide. We continuously seize business opportunities driven by corporate risk management or corporate finance, particularly where management of market risks, credit risks, behavioural risks, complex biometric risks or structuring capabilities are key. Every transaction is tailored to our clients' specific needs.

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.

As a core subsidiary of the 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 Northern America.

d) Management report

General overview

In 2019, NewRe's top line developed slightly positive. Primarily driven by life business, premium volume rose from CHF 5.3bn in 2018 to CHF 5.4bn in 2019. At CHF 210.3m, NewRe's overall 2019 result compares favourably to the previous year's figure of CHF 133m. This solid result stems from profits in natural catastrophe reinsurance business, which showed favourable loss development, reserve releases in Motor UK as a result of the Ogden rate change, positive development in the Weather segment and positive new and existing life business.

Market conditions, competition, supply and demand

In its P&C lines of business in Europe, NewRe observed overall stable conditions except for the UK market where the Ogden discount rate change resulted in significant price increases in the Motor XL business.

In Property reinsurance, price levels reduced slightly across Europe, caused by continued strong supply of reinsurance capacity pared with several years of benign natural catastrophe losses. With the exception of UK; the Casualty book experienced overall moderate positive price corrections but margins still suffered from the low-interest rate environment and continuous pressure on inflation.

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

The total workforce of NewRe was 117 FTEs at the beginning and 109 FTEs at the end of 2019, with an average of 113 FTEs during the year.

Innovation and development

In Non-life reinsurance, our aim has been to continue to offer solvency, 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

In Non-life, NewRe's natural catastrophe reinsurance business experienced another year of benign losses. There was no significant event with a bottom line impact above CHF 10m, apart from snow pressure in Austria, where a loss of less than CHF 15m is expected.

Casualty business benefitted from the change in the Ogden discount rate in the UK leading to reserve releases.

Weather business outperformed its business plan due to both intra-group business stemming from the US, as well as European business.

The early termination of a large Life deal led to a release of future profits in 2019.

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.

All events and impacts experienced in 2019 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. The 1 January 2020 business renewals saw growth in both the Property and Casualty segments. Price levels stayed overall stable except for the UK market where business affected by the Ogden discount rate experienced double digit rate increases.

Life reinsurance business is written throughout the year. In light of NewRe's positioning in the market and its growth strategy, top and bottom line growth is expected.

All in all, the outlook for NewRe's business in 2020 is favourable, but 2019 results might not be reached, as one-time effects like reserve releases due to the change in the Ogden discount rate positively impacted the result. This even 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.

Despite the COVID-19 pandemic, we currently do not expect a major strain on our Life and Non-life reinsurance business. We also refer to «Events after the balance sheet date» in the notes to the financial statements.

Based on NewRe's current capitalisation and growth expectations, future profits will be distributed as dividends to Munich Re.

e) Additional information

Board of management

Dr. Renate Strasser, Chief Executive Officer
Dr. Jürgen Kammerlohr, Chief Financial Officer
Dr. Artur Klinger, Chief Underwriting Officer Property & Casualty
Dr. Christian Dahmen, Chief Risk Officer

Board of Directors

Dr. Doris Höpke, President
Claudia Hasse, Vice-President
Bruno Meyenhofer
Dr. René Schnieper

Shareholder

100% Munich Reinsurance Company, Munich

Rating

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

Auditors

KPMG AG, Zürich

Branch offices

NewRe does not maintain any branch offices.

B) Financial performance

a) Financial statements

Balance sheet as at 31 December

in CHF

Assets	2019		2018	
Investments				
Real estate		43'488'002		43'831'255
Fixed-income securities		539'024'710		486'871'892
Shares		5'162'853		5'255'696
Other investments		1'955'834'741		1'876'338'213
Receivables from derivative financial instruments		1'105'135'687		869'988'147
Deposits retained on assumed reinsurance business		11'067'413'681		6'893'535'025
Cash and cash equivalent		701'450'551		535'777'333
Technical provisions ceded		239'364'041		125'657'296
Tangible assets		489'471		412'404
Deferred acquisition costs		467'027'608		395'293'143
Receivables from insurance and reinsurance business		221'460'702		138'219'329
Other receivables		665'766'225		599'320'475
		17'011'618'272		**11'970'500'208**

Liabilities and equity	2019		2018	
Technical provisions		13'007'826'025		8'628'341'807
Non-technical provisions		165'361'434		154'498'804
Liabilities from derivative financial instruments		1'531'526'165		1'168'847'388
Deposits retained on ceded reinsurance business		230'526'830		117'721'251
Payables on insurance and reinsurance business		423'930'281		333'107'633
of which due to brokers	2'920'921		2'477'062	
of which due to insurance and reinsurance companies	421'009'360		330'630'571	
Other liabilities		735'701'599		728'112'306
Total liabilities		**16'094'872'334**		**11'130'629'189**
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		316'491'018		316'431'026
Profit for the year		210'254'920		133'439'993
Total equity		**916'745'938**		**839'871'019**
		17'011'618'272		**11'970'500'208**

Income statement for the year

Technical accounts Life

in CHF

Life			2019			2018
Gross premiums	4'737'857'055			4'575'612'657		
Premiums ceded	-13'085'521			-7'718'991		
Net premiums written		4'724'771'534			4'567'893'666	
Change in unearned premium reserves gross	-2'816'865			-4'733'965		
Change in unearned premium reserves ceded	0			0		
Change in unearned premium reserves net		-2'816'865			-4'733'965	
Net premiums earned			4'721'954'669			4'563'159'701
Other income from reinsurance business			9'426'119			-
Technical interest - premium funds		233'920'125			168'553'069	
Technical interest - other technical provisions		924'950			8'402'864	
Technical interest			234'845'075			176'955'933
Total technical income			**4'966'225'863**			**4'740'115'634**
Claims paid gross	-2'432'640'715			-2'066'300'426		
Claims paid ceded	5'868'602			2'279'470		
Claims paid net		-2'426'772'113			-2'064'020'956	
Change in technical provisions gross	257'364'322			18'115'114		
Change in technical provisions ceded	13'286'601			7'365'346		
Change in technical provisions net		270'650'923			25'480'460	
Net claims and claims expenses incurred			-2'156'121'190			-2'038'540'496
Acquisition costs gross		-2'812'026'850			-2'665'560'175	
Acquisition costs ceded		439'987			434'203	
Acquisition costs net			-2'811'586'863			-2'665'125'972
Administration costs			-19'110'228			-8'606'015
Other underwriting expenses			-			-
Total technical expenses			**-4'986'818'281**			**-4'712'272'483**
Technical result for Life			**-20'592'418**			**27'843'151**

Technical accounts Non-Life

in CHF

Non-Life			2019			2018
Gross premiums	645'650'653			744'278'922		
Premiums ceded	-7'984'506			-14'348'280		
Net premiums written		637'666'147			729'930'642	
Change in unearned premium reserves gross	-12'239'136			-28'337'349		
Change in unearned premium reserves ceded	-2'556'287			-1'109'462		
Change in unearned premium reserves net		-14'795'423			-29'446'811	
Net premiums earned			622'870'724			700'483'831
Other income from reinsurance business			337'296			-
Technical interest			7'122'049			16'118'921
Total technical income			**630'330'069**			**716'602'752**
Claims paid gross	-231'004'259			-597'593'971		
Claims paid ceded	1'637'518			7'185'291		
Claims paid net		-229'366'741			-590'408'680	
Change in technical provisions gross	-136'111'368			125'498'070		
Change in technical provisions ceded	3'712'744			706'039		
Change in technical provisions net		-132'398'624			126'204'109	
Net claims and claims expenses incurred			-361'765'365			-464'204'571
Acquisition costs gross		-121'015'577			-175'233'496	
Acquisition costs ceded		2'621'447			4'892'905	
Acquisition costs net			-118'394'130			-170'340'591
Administration costs			-18'488'026			-19'289'038
Other underwriting expenses			-1'209'494			-
Total technical expenses			**-499'857'015**			**-653'834'200**
Technical result for Non-Life			**130'473'054**			**62'768'552**
Overall technical result			**109'880'636**			**90'611'703**

General accounts

in CHF

			2019			2018
Investment income	275'809'295			224'946'807		
Investment expenses	-15'578'051			-18'423'931		
Investment result		260'231'244			206'522'876	
Interest on technical provisions - life	-234'845'075			-176'955'933		
Interest on technical provisions - non-life	-7'122'049			-16'118'921		
Interest on technical provisions		-241'967'124			-193'074'854	
Investment result excluding interest on technical provisions			**18'264'120**			**13'448'022**
Net result from derivative financial instruments			146'773'498			81'556'808
Administration costs		-68'970'448			-51'407'914	
Administration costs - life		19'110'228			8'606'015	
Administration costs - non-life		18'488'026			19'289'038	
Administration costs - investments			-31'372'194			-23'512'861
Operating result			**243'546'060**			**162'103'672**
Other income			4'081'013			3'140'414
Other expenses			-8'843'862			-15'970'475
Profit before taxes			**238'783'211**			**149'273'611**
Income tax			-28'528'291			-15'833'618
Profit for the year			**210'254'920**			**133'439'993**

Cash flow statement

in CHFm

		2019	2018
	Profit for the year	210	133
	Net change in technical provisions	4'266	4'256
	Net change in deferred aquisition costs	-72	31
	Change in deposits retained and accounts receivable and payable	-4'163	-4'329
	Change in other receivables and liabilities	318	196
	Gains and losses on the disposal of investments	15	14
	Change in derivative from reinsurance business	-505	-247
	Change in other balance sheet items	-4	-9
	Other income/expenses without impact on cash flow	255	239
I.	Cash flows from operating activities	**320**	**284**
	Change in affiliated companies and participating interests	47	147
	Change from acquisition, sale and maturities of other investments	-68	17
	Other	0	0
II.	Cash flows from investing activities	**-21**	**164**
	Inflows from increases in capital	0	0
	Outflows from share buy-backs	0	0
	Dividend payments	-133	-128
III.	Cash flows from financing activities	-133	**-128**
Cash flows for the financial year (I.+II.+III.)		**166**	**320**
	Cash at the beginning of the financial year	536	216
	Cash at the end of the financial year	702	536
Change in cash for the financial year		**166**	**320**

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

Receivables and liabilities from 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 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 life of the 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 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.

Other income from reinsurance business and Other underwriting expenses

These items include technical income and expenses from reinsurance business which, previously, had not been reported separately. Other income from reinsurance business mainly 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.

Report of the statutory auditor

As statutory auditor, we have audited the 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 2019.

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	2019	2018
Amount due from companies for reinsurance business		
Deposits retained on assumed reinsurance business	6'916'926'649	4'418'695'491
Receivables from insurance and reinsurance business	10'837'051	17'459'095
Total	**6'927'763'700**	**4'436'154'586**
Amount due to companies for reinsurance business		
Deposits retained on ceded reinsurance business	0	0
Payables on insurance and reinsurance business	805'999	1'848'008
Total	**805'999**	**1'848'008**

Overall “Deposits retained on assumed reinsurance business” increased by CHF 4.2bn and “Technical provisions” by CHF 4.4bn in 2019 (see Balance sheet as at 31.12.2019 for details). Both increases were mainly due to a US transaction and two intra-group life treaties and four external contracts with German clients 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 treaties, increased our income from “Technical interest on premium funds” by CHF 66m, from CHF 168m to CHF 234m (see Income statement for details).

The total of “Deposits retained on ceded reinsurance business” increased in line with the “Technical provisions ceded” by CHF 113m (see Balance sheet as at 31.12.2019 for details).

Contingencies

The assets pledged or assigned to secure NewRe’s commitments, plus the assets under reservation of ownership, amounted to CHF 551m as at 31 December 2019 (2018: CHF 506m). The increase was mainly due to three life treaties.

Auditors' fees

The fees for the audit of the 2019 financial statements amount to CHF 271k. CHF 11k relate to other services. In each case, fees exclude outlays and VAT.

Full-time equivalents

During the year, an average of 113.0 FTEs worked at NewRe.

Technical provisions

in CHF

			2019			2018
Technical provisions	**Gross**	**Retro**	**Net**	**Gross**	**Retro**	**Net**
Unearned premiums	219,873,020	987,741	218,885,279	201,901,650	3,577,631	198,324,019
Loss reserves	1,803,703,869	7,796,055	1,795,907,814	1,617,545,282	4,348,805	1,613,196,477
Other technical reserves	84,116,876	62,638	84,054,238	48,505,978	29,773	48,476,205
Future policy benefits reserves	10,900,132,260	230,517,607	10,669,614,653	6,760,388,897	117,701,087	6,642,687,810
Total	**13,007,826,025**	**239,364,041**	**12,768,461,984**	**8,628,341,807**	**125,657,296**	**8,502,684,511**

	2019	2018
Changes in technical provisions	**Net**	**Net**
Change in unearned premium reserves net	17,612,288	34,180,776
Changes in loss reserves	195,162,255	-117,276,784
Other technical reserves	37,228,106	35,890,928
Changes in future policy benefits reserves *)	4,289,242,135	4,642,186,645
Total	**4,539,244,784**	**4,594,981,565**

*) Including portfolio movements the changes in future policy benefits reserves amount to CHF 370'622'965

Overall "Technical provisions" (net) increased from CHF 8.5bn to CHF 12.8bn. This increase was mainly due to a new US transaction and two intra-group life treaties and various external ZZR contracts.

The total "Technical provisions ceded" rose by CHF 114m (see Balance sheet as at 31.12.2019 for details). Retrocession was mainly driven by a higher retrocession share with a third party.

The increase in "Loss reserves" (net) of CHF 183m in 2019 was mainly triggered by structured solutions business.

"Other technical reserves" increased by CHF 36m, mainly driven by an increase in the profit commission reserves of one Non-life treaty.

Statement of changes in equity

in CHF

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**

Year ended December 2018	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 2017	260'000'000	122'687	129'877'313	316'374'351	127'976'675	**834'351'026**
Appropriation of earnings						
Dividend payment					-127'920'000	**-127'920'000**
Allocation to free reserves				56'675	-56'675	**0**
Profit for the year 2018					133'439'993	**133'439'993**
Balances as at 31 December 2018	**260'000'000**	**122'687**	**129'877'313**	**316'431'026**	**133'439'993**	**839'871'019**

Investments and investment result

in CHF

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	0	**-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	0	**-10'871'635**
			Total	**275'809'295**		Total	**-15'578'051**

2018	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	1'034'253	0	0	**1'034'253**	-75'919	0	**-75'919**
Fixed-income securities	12'808'465	0	632'733	**13'441'198**	-10'054'659	0	**-10'054'659**
Shares	0	0	0	**0**	0	0	**0**
Other investments	206'524'943	0	3'946'413	**210'471'356**	-8'293'353	0	**-8'293'353**
			Total	**224'946'807**		Total	**-18'423'931**

"Other investments" (see Balance sheet as at 31.12.2019 for details) increased by CHF 79m in 2019. The rise is attributable to higher short-term investments.

The NewRe office building in Zurich is indicated by "Real estate" in the table above. A certain 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 2019 compared to 2018, due to lower interest rates. The decrease in investment expenses was due to lower write-downs.

Income from "Other investments", which, besides investment income, mainly contains income linked to deposits retained on assumed reinsurance business, increased by CHF 52m. This was due to higher technical interests on deposits retained in connection with new Life treaties.

Overall technical result Life

New Life business as well as business in force contributed to the positive Life result. Significant strengthening of the Life fluctuation reserve covering tail risk events led to an overall negative technical Life result.

Overall technical result Non-life

The positive Non-life technical result was mainly driven by benign natural catastrophe losses and reserve releases in Motor UK as a result of the Ogden rate change.

Net result from derivative financial instruments

The “Net result from derivative financial instruments” increased by CHF 65m. On the one hand, this relates to our Life reinsurance business covering market risks, which developed positively in line with the growth of our portfolio. On the other hand, it contains direct and intra-group Weather business which contributed significantly to the positive result.

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.

Profits and losses recognised directly in equity

There are no profits and losses recognised directly in equity.

Events after the balance sheet date

Despite the COVID-19 pandemic, we currently do not expect a major strain on our Life and Non-life reinsurance business. Although a severe global pandemic is the largest possible accumulation risk in this category, we do not currently anticipate the severity to reach several hundreds of thousands of casualties worldwide. Even in the very unlikely scenario of a worldwide pandemic equivalent to a 100-year event, insurance claims are expected to be similar in scope to a medium-sized natural catastrophe in property-casualty reinsurance.

With regards to our financial instruments, while high uncertainty prevails, we expect the impact of turmoil on the financial markets to be manageable.

Even if a worldwide pandemic with the aforementioned effects were to occur, NewRe has sufficient financial resources to continue its business activities.

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	
		2018	2019	2018	2019	2018	2019	2018	2019
1	Gross premiums	5,320	5,384	9	4	2	0	578	470
2	Premiums ceded	-22	-21	-5	-1	-2	0	0	0
3	Net premiums written	5,298	5,363	3	3	0	0	578	470
4	Change in unearned premium reserves	-33	-17	-3	2	3	0	-26	-8
5	Change in unearned premium reserves cede	-1	-2	3	-2	-3	0	0	0
6	Net premium earned	5,264	5,344	3	3	0	0	553	462
7	Other income from reinsurance business	0	9	0	0	0	0	0	0
8	Technical interest	193	242	0	0	0	0	16	7
9	**Total technical income**	**5,457**	**5,595**	**3**	**3**	**0**	**0**	**569**	**469**
10	Claims paid gross	-2,664	-2,665	-1	0	-4	-1	-528	-200
11	Claims paid ceded	9	8	0	1	4	1	0	0
12	Change in technical provisions gross	144	120	-1	-1	0	1	117	-133
13	Change in technical provisions ceded	8	18	1	1	0	-1	0	0
14	Net claims and claims expenses incurred	-2,503	-2,519	-1	1	0	0	-411	-333
15	Acquisition cost gross	-2,839	-2,933	-2	-2	-2	0	-143	-84
16	Acquisition cost ceded	5	3	2	2	2	0	0	0
17	Acquisition cost net	-2,834	-2,930	0	0	0	0	-143	-84
18	Administration cost	-29	-35	0	0	0	0	-9	-8
19	Other underwriting expenses	0	-1	0	0	0	0	0	-1
20	**Total technical expenses**	**-5,366**	**-5,485**	**-2**	**1**	**0**	**0**	**-563**	**-426**
21	**Technical result**	**91**	**110**	**2**	**4**	**0**	**0**	**6**	**43**
22	Investment income	32	34						
23	Investment expenses	-42	-47						
24	**Investment result**	**-10**	**-13**						
25	Net result from derivatives financial instruments	82	147						
26	**Operating result**	**162**	**244**						
27	Other income	3	4						
28	Other expenses	-16	-9						
29	**Profit before taxes**	**149**	**239**						
30	Income tax	-16	-29						
31	**Profit for the year**	**133**	**210**						

Continued:

Quantitative template "Performance Solo Reinsurance"

	CHF millions	Total		Marine, aviation, transport		Property		Casualty		Miscellaneous (incl. Life)	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	Gross premiums	5,320	5,384	6	9	106	106	23	30	4,595	4,765
2	Premiums ceded	-22	-21	0	0	-5	-7	-2	-1	-8	-12
3	Net premiums written	5,298	5,363	6	9	101	99	21	29	4,587	4,753
4	Change in unearned premium reserves	-33	-17	0	0	1	-4	-3	-3	-5	-4
5	Change in unearned premium reserves cede	-1	-2	0	0	-1	0	0	0	0	0
6	Net premium earned	5,264	5,344	6	9	101	95	18	26	4,582	4,749
7	Other income from reinsurance business	0	9	0	0	0	0	0	0	0	9
8	Technical interest	193	242	0	0	0	0	0	0	177	2
9	**Total technical income**	**5,457**	**5,595**	**6**	**9**	**101**	**95**	**18**	**26**	**4,759**	**4,760**
10	Claims paid gross	-2,664	-2,665	-2	-3	-41	-3	-16	-18	-2,072	-2,440
11	Claims paid ceded	9	8	0	0	1	2	2	-2	2	6
12	Change in technical provisions gross	144	120	0	-2	9	-35	1	33	19	257
13	Change in technical provisions ceded	8	18	0	0	0	1	0	4	7	13
14	Net claims and claims expenses incurred	-2,503	-2,519	-2	-5	-31	-35	-13	17	-2,044	-2,164
15	Acquisition cost gross	-2,839	-2,933	-1	-1	-15	-11	-3	-6	-2,675	-2,829
16	Acquisition cost ceded	5	3	0	0	1	1	0	0	0	0
17	Acquisition cost net	-2,834	-2,930	-1	-1	-14	-10	-3	-6	-2,674	-2,829
18	Administration cost	-29	-35	-1	0	-8	-7	-1	-1	-10	-19
19	Other underwriting expenses	0	-1	0	0	0	0	0	0	0	0
20	**Total technical expenses**	**-5,366**	**-5,485**	**-3**	**-6**	**-53**	**-52**	**-17**	**10**	**-4,728**	**-5,012**
21	**Technical result**	**91**	**110**	**3**	**3**	**48**	**43**	**1**	**36**	**31**	**-252**

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 foreseen 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 line 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 5,320m to CHF 5,384m.

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, esp. 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 foreseen in the "Performance Solo Reinsurance" template.

The increase in premium income from CHF 5,320m to CHF 5,384m was driven by Life and the new business written in this segment overcompensating reduced premium in the motor business line, following competition on single quota shares.

Other income from reinsurance business and Other underwriting expenses

These items include technical income and expenses from reinsurance business which, previously, had not been reported separately. Other income from reinsurance business mainly comprises structuring and recapture fees.

Technical result

The technical result was CHF 110m, after CHF 91m in the previous year.

The increased overall technical result was driven by non-life business. Key drivers of the technical result were the motor, property and miscellaneous lines of business. Due to their minor relevance, the technical result in the personal accident and health lines, as well as in marine, aviation and transport, was insignificant.

In the property line of business, natural catastrophe reinsurance business experienced another year of relatively benign losses. There was no significant event with a bottom-line impact above CHF 10m, apart from snow pressure in Austria, where a loss of less than CHF 15m is expected.

The Life technical result declined compared to 2018, following growth in variable annuity business which, by nature, produces negative technical results overcompensated in the net result of derivative financial instruments. NewRe also increased its equalisation reserve covering tail-risk events.

Investment result

The Investment result amounted to CHF -13m, after CHF -10m in the previous year. The drop was due to higher investment expenses driven by more business with derivative financial instruments.

Net result from derivative financial instruments

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 drivers for the higher result compared to 2018 are life variable annuity business and 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.

Profit / loss

At CHF 210m, NewRe's overall 2019 result compares positively to the previous year's figure of CHF 133m. The year saw continuous and profitable growth in all business segments: Property & Casualty, Customised Solutions, Weather and Life. This extraordinary result stems from profits in natural catastrophe reinsurance business which showed favourable loss development, reserve releases in Motor UK as a result of the Ogden rate change, positive development in the Weather segment and equally positive new and existing Life business.

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 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) of this report, including the changes occurring in 2019.

b) Risk management organisation

Organisational structure and governance

NewRe, as a Munich Re Group core company, 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 most important elements of this framework are risk management, compliance and audit.

NewRe's Chief Risk Officer (CRO) heads up Actuarial Risk Management and has a functional reporting line to the Group CRO.

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 Munich Re Group internal audit department. 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 Munich Re Group internal audit department.

The NewRe risk governance policy ensures that an appropriate risk and control culture 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 influencing NewRe's risk profile and risk-relevant Board of Directors topics are referred to the Audit and Risk Committee prior to the Board of Directors.

Risk strategy

The risk strategy, which is derived from the business strategy, defines where, how and to what extent NewRe is prepared to take risks. The further development of our risk strategy is embedded in the annual planning cycle and hence in our business planning: It is an important element of the Own Risk and Solvency Assessment (ORSA) approved by the Board of Directors. We determine our risk strategy by defining risk appetites for the following risk criteria:

Whole portfolio criteria:

The whole portfolio criteria relate to the entire portfolio of risks and are designed to protect our capital and to limit the likelihood of an economic loss for the year. The financial strength criterion is of particular importance. This is based on the SST ratio, which is provided in the relevant table in Section G).

Supplementary criteria:

The supplementary criteria are used to limit the loss amounts for individual risk types and potential accumulations that could endanger NewRe’s ongoing viability.

These risk appetites are based on the available capital and liquidity and also on our earnings target. They also provide a frame of reference for the operating divisions.

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.

There were no material changes in risk management during 2019.

c) *Control and monitoring systems*

NewRe’s internal control system (ICS) is an integrated system for managing operational risks. The ICS covers all of NewRe's areas of activity. For each area, the ICS delivers a risk map at process level, thereby systematically linking every step in a process to the significant risks and the controls relating to them. By making our risk situation transparent in this way, we can focus on and react to weaknesses. This enables us to identify operational risks proactively, locate control shortcomings immediately and take effective remedial action. Controls performed for NewRe’s ICS are based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), a recognised internal control standard in the finance industry. IT-level controls are based on COBIT (Control Objectives for Information and Related Technology), an internationally recognised framework for IT governance.

As part of ICS, we also track key risks and existing controls for all our internal processes as well as for outsourced functions. Where necessary, controls are accompanied by risk mitigation measures to ensure that operational risks are efficiently limited.

D) Risk profile

The risks measured via our internal model are classified following the four standard categories, Property & Casualty, Life & Health (jointly 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, in CHF millions:

Composition of target capital

in CHF millions	2018	2019
Property & Casualty	393	470
Life & Health	569	1’129
Market	311	533
Credit	88	357
Market Value Margin	178	584
Diversification	-408	-758
Other Effects	2	-43
Target capital	**1’132**	**2'272**

a) Insurance

Property & Casualty

Underwriting risk is defined as the risk of insured losses being higher than our expectations. The premium and the reserve risks are significant components of the underwriting risk. The premium risk is the risk of future claims payments related to insured losses that have not yet occurred being higher than expected. The reserve risk is the risk of technical provisions established being insufficient to cover losses that have already been incurred. In measuring loss provisions, we follow a cautious reserving approach and assess uncertainties conservatively. In every quarter, we also compare notified losses with our loss expectancy, in order to ensure that the level of reserves always remains high.

The Property & Casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident and marine classes of reinsurance. It also contains the risk inherent to the weather derivative business. This risk modelling categorization differs from our accounting perspective, where these instruments are classified as financial derivatives.

The risk profile in Property & Casualty is dominated by catastrophe reinsurance. The growth of the European cat portfolio resulted in Storm Europe and Earthquake Switzerland/Germany becoming the largest NatCat exposures, as shown in Section f).

Life & Health

The Life & Health underwriting risk is defined as the risk of insured benefits payable under reinsurance business being higher than expected. The key risk to NewRe is from higher mortality with unexpected changes in policyholder behaviour, predominantly changes in lapse rates, also having a potential impact. We differentiate between risks that have a short-term or long-term effect on our portfolio. One of the key adverse development risks is the risk of claims in excess of actuarial estimates that could arise when rare but costly events such as pandemics occur. Another risk source is long-term trends that may affect the mortality book as an adverse deviation from the expected value of future profits. These are the two most important Life risks to NewRe. A serious pandemic event would expose NewRe – like any other company in the insurance industry – to risks resulting from a considerable increase in mortality and probably disruptions in the capital markets.

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

NewRe's Life risk increased significantly during 2019 due to the successful conclusion of a range of Life reinsurance solutions and in particular, several large proportional mortality transactions signed in the US.

b) *Market*

We define market risk as the risk of economic losses resulting from price changes in the capital markets. Market risk includes equity risk, general interest-rate risk, specific interest-rate risk, real estate risk and currency risk. The general interest-rate risk relates to changes in the basic yield curves, whereas the specific interest-rate risk arises out of changes in credit spreads; for example on euro government bonds from various issuers, or on corporate bonds. We also include in market risk the risk of changes in inflation rates and implicit volatilities (cost of options). Capital market fluctuations, especially in interest rates, affect not only our investments but also our underwriting liabilities, especially in life insurance.

NewRe follows quite a restrictive asset-liability management strategy, by investing mostly in government and corporate fixed-income instruments that closely match the cash flow of the insurance liabilities and allow only a limited duration mismatch. Most of the risks are thus linked to interest rates and foreign currencies. An appropriate limit and early-warning systems is used in our asset-liability management to manage Market Risks.

The risk profile in Market is dominated by foreign exchange risk. The growth of this risk, as well as the growth in interest rate risk is due to the large life transactions that took place throughout 2019.

c) *Credit*

We define credit risk as the financial loss that we could incur as a result of a change in the financial situation of a counterparty. Besides credit risks arising out of investments in securities and payment transactions with clients, we also actively assume credit risk through the writing of financial reinsurance. Additional exposures modelled in credit risk are the deposits and reserves retained with insurance clients in funds-withheld treaties and expected future profits out of our life reinsurance business as well as any deferred acquisition costs outstanding; those exposures are also captured in the credit risk module.

The risk profile in Credit is now dominated by exposures linked to the Life business. This now exceeds the credit risk exposure due to investments after the large life transactions that took place throughout 2019.

d) *Operational risk*

We define operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel, system malfunctions or external events. This includes criminal acts committed by employees or third parties, insider trading, infringements of antitrust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations, and disagreements with business partners.

We do not model operational risk quantitatively, but manage it via the internal control system ICS. In addition, we have a framework to define the rules for a standard Group-wide procedure for, in particular, identifying, assessing and managing security risks for people, information and property. Appropriate measures are used to correct identified weaknesses or mistakes.

e) *Other important risks*

Reputational risk

Reputational risk is the risk of a loss resulting from damage to NewRe's, or indirectly to the Group's public image (for example with clients, shareholders or other parties). Monitoring and limiting reputational risk is an essential element of operational risk management within the scope of our internal control system. Our internal whistle-blower portal also helps to reduce risk in this category.

Strategic risk

We define strategic risk as the risk of making wrong business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. We assess annually the changes in the market environment and other developments and their potential impact on NewRe's strategy. We manage strategic risk by identifying the key drivers as an integral part of our ORSA, and assessing their impact, our readiness and mitigation measures to take should they materialise.

Liquidity risk

Our objective in managing liquidity risk is to ensure that we are in a position to meet our payment obligations at all times. Through stringent requirements regarding the availability of liquidity, which in particular also comply with supervisory rules, we ensure that NewRe is able to meet its payment obligations. We also assess liquidity risk under a severe stress scenario of simultaneous investment losses, natural catastrophes, reserve events and a rating downgrade.

f) Risk concentrations

The key risk concentration within Property and Casualty is the natural catastrophe risk, which is modelled by several scenarios that are considered as independent events in our risk modelling approach.

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 Group-internal excess of loss treaty and, to a lesser extent, from international programmes.

The key risk concentration within Life is lethal pandemic. This is the primary risk from many of our non-proportional life transactions and also a significant risk on our more traditional mortality quota share business.

Our risk concentration is limiting the net exposure to single events on a return period of 250 years. The table shows our estimated exposures for the peak scenarios:

Top accumulation scenarios - 1 in 250 years event

in CHF millions	2018	2019
Storm Europe	269	349
Pandemic	193	313
Earthquake Switzerland/Germany	227	301
Earthquake Canada	278	287

Within market risk, there is some risk concentration towards foreign exchange risk: NewRe conducts global reinsurance activities and partially follows an investment strategy in emerging markets. Therefore its market risk profile is characterized 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 moderate use of retrocession, with the retrocession covers being provided almost exclusively by Group-internal counterparties. Our retrocession programmes are structured to transfer our peak risks, for natural catastrophe or selected life risks in particular, and to achieve capital efficiency. 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 are 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 which ensures that an interdisciplinary expert group assesses large or new types of risks before they are written.

E) Valuation

Quantitative template "Market-consistent Balance Sheet Solo"

in CHF millions	Note		2018	Adjustments to 2018	2019
Market-consistent value of investments	1	Real estate	98		98
		Participations	12		9
	2	Fixed-income securities	487		542
		Loans			
		Mortgages			
		Equities			
		Other investments			
	2	Collective investment schemes	2'050		2'230
		Alternative investments			
		Structured Products			
		Other investments			
		Total investments	2'649		2'881
Market-consistent value of other assets		Financial investments from unit-linked life insurance			
		Receivables from derivative financial instruments	870		1'105
	3	Deposits made under assumed reinsurance contracts		6'894	11'067
	4	Cash and cash equivalents	536		701
		Reinsurers' share of best estimate of provisions for insurance			
		Direct insurance: life insurance business			
	4, 5	Reinsurance: life insurance business		118	231
		Direct insurance: non-life insurance business			
		Direct insurance: health insurance business			
	4, 5	Reinsurance: non-life insurance business		8	9
		Reinsurance: health insurance business			
		Direct insurance: other business			
		Reinsurance: other business			
		Direct insurance: unit-linked life insurance business			
		Reinsurance: unit-linked life insurance business			
		Fixed assets			
		Deferred acquisition costs			
		Intangible assets			
	3, 4	Receivables from insurance business	7'032	-6'894	221
	4	Other receivables	599		666
		Other assets			0
		Unpaid share capital			
		Accrued assets			
	5	Total other assets	9'037	126	14'001
Total market-consistent value of assets		**Total market-consistent value of assets**	**11'685**	**126**	**16'882**
Best estimate liabilities (BEL)		Best estimate of provisions for insurance liabilities			
		Direct insurance: life insurance business			
	6	Reinsurance: life insurance business	6'134		8'739
		Direct insurance: non-life insurance business			
		Direct insurance: health insurance business			
	7	Reinsurance: non-life insurance business	1'333		1'496
		Reinsurance: health insurance business	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			
	4, 5	*Outward reinsurance: life insurance business (excluding ALV)*	*-118*	118	
	4, 5	*Outward reinsurance: non-life insurance business*	*-8*	8	
Market-consistent value of other liabilities		Non-technical provisions	39		51
		Interest-bearing liabilities			
	4	Liabilities from derivative financial instruments	1'169		1'532
	4	Deposits retained on ceded reinsurance	118		231
	4	Liabilities from insurance business	333		424
		Other liabilities	728		736
	4	Accrued liabilities			
		Subordinated debts			
Total BEL plus market-consistent value of other liabilities		**Total BEL plus market-consistent value of other liabilities**	**9'729**	**126**	**13'209**
		Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**1'956**	**0**	**3'673**

Notes on changes

1 Value estimation of own-use office building (conducted in 2018).

2 Change in market prices resp. positions.

3 Deposits retained under assumed reinsurance business allocated to "Receivables from reinsurance business" in 2018 – now allocated to new table entry "Deposits made under assumed reinsurance contracts"

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

5 Reinsurer's share of best estimate provisions included as a negative liability in 2018 – equivalent entry now included as an asset in 2019 quantitative template.

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 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 valuation and differences between the treatment under local GAAP and SST. In the following we comment on items which are differently valued under theses regimes.

ASSETS

in CHF millions	local GAAP	SST
Real estate	43	98
Fixed interest securities	539	542
Shares	5	9
Other investments	1'956	2'230
Receivables from derivative financial instruments	1'105	1'105
Deposits retained on assumed rein. bus.	11'067	11'067
Cash and cash equivalent	701	701
Underwriting provisions ceded	239	239
Other assets (tangibles)	0.5	0.5
Deferred Acquisition costs	467	-
Accounts receivable from reins. business	221	221
Other accounts receivable	666	666
Total Assets	**17'012**	**16'882**

Real Estate

The Real Estate position is our own occupied NewRe 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 Income Securities, Shares, Other Investments

NewRe's Other Investments are collective investments schemes in special funds, which are 100% owned. The vast majority of our Fixed Income 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

in CHF millions	*local GAAP*	*SST*
Technical Provision	13'008	10'236
Non-technical provisions	165	51
Liabilities due to derivative financial instrument	1'532	1'532
Deposits retained on ceded business	231	231
Accounts payable on reinsurance business	424	424
Other Liabilities	736	736
Total Liabilities	**16'095**	**13'209**

Technical Provisions	The Technical Provisions contain all Life and Non-life technical reserve positions. Under local GAAP, liabilities from Non-life business are set 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 with the 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

in CHF millions	2018	2019
Statutory shareholder equity	840	917
Unrealised gains on assets	236	337
Adjustments on statutory liabilities	445	1,905
Fluctuation reserves	435	514
Expected dividend	-133	-210
Risk bearing capital	**1'823**	**3'463**

The adjustments on 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

in CHF millions	2018	2019
Market consistent balance sheet	1'956	3'673
Expected dividend	-133	-210
Risk bearing capital	**1'823**	**3'463**

Market Value Margin (MVM)

Our 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 and 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 eventual 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 2019.

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	2019	2018
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	316'491'018	316'431'026
Profit for the year	210'254'920	133'439'993
Total equity	**916'745'938**	**839'871'019**

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.

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 which 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 by now has unconditional FINMA approval for the majority of the risk modules. For the remaining two modules, specifically market and life & health risk, NewRe was granted approval for the SST 2020 and is in an ongoing model dialogue with FINMA about specific elements and components of the respective modules.

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 model and their characteristics. The main differences to 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	NewRe's P&C model comprises basic losses, large losses, weather derivatives, structured business and Accumulation (including Terror)
Life & Health	Standard stress tests on key cashflow projection assumptions	Simulates the effect 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 valuation approach re-evaluating 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 per module.

Property & Casualty

NewRe's Property & Casualty business is modelled by several modules, whereby the risk from a single treaty can affect more than one module.

For basic losses, we calculate the risk of subsequent reserving being required for existing risks within a year (reserve risk) and the risk of losses being higher than expected (premium risk). To achieve this, we apply analytical methods that are based on standard reserving procedures, while taking into account the one-year time horizon. The calibration for these methodologies is based on our own historical loss and run-off data. Appropriate homogeneous segments of our Property & Casualty portfolio are used to calculate the reserve and premium risks. To aggregate the risk to whole-portfolio level, we apply correlations that take account our own historical loss experience.

To capture the loss-smoothing mechanisms of our 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 our clients and the up-to-date contract terms and conditions.

Large (single) losses follow the assumption of a collective model. The parameters for each large loss segment are calibrated using the historical loss experience from the respective large loss segment and allowing for portfolio changes.

NewRe is also active in the derivative business, especially weather derivatives. For this portfolio, our internal model captures the behaviour of the various underlying risk types such as precipitation, temperature and other types on the basis of historical data. This historical data is adjusted for macro and micro trends in recent decades.

In order to manage the risk from natural and man-made catastrophes, including terror and cyber, we limit our exposure by setting limits and budgets. For natural catastrophe events, our experts develop scenarios, taking into account scientific data, occurrence probabilities and potential loss amounts. On the basis of these models, the impact of various events on our portfolio is calculated and represented in a stochastic model. These models developed in-house by the Munich Re Group are complemented by commercial natural catastrophe models Together, these models serve as the basis for calculating the capital requirements for accumulation risks.

The stand-alone capital requirements for the various risks were in CHFm:

Composition of target capital - Property & Casualty

in CHF millions	2018	2019
Basic losses	233	313
Large losses	150	147
Accumulations	343	414
Weather derivatives	180	181
Diversification	-513	-585
Target capital	**393**	**470**

NewRe managed to grow both the Property and the Casualty portfolio, which increase 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 from 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 risk. 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 the following:

Composition of target capital - Life & Health

in CHF millions	2018	2019
Mortality	205	802
Morbidity	7	7
Longevity	8	13
Lapses & Financing	132	122
Non-Proportional	269	340
Market Risk Transfer	115	116
Diversification	-166	-271
Target capital	**569**	**1,129**

NewRe's Life risk approximately doubled during 2019. This was due to the successful completion of several very large proportional mortality transactions in the US. Due to their long duration, the key risk is that there is a deterioration in the long term mortality expectation for these treaties. A smaller increase is in non-proportional due to continued growth in NewRe's Epidemic Risk Solution business. The key risk in this category is from short term mortality shocks such as pandemics.

Note that the granularity of the table has been increased from previous reports where mortality (traditional proportional mortality transactions) was combined with non-proportional business.

Market

Market risks are modelled by means of a Monte Carlo simulation, where a large number of potential economic scenarios for all relevant risk drivers enter. The model allows for a wide range of capital market variables as risk drivers, spanning interest rates and foreign exchange rates of all relevant currencies as well as a range of credit spreads of corporates as well as 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 the following:

Composition of target capital - Market

in CHF millions	2018	2019
Equity	52	52
Interest rate	76	259
Real estate	27	28
Foreign exchange	280	521
Diversification	-124	-327
Target capital	**311**	**533**

The largest market risk component is the foreign exchange risk. For provisions and other liabilities NewRe follows a stringent asset-liability-matching approach, with surplus mainly invested in assets denominated in euros. This causes a currency mismatch between the overall asset and liability sides. Life transactions throughout 2019 with significant USD-denominated PVFP also contribute towards this currency mismatch.

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 cedent's technical provisions is calculated by individual debtor. In particular, the credit risk arising through exposure to cedent's technical provisions is allowed for by calculating the loss in PVFP that would occur should a default occur at individual cedent level. In addition, other credit exposures such as counterparties to weather derivative transactions and accounts receivables are also allowed for within 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 the following:

Composition of target capital - Credit

in CHF millions	2018	2019
Investments	61	67
Life Business	42	316
Derivatives	14	32
Others	3	14
Diversification	-33	-72
Target capital	**88**	**357**

The largest credit risk component is in relation to Life Business, both from the loss of deposits held by the cedent on a funds-withheld basis and risk of a loss in PVFP. The credit risk pertaining to investments also contributes significantly to NewRe's total credit risk.

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 geographic spread and type of business. This diversification is reflected in the target capital calculation.

With a risk-bearing capital of CHF 3’463m, as at 01.01.2020 / 31.12.2019, NewRe’s solvency position is very strong, with a solvency ratio of 171%.

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

Financial situation report: Quantitative template "Solvency Solo"

in CHF millions

Derivation of RBC	2018	2019
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1'956	3'673
Deductions (expected dividend)	133	210
Core capital	**1'823**	**3'463**
Supplementary capital	0	0
RBC	**1'823**	**3'463**

Derivation of target capital	2018	2019
Underwriting risk	961	1,599
Market risk	311	533
Diversification effects	-408	-758
Credit risk	88	357
Market value margin and other effects on target capital	180	541
Target capital	**1,132**	**2'272**

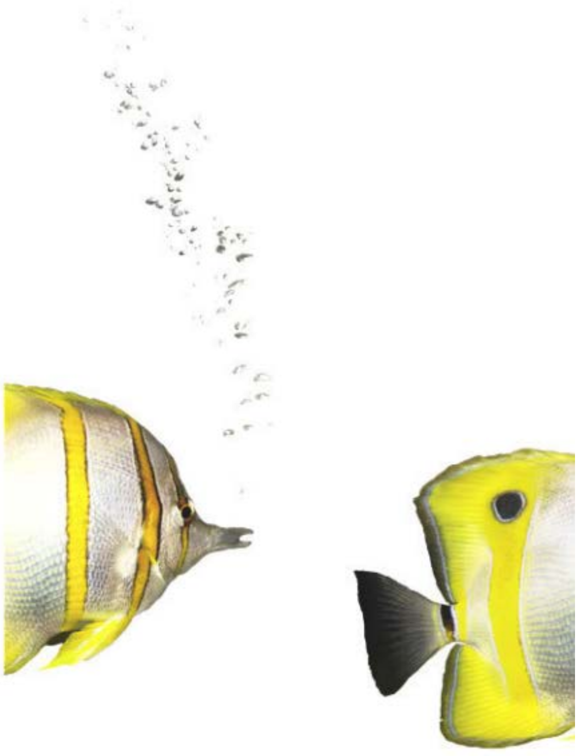
SST ratio (in %)	2018	2019
(Risk-bearing capital - MVM) / (Target Capital - MVM)	**173%**	**171%**

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 01.01.2020. The SST calculation is submitted to FINMA at the same time as this report is published, 30 April 2020, 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 23 April 2020, the Board of Directors of NewRe approved this Financial Condition Report 2019.



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