Financial Condition Report

2021

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

new/re

Key financial figures

EURm
156
Annual result

Rating
AA–
Standard & Poor's

Rating
A+
A.M. Best

%
183
SST ratio

Local GAAP format
(Swiss Code of Obligations)

Contents

Executive summary

As in previous years, NewRe focused on its four established areas of business. NewRe is a professional property and casualty reinsurance company and at the same time, supported by 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.

Overall, NewRe generated a favourable result of EUR 156 m after tax, compared to the previous year's figure of EUR 109 m.
This favourable overall result stems from NewRe's well-diversified business mix, in particular from the profits in the Non-traditional Life business and weather business.

NewRe's capital requirements increased during 2021, which led to a reduction in the solvency ratio. The main reason for this was higher insurance risks, especially in the area of Non-life reinsurance. There, the risk increased due to continued strong renewal of the motor business. Likewise, increased exposures to the hazards Storm Europe and Earthquake Switzerland/Germany contributed to the increase of the Non-life risk. Overall, NewRe's SST ratio decreased from last year's figure of 194% to 183%.

In the management of its statutory equity capital, the goal of NewRe's capital planning is a 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

In 1988, NewRe became part of Munich Re, one of the world's leading reinsurers.

Today, New Reinsurance Company Ltd. (NewRe) is considered a core company of Munich Re (Group) combining exceptional financial strength with the efficiency and agility of a medium-sized reinsurer.

NewRe is a property and casualty reinsurance company, a leading underwriter of structured reinsurance solutions and an active reinsurer in the field of insurance derivatives. For life business, the Company also specialises in variable annuity reinsurance and capital management solutions.

We strive 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, our 120 multi-national specialists in Zurich offer mono-line and multi-line solutions, including life and specialty classes of business, in the form of both prospective and retrospective covers.

b) Board of Management

Dr. Thomas Braune, Chief Executive Officer,
Dr. Jürgen Kammerlohr, Chief Financial Officer
Dirk Herrenpoth, Chief Underwriting Officer Property & Casualty
Dr. Christian Dahmen, Chief Risk Officer

c) Business segments

Property & Casualty Reinsurance

NewRe is an independent, boutique-style risk carrier within Munich Re that offers treaty reinsurance solutions.

Backed by a strong financial rating and considerable resources, our highly skilled underwriting team offers risk transfer solutions that deliver value to our clients. We focus primarily on cedants based in continental Europe and the United Kingdom whom we mainly serve through brokers.

At NewRe, we are passionate about engaging with our clients successfully paving the way along their risk-to-value journey and ensuring that they receive outstanding service from our underwriters, day in and day out. Equipped with a can-do attitude, we always strive to achieve the best-possible outcome for our clients, employing an integrated approach structured around fast response times and consistent execution.

We provide a broad range of traditional treaty reinsurance solutions in Property& Casualty and assist our clients by leveraging our recognised expertise in tailoring non-traditional solutions to individual needs or in finding alternative solutions.

With a decisive bottom-line focus in our underwriting strategy, the Property & Casualty unit at NewRe consistently and significantly contributes to the Company's long-term success.

Life

In light of the fierce competitive environment, challenging financial markets and stringent rating and solvency requirements, active capital and risk management is of great importance for life insurance companies.

NewRe addresses these challenges by providing risk management solutions tailored to our life reinsurance clients worldwide. We leverage our structuring capabilities to continuously seize business opportunities driven by corporate risk management or corporate finance, particularly where managing market, credit, behavioural or complex biometric risks is key.

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

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

Weather & Agro

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

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

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

2021 in particular saw unprecedented volatility in European commodity markets, most specifically in gas and power prices. Our agile approach to structured weather risk management solutions enabled us to once again prove our value to our clients in a rapidly changing market environment.

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

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

Capital Partners

With a global mandate, Capital Partners offer a diverse set of risk transfer and financing solutions in (re-)insurance, capital and industrial markets. We believe reinsurance provides profound value to our clients.

Our agile deal teams, consisting of experts from NewRe in Zurich as well as from Munich Re in Munich and New York, are dedicated to making sure that it does. We work closely with clients to structure unconventional solutions around their corporate finance needs.

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

In a low-yield environment with increasing shareholder expectations, reinsurance can enable growth or unlock capital, for example by monetising future earnings. And when business plans are confronted with the unexpected, a tailor-made reinsurance solution can mitigate financial distress and protect a client's capital base.

Our solutions include structured, prospective and retroactive reinsurance, together with risk transfer instruments such as insurance-linked securities (ILS) and derivatives. The team in Zurich serves clients in continental Europe, the Middle East, Africa and the Asia-Pacific region – brokersourced or direct – including in the publicsector and corporate captive space.

d) *Management report*

Overall, NewRe generated a favourable result of EUR 156 m, compared to the previous year's figure of EUR 109 m.

NewRe's gross premiums dropped from EUR 5.2 bn in 2020 to EUR 2.5 bn in 2021, driven mainly by one Life contract which was terminated by the client due to a change in US regulations. The termination of the US Life contract also affects net premiums and acquisition costs gross. The decline in premiums was partially offset by growth in all business segments. The motor business in the UK in particular increased in line with the overall growth in Non-life business. The "Change in technical provisions gross" line item decreased driven by the structured Non-life business.

In 2021, NewRe suffered European NatCat losses of EUR 95 m, due in particular to the flooding in Germany, which was one of the largest European events in the past few years. In addition, COVID-19 claims of approximately EUR 50 m once again burdened the Life result in the reporting year. However, the claims were partially offset by a retrocession, which is reflected in premiums ceded and claims paid ceded. Despite significant losses from NatCat events and COVID-19, NewRe generated a positive technical result of EUR 41.4 m (110.5 m in 2020). This favourable overall result stems from NewRe's well-diversified business mix, in particular from profits of the Non-US Life and European Non-life businesses.

Staff
NewRe has 119 employees at the end of 2021, with 111 full-time equivalents (FTEs) at the beginning and 111 FTEs at the end of 2021 (average for the year: 111 FTEs).

Innovation and development
In Non-life reinsurance, we strive to offer solvency and earnings protection. In Life reinsurance, our focus is on supporting primary insurance companies in offering innovative products to their clients and on covering the risks associated with those new products.

Significant events
Non-life was impacted by floods and severe weather events in central and western Europe. Combined, both events weighed down the bottom line by approximately EUR 95 m net of retrocession.

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 strict risk management system. The features of this risk management system are explained in more detail in the relevant section of this report (see page 10, "Risk assessment").

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 2022 business renewals saw growth in both the Property and Casualty traditional segments, which was offset by the cancellation of a significant single structured motor quota share treaty. In total, premium volume decreased by EUR 85 m to EUR 609 m for the 1 January 2022 renewal.

On a risk-adjusted basis, prices in Casualty essentially remained level or increased slightly. In loss-free NatCat markets, Property saw a fairly stable rating environment on a risk-adjusted basis. In loss affected countries, such as Germany, prices increased significantly following the 2021 flooding. In risk or frequency protection reinsurance business, we profited from a favourable market environment. Overall, the growth in non-proportional business overcompensated the decrease in proportional business, resulting in a higher profitability and a decreased combined ratio of the entire portfolio.

Life reinsurance business is written throughout the year. In the light of NewRe's positioning in the market and its growth strategy, bottom-line growth is expected. Business in the pipeline and first signings in 2022, especially in Germany and the US, are supporting this expectation.

Although the overall outlook for NewRe's business in 2022 is favourable, the reinsurance business by nature remains highly volatile. The natural catastrophe reinsurance segment, and the 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 a pandemic, large losses, lapse and losses on our market risk transfer portfolio.

On the basis of NewRe’s current capitalisation and growth expectations, future profits will be distributed as dividends to Munich Re.

Risk assessment – addendum to the management report

Governance and responsibilities

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

Risk management objectives and methodology

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

NewRe's risk management strategy is aimed at
– maintaining NewRe's financial strength,
– safeguarding the reputation of NewRe and Munich Re (Group),
– enabling NewRe to protect and generate sustainable shareholder value.

The three main elements of NewRe's risk management approach are:
– risk identification
– the regular and structured analysis and measurement of risks
– the effective management of operational risks (internal control system)

Risk identification

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

Risk measurement

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

Internal Control System (ICS)

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

e) Additional information

Dr. Thomas Braune, Chief Executive Officer

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

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

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

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

Dr. Jürgen Kammerlohr, Chief Financial Officer

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

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

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

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

Dirk Herrenpoth, Chief Underwriting Officer Property & Casualty

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

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

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

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

Dr. Christian Dahmen, Chief Risk Officer

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

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

He is a renowned expert for quantitative and qualitative risk management topics and is regularly invited to speak at conferences throughout Europe. He has been recognised by the risk management community for his leadership skills, winning several awards and short-listings.

Christian Dahmen holds a doctorate in Physics from the Technical University of Aachen, Germany, and a Master of Science in Mathematical Finance from the University of Oxford in the UK. Furthermore, he is a designated Chartered Property Casualty Underwriter.

Board of Directors

Dr. Doris Höpke, President

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

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

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

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

Doris Höpke studied law at the universities of Osnabrück, Hanover and Leiden, graduating with a doctorate.

Claudia Hasse, Vice President

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

She is the Chief Executive Manager for Germany, Cyber in Europe & Latin America and Pharmapool, and is the Chairwoman of the Supervisory Board of Great Lakes Insurance SE and Munich Re of Malta. A lawyer by training, she joined Munich Re and started her career in the reinsurance industry in 2003 as Claims Manager and later Chief Claims and Operations Officer.

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

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

Alfred Leu, Board Member

Alfred Leu has been on the Board of Directors of NewRe since April 2021.

Prior to his retirement, he spent more than 30 years in the insurance industry working in numerous management and executive functions. Until recently, he was CEO at Generali Versicherung AG, Vienna, and CEO of Generali (Switzerland) Holding AG.

Earlier in his career, he served in various functions at Fortuna, ultimately as Managing Director and Head of the Single Life insurance business at Fortuna Versicherungsberatung und Services AG. In 1995, Alfred Leu relocated to Geneva to join Generali Allgemeine Versicherungen AG, eventually becoming the company's CEO (from 1997 to 2002).

During his long career in insurance, he chaired the Board of Directors of Europ Assistance (Suisse) Holding SA (2005 to 2016).

Alfred Leu holds a law degree from the University of Berne and was admitted to the Swiss bar in 1987. Furthermore, he completed a Senior Executive Course at the MIT Sloan School of Management in Boston.

Dr. René Schnieper, Board Member

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

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

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

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

René Schnieper has a PhD in Mathematics from ETH Zurich.

Shareholder

100% Munich Reinsurance Company, Munich

Rating

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

Auditors

Ernst & Young AG, Zurich

Branch offices

NewRe does not maintain any branch offices.

B. Financial performance
a) Financial statements
Balance sheet as at 31 December 2021

Before appropriation of available earnings

Assets	Note	in TEUR 2021	in TEUR 2020	in TCHF 2021	in TCHF 2020
Investments					
Real estate	11	8,806	8,876	9,125	9,600
Fixed-income securities	6	714,604	655,710	740,437	709,183
Shares		4,684	4,357	4,854	4,712
Other investments	3	1,840,498	1,607,672	1,907,032	1,738,777
Receivables from derivative financial instruments		1,656,619	2,015,122	1,716,505	2,179,455
Deposits retained on assumed reinsurance business	5	11,816,875	11,990,917	12,244,055	12,968,777
Cash and cash equivalent	6	675,690	786,954	700,116	851,130
Technical provisions ceded	7	650,228	403,183	673,733	436,062
Tangible assets	11	31,406	31,370	32,542	33,928
Deferred acquisition costs		452,526	462,374	468,884	500,080
Receivables from insurance and reinsurance business	4,5	338,192	250,904	350,418	271,366
Other receivables	6	1,425,623	1,480,202	1,477,159	1,600,912
Total assets		**19,615,750**	**19,697,640**	**20,324,860**	**21,303,983**

Liabilities and equity	Note	in TEUR 2021	in TEUR 2020	in TCHF 2021	in TCHF 2020
Technical provisions	7	14,156,860	13,961,030	14,668,630	15,099,552
Non-technical provisions		165,653	151,336	171,642	163,677
Liabilities from derivative financial instruments		2,654,338	2,881,271	2,750,292	3,116,238
Deposits retained on ceded reinsurance business	5	475,643	323,256	492,838	349,618
Payables on insurance and reinsurance business	4,5	423,260	464,043	438,560	501,885
Other liabilities		928,550	1,154,521	962,117	1,248,672
Total liabilities		**18,804,304**	**18,935,456**	**19,484,080**	**20,479,642**
Share capital	14	240,396	240,396	260,000	260,000
Legal reserves from capital		113	113	123	123
Legal reserves from profit		120,084	120,084	129,877	129,877
Free reserves		294,537	292,669	318,472	316,536
Conversion difference		0	0	–36,689	0
Profit for the year		156,316	108,922	168,997	117,804
Total equity	8	**811,446**	**762,184**	**840,780**	**824,340**
Total liabilities and equity		**19,615,750**	**19,697,640**	**20,324,860**	**21,303,983**

Income statement for the year 2021

Technical accounts

		in TEUR		in TCHF	
		2021	2020	**2021**	2020
	Note				
Gross premiums		2,542,357	5,195,739	2,748,619	5,619,452
Premiums ceded		–538,816	–176,513	–582,530	–190,908
Net premiums written		2,003,541	5,019,226	2,166,088	5,428,544
Change in unearned premium reserves gross		–82,856	–147,214	–89,578	–159,219
Change in unearned premium reserves ceded		20,389	75,537	22,043	81,697
Change in unearned premium reserves net	7	–62,467	–71,676	–67,535	–77,522
Net premiums earned		**1,941,074**	**4,947,550**	**2,098,553**	**5,351,022**
Other income from reinsurance business		**4,514**	**8,385**	**4,880**	**9,069**
Technical interest		**368,881**	**404,743**	**398,808**	**437,749**
Total technical income		**2,314,468**	**5,360,677**	**2,502,241**	**5,797,840**
Claims paid gross		–2,419,000	–3,345,883	–2,615,254	–3,618,739
Claims paid ceded		483,530	58,058	522,758	62,792
Claims paid net		–1,935,471	–3,287,825	–2,092,495	–3,555,947
Change in technical provisions gross		23,540	558,073	25,449	603,584
Change in technical provisions ceded		83,368	16,655	90,132	18,013
Change in technical provisions net	7	106,908	574,728	115,581	621,597
Net claims and claims expenses incurred		**–1,828,563**	**–2,713,097**	**–1,976,914**	**–2,934,350**
Acquisition costs gross		–436,550	–2,512,168	–471,967	–2,717,036
Acquisition costs ceded		22,013	22,505	23,799	24,340
Acquisition costs net		**–414,537**	**–2,489,663**	**–448,168**	**–2,692,695**
Administration costs		**–28,544**	**–47,024**	**–30,860**	**–50,859**
Other underwriting expenses		**–1,388**	**–377**	**–1,501**	**–407**
Total technical expenses		**–2,273,032**	**–5,250,161**	**–2,457,443**	**–5,678,311**
Overall technical result		**41,436**	**110,516**	**44,798**	**119,529**

General accounts

		in TEUR		in TCHF	
		2021	2020	**2021**	2020
	Note				
Investment income		428,190	435,959	462,929	471,512
Investment expenses		–23,551	–27,791	–25,462	–30,057
Investment result	9	404,639	408,168	437,468	441,455
Of which: Interest assigned to technical account		–368,881	–404,743	–398,808	–437,749
Investment result excluding interest on technical provisions		**35,759**	**3,426**	**38,830**	**3,705**
Net result from derivative financial instruments	10	**124,957**	**62,269**	**135,094**	**67,347**
Administration costs – Investments	13	**–36,393**	**–13,498**	**–39,346**	**–14,599**
Operating result		**165,758**	**162,714**	**179,206**	**175,983**
Other income		**17,593**	**294**	**19,021**	**318**
Other expenses		**–2,694**	**–36,368**	**–2,912**	**–39,334**
Profit before taxes		**180,658**	**126,640**	**195,315**	**136,967**
Income tax		**–24,342**	**–17,718**	**–26,317**	**–19,163**
Profit for the year		**156,316**	**108,922**	**168,997**	**117,804**

Cash flow statement

	in TEUR		in TCHF	
	2021	2020	**2021**	2020
Profit for the year	156,316	108,922	168,997	117,804
Net change in technical provisions	–24,249	1,752,141	–25,125	1,895,028
Net change in deferred acquisition costs	9,848	–30,561	10,204	–33,053
Change in deposits retained and accounts receivable and payable	171,392	–1,621,952	177,588	–1,754,222
Change in other receivables and liabilities	–403,055	1,073,756	–417,625	1,161,321
Gains and losses on the disposal of investments	16,152	–12,973	17,463	–14,031
Change in derivative from reinsurance business	184,389	–1,676,469	183,204	–1,813,185
Change in other balance sheet items	18,636	–3,920	19,310	–4,239
Other income/expenses without impact on cash flow	148,741	701,408	160,808	758,608
I. Cash flows from operating activities	**278,171**	**290,352**	**294,824**	**314,030**
Change in affiliated companies and participating interests	–22,719	180,944	–23,104	195,700
Change from acquisition, sale and maturities of other investments	–259,379	–138,640	70,155	–149,946
Other	–284	98	–294	106
II. Cash flows from investing activities	**–282,382**	**42,401**	**46,758**	**45,859**
Inflows from increases in capital	0	0	–7,031	0
Outflows from share buy-backs	0	0	0	0
Dividend payments	–107,053	–194,360	–110,923	–210,210
III. Cash flows from financing activities	**–107,053**	**–194,360**	**–117,954**	**–210,210**
Cash flows for the financial year (I.+II.+III.)	**–111,264**	**138,394**	**–115,286**	**149,680**
Cash at the beginning of the financial year	786,954	648,560	815,402	701,451
Cash at the end of the financial year	675,690	786,954	700,116	851,130
Change in cash for the financial year	**–111,264**	**138,394**	**–115,286**	**149,680**

Notes to the financial statements

The notes to the financial statements reflect the disclosure requirements in accordance with local laws and regulations. Explanations on significant movements in balance sheet positions and income statement items are provided in the management report.

General information

New Reinsurance Company Ltd (the Company) is a limited company domiciled in Zurich, Switzerland. It is licensed by the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland as a professional reinsurer. The Company is a wholly-owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, the ultimate parent company domiciled in Munich, Germany.

Summary of significant accounting policies

Basis of presentation

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

The Company owns an office building in Zurich. Own-use real estate is reported under the balance sheet item "Tangible assets". Part of the office space is let to external tenants; the rental income and associated expenses are recorded as investment income.

Third-party-use real estate is carried at the lower of acquisition cost (including capitalised cost for improvements) less depreciation or market value. Amortisation/depreciation is recognised at a rate of 2% on a straight-line basis. Equity investments and investment funds are measured at the lower of cost or market value.

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

Receivables and liabilities arising out of derivative financial instruments

Derivative assets and liabilities are accounted for at fair value.

Tangible assets

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

Deferred acquisition costs

Acquisition costs paid in respect of financing-type Life reinsurance contracts are capitalised and amortised in proportion to the gross profit amounts expected to be realised over the duration of the Life contract. Acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.

Receivables

Receivables are carried at their nominal values and adjusted if there is a risk of impairment. 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 reported at their nominal value.

Claims expenses and claims reserves

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

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

Other reinsurance revenues and other reinsurance expenses
These items form part of technical income and expenses from reinsurance business. Other reinsurance revenues 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.

Foreign currency translation
The Company's functional currency and presentation currency is the euro. Transactions denominated in foreign currency are translated into the functional currency at the spot exchange rate on the date of the transaction.

Share capital, legal reserves from capital, legal reserves from profits, third-party-use real estate and tangible assets measured at historic cost, as at 31 December 2020, are translated into euros at the historical exchange rate of 0.92460 EUR/CHF, the closing exchange rate at the date when the Company changed its functional currency from Swiss francs to euros. Any subsequent changes in any of these items are translated into euros using the spot exchange rate at the transaction date.

All other balance sheet items that are denominated in a foreign currency are translated into euros using the closing exchange rate. The Company has recognised a provision for net unrealised foreign exchange gains.

Pursuant to the requirements of the Swiss Code of Obligations, the Company also presents all figures in Swiss francs. Share capital, legal reserves from capital and legal reserves from profits are translated at historical exchange rates. All other balance sheet items are translated from euros to Swiss francs using the closing exchange rate of 1.03615 CHF/EUR, while items on the income statement are translated using the annual average exchange rate of 1.08113 CHF/EUR.

Significant changes in accounting policies
The Company changed its functional currency and presentation currency from Swiss francs to euros as at 1 January 2021.

In order to provide comparative figures in euros, all 2020 financial statement figures were translated from Swiss francs to euros using the closing exchange rate of 0.92460 EUR/CHF as at 31 December 2020.

Upon changing the functional and presentation currency, the Company also revised its approach to making disclosures: explanations on significant movements in the financial statements are no longer provided in the Notes to the Financial statements, but in the Management report instead.

Other Investments

The balance sheet position reads as follows:

	in TEUR		in TCHF	
	2021	2020	**2021**	2020
Short term investments	327,090	136,560	338,914	147,696
Bond funds	64,728	55,582	67,068	60,114
Equity funds	17,347	16,619	17,974	17,974
Special funds	1,431,333	1,398,912	1,483,076	1,512,993
Total	**1,840,498**	**1,607,672**	**1,907,032**	**1,738,777**

Receivables and payables

At the balance sheet date, there were receivables and payables in respect of brokers, insurance and reinsurance companies, as follows:

	in TEUR		in TCHF	
	2021	2020	**2021**	2020
Receivables from insurance and reinsurance business				
of which due from brokers	163	12	169	12
of which due from insurance and reinsurance companies	338,029	250,893	350,249	271,353
Total	**338,192**	**250,904**	**350,418**	**271,366**
Payables on insurance and reinsurance business				
of which due to brokers	5,135	3,206	5,320	3,467
of which due to insurance and reinsurance companies	418,125	460,837	433,240	498,418
Total	**423,260**	**464,043**	**438,560**	**501,885**

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 TEUR		in TCHF	
	2021	2020	**2021**	2020
Amount due from companies for reinsurance business				
Deposits retained on assumed reinsurance business	7,219,651	6,921,418	7,480,641	7,485,860
Receivables from insurance and reinsurance business	67,052	9,960	69,476	10,772
Total	**7,286,702**	**6,931,378**	**7,550,117**	**7,496,632**
Amount due to companies for reinsurance business				
Deposits retained on ceded reinsurance business	0	0	0	0
Payables on insurance and reinsurance business	2,142	808	2,219	874
Total	**2,141**	**808**	**2,219**	**874**

Assets pledged

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

	in TEUR		in TCHF	
	2021	2020	**2021**	2020
Assets under reservation of ownership	688,065	638,805	712,939	690,900
Cash collateral	1,392,157	1,445,467	1,442,483	1,563,345
Total	**2,080,222**	**2,084,272**	**2,155,422**	**2,254,245**

The amounts are reported in the "Fixed-income securities", "Cash and cash equivalent" and "Other receivables" balance sheet items. "Cash collateral" relates to collateral posted for derivatives used to hedge the variable annuity business.

Technical provisions

in TEUR			2021			2020
Technical provisions	**Gross**	**Retro**	**Net**	**Gross**	**Retro**	**Net**
Unearned premiums	449,588	97,669	351,919	333,970	70,522	263,448
Loss reserves	2,119,258	76,538	2,042,720	1,730,564	9,392	1,721,172
Other technical reserves	104,600	17	104,583	36,422	18	36,404
Future policy benefits reserves	11,483,414	476,004	11,007,410	11,860,074	323,251	11,536,823
Total	**14,156,860**	**650,228**	**13,506,632**	**13,961,030**	**403,183**	**13,557,847**

			Net			**Net**
Changes in loss reserves			250,131			107,497
Other technical reserves			64,495			−37,492
Change in future policy benefits reserves			−421,534			−674,733
Change in technical provisions net			−106,908			−574,728
Change in unearned premium reserves net			62,467			71,676
Total			**−44,441**			**−503,052**

in TCHF			2021			2020
Technical provisions	**Gross**	**Retro**	**Net**	**Gross**	**Retro**	**Net**
Unearned premiums	465,840	101,200	364,641	361,206	76,273	284,933
Loss reserves	2,195,869	79,304	2,116,564	1,871,691	10,158	1,861,534
Other technical reserves	108,382	18	108,364	39,392	19	39,373
Future policy benefits reserves	11,898,539	493,211	11,405,328	12,827,263	349,612	12,477,651
Total	**14,668,630**	**673,733**	**13,994,897**	**15,099,552**	**436,062**	**14,663,490**

			Net			**Net**
Change in loss reserves			270,424			148,710
Other technical reserves			69,727			−40,549
Change in future policy benefits reserves			−455,733			−729,757
Change in technical provisions net			−115,581			−621,597
Change in unearned premium reserves net			67,535			77,522
Total			**−48,046**			**−544,075**

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

Statement of changes in equity

in TEUR Year ended December 2021	Share capital	Legal reserves from capital	Legal reserves from profit	Free reserves from profit	Con-version difference	Profit for the year	Total equity
Balances as at 31 December 2020	240,396	113	120,084	292,669	0	108,922	**762,184**
Appropriation of earnings							
Dividend payment						–107,053	**–107,053**
Allocation to free reserves				1,868		–1,868	**0**
Profit for the year 2021						156,316	**156,316**
Balances as at 31 December 2021	**240,396**	**113**	**120,084**	**294,537**	**0**	**156,316**	**811,446**
Year ended December 2020							
Balances as at 31 December 2019	240,396	113	120,084	292,627	0	194,401	**847,622**
Appropriation of earnings							
Dividend payment						–194,360	**–194,360**
Allocation to free reserves				42		–42	**0**
Profit for the year 2020						108,922	**108,922**
Balances as at 31 December 2020	**240,396**	**113**	**120,084**	**292,669**	**0**	**108,922**	**762,184**

in TCHF Year ended December 2021	Share capital	Legal reserves from capital	Legal reserves from profit	Free reserves from profit	Con-version difference	Profit for the year	Total equity
Balances as at 31 December 2020	260,000	123	129,877	316,536	0	117,804	**824,340**
Appropriation of earnings							
Dividend payment						–117,780	**–117,780**
Allocation to free reserves				24		–24	**0**
Transition effects				1,912	–36,689		**–34,777**
Profit for the year 2021						168,997	**168,997**
Balances as at 31 December 2021	**260,000**	**123**	**129,877**	**318,472**	**–36,689**	**168,997**	**840,780**
Year ended December 2020							
Balances as at 31 December 2019	260,000	123	129,877	316,491	0	210,255	**916,746**
Appropriation of earnings							
Dividend payment						–210,210	**–210,210**
Allocation to free reserves				45	0	–45	**0**
Profit for the year 2020						117,804	**117,804**
Balances as at 31 December 2020	**260,000**	**123**	**129,877**	**316,536**	**0**	**117,804**	**824,340**

NewRe's functional currency is the euro. Translation differences arise for the items denominated in Swiss francs as a result of translating different items at different foreign exchange rates; notably: share capital, legal reserves from capital, legal reserves from profits and the profit for the year. Please refer to note 2, "Foreign currency translation", for additional information.

Investments and investment result

in TEUR 2021	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjust-ments	Realised losses	Total investment expenses
Real estate	746	0	0	**746**	–70	0	**–70**
Fixed-income securities	10,664	0	3	**10,667**	–4,529	–74	**–4,604**
Shares	0	0	0	**0**	0	0	**0**
Other investments	407,077	0	9,699	**416,776**	–18,877	0	**–18,877**
Total	**418,488**	**0**	**9,702**	**428,190**	**–23,477**	**–74**	**–23,551**
2020							
Real estate	463	0	0	**463**	–70	0	**–70**
Fixed-income securities	11,027	0	2	**11,029**	–3,799	–0	**–3,799**
Shares	0	0	0	**0**	0	0	**0**
Other investments	422,377	0	2,090	**424,467**	–23,922	0	**–23,922**
Total	**433,867**	**0**	**2,092**	**435,959**	**–27,791**	**–0**	**–27,791**

in TCHF 2021	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjust-ments	Realised losses	Total investment expenses
Real estate	807	0	0	**807**	–76	0	**–76**
Fixed-income securities	11,529	0	4	**11,533**	–4,897	–80	**–4,977**
Shares	0	0	0	**0**	0	0	**0**
Other investments	440,104	0	10,486	**450,590**	–20,409	0	**–20,409**
Total	**452,440**	**0**	**10,490**	**462,929**	**–25,381**	**–80**	**–25,462**
2020							
Real estate	501	0	0	**501**	–76	0	**–76**
Fixed-income securities	11,926	0	2	**11,929**	–4,109	–0	**–4,109**
Shares	0	0	0	**0**	0	0	**0**
Other investments	456,822	0	2,260	**459,082**	–25,873	0	**–25,873**
Total	**469,249**	**0**	**2,263**	**471,512**	**–30,057**	**–0**	**–30,057**

Net result from derivative financial instruments

in TEUR 2021	Current income	Write-ups	Total investment income	Current expenses	Write-downs and value adjust-ments	Total investment expenses
Insurance risk related instruments	512,701	306,449	**819,150**	–216,060	–250,114	**–466,174**
Other derivatives instruments	8,250	2,215,301	**2,223,550**	–31,263	–2,420,306	**–2,451,570**
Total	**520,950**	**2,521,750**	**3,042,700**	**–247,323**	**–2,670,420**	**–2,917,744**
2020						
Insurance risk related instruments	783,752	17,928	**801,679**	–43,988	–1,039,867	**–1,083,855**
Other derivatives instruments	35,291	1,704,218	**1,739,509**	–19,122	–1,375,941	**–1,395,063**
Total	**819,043**	**1,722,145**	**2,541,188**	**–63,110**	**–2,415,809**	**–2,478,919**

in TCHF 2021	Current income	Write-ups	Total investment income	Current expenses	Write-downs and value adjust-ments	Total investment expenses
Insurance risk related instruments	554,296	331,311	**885,608**	–233,589	–270,406	**–503,995**
Other derivatives instruments	8,919	2,395,028	**2,403,947**	–33,800	–2,616,666	**–2,650,465**
Total	**563,215**	**2,726,339**	**3,289,554**	**–267,389**	**–2,887,071**	**–3,154,460**
2020						
Insurance risk related instruments	847,667	19,390	**867,056**	–47,575	–1,124,669	**–1,172,244**
Other derivatives instruments	38,169	1,843,197	**1,881,366**	–20,682	–1,488,149	**–1,508,831**
Total	**885,836**	**1,862,586**	**2,748,422**	**–68,257**	**–2,612,818**	**–2,681,074**

Depreciation of real estate and tangible assets

	in TEUR		in TCHF	
	2021	2020	**2021**	2020
Investments – Real estate	70	70	76	76
Tangible assets	396	398	428	430
Total	**466**	**468**	**504**	**506**

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

Auditor's fees

The fees for Ernst&Young's (EY) audit of the 2021 Financial statements (including regulatory audit) amount to TEUR 202 (TCHF 219), compared to TEUR 245 (TCHF 266) in 2020. These amounts do not include VAT, travel costs and expenses.

In 2021, no fees for other EY services were incurred (2020: TEUR 47; TCHF 51).

Personnel information

Full-time equivalents
During the year, NewRe employed an average of 111 FTEs.

Personnel expenses
In financial year 2021, personnel expenses amounted to TEUR 23,497 (TCHF 25,403) and TEUR 23,957 (TCHF 25,910) in 2020 and are reported under "Administration costs".

Share capital

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

Events after the balance sheet date

None

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

Quantitative template "Performance Solo Reinsurance"

	EUR millions	Total		Personal accident		Health		Motor	
		2020	2021	2020	2021	2020	2021	2020	2021
1	Gross premiums	5'196	2'542	3	6	1	1	508	747
2	Premiums ceded	-177	-539	0	-2	-1	-1	0	0
3	Net premiums written	5'019	2'004	3	4	0	0	508	747
4	Change in unearned premium reserves	-147	-83	0	0	0	0	-72	-54
5	Change in unearned premium reserves cede	76	20	0	0	0	0	0	0
6	Net premium earned	4'948	1'941	3	4	0	0	436	693
7	Other income from reinsurance business	8	5	0	0	0	0	0	0
8	Technical interest	405	369	0	0	0	0	5	5
9	**Total technical income**	**5'361**	**2'314**	**3**	**4**	**0**	**0**	**442**	**698**
10	Claims paid gross	-3'346	-2'419	-2	-3	0	0	-306	-357
11	Claims paid ceded	58	484	0	0	0	0	0	0
12	Change in technical provisions gross	558	24	-3	1	0	0	15	-164
13	Change in technical provisions ceded	17	83	-1	0	0	0	0	0
14	Net claims and claims expenses incurred	-2'713	-1'829	-6	-2	0	0	-291	-521
15	Acquisition cost gross	-2'512	-437	0	-1	0	0	-108	-142
16	Acquisition cost ceded	23	22	0	1	0	0	0	0
17	Acquisition cost net	-2'490	-415	0	-1	0	0	-108	-142
18	Administration cost	-47	-29	0	0	0	0	-8	-8
19	Other underwriting expenses	0	-1	0	0	0	0	0	-1
20	**Total technical expenses**	**-5'250**	**-2'273**	**-6**	**-2**	**0**	**0**	**-407**	**-673**
21	**Technical result**	**111**	**41**	**-3**	**2**	**0**	**0**	**34**	**26**
22	Investment income	31	59						
23	Investment expenses	-41	-60						
24	**Investment result**	**-10**	**-1**						
25	Net result from derivatives financial instruments	62	125						
26	**Operating result**	**162**	**166**						
27	Other income	0	18						
28	Other expenses	-36	-3						
29	**Profit before taxes**	**127**	**181**						
30	Income tax	-18	-24						
31	**Profit for the year**	**109**	**156**						

Continued:

Quantitative template "Performance Solo Reinsurance"

	EUR millions	Total		Marine, aviation,		Property		Casualty		Miscellaneous	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
1	Gross premiums	5'196	2'542	8	7	212	202	38	42	4'425	1'539
2	Premiums ceded	-177	-539	-1	0	-104	-53	0	0	-70	-483
3	Net premiums written	5'019	2'004	8	6	108	149	38	42	4'356	1'056
4	Change in unearned premium reserves	-147	-83	0	0	-48	-26	-5	-2	-22	-1
5	Change in unearned premium reserves cede	76	20	0	0	49	14	0	0	27	6
6	Net premium earned	4'948	1'941	8	6	108	137	32	39	4'361	1'061
7	Other income from reinsurance business	8	5	0	0	1	1	0	0	7	3
8	Technical interest	405	369	0	0	0	0	0	0	400	363
9	**Total technical income**	**5'361**	**2'314**	**8**	**6**	**109**	**139**	**32**	**39**	**4'768**	**1'427**
10	Claims paid gross	-3'346	-2'419	-3	-3	-55	-71	-25	-10	-2'953	-1'974
11	Claims paid ceded	58	484	0	0	34	3	0	0	23	480
12	Change in technical provisions gross	558	24	1	3	-37	-127	-1	-12	583	323
13	Change in technical provisions ceded	17	83	0	0	3	44	0	-1	15	41
14	Net claims and claims expenses incurred	-2'713	-1'829	-2	0	-55	-151	-26	-24	-2'332	-1'130
15	Acquisition cost gross	-2'512	-437	-1	-1	-27	-25	-5	-7	-2'371	-261
16	Acquisition cost ceded	23	22	0	0	14	9	0	0	8	12
17	Acquisition cost net	-2'490	-415	-1	0	-13	-15	-5	-7	-2'363	-249
18	Administration cost	-47	-29	0	0	-5	-6	-1	-1	-33	-13
19	Other underwriting expenses	0	-1	0	0	0	0	0	0	0	0
20	**Total technical expenses**	**-5'250**	**-2'273**	**-4**	**-1**	**-74**	**-172**	**-33**	**-32**	**-4'726**	**-1'393**
21	**Technical result**	**111**	**41**	**4**	**5**	**36**	**-33**	**0**	**8**	**42**	**34**
22	Investment income	31	59								
23	Investment expenses	-41	-60								
24	**Investment result**	**-10**	**0**								
25	Net result from derivatives financial instruments	62	125								
26	**Operating result**	**162**	**166**								
27	Other income	0	18								
28	Other expenses	-36	-3								
29	**Profit before taxes**	**127**	**181**								
30	Income tax	-18	-24								
31	**Profit for the year**	**109**	**156**								

Life reinsurance business represents a significant portion of NewRe's business portfolio. Following the line-of-business structure provided 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 in this category being minor.

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

Comments on quantitative template "Performance Solo Reinsurance"

Premium Income

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

Premium income from reinsurance contracts decreased from EUR 5'196 m to EUR 2'542 m, driven by one Life contract which was terminated by the client due to changed US regulations.

The Property & Casualty unit focuses on its core lines of reinsurance business, which are fire and motor, whereas the personal accident, health, marine, aviation and transport lines of business continue to be less significant. Motor reinsurance includes structured quota share contracts with significant premium volumes per treaty, while both property and casualty are dominated by excess-of-loss contracts. Life reinsurance business is recorded as "Miscellaneous" following the line-of-business structure provided in the "Performance Solo Reinsurance" template.

Other income from reinsurance business and Other underwriting expenses

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

The decrease compared to 2020 is driven by higher expenses stemming from a new retro cover protecting NewRe's US Life Mortality business.

Technical result

The technical result was EUR 41 m, down from EUR 111 m in the previous year.

The overall technical result in 2021 suffered from European NatCat losses of EUR 95 m, in particular German flood, which was one of the largest European events of the past years. In addition, as in the prior year, COVID-19 claims burdened the Life result in the reporting year with EUR ~50 m, partially compensated by a Group – internal retrocession.

Investment result

Investment income is slightly above the result of the previous year due to a sale and higher dividend payment of special funds. This is partially offset by higher investment expenses on MRT business.

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 driver of the higher result compared to 2020 were the weather derivatives.

Other income and expenses

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

Profit/loss

NewRe's bottom line was significantly impacted by European NatCat losses, in particular German flood.

Overall, NewRe nevertheless achieved a pleasing result of EUR 156 m, compared to the previous year's figure of EUR 109 m.
This favourable overall result stems from NewRe's well-diversified business mix, in particular from the profits of non-traditional Life business and Weather 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 in such a way as to ensure its success. The members of the Board of Management jointly govern and manage the Company and are accountable for its results. The Board of Management has decision-making authority on matters relating to business assigned to it. The Board of Management additionally involves key employees in the decision-making on an as-needed basis.

The composition of the Board of Directors and the Board of Management is shown in Section A e) of this report, including the changes that occurred in 2021.

b) Key control functions

The key control functions of NewRe are Risk Management, Compliance and Internal Audit.

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

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

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

c) Risk management

Organisational structure and governance

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

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

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

There were no material changes in risk management during 2021.

Risk strategy

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

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

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

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

d) *Control and monitoring systems*

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

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

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

D. Risk profile

Risks quantified using NewRe's partial internal model include insurance risks, market and credit risks. The insurance risks in turn consist of Property and Casualty (P&C), Accumulation, Life and Health (L&H) and risks from variable annuity business (market risk transfer; MRT). The table below shows the stand-alone one-year capital requirements for these risk categories based on the SST risk measure (99% Tail Value-at-Risk), together with their diversification effect as well as the market value margin (MVM) and the item "Other effects", which mainly consists of the expected income. These components together form the target capital.

Composition of the target capital

in EUR millions	2020	2021
Property & Casualty	305	389
Accumulation	501	620
Life & Health	636	652
Market Risk Transfer	175	166
Market	320	331
Credit	386	389
Diversification	-974	-1'121
Market Value Margin	511	541
Other Effects	-40	-44
Target capital	**1'820**	**1'923**

a) Insurance risk

Property & Casualty

Property & Casualty (P&C) risk is defined as the risk of insured losses being higher than expected, and consists of the premium and the reserve risks. The premium risk is the risk of claims payments for losses that have not yet occurred being higher than expected. The reserve risk, on the other hand, is the risk of the technical provisions formed for losses already incurred being insufficient. NewRe's P&C business comprises the business lines property, motor, third-party liability, personal accident and marine. It also includes the risk inherent in weather derivative business. This representation differs from the accounting perspective, where weather derivatives are classified as financial derivatives.

To model P&C risk, the business is divided into four segments with different characteristics, all of which are modelled separately before being aggregated to the total P&C loss distribution. These four segments are Basic losses, Large losses, Structured solutions business and Weather business, see Section G) a).

P&C risk has increased compared to last year due to the cancellation of NewRe's Weather business retrocession and the continued strong motor business renewals.

Accumulation

NewRe's accumulation risk includes a range of natural catastrophe scenarios (NatCat scenarios) and other accumulation scenarios that model the losses of cyber or terror events for example. In this context, a NatCat scenario is defined as a combination of a specific hazard (e.g. hurricane, earthquake, flood) and a specific region (e.g. Europe, Japan, Australia). An accumulation scenario includes all relevant risks or coverages that could be triggered by the occurrence of such an event.

Accumulation risk is dominated by Storm Europe and Earthquake Switzerland/Germany, as shown in Section f). The successful year-end renewal increased NewRe's business in Europe increasing the exposure to these perils.

Life & Health

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

In terms of NewRe's life reinsurance business, the greatest risks are events that have either a short-term or a long-term impact on the portfolio. A pandemic, in which mortality rates increase very sharply over a short period of time, is an example of an event that belongs to the category of events with short-term impacts. By contrast, events with trend deviations and corresponding adverse effects on profitability are those that fall into the category of events with long-term impacts.

Interest-rate and other market risks arising from traditional life reinsurance are limited by depositing the reserves with the ceding company at a guaranteed interest rate on the deposit. In individual cases, these risks are also hedged using suitable capital market instruments.

NewRe's Life risk was fairly stable during 2021 with new Mass Lapse and US Structured transactions offsetting the retrocession of the Life Epidemic Risk Solution business.

Market risk transfer (MRT)

In addition to traditional life insurance products, NewRe also offers variable annuity reinsurance. Variable annuities are unit-linked products that include financial market guarantees on the underlying funds. Although the risks arising from the guarantees are hedged with financial market instruments, mismatch losses may occur. Losses may also arise as a result of lower-than-expected lapses. An overall loss distribution for MRT business is determined and then integrated into the overall model architecture.

No new large MRT transactions were written in 2021 and so the size of this risk remains broadly unchanged.

b) Market risk

Market risk is the risk of losses resulting from e.g. changes in interest rates, exchange rates, credit spreads or equity prices. Interest-rate risk is the risk of losses because of changes in interest rates when an insurance company has a duration mismatch in its assets and liabilities. Foreign exchange risk arises, for example, when an insurance company has liabilities denominated in a particular currency, but the assets held to cover them are denominated in a different currency. The risk of changes in inflation rates and implicit volatilities (cost of options) is also included in the market risk. Market risk generally not only affects the assets but also the liabilities, the latter through discounting or through benefits that depend on capital market developments.

NewRe follows a stringent asset-liability management approach by investing mainly in government and corporate fixed-income instruments that closely match the duration of the insurance liabilities. Most of NewRe's market risk is associated with changes in interest rates and foreign exchange rates. Suitable limit and early warning systems are used to manage market risks. Market risk is determined using FINMA's standard model.

The foreign exchange risk remains the largest driver within market risk. The reason for its size in comparison to the other market risk drivers lies in the investment strategy on the one hand and in large life transactions denominated in USD, and CAD on the other. Finally, market moves and exposure updates throughout the year on both the asset and liability side led to an increase in market risk. The move from internal model to standard market risk model had very little impact on the overall market risk figure.

c) Credit risk

Credit risk refers to losses due to ratings downgrades including defaults that may arise from a credit migration event. Changes in market values within a given rating class (e.g. resulting from a widening of the credit spreads within a rating class) are covered in the market risk part of the model.

In addition to credit risks in securities investments and payment transactions with clients, NewRe is also exposed to credit risks from financial reinsurance. Other credit risk exposures include deposits retained with insurance clients and reserves in funds-withheld contracts, but also expected future profits from the life reinsurance business and outstanding deferred acquisition costs. All these exposures are also captured in the credit risk module.

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

d) Market value margin (MVM)

The market value margin (MVM) is the cost of capital for the risk-bearing capital that is to be provided for the duration of the settlement of the insurance obligations. As such, it is the present value of the future one-year capital requirements in a run-off scenario, valued at a cost of capital rate of 6%. Here, run-off means that only future non-hedgeable risks are considered, as it is assumed that a potential buyer will restructure the portfolio to such an extent that the hedgeable risks disappear.

Calculating the MVM requires the overall risk capital in a run-off scenario to be disaggregated into the additive contributions of the individual lines of business (LoB). The breakdown of the overall risk capital to the LoB level allows the varying durations of the insurance obligations to be taken into account. As a method for disaggregation, NewRe chooses the contribution method. It is further assumed that the individual risk contributions develop over time according to suitable proxy variables.

e) Risk concentrations

Risk concentration means taking of a number of similar risks where the same or similar loss events have the potential to jeopardise the financial soundness of the Company.

Risk concentrations can arise on the asset or liability side of the balance sheet through a combination of similar exposures.

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

The most important risk concentration within Property & Casualty is natural catastrophe risk, which is modelled by several scenarios that are considered independent events. The two largest perils are Storm Europe and Earthquake Switzerland/Germany. Exposure to both perils increased during the successful 2022 renewal. NewRe's exposure to Earthquake Canada fell significantly with the cancellation of an intra-group excess-of-loss treaty and this peril is no longer one of NewRe's top five catastrophe risks.

The key risk concentration within Life is lethal pandemic. NewRe's exposure to this risk decreased during 2021 due to the retrocession of NewRe's Life Epidemic Risk Solution (ERS) business.

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

Top accumulation scenarios - 1 in 250 years event

in EUR millions	2020	2021
Storm Europe	471	577
Earthquake Switzerland/Germany	291	347
Flood Germany	125	231
Earthquake Turkey	185	156
Pandemic	165	149

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

f) Risk mitigation

In order to reduce the risks in the area property and casualty and life and health, NewRe relies on retrocession. The counterparties are almost exclusively intra-group companies. Retrocession programs are structured to transfer excess life or natural catastrophe risks and increase capital efficiency.

The current life retrocession programmes are structured both to transfer the losses from mortality shocks and to transfer the risk from future mortality deterioration (mortality trend risk).

NewRe does not currently retrocede any risk from natural catastrophes.

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

The main tool for monitoring the ongoing effectiveness of risk mitigation measures is a risk limit system. This system defines the measurement of risks at different levels, sets the acceptable level of risks and determines the frequency of monitoring and reporting. To avoid risks that are not within NewRe's risk appetite and to assess risks associated with new significant transactions, there is a referral process. As part of this process, an interdisciplinary group of experts provides an assessment of large or novel risks before they are written.

g) Operational risk

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

Operational risks are managed through the internal control system (ICS), see Chapter C).

h) Other important risks

Reputational risk

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

Strategic risk

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

Liquidity risk

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

E. Valuation

Quantitative template "Market-consistent Balance Sheet Solo"

in EUR millions	Note		2020	2021
Market-consistent value of investments	1	Real estate	20	19
		Participations		
	2	Fixed-income securities	668	714
		Loans		
		Mortgages		
		Equities	20	19
		Other investments	1'850	2'059
	2	Collective investment schemes	1'850	2'059
		Alternative investments		
		Structured Products		
		Other investments		
		Total investments	2'558	2'811
Market-consistent value of other assets		Financial investments from unit-linked life insurance		
		Receivables from derivative financial instruments	2'015	1'657
	3	Deposits made under assumed reinsurance contracts	11'991	11'817
	4	Cash and cash equivalents	787	676
	5	Reinsurers' share of best estimate of provisions for insurance liabilities	188	452
		Direct insurance: life insurance business (excluding unit linked)	108	278
		Reinsurance: life insurance business (excluding unit linked)		
		Direct insurance: non-life insurance business	80	174
		Direct insurance: health insurance business		
		Reinsurance: non-life insurance business		
		Reinsurance: health insurance business		
		Direct insurance: other business		
		Reinsurance: other business		
		Direct insurance: unit-linked life insurance business		
		Reinsurance: unit-linked life insurance business		
	1	Fixed assets	71	92
		Deferred acquisition costs		
		Intangible assets		
	3, 4	Receivables from insurance business	251	338
	4	Other receivables	1'480	1'426
		Other assets		
		Unpaid share capital		
		Accrued assets		
	5	Total other assets	16'783	16'457
Total market-consistent value of assets		**Total market-consistent value of assets**	19'342	**19'268**

Best estimate liabilities (BEL)		Best estimate of provisions for insurance liabilities	11'305	11'496
		Direct insurance: life insurance business (excluding unit linked)		
	6	Reinsurance: life insurance business (excluding unit linked)	9'805	9'503
		Direct insurance: non-life insurance business		

		Direct insurance: health insurance business		
	7	Reinsurance: non-life insurance business	1'499	1'992
		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 liabilities		
		Outward reinsurance: life insurance business (excluding ALV)		
		Outward reinsurance: non-life insurance business		
Market-consistent value of other liabilities		Non-technical provisions	52	61
		Interest-bearing liabilities		
	4	Liabilities from derivative financial instruments	2'881	2'654
	4	Deposits retained on ceded reinsurance	323	476
	4	Liabilities from insurance business	464	423
		Other liabilities	1'155	929
	4	Accrued liabilities		
		Subordinated debts		
Total BEL plus market-consistent value of other liabilities		**Total BEL plus market-consistent value of other liabilities**	16'181	**16'039**
		Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	3'161	**3'229**

Notes:

1 Own-used real estate is reported under the item Fixed assets.

2 Changes in market prices and positions.

3 Deposits retained under assumed reinsurance business.

4 Economic and statutory values coincide; the changes are described in the statutory part.

5 Retrocessionaire's share of best estimate liabilities are shown as an asset.

6 Decrease in Life reinsurance liabilities – the reason for this is an overall smaller volume.

7 Increase in Non-life reinsurance liabilities – the reason for this is an overall larger volume.

Comparison of SST balance sheet with Swiss statutory accounts

The comparison of the SST balance sheet with the audited statutory financial statement figures provides information on the most important valuation differences between the economic valuation and the local statutory valuation. The items that are valued differently under these regulations are shown and explained below.

Assets

in EUR millions	*Statutory*	*SST*
Real estate	9	19
Fixed-income securities	715	714
Equities	5	19
Other investments	1'840	2'059

Receivables from derivative financial instruments	1'657	1'657
Deposits retained on assumed rein. bus.	11'817	11'817
Cash and cash equivalent	676	676
Underwriting provisions ceded	650	452
Other assets (tangibles)	31	92
Deferred Acquisition costs	453	-
Accounts receivable from reins. business	338	338
Other accounts receivable	1'426	1'426
Total Assets	**19'616**	**19'268**

Fixed-income securities, Equities, Other investments

The fixed-income securities and equities items listed in the table above are those that NewRe directly manages. The item "Other investments" are collective investment schemes in special funds, which are 100% owned. The vast majority of the fixed-income securities, equities 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 Swiss statutory accounting, fixed-income securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised within the investment result. Equities and other investments are valued at the lower of cost or market value.

Other assets

This position mainly consist of NewRe's own-occupied office building. Under SST, the value is based on the most recent appraisal (conducted in 2021). Under statutory accounts, 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.

Deferred acquisition costs

Acquisition costs are mainly from Life business. Under statutory accounts, 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 EUR millions	*Statutory*	*SST*
Technical provisions	14'157	11'496
Non-technical provisions	166	61
Liabilities due to derivative financial instruments	2'654	2'654
Deposits retained on ceded business	476	476
Accounts payable on reinsurance business	423	423
Other liabilities	929	929
Total Liabilities	**18'804**	**16'039**

Technical provisions

The technical provisions include all positions of the technical reserves in the Life and Non-life segments. Under statutory accounting, Non-life liabilities are not discounted. Fluctuation reserves on both the Non-life and Life sides allow the results under statutory accounting to be

	smoothed. The majority of the Life reserves are held for balance sheet protection solutions with counterparties in Germany. Expected future profits are generally not taken into account, with the exception of the use of deferred acquisition costs for financing transactions. The difference between the liabilities according to statutory accounting and economic principles results mainly from the expected present value of future profits from the life reinsurance portfolio. To a somewhat lesser extent, the discounting of the P&C liabilities under SST also has an impact. No fluctuation reserves are formed in the SST regime; these are thus considered risk-bearing.
Non-technical and other provisions	A fluctuation reserve for Weather derivatives is reported in the statutory accounts. Under SST, this reserve is considered as risk-bearing.

Risk-bearing capital

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

Derivation of the RBC

in EUR millions	2020	2021
Statutory shareholder equity	762	811
Unrealised gains on assets	106	104
Adjustments to statutory liabilities	1'838	1'860
Fluctuation reserves	454	453
Expected dividend	-109	-156
Risk bearing capital	**3'052**	**3'073**

The adjustments to the statutory liabilities consist mainly of expected future profits in life reinsurance contracts.

The items in the above table, with the exception of expected dividend payments, correspond to the market-consistent value of the assets minus the best estimate of the liabilities, which is why the risk bearing capital can also be presented as follows:

Market-consistent balance sheet & RBC

in EUR millions	2020	2021
Market-consistent value of assets minus best estimate liabilities	3'161	3'229
Expected dividend	-109	-156
Risk bearing capital	**3'052**	**3'073**

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 2021.

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

Liabilities and equity		in TEUR	
		2021	2020
Share capital	14	240,396	240,396
Legal reserves from capital		113	113
Legal reserves from profit		120,084	120,084
Free reserves		294,537	292,669
Conversion difference		0	0
Profit for the year		156,316	108,922
Total equity	8	**811,446**	**762,184**

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

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

G. Solvency

a) Risk model

NewRe offers both traditional reinsurance and tailored reinsurance solutions. In addition to that, NewRe's portfolio includes insurance risks in derivative form, be it weather derivatives or financial market guarantees for variable annuity products. NewRe uses internal modules to adequately reflect the complexity of its risk profile and, in particular, to measure risks that go beyond traditional reinsurance. For all these modules, NewRe has unconditional FINMA approval. Only for market risk does NewRe use FINMA's standard market risk model.

The following paragraphs provide an overview of the components of the models and their characteristics. The most important differences to the standard model are summarised in the table below.

Risk module	NewRe's risk model	Standard SST model
Property & Casualty	Stochastic models for Basic losses, Large losses, Weather derivatives, Structured solutions business	Stochastic model for attritional events and individual events
Accumulation	Stochastic frequency-severity model for natural catastrophes and other accumulations (e.g. cyber, terror)	Natural perils as defined by the Swiss Natural Peril Pool are modelled within the Non-life standard model
Life & Health	Stochastic model for key risk drivers such as pandemic or mortality trend	Standard stress tests on key cashflow projection assumptions
Market risk transfer (MRT)	Stochastic models for residual risks (after hedging), including their aggregation	The standard SST model does not have a specific module for variable annuity business
Market	Multivariate Gaussian distribution for standardised risk factors	Multivariate Gaussian distribution for standardised risk factors
Credit	Stochastic Merton-based model with multiple systematic variables	Combination of • Stochastic Merton-based model with one systematic variable and • Basel III standard approach
Aggregation	Gumbel Copula to reflect tail dependencies	Gaussian Copula between insurance risk and market risk, simple addition of credit risk

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

Property & Casualty

NewRe's Property & Casualty (P&C) business is modelled by the four modules Basic losses, Large losses, Structured solutions business and Weather derivatives. A single treaty can have risk components in more than one module.

Basic losses

Basic losses from Property & Casualty include premium and reserve risk. Premium risk is the risk that claim payments for losses that have not yet occurred will be higher than expected. The reserve risk, on the other hand, is the risk of the technical provisions set up for losses already incurred will not be sufficient. The quantification of these risks is based on analytical methods using standard reserving procedures. The models are calibrated on the basis of NewRe's own historical loss and run-off data, thereby separating the portfolio into homogeneous classes. Aggregation at portfolio level is based on dependency assumptions calibrated to NewRe's own loss experience.

Large losses

Large individual losses are modelled using a collective risk model. The parameters for each large loss segment are calibrated based on historical loss experience, taking into account the current portfolio characteristics.

Structured solutions business

In the structured solutions segment, the most important contracts are modelled individually and then aggregated using an appropriate dependency structure between the contracts. The calibration of the individual loss distributions is based on both the historical loss experience of the cedants and the current contract terms and conditions.

Weather derivatives

To quantify the risks inherent in weather derivatives, risk factors such as precipitation or temperature are modelled and calibrated against historical data. These historical data are adjusted for macro and micro trends in recent decades.

Accumulation

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

P&C and Accumulation risk

in EUR millions	2020	2021
Basic losses	252	306
Large losses	117	110
Structured solutions business	108	92
Weather derivatives	153	230
Diversification	-325	-351
P&C risk	305	389
Accumulation	501	620
Diversification and other benefits	-269	-338
P&C and Accumulation risk	**537**	**671**

Weather derivatives risk has increased significantly due to the cancellation of an internal retrocession. Basic loss risk has increased due to strong ongoing renewal of motor business. The increase in Accumulation or natural catastrophe risk is due to an increase in exposure to Storm Europe and Earthquake Switzerland/Germany events.

Life and MRT

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

The stand-alone capital requirements for the key drivers of the Life underwriting risk together with the capital requirement for MRT business are as shown in the following table.

Life and MRT risk

in EUR millions	2020	2021
Mortality	514	523
Morbidity	8	8
Longevity	9	7
Financing	84	93
Mass Lapse	41	65
Non-Proportional	129	114
Diversification	-149	-158
Life Risk	636	652
Market Risk Transfer (MRT)	175	166
Diversification and other benefits	-92	-74
Life and MRT risk	**719**	**744**

NewRe's Life and MRT risks remained relatively stable during 2021. The risk from new US structured and mass lapse business was partially offset by the external retrocession of NewRe's Life Epidemic Risk Solution business.

Market

Market risks are modelled by means of FINMA's standard market risk model. Where possible, the most important balance sheet items are exactly revalued at the one-year horizon. This includes for example equities or fixed-income instruments. Only where this is not possible, as is the case for e.g. derivatives, are the remaining balance sheet items revalued using a "delta approach", i.e. with a linear approximation of the valuation function.

The market risk standard model further assumes that the changes in risk factors have a multivariate normal distribution. Together with the valuation functions, this allows the distribution of the change in risk-bearing capital over the one-year horizon to be derived, on the basis of which the market risk can be determined.

The stand-alone market risk broken down by main risk drivers is as follows.

Market risk

in EUR millions	2020	2021
Equity	50	8
Interest rate	149	179
Spread	22	119
Real estate	25	8
Foreign exchange	297	322
Diversification	-223	-306
Market risk	**320**	**331**

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

Credit

NewRe's credit risk is determined on the basis of a Merton-based 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 from investments (such as government bonds) as well as deposits retained on assumed reinsurance and NewRe's share in cedants' technical provisions is calculated by individual debtor. In particular, the credit risk arising through exposure to cedants' technical provisions is allowed for by calculating the loss in present value of future profits that would arise should a default occur at individual cedant level. In addition, other credit exposures such as counterparties to weather derivative transactions and accounts receivable are also allowed for in the calculation.

Historical capital-market data are used 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. NewRe uses its own historical loss experience to calibrate the credit risk arising from receivables.

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

Credit risk

in EUR millions	2020	2021
Receivables & Deposits	202	217
Other Life business	172	161
Investments	68	68
Weather derivatives	13	18
Diversification	-68	-74
Credit risk	**386**	**389**

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

Aggregation

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

b) Solvency ratio

With a risk-bearing capital of EUR 3'073 m and a target capital of EUR 1'923 m as at 1 January 2022, NewRe's solvency position is very strong, with a solvency ratio of 183%.

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

Financial situation report: Quantitative template “Solvency Solo”

in EUR millions

Derivation of RBC	**2020**	**2021**
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	3'161	3'229
Deductions (expected dividend)	-109	-156
Core capital	**3'052**	**3'073**
Supplementary capital	0	0
RBC	**3'052**	**3'073**

Derivation of Target capital		
Underwriting risk	1’258	1’415
Market risk	320	331
Diversification effects	-615	-708
Credit risk	386	389
Market value margin and other effects on target capital	471	496
Target capital	**1’820**	**1’923**

SST ratio (in %)		
(Risk-bearing capital - MVM) / (Target capital - MVM)	**194%**	**183%**

The market value margin equals EUR 541 m, see the relevant table in Chapter D). Other effects on target capital include the expected result of EUR 44 m. In total, this results in a value of EUR 496 m (541 m – 44 m) for the item “Market value margin and other effects on target capital”.

The figures reported in this document correspond to the official SST calculation performed as at 1 January 2022. The SST calculation is submitted to FINMA at the same time as this report is published, 30 April 2022, and is subject to their regulatory review.

Sign-off by the executive body

The Board of Directors of NewRe has overall management responsibility for the Company. At its meeting on 21 April 2022, the Board of Directors of NewRe approved this 2021 Financial Condition Report.

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