



***Annual Report 2014***  
Local GAAP format  
(Swiss Code of Obligations)

**new/re**

risk. covered.



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

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## *NewRe at a glance*

New Reinsurance Company Ltd. ("NewRe") was founded in Zurich in 1926 and has been part of Munich Re since 1988. We are a professional property and casualty reinsurance company, a leading underwriter of structured reinsurance solutions in Europe and an active reinsurer in the fields of insurance derivatives and parametric trigger covers. We also specialise in underwriting variable annuity and life financing business on a worldwide basis. NewRe combines exceptional financial strength with the flexibility and creativity of a medium-sized reinsurer.

Our goal is to be considered as an important partner by our clients. We therefore think beyond traditional models and design tailor-made reinsurance solutions that aim to enhance our clients' capital structure, earnings stability or liquidity. Working with our broker partners, we offer monoline and multi-line solutions including life and specialty classes of business, in the form of both prospective and retrospective covers.

# Summary

## Key figures

IN CHF	2014	2013
Gross premiums written	1,022,556,730	1,106,532,605
Net earned premiums	1,046,498,652	1,099,182,352
Investment result	66,465,999	167,821,322
Management expenses	-46,287,562	-38,165,159
Result for the year	114,405,278	106,784,704
Investments	3,762,967,274	3,467,168,882
Technical provisions (net)	2,180,004,625	2,792,063,869
Shareholder's equity*	820,734,064	813,058,786

\*before appropriation of available earnings

## *The 2014 financial year*

Despite the prevailing difficult market environment, NewRe once again achieved a very good result for the year of CHF 114.4m, compared to CHF 106.8m in 2013 (+7%). The absence of major claims contributed to this achievement, while negative currency effects had an adverse impact on the result.

### ***Soft market and strong Swiss franc***

Gross premiums written fell from CHF 1.11bn in 2013 to CHF 1.02bn (-8%) in 2014. The reason for the decline was increased downward pressure on prices, terms and conditions in most classes of business due to an oversupply of reinsurance capacity and the good capitalisation of most market players. NewRe adhered to its strict underwriting policy and renewed business only if it met its profitability requirements.

Hence, Non-Life reinsurance gross premiums decreased from CHF 695m in 2013 to CHF 641m (-8%). The Life business contributed to the result with gross premiums of CHF 381m (CHF 412m in 2013). The main adverse impact on the premium income came from currency effects.

### ***Excellent technical result***

The overall technical result grew from CHF 127m in 2013 to CHF 137m in 2014 (+8%). The technical result for Non-Life nearly doubled from CHF 39m in 2013 to CHF 69m in 2014. The excellent result was mainly due to the absence of major claims. In Life, however, the technical result dropped from CHF 88m in 2013 to CHF 67m, reflecting primarily negative currency translation effects.

### ***Impacted investment result***

The investment result was CHF 66m, down 61% from 2013's figure of CHF 168m. The 2013 investment result was inflated by positive hedging results in the life business, which compensated for negative currency movements (reported in "Other result"). This was the main driver of the significant decrease from 2013 to 2014. Adjusted for this, our results from life asset protection business as well as bond investments have developed positively. We incurred significant losses in the weather derivative business in 2014.

### ***Strong capital base***

The good overall result achieved in 2014 increased NewRe's shareholder's equity from CHF 813m in 2013 to CHF 821m. With an excellent financial security rating of AA- with a stable outlook by S&P, we remain a strongly capitalised and reliable partner for our clients.

### ***Outlook for 2015***

Driven by very solid results for reinsurers in 2014 and the continuing low interest rates, the soft reinsurance market persists, and market conditions are deteriorating further. NewRe will continue its strategy of actively managing the market cycle. We tightly monitor and manage the quality of the reinsurance portfolio and exit business where the required margins have been eroded. We will also continue to expand our non-traditional segments in the specialties and structured reinsurance business as well as insurance derivatives and parametric trigger products.



*Continuously gaining new insights  
helps us to move forward.*

# Balance sheet as at 31 December 2014

(BEFORE APPROPRIATION OF AVAILABLE EARNINGS)

## Assets

IN CHF	2014	2013
Bank and post office accounts and cash	299,060,262	236,967,338
Short-term investments	2,379,273	96,880,938
Securities	3,416,239,000	3,088,031,867
Real estate	45,288,739	45,288,739
Amounts due from companies for reinsurance business:		
Current account	63,750,928	88,095,940
Thereof affiliated companies	1,474,585	27,236,429
For deposits made	518,287,037	1,068,082,832
Thereof affiliated companies	426,934	66,435,926
Sundry debtors and transitory assets	799,245,965	1,062,665,604
<b>TOTAL</b>	<b>5,144,251,204</b>	<b>5,686,013,258</b>

## Liabilities and equity

IN CHF	2014	2013
Capital subscribed	260,000,000	260,000,000
General reserve fund	130,000,000	130,000,000
Free reserves	316,328,786	316,274,082
Retained earnings (incl. profit/loss brought forward)	114,405,278	106,784,704
<b>SHAREHOLDER'S EQUITY</b>	<b>820,734,064</b>	<b>813,058,786</b>
Technical provisions for own account:		
Future policy benefits reserves	212,241,881	721,196,008
Unearned premiums	307,796,802	334,001,571
Claims reserves	1,360,431,205	1,429,911,703
Equalisation reserves	299,534,737	306,954,587
Amounts due to companies for reinsurance business:		
Current account	394,286,013	345,322,450
Thereof affiliated companies	16,748,613	14,980,999
For deposits retained	12,411,446	13,613,840
Thereof affiliated companies	0	0
Sundry creditors and transitory liabilities	1,736,815,056	1,721,954,313
<b>TOTAL LIABILITIES</b>	<b>4,323,517,140</b>	<b>4,872,954,472</b>
<b>TOTAL</b>	<b>5,144,251,204</b>	<b>5,686,013,258</b>

# Profit and loss account for the business year 2014

## Technical accounts

IN CHF

		2014	2013
<b>LIFE</b>			
1. Net earned premiums:			
Gross premiums	381,263,955	411,952,468	
Premiums retroceded	1,453,178	5,477,911	
Change in unearned premiums	12,622,565	-2,379,325	
		<b>395,339,698</b>	<b>415,051,054</b>
2. Expenditure for claims on death or maturity for own account, incl. change in claims reserves and change in premium funds	-261,887,427		-273,646,484
3. Commissions for own account	-93,428,201		-84,652,257
4. Interest for own account			
On premium funds	18,717,573	20,400,011	
On other technical provisions	10,979,153	12,181,260	
		<b>29,696,726</b>	<b>32,581,271</b>
5. Management expenses	-2,362,546		-1,751,926
<b>TECHNICAL RESULT FOR LIFE</b>		<b>67,358,250</b>	<b>87,581,658</b>

		2014	2013
<b>NON-LIFE</b>			
6. Net earned premiums:			
Gross premiums	641,292,775	694,580,137	
Premiums retroceded	-16,175,980	-18,695,193	
Change in unearned premiums	26,042,159	8,246,354	
		<b>651,158,954</b>	<b>684,131,298</b>
7. Claims for own account, incl. change in claims reserves	-464,681,120		-560,802,700
8. Commissions for own account	-117,762,121		-88,390,357
9. Interest on technical provisions for own account	28,422,376		26,067,647
10. Management expenses	-27,774,224		-21,691,209
<b>TECHNICAL RESULT FOR NON-LIFE</b>		<b>69,363,865</b>	<b>39,314,679</b>
<b>OVERALL TECHNICAL RESULT</b>		<b>136,722,115</b>	<b>126,896,337</b>

## General accounts

IN CHF

		2014	2013
11. Investment income	687,576,520	568,208,724	
12. Investment expenses	-621,110,521	-400,387,402	
Investment result	66,465,999		167,821,322
13. Interest on technical provisions			
Interest on technical provisions – life	-29,696,726	-32,581,271	
Interest on technical provisions – other classes	-28,422,376	-26,067,647	
		<b>-58,119,102</b>	<b>-58,648,918</b>
		<b>8,346,897</b>	<b>109,172,404</b>
14. Other result		-7,816,069	-109,756,620
15. Management expenses	-46,287,562		-38,165,159
Management expenses – life f.o.a.	2,362,546		1,751,926
Management expenses – other classes f.o.a.	27,774,224		21,691,209
		<b>-16,150,792</b>	<b>-14,722,024</b>
16. Writedowns and value adjustments		-489,251	-572,561
17. Taxes		-6,207,622	-4,232,832
<b>RESULT FOR THE YEAR</b>		<b>114,405,278</b>	<b>106,784,704</b>
Profit/loss brought forward from previous year		0	0
<b>BALANCE SHEET RETAINED EARNINGS</b>		<b>114,405,278</b>	<b>106,784,704</b>



*Actively discussing problems  
fosters new and creative solutions.*





*Constantly seeking new opportunities keeps us ahead of competition.*



# Notes to the financial statements

## 1. Accounting principles

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

### **Financial instruments**

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

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

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

### **Real estate**

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

### **Accounts receivable**

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

### **Other assets and liabilities**

These are shown at their nominal value or at fair value for derivative instruments.

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

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

Commissions paid in respect of financing-type life reinsurance contracts are capitalised and amortised in proportion to the gross profit amounts expected to be realised over the life of the contract. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test.

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

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

### **Premiums**

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

## 2. Transactions conducted in foreign currencies

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

### **3.**

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

### ***Art. 662a OR***

NewRe's Board of Directors is not aware of any developments that qualify as a sub-sequent event as at the date of these statutory financial statements.

On 15 January 2015, the Swiss National Bank announced to abandon its cap on the Swiss franc against the Euro. As of that date, the major currencies relevant for NewRe (USD, EUR, JPY and GBP) have devalued considerably against the Swiss franc. The abandonment of the capped CHF/EUR rate had no impact on NewRe's statutory financial statements for 2014.

### ***Art. 663b N°2 OR***

The assets pledged or assigned to secure NewRe's commitments, plus the assets under reservation of ownership, amounted to CHF 775m as at 31 December 2014 (2013: CHF 836m). The decline is mainly due to guaranties given to third parties regarding the weather business.

### ***Art. 663b N°4 OR***

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

<b>IN TCHF</b>	<b>2014</b>	<b>2013</b>
Buildings	36,750	36,750
Furniture and computer equipment	4,600	4,600
<b>TOTAL</b>	<b>41,350</b>	<b>41,350</b>

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

**Governance and responsibilities**

The Board of Directors is responsible for the risk management principles and policies, as well as for approving the overall risk tolerance. The operational risk processes are delegated to an independent risk function that is responsible for risk assessment, reporting and escalation.

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

**Risk management objectives**  
**and methodology**

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

NewRe's risk management strategy is aimed at:

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

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

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

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

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

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

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

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

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

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

NewRe determines the economic capital required to carry its risks by using the stochastic internal risk model as developed for the Swiss Solvency Test (SST). The economic risk capital corresponds to the 99% tail value at risk (TVaR) over a one-year time horizon. This represents an estimate of the expected annual loss likely to occur with a frequency of less than once in one hundred years.

#### ***Internal Control System (ICS)***

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

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

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

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

NewRe's shareholder is the Munich Reinsurance Company (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München), which holds 100% of the shares in the company.

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







***Connecting different skills and abilities leads to superior results.***

# Proposed appropriation of the 2014 available earnings

Retained earnings for 2014 amounted to CHF 114,405,278 (2013: CHF 106,784,704). The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 88.00 per share be paid, resulting in the following appropriation of the balance sheet retained earnings of CHF 114,405,278:

IN CHF	2014
Allocation to free reserve	5,278
Dividend	114,400,000
<b>BALANCE SHEET RETAINED EARNINGS</b>	<b>114,405,278</b>

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

Zurich, 18 June 2015

Chairman  
of the Board of Directors



Dr. Thomas Blunck

Chairman  
of the Executive Board



Andreas Molck-Ude

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

## ***Report of the Statutory Auditor on the Financial Statements***

As statutory auditor, we have audited the accompanying financial statements of New Reinsurance Company Ltd., which comprise the balance sheet (page 7), the profit and loss account (page 8) and the notes (pages 12 to 15) for the year ended 31 December 2014.

### ***Board of Directors' Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

### ***Report on Other Legal Requirements***

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

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

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

KPMG AG

Bill Schiller  
*Licensed Audit Expert  
Auditor in Charge*

Patrick Scholz  
*Licensed Audit Expert*

Zurich, 18 June 2015

\* *creative*



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