



Annual Report 2018
Local GAAP format
(Swiss Code of Obligations)



Who we are



Rating





Key figures

in CHFm	2018	2017
Gross premiums written	5,319.9	4,337.3
Net earned premiums	5,263.6	4,404.3
Overall technical result – Life & Non-life (incl. interest, after management expenses)	90.6	69.5
Investment result (excl. interest on techn. provisions, before management expenses)	13.4	29.4
Management expenses – investments	-23.5	-21.7
Profit for the year	133.4	128.0
Investments	2,412.3	2,549.6
Technical provisions (net)	8,502.7	4,247.4
Shareholders' equity*	839.9	834.4

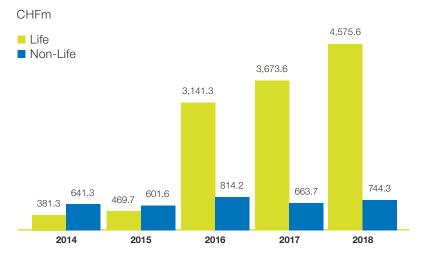
^{*}before appropriation of available earnings

over 120 specialists in Zurich

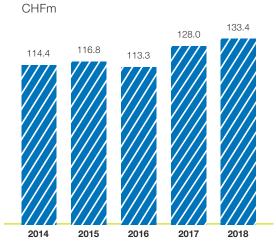
90
years of experience

173%
SST solvency ratio

Gross premiums written



Profit for the year





Contents

NewRe at a glance	05
Overview	05
Board of Management	06
Letter from the CEO	09
Business segments	12
Management report	15
Financial statements	19
Balance sheet as at 31 December 2018	19
Income statement for 2018	20
Cash flow statement	24
Notes to the financial statements	26
Proposed appropriation of the 2018 earnings	31
Report of the statutory auditor	32



NewRe at a glance

Overview

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

NewRe is a property and casualty reinsurance company, a leading underwriter of structured reinsurance solutions and an active reinsurer in the fields of insurance derivatives and parametric trigger covers. The company also specialises in variable annuity reinsurance and capital management solutions for life business. NewRe is considered a core company of Munich Re Group and combines exceptional financial strength with the efficiency and creativity of a medium-sized reinsurer.

We want to be a reliable partner for our clients. We think beyond traditional models and design tailor-made reinsurance solutions with the aim of enhancing our clients' capital structure, earnings stability and liquidity. Working with our broker partners, we offer mono-line and multi-line solutions, including life and specialty classes of business, in the form of both prospective and retrospective covers.

Board of Directors

Dr. Doris Höpke, President Claus-Ulrich Kroll, Vice-President Bruno Meyenhofer Dr. René Schnieper

Board of Management

Dr. Renate Strasser,
Chief Executive Officer
Dr. Jürgen Kammerlohr,
Chief Financial Officer
Jean-Luc Bourgault, Chief Underwriting
Officer Property & Casualty,
until 30 August 2018
Dr. Artur Klinger, Chief Underwriting
Officer Property & Casualty,
as of 1 September 2018
Dr. Christian Dahmen, Chief Risk Officer

Shareholder

100% Munich Reinsurance Company, Munich

Rating

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

Auditors

KPMG AG, Zurich

Board of Management

Dr. Renate Strasser, Chief Executive Officer

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

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

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

Dr. Jürgen Kammerlohr, Chief Financial Officer

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

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

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

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

Jean-Luc Bourgault, Chief Underwriting Officer Property & Casualty (until 30 August 2018)

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

He joined NewRe in 2000 and was appointed to the Board of Management as Chief Underwriting Officer responsible for all life and non-life business in 2001. He oversaw the strategic refocusing of NewRe in European markets and non-proportional business and built the analytics capabilities of the company. From 2008 onwards, he focused on developing the Property & Casualty operations and positioned NewRe as a leading market player for innovative non-standard and structured solutions.



Members of the Board of Management (from left):
Christian Dahmen, Chief Risk Officer
Artur Klinger, Chief Underwriting Officer Property & Casualty
Renate Strasser, Chief Executive Officer
Jürgen Kammerlohr, Chief Financial Officer

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

Dr. Artur Klinger, Chief Underwriting Officer Property & Casualty (as of 1 September 2018)

Prior to his reinsurance career, Artur Klinger spent several years as an Assistant Professor of Statistics at the University of Munich. In 1999, he joined the business economics department of Bavarian Re, resp. Swiss Re Germany, where he worked on economic value measurement and capital allocation projects.

From 2001 onwards, Artur built up the pricing and cat. modelling department of Alea Europe, an innovative reinsurance company located in Basel. In 2005, he was appointed member of Alea Europe's Executive Board responsible for underwriting and actuarial services. Following his years with the Alea Group, Artur joined Allianz Risk Transfer (ART) as Chief Actuary for the ART Group in 2006.

He joined NewRe (in Geneva) in 2008, where he set up the Analytics, Pricing & Structuring department. After establishing the structured solutions for nonlife business and insurance derivatives as a strategic pillar for NewRe, he was promoted to CUO Specialties in 2013.

From 2015 to 2018 Artur was Head of Capital Partners Zürich, a hub of a global Munich Re Group business unit focussing on innovative solutions for integrated risk, financial and capital management.

In September 2018, Artur Klinger was appointed Chief Underwriting Officer Property & Casualty and member of the Board of Management of NewRe.

Artur Klinger holds a Ph.D. in Statistics from the University of Munich.

Dr. Christian Dahmen, Chief Risk Officer

Following several years in financial risk consulting with d-fine in Germany, Christian Dahmen joined Munich Re in 2009 as Risk Analyst for Market & Credit Risk Modelling. In the preparation phase for Solvency II, Christian Dahmen managed Munich Re's group-wide internal model application project.

Since then, he has held several management positions in risk management across the Munch Re Group. Most recently, he headed the risk management organisation of the Munich Health segment within the Group.

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

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

Letter from the CEO

While 2018 was an eventful year for the reinsurance industry, it was marked by continuous and profitable growth for NewRe. The company closed its 2018 financial year very positively with the premium volume rising from CHF 4.3bn in 2017 to CHF 5.3bn in 2018. This increase in gross premiums written was mainly driven by the Life business.

At CHF 133.4m, NewRe's overall 2018 result compares favourably to the previous year's figure of CHF 128m. Our strong financial result stems from profits in the natural catastrophe reinsurance business, the Weather segment and Life business. Our financial statements and the Management Report (p. 15) look at the drivers of our 2018 performance in more detail.

NewRe runs a business model that is structured around four strategic pillars (cf. also p. 12 Business segments) painting a broad picture of diversification. We hereby nurture a second-brand strategy operating independently from Munich Re Group in our Property & Casualty business. Complementary, we enhance the Group's offering with the other three segments, Capital Partners, Weather & Agro and Life reinsurance, where we work in group-wide teams and act as a specialised risk carrier for Munich Re.

This past fiscal year, we saw a change on our Board of Management. After 18 years as Chief Underwriting Officer, Jean-Luc Bourgault, decided to step down a year prior to his retirement. We thank Jean-Luc Bourgault for his immense dedication towards NewRe and the many years in which he shaped and steered the company towards the successful business we run today.

On 1 September 2018, Dr. Artur Klinger was appointed Chief Underwriting Officer and member of the Board of Management. With his outstanding industry knowledge and agile mindset, we are convinced that we have secured the best expert to drive the Property & Casualty business forward.

As testing as 2018 was on multiple fronts, it also bore daily witness that our staff are among the best in class. They once again showcased their dedication, hard work and passion extraordinaire in 2018 for which I thank every employee wholeheartedly.

For 2019, we see little respite and are committed and well-equipped to tackle the challenges of the evolving reinsurance market. The drift of the industry has been towards fewer carriers in recent years and consolidation seems likely to continue in 2019. Many reinsurers are facing difficult and sometimes existential questions as they position themselves for an ultra-competitive environment which is arguably changing faster now than ever before.

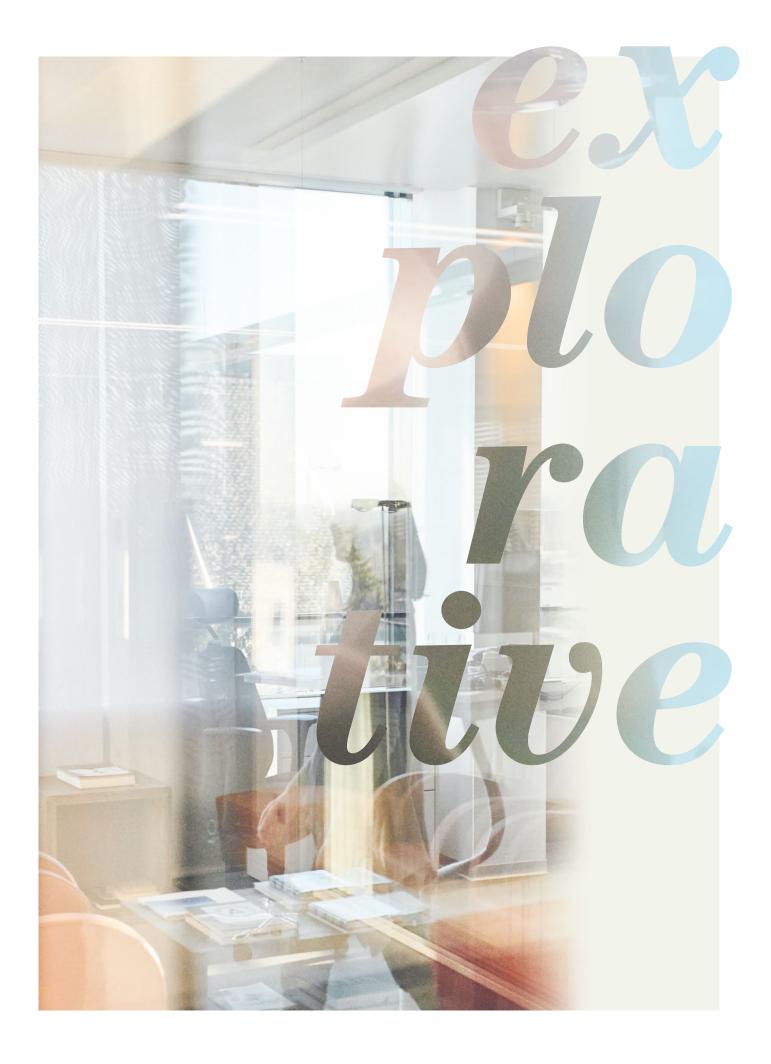
Yet, NewRe stands tall as the premium reinsurer who already combines solidity with flexibility and innovative capacity in order to create sustainable added value for its clients. We believe with this attitude our clients can profit in the best possible fashion: we have demonstrated repeatedly that we possess the ideal size and required agility to react quickly and competently to changes in the market.

At the core of our business lies our mission to remain the reliable partner for our clients and doing what is right for them and their long-term interests. On behalf of the entire Board of Management, I would like to take this opportunity to thank you, our clients and business partners, for the trust and loyalty you place in us and our strong working relationship.

Yours respectfully,

Renate Strasser





Business segments

Property & Casualty Reinsurance

NewRe offers treaty reinsurance solutions operating as a separate brand within the Munich Re Group and thus complementing Munich Re's Property & Casualty offerings. We are a transaction-oriented reinsurer delivering client value by providing high quality financial rating and large capacities paired with the ability to structure and evaluate customised solutions.

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

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

We operate in three distinct areas that enable the optimal combination to deliver an ongoing solid performance within challenging market conditions:

- We are a quoting market for Property and Casualty treaty excess of loss reinsurance.
- We have recognised competencies in customised reinsurance to support solvency and growth and to protect earnings. We offer products, such as Solvency Q/S, Multi-Line Aggregate XL and retrospective reinsurance benefitting from our close cooperation with the local Capital Partners team.
- We support virtual insurance models and thus play a vital role in the Swiss InsurTech scene.

Capital Partners

We believe reinsurance offers profound value for our clients. Our agile deal teams consisting of experts from NewRe in Zurich as well as Munich Re in Munich, New York, Singapore and Beijing are dedicated to making sure that it does. We work closely with clients to jointly develop and structure unconventional risk transfer solutions around their needs.

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

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

Weather & Agro

Weather has a substantial financial impact on business in wealthy industrialised economies. The affected sectors include not only energy and agriculture, but also travel, entertainment, construction and many more. While companies have long used insurance to manage the risk of catastrophic weather events, weather-index-linked covers have grown to become an important risk management tool.

We develop bespoke risk transfer solutions for all industry sectors impacted by increased weather variability. Our financial hedging instruments are used to manage non-catastrophic weather-related risks, i.e. high-frequency, low-impact occurrences. The global Weather & Agro unit of Munich Re with teams in Zurich, Houston and Munich offers tailor-made solutions to minimise our clients' weather-related risk.

The NewRe based team's key focus are energy clients (both conventional as well as renewable production) in Europe, Latin America and parts of Asia. The main exposures covered are temperature, rainfall, sunshine and wind risks. Our core strategy continues to develop new client relationships in all markets to further grow and diversify the portfolio. The focus in 2019 will be to expand renewable business in Europe as well as to create opportunities in Latin America.

Life

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

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

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

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



Management report

General overview

In 2018, NewRe's top line developed positively again and the company achieved strong financial results. Primarily driven by Life business, premium volume rose from CHF 4.3bn in 2017 to CHF 5.3bn in 2018.

At CHF 133.4m, NewRe's overall 2018 result compares favourably to the previous year's figure of CHF 128m. This solid result stems from profits in the natural catastrophe reinsurance business, which showed favourable loss development, the Weather segment and Life business.

Market conditions, competition, supply and demand

The non-life reinsurance market showed stable rates in the Casualty business in an overall soft market environment.

In Property reinsurance, prices remained relatively soft across Europe; the rates for natural catastrophe exposed business reduced further. The main cause for these continued low price levels is a vast surplus of risk capital in the market.

In Life reinsurance, business opportunities arose in the German market due to interest rate based reserving requirements (so-called "Zinszusatzreserve") and generally due to solvency requirements for primary insurance clients. NewRe was able to benefit from this environment and several new life transactions have been written.

Staff

The total workforce of NewRe was 113 FTEs at the beginning and 117 FTEs at the end of 2018, with an average of 115 FTEs during the year.

A change in the composition of NewRe's Board of Management became effective in September 2018. In the context of his upcoming retirement in 2019, Jean-Luc Bourgault stepped down from his position as a member of the Board of Management and Chief Underwriting Officer. Dr. Artur Klinger was appointed as his successor and took on his role effective 1 September 2018.

Innovation and development

In Non-life reinsurance, we continue to work with innovative start-up companies and virtual insurers. In Life reinsurance, our focus has been to support primary insurance companies in offering innovative products to their clients and to cover the risks associated with these new products.

Significant events

New Life reinsurance transactions have added a premium volume of roughly CHF 900m during 2018. Across all segments (including Life), gross premiums written grew to CHF 5.3bn, compared to CHF 4.3bn in 2017.

Non-life: The NewRe natural catastrophe reinsurance business experienced another year of relatively benign losses. With a bottom line impact of less than CHF 25m wildfire losses in the US formed the most severe losses in 2018.

Weather business: After a challenging year 2017, NewRe's Weather derivatives business performed positively in 2018 and in line with its business plan.

Risk management

Due to the volatile nature of the reinsurance business, and the potential for significant losses, NewRe has a dedicated risk policy and maintains a tight risk management system. The features of this risk management system are explained in more detail in the respective section of this report (cf. page 17, "Risk assessment").

All events and impacts experienced in 2018 were within the expected range.

Outlook

In NewRe's Non-life reinsurance business, 1 January is the date on which a significant portion of the book is due for renewal. Despite the continuing soft market, the overall outcome of the 1 January 2019 business renewals was positive, primarily with respect to new business volume and, to a lesser degree, also with respect to price levels. While price levels were predominantly flat, NewRe received appropriate price increases on loss-affected business.

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

All in all, the outlook for NewRe's business in 2019 is favourable. However, the reinsurance business remains highly volatile by nature. The natural catastrophe reinsurance segment and the parametric Weather business particularly may be affected by large loss events and weather extremes. In addition, NewRe runs a tail risks in the Life segment with respect to market, mass lapse and mortality risks.

Based on 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. 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. As one of their risk management tools, NewRe operates an efficient Internal Control System (ICS) to promote and enhance the risk and control culture at NewRe in all areas and at all levels. All staff are instructed to proactively report deficiencies and risks in their areas of activity in order for timely action to be taken to remedy them.

Risk management objectives and methodology

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

NewRe's risk management strategy is aimed at

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

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

- a system of internal controls aimed at avoiding and reducing undesired risk,
- the regular and structured analysis and measurement of risks.

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

Risk identification

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively, significantly affect the financial situation of NewRe. Risks are identified and classified according to their potential exposure to one or a combination of the following risk types: underwriting, market, credit, operational, liquidity, reputational and strategic risks.

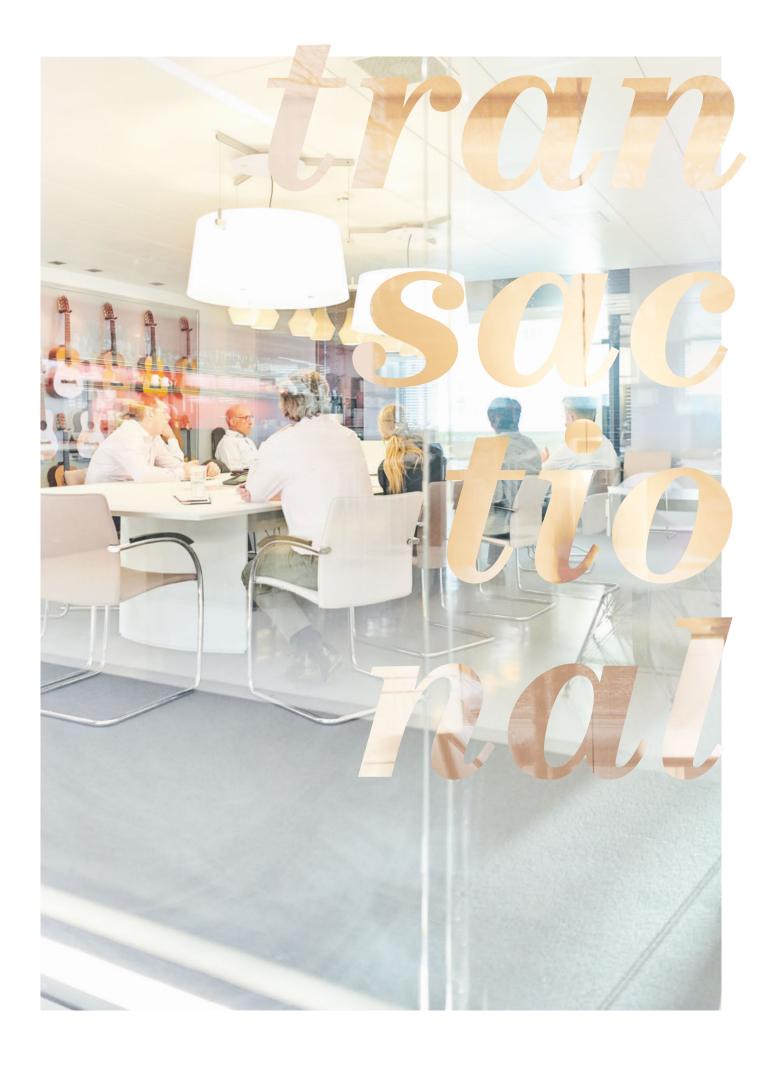
The majority of NewRe's risk and control activities are in the area of underwriting risks, focusing on the correct assessment of risk, exposure, price, wording and quidelines.

Risk evaluation and measurement

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

Internal Control System (ICS)

NewRe has a holistic approach to the ICS and its application is a continuous process, mainly based on the segregation of duties. The ICS is refined periodically to reflect changes in the business and control environment. As part of Munich Re, NewRe adheres to the Group framework of regulations and policies.



Financial statements

Balance sheet as at 31 December

before appropriation of available earnings in CHF

Assets	2018	2017
Investments		
Real estate	43,831,255	44,174,508
Fixed interest securities	486,871,892	503,855,370
Shares	5,255,696	5,196,798
Other investments	1,876,338,213	1,996,398,138
Receivables from derivative financial instruments	869,988,147	876,291,218
Deposits retained on assumed reinsurance business	6,893,535,025	2,521,794,398
Cash and cash equivalent	535,777,333	215,992,090
Underwriting provisions ceded	125,657,296	10,254,985
Tangible assets	412,404	670,691
Deferred acquisition costs	395,293,143	426,526,717
Accounts receivable from insurance and reinsurance companies	138,219,329	66,540,119
Other accounts receivable	599,320,475	397,310,375
	11,970,500,208	7,065,005,407

Liabilities and equity		2018		2017
Technical provisions		8,628,341,807	· · · · · · · · · · · · · · · · · · ·	4,257,664,476
Non-technical provisions		154,498,804		160,083,814
Liabilities due to derivative financial instruments		1,168,847,388		771,013,072
Deposits retained on ceded reinsurance business		117,721,251		1,670,397
Accounts payable on insurance and reinsurance business thereof due to brokers thereof due to insurance and reinsurance companies	2,477,062 330,630,571	333,107,633	2,241,764 305,899,764	308,141,528
Other liabilities		728,112,306		732,081,094
Total liabilities		11,130,629,189		6,230,654,381
Share capital		260,000,000		260,000,000
Legal reserves from capital		122,687		122,687
Legal reserves from profit		129,877,313		129,877,313
Free reserves		316,431,026		316,374,351
Profit for the year		133,439,993		127,976,675
Total equity		839,871,019		834,351,026
		11,970,500,208		7,065,005,407

Income statement for the year

Technical accounts

in CHF

Life			2018			2017
Gross premiums	4,575,612,657			3,673,620,869		
Premiums ceded	-7,718,991			-882,406		
Premiums for own account		4,567,893,666			3,672,738,463	
Change in unearned premiums gross	-4,733,965			4,142,736		
Change in unearned premiums ceded	0			0		
Change in unearned premiums for own account	_	-4,733,965			4,142,736	
Net earned premiums for own account			4,563,159,701			3,676,881,199
Interest for own account – on premium funds	-	168,553,069			40,323,535	
Interest for own account – on other technical provisions		8,402,864			3,073,059	
Interest on own account	-		176,955,933			43,396,594
Total technical income for own account			4,740,115,634			3,720,277,793
Claims payment gross	-2,066,300,426			-1,236,694,618		
Claims payment ceded	2,279,470			716,070		
Claims payment for own account		-2,064,020,956			-1,235,978,548	
Change in provision gross	18,115,114			-15,696,618		
Change in provision ceded	7,365,346			-903,520		
Change in provision for own account		25,480,460			-16,600,138	
Expenditure for incurred claims for own account			-2,038,540,496			-1,252,578,686
Commissions expenses gross		-2,665,560,175			-2,408,019,048	
Commissions expenses ceded		434,203			354,885	
Commissions expenses for own account	-		-2,665,125,972			-2,407,664,163
Management expenses – life for own account	_		-8,606,015			-6,056,287
Total technical expenses for own account			-4,712,272,483			-3,666,299,136
Technical result for Life	-		27,843,151			53,978,657



Technical accounts

in CHE

Non-Life			2018			2017
Gross premiums	744,278,922			663,649,778		
Premiums ceded	-14,348,280			-14,309,287		
Premiums for own account		729,930,642			649,340,491	
Change in unearned premiums gross	-28,337,349			78,314,743		
Change in unearned premiums ceded	-1,109,462			-235,130		
Change in unearned premiums for own account		-29,446,811			78,079,613	
Net earned premiums for own account			700,483,831			727,420,104
Interest on technical provisions			10.110.001			01 700 100
for own account			716,602,752			21,736,190 749,156,294
Total technical income for own account			710,002,752			749,150,294
Claims payment gross	-597,593,971			-404,029,769		
Claims payment ceded	7,185,291			2,889,766		
Claims payment for own account		-590,408,680			-401,140,003	
Change in provision gross	125,498,070					
Change in provision ceded	706,039			130,677		
Change in provision for own account		126,204,109			-159,787,956	
Expenditure for incurred claims for own account			-464,204,571			-560,927,959
Commissions expenses gross		-175,233,496			-155,702,777	
Commissions expenses ceded		4,892,905			4,633,355	
Commissions expenses for own account			-170,340,591			-151,069,422
Management expenses -						
other classes for own account			-19,289,038			-21,644,078
Total technical expenses for own account			-653,834,200			-733,641,459
Technical result for Non-life			62,768,552		-	15,514,835
Overall technical result			90,611,703			69,493,492

General accounts

in CHF

			2018			2017
Investment income	224,946,807			98,466,385		
Investment expenses	-18,423,931			-3,946,365		
Investment result		206,522,876			94,520,020	
Interest on technical provisions – life	-176,955,933			-43,396,594		
Interest on technical provisions - other classes	-16,118,921			-21,736,190		
Interest on technical provisions		-193,074,854			-65,132,784	
Investment result excluding interest on technical provisions			13,448,022			29,387,236
Net result from derivative financial instruments			81,556,808			39,623,634
Management expenses		-51,407,914			-49,362,574	
Management expenses – life for own account		8,606,015			6,056,287	
Management expenses – other classes for own account		19,289,038			21,644,078	
Management expenses – investments			-23,512,861			-21,662,209
Operating result (overall techn. result and investment result incl. management expenses)			162,103,672			116,842,153
Other income			3,140,414			25,506,567
Other expenses			-15,970,475			-12,133,870
Profit before taxes			149,273,611			130,214,850
Direct taxes			-15,833,618			-2,238,175
Profit for the year			133,439,993			127,976,675

Cash flow statement

in CHFm	2018	2017
Profit for the year	133	128
Net change in technical provisions	4,287	1,748
Change in deposits retained and accounts receivable and payable	-4,329	-1,595
Change in other receivables and liabilities	196	-219
Gains and losses on the disposal of investments	14	-29
Change in derivative from reinsurance business		79
Change in other balance sheet items		-6
Other income/expenses without impact on cash flow	239	91
I. Cash flows from operating activities	284	197
Change in affiliated companies and participating interests	147	-127
Change from acquisition, sale and maturities of other investments	17	3
Other		1
II. Cash flows from investing activities	164	-123
Inflows from increases in capital	0	0
Outflows from share buy-backs	0	0
Dividend payments	-128	-113
III. Cash flows from financing activities	-128	-113
Cash flows for the financial year (I.+II.+III.)	320	-39
Cash at the beginning of the financial year	216	255
Cash at the end of the financial year	536	216
Change in cash for the financial year	320	-39
Change in Cash for the illiancial year	320	-39



Notes to the financial statements

1. Accounting principles

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

Investments

Buildings are valued at the lower of original acquisition cost (including capitalised cost for improvements) less amortisation or market value. Amortisation is at a rate of 2% on a straight-line basis.

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

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

Receivables from and liabilities due to derivative financial instruments Derivative assets and liabilities are accounted for at their fair value.

Tangible assets

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

Deferred acquisition costs

Acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.

Accounts receivable

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

Other assets and liabilities

These are shown at their nominal value.

Commissions paid in respect of financingtype life reinsurance contracts are capitalised and amortised in proportion to the gross profit amounts expected to be realised over the life of the contract.

Claims expenses and claims reserves

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

Premiums

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

Other income and expenses

A large component of other income and expenses are 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.

2. Transactions conducted in foreign currencies

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

3. Other information according to the Swiss Code of Obligations (OR) and Insurance Supervisory Ordinance-FINMA (AVO-FINMA)

Affiliated companies

At the balance sheet date there were receivables and liabilities in respect of other affiliated companies belonging to the Munich Re (Group), as follows:

in CHF	2018	2017
Amount due from companies for reinsurance business		
Deposits retained on assumed reinsurance business	4,418,695,491	1,532,124,713
Accounts receivable	17,459,095	11,818,314
Total	4,436,154,586	1,543,943,027
Amount due to companies for reinsurance business		
Deposits retained on ceded reinsurance business	0	0
Accounts payable	1,848,008	4,034,108
Total	1,848,008	4,034,108

Overall "Deposits retained on assumed reinsurance business" and "Technical provisions" increased by approximately CHF 4.4bn in 2018 (cf. Balance sheet as at 31.12.2018 for details). Both increases were mainly due to two intra-group Life treaties and four external contracts with German clients covering interest rate based reserving requirements (so-called "Zinszusatzreserve": ZZR). The structure of the business requires that assets covering the provisions be deposited. These high deposits together with the new ZZR treaties increased our income from "Interest for own account on premium funds" by CHF 128m from CHF 40m to CHF 168m (cf. Income statement for details).

The total of "Deposits retained on ceded reinsurance business" increased in line with the "Underwriting provisions ceded" by CHF 116m (cf. Balance sheet as at 31.12.2018 for details).

Contingencies

The assets pledged or assigned to secure NewRe's commitments, plus the assets under reservation of ownership, amounted to CHF 506m as at 31 December 2018 (2017: CHF 803m). The decrease was mainly due to one Life treaty.

Auditors' fees

The fees for the audit of the 2018 financial statements amount to CHF 267k. CHF 12k relate to other services. In each case, fees exclude outlays and VAT.

Full-time equivalents

During the year, an average of 115.0 FTEs worked at NewRe.

Technical provisions

in CHE

			2018			2017
Technical provisions	Gross	Retro	Net	Gross	Retro	Net
Unearned premiums	201,901,650	3,577,631	198,324,019	179,929,977	4,877,748	175,052,229
Loss reserves	1,617,545,282	4,348,805	1,613,196,477	1,801,529,570	3,744,453	1,797,785,117
Other technical reserves	48,505,978	29,773	48,476,205	10,283,852	3,721	10,280,131
Future policy benefits reserves	6,760,388,897	117,701,087	6,642,687,810	2,265,921,077	1,629,063	2,264,292,014
Total	8,628,341,807	125,657,296	8,502,684,511	4,257,664,476	10,254,985	4,247,409,491

	2018	2017
Changes of the technical provisions	Net	Net
Change in unearned premiums	34,180,776	-82,222,349
Changes in loss reserves	-117,276,784	149,432,668
Other technical reserves	35,890,928	11,000,219
Changes in future policy benefits reserves*)	4,642,186,645	1,493,298,583
Total	4,594,981,565	1,571,509,121

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

Overall "Technical provisions" (Net) increased from CHF 4.2bn to CHF 8.5bn. This increase was mainly driven by two intra-group Life treaties and four external ZZR contracts, which also explains the corresponding increase of the "Changes in future policy benefits reserves".

The total "Underwriting provisions ceded" rose by CHF 115m (cf. Balance sheet as at 31.12.2018 for details). The retrocession is mainly with third parties. This is caused by a provision for future policy benefits due to a retrocession of an insurance contract.

The decrease in "Loss reserves" (Net) of CHF 185m in 2018 is mainly triggered by the Structured Solutions business.

Statement of changes in equity

in CHF

Year ended December 2018	Share capital	Legal reserves from capital	Legal reserves	Free reserves from profit	Profit for the year	Total equity
Balances as at 31 December 2017	260,000,000	122,687	129,877,313	316,374,351	127,976,675	834,351,026
Appropriation of earnings			-			
Dividend payment					-127,920,000	-127,920,000
Allocation to free reserves				56,675	-56,675	0
Profit for the year 2018					133,439,993	133,439,993
Balances as at 31 December 2018	260,000,000	122,687	129,877,313	316,431,026	133,439,993	839,871,019
Year ended December 2017						
Balances as at 31 December 2016	260,000,000	122,687	129,877,313	316,373,214	113,296,137	819,669,351
Appropriation of earnings						
Dividend payment					-113,295,000	-113,295,000
Allocation to free reserves				1,137	-1,137	0
Profit for the year 2017					127,976,675	127,976,675
Balances as at 31 December 2017	260,000,000	122,687	129,877,313	316,374,351	127,976,675	834,351,026

^{*)} Including portfolio movements the changes in future policy benefits reserves amount to CHF 70,298,713

Investments and investment result

in CHF

							2018
	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	Total investment expenses
Real estate	1,034,253	0	0	1,034,253	-75,919	0	-75,919
Fixed interest securities	12,808,465	0	632,733	13,441,198	-10,054,659	0	-10,054,659
Shares		0	0	0	0	0	0
Other investments	206,524,943	0	3,946,413	210,471,356	-8,293,353	0	-8,293,353
		_	Total	224,946,807	_	Total	-18,423,931
							2017
Real estate	1,150,982	0	0	1,150,982	-75,919	0	-75,919
Fixed interest securities	12,534,599	0	4,529,373	17,063,972	-2,323,327	25,888	-2,297,439
Shares		0	0	0	0	0	0
Other investments	73,864,120	0	6,387,311	80,251,431	-1,573,007	0	-1,573,007
			Total	98,466,385		Total	-3,946,365

The decline of the asset item "Other investments" of 120m in 2018 (cf. Balance sheet as at 31.12.2018 for details) is primary attributable to the strong Swiss Franc and to sales of non-public investment funds. These non-public investment funds, classified under "Other investments", are mainly invested into fixed-income securities.

The NewRe office building in Zurich is marked by "Real estate" in the table above. On one floor the space is partially let to external tenants. The rental income and associated expenses are recorded as investment income "Real estate".

Income from "Fixed interest securities" decreased in 2018 compared to 2017. Lower realised gains on sales of investments drove this decrease. The increase in investment expenses was due to higher write-downs.

Income from "Other investments" increased by CHF 130m. This was due to higher technical interests on deposits retained in connection with new Life treaties.

Net result from derivative financial instruments

The "Net result from derivative financial instruments" increased by CHF 42m. On the one hand, it relates to our Life reinsurance business covering market risks which developed positively in line with the growth of our portfolio. On the other hand, it contains direct and intra-group Weather business which contributed to the positive change over the previous year and is now on an expected level.

Other income and expenses

A large component of "Other income" and "Other expenses" were foreign exchange gains and losses, which were in part offset by currency hedges (cf. Income statement for details). The offsetting gains and losses from currency hedge transactions with derivates are recorded within the investment result.

Shareholder

The shareholder of New Reinsurance Company Ltd., Zurich is Munich Reinsurance Company (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München) which holds 100% of the shares in the Company.

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



Proposed appropriation of the 2018 available earnings

The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 102.60 per share be paid, resulting in the following appropriation of available earnings of CHF 133,439,993:

Profit for the year	133,439,993
Dividend	133,380,000
Allocation to free reserves	59,993
in CHF	2018

As the legal reserves meet the regulatory requirement, no further allocations to the fund will be made.

Zurich, 18 April 2019

President of the Board of Directors

Dr. Doris Höpke

Chief Executive Officer Chairman of the Board of Management

Dr. Renate Strasser

Chief Financial Officer Member of the Board of Management

Dr. Jürgen Kammerlohr

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 financial statements of New Reinsurance Company Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 19–29) for the year ended 31 December 2018.

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 2018 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Bill Schiller Licensed Audit Expert Auditor in Charge Patrick Scholz Licensed Audit Expert

Zurich, 18 April 2019

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