

Annual Report 2019

Local GAAP format
(Swiss Code of Obligations)

new/re

Who we are

210 CHFm
annual result

Rating

AA-

Standard & Poor's

A+

A.M. Best

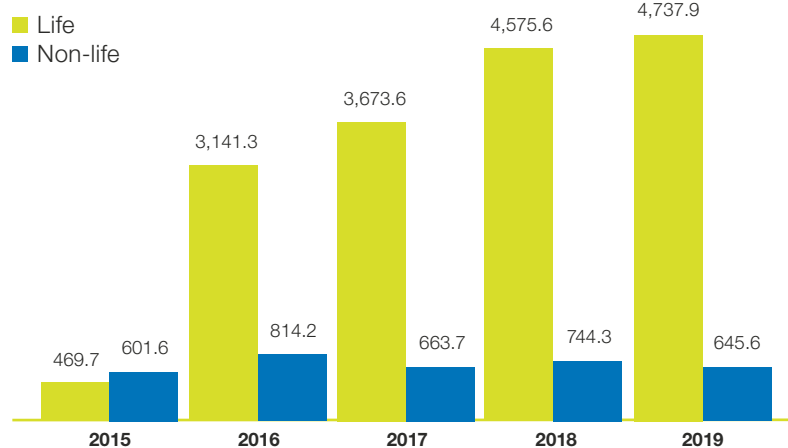
Key figures

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

*before appropriation of available earnings

Gross premiums written

CHFm



around

120

specialists in Zurich

over

90

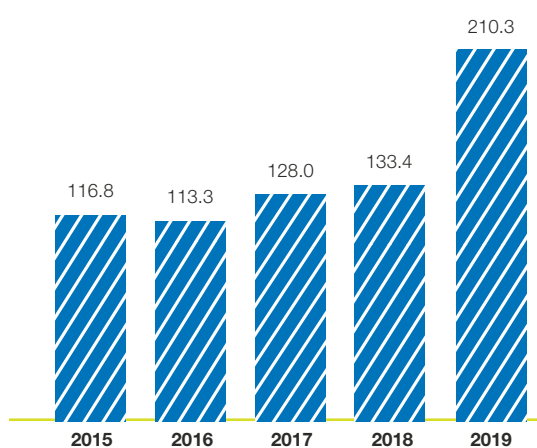
years of experience

171 %

SST solvency ratio

Profit for the year

CHFm



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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 Management

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

Board of Directors

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

Shareholder

100% Munich Reinsurance Company, Munich

Rating

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

Auditors

KPMG AG, Zurich

Status as of 31 December 2019

Board of Management



Dr. Renate Strasser, Chief Executive Officer

Renate Strasser has been Chief Executive Officer of NewRe since January 2016 and holds responsibility for the entire legal entity operating out of Zurich, including traditional property and casualty reinsurance business, structured reinsurance solutions, weather derivative business and life business.

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

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

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



Dr. Jürgen Kammerlohr, Chief Financial Officer

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

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

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

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



***Dr. Artur Klinger,
Chief Underwriting Officer Property &
Casualty***

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

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

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

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



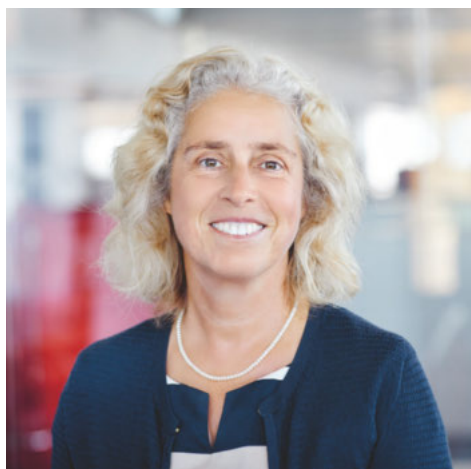
***Dr. Christian Dahmen,
Chief Risk Officer***

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

In the past, he spent several years in financial risk consulting with d-fine in Germany. After joining Munich Re in 2009, he held various management positions around investment risk modelling at Munich Re and MEAG and, in the preparation phase for Solvency II, he managed Munich Re's group-wide internal model application project. He then went on to head the global risk management organisation of the Munich Health segment within the Group.

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

Board of Directors



Dr. Doris Höpke, President

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

She has held various functions 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 the 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 since been responsible for various global projects, as well as heading the Munich Re Madrid office, the Munich Health business segment and the Special and Financial Risks division.

Doris Höpke completed her law studies at the universities of Osnabrück, Hanover and Leiden 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, as well as serving as Head of Supervisory Board for Great Lakes Insurance SE and Munich Re of Malta.

A lawyer by training, she entered Munich Re and 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 area of large corporate businesses. She also owned 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, 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.



***Bruno Meyenhofer,
Board Member***

Bruno Meyenhofer has been on the Board of Directors of NewRe since 2011.

Prior to his appointment, he spent more than 30 years in the reinsurance industry, working in various management and executive functions.

In the past, he held the function of divisional CEO at PartnerRe (within the executive committee), which cumulated in the position of Chairman of PartnerRe Global from 1999 until 2010.

Earlier in his career, he served in various functions at Winterthur Insurance Group and ultimately as a member of the Group Executive Board in charge of Reinsurance and Risk Management (1987–1998). Over the course of his long reinsurance career, he had management responsibility in Life, Non-life and speciality lines, as well as holding a number of Board of Director mandates in subsidiary companies.

Bruno Meyenhofer has an MA degree in Mathematics from the University of Fribourg, an Associateship of the Chartered Insurance Institute in London and an MBA from INSEAD in Fontainebleau.



***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 ceding companies. 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 became responsible for supervising 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.



Letter from the CEO

Looking back over the past months, I can say with great confidence and pride that it has been a year full of success for NewRe. In 2019, we have once again proven our position as a reinsurer that aims for steady growth while maintaining a loyal and committed relationship with its clients.

At CHF 210.3m, NewRe's overall 2019 result compares positively to the previous year's figure of CHF 133.4m. The year saw continuous and profitable growth in all business segments: Property & Casualty, Customised Solutions, Weather and Life. This extraordinary result stems from profits in natural catastrophe reinsurance business which showed favourable loss development, reserve releases in Motor UK as a result of the Ogden rate change, positive development in the Weather segment and equally positive new and existing Life business.

We have maintained a strong strategic focus on running a diversified book of business and have demonstrated our willingness to make forward-looking decisions. Our financial statements and the Management report (page 14) take a closer look at what exactly lies behind our 2019 performance.

In its 2019 reporting period, NewRe underwent a change on its Board of Directors: after three years, Claus-Ulrich Kroll departed to continue his career within the Munich Re (Group), taking on the CEO function at Munich Re of Canada. We sincerely thank him for his dedication and hard work in supporting the company's success.

NewRe was pleased to welcome Claudia Hasse from Munich Re to the Board of Directors on 1 January 2019. She is currently Chief Executive Manager for Germany, Cyber in Europe & Latin America and Pharmapool, besides serving as Head of Supervisory Board for both Great Lakes Insurance SE and for Munich Re of Malta. With her broad background in our industry, Claudia Hasse is an excellent complement to the current Board of Directors.

NewRe continued to operate as an independent reinsurer in the Property & Casualty realm, while it has further leveraged its synergies with the Munich Re (Group) over the past year to drive its Customised Solutions, Weather and Life segments. We believe that tapping into the Group's resources has been highly beneficial for our clients as well. If anything, the past year has highlighted the importance of knowledge about changes in risk in the world we are living in. I can proudly say that we are well-positioned for such an evolving future. At the heart of NewRe, we boast an excellent team of experts and specialists in Zurich who take these challenges in their stride.

At the same time, the renewal cycle at the end of 2019 has strengthened our firm belief that long-term relationships between reinsurers and clients are proving to be increasingly important. We greatly value these partnerships with you, our clients and business partners, and would like to thank you sincerely for the trust and loyalty you place in us.

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 and Casualty offerings. We are a transaction-oriented reinsurer delivering client value by providing high-quality financial rating and large capacities, paired with the ability to structure and evaluate customised solutions.

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

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

- We are a quoting market for Property and Casualty treaty excess of loss reinsurance.
- We have recognised competencies in customised reinsurance to support solvency and growth and protect earnings. Products such as Solvency Q/S, Multi-Line Aggregate XL and retrospective reinsurance benefit from our close cooperation with the local Capital Partners team.

Capital Partners

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

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

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

Weather & Agro

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

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

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

The NewRe-based team's focus areas are energy clients (both conventional and renewable production) in Europe, Latin America and parts of Asia. The main exposures covered are temperature, rainfall, sunshine and wind risks.

With our strategy, we aim to develop new client relationships in all markets to further grow and diversify the portfolio. The focus going forward will be to expand renewable business in Europe, as well as to create opportunities in Latin America.

Life

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

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

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

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

Management report

General overview

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

Market conditions, competition, supply and demand

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

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

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

Staff

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

Innovation and development

In Non-life reinsurance, our aim has been to continue to offer solvency, earnings protection and retrospective products. In Life reinsurance, our focus has been on supporting primary insurance companies in offering innovative products to their clients and on covering the risks associated with those new products.

Significant events

In Non-life, NewRe's natural catastrophe reinsurance business experienced another year of benign losses. There was no significant event with a bottom line impact above CHF 10m, apart from snow pressure in Austria, where a loss of less than CHF 15m is expected. Casualty business benefitted from the change in the Ogden discount rate in the UK leading to reserve releases.

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

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

Risk management

Due to the volatile nature of the reinsurance business and the potential for significant losses, NewRe has a dedicated risk policy and maintains a tight risk management system. The features of this risk management system are explained in more detail in the relevant section of this report (see page 16, "Risk assessment").

All events and impacts experienced in 2019 were within the expected range.

Outlook

In NewRe's Non-life reinsurance business, 1 January is the date on which a significant portion of the book is due for renewal. The 1 January 2020 business renewals saw growth in both the Property and Casualty segments. Price levels stayed overall stable except for the UK market where business affected by the Ogden discount rate experienced double digit rate increases.

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

All in all, the outlook for NewRe's business in 2020 is favourable, but 2019 results might not be reached, as one-time effects like reserve releases due to the change in the Ogden discount rate positively impacted the result. This even more so, as reinsurance business remains highly volatile by nature. The natural catastrophe reinsurance segment, and parametric weather business in particular, may be affected by large loss events and weather extremes. In addition, NewRe has significant risk in the Life segment from a number of possible events such as pandemic, large losses, lapse and losses on our market risk transfer portfolio.

Despite the COVID-19 pandemic, we currently do not expect a major strain on our Life and Non-life reinsurance business. We also refer to «Events after the balance sheet date» in the notes to the financial statements (page 30).

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 its 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 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, which is based on the Munich Re (Group) capital model and was specially 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 NewRe's financial situation. Risks are identified and classified according to their potential exposure to one or a combination of the following risk types: financial (underwriting, market, credit, liquidity), strategic, operational, compliance and reputational 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 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 a 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 2019

in CHF

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

Liabilities and equity	2019	2018
Technical provisions	13,007,826,025	8,628,341,807
Non-technical provisions	165,361,434	154,498,804
Liabilities from derivative financial instruments	1,531,526,165	1,168,847,388
Deposits retained on ceded reinsurance business	230,526,830	117,721,251
Payables on insurance and reinsurance business	423,930,281	333,107,633
of which due to brokers	2,920,921	2,477,062
of which due to insurance and reinsurance companies	421,009,360	330,630,571
Other liabilities	735,701,599	728,112,306
Total liabilities	16,094,872,334	11,130,629,189
Share capital	260,000,000	260,000,000
Legal reserves from capital	122,687	122,687
Legal reserves from profit	129,877,313	129,877,313
Free reserves	316,491,018	316,431,026
Profit for the year	210,254,920	133,439,993
Total equity	916,745,938	839,871,019
	17,011,618,272	11,970,500,208

Income statement for the year 2019

Technical accounts

in CHF

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

Technical accounts

in CHF

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

General accounts

in CHF

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

Cash flow statement

in CHFm

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





Notes to the financial statements

1. Accounting principles

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

Investments

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

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

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

Receivables and liabilities from derivative financial instruments

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

Tangible assets

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

Deferred acquisition costs

Acquisition costs paid in respect of financing-type life reinsurance contracts are capitalised and amortised in proportion to the gross profit amounts expected to be realised over the life of the contract.

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

Receivables

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

Other assets and liabilities

These are shown at their nominal value.

Claims expenses and claims reserves

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

Premiums

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

Other income from reinsurance business and Other underwriting expenses

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

Other income and expenses

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

2. Transactions conducted in foreign currencies

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

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

Affiliated companies

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

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

Overall “Deposits retained on assumed reinsurance business” increased by CHF 4.2bn and “Technical provisions” by CHF 4.4bn in 2019 (see Balance sheet as at 31.12.2019 for details). Both increases were mainly due to a US transaction and two intra-group life treaties and four external contracts with German clients covering interest-rate-based reserving requirements (so called “Zinszusatzreserve”: ZZR). The structure of the business requires that assets covering the provisions be deposited. These high deposits, together with the new ZZR treaties, increased our income from “Technical interest on premium funds” by CHF 66m, from CHF 168m to CHF 234m (see Income statement for details).

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

Contingencies

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

Auditors’ fees

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

Full-time equivalents

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

Technical provisions

in CHF

Technical provisions	2019			2018		
	Gross	Retro	Net	Gross	Retro	Net
Unearned premiums	219,873,020	988,887	218,884,133	201,901,650	3,577,631	198,324,019
Loss reserves	1,803,703,869	7,796,055	1,795,907,814	1,617,545,282	4,348,805	1,613,196,477
Other technical reserves	84,116,876	62,638	84,054,238	48,505,978	29,773	48,476,205
Future policy benefits reserves	10,900,132,260	230,516,461	10,669,615,799	6,760,388,897	117,701,087	6,642,687,810
Total	13,007,826,025	239,364,041	12,768,461,984	8,628,341,807	125,657,296	8,502,684,511

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

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

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

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

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

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

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

Statement of changes in equity

in CHF

Year ended December 2019	Share capital	Legal reserves from capital	Legal reserves from profit	Free reserves from profit	Profit for the year	Total equity
Balances as at 31 December 2018	260,000,000	122,687	129,877,313	316,431,026	133,439,993	839,871,019
Appropriation of earnings						
Dividend payment					-133,380,000	-133,380,000
Allocation to free reserves				59,993	-59,993	0
Profit for the year 2019					210,254,920	210,254,920
Balances as at 31 December 2019	260,000,000	122,687	129,877,313	316,491,019	210,254,920	916,745,939

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

Investments and investment result

in CHF

	Current income	Write-ups	Realised gains	Total investment income	Write-downs and value adjustments	Realised losses	2019 Total investment expenses
Real estate	724,681	0	0	724,681	-75,919	0	-75,919
Fixed-income securities	12,515,358	0	0	12,515,358	-4,629,698	-799	-4,630,497
Shares	0	0	0	0	0	0	0
Other investments	262,185,684	0	383,572	262,569,256	-10,871,635	0	-10,871,635
			Total	275,809,295		Total	-15,578,051

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

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

The NewRe office building in Zurich is indicated by “Real estate” in the table above. A certain part of the office space is let to external tenants. The rental income and associated expenses are recorded as investment income “Real estate”. The decrease in rental income was due to a temporary vacancy of rental space.

Investment income from “Fixed-income securities” decreased slightly in 2019 compared to 2018, due to lower interest rates. The decrease in investment expenses was due to lower write-downs.

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

Overall technical result Life

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

Overall technical result Non-life

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

Net result from derivative financial instruments

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

Other income and expenses

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

Events after the balance sheet date

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

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

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

Shareholder

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

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

Proposed appropriation of the 2019 available earnings

The Board of Directors proposes to the Annual General Meeting that a dividend of CHF 161.70 per share be paid, resulting in the following appropriation of available earnings of CHF 210,210,000:

in CHF	2019
Allocation to free reserves	44,920
Dividend	210,210,000
Profit for the year	210,254,920

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

Zurich, 23 April 2020

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 for the year ended 31 December 2019.

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 2019 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

Hieronymus T. Dormann
Licensed Audit Expert
Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 23 April 2020





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