Financial Condition Report

2022

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

Key financial figures

EURm
170
Annual result

Rating
AA–
Standard & Poor's

Rating
A+
A.M. Best

%
182
SST ratio

Local GAAP format
(Swiss Code of Obligations)

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Executive summary

As in previous years, NewRe focused on its four established areas of business. NewRe is a professional property and casualty reinsurance company and at the same time, supported by its Capital Partners unit, a leading underwriter of structured reinsurance solutions and, via its Weather & Agro business unit, an active reinsurer in the fields of insurance derivatives and parametric trigger covers. The company also specialises in variable annuity reinsurance, capital management solutions for Life business and also traditional Life business.

Overall, NewRe generated a favourable result of EUR 170 m, compared to the previous year's figure of EUR 156 m.

This favourable overall result stems from NewRe's well-diversified business mix, in particular from profits in non-traditional Life business and Weather business.

NewRe's capital requirements according to the principles of the Swiss Solvency Test SST are – compared to the previous year – on the same level. While the capital requirements for some risk components have increased as a result of business growth, there have been reductions in other areas, mainly as a result of higher interest rates. Overall, NewRe's SST ratio is 182% (previous year: 183%)

In the management of its statutory equity capital, the goal of NewRe's capital planning is stable and solid capitalisation. The statutory equity capital is deemed adequate to sustain the expected development of the business over the coming years. As in the preceding year, NewRe therefore intends to pay a dividend approximately equal to the annual result.

A. NewRe business activities

a) NewRe at a glance

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

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

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

We continuously strive to be a reliable partner for our clients. We think beyond traditional models and design tailor-made reinsurance solutions with the aim of enhancing our clients' capital structure, earnings stability and liquidity. Working with our broker partners, our 120 multi-national specialists in Zurich offer mono-line and multi-line solutions, including life and specialty classes of business, in the form of both prospective and retrospective covers.

b) Board of management

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

c) Business segments

Property & Casualty

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

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

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

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

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

Life

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

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

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

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

Weather & Agro

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

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

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

2022 again saw high volatility in European commodity markets, most specifically in gas and power prices. Our agile approach to structured weather risk management solutions enabled us to once again prove our value to our clients in a rapidly changing market environment.

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

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

Capital Partners

With a global mandate, Capital Partners offers a diverse set of risk transfer and capital management solutions through reinsurance.

Our agile deal teams, consisting of experts based at NewRe in Zurich, as well as at Munich Re Munich, and in New York, are dedicated to working closely with clients to structure bespoke solutions for corporate finance and risk transfer requirements.

The results are highly flexible, tailor-made solutions that support clients in portfolio optimisation strategies, offering protection against volatile results, and optimising capital under specific solvency, statutory and/or rating agency capital models.

In an unpredictable economic environment with increasing shareholder expectations, reinsurance can flexibly enable growth or unlock capital, for example by monetising future earnings. When business plans are confronted with the unexpected, tailor-made reinsurance solutions can mitigate financial distress and protect the client's capital base.

Our solutions include structured prospective and retroactive reinsurance, together with risk transfer instruments such as parametric reinsurance and derivatives. The NewRe team in Zurich serves clients in Continental Europe, the Middle East, Africa and the Asia-Pacific region through broker-sourced or direct channels. Our clients include insurers, captives, mutuals and public sector bodies.

d) Management report

Overall, NewRe generated a favourable result of EUR 170 m, compared to the previous year's figure of EUR 156 m.

NewRe's gross premiums increased from EUR 2.5 bn in 2021 to EUR 4.8 bn in 2022, driven mainly by our life business in the form of an amendment to an existing financing deal in Japan, as well as new financing transactions in the US, which also affected accounts payables on insurance and reinsurance business. The increase in premiums was also supported by a new US Non-life transaction. Life and Non-life growth drove changes in deferred acquisition costs, unearned premium reserves gross and technical provisions gross. Growth in fronting business also added to increased premium, resulting in changes in technical provisions ceded.

In 2022, NewRe's investments suffered from increasing interest rates in all major currencies, partially compensated from hidden reserves.
In addition, Non-life reserves were strengthened to compensate for increased inflation rates, while the increase in natural gas prices led to gains in weather business. Benign NatCat events also supported the overall technical result of EUR 151.0 m (41.4 m in 2021), while the previous year was heavily burdened by NatCat events and COVID-19.

Staff
NewRe had 123 employees at the end of 2022, with 111 full-time equivalents (FTEs) at the beginning and 117 at the end of 2022 (average for the year: 114 FTEs).

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

Significant events
NewRe investments suffered from an increase in interest rates, whereas Weather business benefited from higher natural gas prices.

Risk management
Due to the volatile nature of the reinsurance business and the potential for significant losses, NewRe maintains a strict risk management system. The features of this risk management system are explained in more detail in the relevant section of this report.

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. 1 January 2023 showed further rate increases, particularly in the short-tail lines. NewRe managed to grow its property NatCat business. At the same time, Casualty reinsurance pricing remains firm, supported by increased interest rates but with uncertainty as regards inflation.

On a risk-adjusted basis, prices in Casualty increased slightly. Property saw rate increases, especially for NatCat business in Central Europe. Overall, the growth in non-proportional business, together with stable renewal of the proportional portfolio, resulted in a higher profitability and lower combined ratio of the entire portfolio.

Life reinsurance business is written throughout the year. In light of NewRe's positioning in the market and its growth strategy, bottom-line growth is expected. Business in the pipeline and first signings in 2023, especially in Europe and the US, support this expectation.

Although the overall outlook for NewRe's business in 2023 is favourable, the reinsurance business remains by nature highly volatile. The natural catastrophe reinsurance segment, and the weather business in particular, may be affected by large loss events and weather extremes. In addition, NewRe has significant risk in the Life segment from a number of possible events, such as a pandemic, large losses, lapses and losses on our market risk transfer portfolio.

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

Risk assessment – addendum to the management report

Governance and responsibilities

The Board of Directors is responsible for the risk management principles and policies, as well as for approving the overall risk tolerance. NewRe's risk management function is fully embedded in the Group risk management framework. The risk management function sets up and implements a risk management system. This risk management system comprises processes and procedures necessary to regularly identify, measure, monitor, manage and report the risks to which NewRe is or could be exposed. Further explanations on risk identification, risk measurement and the management of non-quantifiable risks in particular can be found below.

Risk management objectives and methodology

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

NewRe's risk management objectives are 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.

Main elements of NewRe's risk management system

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

Risk measurement: The evaluation and measurement of quantifiable risks are documented in the Internal Risk Report that is prepared on a regular basis. NewRe determines the economic capital required to carry its risks by using a stochastic risk model. This risk model is based on the Munich Re Group capital model and was specifically 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.

Managing non-quantifiable risks / Internal Control System (ICS): As part of its non-financial risk management, NewRe operates an internal control system (ICS). The aim is to promote effective management of operational risks. A key element of NewRe's ICS is the regular self-assessment of operational risks and key controls by the process owners. NewRe's ICS is embedded in the Group's operational risk control system process and is refined periodically to reflect changes in the processes and business environment.

e) Additional information

Board of Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Board of Directors

Claudia Hasse, President
Claudia Hasse has sat on the Board of Directors of NewRe since January 2019. She was appointed as its President in April 2022.

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

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

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

Dr. Markus Hummel
Markus Hummel was appointed to the Board of Directors of NewRe in April 2022.

He is the Chief Risk Officer of Munich Re and responsible for all risk management topics across the Group. He started his career in Risk at BayernLB, one of Germany's largest financial institutions, before joining Munich Re as Senior Risk Manager in 2004. He has since held many senior management positions within the Integrated Risk Management unit of the company, including Risk Identification & Control and Risk Analytics & Actuarial Function.

Markus Hummel represents risk management topics on several Board Committees, such as the Group Risk Committee and the Global Underwriting & Risk Committee of Munich Re's reinsurance segment.

Markus Hummel holds a doctorate in Physics from the University of Munich and a degree in Economics from the University of Hagen.

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

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

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

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

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

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 reinsurance business. At Zurich Financial Services, which he joined in 1994, he was in charge of underwriting assumed property and casualty reinsurance business from European cedants. In 2002, he took over responsibility for writing specialty lines business.

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

He left FINMA in 2014 and has since held a number of consultancy mandates. René Schnieper has a PhD in Mathematics from ETH Zurich.

Shareholder

100% Munich Reinsurance Company, Munich

Rating

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

Auditors

Ernst & Young AG, Zurich

Branch offices

NewRe does not maintain any branch offices.

B. Financial performance

a) Financial statements

Balance sheet as at 31 December 2022

Before appropriation of available earnings

Assets		in TEUR		in TCHF	
		2022	2021	**2022**	2021
	Note				
Investments					
Real estate	11	8,728	8,806	8,619	9,125
Fixed-income securities	6	1,205,582	714,604	1,190,452	740,437
Shares		59,410	4,684	58,665	4,854
Other investments	3	1,771,616	1,840,498	1,749,382	1,907,032
Receivables from derivative financial instruments		1,455,532	1,656,619	1,437,265	1,716,505
Deposits retained on assumed reinsurance business		13,501,042	11,816,875	13,331,604	12,244,055
Cash and cash equivalent	6	622,619	675,690	614,805	700,116
Technical provisions ceded	7a	474,103	650,228	468,153	673,733
Tangible assets	11	31,102	31,406	30,711	32,542
Deferred acquisition costs		1,132,545	452,526	1,118,332	468,884
Receivables from insurance and reinsurance business	4	326,161	338,192	322,068	350,418
Other receivables	6	1,790,001	1,425,623	1,767,537	1,477,159
Total assets		**22,378,441**	**19,615,750**	**22,097,592**	**20,324,860**

Liabilities and equity		in TEUR		in TCHF	
		2022	2021	**2022**	2021
	Note				
Technical provisions	7a	16,400,740	14,156,860	16,194,911	14,668,630
Non-technical provisions		161,574	165,653	159,547	171,642
Interest-bearing liabilities		143,768	0	141,964	0
Liabilities from derivative financial instruments		3,066,593	2,654,338	3,028,107	2,750,292
Deposits retained on ceded reinsurance business		230,194	475,643	227,305	492,838
Payables on insurance and reinsurance business	4	987,045	423,260	974,658	438,560
Other liabilities		563,035	928,550	555,969	962,117
Total liabilities		**21,552,950**	**18,804,304**	**21,282,460**	**19,484,080**
Share capital	14	240,396	240,396	260,000	260,000
Legal reserves from capital		113	113	123	123
Legal reserves from profit		120,084	120,084	129,877	129,877
Free reserves		294,593	294,537	318,532	318,472
Conversion difference		0	0	–64,560	–36,689
Profit for the year		170,305	156,316	171,160	168,997
Total equity	8	**825,492**	**811,446**	**815,132**	**840,780**
Total liabilities and equity		**22,378,441**	**19,615,750**	**22,097,592**	**20,324,860**

Income statement for the year 2022

Technical accounts

		in TEUR		in TCHF	
		2022	2021	**2022**	2021
	Note				
Gross premiums		4,757,780	2,542,357	4,781,664	2,748,619
Premiums ceded		–993,841	–538,816	–998,830	–582,530
Net premiums written		3,763,939	2,003,541	3,782,834	2,166,088
Change in unearned premium reserves gross		–347,019	–82,856	–348,761	–89,578
Change in unearned premium reserves ceded		34,594	20,389	34,768	22,043
Change in unearned premium reserves net	7b	–312,425	–62,467	–313,994	–67,535
Net premiums earned		**3,451,513**	**1,941,074**	**3,468,840**	**2,098,553**
Other income from reinsurance business		**6,785**	**4,514**	**6,819**	**4,880**
Technical interest		**423,547**	**368,881**	**425,673**	**398,808**
Total technical income		**3,881,846**	**2,314,468**	**3,901,333**	**2,502,241**
Claims paid gross		–3,005,852	–2,419,000	–3,020,941	–2,615,254
Claims paid ceded		620,038	483,530	623,151	522,758
Claims paid net		–2,385,814	–1,935,471	–2,397,790	–2,092,495
Change in technical provisions gross*		–836,228	23,540	–840,426	25,449
Change in technical provisions ceded*		233,474	83,368	234,646	90,132
Change in technical provisions net	7b	–602,755	106,908	–605,781	115,581
Net claims and claims expenses incurred		**–2,988,569**	**–1,828,563**	**–3,003,571**	**–1,976,914**
Acquisition costs gross		–819,167	–436,550	–823,279	–471,967
Acquisition costs ceded		112,478	22,013	113,042	23,799
Acquisition costs net		**–706,690**	**–414,537**	**–710,237**	**–448,168**
Administration costs		**–33,323**	**–28,544**	**–33,491**	**–30,860**
Other underwriting expenses		**–2,262**	**–1,388**	**–2,274**	**–1,501**
Total technical expenses		**–3,730,844**	**–2,273,032**	**–3,749,573**	**–2,457,443**
Overall technical result		**151,002**	**41,436**	**151,760**	**44,798**

* In 2021, an amount of TEUR 26,041 (TCHF 28,154) was erroneously reported as change in technical provisions gross rather than as change in technical provisions ceded. The correct amounts are TEUR -2,501 (TCHF 2,704) change in technical provisions gross and TEUR 109,409 (TCHF 118,286) change in technical provisions ceded.

General accounts

		in TEUR		in TCHF	
		2022	2021	**2022**	2021
	Note				
Investment income		435,155	428,190	437,339	462,929
Investment expenses		–41,995	–23,551	–42,205	–25,462
Investment result	9	393,160	404,639	395,134	437,468
Of which: Interest assigned to technical account		–423,547	–368,881	–425,673	–398,808
Investment result excluding interest on technical provisions		**–30,387**	**35,759**	**–30,539**	**38,660**
Net result from derivative financial instruments	10	**120,589**	**124,957**	**121,194**	**135,094**
Administration costs – Investments	13	**–38,954**	**–36,393**	**–39,150**	**–39,346**
Operating result		**202,250**	**165,758**	**203,265**	**179,206**
Other income		**12,810**	**17,593**	**12,874**	**19,021**
Other expenses		**–18,297**	**–2,694**	**–18,389**	**–2,912**
Profit before taxes		**196,762**	**180,658**	**197,750**	**195,315**
Income tax		**–26,457**	**–24,342**	**–26,590**	**–26,317**
Profit for the year		**170,305**	**156,316**	**171,160**	**168,997**

Cash flow statement

	in TEUR		in TCHF	
	2022	2021	**2022**	2021
Profit for the year	170,305	156,316	171,160	168,997
Net change in technical provisions	2,420,006	–24,249	2,389,634	–25,125
Net change in deferred acquisition costs	–680,020	9,848	–671,485	10,204
Change in deposits retained and accounts receivable and payable	–1,353,800	171,392	–1,336,810	177,588
Change in other receivables and liabilities	–302,439	–403,055	–298,644	–417,625
Gains and losses on the disposal of investments	–4,080	16,152	–4,029	16,736
Change in derivatives from reinsurance business and hedges	–125,659	184,389	–124,082	191,055
Change in other balance sheet items	–15,191	18,636	–15,001	19,310
Other income/expenses without impact on cash flow	283,724	148,741	280,163	154,118
I. Cash flows from operating activities	**392,846**	**278,171**	**390,908**	**295,258**
Changes from acquisition, sale and maturities of investments*	–430,301	–282,098	–424,901	–292,296
Other	97	–284	96	–294
II. Cash flows from investing activities	**–430,205**	**–282,382**	**–424,806**	**–292,590**
Inflows from increases in capital	0	0	0	0
Outflows from share buy-backs	0	0	0	0
Inflows from increases in debt	140,548	0	138,784	0
Dividend payments	–156,260	–107,053	–154,299	–110,923
III. Cash flows from financing activities	**–15,712**	**–107,053**	**–15,515**	**–110,923**
IV. Conversion difference on cash and cash equivalents	**0**	**0**	–2,992	–7,031
Cash flows for the financial year (I.+II.+III.+IV.)	**–53,071**	**–111,264**	**–52,405**	**–115,286**
Cash at the beginning of the financial year	675,690	786,954	667,210	815,402
Cash at the end of the financial year	622,619	675,690	614,805	700,116
Change in cash for the financial year	**–53,071**	**–111,264**	**–52,405**	**–115,286**

* In 2022, the presentation of the Cash flow statement was revised. The former line item “Change in affiliated companies and participating interests”, reflecting investments in Special funds (cf. Note 3), became part of “Changes from acquisition, sale and maturities of investments”.

Notes to the financial statements

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

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

2. Summary of significant accounting policies

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

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

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

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

Receivables and liabilities arising out of derivative financial instruments
Derivative assets and liabilities are accounted for at fair value.

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

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

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

Receivables
Receivables are carried at their nominal values and adjusted if there is a risk of impairment. The adjustment is calculated on the basis of individual exposures and a general allowance based on analysis of the receivables.

Other assets and liabilities
These are reported at their nominal value.

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

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

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

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

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

Share capital, legal reserves, free reserves, third-party-use real estate and tangible assets measured at historic cost are translated into euros at the historical exchange rate. All other balance sheet items that are denominated in a foreign currency are translated into euros using the closing exchange rate of the transactions. The Company recognises provisions for net unrealised foreign exchange gains.

Pursuant to the requirements of the Swiss Code of Obligations, the Company also presents all figures in Swiss francs. Share capital, legal reserves and free reserves are translated at historical exchange rates. All other balance sheet items are translated from euros to Swiss francs using the closing exchange rate of 0.98745 CHF/EUR, while items on the income statement are translated using the annual average exchange rate of 1.00502 CHF/EUR.

3. Other investments

The balance sheet position reads as follows:

	in TEUR		in TCHF	
	2022	2021	**2022**	2021
Short term investments	261,055	327,090	257,779	338,914
Bond funds	72,896	64,728	71,981	67,068
Equity funds	16,760	17,347	16,549	17,974
Special funds	1,420,905	1,431,333	1,403,073	1,483,076
Total	**1,771,616**	**1,840,498**	**1,749,382**	**1,907,032**

4. Receivables and payables

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

	in TEUR		in TCHF	
	2022	2021	**2022**	2021
Receivables from insurance and reinsurance business				
of which due from brokers	113	163	112	169
of which due from insurance and reinsurance companies	326,048	338,029	321,956	350,249
Total	**326,161**	**338,192**	**322,068**	**350,418**
Payables on insurance and reinsurance business				
of which due to brokers	5,489	5,135	5,420	5,320
of which due to insurance and reinsurance companies	981,557	418,125	969,238	433,240
Total	**987,045**	**423,260**	**974,658**	**438,560**

5. Affiliated companies

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

	in TEUR		in TCHF	
Assets	**2022**	2021	**2022**	2021
Investments				
Other investments	1,437,665	1,448,680	1,419,622	1,501,050
Receivables from derivative financial instruments	65,793	23,472	64,967	24,321
Deposits retained on assumed reinsurance business	7,281,178	7,219,651	7,189,799	7,480,641
Technical provisions ceded	238,572	166,887	235,577	172,919
Deferred acquisition costs	–40,425	–26,518	–39,918	–27,477
Receivables from insurance and reinsurance business	44,151	67,052	43,597	69,476
Other receivables	103,223	75,768	101,927	78,507
Total assets	**9,130,155**	**8,974,991**	**9,015,572**	**9,299,437**

	in TEUR		in TCHF	
Liabilities	**2022**	2021	**2022**	2021
Technical provisions	7,472,563	7,382,140	7,378,783	7,649,005
Interest-bearing liabilities	143,768	0	141,964	0
Liabilities from derivative financial instruments	421,767	551,565	416,474	571,505
Payables on insurance and reinsurance business	2,188	2,142	2,160	2,219
Other liabilities	5,258	15,250	5,192	15,801
Total liabilities	**8,045,543**	**7,951,097**	**7,944,572**	**8,238,529**

6. Assets pledged

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

	in TEUR		in TCHF	
	2022	2021	**2022**	2021
Assets under reservation of ownership	723,292	688,065	714,215	712,939
Cash collateral	1,627,266	1,392,157	1,606,843	1,442,483
Total	**2,350,558**	**2,080,222**	**2,321,059**	**2,155,422**

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

7. Technical provisions

a. Balance sheet – Breakdown of technical provisions

in TEUR			**2022**			2021
Technical provisions	**Gross**	**Retro**	**Net**	**Gross**	**Retro**	**Net**
Unearned premiums	792,158	140,451	651,707	449,588	97,669	351,919
Loss reserves	3,262,391	103,480	3,158,911	2,119,258	76,538	2,042,720
Other technical reserves	21,796	3	21,793	104,600	17	104,583
Future policy benefits reserves	12,324,396	230,169	12,094,227	11,483,414	476,004	11,007,410
Total	**16,400,740**	**474,103**	**15,926,638**	**14,156,860**	**650,228**	**13,506,632**

in TCHF			**2022**			2021
Technical provisions	**Gross**	**Retro**	**Net**	**Gross**	**Retro**	**Net**
Unearned premiums	782,217	138,688	643,528	465,840	101,200	364,641
Loss reserves	3,221,448	102,181	3,119,266	2,195,869	79,304	2,116,564
Other technical reserves	21,522	3	21,519	108,382	18	108,364
Future policy benefits reserves	12,169,724	227,280	11,942,444	11,898,539	493,211	11,405,328
Total	**16,194,911**	**468,153**	**15,726,758**	**14,668,630**	**673,733**	**13,994,897**

b. Income statement – Breakdown of changes in technical provisions

	in TEUR		in TCHF	
	2022	**2021**	**2022**	**2021**
	Net	**Net**	**Net**	**Net**
Change in loss reserves	1,152,215	250,131	1,158,000	270,424
Change in other technical reserves	–82,595	64,495	–83,010	69,727
Change in future policy benefits reserves	–466,866	–421,534	–469,209	–455,733
Change in technical provisions net	602,755	–106,908	605,781	–115,581
Change in unearned premium reserves net	312,425	62,467	313,994	67,535
Total	**915,180**	**–44,441**	**919,774**	**–48,046**

Other than portfolio movements, different exchange rates may lead to differences in the change of “Technical provisions” (net) in balance sheet positions and “Change in technical provisions” in the income statement.

8. Statement of changes in equity

in TEUR **Year ended December 2022**	**Share capital**	**Legal reserves from capital**	**Legal reserves from profit**	**Free reserves from profit**	**Con-version difference**	**Profit for the year**	**Total equity**
Balances as at 31 December 2021	240,396	113	120,084	294,537	0	156,316	**811,446**
Appropriation of earnings							
Dividend payment						–156,260	**–156,260**
Allocation to free reserves				56		–56	**0**
Profit for the year 2022						170,305	**170,305**
Balances as at 31 December 2022	**240,396**	**113**	**120,084**	**294,593**	**0**	**170,305**	**825,492**
Year ended December 2021							
Balances as at 31 December 2020	240,396	113	120,084	292,669	0	108,922	**762,184**
Appropriation of earnings							
Dividend payment						–107,053	**–107,053**
Allocation to free reserves				1,868		–1,868	**0**
Profit for the year 2021						156,316	**156,316**
Balances as at 31 December 2021	**240,396**	**113**	**120,084**	**294,537**	**0**	**156,316**	**811,446**

in TCHF **Year ended December 2022**	**Share capital**	**Legal reserves from capital**	**Legal reserves from profit**	**Free reserves from profit**	**Con-version difference**	**Profit for the year**	**Total equity**
Balances as at 31 December 2021	260,000	123	129,877	318,472	–36,689	168,997	**840,780**
Appropriation of earnings							
Dividend payment						–168,937	**–168,937**
Allocation to free reserves				60		–60	**0**
Conversion					–27,871		**–27,871**
Profit for the year 2022						171,160	**171,160**
Balances as at 31 December 2022	**260,000**	**123**	**129,877**	**318,532**	**–64,560**	**171,160**	**815,132**
Year ended December 2021							
Balances as at 31 December 2020	260,000	123	129,877	316,536	0	117,804	**824,340**
Appropriation of earnings							
Dividend payment						–117,780	**–117,780**
Allocation to free reserves				24		–24	**0**
Transition effects				1,912	–36,689		**–34,777**
Profit for the year 2021						168,997	**168,997**
Balances as at 31 December 2021	**260,000**	**123**	**129,877**	**318,472**	**–36,689**	**168,997**	**840,780**

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

9. Investments and investment result

in TEUR **2022**	**Current income**	**Write-ups**	**Realised gains**	**Total investment income**	**Write-downs and value adjust-ments**	**Realised losses**	**Total investment expenses**
Real estate	787	0	0	**787**	–78	0	**–78**
Fixed-income securities	11,170	0	38	**11,208**	–2,816	–1,221	**–4,037**
Shares	1,502	0	2,918	**4,420**	–18,279	0	**–18,279**
Other investments	418,740	0	0	**418,740**	–19,601	0	**–19,601**
Total	**432,199**	**0**	**2,956**	**435,155**	**–40,774**	**–1,221**	**–41,995**
2021							
Real estate	746	0	0	**746**	–70	0	**–70**
Fixed-income securities	10,664	0	3	**10,667**	–4,529	–74	**–4,604**
Shares*	0	0	0	**0**	0	0	**0**
Other investments	407,077	0	9,699	**416,776**	–18,877	0	**–18,877**
Total	**418,488**	**0**	**9,702**	**428,190**	**–23,477**	**–74**	**–23,551**

in TCHF **2022**	**Current income**	**Write-ups**	**Realised gains**	**Total investment income**	**Write-downs and value adjust-ments**	**Realised losses**	**Total investment expenses**
Real estate	791	0	0	**791**	–79	0	**–79**
Fixed-income securities	11,226	0	38	**11,264**	–2,830	–1,227	**–4,057**
Shares	1,510	0	2,932	**4,442**	–18,371	0	**–18,371**
Other investments	420,842	0	0	**420,842**	–19,699	0	**–19,699**
Total	**434,369**	**0**	**2,970**	**437,339**	**–40,979**	**–1,227**	**–42,205**
2021							
Real estate	807	0	0	**807**	–76	0	**–76**
Fixed-income securities	11,529	0	4	**11,533**	–4,897	–80	**–4,977**
Shares*	0	0	0	**0**	0	0	**0**
Other investments	440,104	0	10,486	**450,590**	–20,409	0	**–20,409**
Total	**452,440**	**0**	**10,490**	**462,929**	**–25,381**	**–80**	**–25,462**

* During 2022, NewRe corrected the classification of shares which were erroneously classified as derivatives during prior periods. In the 2021 financial statements, the shares were reported at market value of TEUR 55,497 (TCHF 57,503) instead of at cost TEUR 39,915 (TCHF 41,358). The correction of the prior year error is included in the write-downs of shares of TEUR 18,279 (TCHF 18,371) in the 2022 financial statements.

10. Net result from derivative financial instruments

in TEUR 2022	Current income	Write-ups	Total investment income	Current expenses	Write-downs and value adjust-ments	Total investment expenses
Insurance risk related instruments	526,605	341,119	**867,723**	–157,849	–190,998	**–348,848**
Other derivatives instruments	6,295	1,883,296	**1,889,591**	–4,510	–2,283,367	**–2,287,878**
Total	**532,900**	**2,224,414**	**2,757,314**	**–162,360**	**–2,474,366**	**–2,636,726**
2021						
Insurance risk related instruments	512,701	306,449	**819,150**	–216,060	–250,114	**–466,174**
Other derivatives instruments	8,250	2,215,301	**2,223,550**	–31,263	–2,420,306	**–2,451,570**
Total	**520,950**	**2,521,750**	**3,042,700**	**–247,323**	**–2,670,420**	**–2,917,744**

in TCHF 2022	Current income	Write-ups	Total investment income	Current expenses	Write-downs and value adjust-ments	Total investment expenses
Insurance risk related instruments	529,248	342,831	**872,079**	–158,642	–191,957	**–350,599**
Other derivatives instruments	6,327	1,892,750	**1,899,077**	–4,533	–2,294,830	**–2,299,363**
Total	**535,575**	**2,235,581**	**2,771,156**	**–163,175**	**–2,486,787**	**–2,649,962**
2021						
Insurance risk related instruments	554,296	331,311	**885,608**	–233,589	–270,406	**–503,995**
Other derivatives instruments	8,919	2,395,028	**2,403,947**	–33,800	–2,616,666	**–2,650,465**
Total	**563,215**	**2,726,339**	**3,289,554**	**–267,389**	**–2,887,071**	**–3,154,460**

11. Depreciation of real estate and tangible assets

	in TEUR		in TCHF	
	2022	2021	**2022**	2021
Investments – Real estate	78	70	79	76
Tangible assets	438	396	440	428
Total	**516**	**466**	**518**	**504**

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

12. Auditor’s fees

The fees for Ernst & Young’s (EY) audit of the 2022 Financial Statements (including regulatory audit) amount to TEUR 268 (TCHF 269), compared to TEUR 202 (TCHF 219) in 2021. These amounts do not include VAT, travel costs and expenses.

13. Personnel information

Full-time equivalents

During the year, NewRe employed an average of 114 FTEs.

Personnel expenses

In the 2022 financial year, personnel expenses amounted to TEUR 29,500 (TCHF 29,648) and TEUR 23,497 (TCHF 25,403) in 2021 and are reported under “Administration costs”.

14. Share capital

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

15. Events after the balance sheet date

None

b) Additional information – “Performance Solo Reinsurance”

Quantitative template "Performance Solo Reinsurance"

	EUR millions	Total		Personal accident		Health		Motor		Marine, aviation, transport	
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
1	Gross premiums	2'542	4'758	6	7	1	0	747	741	7	8
2	Premiums ceded	-539	-994	-2	0	-1	0	0	0	0	1
3	Net premiums written	2'004	3'764	4	7	0	0	747	741	6	9
4	Change in unearned premium reserves	-83	-347	0	-4	0	0	-54	-59	0	-3
5	Change in unearned premium reserves cede	20	35	0	0	0	0	0	0	0	0
6	Net premium earned	1'941	3'452	4	3	0	0	693	682	6	6
7	Other income from reinsurance business	5	7	0	0	0	0	0	0	0	0
8	Technical interest	369	424	0	0	0	0	5	2	0	0
9	**Total technical income**	**2'314**	**3'882**	**4**	**3**	**0**	**0**	**698**	**685**	**6**	**6**
10	Claims paid gross	-2'419	-3'006	-3	23	0	0	-357	276	-3	1
11	Claims paid ceded	484	620	0	0	0	0	0	0	0	0
12	Change in technical provisions gross	24	-836	1	-25	0	0	-164	-702	3	-4
13	Change in technical provisions ceded	83	233	0	0	0	0	0	0	0	0
14	Net claims and claims expenses incurred	-1'829	-2'989	-2	-2	0	0	-521	-425	0	-3
15	Acquisition cost gross	-437	-819	-1	0	0	0	-142	-281	-1	0
16	Acquisition cost ceded	22	112	1	0	0	0	0	0	0	0
17	Acquisition cost net	-415	-707	-1	0	0	0	-142	-281	0	-1
18	Administration cost	-29	-33	0	0	0	0	-8	-10	0	-1
19	Other underwriting expenses	-1	-2	0	0	0	0	-1	-2	0	0
20	**Total technical expenses**	**-2'273**	**-3'731**	**-2**	**-2**	**0**	**0**	**-673**	**-718**	**-1**	**-4**
21	**Technical result**	**41**	**151**	**2**	**0**	**0**	**0**	**26**	**-33**	**5**	**1**
22	Investment income	59	-11								
23	Investment expenses	-60	-58								
24	**Investment result**	**-1**	**-69**								
25	Net result from derivatives financial instruments	125	121								
26	**Operating result**	**166**	**202**								
27	Other income	18	13								
28	Other expenses	-3	-18								
29	**Profit before taxes**	**181**	**197**								
30	Income tax	-24	-26								
31	**Profit for the year**	**156**	**170**								

Continued:

Quantitative template "Performance Solo Reinsurance"

	EUR millions	Total		Property		Casualty		Miscellaneous (incl. Life)	
		2021	2022	2021	2022	2021	2022	2021	2022
1	Gross premiums	2.542	4.758	202	257	42	100	1.539	3.644
2	Premiums ceded	-539	-994	-53	-79	0	0	-483	-915
3	Net premiums written	2.004	3.764	149	178	42	100	1.056	2.729
4	Change in unearned premium reserves	-83	-347	-26	-5	-2	-44	-1	-232
5	Change in unearned premium reserves cede	20	35	14	-7	0	0	6	42
6	Net premium earned	1.941	3.452	137	166	39	56	1.061	2.538
7	Other income from reinsurance business	5	7	1	2	0	0	3	4
8	Technical interest	369	424	0	0	0	0	363	421
9	**Total technical income**	**2.314**	**3.882**	**139**	**168**	**39**	**56**	**1.427**	**2.964**
10	Claims paid gross	-2.419	-3.006	-71	-145	-10	92	-1.974	-3.252
11	Claims paid ceded	484	620	3	73	0	0	480	547
12	Change in technical provisions gross	24	-836	-127	-20	-12	-132	323	46
13	Change in technical provisions ceded	83	233	44	4	-1	0	41	230
14	Net claims and claims expenses incurred	-1.829	-2.989	-151	-89	-24	-40	-1.130	-2.429
15	Acquisition cost gross	-437	-819	-25	-45	-7	-9	-261	-484
16	Acquisition cost ceded	22	112	9	26	0	0	12	87
17	Acquisition cost net	-415	-707	-15	-19	-7	-9	-249	-397
18	Administration cost	-29	-33	-6	-5	-1	-2	-13	-16
19	Other underwriting expenses	-1	-2	0	0	0	0	0	0
20	**Total technical expenses**	**-2.273**	**-3.731**	**-172**	**-113**	**-32**	**-51**	**-1.393**	**-2.842**
21	**Technical result**	**41**	**151**	**-33**	**55**	**8**	**6**	**34**	**122**
22	Investment income	59	-11						
23	Investment expenses	-60	-58						
24	**Investment result**	**-1**	**-69**						
25	Net result from derivatives financial instruments	125	121						
26	**Operating result**	**166**	**202**						
27	Other income	18	13						
28	Other expenses	-3	-18						
29	**Profit before taxes**	**181**	**197**						
30	Income tax	-24	-26						
31	**Profit for the year**	**156**	**170**						

Life reinsurance business represents a significant portion of NewRe’s business portfolio. In the financial statements, technical accounts are provided separately for Non-life and Life reinsurance business. Following the line-of-business structure provided for in the “Performance Solo Reinsurance” template, life reinsurance business is reported as “Miscellaneous”. Life represents by far the greater part of business in the “Miscellaneous” category, any other business being minor.

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

Comments on quantitative template "Performance Solo Reinsurance"

Premium income
Three of NewRe's four business segments, Property & Casualty, Capital Partners and Life, write business that predominantly takes the form of reinsurance contracts with a premium income and a technical result, while the parametric contracts of Weather & Agro are recorded as derivative instruments.
Premium income from reinsurance contracts grew from EUR 2,542 m to EUR 4,758 m.
The Property & Casualty unit focuses on its core lines of reinsurance business, which means that business volume in personal accident, health, and marine, aviation and transport continues to be low, whereas Casualty, especially motor, and Property represent the core business lines. Motor reinsurance includes structured quota share contracts with significant premium volumes per treaty, while both Property and Casualty are dominated by excess-of-loss contracts. Life reinsurance business is recorded as "Miscellaneous", following the line-of-business structure provided for in the "Performance Solo Reinsurance" template.
The increase in premium income from EUR 2,542 m to EUR 4,758 m was due to an amendment on an existing financing Life deal in Japan, as well as new financing Life deal signings in the US.

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

Technical result
The technical result was EUR 151 m, up from EUR 41 m in the previous year.
The higher overall technical result was driven by benign NatCat events in 2022, while the previous year was heavily burdened by NatCat events and COVID-19.

Investment result
The investment result is lower compared to the previous year. In 2022, NewRe's investments suffered from increasing interest rates in all major currencies. Furthermore, NewRe corrected the classification of shares which were erroneously classified as derivatives during prior periods. The correction in classification resulted in write-downs of shares reflected in the 2022 income statement.

Net result from derivative financial instruments
Derivative financial instruments are used in two of NewRe's business segments. In the Life reinsurance segment, we write and hedge products that transfer financial market guarantees such as variable annuity and unit-linked guarantees. Derivatives are also used in the Weather & Agro business segment for products offering clients tailor-made solutions to minimise weather-related risk. The slightly lower result in the Life reinsurance segment was partially offset by the better result in Weather derivatives in 2022.

Other income and expenses
A large component of other income and expenses is foreign exchange gains and losses, which are partially offset by currency hedges. The offsetting gains and losses from currency hedge transactions are

recorded as part of the results from derivative financial instruments. The increase in other expenses was driven by foreign currency losses.

Profit/loss

NewRe's bottom line suffered from increasing interest rates in all major currencies. Nevertheless, NewRe still generated a favourable result of EUR 170 m compared to the previous year's figure of EUR 156 m.

This favourable overall result stems from NewRe's well-diversified business mix, in particular from the profits from Weather business, where the increase in natural gas prices led to gains, from Non-life business, where benign NatCat events supported the overall technical result, and from non-traditional Life business. In previous years, the result was heavily burdened by NatCat events and COVID-19.

C. Corporate governance and risk management

a) Corporate governance

The Board of Directors of NewRe has overall responsibility for the Company and for the supervision and control of the Board of Management. The duties of the Board of Directors are defined in the articles of association and in the organisational regulations of NewRe.

To ensure that appropriate attention is paid to the relevant topics, the Board of Directors has set up an Audit and Risk Committee.

The CEO is the Chairman of the Board of Management and is responsible for managing and governing the company in such a way as to ensure its success. The members of the Board of Management jointly govern and manage the Company and are accountable for its results. The Board of Management has decision-making authority on matters relating to business assigned to it. The Board of Management additionally involves key employees in the decision-making on an as-needed basis.

The composition of the Board of Directors and the Board of Management is shown in Section A.e) of this report, including the changes that occurred in 2022.

b) Key control functions

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

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

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

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

c) Risk management

Organisational structure and governance
As a Munich Re Group core company, NewRe is fully integrated into the Group's risk management framework in terms of organisational framework, policies, processes and tools. The local framework is designed to be fully compliant with Swiss regulatory requirements in general, and with the Swiss Solvency Test (SST) and ORSA requirements in particular. In parallel, all additional requirements for NewRe regarding Solvency II compliance of the Munich Re Group are met.

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

There were no material changes in risk management during 2022.

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

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

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

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

d) Control and monitoring systems

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

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

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

D. Risk profile

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

Composition of the Target Capital (in EUR m)	**2021**	**2022**
Property & Casualty	389	404
Accumulation	620	737
Life & Health	652	601
Market risk transfer	166	133
Market	331	321
Credit	389	450
Diversification	-1,121	-1,187
Market value margin	541	419
Other effects	-44	-58
Target capital	**1,923**	**1,819**

a) Insurance risk

Property & Casualty

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

To model P&C risk, the business is allocated to at least one of four segments with different characteristics, all of which are modelled separately before being aggregated to obtain the total P&C loss distribution. These four segments are basic losses, large losses, structured solutions business and weather business, see Section G.a).

P&C risk has increased compared to the previous year, primarily due to business growth and consideration of the current inflationary environment, which increases both the frequency and severity of large losses.

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

The accumulation risk continues to be dominated by the two scenarios Storm Europe and Earthquake Switzerland/Germany, as shown in Section f). The successful 1/1 renewal has increased NewRe's business in Europe in a number of perils. The resulting increase in accumulation risk was partially offset by a recently signed CatXL retrocession agreement with NewRe's parent company Munich Re AG.

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

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

NewRe's life risk fell during 2022 due to the large increase in interest rates. This was partially offset by the signing of new mass lapse, US structured and financing transactions.

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

NewRe's MRT risk fell due to the large increase in interest rates experienced during the year. No new large MRT transactions were written in 2022.

b) Market risk

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

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

The foreign exchange risk remains the largest driver within market risk. The reason for its size in comparison to the other market risk drivers lies in the investment strategy, on the one hand, and in large life transactions denominated in USD and CAD, on the other. Finally, market moves and exposure updates throughout the year on both the asset and liability side led to a decrease in market risk.

c) Credit risk

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

In addition to credit risks in securities investments and payment transactions with clients, NewRe is also exposed to credit risks from financial reinsurance. Other credit risk exposures include deposits with ceding companies and funds-withheld accounts and expected future profits from life reinsurance business. All these exposures are also captured in the credit risk module.

NewRe's credit risk continues to be dominated by exposures linked to its life reinsurance business. The risk increased during 2022 due to new transactions, updates to cedant credit ratings and to a lesser extent, changes in NewRe's investment portfolio.

d) Market value margin (MVM)

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

Calculating the MVM requires the overall risk capital in a run-off scenario to be disaggregated into the additive contributions of the individual lines of business (LoB). The breakdown of the overall risk capital to the LoB level allows the varying durations of the insurance obligations to be taken into account. As a method for disaggregation, NewRe chooses the contribution method. It is further assumed that the individual risk contributions develop over time according to suitable proxy variables. The decrease in the market value margin compared with the previous year is mainly due to higher interest rates and the associated discounting effect.

e) Risk concentrations

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

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

NewRe's approach to assessing the concentration risk is to limit the net exposure to single events at a given return period.

The most important risk concentration within Property & Casualty is natural catastrophe risk, which is modelled using a range of different scenarios. The two largest concentrations are for Storm Europe and Earthquake Switzerland/Germany. Exposure to both perils increased during the successful 1/1 renewal.

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

Top accumulation scenarios – 1-in-1000 year event (in EUR m)	**2021[1]**	**2022**
Storm Europe	765	930
Earthquake Switzerland/Germany	646	691
Flood Germany	292	469
Earthquake Italy	178	303
Earthquake Türkiye	163	215

A concentration risk within Life is lethal pandemic. NewRe's exposure to this risk increased slightly during 2022 due to the appreciation of USD and some small new transactions.

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

f) Risk mitigations

In order to reduce risks in the area of Property and Casualty and Life and Health, NewRe relies on retrocession. The counterparties are almost exclusively intra-group companies. Retrocession programmes are structured to transfer excess life, P&C or natural catastrophe risks and increase capital efficiency.

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

On the non-life side, a retrocession agreement was concluded with Munich Re AG for a very significant new US non-life transaction. This agreement includes both a loss portfolio transfer for the run-off part of the transaction and a stop-loss agreement for the new business part to limit portfolio losses. In addition, a CatXL retrocession agreement with the Munich Re Group on all perils was concluded given the strong increase in accumulation as described above.

[1] The 2021 figures were converted from the formerly used 1-in-250 event loss to the 1-in-1000 event loss.

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

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

g) Operational risk

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

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

h) Other important risks

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

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

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

E. Valuation

in EUR m		2021	2022
Market-consistent value of investments	Real estate	19	20
	Participations		
	Fixed-income securities	714	1,174

in EUR m		2021	2022
	Loans		
	Mortgages		
	Equities	19	67
	Other investments	2,059	1,876
	Collective investment schemes	2,059	1,876
	Alternative investments		
	Structured products		
	Other investments		
	Total investments	2,811	3,136
Market-consistent value of other assets	Financial investments from unit-linked life insurance		
	Receivables from derivative financial instruments	1,657	1,456
	Deposits made under assumed reinsurance contracts	11,817	13,501
	Cash and cash equivalents	676	623
	Reinsurers' share of best estimate of provisions for insurance liabilities	452	281
	Direct insurance: life insurance business (excluding unit linked)	278	37
	Reinsurance: life insurance business (excluding unit linked)		
	Direct insurance: non-life insurance business	174	244
	Direct insurance: health insurance business		
	Reinsurance: non-life insurance business		
	Reinsurance: health insurance business		
	Direct insurance: other business		
	Reinsurance: other business		
	Direct insurance: unit-linked life insurance business		
	Reinsurance: unit-linked life insurance business		
	Fixed assets	92	96
	Deferred acquisition costs		
	Intangible assets		
	Receivables from insurance business	338	326
	Other receivables	1,426	1,790
	Other assets		
	Unpaid share capital		
	Accrued assets		
	Total other assets	16,457	18,073
Total market-consistent value of assets	**Total market-consistent value of assets**	**19,268**	**21,209**
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities	11,496	13,023
	Direct insurance: life insurance business (excluding unit linked)		
	Reinsurance: life insurance business (excluding unit linked)	9,503	9,706
	Direct insurance: non-life insurance business		
	Direct insurance: health insurance business		
	Reinsurance: non-life insurance business	1,992	3,317
	Reinsurance: health insurance business	1	1
	Direct insurance: other business		
	Reinsurance: other business		

in EUR m		2021	2022
	Best estimate of provisions for unit-linked life insurance liabilities		
	Direct insurance: unit-linked life insurance business		
	Reinsurance: unit-linked life insurance business		
	Reinsurers' share of best estimate of provisions for insurance liabilities		
	Outward reinsurance: life insurance business (excluding ALV)		
	Outward reinsurance: non-life insurance business		
Market-consistent value of other liabilities	Non-technical provisions	61	55
	Interest-bearing liabilities		148
	Liabilities from derivative financial instruments	2,654	3,067
	Deposits retained on ceded reinsurance	476	230
	Liabilities from insurance business	423	987
	Other liabilities	929	563
	Accrued liabilities		
	Subordinated debts		
Total BEL plus market-consistent value of other liabilities	**Total BEL plus market-consistent value of other liabilities**	**16,039**	**18,073**
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**3,229**	**3,136**

Comparison of SST balance sheet with Swiss statutory accounts

The comparison of the SST balance sheet with the audited statutory financial statement figures provides information on the most important valuation differences between the economic valuation and the local statutory valuation. Explanations of selected positions and valuation differences can be found below.

Note	Assets (in EUR m)	Statutory	SST
1	Real estate	9	20
2	Fixed-income securities	1,206	1,174
	Equities	59	67
	Other investments	1,772	1,876
3	Receivables from derivative financial instruments	1,456	1,456
4	Deposits retained on assumed reinsurance business	13,501	13,501
	Cash and cash equivalent	623	623
5	Underwriting provisions ceded	474	281
6	Other assets (tangibles)	31	96
7	Deferred acquisition costs	1,133	-
8	Accounts receivable from reinsurance business	326	326
9	Other accounts receivable	1,790	1,790
	Total assets	**22,378**	**21,209**

1) This position includes that part of NewRe's office building that is leased to third parties. Under statutory accounts, real estate is carried at amortised cost. Under SST, the market value equals the most recent appraisal value.

2) The 'Fixed-income securities' and 'Equities' items listed in the table above are those that NewRe directly manages. The 'Other investments' item comprises collective investment schemes in special funds which are 100% owned. Under Swiss statutory accounting, fixed-income securities are valued at amortised cost less required impairments. Equities and other investments are valued at the lower of cost or market value. Under SST, the valuation of these instruments is mark-to-market, based on quoted prices in active markets or observable inputs.

3) This position refers to the amount owed by the counterparty in a derivatives contract. The receivable is considered an asset because it represents a future cash inflow.

4) Deposits retained on assumed reinsurance business (or funds held by ceding companies) are receivables from cedants for cash deposits that have been retained under the terms of reinsurance agreements; they are accounted for at the nominal value of the amount outstanding (face value) in both regimes. The amount of the deposits retained on assumed reinsurance business derives from the value of the related statutory technical provisions for the reinsured business.

5) Underwriting provisions ceded corresponds to the retroceded portion of technical provisions. The valuation differences between statutory and economic accounting (SST) are explained below under the item 'Technical provisions'.

6) The 'Other assets' item consists of the own-occupied part of NewRe's office building. The same valuation principles apply as for real estate (see above).

7) Deferred acquisition costs are mainly from financing transactions in Life. Under statutory accounts, acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. In the SST, the acquisition costs are instead allowed to have a direct impact on the income statement when the contract is concluded, and the expected (positive) future cash flows as a result of the repayment are taken into account in the best estimate liabilities. For this reason, this item is not used in the SST and is set to zero.

8) The 'Accounts receivable from reinsurance business' item represents receivables in respect of brokers, insurance and reinsurance companies as of the balance sheet date, whereby the statutory value and the economic value are the same.

9) The 'Other accounts receivable' item mainly consists of cash collateral in relation to derivatives for hedging variable annuity business. The market-consistent or economic value corresponds to the statutory value.

Note	Liabilities (in EUR m)	Statutory	SST
1	Technical provisions	16,401	13,023
2	Non-technical provisions	162	55
3	Interest-bearing liabilities	144	148
4	Liabilities due to derivative financial instruments	3,067	3,067

Note	Liabilities (in EUR m)	Statutory	SST
5	Deposits retained on ceded business	230	230
6	Accounts payable on reinsurance business	987	987
7	Other liabilities	563	563
	Total liabilities	**21,553**	**18,073**

1) Statutory technical provisions are recognised in accordance with the principle of prudence. This means, for example, that Non-life liabilities are not discounted. Or that biometric assumptions such as mortality or disability rates include safety margins. The principle of prudence also requires that the future policy reserves (FPR) for Life business – also known as provisions for future policy benefits – are set to zero where they represent an asset, i.e. in case the present value of future cash inflows exceeds the present value of future cash outflows. An exception to this are financing contracts for which an asset for deferred acquisition costs (DAC) is built and amortised over the life of the insurance contract.
In addition to the FPR just mentioned, statutory technical provisions typically also consist of reserves for claims incurred but not yet reported (IBNR), reserves for current claims payments (in course of settlement – ICOS), a reserve for unearned premiums (UPR) and a reserve for profit commission. Finally, the technical provisions also include fluctuation reserves for Life and Non-life business.

In the economic view, on the other hand, this principle of prudence does not exist. Neither implicit nor explicit safety margins are included in the biometric assumptions, nor would future Life reinsurance profits resulting from the excess of the present value of future income over the present value of future benefits be set to zero. Rather, these profits would be fully recognised. As far as the Non-life technical provisions are concerned, these are discounted using the risk-free yield curve, resulting in a valuation reserve compared to the statutory technical provisions. Finally, no fluctuation reserves are set up under the SST regime, which means that these are set to zero.

2) The ‘Non-technical provisions’ item includes a fluctuation reserve for Weather derivatives. Under SST, this fluctuation reserve is considered as risk-bearing. The remaining amount relates to a provision for profit tax.

3) Under statutory accounting, loans are valued at nominal value plus accrued interest. Under SST, loans are valued on a market-consistent basis, i.e. the future cashflows are discounted using the risk-free interest rate curve.

4) Liabilities due to derivative financial instruments represent the liabilities arising from Weather derivatives and variable annuity business, the latter also referred to as market risk transfer (MRT) business. MRT business is valued on the basis of sound probabilistic models for both accounting regimes (statutory and economic). The statutory and economic MRT values include the same margin reserve to cover the non-hedgeable risks, which is why the best estimate value equals the statutory value. The margin reserve is set in such a way that no profit is made at inception, and is released over time.

5) The ‘Deposits retained on ceded business’ item represents the amounts owed by NewRe for retrocession agreements in the amount of the guarantees retained. The economic value corresponds to the statutory value.

6) Accounts payable on reinsurance business represents payables in respect of brokers, insurance and reinsurance companies as of the balance sheet date. Analogous to the accounts receivable, there are also no valuation differences for payables.

7) The ‘Other liabilities’ item includes the cash collateral and margin requirements from bank counterparties in relation to MRT derivatives business and an amount owed to the Swiss National Bank (SNB) in connection with repo transactions.

Risk-bearing capital

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

Derivation of the RBC (in EUR m)	**2021**	**2022**
Statutory shareholder equity	811	825
Unrealised gains on assets	104	-37
Deferred acquisition cost	-453	-1,133
Adjustments to statutory liabilities	2,766	3,480
Expected dividend	-156	-170
Risk-bearing capital	**3,073**	**2,965**

The adjustments to the statutory liabilities mainly consist of the elimination of the equalisation reserves and the recognition of expected future profits from the reinsurance contracts.

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

Market-consistent balance sheet and RBC (in EUR m)	**2021**	**2022**
Market-consistent value of assets less best estimate liabilities	3,229	3,136
Expected dividend	-156	-170
Risk-bearing capital	**3,073**	**2,965**

F. Capital management

Goals, strategy and time horizon

As regards statutory equity capital, the goal of NewRe’s capital planning is stable and solid capitalisation. The statutory equity capital is deemed sufficient to sustain the forecast business development over the coming years. As for the previous year, NewRe therefore intends to pay a dividend equal to the local GAAP annual result for 2022.
To be able to absorb the inherent volatility of the business, NewRe aims for a diversified business mix and has built a buffer of both free reserves and retained earnings, as well as equalisation reserves in the technical and non-technical provisions.

Our strategy foresees steady growth for all strategic pillars and an increase in earnings from all business segments, as well as continuously growing dividends for our shareholder. This strategy is based on continued strong development of our Life portfolio, further growth and diversification of our Weather book, and stable to slightly increasing Non-life business across Europe.

Equity reported in the Annual Report

	in TEUR		in TCHF	
	2022	**2021**	**2022**	**2021**
Share capital	240'396	240'396	260'000	260'000
Legal reserves from capital	113	113	123	123
Legal reserves from profit	120'084	120'084	129'877	129'877
Free reserves	294'593	294'537	318'532	318'472
Conversion difference	0	0	-64'560	-36'689
Profit for the year	170'305	156'316	171'160	168'997
Total equity	**825'492**	**811'446**	**815'132**	**840'780**

There have not been any material changes to the structure, level or quality of the equity reported in the Annual Report. NewRe considers the quality of the statutory equity to be very high. The accounting and valuation principles for assets and liabilities are set out in the notes to the financial statements, and NewRe is of the opinion that all valuations are prudent.
NewRe does not have a stand-alone rating from rating agencies. It is regarded as a core strategic company of Munich Re and is therefore granted the Munich Re Group rating.

G. Solvency

a) Risk model

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

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

Risk module	NewRe's risk model	Standard SST model
Property & Casualty	Stochastic models for basic losses, large losses, weather derivatives, structured solutions business	Stochastic model for attritional events and individual events
Accumulation	Stochastic frequency-severity model for natural catastrophes and other accumulations (e.g. cyber, terror)	Natural perils as defined by the Swiss Natural Peril Pool are modelled within the Non-life standard model
Life & Health	Stochastic model for key risk drivers such as pandemic or mortality trend	Standard stress tests on key cash flow projection assumptions

Market risk transfer (MRT)	Stochastic models for residual risks (after hedging), including their aggregation	No specific module for variable annuity business
Market	Multivariate Gaussian distribution for standardised risk factors	Multivariate Gaussian distribution for standardised risk factors
Credit	Merton-based stochastic model with multiple systematic variables	Combination of • Merton-based stochastic model with one systematic variable and • Basel III standard approach
Aggregation	Gumbel copula to reflect tail dependencies	Gaussian copula between insurance risk and market risk, simple addition of credit risk

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

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

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

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

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

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

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

P&C and accumulation risk (in EUR m)	2021	2022
Basic losses	306	307
Large losses	110	135
Structured solutions business	92	187
Weather derivatives	230	206
Diversification	-351	-431
P&C risk	389	404
Accumulation	620	737
Diversification and other benefits	-338	-354
P&C and accumulation risk	**671**	**787**

The basic loss risk remained at a very similar level to the previous year.

Large loss risk continues to be dominated by fire/property business and increased mainly due to high inflation in 2022 and an unfavourable year of large fire losses.

The risk inherent in structured solutions business (SSB) increased mainly due to the addition of a large transaction.

Weather derivatives risk has decreased due to a greater diversification of the portfolio by weather region.

Finally, the increase in accumulation or natural catastrophe risk is due to strong growth following the 1/1 renewal and overall favourable market conditions, slightly offset by the inclusion of the CatXL retrocession agreement for all perils with MunichRe Group. As last year, the main growth was driven by NewRe's two top scenarios, Storm Europe and Earthquake Switzerland/Germany.

Life and MRT

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

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

Life and MRT risk (in EUR m)	2021	2022
Mortality	523	441
Morbidity	8	8
Longevity	7	8

Life and MRT risk (in EUR m)	**2021**	**2022**
Financing	93	96
Mass lapse	65	171
Non-proportional	114	164
Diversification	-158	-287
Life risk	652	601
Market risk transfer (MRT)	166	133
Diversification and other benefits	-74	-70
Life and MRT risk	**744**	**663**

NewRe's Life and MRT risks fell during 2022 due to the increase in interest rates. This offset the impact of new mass lapse and US non-proportional transactions. A new model was implemented for mass lapse, although the impact of this was relatively low with higher standalone mass lapse risk being offset by increased diversification.

Market

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

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

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

Market risk (in EUR m)	**2021**	**2022**
Equity	8	3
Interest rate	179	154
Spread	119	113
Real estate	8	9
Foreign exchange	322	359
Diversification	-306	-317
Market risk	**331**	**321**

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

Credit
NewRe's credit risk is determined on the basis of Merton's portfolio model, which is calibrated over a longer period (at least one full credit cycle) and takes account of both changes in fair value caused by rating migrations and debtor default. The credit risk arising from investments (such as government bonds), as well as deposits with ceding companies and funds-withheld accounts is calculated by individual debtor. In particular, the credit risk arising through exposure to cedants' technical provisions is allowed for by calculating the loss in present value of future profits that would arise, should a default occur at individual cedant level. In addition, other credit exposures such as counterparties to weather derivative transactions and accounts receivable are also allowed for in the calculation.

Historical capital-market data are used to determine the associated migration and default probabilities. The correlation effects between debtors derive from the sectors and countries in which they operate, and sector and country correlations are based on the interdependencies between the relevant stock indices. NewRe uses its own historical loss experience to calibrate the credit risk arising from receivables.

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

Credit risk (in EUR m)	**2021**	**2022**
Receivables and deposits	217	225
Other Life business	161	228
Investments	68	84
Weather derivatives	18	20
Diversification	-74	-106
Credit risk	**389**	**450**

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

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

b) Solvency ratio

With a risk-bearing capital of EUR 2,965 m and a target capital of EUR 1,819 m as at 1 January 2023, NewRe's solvency position is very strong, with a solvency ratio of 182%.

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

Financial situation report: Quantitative template “Solvency Solo”
in EUR m

Derivation of RBC	**2021**	**2022**
Market-consistent value of assets less total from best estimate liabilities plus market-consistent value of other liabilities	3,229	3,136
Deductions (expected dividend)	-156	-170
Core capital	**3,073**	**2,965**
Supplementary capital	0	0
RBC	**3,073**	**2,965**
Derivation of target capital		
Underwriting risk	1,415	1,450
Market risk	331	321
Diversification effects	-708	-763
Credit risk	389	450
Market value margin and other effects on target capital	496	361
Target capital	**1,923**	**1,819**
SST ratio (in %)		
(Risk-bearing capital - MVM) / (Target capital - MVM)	**183%**	**182%**

The market value margin equals EUR 419 m, see Chapter D) for the description of the underlying method. Other effects on target capital include the expected result of EUR 58 m. In total, this results in a value of EUR 361 m (419 m – 58 m) for the “Market value margin and other effects on target capital” item.

The figures reported in this document correspond to the official SST calculation performed as at 1 January 2023. The SST calculation is submitted to FINMA at the same time as this report is published, 28 April 2023, and is subject to their regulatory review.

Sign-off by the executive body

The Board of Directors of NewRe has overall management responsibility for the company. At its meeting on 21 April 2023, the Board of Directors of NewRe approved this 2022 Financial Condition Report.

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