

**Annual Report
MS Amlin AG
2019**

**Kirchenweg 5
8008 Zürich
Switzerland**

Management Report

Prior to 1 January 2020, MS Amlin AG (the Company) was a wholly owned subsidiary of MS Amlin plc, whose parent was Mitsui Sumitomo Insurance Company (MSI) Limited, a wholly owned subsidiary of MS&AD Group Holding, Inc. (MS&AD). On 1 January 2020 the share ownership in the Company transferred to MSI with MS Amlin AG becoming a direct subsidiary of MSI.

MS Amlin AG operates in three underwriting locations. The Zurich operations of the Company writes reinsurance for predominantly small and mid-sized insurance companies across all non-life classes and products. The Bermuda branch writes a geographical spread of catastrophe, property, casualty, financial lines and speciality business. In 2019 the Miami branch began writing Latin American property reinsurance business via a binder with MS Amlin Reinsurance Managers Inc ("ARMI") in the USA. In addition, through the legacy MS Frontier operations, a business was established in Labuan in 2013 to carry out reinsurance business geographically located in East and South East Asia. The business was placed into run-off in early 2018 however service functions remain.

Business Development and Financial Condition

During 2019 gross written premiums increased from CHF 1,272.3m to CHF 1,572.4m. The growth in gross written premium was driven by increases in Casualty, Cyber, and Financial Lines business as well as increased cessions from inter company business.

Claims have been impacted by Hurricane Dorian in 2019 as well as deterioration on prior year catastrophe losses including the 2017 and 2018 catastrophe events as well as the New Zealand Earthquake loss in 2010. Claims were also impacted by frequency of non-catastrophe events in 2019 and prior year development.

Administrative expenses have decreased by CHF10m. The main drivers were lower service charges from our shared services provider, Amlin Corporate Services, and other cost reduction initiatives in 2019.

Net income from investments increased by 34% from CHF 115.3m to CHF 154.7m during 2019. Investment performance for the year was strong and has more than reversed the prior year downturn. The gains have mainly been driven by equities.

The overall result was a profit for the Company for the year 2019 of CHF185m.

Number of full-time positions on an annual average

The Company employed a worldwide staff at an average of 125 full time equivalents (2018: 125).

Extraordinary events

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Governments have taken stringent steps to help contain or delay the spread of the virus. As such, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities. However, based on the volatility observable in the market, the Company expects the 2020 financial results to be impacted through the fair value measurement of the investments (e.g. shares and other investments) as well as our exchange rate gains and losses. The Company will also be impacted through the fair value measurement of insurance liabilities, though these cannot be reasonably estimated at the date of signing these financial statements.

Future prospects and vision

The Company has a vision to be a 'Respected Global Reinsurance Partner'. This is anchored in our values of Client Understanding, Respecting Each Other, Probity, 'Kaizen', One MS Amlin Team and Courage to Challenge.

Short-term view

The change in direct ownership from MS Amlin plc to MSI will impact MS Amlin AG's strategic direction and oversight in ways that are still being determined at the time of writing this report, but ultimately our strategy as a leading global reinsurer remains consistent and the changes will be in an effort to increase efficiencies where possible.

During 2019, the MS Amlin corporate strategy along with the vision for the global reinsurance business were reviewed and this will guide the MS Amlin AG strategy for 2020 and beyond. The strategy for 2019 focused on the key priorities of; Focusing on corporate clients; Service our core clients; Enabling and unlocking our people capability; Operational excellence; Superior risk analysis; and Building an agile organisation.

Medium and Long-term view

The Company's strategy is driven by a client-focused approach together with technical underwriting excellence as we seek profitable growth going forwards. MS Amlin AG's strategic priorities will ensure progress is made to achieve ambitions for 2020 and beyond. These include a focus on further development our US market presence, new product development and further diversification, continued use of third party capital to support further growth of our portfolio and reduce volatility, development of an Economic Value Management approach and optimisation of balance sheets through rationalisation of risk placement.

Within the strategic plans, MS Amlin AG does not anticipate, or rely on a market-turning event. Instead, the Company expects a series of smaller market rate corrections that will neither materially attract nor deflect significant volumes of capital to the market.

The strategy is intended to see the company being well diversified in terms of products and geographies and therefore able to support clients more broadly, to be financially sound with the ability to offer substantial line sizes and capacity and to develop long-term relationships with clients and brokers.

Risk Assessment

Risk Management Strategy

MS Amlin AG's vision and core values provide the strategic focus for the risk management system to deliver "effective risk management which optimises return for the risks we take" with the objective to deliver long-term value. This is achieved by actively seeking and accepting risk while managing that risk within acceptable bounds.

Risk Management Framework

MS Amlin AG has developed a Risk Management Policy committed to establishing and maintaining a sustainable enterprise risk management process as an integral part of its business model supporting business planning, capital management and decision making in the business. The Policy is intended to provide transparency, and define ownership, and responsibilities throughout the risk management process as well as create a risk aware culture across the organization.

To supplement and fulfil the needs of the Policy, a Risk Management Framework has been developed and documented which provides:

- A strong, risk based organisation, supported by an appropriate risk management system;
- A robust governance framework supporting its organisational structure;
- Clear roles and responsibilities and effective escalation processes;
- Effective monitoring; and
- Clear and effective communication and reporting lines.

MS Amlin AG's Risk Management Framework consists of a suite of standards, governance processes and procedures that ensure a strong risk management function. It is built into the core operating model of the business and forms part of the overall approach to internal control. It provides the infrastructure within risk governance and also sets out the processes required to sustain risk management across the business.

Risk Management Methods and Processes

Risk Governance

The operation of effective risk management requires the active involvement of all employees and the responsibility for each risk has been clearly allocated within the Company.

MS Amlin AG operates risk management through a 'three lines of defence' model.

- First line – all employees are expected to be risk aware and exercise controls over their activities so that levels of risk are understood and managed appropriately;
- Second line - MS Amlin AG's Risk function is responsible for the design and coordination of the risk framework architecture, working together with the Compliance function for additional support;
- Third line - MS Amlin's Internal Audit function is independent and has direct reporting to the MS Amlin AG Audit Committee. The function has responsibility for the review of the effectiveness of controls.

The Boards and the Risk & Solvency Committee receive reports from the Risk function that escalate risk areas of concern.

Risk Appetite and Tolerances

A key objective of the Risk Management Framework is to establish risk appetites for all key areas of risk identified. This appetite is implemented through a set of tolerances and limits which are approved by the Risk & Solvency Committee and the Supervisory Board. Management is accountable for managing levels of risk within the allocated tolerances. The status of profile versus tolerance is reported quarterly to the Risk & Solvency Committee with breaches escalated up to the Supervisory Board.

Risk Categorisation

MS Amlin AG groups its risks into six key categories as specified below. Accordingly, the Risk Management Framework has been designed to take account of these risk categories and seeks to ensure ownership and accountability.

Each of these categories of risk is owned by an Executive Board member with appropriate expertise and authority over the risks being managed on a day to day basis. Further details on the roles, responsibilities, accountabilities, and key mitigation actions of each risk category are documented in six category-based risk standards that are reviewed and approved by the Risk & Solvency Committee each year.

Risk category Owner	High Level Overview	Scope
Insurance Risk (Chief Underwriting Officers, Zurich and Bermuda)	Risk from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities and premiums. This includes reserving risk or claims arising on business written in prior years.	<ul style="list-style-type: none"> • Business plan • Pricing risk • Underwriting performance including catastrophes • Product Oversight • Reserving • Claims
Market Risk (Chief Financial Officer)	Risk from fluctuations in values of, or income from, assets, interest rates and investment returns.	<ul style="list-style-type: none"> • Investment market volatility • Counterparty risk • Concentration risk • Currency fluctuation
Credit Risk (Chief Financial Officer)	Risk of counterparties failing to perform their obligations in a timely manner or at all.	<ul style="list-style-type: none"> • Retrocessionaires • Brokers • Cedents • Banks and Investment counterparties
Liquidity Risk (Chief Financial Officer)	Risk of insufficient financial resources being available to meet liabilities as they fall due.	<ul style="list-style-type: none"> • All assets
Operational Risk (Chief Executive Officer)	Risk from inadequate or failed internal processes, people and systems, or from external events.	<ul style="list-style-type: none"> • Systems and Technology • Processes • People • Legal & Regulatory
Strategic Risk (Chief Executive Officer)	<p>Risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes.</p> <p>Risks that may arise as a result of Group structure.</p>	<ul style="list-style-type: none"> • Group • Strategic • Political & economic • Conduct • Capital Management

Three risk categories (Insurance, Market and Credit Risk) are managed using capital against the residual risk and are included within the Internal Model for the SST.

Liquidity Risk and Operational Risk are measured through stress and scenario testing and have tolerances set against them, although explicit risk charges are not included within the SST Target Capital.

Strategic risks such as reputational and political risks are on the whole not directly considered within the capital model but managed rather through the use of management actions, contingency plans, policies, processes and robust preventative and detective business process controls.

Linkage to Capital Management

MS Amlin AG has an Internal Model which has been built to reflect the economic risk variables, which could impact the performance of the Company. The MS Amlin AG Supervisory Board has confirmed that the Internal Model is the appropriate method for the calculation of solvency capital under the requirements of the Swiss Solvency Test and the Internal Model has been approved by the supervisory regulator, FINMA, for use when calculating the SST for risk charges including Insurance Risk, Reinsurance Credit Risk and Dependencies. The Internal Model is a core component of the risk management system and is used for a range of business decisions including setting and assessing risk tolerances, business planning, strategic decision making and purchase of outwards reinsurance, and is a key input into the technical pricing framework.

Capital is a key consideration in setting business plans and strategies. The economic capital assessment provides the basis of risk adjusted performance for business plans.

Alignment to Business Strategy

MS Amlin AG's risk management objectives seek to bring business strategy, capital management, and enterprise risk management together to achieve long-term sustainable outcomes for all stakeholders.

This approach allows the business to maximise its return on risk where there is opportunity to, subject to limitations over acceptable risk taking. This is done through the adoption of risk appetites and tolerances that link closely to the return objectives set by the Supervisory Board.

MS Amlin AG, Zurich

Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Financial Statements 2019



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Report of the Statutory Auditor to the General Meeting of Shareholders of

MS Amlin AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of MS Amlin AG, which comprise the balance sheet, income statement, cash flow statement and notes for the year ended 31 December 2019.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.



Report on Other Legal Requirements

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

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

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

KPMG AG

Rainer Pfaffenzeller
*Licensed Audit Expert
Auditor in Charge*

Mathew Ackland
Licensed Audit Expert

Zurich, 29 April 2020

Enclosure(s):

- Financial statements (balance sheet, income statement, cash flow statement and notes)
- Proposed appropriation of available earnings

**Financial Statements of
MS Amlin AG
2019**

**Kirchenweg 5
8008 Zürich
Switzerland**

Income statement

CHF	Note	2019	2018
Gross premium written		1,572,412,134	1,272,256,240
Premiums ceded to reinsurers		(120,525,785)	(132,545,669)
Net premiums written		1,451,886,349	1,139,710,571
Change in unearned premium reserves - gross		(209,731,603)	21,632,698
Change in reinsurers' share of unearned premium reserves		8,956,508	(65,138)
Net premiums earned		1,251,111,254	1,161,278,131
Other insurance income		606,459	529,818
Total technical income		1,251,717,713	1,161,807,949
Gross claims and claim expenses paid		(863,596,094)	(917,037,468)
Reinsurers' share of claims and claim expenses		129,122,511	120,132,549
Change in technical provisions - gross	6	10,148,290	(237,265,120)
Change in reinsurers' share of technical provisions	6	(151,307,439)	71,229,392
Net claims and claim expenses incurred		(875,632,732)	(962,940,647)
Acquisition costs - gross		(275,318,942)	(46,978,493)
Administrative expenses - gross		(59,015,994)	(69,345,794)
Acquisition costs and administrative expenses - gross		(334,334,936)	(116,324,287)
Reinsurers' share of acquisition costs		265,946	541,964
Net acquisition costs and administrative expenses		(334,068,990)	(115,782,323)
Other technical expenses own business		0	(1,149)
Total technical expenses		(1,209,701,722)	(1,078,724,119)
Income from investments	11	248,321,116	218,397,079
Expenses from investments	12	(93,616,335)	(103,134,040)
Net income from investments		154,704,781	115,263,039
Other financial expenses		(3,686,232)	(19,627,518)
Operating income		193,034,540	178,719,351
Other income		585,661	4,795,600
Other expenses		(1,437,733)	(5,781,332)
Extraordinary expenses	1	(164,312)	-
Profit before direct taxes		192,018,157	177,733,619
Direct taxes		(6,837,674)	(405,396)
PROFIT / (LOSS)		185,180,483	177,328,223

Balance sheet

Assets

CHF	Note	31/12/2019	31/12/2018
Investments		3,290,315,250	3,171,637,467
Fixed-interest securities		395,916,157	391,861,589
Loans		-	227,597,957
Shares		6,683,011	9,606,201
Other investments	2	2,887,716,082	2,542,571,720
Receivables from derivative financial instruments		207,162	10,185,649
Deposits on reinsurance business		79,181,377	86,568,083
Cash and cash equivalents		343,262,450	254,796,362
Reinsurers' share of technical provisions	5	175,014,227	317,989,575
Property and equipment		3,909,769	3,364,718
Deferred acquisition costs		266,089,896	199,027,134
Intangible assets		-	41,736
Reinsurance receivables	3 / 8	974,595,518	777,149,633
Other receivables	8	87,734,184	29,969,132
Prepaid expenses and accrued income		30,181,670	18,319,653
TOTAL ASSETS		5,250,491,503	4,869,049,142

Liabilities and equity

CHF	Note	31/12/2019	31/12/2018
Technical provisions	5	3,139,506,570	2,991,139,958
Non-technical provisions		12,052,643	35,373,677
Liabilities from derivative financial instruments		8,292,095	3,877,159
Reinsurance payables	4 / 9	215,014,736	220,880,769
Other liabilities	9	84,633,776	11,966,378
TOTAL LIABILITIES		3,459,499,819	3,263,237,941
Share capital		10,000,001	10,000,001
Legal capital reserves		1,467,556,475	1,467,556,476
Reserves from capital contributions	22	1,467,556,475	1,467,556,476
Legal retained earnings		5,000,000	5,000,000
Voluntary retained earnings		308,435,208	123,254,724
Merger reserve		174,447,343	174,447,343
Profit brought forward		(51,192,618)	(228,520,842)
Profit/(Loss)		185,180,483	177,328,224
Total equity	7	1,790,991,684	1,605,811,201
TOTAL LIABILITIES AND EQUITY		5,250,491,503	4,869,049,142

Cash Flow Statement

in CHF

	2019	2018
Profit for the year	185,180,483	177,328,223
Net (purchases)/sales of property, plant and equipment and intangible assets (incl. depreciation)	(503,316)	2,004,891
Net (purchases)/sales of investments (incl. realised gains/losses)	(118,677,782)	(139,737,018)
Net (purchases)/sales of derivatives (incl. realised gains/losses)	14,393,423	(11,405,388)
Decrease/(increase) in deposits on reinsurance business	7,386,705	39,094,407
(Increase)/decrease in reinsurance contract assets	142,975,348	(70,196,903)
(Increase)/decrease in deferred acquisition cost	(67,062,762)	(199,027,134)
(Increase)/decrease in insurance receivables	(197,445,885)	92,699,575
(Increase)/decrease other receivables and other payables	14,902,347	(13,749,668)
Increase/(decrease) in outstanding claims	(39,210,356)	113,171,180
Increase/(decrease) in unearned premium	187,576,967	(26,309,712)
Increase/(decrease) in creditors arising from insurance operations	(5,866,033)	(10,043,056)
Increase/(decrease) in non-technical provision	(23,321,034)	(4,614,946)
(Increase)/decrease prepaid expenses and accrued income	(15,663,644)	(18,478,728)
Cash flow from operating activities	84,664,461	(69,264,277)
Cash flow from investing activities	-	-
Interest received on loan	3,801,627	6,191,072
Cash flow from financing activities	3,801,627	6,191,072
Cash flow for the financial year	88,466,088	(63,073,205)
Cash on 1 January	254,796,362	317,869,567
Cash on 31 December	343,262,450	254,796,362
Change in cash	88,466,088	(63,073,205)

Notes to the Financial Statements

1. General

Prior to 1 January 2020, MS Amlin AG (the Company) was a wholly owned subsidiary of MS Amlin plc, whose parent was Mitsui Sumitomo Insurance Company (MSI) Limited, a wholly owned subsidiary of MS&AD Group Holding, Inc. (MS&AD). On 1 January 2020 the share ownership in the Company transferred to MSI with MS Amlin AG becoming a direct subsidiary of MSI.

Basis of presentation

These financial statements were prepared in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) and AVO-FINMA.

Change in Accounting Policy

The Company applied IFRS 16 Leases from 1 January 2019. In this context the definitions as defined under IFRS were also applied to Swiss CO. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is measured at amortised cost using the effective interest method.

In Swiss CO financials, the cumulative effect of initial application (modified retrospective approach) which is recognised in retained earnings at 1 January 2019 under IFRS 16 are excluded from retained earnings and included in the current period (Income statement: Extraordinary expenses).

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the related disclosures. Actual results could differ significantly from these estimates.

Foreign currency translation

At year-end, assets and liabilities denominated in foreign currencies are translated into Swiss francs at the exchange rate on the balance sheet date whereas revenues and expenses are translated at the average exchange rate for the period under report. Shareholders' equity is translated at historical rates. FX gains arising from the revaluation of the opening balance sheet as well as from the adjustments from application of year-end or average rates are deferred and booked under provision for currency fluctuation (Balance Sheet: "Non-technical provisions"). FX losses are directly recognised in the income statement.

Realised FX arising from foreign exchange transactions are recognised in the income statement.

The translation from functional currencies (US Dollar and Euro) to presentational currency of CHF gave rise to a FX translation loss of CHF 30.0 million (2018: gain of CHF 7.5 million). The translation to the functional currencies led to a FX loss of CHF 1.3 million (2018: loss of CHF 9.7 million). The combined unrealised FX loss of CHF 31.4 million led to a full release of the provision for currency fluctuation (2018: CHF 23.4 million).

The realized FX gain of CHF 6.3 million for the financial year is recognised in the income statement (2018: realized FX gain CHF 4.9 million).

Notes to the Financial Statements

Valuation Principles

Investments

Investments (except for bonds) are carried at market value if an observable market price is available. If the market price is not available (category Participations in pooled investment funds - Property), investments are accounted for at cost less necessary impairments. Subsequent recoveries of previously recorded impairments may be recognised up to the cost value.

Bond investments are valued at amortized cost less necessary impairments, if any.

Derivative instruments are valued at market value. Gains and losses are shown as part of Income and Expenses from investments.

Deposits on reinsurance business

Deposits are held at nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term deposits. Such current assets are held at nominal value, after deduction of known credit risks.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions represent the retroceded part of the technical provisions. The same accounting principles apply as for the technical provisions.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate.

Intangible assets

Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of software which is not exceeding 20 years.

Reinsurance receivables

Reinsurance receivables are carried at nominal value, after deduction of known credit risks if applicable.

The position mainly consists of receivables from insurance companies and brokers.

Other receivables

Other receivables are recognised at the nominal value. The set up of bad debt reserves or write offs will be recorded on a cedent basis.

Technical provisions

The technical provisions are based on the cedent information (case reserves) and the reserves for already incurred but not yet reported claims (IBNR). Additionally, the technical provisions include the written but not yet earned part of the premiums (Unearned premium reserve).

Reinsurance payables

Reinsurance balances payable are held at redemption value.

Acquisition costs

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are charged on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable.

Direct taxes

Direct taxes relate to income and capital taxes.

Notes to the Financial Statements

2. Other investments

CHF	31/12/2019	31/12/2018
Participations in pooled investment funds - Property	286,103,778	289,935,049
Participations in pooled investment funds - Equity	441,178,579	414,070,692
Participations in pooled investment funds - Bonds	1,780,588,014	1,503,031,254
Participations in pooled investment funds - Money Market	146,213,103	117,757,309
Private equity of which participations (holding < 20%)	2,168,967	-
Short-term investments in pooled investment funds	231,463,642	217,777,416
Total	2,887,716,082	2,542,571,720

3. Reinsurance receivables

CHF	31/12/2019	31/12/2018
Receivables from agents and brokers	668,751,775	548,411,752
Receivables from insurance companies	305,843,745	228,737,882
Total	974,595,518	777,149,633

4. Reinsurance payables

CHF	31/12/2019	31/12/2018
Liabilities to agents and brokers	66,311,630	67,721,509
Liabilities to insurance companies	148,703,105	153,159,260
Total	215,014,736	220,880,769

Notes to the Financial Statements

5. Technical provisions

CHF	Technical provisions (gross)			Reinsurers' share		Technical provisions (net)
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Unearned premium reserve	1,032,669,088	845,092,120	11,707,392	3,080,720	1,020,961,696	842,011,400
Loss reserves *	2,106,837,482	2,146,047,838	163,306,835	314,908,855	1,943,530,647	1,831,138,983
Total Technical provisions	3,139,506,570	2,991,139,958	175,014,227	317,989,575	2,964,492,343	2,673,150,383

* Unallocated Loss Adjustment Expenses (ULAE) are part of the loss reserves.

6. Change in technical provisions

CHF	2019	2018
Change in technical provisions - Outstanding claims	41,345,258	141,722,654
Change in technical provisions - IBNR	(51,493,548)	95,542,466
Change in technical provisions - gross	(10,148,290)	237,265,120
Change in reinsurers' share of technical provisions - Outstanding claims	(23,397,792)	(4,491,194)
Change in reinsurers' share of technical provisions - IBNR	174,705,231	(66,738,198)
Change in reinsurers' share of technical provisions	151,307,439	(71,229,392)

7. Statement of changes in equity

CHF	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
As of 31 Dec 2017	10,000,001	1,467,556,476	5,000,000	(54,073,499)	1,428,482,978
Profit for the period				177,328,223	177,328,223
Dividend payments				-	-
As of 31 Dec 2018	10,000,001	1,467,556,476	5,000,000	123,254,724	1,605,811,201
Profit for the period				185,180,483	185,180,483
Dividend payments				-	-
As of 31 Dec 2019	10,000,001	1,467,556,476	5,000,000	308,435,207	1,790,991,684

Notes to the Financial Statements

8. Receivables from third parties and affiliated companies

CHF			31/12/2019
	Third party	Affiliated companies	Total
Receivables from reinsurance business	683,025,528	291,569,989	974,595,518
Other receivables	85,964,105	1,770,078	87,734,184
Total	768,989,634	293,340,068	1,062,329,701

CHF			31/12/2018
	Third party	Affiliated companies	Total
Receivables from reinsurance business	566,869,468	210,280,165	777,149,633
Other receivables	10,756,163	19,212,969	29,969,132
Total	577,625,631	229,493,134	807,118,765

9. Payables to third parties and affiliated companies

CHF			31/12/2019
	Third party	Affiliated companies	Total
Payables from reinsurance business	66,733,278	148,281,457	215,014,736
Other liabilities	66,197,074	18,436,703	84,633,776
Total	132,930,352	166,718,160	299,648,512

CHF			31/12/2018
	Third party	Affiliated companies	Total
Payables from reinsurance business	68,043,965	152,836,804	220,880,769
Other liabilities	6,866,796	5,099,582	11,966,378
Total	74,910,760	157,936,386	232,847,147

Notes to the Financial Statements

10. Audit fees

CHF	31/12/2019	31/12/2018
Audit services	664,778	595,377
Other services	-	-
Total	664,778	595,377

11. Income from investments

CHF	Income		Net unrealized gains		Net realized gains		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Fixed-interest securities	9,141,439	5,693,625	897,818	3,633,729	2,394,249	725,785	12,433,505	10,053,139
Loans	1,935,202	7,470,388	-	-	-	-	1,935,202	7,470,388
Shares	5,027	6,124,045	-	-	-	126,811,964	5,027	132,936,009
Other investments	51,033,545	32,451,544	161,185,846	21,608,471	21,727,991	13,877,528	233,947,382	67,937,543
Total	62,115,213	51,739,602	162,083,664	25,242,200	24,122,240	141,415,277	248,321,116	218,397,079

12. Expenses from investments

CHF	Expenses		Net unrealized losses		Net realized losses		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Fixed-interest securities	245,266	529,630	-	357,363	339,871	1,719,731	585,137	2,606,724
Loans	-	-	-	-	-	-	-	-
Shares	-	2,414,348	-	-	-	73,803,497	-	76,217,845
Other investments	2,963,734	1,985,780	21,635,695	20,621,118	68,431,770	1,702,573	93,031,199	24,309,471
Total	3,208,999	4,929,758	21,635,695	20,978,481	68,771,640	77,225,801	93,616,335	103,134,040

Notes to the Financial Statements

13. Personnel expenses

Personnel expenses for fiscal year 2019 amount to CHF 32.3 million (2018: CHF 33.3 million) and are included in the line item administrative expenses.

14. Contingent liabilities

The Company has no contingent liabilities at 31 December 2019 (31 December 2018: CHF nil). There were no capital commitments or authorised but uncontracted commitments at the end of the financial year.

15. Depreciation of real estate and equipment and amortization of intangible assets

CHF	31/12/2019	31/12/2018
Property and equipment	1,187,243	1,314,120
Intangible assets	2,526	1,147
Total	1,189,768	1,315,267

16. Restricted assets

At 31 December 2019, the Company holds restricted funds in the form of letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments, and collateral received from reinsurance counterparties.

Letter of Credit ("LOC") facilities

MS Amlin AG has three LOC facilities of CHF 435.5 million (2018: CHF 441.7 million), CHF 203.2 million (2018: CHF 206.1 million) and CHF 48.9 million (2018: CHF 49.5 million). The US\$450.0 million facility is secured by a registered charge over a portfolio of assets managed by Fiera Capital with BNP Paribas as custodian. The US\$210.0 million facility is secured by time deposits held at Barclays Bank. The NZ\$75.0 million LOC is secured by time deposits held at National Australia Bank. As at 31 December 2019, CHF 548.7 million of LOC were issued (2018: CHF 456.5 million). The total value of restricted assets as at 31 December 2019 was CHF 624.2 million (2018: CHF 593.7 million).

Derivative margins and collateral

Derivative instruments traded by the Company for hedging purposes give rise to collateral being placed with, or received from, external counterparties. At 31 December 2019 included in other receivables is CHF 22.8 million (2018: CHF 6.5 million) margins and collateral pledged in relation to listed future margins.

Funds withheld as premium/claim deposits

At 31 December 2019, the Company had placed funds totalling net to CHF 18.0 million (2018: CHF 20.9 million) as premium deposits and CHF 61.2 million (2018: CHF 65.4 million) as claim deposits. These funds are held by external brokers or cedents. In addition a further CHF 90.3 million (2018: CHF 117.3 million) has been placed into pledge accounts to collateralise against losses due to reinsurance cedents.

Trust Funds

At 31 December 2019, cash and cash equivalents with a fair value of CHF 204.2 million (2018: CHF 139.2 million) have been deposited in trust by the Company for the benefit of U.S. ceding companies. These funds are held in trust by a U.S. based bank.

Notes to the Financial Statements

17. Residual amount of lease obligations

The maturity profile of lease obligations that do not expire in or cannot be canceled within 12 months is presented below:

Operating lease commitments

CHF	31/12/2019	31/12/2018
Later than 1 year and no later than 5 years	-	4,033,869
Later than 5 years	-	-
Total operating lease commitments	-	4,033,869

The operating leases are mainly related to the office rental in the different locations which are no later than 1 year as at December 31, 2019.

18. Liabilities to pension schemes

There is no pension fund liability at December 31, 2019 (2018: nil).

19. Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as for the previous year, did not exceed 250.

20. Significant events after the balance sheet date

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Governments have taken stringent steps to help contain or delay the spread of the virus. As such, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. However, based on the volatility observable in the market, the Company expects the 2020 financial results to be impacted through the fair value measurement of the investments (e.g. shares and other investments) as well as our exchange rate gains and losses. The Company will also be impacted through the fair value measurement of insurance liabilities, though these cannot be reasonably estimated at the date of signing these financial statements.

Notes to the Financial Statements

21. Related party loan

On 29 November 2017, the Company advanced USD 230.0 million to the Parent as a one year, fixed term loan. The loan facility was extended in November 2018. At 31 December 2018, CHF 227.6 million loan and interest remained outstanding. The loan was repaid in full on 28 March 2019.

22. Shareholders' equity (reserves from capital contributions)

On 31 December 2019, CHF 1,467.6 million are shown as "reserves from capital contributions" (31 December 2018: CHF 1,467.6 million). The total reserves from capital contributions include CHF 140.0 million of "capital reserves" as agreed with FINMA during the application process.

23. Hidden reserves

In 2019, the company did not release nor does it hold any hidden reserves.

24. General

The numbers presented throughout this report may not add up precisely to the totals provided in the tables and text.

Proposal for the appropriation of distributable earnings

CHF	31/12/2019	31/12/2018
Profit/ (loss) carried forward	123,254,725	(54,073,499)
Profit	185,180,483	177,328,223
Merger reserve	-	-
Distributable earnings	308,435,208	123,254,724
Proposal of the Board of Directors:		
Distributable earnings	308,435,208	123,254,724
Dividend payments	-	-
Amount carried forward	308,435,208	123,254,724