

Allied World Assurance Company, AG Zug

Report of the statutory auditor
to the General Meeting

on the financial statements 2020

Report of the statutory auditor

to the General Meeting of Allied World Assurance Company, AG

Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Allied World Assurance Company, AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2020.

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 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 2020 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.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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.

PricewaterhouseCoopers AG

Ray Kunz
Audit expert
Auditor in charge

Ireen Ranneberg
Audit expert

Zürich, 28 April 2021

Enclosures:

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

Allied World Assurance Company, AG
Statutory Balance Sheet
as of December 31, 2020 and December 31, 2019

| <i>as of December 31, (in 000's)</i> | Notes | 2020 | | 2019 | |
|--|----------|----------------|----------------|----------------|----------------|
| | | USD | CHF | USD | CHF |
| ASSETS | | | | | |
| Real estate | | 24,427 | 21,767 | 25,066 | 24,593 |
| Fixed maturity investments | | 195,574 | 174,276 | 247,395 | 242,718 |
| Equity securities | | 20,000 | 17,822 | 20,000 | 19,622 |
| Other investments | 3 | 35,696 | 31,809 | 35,037 | 34,375 |
| Reinsurance funds held | | 10,814 | 9,637 | 7,559 | 7,416 |
| Cash and cash equivalents | | 147,007 | 130,998 | 23,055 | 22,620 |
| Reinsurance recoverable | 6 | 113,648 | 101,272 | 87,726 | 86,068 |
| Fixed assets | | 13,260 | 11,816 | 13,607 | 13,350 |
| Insurance balances receivable | 4 | 27,409 | 24,425 | 31,693 | 31,094 |
| Other receivables | 5 | 188 | 167 | 999 | 980 |
| Other assets | | 693 | 617 | 525 | 514 |
| Accrued assets | | 1,719 | 1,532 | 2,534 | 2,486 |
| Total assets | | 590,435 | 526,138 | 495,196 | 485,836 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | |
| Liabilities | | | | | |
| Reserves for losses and loss expenses | 6 | 303,897 | 270,802 | 236,240 | 231,775 |
| Unearned premium reserves | 6 | 38,129 | 33,977 | 29,894 | 29,329 |
| Equalization reserve | 6 | 25,505 | 22,727 | 20,165 | 19,784 |
| Interest-bearing liabilities | | 18,264 | 16,275 | 16,894 | 16,575 |
| Insurance balances payable | 4 | 6,199 | 5,524 | 5,475 | 5,371 |
| Other payables | 5 | 4,008 | 3,571 | 4,392 | 4,309 |
| Accrued liabilities | | 1,991 | 1,775 | 1,122 | 1,100 |
| Total liabilities | | 397,993 | 354,651 | 314,182 | 308,243 |
| Shareholder's equity | | | | | |
| Share capital | 7 | 10,112 | 10,000 | 10,112 | 10,000 |
| Statutory capital reserve | | | | | |
| Capital reserves from tax capital contribution | | 65,953 | 64,826 | 40,953 | 40,484 |
| Total statutory capital reserves from tax capital contribution | | 65,953 | 64,826 | 40,953 | 40,484 |
| Other statutory capital reserve | | 100,877 | 99,758 | 100,877 | 99,758 |
| Total statutory capital reserves | 7 | 166,830 | 164,584 | 141,830 | 140,242 |
| Retained earnings | | | | | |
| Carried forward | | 29,072 | 9,633 | 21,987 | 20,310 |
| Net (loss) profit | | (13,572) | (12,730) | 7,085 | 7,041 |
| Total retained earnings | 7 | 15,500 | (3,097) | 29,072 | 27,351 |
| Total shareholder's equity | 7 | 192,442 | 171,487 | 181,014 | 177,593 |
| Total liabilities and shareholder's equity | | 590,435 | 526,138 | 495,196 | 485,836 |

Allied World Assurance Company, AG
Statutory Income Statement
for the years ended December 31, 2020 and December 31, 2019

| <i>for the years ended December 31, (in 000's)</i> | Notes | 2020 | | 2019 | |
|---|-----------|-----------------|-----------------|-----------------|-----------------|
| | | USD | CHF | USD | CHF |
| Gross written premium | | 105,216 | 98,684 | 87,937 | 87,399 |
| Premium ceded | | (35,192) | (33,008) | (32,083) | (31,887) |
| Net written premium | | 70,024 | 65,676 | 55,854 | 55,512 |
| Change in reserves for unearned premium, gross | | (8,236) | (7,724) | 1,117 | 1,110 |
| Change in reserves for unearned premium, ceded | | (873) | (819) | 463 | 460 |
| Net premium earned | | 60,915 | 57,133 | 57,434 | 57,082 |
| Total technical income from insurance activities | 8 | 60,915 | 57,133 | 57,434 | 57,082 |
| Losses and loss expenses paid, gross | | (27,121) | (25,436) | (81,061) | (80,565) |
| Losses and loss expenses paid, ceded | | 4,579 | 4,295 | 23,770 | 23,625 |
| Change in reserves for losses and loss expenses, gross | | (63,144) | (59,224) | 13,995 | 13,909 |
| Change in reserves for losses and loss expenses, ceded | | 26,397 | 24,758 | 484 | 481 |
| Change in equalization reserve | | (5,340) | (5,008) | 1,240 | 1,232 |
| Net losses and loss expenses | | (64,629) | (60,615) | (41,572) | (41,318) |
| Acquisition costs and administrative expenses, gross | | (22,340) | (20,954) | (21,022) | (20,894) |
| Acquisition costs and administrative expenses, ceded | | 7,261 | 6,811 | 7,325 | 7,280 |
| Net acquisition costs and administrative expenses | 10 | (15,079) | (14,143) | (13,697) | (13,614) |
| Total technical expenses from insurance activities | | (79,708) | (74,758) | (55,269) | (54,932) |
| Investment income | 9 | 10,049 | 9,425 | 8,095 | 8,045 |
| Investment expenses | 9 | (2,891) | (2,712) | (4,301) | (4,275) |
| Investment result | | 7,158 | 6,713 | 3,794 | 3,770 |
| Total operating result | | (11,635) | (10,912) | 5,959 | 5,920 |
| Interest expense | | (563) | (528) | (540) | (537) |
| Foreign exchange (loss) gain | | (1,311) | (1,230) | 1,406 | 1,399 |
| Net (loss) profit before tax | | (13,509) | (12,670) | 6,825 | 6,782 |
| Direct tax (expense) benefit | | (63) | (60) | 260 | 259 |
| Net (loss) profit | | (13,572) | (12,730) | 7,085 | 7,041 |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

1. Corporate information

The Company's principal activity is to underwrite first- and third-party insurance and reinsurance risks. The Company was incorporated in Switzerland in the Canton of Zug on May 6, 2010 and is regulated by FINMA pursuant to the Insurance Supervisory Law. The Company is an indirect subsidiary of Allied World Assurance Company Holdings, Ltd, a Bermuda company, which prepares consolidated financial statements according to the accounting principles generally accepted in the United States ("US GAAP").

Effective as of July 2, 2019, Allied World Assurance Company Holdings, GmbH, which served as one of the principal holding companies of the Allied World group of companies, re-domesticated to Bermuda and became a Bermuda company ("AWACH Bermuda"). Effective as of July 3, 2019, Fairfax Financial Holdings (Switzerland) GmbH, the 100% direct parent entity of Allied World Assurance Company Holdings, GmbH, also re-domesticated to Bermuda and became a Bermuda company ("FFH (Bermuda)"). Effective as of July 10, 2019, FFH (Bermuda) effected a merger with AWACH Bermuda under Bermuda law pursuant to which FFH (Bermuda) became the surviving entity and assumed all of the assets and liabilities of AWACH Bermuda. In connection with this merger, the surviving entity assumed AWACH Bermuda's name – i.e., "Allied World Assurance Company Holdings, Ltd".

Effective as of June 26, 2019, all of the issued and outstanding capital stock of the Company was transferred from its previous owner (Allied World Assurance Company Holdings, GmbH) to another entity in the Allied World group of companies (Allied World Assurance Holdings (Ireland) Ltd).

The Company has its head office at Park Tower, Gubelstrasse 24, 6300 Zug, Switzerland and has an annual average of less than 50 full-time employees.

The balance sheet is shown as of December 31, 2020 and December 31, 2019. The income statement reflects the results of operations for the years ending December 31, 2020 and December 31, 2019.

2. Significant accounting policies

The Company's Statutory Financial Statements are presented in accordance with the revised Swiss accounting and financial reporting legislation, Art. 957 to 962 Code of Obligations, and the relevant insurance supervisory law, particularly with regard to the revised Insurance Supervisory Ordinance and the revised Insurance Supervisory Ordinance - FINMA. The reporting and functional currency for the Company is United States Dollars ("USD"). Additionally, the Swiss Franc ("CHF") amount is shown for informational purposes. Unless otherwise stated, all amounts are rounded to the nearest thousand USD and thousand CHF.

a) Cash and cash equivalents

All cash and cash equivalents are considered to be cash on hand, deposits or highly liquid investments, including short-term bonds, with an original maturity of twelve months or less at the time of purchase.

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

b) Investments

Fixed maturity investments

Investments in fixed maturity investments are carried at a maximum value equal to their amortized cost less impairment.

Equity securities

Equity securities that are quoted on a stock exchange are carried at a maximum value equal to their cost less impairment.

Real estate

Real estate held for investment and for own use is carried at cost value less depreciation.

Other investments

Other investments consist of asset-backed and mortgage-backed securities which are carried at amortized cost less impairment and investment funds which are carried at cost less impairment.

c) Insurance reserves

The reserve for losses and loss expenses is comprised of two main elements: outstanding loss reserves (also known as "case reserves") and reserves for losses incurred but not reported (also known as "IBNR"). Case reserves relate to known claims and represent management's best estimate of the likely loss settlement. IBNR reserves require substantial judgment because they relate to unquantified events that, based on industry information, management's experience and actuarial evaluation, can reasonably be expected to have occurred and are reasonably likely to result in a loss to the Company.

The unearned premium reserves represent the share of written premium for unexpired risks as at the balance sheet date.

Equalization reserves are calculated based on the business plan approved by FINMA.

d) Long term debt

Mortgage and other long-term debt are valued at nominal value.

e) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rate in effect on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated into USD at the historical exchange rates. Foreign currency revenues and expenses are translated into USD at the exchange rates prevailing during the period.

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

f) Foreign currency translation

Although the Company's reporting currency is USD, the Company also presents the financial statements in CHF. For the translation into CHF, the following methods were applied:

- Equity positions were translated at historical foreign exchange rates, whereas all other positions of the balance sheet presented were translated at the closing rate on the date of the financial statements;
- Income and expenses were translated at the annual average rate; and
- All resulting exchange differences (gains and losses) were recognized in equity.

| USD/CHF | 2020 | 2019 |
|---------------------|--------|--------|
| Year-end rate | 0.8911 | 0.9811 |
| Annual average rate | 0.9379 | 0.9939 |

g) Direct tax expenses

Direct tax expenses include Swiss and foreign income tax expenses and capital tax expenses in Switzerland.

3. Other investments

The following tables shows the breakdown of other investments as of December 31, 2020 and December 31, 2019.

| Other investments <i>as of December 31, (in 000's)</i> | 2020 | | 2019 | |
|---|---------------|---------------|---------------|---------------|
| | USD | CHF | USD | CHF |
| Asset-backed securities | 7,742 | 6,899 | 10,733 | 10,530 |
| Mortgage-backed securities | - | - | 8,562 | 8,400 |
| Equity investment funds | 27,954 | 24,910 | 15,742 | 15,445 |
| Total Other investments | 35,696 | 31,809 | 35,037 | 34,375 |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

4. Insurance balances receivable and payable

The following tables show the current insurance balances receivable and payable as of December 31, 2020 and December 31, 2019.

| <i>Insurance balances receivable</i> <i>as of December 31, (in 000's)</i> | 2020 | | 2019 | |
|--|---------------|---------------|---------------|---------------|
| | USD | CHF | USD | CHF |
| Receivables from intermediaries * | 18,882 | 16,826 | 24,654 | 24,188 |
| Receivables from (re)insurance companies | 3,427 | 3,054 | 2,652 | 2,602 |
| Receivables from group companies | 5,100 | 4,545 | 4,387 | 4,304 |
| Total Insurance balances receivable | 27,409 | 24,425 | 31,693 | 31,094 |

| <i>Insurance balances payable</i> <i>as of December 31, (in 000's)</i> | 2020 | | 2019 | |
|---|--------------|--------------|--------------|--------------|
| | USD | CHF | USD | CHF |
| Payables to intermediaries * | 1,788 | 1,594 | 3,329 | 3,267 |
| Payables to (re)insurance companies | 1,082 | 964 | 1,987 | 1,948 |
| Payables to group companies | 3,329 | 2,966 | 159 | 156 |
| Total Insurance balances payable | 6,199 | 5,524 | 5,475 | 5,371 |

* The position from/to Intermediaries includes balances to (re)insurance companies, which act as Intermediaries for the respective policy/treaty.

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

5. Other receivables and payables

The following tables show the other current receivables and payables as of December 31, 2020 and December 31, 2019.

| Other receivables <i>as of December 31, (in 000's)</i> | 2020 | | 2019 | |
|--|-------------|------------|-------------|------------|
| | USD | CHF | USD | CHF |
| Receivables from third parties | - | - | 34 | 33 |
| Receivables from shareholder | 65 | 58 | 936 | 918 |
| Receivables from related parties | 123 | 109 | 29 | 29 |
| Total other receivables | 188 | 167 | 999 | 980 |

| Other payables <i>as of December 31, (in 000's)</i> | 2020 | | 2019 | |
|---|--------------|--------------|--------------|--------------|
| | USD | CHF | USD | CHF |
| Payables to third parties | 2,351 | 2,095 | 2,594 | 2,545 |
| Payables to shareholder | 1,145 | 1,020 | - | - |
| Payables to related parties | 512 | 456 | 1,798 | 1,764 |
| Total other payables | 4,008 | 3,571 | 4,392 | 4,309 |

6. Insurance reserves

The following table shows the breakdown of the insurance reserves indicating gross amount, reinsurers' share and the amount for own account as of December 31, 2020 and December 31, 2019.

| <i>as of December 31, (000's)</i> | 2020 | | 2019 | |
|---|----------------|----------------|----------------|----------------|
| | USD | CHF | USD | CHF |
| Reserves for losses and loss expenses, gross | 303,897 | 270,802 | 236,240 | 231,775 |
| Reserves for losses and loss expenses, ceded | (100,860) | (89,877) | (74,065) | (72,666) |
| Reserves for losses and loss expenses, net | 203,037 | 180,925 | 162,175 | 159,109 |
| Unearned premium, gross | 38,129 | 33,977 | 29,894 | 29,329 |
| Unearned premium, ceded | (12,788) | (11,395) | (13,661) | (13,403) |
| Unearned premium, net | 25,341 | 22,582 | 16,233 | 15,926 |
| Equalization reserve | 25,505 | 22,727 | 20,165 | 19,784 |
| Total Insurance reserve, net | 253,883 | 226,234 | 198,573 | 194,819 |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

7. Shareholder's equity

On the date of incorporation, the share capital of the Company amounted to CHF 0.1 million. On March 30, 2011, the Company obtained a license to conduct business in both the direct insurance and reinsurance markets (with the exception of life assurance activities) and changed its principal activities accordingly. At that time, the Company also issued 9,900 fully paid-in registered shares at a par value of CHF 1,000 each. Total share capital after this capital increase amounts to 10,000 fully paid-in registered shares at a par value of CHF 1,000 each, totaling CHF 10.0 million as shown in the table below. Additionally, Allied World Assurance Company, Ltd contributed CHF 40.5 million to the Company on March 30, 2011. On March 31, 2011, the Company became directly owned by Allied World Assurance Company Holdings, AG. On March 30, 2012, Allied World Assurance Company Holdings, AG further contributed an amount of CHF 99.3 million to the Company's capital. On July 7, 2017, a capital cash contribution of USD 0.5 million (CHF 0.5 million) was made to the Company in connection with the acceleration of share-based payments as a result of the acquisition of Allied World Assurance Company Holdings, AG by Fairfax Financial Holdings Limited. On June 26, 2019, the Company became directly owned by Allied World Assurance Holdings (Ireland) Ltd. On May 12, 2020 Allied World Assurance Holdings (Ireland) Ltd further contributed an amount of USD 25.0 million (CHF 24.3 million) to the Company's capital.

The following table details movements in shareholder's equity from January 1, 2019 through December 31, 2020.

| <i>in 000's</i> | Share capital | | Statutory capital reserves | | Retained earnings | | Total shareholder's equity | |
|--|---------------|---------------|----------------------------|----------------|-------------------|----------------|----------------------------|----------------|
| | USD | CHF | USD | CHF | USD | CHF | USD | CHF |
| Opening balance as of January 1, 2019 | 10,112 | 10,000 | 141,830 | 140,242 | 21,987 | 22,661 | 173,929 | 172,903 |
| Transfer of the results | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | 7,085 | 7,041 | 7,085 | 7,041 |
| Foreign exchange revaluation | - | - | - | - | - | (2,351) | - | (2,351) |
| Balance as of December 31, 2019 | 10,112 | 10,000 | 141,830 | 140,242 | 29,072 | 27,351 | 181,014 | 177,593 |
| Transfer of the results | - | - | - | - | - | - | - | - |
| Capital contribution | - | - | 25,000 | 24,342 | - | - | 25,000 | 24,342 |
| Loss for the year | - | - | - | - | (13,572) | (12,730) | (13,572) | (12,730) |
| Foreign exchange revaluation | - | - | - | - | - | (17,718) | - | (17,718) |
| Balance as of December 31, 2020 | 10,112 | 10,000 | 166,830 | 164,584 | 15,500 | (3,097) | 192,442 | 171,487 |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

8. Breakdown between direct insurance and reinsurance business

The following table shows the breakdown of the insurance technical positions of the income statement by direct insurance and reinsurance business for the years ended December 31, 2020 and December 31, 2019.

| <i>for the year ended December 31, (in 000's)</i> | Direct Insurance | | | | Reinsurance | | | |
|---|------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | USD | CHF | USD | CHF | USD | CHF | USD | CHF |
| Gross written premium | 38,106 | 35,740 | 30,635 | 30,448 | 67,110 | 62,944 | 57,302 | 56,950 |
| Premium ceded | (22,925) | (21,502) | (22,577) | (22,439) | (12,267) | (11,506) | (9,506) | (9,447) |
| Net written premium | 15,181 | 14,238 | 8,058 | 8,009 | 54,843 | 51,438 | 47,796 | 47,503 |
| Change in reserves for unearned premium, gross | (4,204) | (3,944) | 1,081 | 1,075 | (4,032) | (3,780) | 35 | 35 |
| Change in reserves for unearned premium, ceded | (2,390) | (2,242) | 647 | 643 | 1,517 | 1,423 | (184) | (183) |
| Net premium earned | 8,587 | 8,052 | 9,786 | 9,727 | 52,328 | 49,081 | 47,647 | 47,355 |
| Total technical income from insurance activities | 8,587 | 8,052 | 9,786 | 9,727 | 52,328 | 49,081 | 47,647 | 47,355 |
| Losses and loss expenses paid, gross | (8,305) | (7,789) | (43,232) | (42,967) | (18,816) | (17,647) | (37,829) | (37,597) |
| Losses and loss expenses paid, ceded | 3,982 | 3,735 | 15,689 | 15,593 | 597 | 560 | 8,081 | 8,032 |
| Change in reserves for losses and loss expenses, gross | (25,193) | (23,629) | 21,188 | 21,059 | (37,951) | (35,595) | (7,194) | (7,150) |
| Change in reserves for losses and loss expenses, ceded | 21,884 | 20,525 | 2,491 | 2,476 | 4,513 | 4,233 | (2,007) | (1,995) |
| Change in equalization reserve | 114 | 107 | 2,516 | 2,501 | (5,454) | (5,115) | (1,276) | (1,268) |
| Net losses and loss expenses | (7,518) | (7,051) | (1,347) | (1,338) | (57,111) | (53,564) | (40,225) | (39,978) |
| Acquisition costs and administrative expenses, gross | (5,763) | (5,406) | (5,932) | (5,896) | (16,577) | (15,548) | (15,090) | (14,998) |
| Acquisition costs and administrative expenses, ceded | 5,877 | 5,513 | 6,490 | 6,451 | 1,384 | 1,298 | 835 | 830 |
| Net acquisition costs and administrative expenses | 114 | 107 | 558 | 555 | (15,193) | (14,250) | (14,225) | (14,168) |
| Total technical expenses from insurance activities | (7,404) | (6,944) | (789) | (784) | (72,304) | (67,814) | (54,480) | (54,147) |
| Underwriting result | 1,183 | 1,108 | 8,997 | 8,942 | (19,976) | (18,733) | (6,833) | (6,792) |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

9. Investment results

The following table shows a breakdown of the investment income for the years ended December 31, 2020 and December 31, 2019.

| Investment income for the year ended December 31, (in '000's) | 2020 | | 2019 | |
|--|---------------|--------------|--------------|--------------|
| | USD | CHF | USD | CHF |
| Interest income | 5,856 | 5,492 | 6,050 | 6,013 |
| Dividend income | 1,060 | 995 | 796 | 791 |
| Rental income | 334 | 314 | 544 | 541 |
| Realized gains on bonds | 2,295 | 2,152 | 14 | 14 |
| Accretion of bonds | - | - | 600 | 596 |
| Other investment income | 504 | 472 | 91 | 90 |
| Total net investment income | 10,049 | 9,425 | 8,095 | 8,045 |

The following table shows a breakdown of the investment expenses for the years ended December 31, 2020 and December 31, 2019.

| Investment expenses for the year ended December 31, (in '000's) | 2020 | | 2019 | |
|--|--------------|--------------|--------------|--------------|
| | USD | CHF | USD | CHF |
| Amortization of bonds | 542 | 508 | - | - |
| Depreciation of real estate | 639 | 600 | 639 | 636 |
| Realized losses on bonds | - | - | 1,771 | 1,760 |
| Other investment expense | 1,710 | 1,604 | 1,891 | 1,879 |
| Total investment expenses | 2,891 | 2,712 | 4,301 | 4,275 |

10. Net acquisition costs and administrative expenses

The following table shows a breakdown of the net acquisition costs and administrative expenses for the years ended December 31, 2020 and December 31, 2019.

| for the year ended December 31, (in '000's) | 2020 | | 2019 | |
|--|---------------|---------------|---------------|---------------|
| | USD | CHF | USD | CHF |
| Acquisition costs | 5,567 | 5,221 | 4,448 | 4,421 |
| Personnel costs | 5,026 | 4,714 | 4,840 | 4,810 |
| Depreciation of real estate (fixed assets) | 347 | 326 | 347 | 345 |
| Other admin expenses | 4,139 | 3,882 | 4,062 | 4,038 |
| Net acquisition costs and administrative expenses | 15,079 | 14,143 | 13,697 | 13,614 |

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

11. Supplementary information

| <i>As of December 31, (in '000's)</i> | 2020 | | 2019 | |
|--|---------|---------|---------|---------|
| | USD | CHF | USD | CHF |
| Total pledged assets | 37,687 | 33,583 | 38,674 | 37,943 |
| of which subject to a registered mortgage note * | 18,204 | 18,000 | 18,204 | 18,000 |
| Tied assets | 216,077 | 192,546 | 205,451 | 201,568 |

* converted to CHF using historical foreign exchange rates

12. Subsequent events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are approved by the Shareholders' Annual General Meeting ("AGM") to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 28, 2021, the date that the financial statements were approved at the AGM.

There were no subsequent events between the balance sheet date and the date of approval of the financial statements.

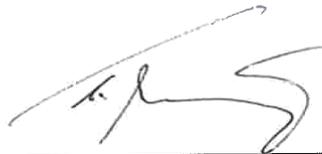
13. Net release of hidden services

In 2020 and 2019, the Company did not release hidden reserves.

April 28, 2021



Wesley Dupont
 Chairman of the Board



Christoph Murg
 Vice President, Finance & Treasurer

Allied World Assurance Company, AG
Proposed Appropriation of Available Earnings
(in USD)
(Proposed by the Board of Directors)

Registered shares eligible for dividends

| <i>as of December 31,</i> | 2020 |
|---------------------------|-------------|
| Eligible shares | 10,000 |

Appropriation of available earnings proposed by Board of Directors

| <i>as of December 31,</i> | 2020 |
|--|--------------|
| Balance brought forward | 29,073,656 |
| Loss for the year | (13,572,181) |
| Available earnings to be carried forward | 15,501,475 |

The Board of Directors proposes to the shareholder at the annual general meeting to carry forward available earnings of USD 15,501,475 as shown in the table above.

On behalf of the Board of Directors

April 28, 2021



Wesley Dupont
Chairman of the Board