

Allied World Assurance Company,
AG
Zug

Report of the statutory auditor
to the General Meeting

on the financial statements 2022

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 2022.

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 2022 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.

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We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Ray Kunz

Audit expert

Auditor in charge

Ireen Ranneberg Sardo

Audit expert

Zürich, 12 April 2023

Enclosure:

- Financial statements (balance sheet, income statement and notes)

Allied World Assurance Company, AG
Statutory Balance Sheet
as of December 31, 2022 and December 31, 2021

		2022		2021	
as of December 31, (in 000's)	Notes	USD	CHF	USD	CHF
ASSETS					
Real estate		11,108	10,343	14,547	13,361
Fixed maturity investments		362,851	337,851	155,924	143,217
Equity securities		20,000	18,622	20,000	18,370
Other investments	3	39,427	36,710	51,567	47,364
Reinsurance funds held		27,549	25,651	14,431	13,254
Cash and cash equivalents		76,444	71,177	253,748	233,067
Reinsurance recoverable	6	134,606	125,332	120,473	110,655
Fixed assets		15,614	14,538	12,913	11,861
Insurance balances receivable	4	36,043	33,559	33,356	30,636
Other receivables	5	739	688	308	283
Other assets		135	126	510	469
Accrued assets		2,373	2,209	1,397	1,248
Total assets		726,889	676,806	679,174	623,785
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Reserves for losses and loss expenses	6	420,986	391,980	370,805	340,584
Unearned premium reserves	6	44,101	41,062	46,025	42,274
Equalization reserve	6	31,803	29,612	29,429	27,031
Interest-bearing liabilities		16,835	15,675	17,392	15,975
Insurance balances payable	4	18,129	16,880	7,590	6,972
Other payables	5	4,936	4,596	2,653	2,437
Accrued liabilities		2,114	1,968	2,863	2,630
Total liabilities		538,904	501,773	476,757	437,903
Shareholder's equity					
Share capital	7	10,112	10,000	10,112	10,000
Statutory capital reserve					
Capital reserves from tax capital contribution		140,953	134,234	115,953	110,391
Total statutory capital reserves from tax capital contribution		140,953	134,234	115,953	110,391
Other statutory capital reserves		100,877	99,758	100,877	99,758
Total statutory capital reserves	7	241,830	233,992	216,830	210,149
Retained deficit					
Carried forward		(24,524)	(31,275)	15,500	2,296
Net loss		(39,433)	(37,684)	(40,025)	(36,563)
Total retained deficit	7	(63,957)	(68,959)	(24,525)	(34,267)
Total shareholder's equity	7	187,985	175,033	202,417	185,882
Total liabilities and shareholder's equity		726,889	676,806	679,174	623,785

Allied World Assurance Company, AG
Statutory Income Statement
for the years ended December 31, 2022 and December 31, 2021

<i>for the years ended December 31, (in 000's)</i>	Notes	2022		2021	
		USD	CHF	USD	CHF
Gross written premium		131,901	126,050	130,539	119,247
Premium ceded		(41,323)	(39,490)	(41,480)	(37,892)
Net written premium		90,578	86,560	89,059	81,355
Change in reserves for unearned premium, gross		1,924	1,839	(7,895)	(7,212)
Change in reserves for unearned premium, ceded		(725)	(693)	3,152	2,880
Net premium earned		91,777	87,706	84,316	77,023
Total technical income from insurance activities	8	91,777	87,706	84,316	77,023
Losses and loss expenses paid, gross		(79,530)	(76,002)	(63,454)	(57,966)
Losses and loss expenses paid, ceded		11,981	11,449	12,945	11,825
Change in reserves for losses and loss expenses, gross		(62,000)	(59,250)	(71,755)	(65,548)
Change in reserves for losses and loss expenses, ceded		14,866	14,207	3,796	3,468
Change in equalization reserve		(2,374)	(2,269)	(3,925)	(3,585)
Net losses and loss expenses		(117,057)	(111,865)	(122,393)	(111,806)
Acquisition costs and administrative expenses, gross		(25,534)	(24,402)	(24,719)	(22,581)
Acquisition costs and administrative expenses, ceded		9,544	9,121	9,316	8,510
Net acquisition costs and administrative expenses	9	(15,990)	(15,281)	(15,403)	(14,071)
Total technical expenses from insurance activities		(133,047)	(127,146)	(137,796)	(125,877)
Investment income	10	8,977	8,579	13,270	12,123
Investment expenses	10	(10,859)	(10,377)	(4,077)	(3,724)
Investment result		(1,882)	(1,798)	9,193	8,399
Total operating result		(43,152)	(41,238)	(44,287)	(40,455)
Interest expense		(533)	(509)	(568)	(519)
Foreign exchange gain loss		4,886	4,669	3,158	2,884
Net loss before tax		(38,799)	(37,078)	(41,697)	(38,090)
Direct tax (expense) benefit		(634)	(606)	1,672	1,527
Net loss		(39,433)	(37,684)	(40,025)	(36,563)

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. In 2012, the Company established a Bermuda branch in order to offer its insurance products via Bermuda throughout the United States of America. Since April 2012, the Company is registered as a Class 3A insurer under the Bermuda Insurance Law 1978. The Company is an indirect subsidiary of Allied World Assurance Company Holdings, Ltd, a Bermuda company that prepares consolidated financial statements according to the accounting principles generally accepted in the United States ("US GAAP"). The Company has an annual average of less than 50 full-time employees.

The balance sheet is shown as of December 31, 2022 and December 31, 2021. The income statement reflects the results of operations for the years ending December 31, 2022 and December 31, 2021.

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.

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.

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

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.

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		2022	2021
Year-end rate	...	0.9311	0.9185
Annual average rate	...	0.9556	0.9135

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

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, 2022 and December 31, 2021.

Other investments <i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Asset-backed securities	3,911	3,642	6,063	5,568
Equity investment funds	35,516	33,068	45,504	41,796
Total Other investments	39,427	36,710	51,567	47,364

4. Insurance balances receivable and payable

The following tables show the current insurance balances receivable and payable as of December 31, 2022 and December 31, 2021.

Insurance balances receivable <i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Receivables from intermediaries *	31,599	29,421	30,458	27,974
Receivables from (re)insurance companies	2,568	2,391	2,159	1,983
Receivables from group companies	1,876	1,747	739	679
Total Insurance balances receivable	36,043	33,559	33,356	30,636

Insurance balances payable <i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Payables to intermediaries *	3,302	3,074	3,549	3,260
Payables to (re)insurance companies	4,131	3,846	342	315
Payables to group companies	10,696	9,960	3,699	3,397
Total Insurance balances payable	18,129	16,880	7,590	6,972

* The position from/to intermediaries includes balances to (re)insurance companies, which act as intermediaries for the applicable 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, 2022 and December 31, 2021.

Other receivables <i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Receivables from third parties	144	134	0	0
Receivables from shareholder	120	111	114	105
Receivables from related parties	475	443	194	178
Total other receivables	739	688	308	283

Other payables <i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Payables to third parties	1,354	1,261	859	789
Payables to shareholder	3,191	2,971	1,397	1,283
Payables to related parties	391	364	397	365
Total other payables	4,936	4,596	2,653	2,437

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, 2022 and December 31, 2021.

<i>as of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Reserves for losses and loss expenses, gross	420,986	391,980	370,805	340,584
Reserves for losses and loss expenses, ceded	(119,391)	(111,165)	(104,533)	(96,014)
Reserves for losses and loss expenses, net	301,595	280,815	266,272	244,570
Unearned premium, gross	44,101	41,062	46,025	42,274
Unearned premium, ceded	(15,216)	(14,167)	(15,940)	(14,640)
Unearned premium, net	28,885	26,895	30,085	27,634
Equalization reserve	31,803	29,612	29,429	27,031
Total Insurance reserve, net	362,283	337,322	325,786	299,235

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

7. Shareholder's equity

The share capital of the Company 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.

On September 22, 2021, the Holding Company contributed an amount of USD 50.0 million (CHF 45.6 million) to the Company's statutory capital reserves of CHF 164.6 million. On December 16, 2022, the Holding Company further contributed an amount of USD 25.0 million (CHF 23.8 million) to the Company's statutory capital reserves

The following table details movements in shareholder's equity from January 1, 2021 through December 31, 2022.

	Share capital		Statutory capital reserves		Retained earnings (deficit)		Total shareholder's equity	
	USD	CHF	USD	CHF	USD	CHF	USD	CHF
<i>(in 000's)</i>								
Opening balance as of January 1, 2021	10,112	10,000	166,830	164,584	15,500	(3,097)	192,442	171,487
Capital contribution			50,000	45,565			50,000	45,565
Loss for the year					(40,025)	(36,563)	(40,025)	(36,563)
Foreign exchange revaluation						5,393		5,393
Balance as of December 31, 2021	10,112	10,000	216,830	210,149	(24,524)	(34,267)	202,417	185,882
Capital contribution			25,000	23,843			25,000	23,843
Loss for the year					(39,433)	(37,684)	(39,433)	(37,684)
Foreign exchange revaluation						2,992		2,992
Balance as of December 31, 2022	10,112	10,000	241,830	233,992	(63,957)	(68,959)	187,985	175,033

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, 2022 and December 31, 2021.

	Direct Insurance				Reinsurance			
	2022		2021		2022		2021	
<i>for the year ended December 31, (in 000's)</i>	USD	CHF	USD	CHF	USD	CHF	USD	CHF
Gross written premium	39,929	38,157	44,461	40,615	91,972	87,893	86,078	78,632
Premium ceded	(28,971)	(27,686)	(28,966)	(26,460)	(12,352)	(11,804)	(12,514)	(11,432)
Net written premium	10,958	10,471	15,495	14,155	79,620	76,089	73,564	67,200
Change in reserves for unearned premium, gross	3,104	2,965	(4,575)	(4,180)	(1,180)	(1,127)	(3,320)	(3,033)
Change in reserves for unearned premium, ceded	(597)	(570)	2,471	2,257	(128)	(123)	681	622
Net premium earned	13,465	12,866	13,391	12,232	78,312	74,839	70,925	64,789
Total technical income from insurance activities	13,465	12,866	13,391	12,232	78,312	74,839	70,925	64,789
Losses and loss expenses paid, gross	(15,062)	(14,394)	(20,342)	(18,583)	(64,467)	(61,608)	(43,112)	(39,383)
Losses and loss expenses paid, ceded	8,090	7,731	10,323	9,430	3,891	3,718	2,622	2,395
Change in reserves for losses and loss expenses, gross	(14,652)	(14,002)	7,544	6,892	(47,349)	(45,248)	(79,299)	(72,440)
Change in reserves for losses and loss expenses, ceded	9,217	8,808	1,119	1,022	5,649	5,399	2,677	2,446
Change in equalization reserve	(59)	(56)	1,273	1,163	(2,315)	(2,213)	(5,197)	(4,748)
Net losses and loss expenses	(12,466)	(11,913)	(83)	(76)	(104,591)	(99,952)	(122,309)	(111,730)
Acquisition costs and administrative expenses, gross	(6,012)	(5,746)	(5,731)	(5,235)	(19,522)	(18,656)	(18,987)	(17,346)
Acquisition costs and administrative expenses, ceded	8,460	8,085	8,176	7,469	1,084	1,036	1,140	1,041
Net acquisition costs and administrative expenses	2,448	2,339	2,445	2,234	(18,438)	(17,620)	(17,847)	(16,305)
Total technical expenses from insurance activities	(10,018)	(9,574)	2,362	2,158	(123,029)	(117,572)	(140,156)	(128,035)
Underwriting result	3,447	3,292	15,753	14,390	(44,717)	(42,733)	(69,231)	(63,246)

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

9. 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, 2022 and December 31, 2021.

<i>for the year ended December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Acquisition costs	7,534	7,200	5,495	5,020
Personnel costs	6,593	6,300	6,317	5,770
Depreciation of real estate (fixed assets)	431	412	347	317
Other admin expenses	1,432	1,369	3,244	2,963
Net acquisition costs and administrative expenses	15,990	15,281	15,403	14,070

10. Investment results

The following table shows a breakdown of the investment income for the years ended December 31, 2022 and December 31, 2021.

<i>for the year ended December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Interest income	7,449	7,118	4,821	4,405
Dividend income	1,060	1,013	1,674	1,530
Rental income	339	324	357	326
Realized gains on bonds	0	0	5,011	4,577
Realized gains on real estate	0	0	799	730
Other investment income	129	124	608	555
Total investment income	8,977	8,579	13,270	12,123

The following table shows a breakdown of the investment expenses for the years ended December 31, 2022 and December 31, 2021.

<i>for the year ended December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Amortization of bonds	1,108	1,058	1,412	1,289
Depreciation of real estate	307	293	453	414
Realized losses on bonds	3,067	2,931	0	0
Other investment expense	6,377	6,095	2,212	2,021
Total investment expenses	10,859	10,377	4,077	3,724

Allied World Assurance Company, AG
Notes to Statutory Financial Statements

11. Supplementary information

<i>As of December 31, (in 000's)</i>	2022		2021	
	USD	CHF	USD	CHF
Total pledged assets	26,722	24,881	27,460	25,222
of which subject to a registered mortgage note *	18,204	18,000	18,204	18,000
Tied assets	239,005	222,537	230,202	211,440
Liability due to pension fund	5	5	0	0

* 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 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 2022 and 2021, the Company did not release hidden reserves.

April 12, 2023



Wesley Dupont
Chairman of the Board



Christoph Murg
Managing Director