DR Swiss

Deutsche Rückversicherung Switzerland Ltd

2023

ANNUAL REPORT

Deutsche Rückversicherung Switzerland Ltd

REPORT ON THE 23RD FINANCIAL YEAR

The valuable alternative. Based in Zurich, Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a company within the Deutsche Rück Group. Deutsche Rückversicherung AG in Düsseldorf is the main shareholder in DR Swiss, with a holding of 71.25 %. VHV Holding AG in Hanover owns 23.75 % and Oberösterreichische Versicherung AG in Linz holds 5 % of the share capital. A valuable alternative on the market, DR Swiss offers its client partners stable and lasting reinsurance cover. With tailor-made solutions and a high level of flexibility, DR Swiss meets clients' specific needs through its highly experienced team and its profound, long-standing knowledge of the market.

DR Swiss Key Figures

in CHF thousand	2023	2022	Change in %
Gross premiums written	317,412	343,137	–7.5
Net premiums earned	311,186	337,079	–7.7
Net investment income	21,380	–1,072	>100.0
Acquisition and operating expenses for own account	8,591	7,622	+12.7
Result after tax	–110	6,871	–101.6
Financial investments incl. cash deposits	943,219	939,961	+0.3
Gross technical provisions	658,246	640,278	+2.8
Net technical provisions	652,874	634,978	+2.8
Shareholders' equity incl. subordinated liabilities	249,833	258,992	–3.5
Loss ratio			
in % of net premiums earned	80.8	72.8	+11.0
Administrative expense ratio incl. amortisation			
in % of net premiums earned	2.8	2.3	+21.7
Employee headcount	36	30	

Contents

Our Philosophy

CONTINUITY

- Reliable and long-lasting partnership approach
- Close cooperation leading to sustainable success for both parties

COMPETENCE

- Credible team with a high level of technical expertise and many years of professional experience
- Profound market knowledge

CONSISTENCY

- Reinsurance arrangements according to specific customer needs
- Strong financial security (“A+” rating from Standard & Poor’s; stable group of shareholders)

CLIENT FOCUS

- Tailor-made solutions with great flexibility
- Excellent administration, fast service and prompt claims payment
- Direct negotiations with the decision-makers

DR Swiss Organisation

BOARD OF DIRECTORS

Prof. Dr Frank Walthes, Chairman
Peter Rainer, Deputy Chairman
Dr Chérif Chentir
Dr Andreas Jahn
Dr Alena Kouba
Ulrich-Bernd Wolff von der Sahl

SHAREHOLDERS

71.25 % Deutsche Rückversicherung AG, Düsseldorf
23.75 % VHV Holding AG, Hanover
5.00 % Oberösterreichische Versicherung AG, Linz

STATUTORY AUDITOR

PricewaterhouseCoopers AG, Zurich

EXECUTIVE MANAGEMENT

Frank Schaar (Managing Director)
Achim Bosch

SENIOR MANAGEMENT

Andreas Aemisegger
Pietro Lodigiani
Peter Lusti
Urs Meier (until 30 April 2023)
Dr Mirjam Meyer
Dr Stefan Ostermeier
Juan Serra (until 31 December 2023)
Frank Versluis
Dr Edward Vliegen

RATING

A+, Standard & Poor’s

Management Report

GENERAL BUSINESS PERFORMANCE

Gross premiums written fell by 7.5 % to CHF 317.4 million in the 2023 financial year, compared with CHF 343.1 million in the previous year. This decline in premiums was mainly due to the loss of two major motor quota share treaties in continuity business. In addition, reinstatement premiums for contracts where losses had been incurred in continuity business were much higher than normal in 2022.

In original currency, i.e. at constant exchange rates, premiums would have fallen by 4.2 %. The mean exchange rate of the euro against the Swiss franc, which is authoritative for determining liquid items, rose by 3.4 % compared with the previous year. The euro exchange rate at the end of the year, which is used to calculate provisions, was up 6.3 %.

In market business, premiums grew by 18.8 % to CHF 234.7 million (previous year CHF 197.6 million). In continuity reinsurance, premiums declined by 43.2 % to CHF 82.7 million (previous year CHF 145.5 million). The distribution of premiums has thus shifted significantly towards market business.

Premiums earned for own account decreased by 7.7 % to CHF 311.2 million (previous year CHF 337.1 million).

Retrocession premiums rose as a result of tough conditions on the retrocession market and large loss burdens in the years from 2020 to 2022, reaching CHF 7.0 million (previous year CHF 2.7 million). As the “NatCat-XL” retrocession programme was affected by storm BERND in 2021, further storms in February 2022 and a hail event in Italy in 2023, there is a receivable from retrocession in the amount of CHF 5.4 million.

Original claims expenditure increased by 5.8 % year on year in gross terms to CHF 242.6 million (previous year CHF 229.4 million) and by 6.7 % in net terms to CHF 241.3 million (previous year CHF 226.1 million). This resulted in a loss ratio of 77.5 % (previous year 67.1 %).

Net claims paid amounted to CHF 196.5 million and were thus down 15.8 % compared with the previous year’s figure of CHF 233.3 million.

Western European insurance markets faced significant challenges in 2023 due to high inflation and an accumulation of major losses due to natural catastrophes. Italy alone had to deal with floods, landslides and a series of large hail events. Severe storms in northern Italy in July led to insurance claims totalling EUR 2.2 billion. Motor insurance premiums rose significantly in the UK over the course of the year, generating higher premium income for reinsurers.

Total costs (excluding own administrative expenses) remained almost unchanged in both gross and net terms at CHF 73.6 million. The expense ratio thus rose to 23.6 % of premiums earned for own account (previous year 21.8 %). The increase in the ratio is primarily due to the drop in premiums. Commissions and profit shares paid (i.e. without any change in provisions for profit shares) fell to CHF 72.1 million (previous year CHF 74.4 million).

Administrative expenses for 2023 totalled CHF 8.6 million, a year-on-year increase of 12.7 %, which was due to a rise in the employee headcount. CHF 7.2 million of this sum related to personnel expenses.

In total, the net technical loss before own administrative expenses came to CHF 13.8 million or 4.4 % of premiums earned for own account. The previous year's technical profit had amounted to CHF 18.1 million or 5.4 %.

The US Federal Reserve Bank and the European Central Bank (ECB) continued their interest rate hike cycle in 2023. Having already raised its base rate by 4.25 percentage points to 4.5 % in the previous year, the US central bank then raised it by a further 100 basis points to 5.5 % by the end of 2023. The ECB had been more cautious with its interest rate hikes in 2022, resulting in a more substantial increase of 200 basis points to 4.0 % in 2023. While central banks' restrictive monetary policy helped to dampen inflation, inflation rates are still above the central banks' targets.

Global stock markets recorded net price gains. Following a good start in the first half of the year, concerns about economic development led to increased volatility in the second half. This was further exacerbated when the conflict in the Gaza Strip flared up again in early October. However, hopes that interest rates would soon be cut prevailed towards the end of the year and, combined with robust economic data, led to a rise in prices. Germany's DAX index gained 20.3 % in net terms over the year as a whole. Other market-leading stock market indices such as the US S&P 500 index and the European Dow Jones EURO STOXX 50 performed similarly. The S&P 500 climbed 24.2 % year on year, ending the year at 4,769 points. The Dow Jones EURO STOXX 50 gained 19.2 % to 4,521 points, while the SPI rose by 837 points or 6.1 % to 14,571 points.

The yield on ten-year US Treasuries initially rose as a result of interest rate hikes and the inflationary environment, peaking at almost 5.0 % in mid-October. With the prospect of interest rate cuts in sight, it ultimately remained unchanged in net terms from the beginning of the year, at 3.87 %. The return on ten-year German government bonds also increased significantly to begin with, reaching 2.97 % in the autumn, before ending the year at 2.02 %, 0.55 percentage points below its level at the start of the year. The yield on ten-year Swiss government bonds performed similarly, falling from 1.62 % at the beginning of the year to 0.7 % at the end.

Once again, the Swiss franc remained very strong against the euro, with a net gain of 6.3 % year on year. The external value of the euro increased against the US dollar in net terms. Having begun the year at around USD 1.07, the euro stood at USD 1.10 at the end of the year following significant fluctuations. Commodities prices recorded substantial gains in the second half of 2023 in the wake of the conflict in the Middle East, but by the end of the year had fallen again in some cases.

The price of crude oil, which had stood at around USD 86 per barrel of Brent at the beginning of the year, initially climbed to over USD 96 per barrel and closed the year at around USD 77 per barrel – a drop of about 10.0 % over the year as a whole. The gold price temporarily came under pressure, falling almost as low as USD 1,800 per fine ounce, but ultimately rose in net terms. Over the course of the year, it increased from USD 1,824 to USD 2,062 per fine ounce, a net gain of around 13.0 %.

Investment income grew to CHF 21.4 million in 2023, which was higher than both the previous year's figure of CHF –1.1 million (CHF –13.3 million before release of fluctuation reserves) and the target of CHF 17.0 million. Interest income of CHF 0.8 million was also generated from cash held as call money and time deposits. Our fund segments in the areas of bonds and private equity performed better than expected. The Other Investments portfolio generated current income of CHF 3.1 million.

Net income for the year after tax amounted to CHF –0.1 million in 2023, compared with the previous year's figure of CHF 6.9 million. We do not plan to pay a dividend for the 2023 financial year.

ASSETS

With a net inflow of liquidity from underwriting, the volume of investments at their carrying amounts grew by CHF 23.6 million to CHF 906.5 million over the course of the year (previous year CHF 882.9 million).

The majority of funds were invested directly in bonds. Conversely, we further reduced our investment in high-yield bond funds. Our private equity portfolio grew as planned due to further capital calls for the agreed commitments. Other investments increased moderately by CHF 6.5 million over the year, while cash and cash equivalents fell by around CHF 20.0 million during the year to CHF 36.7 million, still a very adequate figure.

DR Swiss' portfolio remains broadly diversified across various asset classes and regions.

ANNUAL AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

The average number of full-time equivalents at DR Swiss in 2023 was 23.8.

RATING: A+

The rating agency Standard & Poor's once again confirmed its rating of "A+" and maintained its outlook of "stable" for the Deutsche Rück Group and thus for DR Swiss as well. According to the report by Standard & Poor's, the Deutsche Rück Group has a solid, sustainable capitalisation at "AAA" level, a strong competitive position and secure earnings. This is supported by risk-commensurate underwriting and an effective retrocession structure.

SUSTAINABLE INVESTMENT

At DR Swiss, we are aware of our responsibility to the environment and society and have therefore integrated sustainability criteria into our investment process. These are set out in the Group-wide sustainability strategy. As part of the Deutsche Rück Group, we signed up to the investors' initiative PRI (Principles for Responsible Investment) as far back as 2019. PRI is a globally recognised financial initiative for responsible investment created as a spin-off from the UN partner organisations Global Compact and UNEPFI. The objective of the principles is to facilitate a better understanding of the impact that investment decisions have on environmental aspects, social issues and factors relating to good corporate governance.

EVENTS AFTER THE BALANCE SHEET DATE

At the present time and taking into account current business performance, there are no discernible developments that could have a significant and lasting negative impact on DR Swiss' assets, financial position or earnings.

RISK ASSESSMENT

Risk management: Strategic framework
The risk strategy, which is derived from the business strategy, defines the risks that must be accepted in the course of normal business activities and documents the level of risk tolerance stipulated by the Board of Directors and reviewed annually. This is based on the company's risk-bearing resources and on basic strategic considerations.

The Board of Directors and first-tier management are included on an ongoing basis in regular discussions of strategic risks.

Identification of risks and risk management organisation
All risks affecting DR Swiss are categorised in a risk map. Responsibility for each identified risk is clearly defined. Identified risks with regard to currentness, completeness and relevance are evaluated once a year in a controlled process.

Measurement and evaluation of risks
The annual assessment is recorded in a report and the results are presented to the Board of Directors. As well as key risk indicators at the level of the company as a whole, material risks relating to underwriting and investment are managed through additional processes. Investment risk monitoring is essentially based on regular meetings of the investment committee and related reporting. Ad hoc reporting is carried out for extraordinary developments relating to major and accumulated losses in the property insurance divisions. Major losses above the reporting threshold of EUR 250,000 are also consolidated and reported to the Board of Directors.

Investment strategy
The strategic asset allocation is determined as part of an annual process involving the investment committee and the Board of Directors.

Risk control functions within the risk management process
The Board of Directors' responsibility for the organisation of the company, strategic management, supervision of the executive management and the organisation of accounting and financial control as established in section 716a of the Swiss Code of Obligations (Obligationenrecht, CO) means that the Board of Directors bears overall responsibility for dealing with risks affecting the company. The Board of Directors receives regular updates regarding developments in the risk strategy, which is to be defined annually.

Significant risks
Risks can in principle arise in all areas, functions and processes. We structure risks in accordance with three different risk categories:
1. Reinsurance risks
2. Investment and credit risks
3. Operational risks

1. Reinsurance risks
The premium/claims risk is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated.

The reserve risk describes the risk that emerges when the provision for outstanding claims is not adequate, as losses incurred are not yet known or insufficient reserves have been set up to cover known losses. Reserves may have been calculated with insufficient allowance or no allowance at all for extraordinary events resulting in exceptionally high loss frequencies or amounts.

Natural hazard/accumulation risks, such as windstorms, floods, earthquakes or hail, pose the biggest risks to DR Swiss. Risk exposure in this area is therefore actively managed as part of the underwriting process.

Tools for limiting risks
DR Swiss uses various tools to control and limit risks in reinsurance. The most important tools are outlined below.

Underwriting guidelines and limits: Underwriting guidelines set out detailed rules on which reinsurance treaties can be underwritten and up to what amount. The underwriting guidelines also stipulate that the double-checking principle must be applied throughout. Limits of indemnity are also specified and monitored regularly. Moreover, ongoing profitability measurements and accumulation checks ensure that risks remain manageable.

Retrocession cover: DR Swiss has protected itself since 2020 with cover for market business that is exposed to NatCat risks.

Monitoring technical provisions: Provisions for uncertain liabilities stemming from obligations assumed are regularly checked by the responsible actuary using recognised and established actuarial methods. The run-off is monitored on an ongoing basis.

2. Investment and credit risks
Investment activities give rise to the following investment and credit risks:

Market price risks: These can arise from potential losses due to unfavourable changes in market prices, particularly on the equity, real estate and interest rate markets. In economic terms, changes in interest rates affect not only the assets side but also the liabilities side of the balance sheet. Any mismatch between the maturity structures of assets and liabilities gives rise to an economic risk.

Credit and creditworthiness risks: The value of existing receivables may go down as a result of changes in the assessment of the creditworthiness of issuers or contractual partners.

Liquidity risks: Untimely inflows and outflows of liquidity may make unscheduled disposals of investments necessary. Depending on how tradable the various investments are, this can lead to opportunity costs of varying magnitude and/or to losses, due to reductions in price.

Currency risks: Changes in exchange rates may lead to losses due to a mismatch between investments and technical obligations with respect to underwriting. Even if an investment strategy based on matching maturities is followed, risks may still exist as a result of misjudgements with regard to the level of claims provisions.

Tools for controlling and monitoring investment and credit risks
Our investment management is based on the principles of adequate profitability combined with a high level of security. Along with the necessary distribution of risk, adequate liquidity of investments must be maintained at all times. These principles are monitored by means of ongoing reporting with regular valuation of portfolios. Our portfolio manager works in accordance with investment guidelines that are regularly reviewed and adjusted to the changing environment.

Stress tests and value-at-risk analyses for assessing market risks
We measure market price risks for portfolios of fixed-income securities and equities using stress tests that simulate the effects of unexpected fluctuations in the market. As well as stress tests that are prescribed by the regulator, DR Swiss analyses historic events and maps their development on its current investment portfolio. In addition, market risks for all assets and all liabilities that are subject to market risks are assessed and managed by means of value-at-risk analyses based on an economic scenario generator.

Minimum rating for the containment of credit risks
For fixed-income investments, the company carries out a credit assessment of the issuers/issues based on ratings from recognised rating agencies and its own additional assessment of their creditworthiness. If no external rating information is available, the company calculates its own internal rating based on suitable documents.

The minimum limit for new direct investments is generally a rating of “BBB–”. Issuer risks are also widely spread. At the same time, we take into account upper limits for each issuer, which we monitor and adjust on an ongoing basis. The average rating for all interest-bearing investments we hold, weighted in accordance with the Moody’s default rate method, is at least “A–”. The lowest rating principle is applied here, whereby the lowest of all the available credit ratings from recognised rating agencies is regularly used.

Liquidity planning
We counter risks arising from unforeseeable liquidity requirements by ensuring a balanced maturity structure for our investments. Anticipated inflows and outflows of liquidity are reflected in ongoing investment planning.

Investment policy
Falling interest rates lead to increases in the market value of fixed-income securities, while rising interest rates lead to a decline in their market value. The high proportion of fixed-income securities in its portfolio means that DR Swiss is in principle exposed to this risk. By adjusting the management of investment maturities to liabilities, we can hold securities until they mature and thereby avoid balance sheet losses.

Foreign currency items on the liabilities side are matched on the assets side of the balance sheet where possible.

3. Operational risks
Operational risks are risks in business systems or processes that are caused by human conduct or technical failure or that are due to external influences. Compliance risks are risks resulting from non-compliance with contractual agreements or general legal conditions.

Instruments for controlling operational risks

Operational risks are controlled and managed using an internal control system and through specific reports that form part of the overall risk report. Internal Auditing carries out independent investigations to supplement internal risk analyses of the organisation and processes.

IT security concepts and emergency plans

Employees responsible for security in data processing ensure that a comprehensive security concept is in place. Modern hardware and software helps to ensure the availability and integrity of all systems and programs. Regular checks on network security, constant refinement of the security concept and emergency plans ensure data security and make sure that the systems used are available at all times. A crisis communications concept ensures efficient communication in an emergency.

OPPORTUNITIES REPORT

As a subsidiary of Deutsche Rückversicherung AG and an independent company within the Deutsche Rück Group, we are an invaluable alternative on the market and offer our client partners stable and lasting reinsurance cover. This means that opportunities and risks for our business are correspondingly diverse. In the section “Outlook for 2024”, we provide an assessment of opportunities and a forecast for the development of our business, based on realistic assumptions about general conditions.

Developments on financial markets and hedge transactions in conjunction with natural catastrophes remain fraught with uncertainty.

OUTLOOK FOR 2024

The focus of financial markets in 2024 is likely to be on the question of whether and when leading central banks will lower their base rates. Although the latest available data on development of inflation appears to be sounding the all-clear, the core rate (excluding energy and food) indicates that the central banks’ target has not yet been achieved on a lasting basis. Other issues that are likely to have an impact are the unresolved conflicts in Ukraine and the Middle East, and above all the upcoming US presidential elections in November.

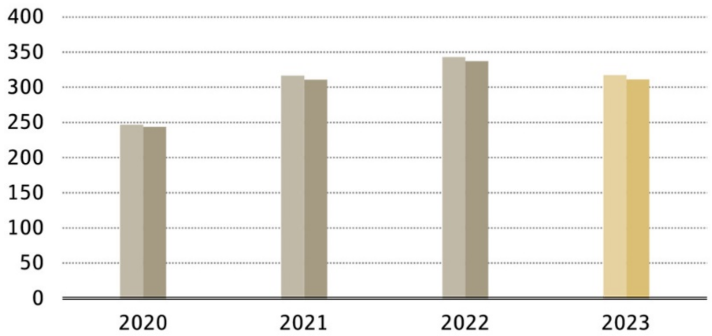
With stock markets at record highs, investment in this area still does not seem attractive. Interest rates have risen again slightly due to the financial markets’ expectation that base rates will actually not fall as quickly or as sharply as anticipated. Bonds with longer maturities are attractive from a strategic viewpoint. In view of the inverted yield curve, investments with short maturities are also expedient for tactical reasons.

The reinsurance markets continued to harden during renewals for 1 January 2024, leading to a general improvement in contract terms. Significant adjustments were made in some cases, particularly for cedants that were affected by claims in 2023.

DR Swiss has used the market situation to reduce its exposure in the industrial segment and concentrate more strongly on business with clients that have a focus on the private and commercial sector. In natural catastrophe business in particular, the focus was on agreeing on higher priorities for clients with comparatively low retentions. As this measure has the effect of reducing premiums, we expect premium growth to be more modest in 2024 than in previous years. We expect the technical result for 2024 to improve compared with 2023.

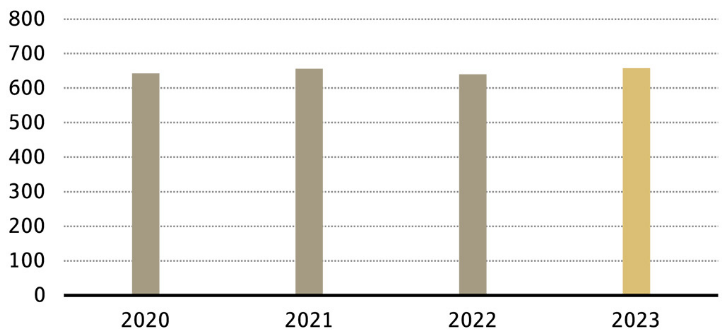
Multi-Year Financial Summary

PREMIUMS
in CHF million



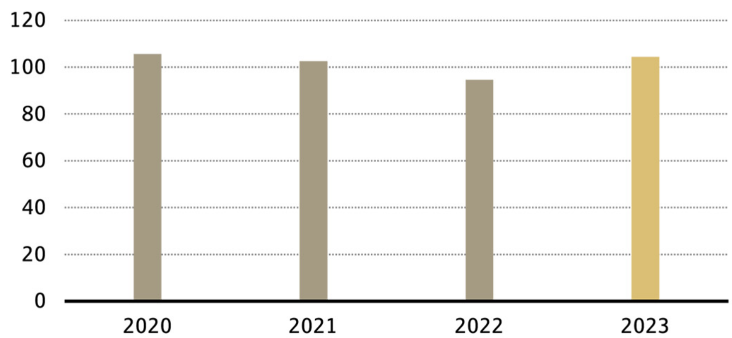
	Gross premiums	Premiums earned
2020	246.8	243.8
2021	316.7	310.8
2022	343.1	337.1
2023	317.4	311.2

GROSS TECHNICAL PROVISIONS
in CHF million



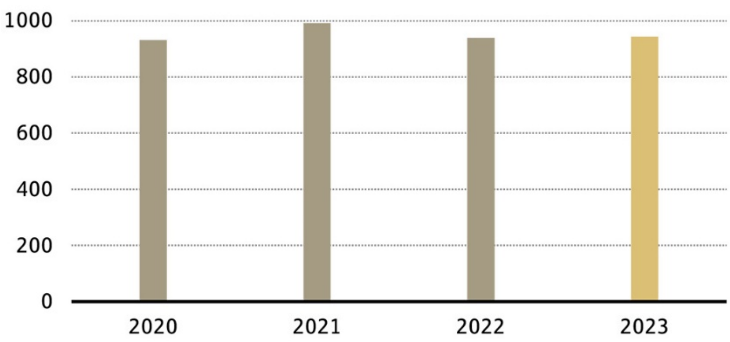
	Technical provisions
2020	642.7
2021	656.3
2022	640.3
2023	658.2

COMBINED RATIO (ON EARNED PREMIUMS)
in %, excl. own administrative expenses



	Combined ratio
2020	105.6
2021	102.6
2022	94.6
2023	104.4

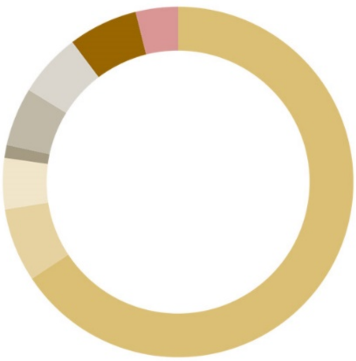
FINANCIAL INVESTMENTS INCL. CASH DEPOSITS
in CHF million



Financial investments

2020	932.0
2021	991.8
2022	940.0
2023	943.2

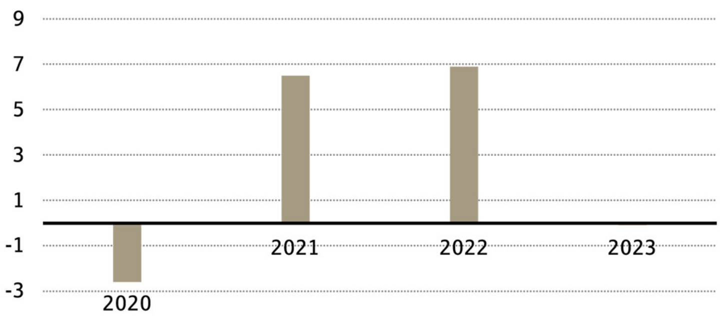
ASSET ALLOCATION AS AT 31 DECEMBER 2023
in %



Asset allocation

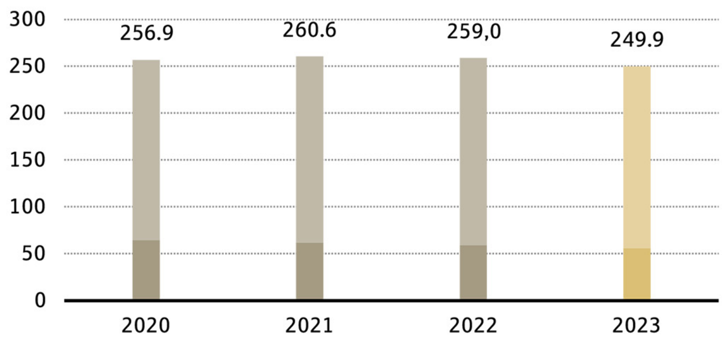
- 65.7 % Fixed-income securities
- 6.8 % Real estate funds
- 4.7 % Equity funds
- 1.2 % Commodities funds
- 5.4 % Infrastructure energy funds
- 5.9 % Private equity
- 6.4 % Sundry investments
- 3.9 % Cash and cash equivalents

INCOME AFTER TAX
in CHF million



Income after tax	
2020	–2.6
2021	6.5
2022	6.9
2023	–0.1

SHAREHOLDERS' EQUITY INCL. SUBORDINATED LIABILITIES
in CHF million



	Shareholders' equity	Subordinated liabilities
2020	192.1	64.8
2021	198.6	62.0
2022	199.9	59.1
2023	194.3	55.6

Annual Financial Statements

Balance Sheet as at 31 December 2023

ASSETS

in CHF thousand	2023	2022
Investments	**906,476**	**882,876**
Fixed-income securities	619,708	604,626
Other investments	286,768	278,250
Real estate funds	64,152	66,346
Equity funds	44,439	44,356
Commodities funds	11,033	11,107
Infrastructure energy funds	51,276	52,365
Private equity	55,308	50,049
Sundry investments	60,560	54,027
Deposits from reinsurance assumed	**47,698**	**32,134**
Cash and cash equivalents	**36,743**	**57,085**
Share in technical provisions from reinsurance	**5,372**	**5,300**
Retroceded reserves for outstanding claims	5,372	5,300
Other assets	**343**	**403**
Intangible assets	**47**	**26**
Reinsurance receivables	**17,253**	**21,829**
Receivables from shareholders	0	291
Receivables from third parties	17,253	21,538
Other receivables	**259**	**494**
Accrued income and prepaid expenses	**6,215**	**5,130**
Total ASSETS	**1,020,406**	**1,005,277**

LIABILITIES AND SHAREHOLDERS' EQUITY

in CHF thousand	2023	2022
Gross technical provisions	**658,246**	**640,278**
Gross unearned premiums	11,865	13,738
Gross reserves for outstanding claims	602,120	580,330
Gross provisions for profit commissions	44,261	46,210
Non-technical provisions	**1,154**	**3,659**
Fluctuation reserves for financial investments	250	250
Provisions for currency fluctuations	904	3,409
Payables to insurance and reinsurance companies	**109,971**	**100,696**
Payables to shareholders	10,343	6,209
Payables to third parties	99,628	94,487
Other liabilities	**494**	**318**
Accrued expenses and deferred income	**708**	**1,334**
Subordinated liabilities	**55,560**	**59,082**
Total liabilities	**826,133**	**805,367**
Share capital	**157,900**	**157,900**
Legal capital reserves	**11,203**	**11,203**
Legal retained earnings	**24,038**	**22,658**
Voluntary profit reserves	**1,223**	**1,223**
Profit carried forward from previous year	**19**	**55**
Net income for the year	**–110**	**6,871**
Total shareholders’ equity	**194,273**	**199,910**
Total LIABILITIES AND SHAREHOLDERS' EQUITY	**1,020,406**	**1,005,277**

Income Statement

For the period 1 January to 31 December 2023

TECHNICAL ACCOUNT

in CHF thousand	2023	2022
Gross premiums written	317,412	343,137
Reinsurers' share of gross premiums written	–7,008	–2,743
Premiums for own account	**310,404**	**340,394**
Change in unearned premiums	782	–3,315
Reinsurers' share of change in unearned premiums	0	0
Premiums earned for own account	**311,186**	**337,079**
Other income from insurance business	**115**	**65**
Total income from underwriting business	**311,301**	**337,144**
Gross payments for insurance claims	–197,469	–233,270
Reinsurers' share of payments for insurance claims	970	0
Change in technical provisions	–55,301	–15,098
Reinsurers' share of change in technical provisions	387	2,933
Claims incurred for own account	**–251,413**	**–245,435**
Acquisition and operating expenses	–8,398	–7,418
Depreciation of tangible assets	–193	–204
Reinsurers' share of acquisition and operating expenses	0	0
Acquisition and operating expenses for own account	**–8,591**	**–7,622**
Commissions and profit shares paid	–72,064	–74,398
Reinsurers' share of commissions and profit shares paid	0	0
Change in provisions for contractual surplus participations	–1,519	842
Other technical expenses for own account	**–73,583**	**–73,556**
Total expenses from underwriting business	**–333,587**	**–326,613**
Underwriting result	**–22,286**	**10,531**

NON-TECHNICAL ACCOUNT

in CHF thousand	2023	2022
Underwriting result (carried forward)	–22,286	10,531
Current income	16,757	19,695
Price gains on investments	8,880	1,934
Realised gains on investments	2,084	1,335
Unrealised gains on investments	6,796	599
Reversals of impairments on fixed-income securities	404	274
Investment income	**26,041**	**21,903**
Investment administration	–983	–1,097
Price losses on investments	–3,538	–33,937
Realised losses on investments	–163	–2,663
Unrealised losses on investments	–3,375	–31,274
Impairments on fixed-income securities	–140	–191
Fluctuation reserves for financial investments	0	12,250
Expenses for investments	**–4,661**	**–22,975**
Investment income	**21,380**	**–1,072**
Other interest receivable	802	0
Other financial income	**802**	**0**
Interest expense on subordinated liabilities	–1,453	–1,492
Expense from differences in exchange rates	1,559	–2,473
Other financial expenses	**106**	**–3,965**
Profit/loss before taxes	**2**	**5,494**
Direct taxes	–112	1,377
Profit/loss	**–110**	**6,871**

Cash Flow Statement

CASH FLOW STATEMENT in CHF thousand	2023	2022
Cash flow from operating activities		
Net income for the year	–110	6,871
Change in reserves for unearned premiums	–782	3,315
Change in gross reserves for outstanding claims	55,301	15,098
Change in retroceded reserves for outstanding claims	–387	–2,934
Change in provisions for profit commissions	1,519	–842
Change in fluctuation reserves for financial investments	0	–12,250
Change in provisions for currency fluctuations	–2,505	2,159
Realised gains/losses on sale of investments	–902	3,143
Depreciation and amortisation	193	204
Change in funds held with reinsured companies/reinsurance liabilities	–18,871	–3,773
Change in other assets and liabilities	17,511	–16,851
Other non-cash expenses and income	–12,240	–30,479
Total cash flow from operating activities	**38,727**	**–36,339**
Cash flow from investing activities (net change)		
Fixed-income securities	–41,162	–2,557
Real estate funds	2,952	9,693
Equity funds	2,317	29,317
Commodities funds	0	5,062
Infrastructure energy funds	–879	–16,626
Private equity	–7,365	–8,118
Sundry investments	–9,249	20,850
Increase/decrease in tangible and intangible assets	–156	–99
Total cash flow from investing activities	**–53,542**	**37,522**
Cash flow from financing activities		
Interest-bearing liabilities	0	1,124
Payments of dividends	–5,527	–5,527
Total cash flow from financing activities	**–5,527**	**–4,403**
Total cash inflow/outflow	**–20,342**	**–3,220**
Cash and cash equivalents at start of period	57,085	60,305
Cash and cash equivalents at end of period	36,743	57,085
Cash inflow/outflow	**–20,342**	**–3,220**

Notes to the Financial Statements

PRINCIPLES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

General

Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a public limited company established in accordance with the Swiss Code of Obligations, with its registered office in Zurich, Switzerland.

On average, during the year the number of full-time equivalent employees at DR Swiss did not exceed 50.

The 2023 annual financial statements have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). The balance sheet and income statement comply with the classification rules prescribed by the FINMA (Swiss Financial Market Supervisory Authority) Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung-FINMA, AVO-FINMA).

The accounting requires the Board of Directors to make estimates and assessments that could affect the value of the reported assets and liabilities as well as contingent liabilities at the time of preparing the accounts, and which may also have an effect on expenses and earnings for the reporting period. The Board of Directors is free to decide at its own discretion the extent to which it will make use of existing options permitted by law in its accounting and valuation policies. Within the scope permitted by the principle of prudence, depreciation, amortisation, write-downs and provisions may be recognised above and beyond the extent required for financial and accounting purposes, if this serves the well-being of the company.

Accounting and valuation policies

Fixed-income securities are valued at acquisition cost on the balance sheet date, using the effective interest method.

Real estate funds are divided into real estate funds in CHF and real estate funds in foreign currencies. Real estate funds in CHF are recognised at market value (year under review CHF 28.9 million, previous year CHF 28.3 million). All other investments are recognised in the balance sheet at the lower of cost or market value.

Intangible and tangible assets are valued at purchase cost less scheduled amortisation and depreciation.

Receivables are recognised in the balance sheet at their nominal amount. If necessary, the risk of payment default is accounted for by means of specific provisions.

Original unearned premiums and original reserves for outstanding claims are recognised in the balance sheet in accordance with the disclosures of the ceding companies. Actuarial estimates are made for the statements of account not yet received from ceding companies as at the balance sheet date.

Liabilities are included in the balance sheet at their settlement value.

Foreign currency items in the balance sheet are translated at the exchange rate on the balance sheet date. Transactions in the non-technical account are translated at current rates; transactions in the technical account are translated at annual average rates. Unrealised gains and losses on foreign exchange are recognised in income. Any surplus will be deferred. The relevant exchange rates are shown in the table below.

EXCHANGE RATES ON THE BALANCE SHEET DATE	31 Dec. 2023	31 Dec. 2022
EUR/CHF	0.92600	0.98470
USD/CHF	0.83907	0.92321
GBP/CHF	1.06854	1.11023

AVERAGE EXCHANGE RATES	31 Dec. 2023	31 Dec. 2022
EUR/CHF	0.97122	1.00470
USD/CHF	0.89845	0.95413
GBP/CHF	1.11970	1.17817

INFORMATION, BREAKDOWNS AND NOTES ON ITEMS IN THE BALANCE SHEET AND INCOME STATEMENT

NET RELEASE OF HIDDEN RESERVES IN ACCORDANCE WITH SWISS COMPANY LAW in CHF thousand	2023	2022
Net release of hidden reserves	0	12,250

Subordinated liabilities

Subordinated liabilities (due to mature on 30 November 2040) in the amount of EUR 60.0 million were recognised in the balance sheet at CHF 55.6 million at the end of the year (previous year CHF 59.1 million).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY in CHF thousand	Share capital	Legal capital reserves	Legal re-tained earnings	Voluntary reserves	Disposable profit	Total
As at 31 Dec. 2021	**157,900**	**11,203**	**21,358**	**1,223**	**6,882**	**198,566**
Dividends					–5,527	–5,527
Allocation to legal reserves			1,300		–1,300	0
Net income for the year					6,871	6,871
As at 31 Dec. 2022	**157,900**	**11,203**	**22,658**	**1,223**	**6,926**	**199,910**
Dividends					–5,527	–5,527
Allocation to legal reserves			1,380		–1,380	0
Net income for the year					–110	–110
As at 31 Dec. 2023	**157,900**	**11,203**	**24,038**	**1,223**	**–91**	**194,273**

Estimates of technical account items with an effect on liquidity

Technical account items with an effect on liquidity are recorded on the basis of the amounts disclosed in statements of account from ceding companies as well as estimates. The estimated figures are reported net. In other words, the opening values as at 1 January 2023 are offset against the closing values as at 31 December 2023. These estimates affected the income statement items in the 2023 financial year as follows:

ITEM in CHF thousand	Disclosed	Estimated	Total recognised
Premiums for own account	351,703	–41,299	310,404
Claim payments	182,341	14,158	196,499
Commissions/profit shares	80,458	–8,394	72,064
Change in provisions for profit shares	1,508	11	1,519
Commissions and profit shares	**81,966**	**–8,383**	**73,583**

ACQUISITION AND OPERATING EXPENSES FOR OWN ACCOUNT in CHF thousand	2023	2022
Personnel expenses	7,186	6,566
Material expenses	1,212	852
Depreciation of tangible assets	193	204
Total acquisition and operating expenses for own account	**8,591**	**7,622**

Reclassification of own asset management costs

Own asset management costs are recognised under the item Investment administration. Acquisition and operating expenses for own account fell by CHF 632K in the year under review (reduction of CHF 645K in the previous year).

INCOME AND EXPENDITURE ON INVESTMENTS

INCOME in CHF thousand	2023	2022
Fixed-income securities	7,503	6,173
Real estate funds	1,450	1,797
Equity funds	0	0
Commodities funds	0	0
Infrastructure energy funds	1,309	4,699
Private equity	2,673	2,889
Sundry investments	3,094	3,624
Other current income	728	513
Total income	**16,757**	**19,695**

APPRECIATION in CHF thousand	2023	2022
Fixed-income securities	879	275
Real estate funds	1,239	137
Equity funds	3,850	0
Commodities funds	275	0
Infrastructure energy funds	24	384
Private equity	177	45
Sundry investments	756	33
Total appreciation	**7,200**	**874**

REALISED GAINS

in CHF thousand	2023	2022
Fixed-income securities	0	81
Real estate funds	1,277	0
Equity funds	185	207
Commodities funds	0	64
Infrastructure energy funds	47	73
Private equity	466	899
Sundry investments	109	11
Total realised gains	**2,084**	**1,335**

DEPRECIATION, AMORTISATION AND WRITE-DOWNS

in CHF thousand	2023	2022
Fixed-income securities	–157	–5,388
Real estate funds	–1,861	–6,373
Equity funds	–414	–15,067
Commodities funds	0	–279
Infrastructure energy funds	–514	–2,664
Private equity	–382	–246
Sundry investments	–187	–1,448
Total depreciation, amortisation and write-downs	**–3,515**	**–31,465**

REALISED LOSSES

in CHF thousand	2023	2022
Fixed-income securities	0	–1,300
Real estate funds	0	–6
Equity funds	0	–1,165
Commodities funds	0	–109
Infrastructure energy funds	–67	–10
Private equity	–96	–47
Sundry investments	0	–26
Total realised losses	**–163**	**–2,663**

Security for commitments

A rent deposit in the amount of CHF 195,200 (previous year CHF 195,035) was lodged with our bankers as security for our rental commitments for business premises.

BNP Paribas holds securities that serve as cover for our technical provisions. As at the balance sheet date of 31 December 2023, these amounted to CHF 865,497 (EUR 934,662, previous year CHF 887,611/EUR 901,402).

CONTINGENT LIABILITIES

in CHF million	2023	2022
Commitments entered into for the future acquisition of real estate funds	3.0	3.8
Commitments entered into for the future acquisition of infrastructure energy funds	2.4	5.8
Commitments entered into for the future acquisition of fixed-income securities	6.4	2.1
Commitments entered into for the future acquisition of private equity investments	34.3	45

Rental and leasing commitments

Rental commitments amount to CHF 2,125,474 as at 31 December 2023 (previous year CHF 2,779,466). There are no leasing commitments.

Total auditor's fees

FEE ITEM

in CHF	2023	2022
Audit services	162,237	97,928
Other services	0	0
Total fees	**162,237**	**97,928**

Significant events after the balance sheet date

No significant events are known to have occurred after the balance sheet date.

Proposal for the Appropriation of Profit

The following net result for the year will be available to the General Meeting on 8 April 2024 in Düsseldorf:

PROPOSAL FOR THE APPROPRIATION OF PROFIT AS AT 31 DECEMBER 2023

in CHF thousand	2023	2022
Profit carried forward from previous year	19	55
Net income for the year	–110	6,871
Disposable profit	**–91**	**6,926**
The Board of Directors proposes to the General Meeting that the disposable profit be distributed as follows:		
Dividends	0	5,527
Allocation to legal reserves	0	1,380
Balance carried forward	**–91**	**19**

Report of the Statutory Auditor

To the General Meeting of Deutsche Rückversicherung Switzerland Ltd, Zurich

REPORT OF THE STATUTORY AUDITOR ON THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of Deutsche Rückversicherung Switzerland Ltd (the company), comprising the balance sheet as at 31 December 2023, the income statement and the cash flow statement for the year ending on that date as well as the notes to the financial statements, including a summary of key accounting methods.

In our opinion, the financial statements (pages 24 to 34) comply with Swiss law and the company's articles of incorporation.

Basis for our audit opinion

We have conducted our audit in accordance with Swiss law and Swiss standards for the auditing of financial statements (SA-CH). Our responsibilities in accordance with these regulations and standards are described in more detail in the section "Auditor's responsibilities for auditing the annual financial statements" of our report. We are independent of the company in accordance with the provisions of Swiss law and the requirements of our profession and have fulfilled the rest of our duties with regard to professional conduct in accordance with these requirements.

We believe that the audit evidence we have obtained provides an adequate and appropriate basis for our audit opinion.

Other information

The Board of Directors is responsible for other information. Other information comprises all information contained in the annual report, apart from the annual financial statements and our related report.

Our audit opinion on the annual financial statements does not extend to other information, and we shall not provide any form of audit conclusion on this information.

As part of our audit, we have a responsibility to read the other information and to determine whether the other information reveals significant discrepancies in relation to the annual financial statements or the findings of our audit or appears to be presented in any other way that is significantly incorrect.

If we conclude on the basis of the work we have carried out that this other information is presented in a way that is significantly incorrect, we have a duty to report this fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the annual financial statements
The Board of Directors is responsible for the preparation of financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation, as well as for the internal controls that it has deemed necessary in order to enable the preparation of financial statements that are free from material misstatement due to either fraud or error.

When preparing the financial statements, the Board of Directors has a responsibility to assess the company's ability to continue as a going concern, to report any facts in connection with the continuation of business operations – where relevant – and to apply the going concern principle, unless the Board of Directors intends to either liquidate the company or cease business activities, or has no realistic alternative.

Auditor's responsibilities for auditing the annual financial statements
Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement due to either fraud or error and to provide a report containing our audit opinion. Reasonable assurance means a high degree of assurance, but does not guarantee that an audit conducted in accordance with Swiss law and Swiss standards for the auditing of financial statements will always reveal any material misstatement, if such a misstatement exists. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, either individually or collectively, to influence economic decisions made on the basis of these financial statements by the users.

As part of an audit conducted in accordance with Swiss law and Swiss standards for the auditing of financial statements, we exercise discretion throughout the entire audit and maintain a basic critical stance. We also

- identify and assess the risks of material misstatements in the financial statements due to fraud or error, plan and implement audit procedures in response to these risks and obtain adequate and appropriate audit evidence to serve as the basis for our audit opinion. The risk that material misstatements will not be discovered is higher in the case of those resulting from fraud than in the case of those resulting from error, as fraud can include collusion, forgery, intentional omissions, misleading representations and the invalidation of internal checks;
- gain an understanding of the internal control system that is relevant to the audit of the financial statements, in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of the company's internal control system;

- assess the appropriateness of the accounting methods applied and the validity of the estimates presented in the accounts and the associated disclosures;
- draw conclusions about the appropriateness of the going concern principle applied by the Board of Directors and, on the basis of the audit evidence obtained, about whether there is any significant uncertainty in connection with events or circumstances that could raise significant doubts about the company's ability to continue its activities. If we conclude that there is significant uncertainty, we have an obligation to draw attention in our report to the associated disclosures in the financial statements or, if these disclosures are inadequate, to amend our audit opinion. We draw our conclusions on the basis of the audit evidence we have obtained up to the date of our report. However, future events or circumstances may mean that the company is no longer able to continue its activities.

We communicate with the Board of Directors and/or its responsible committee on matters such as the planned scope and schedule of the audit and the main findings of the audit, including any significant deficiencies in the internal control system that we discover during our audit.

REPORT ON OTHER STATUTORY AND LEGAL REQUIREMENTS

In accordance with section 728a(1) item 3 CO and Swiss Auditing Standard 890, we confirm the existence of an internal control system for the preparation of financial statements, which has been designed according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Martin Schwörer	Magali Zimmermann
Audit expert	Audit expert
Auditor in charge	

Zurich, 8 April 2024

COMPANY DETAILS

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BBi (Scotland) Ltd, Glasgow, UK


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