



# **Catlin Re Switzerland Ltd**

**An AXA S.A. Company**

## **Financial Condition Report**

**Year Ended**

**December 31, 2023**

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## Directors' statement

The Board of Directors acknowledge their responsibility for ensuring that this Financial Condition Report has been properly prepared in all material respects in accordance with FINMA regulations. The Board is satisfied that:

(a) throughout the financial year disclosed in this report, Catlin Re Switzerland Ltd has complied in all material respects with the requirements of the FINMA regulations as applicable to the Company; and

(b) it is reasonable to believe that, at the date of the publication of this report, the Company has continued to comply, and will continue to comply in future.

This report was approved by the Board of Directors on April 29, 2024.

By order of the Board

A handwritten signature in blue ink, appearing to be 'Beat Lüthi', consisting of a stylized 'B' and 'L'.

Beat Lüthi

Chairman of the Board

April 29, 2024

A handwritten signature in blue ink, reading 'Wanda L. Eriksen', in a cursive script.

Wanda Eriksen-Grundbacher

Director

April 29, 2024

# Management summary

## General remarks

This report should be read in conjunction with Catlin Re Switzerland Ltd's ("CRCH", or "the Company") audited financial statements for the year ended December 31, 2023 disclosed in appendix 4.

Unless otherwise stated, all amounts in this report are presented in Swiss Francs which is the reporting currency of the financial statements of Catlin Re Switzerland Ltd.

Due to the capitalisation and the business environment in which the Company primarily operates, US Dollar is the currency for capital modelling and the Swiss Solvency Test. As such numbers reported in sections E, F and G are predominantly presented in US Dollars.

Amounts shown in this report generally are rounded to the nearest million, with the consequence that the rounded amounts may not add up to the rounded total in all cases.

Any references to AXA Group refer to AXA SA together with its direct and indirect subsidiaries.

## Business activities

The Company is part of the AXA XL Division, the property, casualty, and specialty division of AXA Group comprising global insurance and reinsurance companies that provide property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis.

AXA XL's operating entities underwrite both insurance and reinsurance business within its Property and Casualty ("P&C") business segment. The P&C segment is structured into two segments; Insurance and Reinsurance with Reinsurance being further divided into the three regions International, North America and Bermuda. AXA XL underwrites across all the platforms available to best service both brokers and clients.

Catlin Re Switzerland Ltd, domiciled in Zurich, Switzerland, operates as a multi-line property, casualty and specialty reinsurance company.

For 2024, as part of the AXA XL Divisional plan to simplify the operating structure, the Company will transfer all assets and liabilities held in the CRCH Singapore Branch to XL Re Europe SE, Ireland, Singapore Branch. Additionally the Company's Credit & Surety book of business will be written by XL Re Europe SE, Zurich Branch. Most Latin American P&C business is going to be written by AXA XL Reinsurance Ltd, Bermuda ("AXA XL Re"). Business remaining with the Company is mainly written with Brazil cedants through the admitted reinsurer license.

Further details of the Company's business activities are provided in section A.

## Business performance

In line with an improving market across most lines and geographies, the portfolio was favourable to the prior year across most metrics. As well as a favourable rate environment, 2023 also saw continued tightening of coverages and terms across most lines of business. This was partly offset by continued focus on signing profitable business, reducing shares/cancelling programs with unsatisfactory terms, as well as the non-renewal of Bermuda branch business as well as the binder agreements in Miami and Sydney. The Company remained focused on underwriting profitability over volumes.

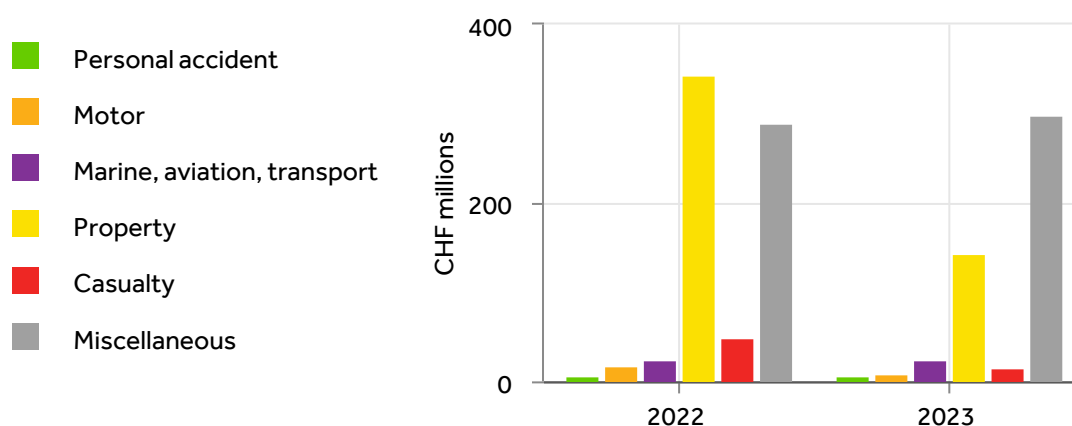
The 2023 loss ratio of 51% is mainly driven by the current accident year losses partially offset by favourable prior year loss development ("PYD") for some product lines.

The Company generated CHF 499m of gross premium written in 2023 and a combined ratio of 97%.

## CHF millions

| 2023                        | Gross premium written | Net premium earned | Acquisition cost ratio | Loss ratio  | Combined ratio |
|-----------------------------|-----------------------|--------------------|------------------------|-------------|----------------|
| Personal accident           | 7                     | 10                 | 41 %                   | 47 %        | 88 %           |
| Motor                       | 9                     | 7                  | 47 %                   | 124 %       | 171 %          |
| Marine, aviation, transport | 25                    | 12                 | 29 %                   | 58 %        | 87 %           |
| Property                    | 143                   | 146                | 37 %                   | 65 %        | 102 %          |
| Casualty                    | 16                    | 15                 | 34 %                   | 67 %        | 101 %          |
| Miscellaneous               | 299                   | 231                | 52 %                   | 40 %        | 92 %           |
| <b>Total 2023</b>           | <b>499</b>            | <b>420</b>         | <b>45 %</b>            | <b>51 %</b> | <b>97 %</b>    |

## Gross premium written by FINMA line of business



Further details of the Company's performance are provided in section B and the Annual Report in appendix 4.

## Corporate governance and risk management

The Board of Directors ("Board", "BoD") and management are committed to ensure effective corporate governance with the objective to provide proper oversight over the Company. The Board regularly reviews its comprehensive corporate governance framework, policies and practices to ensure that it meets the expectations of its shareholder and evolves in compliance with the Swiss legal and regulatory requirements and AXA XL's best practice in corporate governance. The Board has the ultimate responsibility for setting the strategy regarding the business and is accountable for the performance of the Company towards the shareholder.

The Board is responsible for the Company's internal control system. The Company operates a 'Three lines of defence' model where (1) the business through its risk owners, (2) Risk Management and Compliance and (3) Internal Audit work together to ensure that the internal control system is effective.

The Board and Executive Management Committee composition is outlined in section C.

The risk management framework ("RMF") determines risk appetites and risk limits, establishes risk policies, identifies and manages the risks to the Company's objectives and monitors its resources and capital requirements. All these processes and monitoring activities are carried out throughout the year with oversight by the Board. The Company is supported by a number of Division-wide processes in the achievement of its risk management objectives.

Further details of the Company's corporate governance and RMF are provided in section C.

## Risk profile

CRCH is materially exposed to insurance, market and credit risk. The Company uses the Swiss Solvency Test ("SST") basis at the 1% Tail Value at Risk ("TVaR") to calculate the capital requirements.

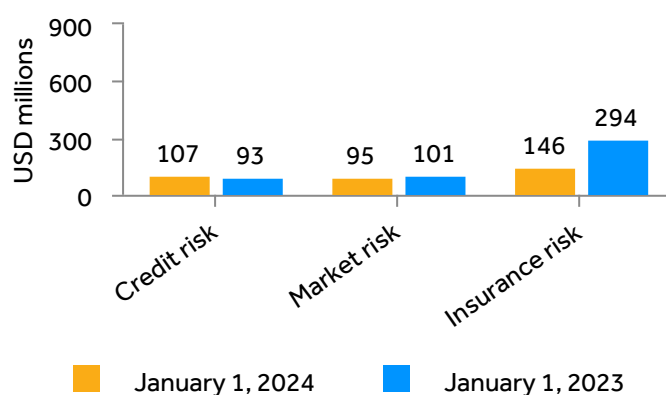
The risk profile for 2024 is expected to be different to that of the previous year due to following:

- The sale of Seaview Re Ltd to XL Reinsurance America ("XLRA")
- A large proportional treaty contract being novated
- Singapore branch transfer of assets and liabilities and the related book of business
- Effective December 31 2023, a Loss Portfolio Transfer ("LPT") agreement with AXA XL Re, ceding 95% of CRCH's Credit Surety exposures including unearned losses.

Underwriting risk and reserve risk have decreased due to this decrease in exposure.

Underwriting risk and to a certain extent reserve risk are mitigated by a Whole Account Stop Loss ("WASL") with AXA XL Reinsurance Ltd ("AXA XL Re"). This cover has not been renewed for the 2024 Accident Year ("AY"). For 2023, the cover protects CRCH with any losses exceeding 75% loss ratio up to a loss ratio of 110%. The WASL is in place since 2017 and only AY 2018 was commuted in the absence of losses. Accident year 2017 has attached and as such potential further adverse developments are covered by the WASL.

The key risks before diversification as per the SST for CRCH as at January 1, 2024, and the previous year are shown below:



Each category of risk is described in detail in section D.

## Valuation

An analysis of the valuation of asset classes and the market consistent valuation of provisions for insurance obligations used in the SST balance sheet, together with the recognition and valuation bases applied, is provided in section E.

## Capital management

The Company calculates and manages its capital requirements based on SST principles and in line with the Own Risk and Solvency Assessment policy which are further detailed in sections C.2 and G.

| USD millions                             | January 1, 2023 | January 1, 2024 | Change         | Change in %  |
|--|-----------------|-----------------|----------------|--------------|
| Risk bearing capital before distribution | 921             | 613             | (308)          | (33)%        |
| Target capital                           | 372             | 287             | (85)           | (23)%        |
| <b>SST ratio before distribution</b>     | <b>248%</b>     | <b>214%</b>     | <b>(34)pts</b> | <b>(14)%</b> |
| Distribution                             | (400)           | (220)           |                |              |
| Risk bearing capital after distribution  | 521             | 393             |                |              |
| <b>SST ratio after distribution</b>      | <b>140%</b>     | <b>137%</b>     |                |              |

Under the revised AVO Article 39, the SST ratio is calculated as the ratio of Risk Bearing Capital in the numerator and the 1 year risk capital in the denominator, whereby the SST balance sheet includes the Market Value Margin ("MVM") as a liability and the Target Capital does not include MVM. As such 2023 SST figures are restated for comparative purposes.

The Company's objectives in managing its capital are to:

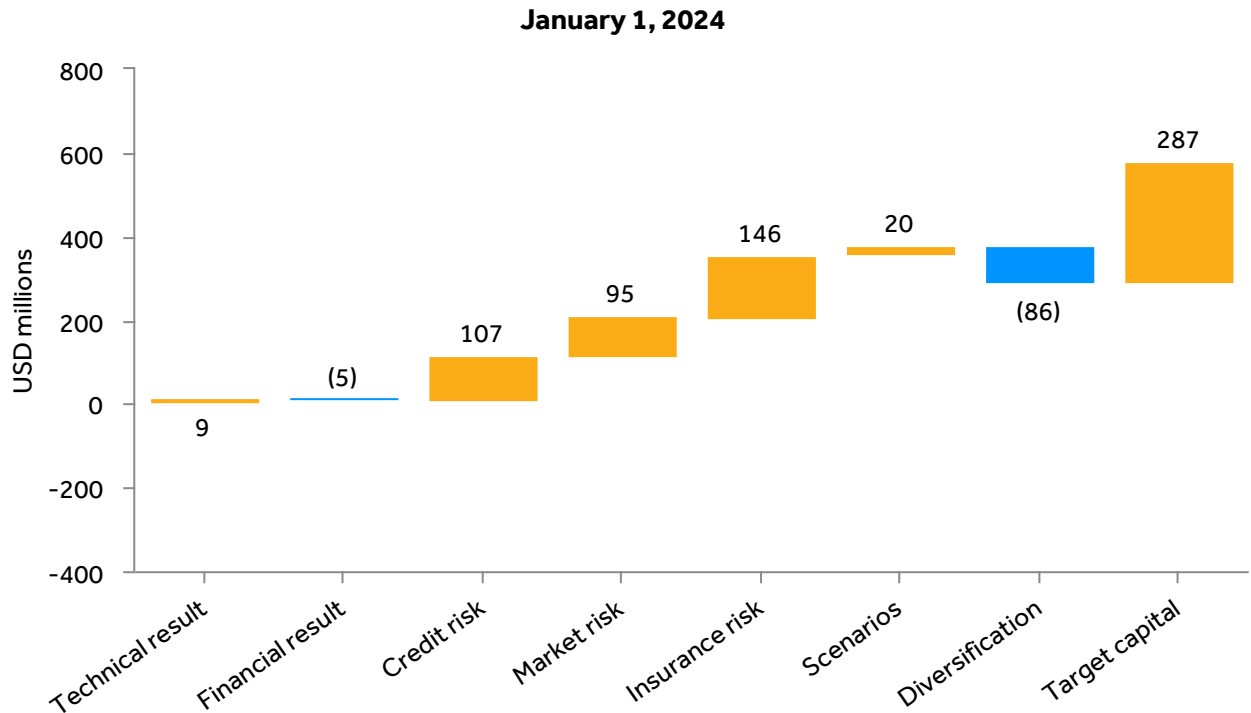
- maintain financial strength to support new business;
- satisfy the requirements of its policyholders and regulators;
- match the profile of its assets and liabilities, taking into account risks inherent in the business;
- achieve appropriate risk adjusted returns; and
- maintain capital levels that are consistent with the risk appetite, corporate strategy, and the statutory requirements.

As a result of the solid capital surplus the Company proposes to distribute USD 220m (maximum CHF 210m) to its shareholder AXA XL Luxembourg S.à r.l., subject to FINMA approval. The 2024 SST ratio before distribution would decline from 214% to 137% after distribution.

## Solvency

Section G provides information on the models used for the SST calculations with further breakdowns of the target capital as of January 1, 2024.

The following chart shows a break-down of the SST target capital into the relevant categories as defined by FINMA:



Credit risk includes investment, external and internal reinsurance credit risk. The investment credit risk, premium counterparty risk and external credit risk are calculated based on the FINMA standard model whereas internal reinsurance credit risk is calculated using the internal model.

Market risk is calculated using the FINMA standard model whereas insurance risk and the MVM are calculated in the internal model.

Overall, the target capital for the 2024 SST has decreased by USD 85m compared to last year. There have been a number of partially offsetting movements, the key drivers of which are highlighted below:

- Sale of the subsidiary Seaview Re, the novation of a large proportional treaty and the exclusion of CRCH Singapore branch due to transfer to another AXA XL entity. This reduced premium and reserve risk;
- Decreased premium risk due to the reduction of business written;
- Decrease in reserve risk due to reserves running off and the reserve risk profile changing;
- Decrease in asset base due to the reduction in reserves. This decreased investment credit risk;
- Offset by an increase in capital due to losses from operating cost, increase in internal credit risk due to the new internal reinsurance arrangements and inclusion of a concentration scenario;
- Offset by an increase in capital due to less diversification benefit seen as the risk profile is changing.

### Significant events post year end:

There have been no significant events post year end.



## A. Business activities

### A.1 Strategy, objectives and business segments

The Company is part of the AXA XL Division, the property, casualty, and specialty division of AXA Group comprising global insurance and reinsurance companies that provide property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis.

Catlin Re Switzerland Ltd, domiciled in Zurich, Switzerland, operates as a multi-line property, casualty and specialty reinsurance company.

During 2023 the Company was writing property, casualty and specialty reinsurance classes, including trade credit, surety and political risk of reinsurance. The offerings included short-tail multi-peril property, casualty, accident & health, trade credit, surety and political risk, lines of reinsurance, mostly in the form of treaty reinsurance. Credit & surety lines are provided with a global mandate and are written through the Company's Zurich operations. Reinsurance for property and casualty classes are predominately provided for Central and South America, Brasil and the Caribbean, and Asia Pacific through the branch in Singapore, an admitted and local Brasil carrier, and a local office in Colombia. Reinsurance coverage is distributed through reinsurance brokers and directly with cedants. The Company prudently manages reinsurance obligations through controlled risk taking, clear accountability and strong underwriting discipline. The Company is viewed as being well established amongst the 2nd tier reinsurers, which jointly with AXA's strong balance sheet positively impacts negotiation leverage and overall opportunities.

Outwards Reinsurance forms an integral part of capital management at AXA XL. It is predominantly managed and placed at Division and Reinsurance segment level in line with the Company's risk appetite to appropriately protect key exposures. In addition, CRCH's peak risks are mitigated by various WASL agreements placed with AXA XL Re and XLB for AYs 2017 and 2019-2023.

For 2023 the Company decided to not write or renew agriculture business. In addition the Bermuda Branch ceased to write new or renewal business. In an effort to simplify the operating model new and renewal business is not being accepted under the binding authorities provided to carriers based in Miami and Sydney.

For 2024, as part of the AXA XL Divisional plan to simplify the operating structure, the Company will transfer all assets and liabilities held in the CRCH Singapore Branch to XL Re Europe SE, Ireland, Singapore Branch. Additionally the renewals of the Company's Credit & Surety book of business plan to be written through XL Re Europe SE, Zurich Branch. Most Latin American P&C business is going to be written by AXA XL Re. Business remaining with the Company is mainly written with Brazil cedants through the admitted reinsurer license.

The Company's rating along with other AXA XL core legal entities is 'AA-' with stable outlook from S&P and 'A+' stable from A.M. Best as a result of the strategic fit and core operation to the AXA Group.

## A.2 Group information and group related transactions

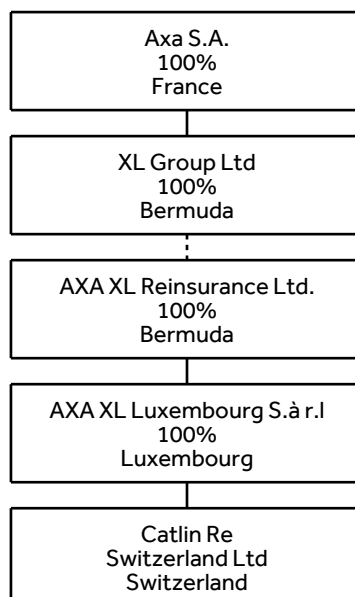
The Company's immediate parent is AXA XL Luxembourg S.à r.l., a company incorporated in Luxembourg which holds 100% of CRCH's ownership interest and voting rights.

AXA XL Luxembourg S.à r.l.  
6B, rue Gabriel Lippmann  
L-5365 Munsbach, Luxembourg

R.C.S. Luxembourg: B154964; subscribed capital: USD 914'900.

The Company's ultimate parent and controlling undertaking is AXA S.A., a company incorporated in France. The Company consolidates its reporting into the group financial statements of AXA S.A.

CRCH's position within the legal structure of the Group can be seen from the simplified structure chart below:



### **Group Supervisor**

Autorité de Contrôle Prudentiel et de Résolution (ACPR)  
4, place de Budapest  
CS 92459  
75436 PARIS CEDEX 09  
France

### **Material related party transactions**

Effective December 31, 2023, CRCH placed an LPT with AXA XL Re, ceding 95% of CRCH's Credit & Surety reserves including risks associated with the UPR. The Company benefits from a purchased WASL agreement with AXA XL Re. The Company also makes regular payments to AXA Group companies in respect of services provided to the Company. The Company regularly purchases or sells financial investments from and to other Group companies. Other than the previously mentioned, there were no material transactions during 2023 with the Company's direct or indirect shareholders, with persons who exercise a significant influence on the Company or with members of the Board which are deemed material. The Company actively monitors all related party transactions.

### A.3 Related undertakings

Catlin Re Switzerland Ltd is the parent company of the following subsidiaries:

| in CHF millions as of December 31, 2023          | Domicile                | Net Book value | Equity/Voting Shares |
|--|-------------------------|----------------|----------------------|
| AXA XL Resseguros S.A.                           | Sao Paulo, Brasil       | 76.83          | 100 %                |
| XL Re Latin America Argentina SA                 | Buenos Aires, Argentina | —              | 80 %                 |
| <b>Total investments in affiliated companies</b> |                         | <b>76.83</b>   |                      |

Effective September 25, 2023, the Company disposed all shares of Seaview Re Holdings Inc. to another AXA XL Divisional legal entity.

### A.4 Major branches

Catlin Re Switzerland Ltd, Bermuda Branch  
O'Hara House  
P.O. Box HM 2245  
One Bermudiana Road  
Hamilton, HM 08  
Bermuda

Catlin Re Switzerland Ltd, Singapore Branch  
138, Market Street  
#10-01  
Capitagreen  
Singapore 048946  
Singapore

### A.5 External auditor

According to Article 28 of the Insurance Supervisory Act the Company has appointed Ernst & Young AG ("E&Y") as statutory auditor.

Ernst & Young AG  
Maagplatz 1  
8010 Zurich  
Switzerland

The auditor in charge is Philip Kirkpatrick. E&Y is accredited with the Federal Audit Oversight Authority in Berne, Switzerland.

### A.6 Significant unusual events

There have been no extraordinary material events for the year ended 2023.

## B. Business performance

The Company prepared its financial statements on a Swiss Statutory accounting rule basis in accordance with the provisions of accounting and financial reporting of the Swiss Code of Obligations and with the additional requirements defined by FINMA (Art. 5-6a AVO-FINMA, valid as of December 15, 2015).

The table below provides the main 2023 and 2022 key performance indicators; the quantitative template with more granular information can be found in appendix 1.

### B.1 Underwriting result

| CHF millions           | 2022         | 2023        | Change | Change in % |
|------------------------|--------------|-------------|--------|-------------|
| Gross premium written  | 733          | 499         | (234)  | (32)%       |
| Net earned premium     | 1,109        | 420         | (689)  | (62)%       |
| Net acquisition costs  | (425)        | (190)       | 235    | (55)%       |
| Net claims incurred    | (682)        | (216)       | 466    | (68)%       |
| Net reinsurance result | 2            | 14          | 12     | (600)%      |
| <b>Ratios</b>          |              |             |        |             |
| Acquisition cost ratio | 38 %         | 45 %        |        | 7 %         |
| Loss ratio             | 61 %         | 51 %        |        | (10)%       |
| <b>Combined ratio</b>  | <b>100 %</b> | <b>97 %</b> |        | <b>(3)%</b> |

In 2023, compared to the previous year, net earned premium decreased by CHF 689m to CHF 420m. This was driven by Divisional strategy on reducing exposures to Natural Catastrophes, the non-renewal of unprofitable business including one large proportional treaty as well as use of alternative AXA XL divisional entity to renew property business.

Acquisition costs also include administration and other expenses. The acquisition cost ratio increased by 7% from 38% in 2022 to 45% in 2023, driven by the new business mix.

Net claims incurred are CHF 216m, compared to CHF 682m in the previous year. The 2023 loss ratio of 51% is mainly driven by the current accident year losses partially offset by favourable PYD for some product lines.

The table below provides the 2023 key performance indicators by FINMA line of business:

| CHF millions                |                       |                    |                        |             | 2023           |
|-----------------------------|-----------------------|--------------------|------------------------|-------------|----------------|
| Line of business            | Gross premium written | Net premium earned | Acquisition cost ratio | Loss ratio  | Combined ratio |
| Personal accident           | 7                     | 10                 | 41 %                   | 47 %        | 88 %           |
| Motor                       | 9                     | 7                  | 47 %                   | 124 %       | 171 %          |
| Marine, aviation, transport | 25                    | 12                 | 29 %                   | 58 %        | 87 %           |
| Property                    | 143                   | 146                | 37 %                   | 65 %        | 102 %          |
| Casualty                    | 16                    | 15                 | 34 %                   | 67 %        | 101 %          |
| Miscellaneous               | 299                   | 231                | 52 %                   | 40 %        | 92 %           |
| <b>Total 2023</b>           | <b>499</b>            | <b>420</b>         | <b>45 %</b>            | <b>51 %</b> | <b>97 %</b>    |

The table below provides the 2022 key performance indicators by FINMA line of business:

| CHF millions                |                       |                    |                        |             | 2022           |
|-----------------------------|-----------------------|--------------------|------------------------|-------------|----------------|
| Line of business            | Gross premium written | Net premium earned | Acquisition cost ratio | Loss ratio  | Combined ratio |
| Personal accident           | 6                     | 3                  | 26 %                   | 176 %       | 203 %          |
| Motor                       | 18                    | 2                  | 48 %                   | 138 %       | 186 %          |
| Marine, aviation, transport | 26                    | 22                 | 28 %                   | 56 %        | 84 %           |
| Property                    | 345                   | 820                | 37 %                   | 70 %        | 107 %          |
| Casualty                    | 49                    | 29                 | 29 %                   | 44 %        | 73 %           |
| Miscellaneous               | 289                   | 233                | 46 %                   | 31 %        | 78 %           |
| <b>Total 2022</b>           | <b>733</b>            | <b>1,109</b>       | <b>38 %</b>            | <b>61 %</b> | <b>100 %</b>   |

## B.2 Investment income and expenses

| CHF millions                 | 2022       | 2023      | Change    | Change in %     |
|------------------------------|------------|-----------|-----------|-----------------|
| <b>Investments</b>           |            |           |           |                 |
| Investment income            | 626        | 70        | (556)     | (89)%           |
| Investment expenses          | (629)      | (6)       | 623       | (99)%           |
| <b>Net investment result</b> | <b>(3)</b> | <b>64</b> | <b>67</b> | <b>(2,233)%</b> |

The net investment result as disclosed in the annual report in appendix 4 amounts to a gain of CHF 64m compared to a CHF 3m loss in 2022.

The Company did not record any gains or losses in shareholder's equity.

## B.2.1 Investment income and expenses by asset class

| Investment income                   |           |                  |                | 2023      |
|-------------------------------------|-----------|------------------|----------------|-----------|
| CHF millions                        | Income    | Unrealised gains | Realised gains | Total     |
| Investments in affiliated companies | 5         | —                | 17             | 22        |
| Fixed income securities             | 25        | 20               | 3              | 48        |
| Equity securities                   | —         | —                | —              | —         |
| Other investments                   | —         | —                | —              | —         |
| Short term investments              | —         | —                | —              | —         |
| Cash and cash equivalents           | —         | —                | —              | —         |
| <b>Total Investment income</b>      | <b>30</b> | <b>20</b>        | <b>20</b>      | <b>70</b> |

| Investment expenses                 |            |                   |                 | 2023       |
|-------------------------------------|------------|-------------------|-----------------|------------|
| CHF millions                        | Expenses   | Unrealised losses | Realised losses | Total      |
| Investments in affiliated companies | —          | —                 | —               | —          |
| Fixed income securities             | —          | (4)               | —               | (4)        |
| Equity securities                   | —          | —                 | —               | —          |
| Other investments                   | —          | —                 | —               | —          |
| Short term investments              | —          | —                 | —               | —          |
| Cash and cash equivalents           | —          | —                 | —               | —          |
| Investment management fees          | (2)        | —                 | —               | (2)        |
| <b>Total investment expenses</b>    | <b>(2)</b> | <b>(4)</b>        | <b>—</b>        | <b>(6)</b> |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| <b>Total net investment contribution</b> | <b>28</b> | <b>16</b> | <b>20</b> | <b>64</b> |
|--|-----------|-----------|-----------|-----------|

| Investment income                   |            |                  |                | 2022       |
|-------------------------------------|------------|------------------|----------------|------------|
| CHF millions                        | Income     | Unrealised gains | Realised gains | Total      |
| Investments in affiliated companies | 598        | —                | —              | 598        |
| Fixed income securities             | 19         | 8                | 1              | 28         |
| Equity securities                   | —          | —                | —              | —          |
| Other investments                   | —          | —                | —              | —          |
| Short term investments              | —          | —                | —              | —          |
| Cash and cash equivalents           | —          | —                | —              | —          |
| <b>Total Investment income</b>      | <b>617</b> | <b>8</b>         | <b>1</b>       | <b>626</b> |

| <b>Investment expenses</b>               |                 |                          |                        | <b>2022</b>  |
|--|-----------------|--------------------------|------------------------|--------------|
| <b>CHF millions</b>                      | <b>Expenses</b> | <b>Unrealised losses</b> | <b>Realised losses</b> | <b>Total</b> |
| Investments in affiliated companies      | (538)           | —                        | —                      | <b>(538)</b> |
| Fixed income securities                  | —               | (79)                     | (11)                   | <b>(90)</b>  |
| Equity securities                        | —               | —                        | —                      | <b>—</b>     |
| Other investments                        | —               | —                        | —                      | <b>—</b>     |
| Short term investments                   | —               | —                        | —                      | <b>—</b>     |
| Cash and cash equivalents                | —               | —                        | —                      | <b>—</b>     |
| Investment management fees               | (2)             | —                        | —                      | <b>(2)</b>   |
| <b>Total investment expenses</b>         | <b>(539)</b>    | <b>(79)</b>              | <b>(11)</b>            | <b>(629)</b> |
| <b>Total net investment contribution</b> | <b>78</b>       | <b>(71)</b>              | <b>(10)</b>            | <b>(3)</b>   |

The net investment result amounts to a CHF 64m gain for 2023, compared to a CHF 3m loss in the previous year. Investment income has decreased by CHF 556m from CHF 626m to CHF 70m year on year mainly driven by a distribution received from the Company's subsidiary Seaview Re via Seaview Re Holdings Inc in 2022. Current year results are driven by the realised gain on sale of Seaview Re, income on the fixed income portfolio as well as unrealised gains due to the rebound of market values.

Investment expenses have significantly decreased from CHF 629m to CHF 6m year on year which is mainly driven by the 2022 write-down recognised on the valuation of subsidiary Seaview Re Holdings Inc as well as a CHF 73m temporary impairment of fixed income securities to the lower of cost or market as a result of increased bond yields and lower market values which subsequently have rebounded during 2023.

The Company predominantly holds investment grade fixed and variable income portfolios denominated in a variety of currencies with the vast majority in USD, which broadly correspond to the respective liabilities of the Company. Assets representing capital of the Company, which are not matched to specific liabilities, are generally held in US Dollars.

## B.3 Other income and expenses

| <b>CHF millions</b>                    | <b>2022</b> | <b>2023</b> | <b>Change</b> | <b>Change in %</b> |
|--|-------------|-------------|---------------|--------------------|
| Interest income                        | 26          | 28          | 2             | 8 %                |
| Interest expense                       | (6)         | (12)        | (6)           | 100 %              |
| Other income                           | 3           | —           | (3)           | 100 %              |
| Foreign exchange                       | 2           | (19)        | (21)          | N/A%               |
| <b>Total other income and expenses</b> | <b>25</b>   | <b>(3)</b>  | <b>(28)</b>   | <b>(112)%</b>      |

Interest income of CHF 28m is mainly comprised of interest earned on funds withheld and available Cash.

The foreign exchange loss of CHF 19m (2022: CHF 2m gain) arises from foreign currency transactions incurred in each of the Company's business units and the revaluation of monetary assets and liabilities denominated in foreign currencies into the functional currencies at the period end rates. Revaluation gains and losses are deemed realised and recorded in the income statement. Each business unit with a different functional currency from the Company's Statutory reporting currency is translated to Swiss Francs; resulting unrealised gains are deferred and recorded under the balance sheet line item provision for currency fluctuation. Unrealised losses from translation are either offset against the provision for currency fluctuation or recorded in the income statement. In 2023, unrealised translation losses in the amount of CHF 38m have been recorded against the provision for currency fluctuation (2022: CHF 43m loss).

## C. Corporate governance and risk management

### C.1 Corporate governance

#### C.1.1 Board of Directors composition

The names of the persons who are directors of the Company as at the date of this report are:

|  |                                 |                                 |
|--|---------------------------------|---------------------------------|
| Daniela Bräm (Swiss)                   | Non-Executive                   | Risk and Audit Committee Member |
| Jürgen Cherreck (Swiss/German)         | Non-Executive                   | Risk and Audit Committee Member |
| Wanda Eriksen-Grundbacher (Swiss/U.S.) | Independent Non-Executive       | Risk and Audit Committee Chair  |
| Claudia Ingenhoven (Swiss)             | Non-Executive                   |                                 |
| Beat Lüthi (Swiss)                     | Independent Non-Executive Chair |                                 |

During the period, the following appointments and resignations took place:

|                            |           |                |               |
|----------------------------|-----------|----------------|---------------|
| Mark Twite (British)       | Resigned  | April 28, 2023 | Non-Executive |
| Claudia Ingenhoven (Swiss) | Appointed | April 28, 2023 | Non-Executive |

Board and Risk and Audit Committee meetings are held at least quarterly.

The Board has the power to adopt resolutions in all matters which do not fall within the shareholder's meeting or any other body by virtue of law, the Articles of Association or the organisational regulations.

#### ***Qualifications of the Board and key function holders***

The Board regularly considers the qualifications necessary for its members. In this regard, the Board believes that its members are persons with superior business judgement and integrity, who have knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the Company's business, operations or activities, and who have distinguished themselves in their chosen fields of endeavour. In addition, the Board believes its members have the talent and vision to provide oversight and direction in the areas of strategy, operating performance, corporate governance and risk management in order to protect the interests of the shareholder and the policyholders whilst maintaining the highest standards of ethical business conduct. The Board believes that each of its Directors contributes a strong background and set of skills to enable the Board to meet its responsibilities and that key function holders possess the skills, knowledge and expertise to carry out their regulatory obligations.

The Board considers diversity among other factors in assessing the skills and characteristics of Director candidates and the Board as a whole. This consideration includes a broad evaluation of diversity of viewpoints, skills, experience and other demographics represented on the Board as a whole.



### C.1.2 Executive Committee composition

The Executive Committee ("ExCo") is composed of the following members:

|                            |   |
|----------------------------|---|
| Benno Schaffhauser (Swiss) | Chief Executive Officer and Chief Financial Officer |
| Felix Winzap (Swiss)       | Chief Underwriting Officer                          |
| Wendy Tobey (U.S.)         | Responsible Actuary                                 |

During the period, the following appointments and resignations took place:

|                      |           |                  |
|----------------------|-----------|------------------|
| Felix Winzap (Swiss) | Appointed | January 17, 2023 |
| Wendy Tobey (U.S.)   | Appointed | January 17, 2023 |

### C.1.3 General information corporate governance

Corporate governance provides the framework through which:

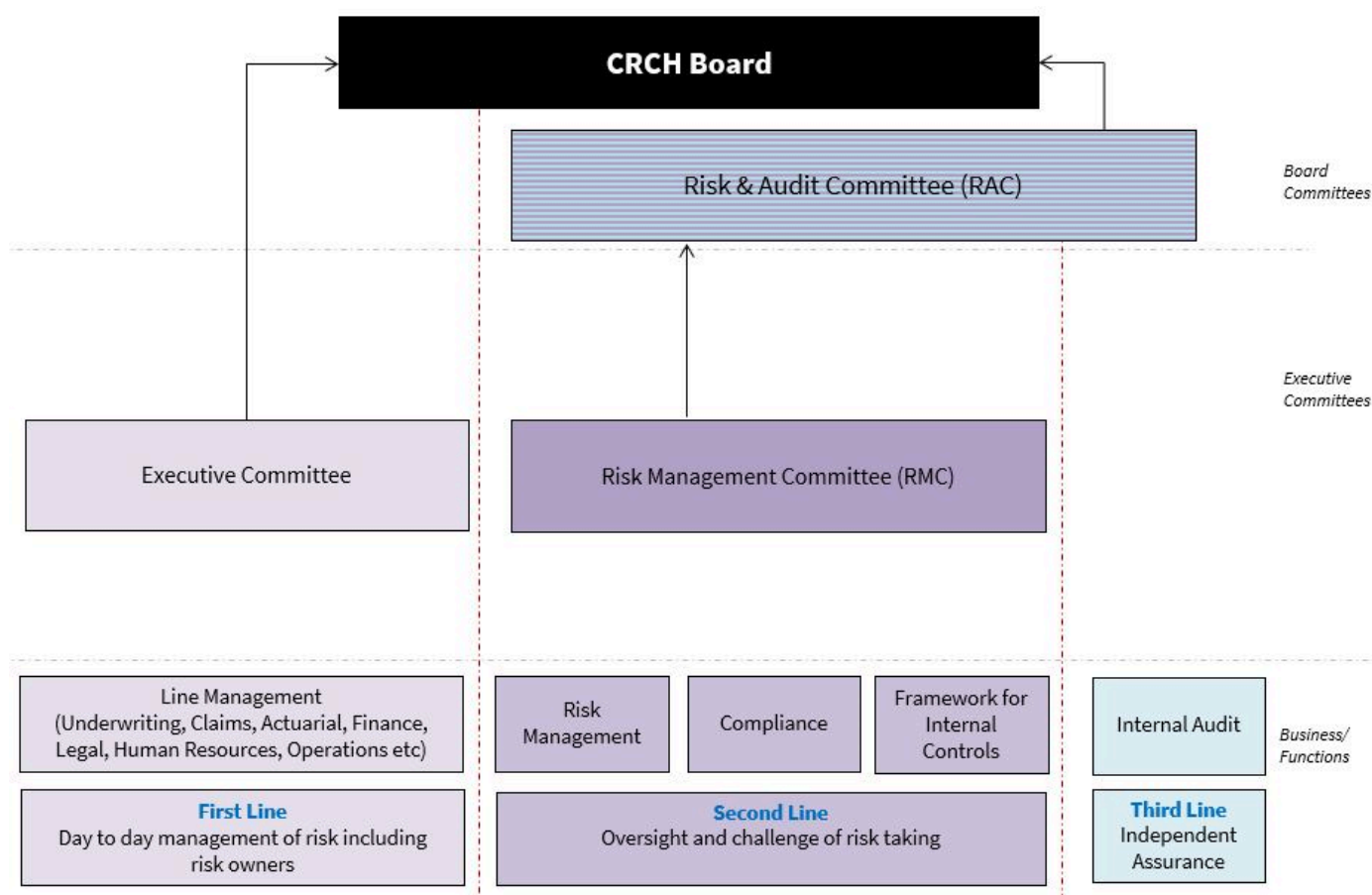
- Objectives and strategy of the Company are set, and the means of attaining those objectives and monitoring performance are determined;
- Roles and responsibilities of the Board and senior management are described;
- At an operational level, policies are set, risk management is developed and carried out, and the business is operated on a day to day basis;
- The activities and behaviour are aligned with the expectation that Board, management and staff will operate in a prudent and sound manner, and in compliance with applicable laws and regulations; and
- The interests of policyholders, beneficiaries and reinsurance claimants are protected.

The Board has ultimate responsibility for directing the strategy of the business; setting the Company's risk appetites; and the implementation and maintenance of an effective corporate governance framework for the Company. The Company's framework is designed to demonstrate the Board's and management's commitment to effective governance; and to meet the requirements of the FINMA circular 2017/2 'Corporate Governance - Insurers'.

The Board is satisfied that the Company's system of governance is appropriate and effective, taking into account the nature, scale and complexity of the risks inherent in the Company's business.

The system of governance applies to the Company and its Branches and offices.

This section provides details of the Company's management structure along with roles and responsibilities and committees.



The Board seeks to ensure that the operations of the Company are conducted within a framework of prudent and effective controls that enables effective risk management and conformity with the applicable legal and regulatory requirements. The Board sets the risk appetites for the Company. Management are responsible for monitoring risks against risk appetite and for escalating any risk that breaches risk appetite to the Board.

The Company operates a 'Three Lines of Defence' approach to ensure effective and robust day to day governance is in place.

### 1. First line - 'Day to day' management of risk.

Risk-taking activity and direct management of risk within the appetite and policies approved by the Board. This line of defence is involved in risk management decisions and therefore is not deemed to be providing independent oversight.

### 2. Second line - Oversight / challenge.

Providing risk oversight (including various forms of monitoring activity) and providing guidance on suitable approaches to risk management process and policy. This line of defence is intended to be independent of risk taking activity.

### 3. Third line - Independent Assurance.

Providing independent assurance as to the effectiveness of the operation of the First and Second lines of defence and the key controls within the Company.

The Company is also part of AXA XL division's Internal Control Program which addresses internal controls across 30 macro-processes covering all departments and processes, as well as having an Internal Financial Control Framework looking at key controls around financial reporting.

## **Executive Committee**

The Executive Committee is responsible for ensuring there is a governance framework in place to support the delivery of the Company's strategic plan by the business and considers recommendations by the RMC and other committees.

## **Risk Management Committee**

The Risk Management Committee ("RMC") is an oversight committee delegated by the Executive Committee. The RMC is comprised of members of the 2nd line of defence of the Company with attendance from the business (first line of defence) and is charged with developing and monitoring risk policies, risk appetites, risk limits (and compliance with such limits), risk aggregations, and identifying key emerging risks.

## **Risk and Audit Committee**

In accordance with the regulations set forth in the Swiss Insurance Supervision Ordinance and the FINMA guidelines set forth in circular 2017/2, the Company has established a Risk and Audit Committee ("RAC"). The purpose of the RAC is outlined in the Risk and Audit Committee Terms of Reference.

The RAC is an oversight committee delegated by the Board. The RAC consists of three members, chaired by an Independent Non-Executive Director (INED) and assists the Board in ensuring the adequacy, effectiveness and integrity of the risk management framework including risk strategy, risk appetite, stress testing, oversight arrangements, material transactions and risk culture. Further important oversight areas dealt with by the RAC include oversight of financial reporting, the internal control system, internal and external audit.

### **C.1.4 Key functions**

The Company's Risk Management, Compliance, Internal Audit and Actuarial functions are the key functions in its system of governance. Holders of key functions are authorised to operate free from influences which may compromise their ability to undertake their duties in an objective, fair and independent manner.

Each of these key function holders:

- Operates under the ultimate responsibility of, and reports to the Board as appropriate;
- Cooperates with the other functions, where appropriate, in carrying out their roles, but operates independently;
- Is able to communicate, at their own initiative, with any staff member and has the necessary authority, resources and expertise and unrestricted access to all relevant information necessary to carry out their responsibilities; and
- Promptly reports to the Board any significant issues arising in their area of responsibility.

Key function holders co-operate with each other but operate independently. Individuals carrying out the Internal Audit function do not assume any responsibility for any other function.

The Company has in place written policies in relation to its key functions. Further information on these functions is contained within sections C.2 (Risk Management), C.2.3 (Compliance) and C.3.2 (Internal Audit). The implementation of key functions within the Company is explained below.

## **Risk Management**

The Company's Risk Management function is responsible for maintaining and monitoring the effectiveness of the Company's risk management system. The Company's Risk Manager plays a key role in the operation of the RMC and is the chair of the RMC, which reports to the RAC. Further information about the Risk Management function is set out in section C.2.

## **Compliance**

The Compliance function is responsible for promoting a robust compliance culture in the Company, advising on all regulatory compliance matters affecting the Company and the identification and assessment of compliance risk. The Compliance Officer reports to the Board as well as to the RMC and RAC on a regular basis. Further information about the Compliance function is set out in section C.2.3.

## **Internal Audit**

The Head of Internal Audit leads the Company's Internal Audit function, supported by AXA XL's Internal Audit Department. Internal Audit is responsible for evaluating the adequacy and effectiveness of the Company's internal control system and other elements of the system of governance. Key responsibilities are set out in the Internal Audit policy. The Head of Internal Audit reports directly to the RAC. Further information about the Internal Audit function is set out in section C.3.2.

## **Other critical and important functions**

In addition to the above, the Board has identified Underwriting, Claims Management, Actuarial, Finance and Investment Management as functions which are of specific importance to the sound and prudent management of the Company. The Chief Underwriting Officer, Claims Manager, Chief Financial Officer as well as the Responsible Actuary are responsible for ensuring that their respective activities are aligned to the risk appetites of the Company. These functions report to the Board either directly or through the CEO. The Investment Management function is in-sourced from XL Group Investments Ltd ("XLGIL"), an AXA XL company.

## **C.2 Risk Management**

### **C.2.1 Risk management framework**

The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength and liquidity. This is managed by the Risk Management function, who defines and deploys the Risk Management Framework.

The RMF is reviewed by the RMC and recommended for approval by the Board, at least annually. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organisational structure.

The aim of the RMF is to:

- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support the Company's Risk Management standing; and
- Support regulatory risk management requirements.

The RMC meets at least quarterly and oversees the implementation and embedding of the RMF and monitoring of Company performance against risk appetite. The RMC has responsibility for capital monitoring and makes recommendations and escalates any issues in a first instance to the ExCo/RAC and if applicable to the Board, related to risk and capital management. The RMC ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the RMC and support understanding of the risk profile.

## ***Risk Management Strategy***

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. The Company has an appointed Senior Risk Manager, supported by the AXA XL Risk Management Team/Centres of Excellence.

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

The Company's strategy involves taking on risk in order to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- Retaining risk within an approved risk appetite that is consistent with the Company's strategic objectives, with appropriate levels of capital held by the Company;
- A diversified portfolio of underwriting and financial markets risks;
- Managing excessive aggregation risk via a limit framework;
- Exercising consistency and transparency of risk management and control across the entity;
- Risk mitigation across all risks, particularly on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- Risk reporting to the RMC, ExCo, RAC, Board and other stakeholders (e.g. regulators).

## ***Risk Appetite Framework***

The Company's Risk Appetite Framework ("RAF") is a key dimension to the risk management strategy and is used to provide governance for setting new monitoring requirements as well as reviewing and updating existing risk appetite statements, tolerances and limits so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. natural catastrophes, realistic disaster scenarios ("RDS") that cross multiple lines of business etc.), liquidity standards, tolerance to specific investment related risks and operational losses. The Board approved risk appetites and risk tolerances are annually reviewed to allow the Company to execute the business plan.

The risk strategy and risk appetite frameworks are supported by the following:

- **Risk Governance** - a clear organisational structure for risk management, including clear roles and responsibilities. The Company operates a 'Three lines of defence' governance structure, at a functional level as well as at executive committee level.
- **Risk Policies & Standards** - AXA and the Company recognise the importance and value of a consistent approach to governance, supported by an effective RMF. This is particularly relevant to ensure that there is a clear understanding of risks, both locally and Group-wide. The policies document the Company's approach to the management of each category of risk to which the Company is exposed. These policies are supported by AXA Group Standards which apply across the Division and the Company.
- **Risk definition and categorisation** provides a common taxonomy and language for risk to allow for categorisation of all risks in a way which facilitates links between the business, risk management processes and the Internal Capital Model.
- **Risk cycle and processes** - the approach taken is top-down, bottom-up, and process led - risk identification, quantification, management and control. The internal model is used in the risk assessment process.
- **Risk-based decision making** - The results of the ORSA and the insights gained in the ORSA process are taken into account for a range of business decisions.
- **Risk Management Information and Reporting, including ORSA process** - ensuring timely and accurate information is reviewed in line with the governance structure.
- **Skills, Resources and Risk Culture; Organisational Learning; Change Management Governance** - All enable a mature risk culture throughout the Company.

## **Risk Reporting**

A risk dashboard is presented quarterly to the RMC. The dashboard measures the status against risk appetite statements and the associated monitoring triggers and limits using the latest output from the business, and SST. The dashboard includes information related to the monitoring against all of the Company's material risk categories. Highlights from the dashboard including performance against appetite and limits are reported to the ExCo/RAC.

### **C.2.2 Own risk and solvency assessment**

The Company's ORSA process includes all of the material risks, processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine the capital necessary to ensure that the Company's overall solvency needs are met at all times (see section F.1 for the time horizon of capital planning).

The regulatory capital requirement is on the SST basis. The SST results are presented to the RMC and the ExCo/RAC to provide deeper insights on risk exposures, and to inform and drive risk and capital based decision making. This process is linked closely with capital management activities and the level of capital in excess of Regulatory (SST) and Economic (ORSA) capital in line with the Company's capital buffer policy.

The processes for the ORSA and production of the ORSA report are tailored to fit into the Company's organisational structures in a proportionate manner with techniques to assess the overall solvency need and taking into consideration the nature, scale and complexity of the risk inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are part of the ORSA process and that will support the production of the Company's ORSA report. The ORSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, economic capital and also regulatory capital requirements whilst taking into account potential future changes in the risk profile and considering stressed situations.

### **ORSA governance**

All risk management and capital assessment processes form part of the ORSA. The ORSA is not a single task undertaken at one point in time, but rather it encompasses the entirety of the risk and capital management activities undertaken during the year, as described in the annually approved ORSA policy. Key tasks within that activity are reviewed and approved by the Board as part of the process and included in the Board approved ORSA report. The production of the full ORSA report is performed annually but regular management information produced by the ORSA processes is provided continuously during the year.

The frequency of each ORSA process mentioned above has been set to allow for appropriate identification, assessment, measurement, control and monitoring of risks to the business.

### **C.2.3 Compliance function**

The compliance function is responsible for advising the Company's management and Board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to AXA XL's operations. It provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyse compliance risks and contribute to design solutions to mitigate those risks to which the Company is exposed.

The Head of Compliance is a key function holder as regards the independent Compliance Function of the Company and is part of the second line of defence. The Head of Compliance is supported by AXA XL's compliance team as well as members of the Legal and Compliance team based in the Company's branches.

The Compliance Policy Addendum together with the Divisional Compliance Governance Policy is approved by the ExCo. The risk areas assigned to the Compliance Function (Compliance Risk Areas) include:

- Financial crime;
- Business conduct;
- Data protection (is managed by Data Privacy);
- Market integrity (however, anti-trust is managed by Legal);
- Ethics/employee conduct; and
- New regulatory risks & relationships with regulators.

AXA XL's compliance, financial crime and monitoring functions manage a wide range of compliance related matters including:

- Regular reporting on significant compliance and regulatory matters to senior management and to regulators;
- Financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as internal sanctions/embargo compliance);
- Data privacy;
- Employee Compliance & Ethics Guide; and
- The monitoring of compliance and regulatory risks.

The Company's Compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. This helps to ensure that the overall compliance framework appropriately reflects the risk exposure. Based on this assessment, an Annual Compliance Plan is developed and presented to the Board for discussion either at the end of each year for the following year, or the first quarter of the reporting year.

The compliance activities within AXA XL are articulated around a number of AXA Group Standards and policies which set the minimum requirements expected to be covered by AXA XL. The AXA Group Standards and policies contain standards and policies on significant risks affecting the compliance activities as well as the high-level control and monitoring principles to which AXA XL must adhere. Compliance with both the standards and policies contained in the AXA Group Standards (e.g. Compliance Governance, Anti-Money Laundering, Sanctions, Anti-Bribery) are mandatory. In addition, where appropriate, the compliance function has adapted the Group requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which AXA XL operates and conducts business.

On a quarterly basis the Company's compliance function reports directly to the RAC on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, remediation plans and any other significant issues that require escalation.

The function is a critical contributor to the safe and sound operation of the Company and underpins the achievement of its strategy and business goals. As part of the second line of defence of the Company, the Compliance Function interacts with other functions and contributes to reinforcing the risk and control frameworks of the Company.

#### **C.2.4 Material changes in risk management**

There were no material changes to the risk management function in 2023.

### **C.3 Internal control system**

The Company's 'Three lines of defence' approach, as described in section C.1.3, ensures that effective and robust day to day governance is in place. The 2nd line of defence (i.e. Risk Management) provides independent assessment of the effectiveness of the Company's internal control system.

The AXA XL Internal Control team, part of Risk Management, is in charge of implementing the AXA Internal Control Program at AXA XL Division and of monitoring the overall system of controls, ensuring all controls are performed.

The AXA Internal Control Program was introduced at AXA XL in order to implement a robust and effective Internal Control Framework by:

- Implementing a risk based approach to focus on risks that really matter;
- Promoting management accountability for controls;
- Introducing a common set of tools and techniques to be consistently used across the Group;
- Improving coordination between the different control functions.

The Internal Control team is also responsible for the Internal Financial Control framework, with controls in place across the Division on the financial reporting controls. This framework is in place at AXA XL for many years and provides reasonable assurance to legal entities within the Division that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

Both the Internal Control Framework and the Internal Financial Control framework are primarily designed to operate across AXA XL Division, with output reported to legal entities.

### **C.3.1 Internal Financial Controls**

The Internal Control team is committed to promote a robust Internal Control Framework, including Internal Financial Control, for the Risk and Audit Committee, executive management and external stakeholders that rely on financial and regulatory reporting processes.

The Internal Control's core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting;
- Identifying areas in which the inherent risk of financial misstatement is material so that management can address these risks before they manifest themselves in an actual misstatement;
- Providing Executive Management, the Company's Board and AXA Group reasonable assurance over AXA XL's processes - in particular on financial reporting; and
- Adding value by helping management promote a robust control environment.

The Internal Control team performs an annual assessment of the control framework which includes: risk identification, risk assessment and planning, documenting business processes, evaluation and validation of key risks, testing of controls, identification and management of issues.

The Internal Control Framework looks at 22 macro-processes that constitute the AXA value chain for the division. For each macro process key risks are defined and for each key risk, control objectives are defined to cover them. For each control objective, controls are designed and operated locally to efficiently meet control objectives and mitigate the related key risk.

### **C.3.2 Internal Audit function**

Internal Audit supports the Board and Executive Management protecting the assets, reputation and sustainability of the Company by providing an independent and objective assurance activity designed to add value and improve the operations. It helps the Company meeting its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of governance, and risk and control management.

The internal audit function has an audit charter to document its mission, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the Company's Risk and Audit Committee each year.

The Head of Internal Audit for the Company has a direct and unfettered reporting line directly to his/her respective Risk and Audit Committee Chair.

The Head of Internal Audit functionally reports through to the Global Head of Audit who reports to the Group Audit Committee Chair.



Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Risk and Audit Committee.

Over the audit cycle, all applicable Common Audit Universe components for each entity are expected to be audited. Any exceptions identified are notified to the Risk and Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Risk and Audit Committee and Executive Management on a regular basis.

## D. Risk profile

Risk governance requires that the Company can comprehensively articulate the profile/universe of its risks over which its governance processes operate. To this end, the Company has an agreed approach to the definition and categorisation of risks.

### Risk Universe

The risk universe is based on the AXA Risk Grid as follows:

- Financial risks, including market, credit, and liquidity;
- Insurance risk;
- Operational risk;
- Other risks, including emerging risks, reputational risks, strategic and regulatory risks;
- Intangible risk (intangible assets).

### D.1 Insurance risk

#### Risk definition

Insurance risk is defined using the following categories:

| Component                | Definition  |
|--------------------------|---|
| <b>Underwriting risk</b> | Underwriting risk derives from reinsurance policies written for the current period and also from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from this tranche of business will be less than expected; Underwriting risk includes man-made catastrophe events and natural catastrophe events. This is on a one year basis.       |
| <b>Reserve risk</b>      | Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening balance sheet date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims pay outs do not align with the timing or amounts of the estimated claims pay outs. This is on a one year basis. |

#### Risk identification

Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

- **Business planning** - Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle, economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget / business plan;
- **Underwriting processes (including guidelines and escalation authorities)** - Each individual contract written is assessed, by the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria;
- **Reserving and claims processes** - On an ongoing basis, claims trends are monitored and analysed for any indications of change in the nature of the underlying insurance risk;
- **Risk assessment process** - Through the internal model, the Company quantifies existing risks and also identifies new risks;
- **RDS and other scenarios**; Used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits; and
- **Independent underwriting peer reviews** - conducted on a risk based approach by the Underwriting Governance team.

## **Risk mitigation**

### ***Reinsurance purchases***

The Company participates in the AXA XL managed outwards 3rd party reinsurance risk transfer program to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL works with the AXA Group Reinsurance entity (AXA S.A.) on the outwards reinsurance strategy placements. Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer program include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the program is to reduce volatility and enhance overall capital efficiency.

The adequacy of the reinsurance strategy as a protection mechanism for the Company is considered and approved by the Company's Board as part of the annual business planning process.

### ***Actuarial function***

To mitigate the risk of large changes of reserves from one period to the next which are due to internal (not external) factors such as human errors, the reserving process performed by the Actuarial Function is highly structured, strictly defined and controlled, and includes several layers of oversight.

### ***Rating adequacy***

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Premiums are set and adjusted based, in large part, on the industry group in which the insured is placed, the corresponding industry sector rating, and the perceived risk of the insured relative to the others in that group. The rating methodology used for individual insureds seeks to set premiums in accordance with claims potential. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialised and generally operate by line of business.

### ***Underwriting authorities and guidelines***

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure, and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with agreed risk appetites and risk tolerances for material individual events, RDS that cross multiple lines of business, and from risks related to some or all of the above that may occur concurrently.

The Company underwrites and prices most risks individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve the clients while controlling exposure both on a portfolio basis and on individual reinsurance contracts through terms and conditions, policy limits and sub-limits, attachment points and facultative and treaty ceded reinsurance arrangements on certain types of risks.

## **Risk monitoring**

On a quarterly basis catastrophe exposures are measured and monitored and reported to the RMC and RAC. In addition the Board receives a quarterly risk update through the RAC. RDS are produced twice a year and monitored and reported to the RMC and Board as outlined in section C.1.3.

In relation to event risk management, net underwriting risk tolerances are established for the individual largest events in the risk profile. These are captured through risk reporting to the RMC and Board and monitored as part of the RAF.

## Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including underwriting and reserving risks. These impacts include the earnings, underwriting, investments, liquidity and capital implications of low frequency, high severity events. For underwriting risks the main stress test approaches used cover, natural catastrophe peril exposure results production and RDS production as outlined below.

| Test type                     | Reason performed   |
|-------------------------------|--|
| Natural Catastrophe reporting | To monitor Nat Cat exposures against risk appetite   |
| RDS reporting                 | To monitor non-Nat Cat exposures against risk appetite and to assist in the setting of overall risk limits |

Natural catastrophe exposure results, and RDS exposure results are used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits. RDS are produced at least twice per year to understand the Company's exposure to defined non-Nat Cat scenarios, which have been designed by experts and cover both short and long tail lines of business and cross class event exposures. The RMC (and RAC) are informed of results of stress tests performed via risk dashboards and the ORSA report throughout the year and challenge whether the results fall within relevant approved risk tolerances and limits.

Based on the above factors considered in stress testing the underwriting limits, all underwriting risks are deemed to be well managed and within risk appetite as reported via the risk dashboard and ORSA report to the RMC and RAC.

Quantitative impacts from insurance risk are included in section G.2.2.

## D.2 Market risk

### Risk definition

Market risk represents the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

| Component                                 | Definition  |
|---|---|
| <b>Interest rate risk and spread risk</b> | Financial loss or volatility of profits due to the combined sensitivity of the economic value of the investment portfolio and (re)insurance liability cash flows to changes in the level or volatility of benchmark interest rates and spreads.         |
| <b>Market risk concentrations</b>         | Financial loss or volatility of profits due to the increased sensitivity of the market value of the investment portfolio to other risks specifically due to concentrations of investments such as in specific geographical region, industry or company. |
| <b>Foreign exchange risk</b>              | Financial loss due to volatility in the value of the Company's assets following changes in currency exchange rates.   |
| <b>Equity price risk</b>                  | Financial loss or volatility of profits due to the sensitivity of the value of the investment portfolio to changes in the level or in the volatility of market prices of equities.  |

## Risk identification

The Company identifies market risk through the following processes:

| Process                             | Description  |
|-------------------------------------|--|
| <b>Business planning</b>            | As part of the annual planning process, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities. |
| <b>Investment RAF</b>               | The Company RAF sets maximum risk exposure to assets classes and is reviewed annually.   |
| <b>Risk reporting and processes</b> | The risk assessment process assists in identifying if there are any changes to market risks already identified in the previous assessment.                 |

Market risk is also explored through the underwriting and Emerging Risk process which has Company representation. The Emerging Risk Task Force, comprised of senior leadership from across the organisation, actively monitors a wide array of emerging risks to provide the Company's underwriters, as well as clients, with pertinent information regarding new and existing trends. This involves the ongoing review of strategic and risk management processes, identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimise underwriting and strategic decisions.

## Risk mitigation

### **Strategic Asset Allocation**

The Strategic Asset Allocation (SAA) process at AXA XL Division level establishes a benchmark that is constructed to maximise enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by management and is approved at least every 3 years by the Company's Board.

- **Authorities Framework / Risk Appetitive Framework**

In conjunction with the SAA, the Company has a Risk Appetite Framework modelled off the AXA Group framework which limits exposure to various asset classes (with tighter limits for higher risk asset types), as well as duration and FX mismatches. There is also centralized investment risk monitoring through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities and emerging markets), BBB exposure, and leverage. These controls are implemented through detailed compliance monitoring and reporting.

The Investment Risk Management Policy and market risk limits under the RAF address the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company. The framework is designed to capture investment risks and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis.

- **Service level agreements**

Service level agreements are in place between XL Group Investments Limited (XLGIL) and the Company. These include guidance on type of investments and the average weighted credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits are monitored and signed off on a regular basis and subject to monitoring and reporting to the Company's Board as described below.

### **Currency risk mitigation**

The Company's currency exposure is mainly dominated by US Dollar, Brazilian Real, Chilean Peso, Yuan Renminbi, Colombian Peso, and Israeli new shekel. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. An asset liability management analysis is run regularly to adjust surplus and shortfall currencies where possible, ensuring that the entity exposures are broadly matched.

## Risk monitoring

Market Risk definition includes articulation of Risk Appetites per the RAF, alerts and limits are specified by risk category and sub-category. For example, for the Risk Appetite 'Exposure per asset class' the sub categories include Fixed Income, Real Estate, Hedge Funds, etc.

Day-to-day management of the investment portfolio is conducted in accordance with detailed investment guidelines and risk tolerances that are closely monitored by AXA XL Investments. This hybrid implementation approach provides access to external asset managers with specialized skills across a broad range of investment products, as well as the flexibility to actively manage the overall structure of the portfolio in line with the Company's specific business needs. Interaction between the internal and external managers provides additional insight to take advantage of opportunities as they present themselves.

The delegation of investment authority to XLGIL is supplemented by robust compliance monitoring with defined escalation and notification procedures. This framework is designed to identify investment risks on an absolute basis and relative to liabilities and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis. The Risk Appetite Framework is cascaded down to the Company and approved by the Board. Any breaches in limits of the Risk Appetite Framework are highlighted in the risk dashboard presented to the RMC and escalated to the Board.

## Stress testing framework

An embedded stress testing and scenario analysis framework is used to understand possible impacts of major risks, including market risks. The following stress tests are used to identify risk exposures:

- Interest rate and spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;
- FX stress tests on assets and liabilities; and
- Ad hoc scenario stress testing as deemed appropriate by Risk Management.

The RMC and Board, where appropriate, are informed of results of stress tests performed throughout the year including whether the results fall within relevant approved risk tolerances and limits set out in the investment guidelines. Based on the above factors considered in scenario and stress testing, all market risks are deemed to be well managed and within risk appetite, as reported via the risk dashboard and ORSA report to the RMC and RAC.

Quantitative impacts from market risk are included in section G.2.1.

## D.3 Credit risk

### Risk definition

Credit risk is defined as the risk of loss due to an unexpected default, or deterioration in the credit standing of counterparties and debtors, or uncertainty of an obligator's continued ability to make timely payments in accordance with the contractual terms of the instrument.

Credit risk through the risk framework is categorised by the following:

| Component                            | Description  |
|--------------------------------------|--|
| <b>Reinsurance counterparty Risk</b> | Risk of losses due to the default of a reinsurer or a deterioration of its credit worthiness.  |
| <b>Investment counterparty Risk</b>  | Counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties.  |
| <b>Premium counterparty Risk</b>     | Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to reinsurance contracts written. |

## Risk identification

The Company identifies credit risk through the following processes:

| Process  | Description  |
|--|--|
| <b>Business planning</b>                                 | Analysis is undertaken of the credit risk exposures, loss experience and changes to the external environment (including market cycle and economic environment) to identify any changes to the credit risk profile for the forthcoming period of the business plan.   |
| <b>Underwriting</b>                                      | Each individual contract written is assessed, by underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of credit risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria. |
| <b>Risk Management and Risk assessment and processes</b> | Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.  |
| <b>Emerging risks</b>                                    | The Division operates an emerging risks identification process. This assessment identifies key external factor changes that may give rise to credit risk issues. The process also evaluates potential opportunities that might arise from these emerging risks.  |

## Risk mitigation

Credit risk is managed through:

- **Credit risk framework** - Credit risk arising from credit sensitive underwriting activities is managed via the underwriting limit framework. Credit risk in the investment portfolio is managed through various frameworks applied at AXA XL and the Company including Authorities & Guidelines and Fixed Income Concentration. These address the credit quality of obligors and counterparties, diversification, exposure vs limits by rating, term and seniority, and quantitatively evaluate credit risk following a robust Credit VaR methodology. Internal Credit Ratings have been developed by taking into account the Group Credit Team Internal Rating to decrease the dependency towards the 3 main Rating Agencies. Exposure to credit spreads primarily relates to market value and cash flow variability associated with changes to credit spreads. Credit spreads in the investment portfolio are regularly reviewed in terms of the inherent potential for downgrade of individual obligors as well as the wider impact on the overall credit risk of the portfolio.
- **Intra-Group credit arrangements** - The Company derives reductions in risk resulting from purchased Intra-Group Reinsurance arrangements to XL Bermuda Ltd and AXA XL Reinsurance Ltd.
- **Underwriting authorities and limits** - See D.1 Insurance risk.
- **Investment portfolio** - Credit risk is also managed through the credit research performed by external investment management service providers, Group Risk Management, and the in-house portfolio management team.
- **Reinsurance Security Department** - The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds, trust accounts and/or irrevocable letters of credit may be held.
- **Premium payment and brokers** - The Company underwrites a significant amount of its reinsurance business through brokers. Generally, the credit risk remains with the cedants including in the event of a broker insolvency, except where the Company has agreed that the broker is acting for it in the collection of premium. In those instances, credit and premium risk exists should any of these brokers be unable to pay the premium due. A list of approved broking houses is maintained. A similar process exists for business written directly with cedants.

## **Risk monitoring**

Risk Management consolidates credit exposure reports from corporate functions and underwriting business on a regular basis for aggregating, monitoring and reporting to the RMC and the RAC.

## ***Investment portfolio***

On a regular basis a review is undertaken of the investment portfolio to improve the Company's understanding of asset concentrations as well as, credit quality and adherence to its credit limit guidelines. Any issuer over its credit limit or experiencing financial difficulties, material credit quality deterioration or potentially subject to forthcoming credit quality deterioration is placed on a watch list for closer monitoring. Where appropriate, exposures are reduced or prevented from increasing.

## **Stress testing framework**

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. Stress tests and scenario analysis are undertaken to monitor exposure to the defined scenarios that allows monitoring of exposure to credit risks. These scenarios help to understand potential losses to ensure that the Company is prepared to withstand projected losses from these events, including ensuring that there is adequate capital, and liquidity to manage through the event and maintain the Company as a going concern. Based on the factors considered in scenario and stress testing, all credit risks are deemed to be well managed.

## **AXA S.A. Credit Facility**

The Company may benefit in part from a \$1bn multi-currency facility, which AXA S.A. entered into in July 2019, with the main insurance and reinsurance carriers of AXA XL. The credit agreement allows for letters of credit to be issued in a variety of currencies.

## **D.4 Operational risk**

### **Risk definition**

The Company defines operational risk as the risk of loss, resulting from inadequate or failed internal controls and / or processes, or from people and systems, or from external events. Operational risks are defined consistent with the Basel II risk categorisation. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing reinsurance business and maintaining operations to support the underwriting of that business.

### **Risk identification**

Operational risk is identified through the following processes:



| Process                                       | Description   |
|---|---|
| <b>Annual risk assessment</b>                 | A risk register is maintained of the material risks faced by the Company. On an annual basis (or more often if needed) an assessment is performed for the risks on the risk register.   |
| <b>Consultation regarding new regulations</b> | When the regulatory authorities announce potential changes to the regulatory environment (such as new rules and regulations) the Legal and Compliance team is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise.<br><br>When new financial reporting regulations are announced, the CFO is responsible for reviewing the proposed changes and for highlighting any increase in regulatory risk that might arise. |
| <b>Business planning</b>                      | Any changes to the operational risk environment that arise as a result of the business planning (such as entry into new territories) must be identified and accounted for during the planning process.  |
| <b>Ongoing operations</b>                     | Function heads and risk owners are responsible for identifying any new (or changed) risks during the normal course of business and notifying the policy owners so any required changes to the risk register can be implemented.   |
| <b>Emerging risks</b>                         | The Company operates a Division wide emerging risks identification process which captures emerging risks. This assessment identifies key external factor changes that may give rise to operational risk issues.   |
| <b>Internal loss data</b>                     | The Company collects data relating to operational risk losses and near misses on a quarterly basis. The data collected is used, among other things, to track incidents, identify key risk indicators and to validate and challenge operational risk quantification.   |
| <b>External loss data</b>                     | The Company purchases historical loss data from an external provider. Large events from this database are used to identify new emerging risks.  |

## Risk mitigation and monitoring

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

- Potential severity of the risk;
- Frequency of the risk;
- Cost of implementing controls relative to the significance of the risk; and
- Appetite and tolerance for the risk.

An annual assessment is performed for all risks on the risk register. The assessment involves capturing the risk owner view of the potential severity should an incident occur relating to the risk, and the likelihood of such an incident occurring. Together this establishes the profile of each risk, allowing identification of top risks, thereby facilitating appropriate risk based monitoring.

### **Purchase of insurance**

It is recognised that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g. physical damage), non-monetary impacts may remain (including impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss event reporting process.

Based on the above factors considered in scenario and stress testing, all operational risks are deemed to be well managed and within risk appetite, as reported via the risk dashboard and ORSA report to the RMC and RAC.

## Risk Appetite

Operational risk is subject to monitoring as part of the RAF.

## Stress testing framework

To support the identification and quantification of operational risks within the business and to help parameterise, the Company has a stress and scenario testing framework.

The stress testing includes multiple operational risk scenarios which are evaluated over multiple return periods for each scenario.

In addition, CRCH has an Operational Resilience plan and policy in place. The Operational Resilience program is focused on mitigating business disruption risk and provides the guidance and framework to ensure continuation of essential operations in the event of a business disruption or threat of one. A Swiss Incident Management Team is in place which meets at least twice a year to discuss existing and emerging risks.

## D.5 Other material risks

### Liquidity risk

#### Risk definition

Liquidity risk is defined as the inability to meet cash and collateral posting obligations when they come due. Liquidity risk arises from three principal areas: operating, financing and investing cash flows. The RMF addresses how the Company manages liquidity both under a normal and a stressed environment.

#### Risk identification

The Company identifies liquidity risk through the following processes:

| Process                       | Description  |
|-------------------------------|--|
| Stress testing                | Stressing multiple scenarios for known and forecasted liquidity positions, downgrade triggers, collateral demands and cash flows by legal entity to cover a 1 in 200 yr investment market shock and a 1 in 200 yr insurance event (loss) over multiple time horizons (ranging from 1 week to 12 months). |
| Treasury                      | Treasury has responsibility to identify and monitor concentration risk of cash at banks, along with funding requirements.  |
| Risk assessment and processes | Through the risk assessment processes, the Company quantifies existing risks and also identifies new risks.  |

#### Risk mitigation

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios. Cash requirements include all possible claims on cash from policyholders, capital providers, and operations. Some of these cash outflows are scheduled while others are known with much less certainty. The goal is to ensure sufficient liquidity in the asset portfolio, together with secured external cash sources, to provide for timely payment of potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events over a 12 month horizon.

Liquidity risk is managed through:

- **Investment portfolio liquidity** - It is required that the legal entity hold sufficient unencumbered liquidity resources to be able to withstand a major natural catastrophe and capital markets shock along with stressed operating cashflows without the need for additional assets. This test is performed quarterly and focuses on four distinct time horizons: one week, one month, three months and one year.
- **Asset Liability Management ("ALM")** - See section below for further details of the ALM framework.
- **Special funding clauses** - The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common practice in certain markets. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorisation for the inclusion of a downgrade clause in a contract.

## Risk monitoring

The Treasury department serves as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company.

## Risk Appetite

Liquidity risk is subject to monitoring as part of the RAF.

## Stress testing framework

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury, which includes a view of the stressed sources and uses of liquidity over multiple time horizons (ranging from 1 week to 12 months).

Based on the above factors considered in scenario and stress testing, all liquidity risks are deemed to be well managed and within risk appetite, as reported via the risk dashboard and ORSA report to the RMC and RAC.

## Asset liability mismatch risk

### Risk definition

Asset liability mismatch risk arises directly from a mismatch between assets and liabilities due to changes in market and credit risks, liquidity and foreign exchange ("FX") and also arises from events affecting both asset and liability values.

In particular, two market risks influence both assets and liabilities and are hence key drivers of risk:

| Component  | Description   |
|--|---|
| <b>Interest rates and spread risk and asset composition risk</b> | Mismatches between asset composition and maturities and the profile of liability cash flows creates economic risks from changes in benchmark interest rates, spreads and asset values. This is due to changes in the nominal mark-to-market (MTM) value of assets not exactly offsetting changes in the nominal economic value (net-present value) of liability cash flows. |
| <b>Inflation risk</b>  | Differences in the inflation sensitivity of investments, liability and debt cash flows creates a risk to unexpected changes in different types of inflation (Consumer Price Index, wage, etc.). This is due to changes in the real Mark-to-Market value of assets not offsetting changes in the real economic value (net-present value) of liability cash flows.            |

### Risk identification

The following outlines the processes used to identify asset liability mismatch risk:

| Process  | Description   |
|--|---|
| <b>Business planning</b>                         | As part of the annual strategic planning process, a review is undertaken of the nature (quality, duration, currency and liquidity) of assets required to support the business plan and the expected liabilities.  |
| <b>Investment decisions and asset allocation</b> | The Investment Portfolio Authorities & Guidelines framework at AXA XL Division level and Investment Guidelines at Legal Entity level sets maximum thresholds and alert levels and is reviewed annually in conjunction with the SAA process as outlined in D2 Market Risk. |
| <b>Risk assessment and processes</b>             | The risk assessment processes assist in identifying if there are any changes to asset liability mismatch risks from those that had been identified in the previous risk assessment.   |

## Risk monitoring

The Company controls asset liability mismatch risk through:

- **Asset Liability Management analysis**

The Company conducts detailed ALM analyses to match the average duration and currency of its liabilities with appropriate assets. The SAA process which it follows determines the target allocation that maximises the value of the Company subject to risk tolerance and other constraints. The SAA takes into account management's risk tolerance, liability cash flows, business plan, liquidity considerations, capital market forecasts and regulatory considerations. The ALM/SAA process is centralized at the AXA XL Division level and then target allocations are propagated to the legal entity level by further taking into account local considerations. This is typically performed annually and is mandatory to be completed at least once in every three years.

- **Investment authorities and guidelines**

Board approved market risk authority and guidelines are in place that address all the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company.

- **Reserving process controls**

Among the key drivers of the Company's reserve risks are inflation, correlation across lines of business, legislative and regulatory changes, loss trend movements, timing and reporting changes at underlying ceding companies, and the excess nature of exposures in certain lines including non-proportional reinsurance.

## Stress testing framework

The Company uses scenario testing as one method to assess ALM risk exposures. CRCH undertakes a number of stress tests covering historical events and hypothetical scenarios to understand the impact of such scenarios to the investment portfolio.

## Strategic risk

A strategic risk is the risk that has a negative impact (current or prospective) on earnings or capital, material at the Divisional level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- Significant changes in footprint, including through mergers and acquisitions;
- Product offering and client segmentation; and
- Distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Given the nature of strategic risks, there is no capital charge assessment but rather a strong strategic RMF in place in order to assess, anticipate and mitigate these risks.

## Reputational Risk

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and policies established, while reputation problems are still latent, to reduce the probability and/or the expected costs of latent reputation problems becoming actual.

## Emerging Risk

Emerging risks are risks which may develop or which already exist that are difficult to quantify and may have a high loss potential. To assess the impact of emerging risks at AXA XL, the Emerging Risks Committee as well as Emerging Risks Task Force are tasked with identifying, analysing, prioritising, quantifying, monitoring and reporting on emerging risks that could have an impact on existing and future product offerings and business operations. The Emerging Risks Committee and Task Force work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to

optimise underwriting and strategic decisions. The views and findings of the emerging risks team feed into the capital model.

## Climate Change

Climate risk, and consequently climate change risk, is a key area of consideration to the Company. All AXA lines of business, including those in AXA XL, now share the priority to "Sustain our Climate leadership position". AXA's strategy is not only to adapt, but also to take advantage of its expertise to provide solutions.

The Company is exposed to all forms of climate and climate change risk, namely:

- **Physical risks:** These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity. The Company has exposure to natural catastrophes which therefore might be impacted and is supported by an AXA XL Division Science & Natural Perils team who consider the impact of climate change on the natural catastrophe models. Our ceded reinsurance protections act to mitigate the risks from natural perils, including those related to climate. However, the hazard changes from the impact of climate change on natural perils are likely to present themselves gradually over a long time period and therefore we view this risk as chronic rather than acute;
- **Transition risks:** These are financial risks which could arise from the transition to a lower-carbon economy, incorporating changes in policy, technology and consumer preference. This can include both loss-causing impacts and the future stability of some of our product portfolios. This risk impacts the Company in, for example, the energy sector where the impact of COP and a move towards (re)insuring renewable energy initiatives is being seen. AXA XL is monitoring areas such as motor, aviation, construction and other areas where business could be impacted; and
- **Liability and litigation risks:** These are risks that could arise from parties who have suffered loss or damage from climate change, and then seek to recover losses from others who they believe may have been responsible or whose actions they want to influence. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all the cost to insurance firms under third-party liability contracts such as professional indemnity (PI) or directors' and officers' (D&O) insurance. Where liability is not ruled or settled, the Company could still be exposed to the costs of duty to defend, should clients seek to recover costs here. The Company has exposure across a range of industries which could be targeted in climate change litigation.

Climate change risks have potential impacts on our underwriting, investments, and company operations and therefore this risk has dedicated groups to ensure that the transversal nature is duly considered, appropriately managed and mitigated. Given the long time horizon over which these risks may emerge and the considerable uncertainty in future projections, AXA XL has been developing a series of stress tests to better understand the long term implications for this risk. This is an on-going journey, with the current processes described below.

Climate change risk is managed through the RMF. Through this process risks are identified. In the case of risks pertaining to climate change, physical, transition and litigation risks have been long standing items in our emerging risks identification process. As these risks have developed, they are assessed and monitored for each risk type. For example, the potential physical risk impacts on our natural catastrophe risk are considered within our underwriting risk framework. This ensures that each element of climate risk is managed by those with most expertise, that relevant stakeholders are kept informed and that these risks can be cross compared to others with similar characteristics. In addition, AXA XL has established a Climate Change Risk & Stress Testing Working Group to ensure that information is relayed across risk types and a transversal approach is also taken to the risk. Controls in relation to these risks are documented in the applicable risk policies where relevant.

For underwriting risk, stress testing has been developed to consider the impact of physical risk to our natural catastrophe exposures. In addition, work is in progress to consider a number of litigation risk scenarios and the impact on underwriting risk.

## Investment Strategy

In addition to the climate and climate change risks impact on underwriting as discussed above, climate risk is factored in through the AXA Responsible Investment Strategy which drives the AXA XL Division and therefore the Company's investment strategy. This strategy is based on the following 6 pillars.

1. **ESG Integration:** ESG analysis is integrated into investment processes, using KPIs and qualitative research across most of the Company's assets. This includes the implementation of ESG "minimum standards" rules based on ESG and controversy scores to review and potentially exclude underperforming issuers from AXA's portfolios. Moreover, ESG considerations as well as the transparency of the issuers are integrated in the internal credit risk analysis.
2. **Climate-related portfolio alignment:** Carbon metrics are integrated into investment decisions. Metrics are also being developed for measuring the climate-related impact of the Company's investments, in particular the contribution of the investments to the objective of the COP21 ("Paris Agreement") to limit global warming. In addition to quantifying the impact of the Company's investments on climate change, parts of the portfolio (coal, oil sands) might be divested or whole sectors might be excluded to effectively pursue climate-related objectives.
3. **Exclusions and sensitive ESG investments:** Sector-based restrictions apply to sectors or companies that face acute social, human rights, ethical or environmental challenges. These currently include controversial weapons, coal mining and coal-based power generation, tar oil sands and associated pipelines, palm oil, food commodity derivatives, and tobacco.
4. **A green investment target and transition financing:** To increase the allocation of green assets across various asset classes and to support companies shifting towards less carbon-intensive business models. The selection of green investments is based on proprietary analysis and encompasses various asset classes, currently green bonds, infrastructure investments, real estate and impact investments targeting positive environmental impacts.
5. **Impact Investments:** Capital is allocated to impact investments that are creating intentional, positive, measurable and sustainable impacts on society while simultaneously delivering financial market returns. The Company's investments address key environmental and social challenges and are aligned with the UN Sustainable Development Goals ("SDG").
6. **Active Stewardship:** As a shareholder and a bondholder, the investment team engage with the management of companies in which they invest in order to encourage high standards of corporate governance as well as good management of environmental and social risks. They hold constructive and challenging discussions directly with companies individually, and as part of a coalition of investors.

## **D.6 Off-balance-sheet risks**

The Company is not exposed to any non-cancellable future obligations.

CRCH belongs to the Swiss Value Added Tax group of AXA Versicherungen AG, Winterthur, and is jointly liable for any VAT claims from the tax authorities.

The Company has access to unsecured and secured letter of credit facilities to support its reinsurance business. As at December 31, 2023, unsecured irrevocable letters of credit in the amount of CHF 106m (2022: CHF 115m) have been issued under these facilities.

Letters of credit are predominantly used to collateralise reserves ceded to the Company under certain reinsurance contracts.

## **D.7 Risk concentrations**

### **Assets**

CRCH has an extensive set of processes and controls in respect of its investment portfolio which include continuous portfolio monitoring to ensure that concentration to issuers and industries do not exceed its stated risk appetite.

Securitized investments (MBS) for CRCH consolidated assets account for 78% of the total investment portfolio, the largest exposure to a single issuer is a financial issuer backed by the government, which is approximately USD 208m.

CRCH has limited external retroceded business and most material third-party agreements are collateralised.

## **Liabilities**

Underwriting risk concentrations are included in the 'threat' scenarios process which explicitly takes into account underwriting risk concentrations that cross multiple lines of business. Natural catastrophe losses are modelled using external vendor models such as RMS. The output from the vendor models is examined using other proprietary tools which simulate losses for these perils. Section G.2.2 provides more details.

## **Management of risk concentrations**

The Company seeks to manage its asset and liability exposures within a robust, but flexible RAF. Details around the tools used to reduce risk and of the processes used to monitor the ongoing effectiveness are described in section C.2.1.

Legal entity risk limits and tolerances are aligned to the AXA XL limits, where applicable, through the budget process and local underwriting governance. The net aggregate amount is translated through to underwriters as a series of individual limits on both individual risks or normal maximum lines ("NML's") and foreseeable maximum accumulations on a per occurrence basis, gross of reinsurance. Individual risks and threats are managed within agreed limits.

## E. Valuation

This section contains information regarding the valuation of balance sheet items for solvency purposes. The Market-consistent balance sheet ("MCBS") as part of the quantitative template is shown in appendix 2.

Methods and assumptions used for the valuation of assets, provisions for insurance obligations and provisions for other liabilities follow the approach described under the SST valuation rules and Swiss Statutory accounting principles as appropriate.

The SST valuation rules are used to produce the MCBS. The predominant accounting principle is that any assets and liabilities are measured according to the present value of expected future cashflows.

Swiss Statutory financial statements are prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations and with the additional requirements defined by FINMA (Art. 5-6a AVO-FINMA, valid as of December 15, 2015).

| in millions as per December 31                    | 2023            |                 |                                      |                  | 2022         |              | Item |
|---|-----------------|-----------------|--------------------------------------|------------------|--------------|--------------|------|
|   | Statutory (CHF) | Statutory (USD) | Statutory after Singapore sale (USD) | Adjustment (USD) | MCBS (USD)   | MCBS (USD)   |      |
| Investments, cash and cash equivalents            | 777             | 924             | 837                                  | 10               | 847          | 1,693        | 1    |
| Premiums and other receivables                    | 540             | 642             | 568                                  | (23)             | 545          | 1,493        | 2    |
| Deferred acquisition costs                        | 26              | 31              | 25                                   | (25)             | —            | —            | 3    |
| Reinsurance recoverables                          | 841             | 999             | 981                                  | (266)            | 715          | 426          | 4    |
| Other assets                                      | 33              | 40              | 40                                   | —                | 40           | 35           |      |
| <b>Total Assets</b>                               | <b>2,218</b>    | <b>2,636</b>    | <b>2,450</b>                         | <b>(303)</b>     | <b>2,146</b> | <b>3,647</b> |      |
| Reserves for losses and loss expenses             | 1,023           | 1,216           | 1,084                                | (117)            | 967          | 1,719        | 5    |
| Unearned premiums                                 | 423             | 503             | 474                                  | (243)            | 231          | 299          | 6    |
| Other insurance obligations                       | 84              | 99              | 99                                   | (85)             | 14           | 214          | 7    |
| <b>Total provisions for insurance obligations</b> | <b>1,530</b>    | <b>1,818</b>    | <b>1,657</b>                         | <b>(446)</b>     | <b>1,211</b> | <b>2,233</b> |      |
| Other liabilities                                 | 288             | 342             | 315                                  | (44)             | 271          | 415          | 8    |
| Proposed distribution                             | —               | —               | —                                    | 220              | 220          | 400          | 9    |
| Market Value Margin                               | —               | —               | —                                    | 51               | 51           | 77           | 10   |
| <b>Total provisions for other liabilities</b>     | <b>288</b>      | <b>342</b>      | <b>315</b>                           | <b>227</b>       | <b>542</b>   | <b>893</b>   |      |
| <b>Total liabilities</b>                          | <b>1,818</b>    | <b>2,160</b>    | <b>1,972</b>                         | <b>(219)</b>     | <b>1,753</b> | <b>3,126</b> |      |
| <b>Shareholder's equity (Net assets)</b>          | <b>400</b>      | <b>476</b>      | <b>478</b>                           | <b>(85)</b>      | <b>393</b>   | <b>521</b>   |      |



## E.1 Assets

### Value of investments by investment class

The following table summarises the investment assets held by the Company as at December 31, 2023, and 2022, respectively, by category, including the market-consistent value relevant for solvency purposes and statutory cost values.

|  | 2023         | 2022         | 2023           | 2022           |
|--|--------------|--------------|----------------|----------------|
| in USD millions as per December 31                     | Market value | Market value | Statutory cost | Statutory cost |
| <b>Fixed income Securities &amp; Short Term</b>        |              |              |                |                |
| Government Bonds                                       | 42           | 474          | 42             | 474            |
| Corporate Bonds  | 36           | 257          | 36             | 257            |
| Structured Products                                    | 12           | 9            | 12             | 9              |
| Securitised (ABS, MBS, CMO)                            | 333          | 379          | 333            | 379            |
| <b>Investment in affiliated companies</b>              | 102          | 253          | 91             | 219            |
| <b>Cash and cash equivalents</b>                       | 321          | 314          | 321            | 314            |
| <b>Accrued income</b>                                  | 2            | 6            | 2              | 6              |
| <b>Total investments and cash and cash equivalents</b> | <b>847</b>   | <b>1,693</b> | <b>837</b>     | <b>1,658</b>   |

### Basis, key assumptions and methods used for valuation of assets

| Item | Valuation difference (USD millions) | Asset class                            | Difference between MCBS and Swiss Statutory accounting principles   |
|------|-------------------------------------|--|---|
| 1    | 10                                  | Investments, cash and cash equivalents | Investments, cash and cash equivalents as well as investments in affiliated companies are generally measured at fair value in the MCBS. Under Swiss Statutory valuation rules, all investments are carried at cost less necessary and legally permissible depreciation. Consistent with prior year, the statutory valuation is in line with market values in cases whereby market is lower than cost. Securities use quoted market prices in active markets for the same asset as the default valuation method. Where the use of quoted market prices for the same asset is not possible, quoted market prices in active markets for similar assets with adjustments to reflect differences are used. If there are no quoted market prices in active markets available, securities use mark-to-model techniques, which is an alternative valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input. |
| 2    | (23)                                | Premiums and other receivables         | Premium and other reinsurance receivables under Swiss Statutory accounting rules are measured at cost less a provision for impairment and are not discounted. The valuation differs to the MCBS in that the receivables are discounted.   |
| 3    | (25)                                | Deferred acquisition costs             | Deferred acquisition costs ("DAC") are costs relating to the acquisition of new business for reinsurance contracts. Under Swiss Statutory accounting rules these costs are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts. Recognition of DAC is not permitted under the MCBS and therefore eliminated.   |
| 4    | (266)                               | Reinsurance recoverables               | Overall the reinsurance recoverables are adjusted for future profits, discounting and netting of ceded DAC to get to a market consistent view: <ul style="list-style-type: none"> <li>USD 133m: The recognition of DAC is not permitted under the MCBS, as such the ceded portion is netted off from the ceded UPR as the statutory UPR allows for DAC (see also asset item 3).</li> <li>USD 41m: In order to set the ceded UPR on a market consistent basis, the ceded UPR on the balance sheet is multiplied by the expected combined ratio to get the best estimate losses and costs for the unearned business (future profit).</li> <li>USD 92m: as a result of discounting.</li> </ul>   |

## E.2 Provisions for insurance obligations

The following table provides an overview of the Company's gross and net best estimate of reserves for losses and loss expenses on both an undiscounted and discounted basis as at December 31, 2023 and 2022.

| in USD millions as per December 31               | 2023         |            | 2022         |              |
|--|--------------|------------|--------------|--------------|
|  | Undiscounted | Discounted | Undiscounted | Discounted   |
| Gross reserves for losses and loss expenses      | 1,084        | 967        | 1,911        | 1,719        |
| Ceded reserves for losses and loss expenses      | (602)        | (536)      | (398)        | (358)        |
| <b>Net reserves for losses and loss expenses</b> | <b>482</b>   | <b>431</b> | <b>1,513</b> | <b>1,361</b> |

### Basis, key assumptions and methods used for the valuation of insurance obligations

| Item | Valuation difference (USD millions) | Provisions for insurance obligations  | Difference between MCBS and Swiss Statutory accounting principles  |
|------|-------------------------------------|---------------------------------------|--|
| 5    | (117)                               | Reserves for losses and loss expenses | The Gross losses and loss expense reserves are adjusted for the effects of discounting to get to a market consistent view. The USD 117m discounting impact is derived from the expected future payment patterns and currency mix of the loss reserves and applying the standard risk-free rates obtained from FINMA for 2023. Adjustments for discounting have been allocated in proportion to the underlying liabilities.   |
| 6    | (243)                               | Unearned premiums                     | Overall the unearned premiums are adjusted for future profits, discounting and netting of DAC to get to a market consistent view: <ul style="list-style-type: none"> <li>USD 158m: The recognition of DAC is not permitted under the MCBS, as such the gross balance is netted off from the UPR as the statutory UPR allows for DAC (see also asset item 3).</li> <li>USD 51m: In order to set the UPR on a market consistent basis, the UPR on the balance sheet is multiplied by the expected combined ratio to get the best estimate losses and costs for the unearned business (future profit).</li> <li>USD 33m: as a result of discounting.</li> </ul> |
| 7    | (85)                                | Other insurance obligations           | Following Swiss Statutory accounting principles the gain on execution of the LPT is deferred and amortised over time. For MCBS the deferred gain on LPT is recognised in line with the loss of the discounting benefit of the Technical provisions.  |

### Methodology

Unearned premium reserves are set at the policy or treaty level. The statutory reserves are based on the estimated ultimate premium for the respective underwriting year and the estimated proportion of the cover not yet expired. The process is as follows:

- For **direct insurance business** written into CRCH through the Intra-Group Reinsurance treaties, the proportion unearned is calculated directly as the proportion of the policy not yet expired. In cases where the exposure is not earned evenly over the period, an adjusted pattern may be used;
- For **reinsurance business, written on a losses occurring during** basis, the proportion unearned is calculated directly as the proportion of the treaty not yet expired;
- For **reinsurance business, written on a risks attaching during** basis, the underlying policies are assumed to be annual and incepting evenly over the year. The proportion earned in each month is then calculated to allow for the fact that the incepted exposure increases evenly over the first year and then tails off to zero in the second year. Where the underlying exposures are longer than one year, or where there are exposure peaks, e.g. for credit, surety or engineering, manual patterns are used to reflect the length of the exposure more accurately;

- The **unearned premium reserve** on the MCBS is net of external commission and acquisition costs already paid; these amounts are declared as DAC in the Swiss Statutory balance sheet. In order to set the unearned reserve to a MCBS basis, the unearned premiums, gross of external commission and acquisition costs, are reduced for the expected profit, the commission and acquisition costs already paid and the amount of discount to reflect the time value of money;
- The **loss and loss expense reserves** shown in the MCBS relate to the earned portion of the outstanding claim reserves, and are discounted for the time value of money. Outstanding claim reserves include reported case reserves, pure incurred but not reported losses ("IBNR" including deterioration on existing claims) and potential reopened claims. They are set on a best estimate basis, by year and line of business.

The reserves are evaluated by line of business based on historical information, changes in exposure, benchmarks, etc. The reserves are calculated by reserving actuaries and are subject to numerous reviews across the Division to ensure consistency in approach.

### E.3 Provisions for other liabilities

| Item | Valuation difference (USD millions) | Provisions for other liabilities | Difference between MCBS and Swiss Statutory accounting principles   |
|------|-------------------------------------|----------------------------------|---|
| 8    | (44)                                | Other liabilities                | The difference is primarily due to the elimination of the 34m provision for currency fluctuation which is not eligible under the MCBS. Also 10m discounting impact on Reinsurance payables. |
| 9    | 220                                 | Proposed distribution            | The difference of USD 220m represents the proposed distribution of the Company to its sole shareholder AXA XL Luxembourg S.à r.l., subject to all regulatory approvals.                     |
| 10   | 51                                  | Market Value Margin              | Under the revised AVO, the MVM is now reported as a liability deducted from the Risk bearing capital. MVM is not applicable under Swiss Statutory accounting principles.                    |

### E.4 Risk margin

The risk margin (market value margin, "MVM") for the Company for the 2023 SST amounts to USD 51m (2022 SST: USD 77m) and incorporates the FINMA prescribed cost of capital of 6%. Under the revised AVO, the SST Balance Sheet includes the MVM as a liability and the Target Capital does not include MVM.

The risk margin has decreased from 2022 due to the decrease in premium and reserve risk.

The risk margin is defined as the capital cost for future regulatory capital needed for the run-off of the portfolio, as such it can be considered as the profit load that an assuming entity might require in excess of their discounted mean value to accept all future insurance payments on a portfolio of policies.

The risk margin considers all relevant risks that would still exist in case of a run-off scenario, especially the risks related to the reserves at the point of the hypothetical run-off and the respective credit risk.

Market risk, investment credit risk and associated scenarios are excluded from the MVM calculations as it is assumed that in a hypothetical run-off the asset portfolio will change such that it optimally hedges the insurance liabilities and hence there will be no market risk. Additionally, it is assumed that hedging costs will be minimal. These assumptions are consistent with FINMA requirements.

## F. Capital management

This section provides a view of capital management activities in the Company, its capital management methods and the structure, amount and quality reported in the annual report. Under the SST, capital is referred to as the excess of assets over liabilities in the MCBS as reported in appendix 2.

### F.1 Goals, strategy and time horizon for capital planning

The basic objective of capital management is to maintain, at all times, sufficient risk bearing capital to cover the target capital. The Company allocates capital efficiently to achieve appropriate risk adjusted returns and facilitate the business, and strives to maintain capital levels that are consistent with the risk appetite, corporate strategy, rating agency and the statutory requirements.

The Company monitors capital triggers on an ongoing basis and the Board is informed timely on material events that could potentially and materially change the Company's capital position.

The business plan, which forms the base for the ORSA, contains a three year projection of funding requirements and this helps identify future funding actions.

There have been no changes to CRCH's capital management objectives during the year.

The Company currently maintains a level of capital in excess of regulatory (SST) and economic (ORSA) capital in line with the Company's capital buffer policy. Due to the Company's definitions of economic capital there are no material differences in use between ORSA and regulatory capital. There is an AXA XL capital management policy in place which sets out capital management principles for major regulated subsidiaries, including the Company.

### F.2 Structure and quality of equity capital reported in the annual report

The following table provides an overview of the shareholder's equity as reported in the audited statutory financial statements:

| CHF millions as of December 31                   | 2022       | 2023       | Change       | Change in %  |
|--|------------|------------|--------------|--------------|
| Common stock                                     | 100        | 100        | —            | — %          |
| Legal capital reserves from capital contribution | 633        | 284        | (349)        | (55)%        |
| Legal profit reserves                            | 45         | 45         | —            | — %          |
| Retained earnings (losses)                       | (106)      | (94)       | 12           | (11)%        |
| Profit / (loss) for the financial year           | 11         | 66         | 55           | 500 %        |
| <b>Total shareholder's equity</b>                | <b>684</b> | <b>400</b> | <b>(281)</b> | <b>(41)%</b> |

| CHF millions  | Common<br>Stock | Legal reserves<br>from capital<br>contribution | Legal profit<br>reserves | Profit/(loss) for<br>the financial<br>year | Retained<br>earnings<br>(losses) | Total      |
|---|-----------------|--|--------------------------|--|----------------------------------|------------|
| <b>as of December 31, 2022</b>                          | <b>100</b>      | <b>633</b>                                     | <b>45</b>                | <b>11</b>                                  | <b>(106)</b>                     | <b>684</b> |
| Allocation of 2022 profit to retained earnings (losses) |                 |  |                          | (11)                                       | 11                               | —          |
| Distribution  |                 | (350)  |                          |  |                                  | (350)      |
| Profit/(loss) for the financial year                    |                 |  |                          | 66   |                                  | 66         |
| <b>CHF millions as of December 31 , 2023</b>            | <b>100</b>      | <b>284</b>                                     | <b>45</b>                | <b>66</b>                                  | <b>(94)</b>                      | <b>400</b> |

- **Share capital** (common stock) of the Company amounts to CHF 100m, issued in the form of authorised share capital. It is divided into ten million registered shares with a nominal value of ten Swiss Francs per share. The shares are fully paid.
- **Legal reserves from capital contribution** in the amount of CHF 284m represent additional paid-in capital from AXA XL Luxembourg S.à r.l., the Company's shareholder. Legal reserves from capital contribution have been confirmed by the Swiss Federal Tax Authority and entitle the Company to repatriate capital without adverse tax impacts.
- **Legal profit reserves** in the amount of CHF 45m represent:
  - Capital contributions from Group legal entities other than AXA XL Luxembourg S.à r.l.; and
  - Allocations from previous years retained earnings less dividends paid.

The Company's shareholder's equity is unrestricted and not subordinated.

The net profit for the financial year 2023 amounts to CHF 66m. The Board of Directors will propose at the Annual Shareholder Meeting on April 25, 2024 to allocate the profit to retained earnings (losses).

In addition, the Board proposes at the Annual Shareholder Meeting to declare a capital distribution of USD 220m. The distribution is paid out of legal reserves from capital contribution, will be translated into CHF at the spot rate on the date of settlement and must not exceed CHF 210m.

For details on the proposed appropriation of 2023 earnings please also refer to page 19 of the annual report in Appendix 4.

### F.3 Difference between statutory and solvency net assets

The main differences of USD (84)m between the equity of the Company in the statutory financial statements and the solvency valuation of the excess of assets over liabilities are explained in section E (Valuation).

## G. Solvency

The information provided in section E (Valuation) and section G (Solvency) is identical to the information submitted to FINMA as part of the 2023 SST reporting, subject to regulatory review by FINMA.

### G.1 Solvency model

CRCH has estimated its capital requirements for market risk, investment credit risk and external reinsurance credit risk using the FINMA standard models while the internal model is used in order to determine the insurance risk and internal reinsurance credit risk for the 2023 SST.

Any deviations in the methodology have been considered and allowed for in order to ensure that the internal model calculations are consistent with the methodology used in the SST standard calculations.

The parameterisation is carried out based on detailed analysis of the underlying business.

Since inception, FINMA has granted annual approval to CRCH regarding the use of the model for the following year's submission.

The internal model is an in-house developed model that captures the material aspects of insurance risk and internal reinsurance credit risk for CRCH. As the Company invests in standard assets with minimal special features, we believe the standard models for market risk, investment credit risks and external reinsurance credit risk are appropriate in modelling these risk categories.

### G.2 Target capital

The following table shows a decomposition of the target capital into the relevant categories as defined by FINMA:

| USD millions                        | January 1, 2023 | in %         | January 1, 2024 | in %         |
|-------------------------------------|-----------------|--------------|-----------------|--------------|
| Technical result                    | (14)            | (3)%         | 9               | 2 %          |
| Financial result                    | (9)             | (2)%         | (5)             | (1)%         |
| Credit Risk                         | 93              | 20 %         | 107             | 29 %         |
| Market Risk                         | 101             | 21 %         | 95              | 25 %         |
| Insurance Risk                      | 294             | 62 %         | 146             | 39 %         |
| Scenarios                           | 9               | 2 %          | 20              | 4 %          |
| <b>Total before diversification</b> | <b>474</b>      | <b>100 %</b> | <b>373</b>      | <b>100 %</b> |
| Diversification                     | (102)           |              | (86)            |              |
| <b>Target Capital</b>               | <b>372</b>      |              | <b>287</b>      |              |

The Financial result is an element of the profit expected in the current year that reduces the required capital.

Credit risk includes investment credit risk, premium counterparty credit risk and reinsurance credit risk. Reinsurance credit risk is related to both external credit risk from third party reinsurance contracts and internal credit risk from the WASL and Credit & Surety LPT.

Insurance risk, internal reinsurance credit risk and the MVM are obtained from the internal model. Market risk, investment credit risk, premium counterparty risk and external reinsurance credit risk are obtained from the FINMA standard model.

CRCH also identifies scenarios to capture risks not included in other areas of the model. These scenarios are run through the FINMA aggregation tool in order to calculate their diversified impact on capital. For 2024 SST, two company specific scenarios were included in the Target Capital which is Currency Risk and Concentration Scenario.

The risk categories based on the internal model are aggregated within the internal model by applying different correlation assumptions. Internal model results are aggregated with standard models using the FINMA aggregation approach.

The results are shown at a 1% TVaR level of confidence. This statistic indicates the average amount of net loss expected to be incurred if a loss above the 1% probability level has occurred.

### G.2.1 Market risk

The following table sets out the Company's standalone 1% TVaR for each risk category as calculated within the FINMA market risk standard model.

| USD millions                          | January 1, 2023 | January 1, 2024 | Change     | Change in % |
|---------------------------------------|-----------------|-----------------|------------|-------------|
| Interest rate risk                    | 52              | 42              | (10)       | (19)%       |
| Spread risk                           | 27              | 4               | (23)       | (85)%       |
| Foreign exchange risk                 | 45              | 22              | (23)       | (51)%       |
| Investments                           | 45              | 51              | 6          | 13 %        |
| Total before diversification          | 170             | 119             | (51)       | (30)%       |
| Diversification within market risk    | (69)            | (24)            | 45         | (65)%       |
| <b>Market risk (all risk factors)</b> | <b>101</b>      | <b>95</b>       | <b>(6)</b> | <b>(6)%</b> |

The Company is exposed to Market risk derived predominantly from the assets held by the Company to meet its insurance liabilities.

Market risk, on a diversified basis, accounts for 23% of the total target capital. Consolidated CRCH holds a significant portion of its assets in securitized investments. The decrease in market risk is due to the decrease in assets backing the decrease in reserves due to the sale of Seaview Re, a large treaty novation and the exclusion of the transferred assets and liabilities of the Company's Singapore Branch.

### G.2.2 Insurance risk

The following table sets out the breakdown of the one-year insurance risk for CRCH into its components.

| USD millions                                 | January 1, 2023 | January 1, 2024 | Change       | Change in %  |
|--|-----------------|-----------------|--------------|--------------|
| 1-year underwriting risk                     | 192             | 102             | (90)         | (47)%        |
| 1-year reserve risk                          | 189             | 102             | (87)         | (46)%        |
| Total before diversification                 | <b>382</b>      | <b>204</b>      | <b>(178)</b> | <b>(47)%</b> |
| Diversification impact within insurance risk | (87)            | (58)            | 29           | (33)%        |
| <b>1-year insurance-technical risk</b>       | <b>294</b>      | <b>146</b>      | <b>(148)</b> | <b>(50)%</b> |

Insurance risk is the largest driver of capital for the Company accounting for approximately 40% of the total capital requirement on a diversified basis with underwriting risk contributing 19% to the total target capital and reserve risk 22%.

#### **Underwriting risk**

Underwriting risk reflects the volatility measured on a one-year time horizon of losses earned after December 31, 2023, allowing for one year of new business. This is made up of the portion of the 2023 (and prior) underwriting years not

earned by December 31, 2023, and new policies anticipated to be written that attach to the 2024 underwriting year and are earned in 2024.

Underwriting risk has decreased by USD 90m compared to 2023 mainly due to the decrease of planned premiums written.

Approximately 75% of the total underwriting risk arises from low frequency, high severity threat events, estimated using the internal model that can lead to simultaneous losses from a number of lines of business and policies at the same time. Third-party reinsurance contracts mitigate the impact of these events substantially, but net of reinsurance their effect is still significant to the Company. These events include natural catastrophe losses and man-made events. Some of the largest threats to the Company are mentioned in section D.1.

### **Reserve risk**

Reserve risk reflects the volatility measured on a one-year time horizon of losses earned before December 31, 2023. Most of the volatility arising from reserve risk is not related to a given specific event but reflects the potential for many different areas to deteriorate at the same time. In particular it is influenced by the volume of reserves held at any given time, and hence casualty business is a key constituent.

Reserve risk has decreased by USD 87m compared to the previous year. The decrease is mainly due to the sale of Seaview Re and decreases in the remaining reserves of the Company as they are running off for an additional year.

### **G.2.3 Other components**

**Expected insurance-technical result:** The expected insurance-technical result for underwriting year 2023 is USD 9m loss (2023: USD 14m profit) on a discounted basis.

**Expected financial result:** The financial result of USD 5m for 2024 (2023: USD 9m) is directly calculated by the FINMA standard model by applying factors to investment types. These factors represent the expected return above risk free yields. The decrease is mainly due to the decrease in assets that have reduced as part of the reduction in reserves.

**1-year credit risk:** Credit risk, on a diversified basis, accounts for 30% of the total target capital. The 1-year credit risk of USD 104m (2023: USD 93m) is made up of USD 59m (2023: USD 75m) investment credit risk and external reinsurance credit risk; and USD 61m (2023: USD 28m) internal reinsurance credit risk. The external credit risk has reduced due to less asset exposures, while internal credit risk has increased due to the placement of the Credit & Surety LPT with AXA XL Re.

**Scenarios:** The diversified impact of scenarios in the amount of USD 20m (2023:USD 9m) is attributable to the scenarios which are not already captured as part of other areas of the model. An additional concentration scenario was included due to additional recoveries expected from AXA XL Re. The diversified impact is calculated by using the FINMA aggregation template.

**Diversification impact:** The amount of USD 86m (2023: USD 102m) is the diversification benefit between risk categories. The decrease in the diversification benefit is in line with the decrease in the other risk categories.

### **G.2.4 Risks not included in the target capital**

The Company believes that all material risks under the definition of SST capital are included in the calculation of target capital.

Operational and liquidity risks are not captured in the SST. For details around the RMF and the processes to mitigate operational risks please refer to section C.2 and D.4 and D.5, respectively, for liquidity risks.



### G.3 Breakdown of risk-bearing capital

The risk-bearing capital of the Company is broken down into its key components in sections E.1, E.2 and E.3.

### G.4 Solvency ratio

The SST ratio as per January 1, 2024 for Catlin Re Switzerland Ltd is 214%.

| USD millions                             | January 1, 2023 | January 1, 2024 | Change         | Change in %  |
|--|-----------------|-----------------|----------------|--------------|
| Risk bearing capital before distribution | 921             | 613             | (308)          | (33)%        |
| Target capital                           | 372             | 287             | (85)           | (23)%        |
| <b>SST ratio before distribution</b>     | <b>248%</b>     | <b>214%</b>     | <b>(34)pts</b> | <b>(14)%</b> |
| Distribution                             | (400)           | (220)           |                |              |
| Risk bearing capital after distribution  | 521             | 393             |                |              |
| <b>SST ratio after distribution</b>      | <b>140%</b>     | <b>137%</b>     |                |              |

As per article 39 of the AVO, the SST ratio is calculated as: RBC/TC.

The Company maintains a level of capital in excess of regulatory capital requirements and above the internal guideline of capital adequacy. The surplus is in line with the Company's risk appetite while being able to absorb the common threats to the Company.

As a result of the solid capital surplus and in light of less capital needed to support future business, the Company proposes to distribute CHF 210m (USD 220m) to its shareholder AXA XL Luxembourg S.à r.l., subject to FINMA approval. The 2024 SST ratio before distribution would decline from 214% to 137% after distribution.

AXA's Annual Report for the year ended December 31, 2023 is available on the AXA website (<https://www.axa.com/>).

# Glossary

|                  |  |
|------------------|--|
| ALM              | Asset-Liability Management                   |
| AXA XL Re        | AXA XL Reinsurance Ltd                       |
| AY               | Accident Year                                |
| BMA              | Bermuda Monetary Authority                   |
| BoD              | Board of Directors / Board                   |
| CRCH, Company    | Catlin Re Switzerland Ltd                    |
| DAC              | Deferred Acquisition Costs                   |
| E&Y              | Ernst & Young AG                             |
| ERM              | Enterprise Risk Management                   |
| ExCo             | Executive Committee                          |
| FX               | Foreign Exchange                             |
| FINMA            | Swiss Financial Market Supervisory Authority |
| IFC              | Internal Financial Control                   |
| IBNR             | Incurred But Not Reported Losses             |
| IGR              | Intra-Group Reinsurance                      |
| LPT              | Loss Portfolio Transfer                      |
| MCBS             | Market-Consistent Balance Sheet              |
| MVM              | Risk Margin (Market Value Margin)            |
| NML              | Normal Maximum Line                          |
| OEP              | Net Occurrence Exceedance Probability        |
| ORSA             | Own Risk and Solvency Assessment             |
| P&C              | Property & Casualty                          |
| PYD              | Prior year loss development                  |
| RAC              | Risk and Audit Committee                     |
| RAF              | Risk Appetite Framework                      |
| RBC              | Risk Bearing Capital                         |
| RDS              | Realistic Disaster Scenario                  |
| RM               | Risk Manager                                 |
| RMC              | Risk Management Committee                    |
| RMF              | Risk Management Framework                    |
| Seaview Re       | Seaview Re Ltd                               |
| Seaview Holdings | Seaview Re Holding Inc                       |
| SST              | Swiss Solvency Test                          |
| TC               | Target Capital                               |
| TVaR             | Tail Value at Risk                           |
| UPR              | Unearned premium reserves                    |
| VaR              | Value at Risk                                |
| WASL             | Whole Account Stop Loss                      |
| XLB              | XL Bermuda Ltd                               |
| XLGIL            | XL Group Investments Ltd                     |

## **Appendices to the Financial Condition Report 2023**

Appendix 1 Quantitative template "Performance solo reinsurance"

| CHF millions  | Total   |       | Personal accident |      | Health |      | Motor |       | Marine, aviation, transport |      | Property |       | Casualty |       | Miscellaneous |       |
|---|---------|-------|-------------------|------|--------|------|-------|-------|-----------------------------|------|----------|-------|----------|-------|---------------|-------|
|   | 2022    | 2023  | 2022              | 2023 | 2022   | 2023 | 2022  | 2023  | 2022                        | 2023 | 2022     | 2023  | 2022     | 2023  | 2022          | 2023  |
| Gross premium written                               | 733     | 499   | 6                 | 7    | —      | —    | 18    | 9     | 26                          | 25   | 345      | 143   | 49       | 16    | 289           | 299   |
| Reinsurance premium ceded                           | (178)   | (357) | (1)               | —    | —      | —    | —     | (13)  | (9)                         | (11) | (106)    | (21)  | (18)     | (6)   | (44)          | (307) |
| Net premium written                                 | 555     | 142   | 5                 | 7    | —      | —    | 18    | (4)   | 16                          | 15   | 239      | 123   | 31       | 10    | 245           | (8)   |
| Change in gross UPR                                 | 580     | 30    | (1)               | 3    | —      | —    | (17)  | 7     | 4                           | (2)  | 624      | 44    | (1)      | 5     | (29)          | (28)  |
| Change in ceded UPR                                 | (26)    | 249   | (1)               | —    | —      | —    | 1     | 3     | 1                           | —    | (43)     | (21)  | (1)      | —     | 16            | 267   |
| Net premium earned                                  | 1,109   | 420   | 3                 | 10   | —      | —    | 2     | 7     | 22                          | 12   | 820      | 146   | 29       | 15    | 233           | 231   |
| Total income from reinsurance activities            | 1,109   | 420   | 3                 | 10   | —      | —    | 2     | 7     | 22                          | 12   | 820      | 146   | 29       | 15    | 233           | 231   |
| Gross claims paid                                   | (1,028) | (893) | (12)              | (8)  | —      | —    | (27)  | (12)  | (27)                        | (16) | (896)    | (779) | (7)      | (10)  | (58)          | (67)  |
| Ceded claims paid                                   | 106     | 122   | 1                 | 1    | —      | —    | 14    | 6     | 10                          | 11   | 77       | 88    | (1)      | 7     | 5             | 10    |
| Net claims paid                                     | (922)   | (771) | (12)              | (7)  | —      | —    | (13)  | (6)   | (16)                        | (5)  | (819)    | (692) | (9)      | (3)   | (53)          | (57)  |
| Change in gross loss reserves                       | 197     | 653   | 6                 | 3    | —      | —    | 22    | (2)   | 10                          | (4)  | 195      | 695   | (17)     | (5)   | (19)          | (35)  |
| Change in ceded loss reserves                       | 44      | (98)  | —                 | —    | —      | —    | (12)  | (1)   | (6)                         | 2    | 49       | (98)  | 13       | (2)   | —             | —     |
| Net claims incurred                                 | (682)   | (216) | (6)               | (5)  | —      | —    | (3)   | (8)   | (12)                        | (7)  | (575)    | (95)  | (13)     | (10)  | (72)          | (92)  |
| Gross acquisition costs and administration expenses | (474)   | (213) | (1)               | (4)  | —      | —    | (1)   | (5)   | (7)                         | (5)  | (336)    | (61)  | (12)     | (6)   | (118)         | (133) |
| Ceded acquisition costs                             | 49      | 23    | —                 | —    | —      | —    | —     | 1     | —                           | 1    | 36       | 7     | 3        | 1     | 10            | 13    |
| Net acquisition costs                               | (425)   | (190) | (1)               | (4)  | —      | —    | (1)   | (3)   | (6)                         | (3)  | (300)    | (54)  | (8)      | (5)   | (108)         | (120) |
| Total expenses from reinsurance activities          | (1,107) | (407) | (7)               | (9)  | —      | —    | (4)   | (11)  | (18)                        | (10) | (876)    | (149) | (21)     | (15)  | (180)         | (212) |
| Net reinsurance result                              | 2       | 14    | (4)               | 1    | —      | —    | (2)   | (5)   | 3                           | 2    | (56)     | (3)   | 8        | —     | 52            | 19    |
| Investments   |         |       |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Investment income                                   | 626     | 70    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| investment expenses                                 | (629)   | (6)   |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Net investment result                               | (3)     | 64    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Interest Income                                     | 26      | 28    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Interest expense                                    | (6)     | (12)  |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Operating result                                    | 20      | 94    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Other income  | 3       | —     |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Foreign Exchange                                    | 2       | (19)  |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Income / loss before tax                            | 25      | 75    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Direct taxes  | (14)    | (9)   |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Net income / loss                                   | 11      | 66    |                   |      |        |      |       |       |                             |      |          |       |          |       |               |       |
| Acquisition cost ratio                              | 38 %    | 45 %  | 33 %              | 40 % | — %    | — %  | 50 %  | 43 %  | 27 %                        | 25 % | 37 %     | 37 %  | 28 %     | 33 %  | 46 %          | 52 %  |
| Loss ratio  | 61 %    | 51 %  | 200 %             | 50 % | — %    | — %  | 150 % | 114 % | 55 %                        | 58 % | 70 %     | 65 %  | 45 %     | 67 %  | 31 %          | 40 %  |
| Combined ratio                                      | 100 %   | 97 %  | 233 %             | 90 % | — %    | — %  | 200 % | 157 % | 82 %                        | 83 % | 107 %    | 102 % | 73 %     | 100 % | 77 %          | 92 %  |

## Appendix 2 Quantitative template "Market-consistent balance sheet solo"

| USD millions  |  | January 1, 2023 | January 1, 2024 | Delta          |
|---|--|-----------------|-----------------|----------------|
| <b>Market-consistent value of investments</b>   | Real estate  | —               | —               | —              |
|   | Shareholdings  | 253             | 102             | (151)          |
|   | Fixed-income securities  | 1,119           | 423             | (696)          |
|   | Loans  | —               | —               | —              |
|   | Equities   | —               | —               | —              |
|   | Other investments  | 6               | 2               | (4)            |
|   | Collective investment schemes  | —               | —               | —              |
|   | Alternative investments  | —               | —               | —              |
|   | Other investments  | 6               | 2               | (4)            |
|   | <b>Total investments</b>   | <b>1,378</b>    | <b>527</b>      | <b>(851)</b>   |
|   | Financial investments from unit-linked life insurance                      | —               | —               | —              |
|   | Receivables from derivative financial instruments                          | —               | —               | —              |
| <b>Market-consistent value of other assets</b>  | Cash and cash equivalents  | 314             | 321             | 7              |
|   | Receivables from insurance business  | 1,493           | 545             | (948)          |
|   | Other receivables  | —               | —               | —              |
|   | Other assets   | 35              | 40              | 5              |
|   | <b>Total other assets</b>  | <b>1,842</b>    | <b>906</b>      | <b>(936)</b>   |
| <b>Total market-consistent value of assets</b>  |  | <b>3,220</b>    | <b>1,433</b>    | <b>(1,787)</b> |
| <b>Best estimate liabilities (BEL)</b>  | Best estimate of provisions for insurance liabilities                      | <b>2,019</b>    | <b>1,197</b>    | <b>(822)</b>   |
|   | Inward reinsurance: non-life insurance business                            | 2,019           | 1,197           | (822)          |
|   | Reinsurers' share of best estimate of provisions for insurance liabilities | <b>(426)</b>    | <b>(715)</b>    | <b>(289)</b>   |
|   | Outward reinsurance: non-life insurance business                           | (426)           | (715)           | (289)          |
| <b>Market-consistent value of other liabilities</b>   | Non-technical provisions   | —               | —               | —              |
|   | Interest-bearing liabilities   | —               | —               | —              |
|   | Liabilities from derivative financial instruments                          | —               | —               | —              |
|   | Deposits retained on ceded reinsurance                                     | —               | —               | —              |
|   | Liabilities from insurance business  | —               | —               | —              |
|   | Other liabilities  | 1,107           | 505             | (602)          |
| <b>Total BEL plus market-consistent value of other liabilities</b>  |  | <b>2,699</b>    | <b>987</b>      | <b>(1,712)</b> |
| <b>Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities</b> |  | <b>521</b>      | <b>393</b>      | <b>(128)</b>   |

## Appendix 3 Quantitative template "Solvency solo"

| USD millions                        |  | January 1, 2023 | January 1, 2024 | Change         |
|-------------------------------------|--|-----------------|-----------------|----------------|
| <b>Derivation of RBC</b>            | Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities | 521             | 393             | (128)          |
|                                     | Deductions   | —               | —               | —              |
|                                     | <b>Core capital</b>  | 521             | 393             | (128)          |
|                                     | Supplementary capital  | —               | —               | —              |
|                                     | <b>RBC</b>   | <b>521</b>      | <b>393</b>      | <b>(128)</b>   |
| <b>Derivation of target capital</b> | Underwriting risk  | 294             | 146             | (148)          |
|                                     | Market risk  | 101             | 95              | (6)            |
|                                     | Diversification effects  | (102)           | (86)            | 16             |
|                                     | Credit risk  | 93              | 107             | 14             |
|                                     | Other effects on target capital  | (14)            | 24              | 38             |
|                                     | <b>Target capital</b>  | <b>372</b>      | <b>287</b>      | <b>(85)</b>    |
| <b>SST ratio</b>                    | Risk-bearing capital / target capital  | <b>248 %</b>    | <b>214 %</b>    | <b>(34)pts</b> |
| <b>MVM</b>                          | Market value margin "MVM"  | <b>77</b>       | <b>51</b>       | <b>(26)</b>    |

**Appendix 4 Audited annual financial statements and report of the statutory auditor**

To the General Meeting of  
Catlin Re Switzerland Ltd, Zurich

Zurich, 25 April 2024

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of Catlin Re Switzerland Ltd (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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.

Ernst & Young Ltd



Philip Kirkpatrick  
(Qualified Signature)

Licensed audit expert  
(Auditor in charge)



Sophie Krumsiek  
(Qualified Signature)

Chartered certified accountant (UK)

### Enclosures

- ▶ Financial statements (balance sheet, income statement, cash flow statement, notes to the financial statements)
- ▶ Proposed appropriation of available earnings

# FINANCIAL STATEMENTS

## INCOME STATEMENT

| CHF millions  | Notes | 2022              | 2023            |
|---|-------|-------------------|-----------------|
| <b>Reinsurance</b>                                  |       |                   |                 |
| Gross premiums written                              |       | 733.10            | 498.97          |
| Reinsurance premiums ceded                          |       | (178.14)          | (357.29)        |
| <b>Net premium written</b>                          |       | <b>554.96</b>     | <b>141.68</b>   |
| Change in gross unearned premiums                   | 1     | 580.08            | 29.95           |
| Change in ceded unearned premiums                   | 1     | (25.98)           | 248.71          |
| <b>Net premium earned</b>                           |       | <b>1,109.06</b>   | <b>420.34</b>   |
| <b>Total income from reinsurance activities</b>     |       | <b>1,109.06</b>   | <b>420.34</b>   |
| Gross claims paid and claim adjustment expenses     |       | (1,027.58)        | (893.26)        |
| Ceded claims paid and claim adjustment expenses     |       | 105.56            | 122.38          |
| <b>Net claims paid</b>                              |       | <b>(922.02)</b>   | <b>(770.88)</b> |
| Change in gross loss reserves and loss expenses     | 1     | 196.57            | 652.68          |
| Change in ceded loss reserves and loss expenses     | 1     | 43.60             | (98.13)         |
| <b>Net claims incurred</b>                          |       | <b>(681.85)</b>   | <b>(216.33)</b> |
| Gross acquisition costs and administration expenses | 3     | (473.96)          | (213.16)        |
| Ceded acquisition costs and administration expenses |       | 49.08             | 22.98           |
| <b>Net acquisition costs</b>                        |       | <b>(424.88)</b>   | <b>(190.18)</b> |
| <b>Total expenses from reinsurance activities</b>   |       | <b>(1,106.73)</b> | <b>(406.51)</b> |
| <b>Net reinsurance result</b>                       |       | <b>2.33</b>       | <b>13.83</b>    |
| <b>Investments</b>                                  | 2     |                   |                 |
| Investment income                                   |       | 626.26            | 70.36           |
| Investment expenses                                 |       | (629.28)          | (5.92)          |
| <b>Net investment result</b>                        |       | <b>(3.02)</b>     | <b>64.44</b>    |
| Interest income                                     |       | 25.96             | 27.72           |
| Interest expense                                    |       | (5.56)            | (12.19)         |
| <b>Operating result</b>                             |       | <b>19.71</b>      | <b>93.80</b>    |
| Other income  |       | 3.42              | 0.15            |
| Foreign exchange                                    |       | 1.60              | (18.98)         |
| <b>(Loss)/income before tax</b>                     |       | <b>24.73</b>      | <b>74.97</b>    |
| Direct taxes  |       | (13.54)           | (9.24)          |
| <b>Net (loss)/income</b>                            |       | <b>11.19</b>      | <b>65.73</b>    |

The accompanying notes form an integral part of the financial statements

## FINANCIAL STATEMENTS

### BALANCE SHEET

As of December 31

#### Assets

| CHF millions  | Notes | 2022            | 2023            |
|---|-------|-----------------|-----------------|
| Investments   |       |                 |                 |
| Investment in affiliated companies                                | 12    | 202.28          | 76.83           |
| Fixed income securities   |       | 1,035.40        | 568.71          |
| <b>Total investments</b>  |       | <b>1,237.68</b> | <b>645.54</b>   |
| Funds withheld  | 9     | 609.18          | 43.88           |
| Cash and cash equivalents   |       | 290.73          | 128.04          |
| Reinsurer's share in technical provisions                         | 5     | 463.19          | 841.15          |
| Deferred acquisition costs  |       | 126.17          | 26.18           |
| Premiums and other receivables from reinsurance, net of bad debts | 4     | 832.98          | 496.27          |
| Other receivables   |       | 32.07           | 32.90           |
| Other assets  |       | 0.51            | 0.56            |
| Accrued income  |       | 5.39            | 3.69            |
| <b>Total assets</b>   |       | <b>3,597.90</b> | <b>2,218.21</b> |

The accompanying notes form an integral part of the financial statements.

# FINANCIAL STATEMENTS

## BALANCE SHEET

As of December 31

### Liabilities and shareholder's equity

| CHF millions                                      | Notes | 2022            | 2023            |
|---|-------|-----------------|-----------------|
| <b>Technical provisions</b>                       | 5     |                 |                 |
| Reserves for losses and loss expenses             |       | 1,767.96        | 1,023.04        |
| Unearned premiums                                 |       | 473.00          | 423.27          |
| Other technical provisions                        |       | 207.05          | 83.64           |
| <b>Total technical provisions</b>                 |       | <b>2,448.01</b> | <b>1,529.95</b> |
| <b>Non-technical provisions</b>                   |       |                 |                 |
| Provision for taxation                            |       | 6.92            | 9.98            |
| Provision for currency fluctuation                |       | 66.95           | 28.46           |
| <b>Total non-technical provisions</b>             |       | <b>73.87</b>    | <b>38.44</b>    |
| Funds held under reinsurance treaties             |       | —               | —               |
| Payables to reinsurance companies                 | 6     | 347.62          | 219.56          |
| Other liabilities                                 |       | 41.07           | 28.36           |
| Accrued expenses                                  |       | 3.29            | 1.63            |
| <b>Total liabilities</b>                          |       | <b>2,913.86</b> | <b>1,817.94</b> |
| <b>Shareholder's equity</b>                       |       |                 |                 |
| Common stock                                      |       | 100.00          | 100.00          |
| Legal capital reserves                            |       | 633.24          | 283.74          |
| <i>Legal reserves from capital contribution</i>   |       | 633.24          | 283.74          |
| Legal profit reserves                             |       | 45.15           | 45.15           |
| Retained earnings (losses)                        |       | (105.54)        | (94.35)         |
| Profit/(loss) for the financial year              |       | 11.19           | 65.73           |
| <b>Total shareholder's equity</b>                 | 7     | <b>684.04</b>   | <b>400.27</b>   |
| <b>Total liabilities and shareholder's equity</b> |       | <b>3,597.90</b> | <b>2,218.21</b> |

The accompanying notes form an integral part of the financial statements.

## FINANCIAL STATEMENTS

### CASH FLOW STATEMENT

As of December 31

| CHF millions  | 2022           | 2023            |
|---|----------------|-----------------|
| Cash and cash equivalents at the beginning of the period  | 130.81         | 290.73          |
| Net cash provided/(used) for operating activities         | (128.58)       | 84.15           |
| Net cash provided/(used) for investing activities         | 331.28         | 141.14          |
| Net cash provided/(used) for financing activities         | —              | (349.50)        |
| <b>Change of cash and equivalents</b>                     | <b>202.70</b>  | <b>(124.21)</b> |
| <b>FX movements</b>                                       | <b>(42.78)</b> | <b>(38.48)</b>  |
| <b>Cash and cash equivalents at the end of the period</b> | <b>290.73</b>  | <b>128.04</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

### *SIGNIFICANT ACCOUNTING PRINCIPLES*

#### **Basis of preparation**

The financial statements of Catlin Re Switzerland Ltd ("CRCH" or the "Company"), domiciled in Zurich, Switzerland, are prepared in accordance with Swiss Company Law. The financial statements adhere to the requirements of Swiss Code of Obligations and to additional requirements defined by the Swiss Financial Market Supervisory Authority ("FINMA"), Art. 5-6a AVO-FINMA. The 2023 financial year comprises the accounting period from January 1 to December 31, 2023. The prior period was from January 1 to December 31, 2022.

#### **Use of estimates in the preparation of annual accounts**

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

#### **Foreign currency translation**

Foreign currency transactions incurred in each of the Company's business units are revalued into the functional currency using average exchange rates applicable to the period in which the transactions take place. Foreign exchange gains and losses resulting from the settlement of such transactions and from revaluation at the period end of monetary assets and liabilities denominated in foreign currencies are deemed realised exchange gains and losses and recorded in the income statement.

Each business unit with a functional currency different from the Company's statutory reporting currency Swiss Francs is translated as follows:

- Income and expenses at the monthly average rates of exchange;
- Assets and liabilities (including unearned premiums and deferred acquisition costs) at exchange rates prevailing at the balance sheet date; and
- Resulting unrealised exchange losses are either offset against the provision for currency fluctuation or recorded in the income statement. Unrealised exchange gains are deferred and recorded as a separate line item on the balance sheet.

All assets and liabilities arising from reinsurance contracts are treated as monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

#### **Investments**

Fixed income and short-term securities are valued at the Amortised-Cost-Scientific Method less legally permissible depreciation.

Short-term investments are composed of instruments with original maturities of more than 90 days and less than one year from the date of purchase.

The following assets are carried at cost less necessary and legally permissible depreciation:

- Investments in affiliated companies
- Equity securities

The valuation rules prescribed by FINMA are followed whereby all investments are valued individually.

#### **Funds withheld**

Funds withheld are balances held by cedants in respect of open reinsurance contracts.

**Reinsurer's share in technical provisions**

Reinsurer's share in technical provisions include balances due from reinsurance companies for paid and unpaid losses and loss expenses that will be recovered from reinsurers, based on contracts in force.

The technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

**Deferred acquisition costs**

Deferred acquisition costs principally consist of commissions and other external variable costs directly connected with the acquisition or renewal of existing reinsurance contracts. Deferred acquisition costs represent the proportion of commission incurred which corresponds to the element of the premium that is unearned on the related contracts. Deferred acquisition costs are capitalised in accordance with the business plan submitted to FINMA.

**Other assets and other receivables**

Other assets are carried at nominal value after deduction of known credit risks, and if applicable, less necessary and legally permissible depreciation.

Premiums and other receivables from reinsurance are carried at nominal value after deduction of known credit risks if applicable.

**Technical provisions**

The technical provisions are valued in accordance with the following principles:

A liability is established for unpaid losses and loss expenses when insured events occur. The liability is based on the expected ultimate cost of settling the claims. The reserves for losses and loss expenses include: (1) case reserves for known but unpaid claims as at the balance sheet date, including any potential deterioration on existing estimates; (2) incurred but not reported reserves ("IBNR") for claims where the insured event has occurred but has not been reported to Catlin Re as at the balance sheet date; and (3) loss adjustment expense reserves for the expected handling costs of settling the claims.

The estimation of the necessary claim reserves requires the use of informed estimates and judgements and as such are subject to considerable uncertainty. Reserves for losses and loss expenses are based on the analysis of the historical amounts reported by the ceding companies together with other relevant information. The methods and assumptions chosen follow generally accepted actuarial principles.

Contracts where coverage period relates to future periods are stated as unearned premiums and are calculated by statistical methods. The accrual of commission is determined correspondingly and is reported in the line item Deferred acquisition costs.

Provisions for profit commissions are to cover instances where the commission is dependent on the claim experience of the contract, e.g. sliding scale or profit commission, so that an additional liability is due in excess of the commission already incurred or, in the case where the loss experience is worse than expected, a rebate of commission is due.

**Non-technical provisions**

Provision for taxation contains direct taxes for the financial year.

Provision for currency fluctuation comprises of unrealised foreign exchange gains from the translation of assets and liabilities from the business units functional currencies to the reporting currency Swiss Francs.

**Payables to reinsurance companies**

Payables to reinsurance companies are held at redemption value.

**Interest income**

Other interest income is mainly comprised of interest earned on funds withheld.



**Operating costs**

Administration and other expenses are disclosed within the Gross acquisition costs and administration expenses line item. Unallocated loss adjustment expenses are included within the Gross claims paid and claim adjustment expenses line item.

**Direct taxes**

Direct taxes relate to the financial year and include income and capital taxes.

## FINANCIAL STATEMENT NOTES

### Note 1: Change in technical provisions

| CHF millions                                    |               |               | 2023          |
|---|---------------|---------------|---------------|
|   | Gross         | Ceded         | Net           |
| Change in unearned premiums                     | 29.95         | 248.71        | 278.66        |
| Change in reserves for losses and loss expenses | 652.68        | (98.13)       | 554.55        |
| <b>Total change in technical provisions</b>     | <b>682.63</b> | <b>150.58</b> | <b>833.21</b> |

| CHF millions                                    |               |              | 2022          |
|---|---------------|--------------|---------------|
|   | Gross         | Ceded        | Net           |
| Change in unearned premiums                     | 580.08        | (25.98)      | 554.10        |
| Change in reserves for losses and loss expenses | 196.57        | 43.60        | 240.17        |
| <b>Total change in technical provisions</b>     | <b>776.65</b> | <b>17.62</b> | <b>794.27</b> |

### Note 2: Net investment result

| CHF millions                        |              |                  |                | 2023         |
|-------------------------------------|--------------|------------------|----------------|--------------|
|                                     | Income       | Unrealised gains | Realised gains | Total        |
| Investments in affiliated companies | 5.40         | —                | 17.04          | 22.44        |
| Fixed income securities             | 25.21        | 19.88            | 2.65           | 47.74        |
| Other investments                   | —            | —                | —              | —            |
| <i>Short term investments</i>       | —            | —                | —              | —            |
| Cash and cash equivalents           | 0.09         | —                | 0.09           | 0.18         |
| <b>Total investment income</b>      | <b>30.70</b> | <b>19.88</b>     | <b>19.78</b>   | <b>70.36</b> |

| CHF millions                        | Expenses      | Unrealised losses | Realised losses | Total         |
|-------------------------------------|---------------|-------------------|-----------------|---------------|
| Investments in affiliated companies | —             | —                 | —               | —             |
| Fixed income securities             | —             | (3.74)            | —               | (3.74)        |
| Other investments                   | —             | —                 | —               | —             |
| <i>Short term investments</i>       | —             | —                 | —               | —             |
| Cash and cash equivalents           | —             | —                 | (0.10)          | (0.10)        |
| Investment management fees          | (2.08)        | —                 | —               | (2.08)        |
| <b>Total investment expenses</b>    | <b>(2.08)</b> | <b>(3.74)</b>     | <b>(0.10)</b>   | <b>(5.92)</b> |

| CHF millions                        |               |                  |                | 2022          |
|-------------------------------------|---------------|------------------|----------------|---------------|
|                                     | Income        | Unrealised gains | Realised gains | Total         |
| Investments in affiliated companies | 598.08        | —                | —              | 598.08        |
| Fixed income securities             | 19.13         | 8.09             | 0.83           | 28.05         |
| Other investments                   | —             | —                | —              | —             |
| <i>Short term investments</i>       | —             | —                | —              | —             |
| Cash and cash equivalents           | 0.03          | —                | 0.10           | 0.13          |
| <b>Total investment income</b>      | <b>617.24</b> | <b>8.09</b>      | <b>0.93</b>    | <b>626.26</b> |

| CHF millions                        | Expenses        | Unrealised losses | Realised losses | Total           |
|-------------------------------------|-----------------|-------------------|-----------------|-----------------|
| Investments in affiliated companies | (537.69)        | —                 | —               | (537.69)        |
| Fixed income securities             | —               | (78.80)           | (11.06)         | (89.86)         |
| Other investments                   | —               | —                 | —               | —               |
| <i>Short term investments</i>       | —               | —                 | —               | —               |
| Cash and cash equivalents           | —               | —                 | (0.15)          | (0.15)          |
| Investment management fees          | (1.58)          | —                 | —               | (1.58)          |
| <b>Total investment expenses</b>    | <b>(539.27)</b> | <b>(78.80)</b>    | <b>(11.21)</b>  | <b>(629.28)</b> |

Fixed income market values recovered mostly during 2023, as a result, CHF 42m of the temporary impairment recorded in 2022 was reversed in 2023 and split between realised and unrealised gains.

Income from Investments in affiliated companies of CHF 5m relates to interest on equity from AXA XL Resseguros S.A., the realised gain of CHF 17m is due to the sale of Seaview Re Holdings Inc.

### Note 3: Administration and other expenses

Administration and other expenses, included in Gross acquisition costs and administration expenses amounted to CHF 39.35m in 2023 (2022: CHF 55.44m), thereof CHF 0.25m (2022: CHF 0.18m) are related to audit fees.

### Note 4: Premiums and other receivables from reinsurance

| CHF millions   | 2022          | 2023          |
|--|---------------|---------------|
| Receivables from agents and brokers                          | 585.04        | 337.85        |
| Receivables from reinsurance companies                       | 247.94        | 158.42        |
| <b>Total premiums and other receivables from reinsurance</b> | <b>832.98</b> | <b>496.27</b> |

The Company does not write direct business with policyholders. Most business is generated through agents and brokers.

**Note 5: Net technical provisions**

| CHF millions                          | 2022            |                 |                 | 2023            |                 |               |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
|                                       | Gross           | Ceded           | Net             | Gross           | Ceded           | Net           |
| Reserves for losses and loss expenses | 1,767.96        | (368.45)        | 1,399.51        | 1,023.04        | (519.02)        | 504.02        |
| Unearned premiums                     | 473.00          | (94.74)         | 378.26          | 423.27          | (322.13)        | 101.14        |
| Other technical provisions            | 186.52          | 20.53           | 207.05          | 1.68            | 81.96           | 83.64         |
| <b>Total net technical provisions</b> | <b>2,427.48</b> | <b>(442.66)</b> | <b>1,984.82</b> | <b>1,447.99</b> | <b>(759.19)</b> | <b>688.80</b> |

Gross technical provisions have decreased year on year due to the novation of a large external quota share contract. Other technical provisions include deferred gains related to Loss Portfolio Transfer ("LPT") covers in the amount of CHF 82m (2022: CHF 21m) reported above as ceded however in balance sheet as a liability. The increase year on year of ceded reserves is driven by the LPT cover executed during December 2023.

**Note 6: Payables from reinsurance business**

| CHF millions                                   | 2022          | 2023          |
|--|---------------|---------------|
| Payables to agents and brokers                 | 172.36        | 108.05        |
| Payables to reinsurance companies              | 175.26        | 111.51        |
| <b>Total payables to reinsurance companies</b> | <b>347.62</b> | <b>219.56</b> |

**Note 7: Shareholder's equity rollforward**

| CHF millions  | Common Stock  | Legal reserves from capital contribution | Legal profit reserves | Profit/(loss) for the financial year | Retained earnings (losses) | Total         |
|---|---------------|--|-----------------------|--------------------------------------|----------------------------|---------------|
| <b>as of January 1, 2023</b>                            | <b>100.00</b> | <b>633.24</b>                            | <b>45.15</b>          | <b>11.19</b>                         | <b>(105.54)</b>            | <b>684.04</b> |
| Allocation of 2022 profit to retained earnings (losses) |               |  |                       | (11.19)                              | 11.19                      | —             |
| Distribution  |               | (349.50)                                 |                       |                                      |                            | (349.50)      |
| Profit/(loss) for the financial year                    |               |  |                       | 65.73                                | —                          | 65.73         |
| <b>as of 31 December 2023</b>                           | <b>100.00</b> | <b>283.74</b>                            | <b>45.15</b>          | <b>65.73</b>                         | <b>(94.35)</b>             | <b>400.27</b> |

Share capital of the Company amounts to CHF 100m that is fully paid-in. It is divided into ten million registered shares with a nominal value of ten Swiss Francs per share.

On April 28, 2023, during the Annual General Meeting ("AGM") of the Shareholders', it was unanimously resolved to declare a distribution of USD 400m (CHF 349.50m equivalent at spot rate on date of settlement). This distribution was paid on August 16, 2023 to AXA XL Luxembourg S.à r.l. from legal capital reserves from capital contribution.

**Note 8: Contingent liabilities**

The Company is not exposed to any non-cancellable future obligations.

CRCH belongs to the VAT group of AXA Versicherungen AG, Winterthur, and is jointly liable for any VAT claims from the tax authorities.

The Company has access to unsecured and secured letter of credit facilities to support its reinsurance business. As at December 31, 2023, unsecured irrevocable letters of credit in the amount of CHF 106m (2022: CHF 115m) have been issued under these facilities. Letters of credit are predominantly used to secure the reserves ceded to the Company under certain reinsurance contracts.

**Note 9: Funds withheld**

Funds withheld of CHF 44m (2022: CHF 609m) represent deposits held by cedants. The decrease is mainly driven by the novation of a large external quota share contract.

**Note 10: Restricted assets**

In certain markets, the Company is required to maintain assets in accounts pledged for the benefit of ceding companies. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions.

The Company also has investments in segregated portfolios to provide collateral for certain bank letters of credit issued for the benefit of ceding companies.

The total value of these restricted assets by category as at December 31, 2023 and 2022 are as follows:

| CHF millions                         | 2022          | 2023          |
|--------------------------------------|---------------|---------------|
| Fixed income securities              | 454.7         | 321.85        |
| Short term investments               | —             | —             |
| Cash and cash equivalents            | 24.40         | 21.75         |
| Accrued income and other receivables | 1.76          | 1.14          |
| <b>Total restricted assets</b>       | <b>480.86</b> | <b>344.74</b> |

**Note 11: Claims on and obligations towards AXA XL Group companies**

| CHF millions                                    | 2022  | 2023  |
|---|-------|-------|
| <b>Assets</b>                                   |       |       |
| Premiums and other receivables from reinsurance | 98.80 | 48.76 |
| Funds withheld                                  | —     | 11.00 |
| Other receivables                               | 31.98 | 33.11 |
| <b>Liabilities</b>                              |       |       |
| Payables to reinsurance companies               | 91.11 | 13.07 |
| Other liabilities                               | 75.54 | 29.81 |

**Note 12: Investments in affiliated companies**

| CHF millions                                     |                         | 2023           |                      |
|--|-------------------------|----------------|----------------------|
|  | City, Country           | Net Book value | Equity/Voting Shares |
| AXA XL Resseguros S.A.                           | Sao Paulo, Brasil       | 76.83          | 100 %                |
| XL Re Latin America Argentina SA                 | Buenos Aires, Argentina | —              | 80 %                 |
| <b>Total investments in affiliated companies</b> |                         | <b>76.83</b>   |                      |

| CHF millions                                     |                         | 2022           |                      |
|--|-------------------------|----------------|----------------------|
|  | City, Country           | Net book value | Equity/Voting shares |
| Seaview Re Holdings Inc                          | Delaware, USA           | 125.45         | 100 %                |
| AXA XL Resseguros S.A.                           | Sao Paulo, Brasil       | 76.83          | 100 %                |
| XL Re Latin America Argentina SA                 | Buenos Aires, Argentina | —              | 80 %                 |
| <b>Total investments in affiliated companies</b> |                         | <b>202.28</b>  |                      |

Effective September 25, 2023, the Company disposed all shares in Seaview Re Holdings Inc. to another AXA XL affiliate for a realised gain as disclosed in Note 2 net investment result. XL Re Latin America Argentina SA entered liquidation on January 1, 2024.

**Note 13: Staff**

The average number of full time equivalents employed by the Company for 2023 and 2022 was more than 10 but less than 50. Other employees were provided via a personal lending agreement between the Company and XL Catlin Services SE, Dublin, Zurich Branch ("XLCSSSE ZH").

**Note 14: Subsequent events**

Effective January 1, 2024, all assets and liabilities in Catlin Re Switzerland Ltd, Singapore Branch, were transferred to the newly established Singapore Branch of XL Re Europe SE, Dublin.

There have been no other further material events between December 31, 2023 and the date of this report which are required to be disclosed.

## APPROPRIATION OF EARNINGS

The Board of Directors proposes at the Annual Shareholder Meeting to be held in Zurich on April 25, 2024 to allocate the profit of the financial year of CHF 65.73m to retained earnings (losses), and subject to FINMA approval, a distribution of USD 220m. The distribution is paid out of legal reserves from capital contribution, it will be translated into CHF at the spot rate on the date of settlement and must not exceed CHF 210m.

Distributions paid in foreign currencies have to meet the capital protection requirements in CHF and as such maximum amounts in CHF have to be approved by the Annual Shareholder Meeting.

| CHF millions   | 2022           | 2023           |
|--|----------------|----------------|
| Retained earnings (losses) brought forward                         | (105.54)       | (94.35)        |
| Profit/(loss) for the financial year                               | 11.19          | 65.73          |
| <b>Retained earnings (losses) after allocation</b>                 | <b>(94.35)</b> | <b>(28.62)</b> |
| Legal reserves from capital contribution brought forward           | 633.24         | 283.74         |
| Distribution   | (349.50)       | (210.00)       |
| <b>Legal reserves from capital contribution after distribution</b> | <b>283.74</b>  | <b>73.74</b>   |