PeakRe ›

Financial Condition Report 2021

Local GAAP format (Swiss Code of Obligations and FINMA Circular 2016/2)

of

Peak Reinsurance AG
Fortunagasse 28
8001 Zurich
Switzerland

Contents

I. Introduction

Peak Reinsurance AG, domiciled in Zurich, Switzerland (“Peak Re Switzerland”, “we”, “us”, or the “Company”) is a wholly-owned subsidiary of Hong Kong-based Peak Reinsurance Company Ltd. (“Peak Re Hong Kong”, the “Group” or “Parent Company”). Peak Re Switzerland was founded in 2016 and authorised by the Swiss Financial Market Supervisory Authority (“FINMA”) to conduct all reinsurance business worldwide since January 1, 2017.

This document is the Financial Condition Report (“FCR”) of Peak Re Switzerland as of December 31, 2021, focussing on the period from January 1 until December 31, 2021. It covers Peak Re Switzerland on a stand-alone basis.

This FCR presents information following the structure prescribed by FINMA’s circular 2016/2 Disclosure-insurers (Public Disclosure) dated December 3, 2016. It is available on Peak Re’s website (https://www.peak-re.com/about-peakre/our-subsidiaries-branches/) for all interested parties.

It provides quantitative and qualitative information of Peak Re Switzerland’s business activities, performance, corporate governance and risk management, risk profile, valuation, capital management and solvency. The FCR is supplemented with the quantitative reporting templates prescribed by FINMA (cf. Section B and Appendix 1, 2).

Peak Re Switzerland’s functional currency is USD, albeit for local statutory reporting the figures are translated and presented in CHF.

II. Management Summary

Peak Re Switzerland mainly writes non-life reinsurance business with cedents domiciled in Switzerland, the EU, and the EEA, Latin America, and North Africa. Peak Re Switzerland has discontinued renewing its business in India from April 2020, which is in run-off. Going forward Peak Re Switzerland intends to further intensify its presence in Europe and Latin America. The Company benefits from the robust retrocession backing by its Parent Company, which has been widely recognised in the industry with strong credit ratings from Moody’s Investor Service (A3 stable) and AM Best (A- excellent).

As of December 31, 2021, the Company has a Swiss Solvency Test (“SST”) risk-based capital of USD 71.7m (2020: USD 81.6 m), a statutory equity capital of CHF 64m (2020: CHF 68.3m) and a solvency ratio of 173% based on SST Report 2022, which was delivered to FINMA on April 30, 2022. The Company is rated A- by A.M. Best.

Key figures as per Swiss Statutory Financial Statement

In CHF 000	FY 2021	FY 2020	Δ	Δ in %
Gross Written Premium	79'137	73'536	5'601	108%
Net Earned premiums	22'613	14'337	8'275	158%
Net acquisition costs	(1'847)	98	(1'945)	-1880%
Net claims incurred	(19'335)	(15'659)	(3'676)	123%
Net Underwriting margin	1'431	(1'223)	2'654	-117%
Net Administrative expenses	(5'240)	(4'655)	(586)	113%
Net Investment income	649	2'720	(2'071)	24%
Net Loss before taxes	(6'647)	(6'589)	(59)	101%
Net loss after taxes	(6'647)	(6'589)	(59)	101%
Total Net Technical Combined Ratio	93.7%	108.5%	-15%	86%
Total Combined Ratio incl. G&A Expenses	116.8%	141.0%	-24%	83%
Total Assets	327'135	339'891	(12'757)	96%

During FY2021, the Company reported an increase in Net Underwriting Margin by CHF 2.6m to CHF 1.4m. However, Net Loss After Taxes amounted to CHF 6.6m (2020: CHF -6.6m). This was driven by a negative Operating Result (Net Underwriting Margin minus Net Administrative Expenses) of CHF -3.8m, on top of realised losses and foreign exchange losses impacting on invested assets (CHF -2.3m), foreign exchange loss on treaty business (CHF -0.7m) and Other Expenses (mainly Capital Taxes of CHF -0.4m). Investment income for the year amounted to CHF 0.6m.

A. Business Activities

Peak Re Switzerland plays an important role in Peak Re Group's strategy to establish a leading position as a global reinsurer with a strong Asia foothold. The strategy is based on maintaining a client-centric approach, being agile and creating value through innovation and leveraging technology.

The Group's business focus is on underwriting a diversified portfolio of mainly non-life risks, including health. Peak Re Switzerland is targeting a portfolio of business across Europe and selected areas outside Europe as part of the Group strategy. We aim to provide speedy and tailored reinsurance solutions on a multi-line and long-term basis to clients.

Peak Re Switzerland is a wholly-owned subsidiary of Peak Reinsurance Company Ltd., a Hong Kong-based reinsurer. The biggest shareholder of Peak Re Hong Kong is the Fosun Group, Shanghai, of the People's Republic of China. Fosun Group has a majority stake of 86.5%, followed by Prudential Insurance Company of America, New Jersey, USA (13.1%) and executives of Peak Re Hong Kong (0.4%). Peak Re Switzerland does not have any subsidiaries or branch offices.

During FY2021 Peak Re Switzerland reduced its Whole Account Quota Share Retrocession Agreement with the Parent Company from 80% to 65%. The net retention after the 65% quota share retrocession is protected by an annual aggregate XL cover. Additionally, a stop loss cover for the Indian agriculture business will continue to protect the company until the Indian business is expired. As a second line of defence Peak Re Switzerland is covered as a subsidiary in the outwards retrocession arranged by the Group.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) and the Insurance Supervisory Ordinance (ISO) and they are consistent with those applied in the previous year.

Peak Re Switzerland's external Auditor is Ernst & Young AG, Zurich.

In 2021, there were no significant nor unusual events to separately report other than typical catastrophe losses. The losses from SARSCov2/Covid19 stabilised during 2021.

B. Financial Performance

1. Financial Statements

Balance Sheet

Assets **in CHF ’000**	**Note**	**31/12/2021**	**31/12/2020**
Investments		67’827	70’152
Fixed-interest securities		12’053	16’881
Loans	3	-	1’684
ETF Shares		55’774	51’587
Cash and cash equivalents		28’051	33’012
Reinsurers' share of technical provisions	7	129’963	106’888
Property and equipment		18	12
Deferred acquisition costs, Net	4	2’033	1’085
Insurance receivables	5	95’012	128’472
Other receivables	9	3’826	26
Other assets	6	398	219
Prepaid expenses	6	7	25
TOTAL ASSETS		**327’135**	**339’891**

Liabilities and equity **in CHF ’000**	**Note**	**31/12/2021**	**31/12/2020**
Technical provisions	7	169’768	135’695
Unearned Premium Reserve		25’010	25’254
Outstanding Loss Reserve		143’205	108’943
Equalisation reserve (SER)		1’554	1’498
Insurance payables	8	72’121	112’697
Other liabilities	9	21’205	23’215
TOTAL LIABILITIES		**263’094**	**271’606**
Share capital		10’000	10’000
Legal capital reserves		78’937	79’462
Reserves from capital contributions		69’937	70’462
Organisation fund		9’000	9’000
Currency Translation Adjustment		2’927	-
Voluntary retained earnings		-27’824	-21’177
Profit / loss carried forward		-21’177	-14’588
Profit / loss		-6’648	-6’589
Total equity	**10**	**64’040**	**68’285**
TOTAL LIABILITIES AND EQUITY		**327’135**	**339’891**

Income Statement

in CHF '000	Note	2021	2020
Gross premium written		79'137	73'536
Premiums ceded to reinsurers		-53'328	-60'944
Net premiums written		**25'809**	**12'592**
Change in unearned premium reserves	12	1'172	8'725
Change in reinsurers' share of unearned premium reserves	12	-4'368	-6'980
Net premiums earned		**22'613**	**14'337**
Total technical income		**22'613**	**14'337**
Gross claims and claim expenses paid		-58'999	-40'381
Reinsurer's share of claims and claim expenses		46'115	32'305
Change in technical provisions	12	-32'206	-40'551
Change in reinsurers' share of technical provisions	12	25'755	32'969
Net claims and claim expenses incurred		**-19'335**	**-15'659**
Acquisition costs and administrative expenses		-20'239	-19'708
Change in deferred acquisition costs, assumed reinsurance	11	-63	642
Reinsurers' share of acquisition costs and administrative expenses		13'150	15'187
Change in deferred acquisition costs, Reinsurers' share	11	973	-514
Net acquisition costs and administrative expenses		**-6'179**	**-4'393**
Other technical expenses own business		-907	-163
Total technical expenses		**-26'421**	**-20'215**
Income from investments	14	1'309	3'489
Expenses from investments	15	-660	-769
Net income from investments		**649**	**2'720**
Other financial income		-2'333	1'775
Other financial expenses		-727	-
Operating result		**-6'220**	**-1'383**
Foreign exchange on currency translation to national currency		-	-5'121
Other expenses	20	-427	-85
Extraordinary income/expenses		-	-
Profit/(loss) before tax		**-6'647**	**-6'589**
LOSS		**-6'647**	**-6'589**

Cash Flow Statement

in CHF '000	Note	2021	2020
Profit/loss		-6'647	-6'589
Depreciation, amortisation and write-downs on ...			
Property and equipment		12	12
Investments			
Net realised gains on investments fixed-interest securities		-156	1'144
Net income from investments (Income statement)		-11	70
Net income on investments in shares		-491	2'080
Net income on other investments		-20	191
Net unrealised gains/(losses) on investments fixed-interest securities		726	-703
Net unrealised gains/losses on investments shares		999	-707
Increase/decrease in			
Unearned premium reserves		-244	-1'636
Technical provisions		34'318	38'026
Increase/decrease in assets and liabilities			
Purchase/Proceeds from sale of fixed-interest securities		5'523	49'226
Purchase/Proceeds from sale of loans		1'740	-851
Purchase/Proceeds from sale of shares		-3'282	-32'660
Deposits on ceded reinsurance business		-805	203
Reinsurance share of technical provisions		-23'075	-30'916
Deferred acquisition costs		-948	-120
Insurance receivables		33'461	-22'379
Other receivables		-3'799	509
Other assets		-179	-
Foreign exchange gains and losses Reinsurance activities		501	1'878
Prepaid expenses		19	1
Insurance payables		-40'575	4'525
Other liabilities		-2'010	-1'922
Cash flow from operating activities		**-4'943**	**-620**
Purchase of property and equipment		-18	-5
Cash flow from investing activities		**-18**	**-5**
Change in cash and cash equivalents		**-4'961**	**-625**
Statement:			
Cash and cash equivalents as of 1 January		-33'012	-30'433
Effects of exchange rate changes on cash and cash equivalents		-	-3'203
Cash and cash equivalents as of 31 December		28'051	33'012
Change in cash and cash equivalents		**-4'961**	**-625**

2. Notes to Financial Statements (FY 2021, in CHF'000)

1. Basis of preparation

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b CO, applicable as of 1 January 2013. Apart from the CO, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a ISO-FINMA, applicable as of 15 December 2015) have been applied.

The company was founded on 26 September 2016.

2. Accounting principles

The Company's accounting principles are in line with those prescribed by the CO and ISO-FINMA. The accounting and valuation principles applied for the balance sheet items are as follows.

(a) Investments

Fixed interest securities and Loans are valued at market value less required impairments in line with provision of CO art. 960b and with Art. 110.1 ISO that for insurance companies states that reporting value in the balance sheet must be equal to lower of market value or amortised cost.

Shares, ETF shares and all other investments are valued at lower of cost or market value.

(b) Cash and cash equivalents

Cash and cash equivalents and other highly liquid investments with maturity of less than three months are carried in the balance sheet at nominal value.

(c) Deferred acquisition costs

Deferred acquisition costs (DAC) are costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses. These costs, newly from this year, are deferred and subsequently amortised over the period in which the related premiums are earned.

(d) Reinsurance receivables

Reinsurance receivables are recognised when due and recorded net of commissions, brokerage, premium taxes and other levies on premium, unless the contract specifies otherwise, and are booked at nominal value.

(e) Technical provisions

Technical provisions comprise unearned premium reserves, outstanding losses and loss expense reserves, provisions for unexpired risk reserve, equalisation reserves.

Unearned premium reserves are earned respectively amortised over the period of exposure to risk of the underlying contract.

Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance companies plus a provision for losses incurred but not reported ("IBNR"). The IBNR provision is estimated by management based on reports from industry sources, including initial estimates of aggregate industry losses, individual loss estimates received from ceding companies and brokers, output from commercially available catastrophe loss models and actuarial analysis using historical data available to the Company on the business.

Equalisation reserves are set in accordance with FINMA Circular 2011/3 and the Company approved business plan. These reserves are booked in addition to the best estimate for claims reserves.

(f) Foreign Currencies re-measurement and translation

The Company maintains its accounts in its functional currency (USD) and the annual financial statements are prepared in USD and here presented in CHF, the national reporting currency. Expenses and income in foreign currencies are translated at the prevailing rate at the date when the transactions are carried out. At period end, monetary assets and liabilities in foreign currencies are revalued at year-end exchange rates. The resulting exchange-rates differences are included in the income statement. The aggregate unrealized exchange loss remains in the income statement while the aggregate unrealized exchange gain is deferred.

For the statutory closing, the financial statements are presented in CHF. For this purpose, the USD accounts are translated in CHF using the year end rate for balance sheet, average rate for income statement and historical rates for the equity. A resulting foreign currency translation loss is shown in the income statement while a gain is deferred.

The exchange rates used for year-end 2021 and 2020 respectively are presented below:

	Balance Sheet		**Income Statement**		**Equity (avg. historical rate)**	
Currency	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
USD	0.913951	0.8814	0.915056	0.93996	0.9912	0.9912

The tables presented in the following Notes show rounded figures and the sum of the table's items could differ slightly from the total row or column of the corresponding table.

3. Loans

in CHF '000	**31.12.2021**	**31.12.2020**
Investments in senior secured loans	-	1'684
Total	**-**	**1'684**

4.Deferred acquisition costs, Net

in CHF '000	**31.12.2021**	**31.12.2020**
Deferred acquisition costs, assumed reinsurance	5'562	5'426
Deferred acquisition costs, ceded reinsurance	-3'529	-4'340
Total	**2'033**	**1'085**

5. Insurance receivables

in CHF '000	Third-party 31.12.2021	Intercompany Participants 31.12.2021	Total 31.12.2021	Third-party 31.12.2020	Intercompany Participants 31.12.2020	Total 31.12.2020
Receivables from insurance companies	74'714	20'298	95'012	86'850	41'622	128'472
Total	**74'714**	**20'298**	**95'012**	**86'850**	**41'622**	**128'472**

6. Other Assets and Prepaid expenses

CHF 000	31.12.2021	31.12.2020
Accrued interest on investments and Deposits	398	219
Other deferrals	7	25
Total	**405**	**244**

7. Technical provisions

in CHF '000	Technical provisions (gross) 31.12.2021	Reinsurers' share 31.12.2021	Technical provisions written (net) 31.12.2021	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020
Unearned premium reserve	25'010	16'586	8'424	25'254	20'203	5'051
Outstanding loss reserves	143'205	113'377	29'828	108'943	86'685	22'258
Equalisation reserve (SER)	1'554	-	1'554	1'498	-	1'498
Total	**169'768**	**129'963**	**39'805**	**135'695**	**106'888**	**28'807**

8. Insurance payables

in CHF '000	Third-party 31.12.2021	Intercompany Participants 31.12.2021	Total 31.12.2021	Third-party 31.12.2020	Intercompany Participants 31.12.2020	Total 31.12.2020
Liabilities to insurance companies *	19'612	52'509	72'121	21'899	90'797	112'697
Total	**19'612**	**52'509**	**72'121**	**21'899**	**90'797**	**112'697**

* in both years amounts for intercompany dues are related to the intra-group quota share retro agreements premiums less commissions with parent company that is the sole reinsurer of the company.

9. Receivables from and liabilities to related parties

in CHF ’000	Third-party	Intercompany Participants	**Total 31.12.2021**	Third-party	Intercompany Participants	**Total 31.12.2020**
Other receivables	3’826	-	**3’826**	26	-	**26**
Other liabilities	636	20’569	**21’205**	2’601	20’614	**23’215**

- Intercompany of other liabilities in both year 2021 and 2020 CHF 20 million are held as collateral, in cash, under the Whole Account Quota Share Retrocession Agreement; in 2021 and in 2020 additional CHF 0.6m are liabilities to pay for various services outsourced to parent company.
- Third-party liabilities includes CHF 0.6m accruals for services to be paid, compares to CHF 0.8m in 2020, the remaining amount of CHF 1.7m are reserves for unrealised gains on foreign exchange on investments activities and on technical reserves.

10. Statement of changes in equity

in CHF ’000	**Share capital**	**Statutory capital reserves**	**Voluntary retained earnings**	**Currency Translation reserve**	**Total equity**
As of 31 Dec 2020	**10’000**	**79’462**	**(21’177)**	**-**	**68’286**
Transfer to voluntary retained earnings					-
Additional Paid in capital correction		(525)			(525)
Purchase / sale of treasury shares					-
Effect of foreign exchange				2’927	2’927
(Loss) for the period			(6’647)		(6’647)
As of 31 Dec 2021	**10’000**	**78’937**	**(27’824)**	**2’927**	**64’040**

Disclosures, breakdowns and explanations on income statement items

11.Change in Deferred acquisition costs, Net

in CHF ’000	**31.12.2021**	**31.12.2020**
Change in deferred acquisition costs, assumed reins.	-63	642
Change in deferred acquisition costs, ceded reins.	973	-514
Total	**910**	**128**

12. Change in technical provisions (gross) and in Reinsurers' share of technical provisions

in CHF '000	Technical provisions (gross) 31.12.2021	Reinsurers' share 31.12.2021	Technical provisions written (net) 31.12.2021	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020
Change in Unearned premium reserve	1'172	4'368	**-3'196**	8'725	6'980	**1'745**
Change in loss reserves	32'206	25'755	**6'451**	40'551	32'969	**7'582**
Change in SER (Security Equalization Reserve)	-	-	-	-	-	-
Total	**33'378**	**30'123**	**3'255**	**49'276**	**39'949**	**9'327**

No change in SER (Security Equalization Reserve), as from 2019 policy change no SER is computed and booked in case the FY ends with a loss.

13. Audit fees

in CHF '000	31.12.2021	31.12.2020
Audit services	**145**	**111**
Total	**145**	**111**

The audit fees include fees for engagements with a direct or indirect connection to an external audit engagement. The fees exclude outlays and include VAT.

14. Income from investments

in CHF '000	Income * 31.12.2021	Net unrealized gains 31.12.2021	Net realized gains 31.12.2021	Total 31.12.2021	Income * 31.12.2020	Net unrealized gains 31.12.2020	Net realized gains 31.12.2020	Total 31.12.2020
Fixed-interest securities	408	-	-	408	937	-	1'180	2'117
Loans	17	-	-	17	78	-	-	78
Shares	864	-	-	864	1'090	-	-	1'090
Other investments	20	-	-	20	204	-	-	204
Total	**1'309**	**-**	**-**	**1'309**	**2'309**	**-**	**1'180**	**3'489**

* Income relates to dividends for shares (we hold shares of ETF Bonds), interest coupons on Bonds, interest on cash and cash equivalents.

15. Expenses from investments

in CHF '000	Current expenses 31.12.2021	Net unrealized losses 31.12.2021	Net realized losses 31.12.2021	Total 31.12.2021	Current expenses 31.12.2020	Net unrealized losses 31.12.2020	Net realized losses 31.12.2020	Total 31.12.2020
Fixed-interest securities	-	-	624	**624**	72	697	-	769
Loans	-	-	5	**5**	-	-	-	-
Shares	-	-	-	**-**	-	-	-	-
Other investments	31	-	-	**31**	-	-	-	-
Total	**31**	**-**	**629**	**660**	**72**	**697**	**-**	**769**

16. Personnel expenses

Personnel expenses for fiscal year 2021 amounted to CHF 2.5m as compared to 2020 amount of CHF 2.5m and are included in the line item Acquisition costs and Administrative expenses.

17. Depreciation of office equipment and hardware

in CHF '000	31.12.2021	31.12.2020
Hardware and office equipment	12	10
Total	**12**	**10**

Other notes to the financial statements

18. Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

in CHF '000	31.12.2021	31.12.2020
Guarantees (fixed securities to fund cedent claims reserve as per contract)	4'151	-
Assets under reservation of ownership (rental deposit)	42	46
Total	**4'193**	**46**

19. Contingent Liabilities: none

20. Other Expenses

in CHF ’000	31.12.2021	31.12.2020
Capital Tax expenses	427	85
Total	**427**	**85**

21. Full-time equivalents

The annual average number of full-time equivalents for the reporting year was 6.1

22. Restricted assets

To secure the rental of the office premises a deposit of CHF 42k is held with Zurich Cantonal Bank.

23. Commitments

As of December 31, 2021, we had no letters of credit in favor of ceding companies or a letter of credit facility with any Bank.

24. Further points subject to mandatory disclosure

- No significant event affecting the amounts reported in the balance sheet occurred after the balance sheet date
- No bonds were issued by the company.

Proposed appropriation of retained earnings
For the year 2021 (*in CHF'000*)

	31/12/2021
Retained earnings carried forward	-21'177
Loss for the year	-6'647
Loss to be carried forward	-27'824

The Board of Directors proposes to appropriate the retained earnings as follows:

Distributable Earnings (deficit)	-27'824
Transfer to Organisation Fund	-
Amount carried forward	-27'824

No dividend is proposed due to year-end loss.

Further allocations have been waived.

External auditor's report

The external auditors approved the financial statements without qualifications or reservations.

See Appendix 3

B.2 - Additional information Quantitative template “Performance Solo Reinsurance”

Currency : CHF	Total		Personal accident		Health		Motor	
	2020	2021	2020	2021	2020	2021	2020	2021
Gross premiums	73'536'317	79'137'058	9'416	450'310			21'242'123	16'173'675
Reinsurers' share of gross premiums	(60'943'968)	(53'328'354)	(7'533)	(292'773)			(18'051'155)	(10'302'450)
Premiums for own account (1 + 2)	**12'592'349**	**25'808'704**	**1'883**	**157'537**			**3'190'967**	**5'871'225**
Change in unearned premium reserves	8'724'995	1'171'519	35'726	(149'157)			(5'993'883)	3'355'936
Reinsurers' share of change in unearned premium reserves	(6'979'996)	(4'367'555)	(28'581)	96'952			4'795'106	(3'749'532)
Premiums earned for own account (3 + 4 + 5)	**14'337'348**	**22'612'667**	**9'029**	**105'332**			**1'992'191**	**5'477'629**
Other income from insurance business	0	0	0	0			0	0
Total income from underwriting business (6 + 7)	**14'337'348**	**22'612'667**	**9'029**	**105'332**	**0**	**0**	**1'992'191**	**5'477'629**
Payments for insurance claims (gross)	(40'380'828)	(58'998'889)	(32'136)	(980)			(3'402'273)	(5'232'310)
Reinsurers' share of payments for insurance claims	32'304'662	46'114'833	25'709	624			2'721'818	4'182'023
Change in technical provisions	(40'501'268)	(32'205'921)	84'791	(178'594)			(7'764'380)	(7'591'317)
Reinsurers' share of change in technical provisions	32'968'716	25'754'996	(68'616)	115'874			6'222'244	5'031'249
Change in technical provisions for unit-linked life insurance	0	0	0	0			0	0
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	**(15'608'717)**	**(19'334'980)**	**(19'559)**	**(63'077)**	**0**	**0**	**(2'222'591)**	**(3'610'354)**
Acquisition and administration expenses	(19'115'955)	(20'302'532)	(12'052)	(55'444)			(5'031'071)	(5'411'136)
Reinsurers' share of acquisition and administration expenses	14'673'171	14'122'629	10'269	31'325			3'806'122	4'188'444
Acquisition and administration expenses for own account (15 + 16)	**(4'442'784)**	**(6'179'902)**	**(1'782)**	**(24'119)**	**0**	**0**	**(1'224'949)**	**(1'222'693)**
Other underwriting expenses for own account	(163'323)	(907'228)	0	0			(9'949)	(618'289)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	**(20'214'824)**	**(26'422'111)**	**(21'341)**	**(87'196)**	**0**	**0**	**(3'447'540)**	**(4'833'047)**
Investment income	3'488'590	1'308'751						
Investment expenses	-769'046	-660'236						
Net investment income (20 + 21)	**2'719'543**	**648'515**						
Capital and interest income from unit-linked life insurance	0	0						
Other financial income	1'774'591	(2'333'096)						
Other financial expenses	(7)	(726'430)						
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	**(1'383'349)**	**(6'220'455)**						
Interest expenses for interest-bearing liabilities	0	0						
Other income	0	0						
Other expenses	(5'205'475)	(426'949)						
Extraordinary income/expenses								
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	**(6'588'824)**	**(6'647'404)**						
Direct taxes	0	0						
Profit / loss (31 + 32)	**(6'588'824)**	**(6'647'404)**						

Continued Quantitative template “Performance Solo Reinsurance”

Currency : CHF	Total		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gross premiums	73'536'317	79'137'058	902'092	924'466	35'844'266	49'910'018	8'489'757	10'125'532	7'048'663	1'553'057
Reinsurers' share of gross premiums	(60'943'968)	(53'328'354)	(721'673)	(611'944)	(29'732'870)	(34'353'763)	(6'791'806)	(6'776'970)	(5'638'930)	(990'454)
Premiums for own account (1 + 2)	**12'592'349**	**25'808'704**	**180'418**	**312'522**	**6'111'396**	**15'556'255**	**1'697'951**	**3'348'562**	**1'409'733**	**562'603**
Change in unearned premium reserves	8'724'995	1'171'519	990'255	3'823	(1'248'548)	(3'363'699)	(512'009)	(586'494)	15'453'454	1'911'110
Reinsurers' share of change in unearned premium reserves	(6'979'996)	(4'367'555)	(792'204)	(29'875)	998'838	935'428	409'608	(48'755)	(12'362'763)	(1'571'775)
Premiums earned for own account (3 + 4 + 5)	**14'337'348**	**22'612'667**	**378'469**	**286'471**	**5'861'686**	**13'127'984**	**1'595'549**	**2'713'313**	**4'500'423**	**901'938**
Other income from insurance business	0	0	0	0	0	0	0	0	0	0
Total income from underwriting business (6 + 7)	**14'337'348**	**22'612'667**	**378'469**	**286'471**	**5'861'686**	**13'127'984**	**1'595'549**	**2'713'313**	**4'500'423**	**901'938**
Payments for insurance claims (gross)	(40'380'828)	(58'998'889)	(486'917)	(781'238)	(8'714'141)	(22'339'784)	(1'025'485)	(1'603'725)	(26'719'876)	(29'040'852)
Reinsurers' share of payments for insurance claims	32'304'662	46'114'833	389'533	624'977	6'971'313	16'865'797	820'388	1'213'515	21'375'901	23'227'896
Change in technical provisions	(40'501'268)	(32'205'921)	(848'517)	(248'648)	(22'782'973)	(42'092'331)	(6'443'810)	(3'890'614)	(2'746'379)	21'795'584
Reinsurers' share of change in technical provisions	32'968'716	25'754'996	786'706	143'308	18'526'801	34'081'000	5'267'432	2'558'787	2'234'149	(16'175'222)
Change in technical provisions for unit-linked life insurance	0	0	0	0	0	0	0	0	0	0
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	**(15'608'717)**	**(19'334'980)**	**(159'194)**	**(261'601)**	**(5'999'000)**	**(13'485'318)**	**(1'381'475)**	**(1'722'037)**	**(5'856'205)**	**(192'593)**
Acquisition and administration expenses	(19'115'955)	(20'302'532)	(438'506)	(172'606)	(9'126'519)	(11'443'999)	(2'435'320)	(2'710'636)	(2'072'487)	(508'710)
Reinsurers' share of acquisition and administration expenses	14'673'171	14'122'629	340'804	109'266	7'037'896	7'567'794	1'855'587	1'894'925	1'622'492	330'876
Acquisition and administration expenses for own account (15 + 16)	**(4'442'784)**	**(6'179'902)**	**(97'702)**	**(63'340)**	**(2'088'623)**	**(3'876'206)**	**(579'733)**	**(815'711)**	**(449'995)**	**(177'834)**
Other underwriting expenses for own account	(163'323)	(907'228)	0	0	(102'725)	(184'082)	(49'786)	(104'665)	(864)	(191)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	**(20'214'824)**	**(26'422'111)**	**(256'896)**	**(324'941)**	**(8'190'348)**	**(17'545'606)**	**(1'961'208)**	**(2'537'748)**	**(6'306'200)**	**(370'426)**
Investment income	3'488'590	1'308'751								
Investment expenses	-769'046	-660'236								
Net investment income (20 + 21)	**2'719'543**	**648'515**								
Capital and interest income from unit-linked life insurance	0	0								
Other financial income	1'774'591	(2'333'096)								
Other financial expenses	(7)	(726'430)								
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	**(1'383'349)**	**(6'220'455)**								
Interest expenses for interest-bearing liabilities	0	0								
Other income	0	0								
Other expenses	(5'205'475)	(426'949)								
Extraordinary income/expenses										
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	**(6'588'824)**	**(6'647'404)**								
Direct taxes	0	0								
Profit / loss (31 + 32)	**(6'588'824)**	**(6'647'404)**								

- Line of Business Miscellaneous includes agriculture insurance and credit & bonds insurance.
- “Investment income” and “Investment expenses” are reported with the same granularity as reported in the income statement and the notes to the Financial Statements. “Investment income” shows the “Investment income” as reported in the income statement but before investment expenses.
“Investment expenses” includes the “Investment expenses” and “Net unrealised losses”.
Line “Other financial income” reports foreign exchange realized losses on balance sheet accounts.

B.3 Comments on quantitative template "Performance Solo Reinsurance"

Peak Reinsurance Switzerland reported a net loss after taxes of CHF -6.6m for the financial year 2021 (FY2020: CHF -6.6m). The result was driven by an operating loss (of CHF -3.8m), to which were added realised losses and relevant foreign exchange impact on our invested assets (CHF -2.3m), foreign exchange impact on our treaty book of business (CHF -0.7m) and other expenses (mainly Capital Taxes CHF -0.4m). These were partly offset by investment income of CHF +0.6m over the year.

The Company registered a positive net underwriting result of CHF +1.4m in 2021, as the negative impact from cat losses due to floods (in Germany and Benelux) and hailstorms in Switzerland was largely absorbed by our retrocession programmes. The losses caused by SARSCov2/Covid19 in 2022 stabilised in 2021. Meanwhile, general and administrative expenses amounted to CHF 5.2m. On balance, operating result showed a loss of CHF 3.8m.

Gross investment income, received as interest on bonds and dividends on ETFs shares (mainly corporate bonds), amounted to CHF 1.3m in 2021 (2020: CHF 3.4m). Taking into account realised losses (CHF -0.6m) and investment expenses (CHF -0.1), net investment income was positive at CHF 0.6m (2020: CHF 2.7m). The reallocation of our invested assets portfolio from individual bonds to corporate bonds ETF reduced unsystematic risk.

Total gross written premiums (GWP) were at CHF 79.1m in 2021 (2020: CHF 73.5m). The increase reflects the result of our business objective to increase our footprint in core European markets.

Net earned premiums, after applying the Whole Account Quota Share Retrocession treaty, grew substantially to CHF 22.6m from CHF 14.3m a year ago. The higher retention reflects both increases in GWP and the reduction in the intra-group retrocession from 80% to 65% compared to 2020.

The Net Technical Profit of CHF 1.4m benefitted from the Quota Share retrocession program and the Aggregate XL treaty on losses from weather events in Europe (i.e., floods in Germany, and hailstorms in Switzerland). These weather events have heavily impacted our property and motor lines of business. The Net Technical Combined ratio (e.g., without General and Admin Expenses) improved to 93.7% from 108.5% in 2020. When including General and Admin expenses the Total combined ratio for 2021 was 116.8%, down from 140.9% in 2020. The impact of these exceptionally high losses depressed the gross result of Peak Re Switzerland with that hindering the possibility to achieve a positive result in the year.

Peak Re Switzerland strengthened its focus on the main European markets, as illustrated in the table below.

Cedent Region	**2021**	**2020**
Europe	91.8%	84.6%
Americas	7.8%	4.6%
Asia	0.4%	10.8%
Africa	0.1%	0.0%

The top 10 countries in terms of share of gross written premiums accounted for a combined 94.8% of the total in FY2021, compared to 96.2% in FY2020.

Cedent Country	**2021**	**2020**
Germany	26.1%	14.1%
Switzerland	17.4%	19.6%
France	16.6%	23.9%

Peru	7.8%	4.6%
Portugal	6.7%	5.6%
Italy	5.8%	5.9%
Spain	5.4%	6.8%
Malta	4.3%	0.0%
Belgium	3.1%	3.2%
Norway	1.7%	1.5%

Over the year, we were able to increase our presence in Germany whereas in Switzerland we reduced our shares in some treaties to maintain a balanced portfolio and manage overall exposures. The reduction in the share of France was due to the non-renewal of a large quota-share motor treaty (see also the table above). Following the cessation of our business in India, the country is no longer among our top-10 markets (2020: 10.8% of total GWP).

The company's aim to shift the portfolio to more Non-Proportional business continued successfully as per below table.

Type of Treaty	2021	2020
Proportional	50.8%	67.7%
Non-Proportional	49.2%	32.3%

The split by Lines of Business is as follows

Line of Business	2021	2020
Property	49.0%	35.9%
Motor	20.4%	28.9%
Engineering	14.1%	12.8%
Casualty	12.8%	11.5%
Agriculture	2.5%	9.0%
Marine	1.2%	1.2%
Miscellaneous Accident	0.3%	0.0%
Accident & Health	0.3%	0.0%
Credit and Bonds	-0.5%	0.5%

Growth in Property driven by an increase in Germany, reduction in Motor due to non-renewal of large quota shares in France, while in credit the negative contribution is due to adjustments in prior underwriting years.

The Net claims expenses incurred were at CHF 19.3m compared to CHF 15.7m in 2020. Below the split across all lines of business.

Line	2021	2020
Property	59.6%	28.2%
Motor	18.3%	15.3%
Engineering	8.7%	11.2%
Casualty	8.7%	9.4%
Agriculture	3.1%	34.3%
Marine	1.3%	1.1%
Other	0.3%	0.5%

Safety and Equalisation Reserve remained unchanged at USD 1.7m, which translated to CHF 1.6m (2020: CHF 1.5m). The Company's policy is not to build the equalisation reserve if the net result before taxes is not a profit.

Net investment result

Investments were held mainly in a well-diversified portfolio of fixed income instruments, shares of Exchange Traded Fund (ETFs) in bonds and real estate fund. The cash and cash equivalents portfolio was 29% of the Assets under Management including the amount held in cash as collateral under the Whole Account Quota Share Agreement.

As of the end of 2021, Peak Re Switzerland held investments in the amount of CHF 96m, down from CHF 103.2m at the end of 2020:

Asset class	2021	2020
Fixed-interest securities	12.1m	16.9m
Loans and Asset Backed Securities	0m	1.7m
ETF Shares (Bonds)	55.8m	51.6m
Cash and cash equivalents *	28.1m	33.0m

*includes CHF 19.2m of collateral under the Whole account Quota Share Agreement

Income from investments

	Income	**Net unrealized gains**	**Net realized gains**	**Total**	**Income ***	**Net unrealized gains**	**Net realized gains**	**Total**
CHF thousands	**2021**	**2021**	**2021**	**2021**	**2020**	**2020**	**2020**	**2020**
Fixed-interest securities	408	-	-	408	937	-	1'180	2'117
Loans	17	-	-	17	78	-	-	78
ETF Shares	864	-	-	864	1'090	-	-	1'090
Other investments	20	-	-	20	204	-	-	204
Total	**1'309**	**-**	**-**	**1'309**	**2'309**	**-**	**1'180**	**3'489**

Expenses from investments

	Current expenses	**Net unrealized losses**	**Net realized losses**	**Total**	**Current expenses**	**Net unrealized losses**	**Net realized losses**	**Total**
CHF thousands	**2021**	**2021**	**2021**	**2021**	**2020**	**2020**	**2020**	**2020**
Fixed-interest securities	-	-	624	**624**	72	697	-	**769**
Loans	-	-	5	**5**	-	-	-	**-**
ETF Shares	-	-	-	**-**	-	-	-	**-**
Other investments	31	-	-	**31**	-	-	-	**-**
Total	**31**	**-**	**629**	**660**	**72**	**697**	**-**	**769**

The net investment result in 2021 was CHF 0.6m comparing to CHF 2.7m in 2020 and includes a negative value adjustment to amortised cost for fixed interest securities of CHF 0.7m. In 2021, Peak Re Switzerland has no unrealised losses on our bonds portfolio (2020: CHF -0.8m) nor realised losses on underperforming bonds (2020 CHF -1.9m).

Other income and expenses

Other income and expenses relate to realised foreign exchange gains and losses amounted to a loss of CHF 3.1m (CHF 2.3m in Other financial Income line and CHF 0.8min Other financial expenses line) in 2021, against a gain of CHF 1.7m in 2020.

General and Admin Expenses

General and Admin Expenses are presented as part of Acquisition costs and Admin expenses in the Local Statutory Income statement. They increased by CHF 0.6m to CHF 5.2m over the year. Specifically, non-personnel costs increased by CHF 0.2m (consulting costs up due to increased outsourced costs for actuarial and market services); personnel costs were up CHF 0.1m due to temporary increase in FTE; and costs of general outsourcing services increased by CHF 0.3m

At the end of 2021 Peak Re Switzerland had 8 employees, unchanged from a year ago, including 5 full-time and 3 part- time staff.

No profits and losses have been recognised directly in equity in FY2021.

C. Corporate Governance and Risk Management

C.1 - Corporate Governance

The composition of the Board of Directors and the Executive Management as of December 31, 2021:

Board of Directors

Mr. Franz Josef Hahn, Chairman
Mrs. Cathy Chen, member
Mr. Ulrich Fricker, member and Independent Non-Executive Director

Executive management

Jacques Burri, Chief Executive Officer (until February 28, 2021)
Matteo Cussigh, Chief Executive Officer (from March 1, 2021)
Lawrence Cheng, Head of Underwriting (until February 28, 2021)
Gianluca Mereu, Head of Finance

C.2 - Risk Management

Peak Re Switzerland Risk Management framework is based on strong risk culture, a robust compliance framework, a clearly articulated risk ownership by the operational units, a risk management and compliance function and an internal audit function. Both the Risk Management and the Internal Audit functions regularly report and advise the Board of Directors and Executive Management team on risk management matters, including ad-hoc risk analysis whenever required.

Peak Re Switzerland has a documented Risk Management and Governance framework.

The Company's Risk Policy describes Peak Re Switzerland's risk appetite and tolerance. It provides guidance on how the risks from underwriting and investment activities are being monitored and managed and describes the roles and responsibilities of relevant functions in the Company. It defines appetite for identified risk types at company level, in line with Peak Re Group.
The Enterprise Risk Management framework covers the range within which risks are to stay so as to ensure that the risk appetite is respected.

C 2.1 Risk Management Function

The Risk Management function is independent from the business. The technical and business skills of Peak Re Switzerland's Head of Risk & Compliance positions him as business advisor on risk matters and helps foster a risk-aware culture in the business.

Risk management is performed by the operating units ("1st line of defence"), the risk manager ("2nd line of defence") and the internal auditor PWC AG, Zurich ("3rd line of defence"). There have been no substantial changes to the risk management system during the reporting period. The engagement of PWC, Switzerland as the Internal Auditor was renewed for the reporting year.

Operational risks such as those stemming from the legal and regulatory environment, bank relationships etc. did not experience any extraordinary exposures.

Certain key functions of Peak Re Switzerland are supported by an outsourcing agreement with Peak Re Hong Kong under a group services model and benefit from the Parent company's scale and depth of knowledge and experience. These were carried out seamlessly throughout the year.

The Board of Director is ultimately responsible for the oversight of Risk Management framework and reviews the Enterprise Risk Management (ERM) Report quarterly. The quarterly ERM Report provides a view of the overall risk posture of the Company including mitigating actions and compliance issues. Major changes to the operating environment, business development and extraordinary events are considered.

C 2.2 Actuarial Function

Consistent with FINMA guidelines, the Company has appointed a Responsible Actuary. As a subsidiary of an international group we have opted for an external actuarial advisor who is familiar with local Swiss requirements and who brings the necessary credentials.

Although an external appointee, the Responsible Actuary is appropriately integrated into the operations of the Company. His role includes the responsibility for:

a. The validation of the appropriate amount of reserves;

b. The involvement in the Swiss Solvency Test process, including the confirmation that the SST ratio is correctly calculated, and the determination of the Target Capital ("TC") and Risk Bearing Capital ("RBC") metrics;

c. The periodic review and oversight of pricing.

The Responsible Actuary reports to the Executive Management and to the Board of Directors.

C 2.3 Compliance Function

The Compliance Function ensures that the relevant legal and regulatory obligations of the company are identified and assessed. Further it reviews and assesses the appropriateness of the guidelines, processes and controls set up by the Company in order to prevent compliance violations.

Further objectives are to protect Peak Re Switzerland and its employees by avoiding:

- Legal and regulatory risks,
- Conflicts of interests between the Company and its employees and clients,
- Reputational risks.

The Board of Directors is responsible for compliance, the operational responsibility is delegated to the Legal & Compliance Officer. The compliance reporting system is the basis for the regular reporting from the Legal & Compliance Officer to the Board of Directors and the Executive Management. It consists of quarterly report and, if required, of an ad-hoc reporting.

C 2.4 Internal Audit Function

The Internal Audit function is an independent and outsourced function whose activity is guided by a philosophy of adding value to improve the operations of Peak Re Switzerland. It assists the Board of Directors in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organisation's governance, risk management and internal control.

The Internal Audit function reports to the Board of Directors of Peak Re Switzerland (the "Board").

It prepares an activity report on an annual basis which describes and comments on the status of compliance with

- the internal audit plan as approved by the Board, and
- the implementation of agreed measures resulting from audit reports.

C.3 Internal Control System

The Internal Control System (ICS) policy defines the risks subject to control, the control process and responsibilities as per the requirements of the FINMA circular 2017/02 "Corporate Governance".

The ICS consists of automated and manual preventive and detective controls embedded in the process landscape. It applies to all business and operations areas: Underwriting, Pricing, Technical and Financial accounting and reporting, Claims, Investment Management, IT, Human Resources, Risk Management and Compliance.

The policy is reviewed and amended, as appropriate, on an annual basis by the Board of Directors of the Company (the "Board").

The ICS Policy implementation and findings are reported regularly to the Board of Directors. Findings with a substantial, immediate impact on the operations shall be reported without delay to the CEO, Head of Risk & Compliance and the Chairman of the Board.

D. Risk Profile

Peak Re Switzerland assumes risk from reinsurance underwriting and investment activities. The Company targets a diversified portfolio in terms of lines of business and geography covering all of the Property and Casualty lines of business to add value and provide diversification at the Group level.

We aim for the combination of a diverse inwards portfolio (i.e., by line and country) and a comprehensive retrocession program to reduce the concentration of risks and volatility.

D.1 – Risk Profiles

The main risks that are monitored since considered material are:

- Insurance risk
- Market Risk
- Credit Risk
- Operational Risk

Peak Re Switzerland has defined limits for the amount of risk the company is willing to assume in any one of its risk-taking activities. Details are to be found in the following documents:

a. Corporate Underwriting Guideline and Accumulation Control – this defines the capacities and limits deployed for P&C business per line of business

b. Board Protocols on delegation of authorities.

c. Investment Policy Guidelines – this defines the strategic asset allocation and limits for cash and short-term deposits, fixed income, equities and real estate, as well as the delegation of authorities to the asset manager

Peak Re Switzerland applies state of the art techniques to identify, quantify and manage risks. Risks from reinsurance underwriting and investment activities are identified and managed by using:

a. A limits system,

b. ORSA (Own Risk and Solvency Assessment).

Peak Re Switzerland uses the Own Risk and Solvency Assessment (ORSA) applying the SST modelling framework. Underwriting and Investment Policies drive the culture of risk management of the Company and define the risk-taking appetite. The Board approves major decisions affecting the Company's risk profile or exposure.

Peak Re Switzerland's risk landscape can be categorised by its sources as:

- insurance risk (premium and reserve risk),
- investment risk (market, credit, liquidity risk) and
- risks associated with the Company as such (operational, legal and compliance risk).

- Insurance Risk (premium and reserve risk)

Premiums should be set at a level that corresponds with the level of risks underwritten. Premium risk is monitored prospectively and retrospectively. Prospective premium risk monitoring shall be implemented at the time contracts are written. This is achieved through the use of proprietary tools which compare Peak Re Switzerland's view on premiums following the technical rating exercise (i.e., the "technical rate") with the prevailing price available in the market (i.e., the "market rate"). Over time, the market rate will fluctuate and may be above or below the Peak Re Switzerland's technical rate due to the market cycle.

Following the decision to bind a treaty, there is a risk that a higher level of claims will materialise than originally expected. This is monitored in the quarterly reserving reports, which include a review of treaty level loss ratios.

Specifically, reserving risk arises due to unfavourable development in claims costs relative to Peak Re Switzerland's opening reserve level. This may be due to adverse claims experience on policies written in the current financial year or due to deterioration in the ultimate claims forecast against prior financial years. Peak Re Switzerland employs suitable methodologies and assumptions to compute and make provision for its insurance liabilities. Such methodologies and assumptions take into account the business volume, claims experience, industry practice, types of reinsurance product, etc. Any reserving assumptions made are reviewed on a quarterly basis (and twice a year by the Responsible Actuary in Switzerland) together with the Reserving Actuary of Peak Re Hong Kong to ensure that due recognition is given to relevant changes in the composition of the business portfolio, market conditions and legal developments, etc.

Any claims reported are promptly recorded so that the relevant reserves will be provided accordingly. The amounts of estimated and actual claims are compared from time to time to ensure adequate provisions are made for outstanding claims. The Board is notified of large claims (above USD 1m) and will take timely actions as appropriate.

The Company's retrocession policy provides for guidance such that the exposures of Peak Re Switzerland's business portfolio to major losses owing to individual large risks and accumulations of losses are properly managed. Peak Re Switzerland also regularly assesses the counter-party risk of retrocessionaires (including retrocessionaires of the Group) and on a quarterly base the collectability of the amounts due.

- Market Risk

Peak Re Switzerland's investments are exposed to market risk, arising as a result of changes in interest rates, currency exchange rates, geopolitical events, or general macro-economic market conditions. Market risk is systematic and affects the whole market collectively.

Peak Re Switzerland's investment risk monitoring process includes diversification and exposure limits, traditional asset/liability management practices, assessing the minimum weighted average credit quality of the bond portfolio and regularly monitoring currency mismatch risk and duration/interest rate risks. Peak Re Switzerland also uses a traffic light system (by mean of monthly report to the Head of Finance and CEO) to facilitate the monitoring and communication of investment risk levels at country, currency, and industry sector levels.

As of the end of 2021, the Company has not invested in equity securities.

The Company's fixed income portfolio (including fixed income ETFs) is mainly exposed to interest rate movements and changes in spreads reflecting counterparty risk. Peak Re Switzerland tracks risks on a name, country and industry basis and considers cross balance sheet exposures from its credit and bond portfolios. If the Company becomes overexposed to any one country, rating level, name or industry, the portfolio will be rebalanced or hedged.

The Company's Investment Policy also ensures that cash inflows from invested assets are regularly reviewed so that it is adequate to meet the cash outflows due for settling liabilities under different economic conditions. Timely actions will be taken to identify any significant investment losses so that provisions will be made for them.

- Credit Risk

Credit risk represents the loss that Peak Re Switzerland would incur if a counterparty (including a loan borrower, an issuer of securities or other instruments Peak Re Switzerland holds) fails to perform its contractual obligations or the loss in value of securities and/or other financial instruments due to deterioration in the credit quality of the issuer. Peak Re Switzerland's exposure to credit risk principally arises through its investment, as well as credit and bond and reinsurance ceding activities.

Peak Re Switzerland's credit risk management aims to maintain high asset quality and minimise its concentration risk through a diversified, balanced and risk-weighted investment and product portfolio. The Company continually monitors and updates its credit risk-related policies and guidelines to reflect changing market and business conditions. To measure and manage its credit exposures, Peak Re Switzerland uses a variety of tools on a daily basis, including a credit management system monitoring credit exposure to individual counterparties. In the ordinary course of business, the Company may be subject to a concentration of credit risk to a particular counterparty, in which case Peak Re Switzerland will manage by setting exposure limits. The Company's only intra-group retrocessionaire is Peak Re Hong Kong, which itself employs retrocession and other risk mitigating measures.

- Operational Risk

Peak Re Switzerland defines operational risk as the risk of loss arising from people, processes, systems, and external events. The Company tracks these risks using risk registers, which identify the risk owner, describe the risk, define mitigating actions, and quantify the residual risk.

To help mitigate these risks, Peak Re Switzerland adopted proper delegated authorities for underwriting and securities trading.

The Company has defined and uses policy/procedures to identify, prevent, detect, and mitigate cyber security threats arising from network, e-mail and/or devices and robust measures to deal with cyber security threats timely and effectively. In addition, the Company runs a "Disaster Recovery Process" at least once a year to test the resilience of its information technology systems and access to critical business information in case of a network disruption, loss of data or security breach.

Peak Re Switzerland has a business continuity plan (BCP) in place to identify viable measures and actions that the Company can take to continue and restore its position or business activities under different stressed conditions or in advance as precautionary measures. SARSCov2/Covid19 did not impact the effectiveness of the operations.

The Company provides training to staff on how to respond to unforeseen external events such as a fire in the office or inaccessibility of office premises (in accordance with the BCP).

- Other material risks
    - Liquidity Risk

Liquidity risk refers to the risk of loss that may arise as a result of insufficient funds due to an unexpected sudden change in cash flow. In case of a major loss, the Company needs to have sufficient liquidity to pay claims in a timely manner to retain its main value proposition to ceding insurance companies. Peak Re Switzerland monitors its liquidity position and as a precautionary measure keeps at least 5% of its shareholder and policyholder funds in cash. Peak Re Switzerland's equity and fixed income instruments are mostly traded in public exchanges. The Company also works to ensure the portfolio of fixed income securities is comprised of liquid instruments.

- Legal and Compliance Risk

The Head of Risk Management & Compliance and legal counsel of the Company is responsible for ensuring that the Company complies with applicable laws and regulations, guidance notes, guidelines and codes issued by relevant regulators (including FINMA) and standards and codes issued by industry bodies (if and as applicable).

The Anti Money Laundering /Counter Financing Terrorism (AML/CFT) policy of the Company establishes procedures for identifying any potential suspicious transactions and for reporting to the senior management, the Board and/or law enforcement authorities as appropriate.

- Internal Controls

The effectiveness of risk monitoring, risk control and reporting is subject to regular internal audits.

The internal auditor exercises independent assessment of the risk management process and report to the Board on a regular basis and as necessary. The Board is responsible for oversight of all aspects of Peak Re Switzerland's risk management systems and measures. The internal audit function is outsourced to PWC.

During the reporting period, the Company was exposed to the risk outlined above, while insurance risk exposure decreased due to the discontinuation of our Indian portfolio.

There was no exposure to off-balance-sheet positions nor risks transferred to special purpose vehicles (SPVs).

The Company maintained the process for assessing the risks to which is exposed as described above.

D.2 - Risk Concentration and Accumulation

a. Assets

Relevant Concentrations

Peak Re Switzerland's key retrocessionaire is the Parent Company (with AM Best and Moody's ratings of A-) through an intragroup quota share and additional non-proportional retrocession protections.

Default Probabilities of the Relevant Exposures

There are no extraordinary exposures.

b. Liabilities

Peak Re Switzerland writes a diverse portfolio of business and has limited risk accumulations on the liability side. With regards to the quantitative aspects, the SST Report 2022 as of 1 January 2022 showed the following risk posture:

Insurance risk comprised 56.9% of the Target Capital of USD 44.6m (as calculated in April 2022). This compares to 63.4% of the Target Capital of USD 32.2m as of April 2021. The decrease in relative terms was driven by two factors: i) the increase in the amount of Target Capital due to increase in Insurance risk and in credit risk driven by projected growth of business volume in 2022, the gross earned premium increases from USD 84.8 million in the SST 2021 to USD 110.9 million in the SST 2022; and ii) increased reserve risk due to further portfolio growth.

Market risk made up 10.3% of Target Capital of USD 44.6m as calculated in April 2022, which compares to 14.0% of the Target Capital of USD 32.2m as of April 2021. The change was solely driven by the change in Target Capital since the absolute amount of Market risk remained essentially unchanged as compared to last year (USD 4.6m in SST 2022 versus USD 4.5m in SST 2021).

Credit risk made up 49.1% of Target Capital of USD 44.6m as calculated as of April 2022 which compares to 54% of the Target Capital of USD 32.2m as of April 2020. The absolute risk charge for credit risk grew instead from USD 17.4m a year ago to USD 21.9m in SST 2022, driven by the increase of the reinsurance ceded reserves from USD 118.9 million to USD 139.2 million. The credit risk model is based on cash-flow projections at counterparty level.

D.3. - Reinsurance and Risk Mitigation Techniques

Peak Re Switzerland uses retrocession to manage its overall underwriting risk, and financial hedging to control foreign exchange or asset volatility risk.

The intragroup and outward retrocession programs are deemed adequate to protect the capital base of the Company against large per risk and per event losses.

E. Valuation

All values are presented in the Company's reporting currency in USD which is also the currency we calculate and present our solvency ratio.

In order to derive the CHF amounts the following exchange rates as reported in our Financial Statements are used.

	Balance Sheet		Income Statement		Equity (avg. historical rate)	
Currency	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
USD to CHF	0.913951	0.8814	0.915056	0.93996	0.9912	0.9912

Additionally, the tables that show comparison between Statutory Balance Sheet and Market Consistent Balance Sheet - MCBS have been adjusted to refer to the year-end date (i.e., 31 December) although for solvency calculation purposes the reference date is the opening date of the following reporting period (i.e., 1 January).

The Market Consistent Balance Sheet (MCBS) contains all business written or "bound" as of 31 December 2021. Bound business is assumed to be all business incepting January 1, 2021, or prior.

The SST balance sheet comparison with the audited financial statements provides insights into the main valuations and differences between treatment under local GAAP (as reported in the Notes to the Financial Statements in point B.1 Financial Statements point 2 lit. a) to f) and SST.

We comment below on items that are valued differently under these regimes.

The difference between the Statutory Balance Sheet and MCBS is due to:
on the Asset side:

- adjustment to market value for investments,
- adjustment of ceded Unearned Premium Reserve to reflect the Market Consistent ceded Premium Liability,
- exclusion of the deferred acquisition cost, and
- exclusion of the deferred tax asset if any.

and on the Liabilities side:

- exclusion of Equalisation Reserves. discounting of Best Estimate ceded Loss Reserves,
- addition of liabilities for bound-but-not-incepted business as of January 1, 2021,
- discounting of Best Estimate Loss Reserves,
- adjustment of Unearned Premium Reserve to Market Consistent Premium Liability,
- exclusion of the deferred tax liabilities if any.

E.1 - Assets

The following table shows the breakdown of the Statutory and MCBS assets as of 31 December 2021 and as of 31 December 2020, respectively.

ASSETS: amounts in millions	Statutory CHF 2021	CHF 2020	USD 2021	USD 2020	MCBS USD 2021	MCBS USD 2020
Investments	67.8	70.2	74.2	79.6	74.6	80.0
Fixed interest securities	12.1	16.9	13.2	19.2	13.5	19.5
Loans	-	1.7	0.0	1.9	-	1.9
Shares ETF	55.8	51.6	61.0	58.5	61.0	58.5
Cash and Cash equivalents	28.1	33.0	30.7	37.5	30.7	37.5
Reinsurers'share of technical provisions	130.0	106.9	142.2	121.3	139.2	118.9
Property and equipment	0.0	0.0	0.0	0.0	0.0	0.0
Deferred acqusition costs, Net	2.0	1.1	2.2	1.2	0.0	0.0
Insurance receivables	95.0	128.5	104.0	145.8	104.0	145.8
Other receivables	3.8	0.0	4.2	0.0	4.2	0.0
Other assets	0.4	0.2	0.4	0.2	0.4	0.2
Prepaid expenses	0.0	0.0	0.0	0.0	0.1	0.0
TOTAL ASSETS	**327.1**	**339.9**	**357.9**	**385.6**	**353.0**	**382.4**

Investments:

Under SST, their valuation is “mark to market”, based on quoted prices in active markets or observable fair values. Under local GAAP, fixed interest securities are valued at lower market value or amortised cost less required impairments. The annual amortisation amount is recognised within the investment result; the difference is presented in the table above.

Shares and ETF shares and other investments are valued at the lower of cost or market.

Deferred acquisition costs:

Under local GAAP, acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.
Under SST, this position is fully depreciated.

For all other assets the statutory value has been taken and valued at the market value.

E.2 - Liabilities

The following table shows the breakdown of the statutory and MCBS liabilities as of December 31, 2021, and as of December 31, 2020, respectively.

	Statutory				MCBS	MCBS
LIABILITIES: amounts in millions	**CHF 2021**	**CHF 2020**	**USD 2021**	**USD 2020**	**USD 2021**	**USD 2020**
Technical Provisions	169.8	135.7	185.8	153.9	180.9	148.8
Unearned Premium Reserve	25.0	25.3	27.4	28.7	23.6	23.6
Outstanding Loss reserves	143.2	108.9	156.7	123.6	157.3	125.1
Equalistion reseve (SER)	1.6	1.5	1.7	1.7	-	-
Insurance payables	72.1	112.7	78.9	127.9	78.8	127.8
Other liabilities	21.2	23.2	23.2	26.3	21.6	24.3
TOTAL LIABILITIES	**263.1**	**271.6**	**287.9**	**308.1**	**281.3**	**300.8**

Under local GAAP, liabilities from Non-life business are valued on an undiscounted basis and contain equalisation reserves SER, which are presented on an individual line item.

Provisions for insurance obligations

Following two tables shows provisions for insurance obligations under the Statutory Balance sheet and Market Consistent Balance Sheet (i.e. market value):

Statutory Balance Sheet

Gross and net value of provisions for insurance obligations USD millions	Technical provisions (gross) 31.12.2021	Reinsurers' share 31.12.2021	Technical provisions written (net) 31.12.2021	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020
Unearned premium reserve	27.4	18.1	**9.2**	28.7	22.9	**5.7**
Loss reserves	156.7	124.1	**32.6**	123.6	98.3	**25.3**
Equalisation Reserve	1.7	-	**1.7**	1.7	-	**1.7**
Total	**185.8**	**142.2**	**43.6**	**153.9**	**121.3**	**32.7**

Market Consistent Balance Sheet

Gross and net value of provisions for insurance obligations USD millions	Technical provisions (gross) 31.12.2021	Reinsurers' share 31.12.2021	Technical provisions written (net) 31.12.2021	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020
Unearned premium reserve	27.4	14.4	**13.0**	28.7	18.7	**9.9**
Loss reserves	156.7	124.8	**31.9**	123.6	100.2	**23.4**
Equalisation Reserve	-	-	-	-	-	-
Total	**184.1**	**139.2**	**44.9**	**152.2**	**118.9**	**33.3**

Outstanding claims reserves

The outstanding claims reserves value in the MCBS has been estimated by discounting the statutory values. The growth in the total gross written premiums following our expansion of business activities in India and in Europe resulted in the increase in the gross reinsurance reserves from USD 123.6m up to USD 156.1m, spread across all lines of business with prevalence in Property, USD 21.9m, Miscellaneous (Agriculture) USD 3.0m line of business.

At the end of 2021 Europe represents 89.9% of gross claim reserves of the portfolio. Indian business in run off represents 10.1% (compares to 33% at the end of 2020) of the gross claim reserves, including USD 8% related to Miscellaneous - Financial Loss (Agriculture).

Unearned premium reserves ("UPR")

Several adjustments are needed to move from the UPR position in the statutory balance sheet to the market consistent basis. In particular, a best estimate view is needed. As such the premium deficiency reserve is removed.

For Underwriting Years 2020 and Prior

The total gross market-consistent UPR for policies incepted in 2020 and prior years is calculated as the difference between the expected gross discounted claim and the gross future premiums. The gross future premiums are the difference between the gross ultimate unearned premiums and the gross UPR. The maintenance expense ratio assumptions are based on assumptions from Peak Re Switzerland.

Underwriting Year 2021

The total gross market consistent UPR arising from bound-but-not-incepted business (i.e. treaties with inception date 1 January 2021) is calculated as the difference between the gross expected discounted claims and the gross signed premiums for 1 January 2021. Bound but not incepted exposures need to be included in the calculation in order to align with the contract boundary requirements of the SST calculation.
For the avoidance of doubt, we note that the 1 January 2021 bound-but-not-incepted exposure arises only from European treaties.

Retrocessionaire's Outstanding Loss Reserves

The market value of the retrocessionaire's outstanding loss reserves has been calculated as the difference between the market value of gross outstanding claims reserves and the market value of the net outstanding claims reserves. The market value of the net outstanding claims reserves has been estimated using the same approach as for the market value of the gross claims reserves. The same discount factors have been used for gross and net claims reserves.

Retrocessionaire Share of Unearned Premiums Reserve (UPR)

For SST calculation purposes two adjustments are needed from Statutory Balance sheet position.

First, companies need to allow for their best estimate view in respect of unexpired risks. For this reason, treaty level pricing loss ratios, expense load and commission assumptions are used to generate a view of the unexpired risk reserve. As there is embedded profit within the UPR this is a downward driver when comparing market consistent views with Statutory Balance Sheet views. Second, and in line with SST guidelines, an allowance for bound-but-not incepted exposures as of 1 January 2022 is needed. This is an upward-driver when comparing market consistent and statutory bases.

When applied together, the first of these factors is more significant than the second, and this is why the UPR is lower on a market consistent basis.

E.3 - Market Value Margin

The Market Value Margin ("MVM") has been calculated as defined in the Standard Model approach suggested in the FINMA Technical Document on the Swiss Solvency Test, last update on October 31, 2021.

The table below presents the evolution of the MVM:

	SST 2022	SST 2021	SST 2019
MVM	7.6	4.5	3.1

The MVM increases from USD 4.5 million in SST 2021 to 7.6 million in SST 2022. The variance is due to the integration of the unearned loss of the UPR in the calculation in the SST 2022. It has been considered marginal in the SST 2021. This change in methodology impacts the MVM of the SST 2022 by USD 2.0 million, due to the expected doubling of the net UPR at the end of 2022.

The three main components for the MVM calculation are Underwriting Risk for outstanding exposures as of 31 December 2021, Reserve Risk arising from the run-off of liabilities as of 31 December 2020, and Credit Risk arising from the run-off of ceded reserves.

The Underwriting Risk capital charge as of 31 December 2021 is equal to the diversified Attritional Event Premium (AEP), Individual Event 1 (large losses, IE1) and Nat Cat Events (NE) capital charge as of 1 January 2021 scaled in proportion to unearned premium as of 31 December 2021 divided by 2021 earned premium. The unexpired risk on 31 December 2021 is assumed to be fully earned during 2022.

The Reserve Risk capital charge as of 31 December 2021 has been estimated by rescaling the Reserve Risk capital requirement as of 31 December 2020 by the ratio "Expected reserves as of 31 December 2021 / Reserves as of 31 December 2020". Reserve Risk is then reduced over time in line with projected net loss reserves.

The Credit Risk capital charge as of 31 December 2021 has been estimated using the Standard Model approach based on the expected ceded reserves as of 31 December 2021

E.4 - Provisions for Other liabilities

The other liabilities position includes amounts due to Parent Company as collateral received under the Whole Account Quota Share Retrocession Agreement (USD 22.5m) and amounts due to various suppliers at year end (e.g., other payables) (USD 0.7m). Please note these have no different valuation under Statutory and Market Values. Differences between Swiss Statutory accounting principles and MCBS are due to deferred tax liabilities (USD 0.3m), which are not considered under Local GAAP, remaining amount of USD 2.8m were Reserve for unrealised gains on foreign exchange on investments activities and on technical reserves.

Provisions for other liabilities USD million	Statutory Balance Sheet 31.12.2021	Adjustment	Market Consistent Balance Sheet 31.12.2020
Other liabilities	23.2	-3.1	26.3

F. Capital Management

Peak Re aims at year-on-year capital growth through retained earnings. Its long-term investors are not primarily looking for dividends during the company's early years of establishment and as a result, Peak Re Switzerland is not subject to dividend pressure. Capital management is at the core of our strategy of being client-centric in that we cooperate with clients and intermediaries to develop risk and capital solutions to assist their profitable growth, and we look at long term positive outcomes for both our cedents and ourselves.

We have a capital planning process based on the Own Risk and Solvency Assessment (ORSA) exercise within the SST modelling framework. The capital planning process targets:

- to identify, assess, monitor, manage and report the short- and long-term risks that Peak Re AG faces or may face; and
- to determine the level of funds necessary to meet solvency needs at all time.

The ORSA requires Peak Re Switzerland to assess its own risks and associated economic and regulatory capital needs.

In the process we consider the following factors:

- Strategic objectives
- Current and future risk profile
- Any capital buffers required

The ORSA at Peak Re Switzerland is forward-looking across the business planning horizon, i.e., 3 years. It encompasses all material risks, including those which are not captured in the SCR of the SST, such as reputational risks.

We hold a simple capital structure that comprises solely of Tier 1 capital. This includes common stock or equity capital which was composed of a fully paid-in share capital of USD 9.8m (or CHF 10.0m), and reserves which included: a capital surplus reserves ("Kapitaleinlagereserven") of USD 69.4m (CHF 69.9m) and an Organisation Fund of USD 8.8m (CHF 9.0m). Equity and solvency capital are managed with the ORSA process with a time horizon of three years.

Shareholders' equity on MCBS decreased in 2021 by USD 7.7m in light of the deduction of the net loss after taxes USD -7.2m and of a reclassification of capital emissions expenses USD -0.6m

No hybrid, conditional or mezzanine capital instruments were used.

In USD thousands	Share capital	Statutory capital reserves	Voluntary retained earnings	Currency Translation reserve	Total equity
As of 31 Dec 2020	**9'837**	**78'835**	**-10'766**	**-**	**77'906**
Reclassification of capital emissions expenses		-571			-571
(Loss) for the period			-7'265		-7'265
As of 31 Dec 2021	**9'837**	**78'264**	**-18'031**	**-**	**70'070**

The difference in valuation between the shareholders' equity as per statutory annual report of CHF 68.2m (USD 68.8m) and as per MCBS of USD 74.6m or CHF 73.9m is due to reasons explained in detail above in Section E Valuation the adjustment for foreign exchange on currency translation to national currency.

G.Solvency

The company uses the official version of the Standard Model of the Swiss Solvency Test SST for reinsurers published by FINMA (StandRe) for all risks excluding defined Natural Catastrophe exposures (CAT), and an internal model for defined CAT risk which was approved by FINMA in October 2020. The Company's capital and retrocession posture was managed by means of the ORSA process and based on the Swiss Solvency Test methodology.

The results of the SST 2022 report and a comparison with the previous SST report as submitted to FINMA are as follows (in USD million):

SST Model Component	SST 2022	SST 2021	Variance in amount	Variance in percentage
Premium Risk - Attritional (AEP) - netgross discounted	10.7	10.5	0.2	2%
Premium Risk - Individual (IE1) - netgross discounted	36.1	20.1	16.0	79.7%
Premium Risk - Nat Cat (NE) - netgross discounted	59.6	36.7	22.9	62.6%
Diversification	*(40.4)*	*(27.5)*	*(12.9)*	*46.8%*
Premium Risk - Total - netgross discounted	65.9	39.7	26.3	66.3%
Premium Risk - Total - net discounted	18.3	14.3	3.9	27.4%
Reserve Risk - Attritional (AER) net discounted	12.0	10.5	1.5	14.6%
Reserve Risk - Individual (IE2) net discounted	8.3	10.2	(1.9)	-18.6%
Diversification	*(6.3)*	*(7.6)*	*1.3*	*-17.1%*
Reserve Risk - Total net discounted	14.0	13.1	0.9	7.1%
Diversification	*(11.4)*	*(7.3)*	*(4.1)*	*55.8%*
Insurance Risk - Total net discounted	25.4	20.4	5.0	24.6%
Market Risk	*4.6*	4.5	0.1	1.1%
Credit Risk	21.9	17.4	4.5	25.6%
Scenarios	0.0	0.0	0.0	0.0%
Diversification	*(15.0)*	*(13.3)*	*(1.6)*	*12.3%*
Insurance, Credit & Market Risk & Scenarios	36.9	29.0	7.9	27.2%
Expected Insurance Result	0.6	(0.8)	1.4	-166.5%
Expected Financial Performance Over 1 Year Risk Free	(0.4)	(0.5)	0.0	-4.5%
Insurance & Market & Credit including expected result	**37.0**	**27.7**	**9.3**	**33.6%**
Market Value Margin	7.6	4.5	3.1	67.7%
Target Capital	44.6	32.2	12.4	38.4%
Risk Bearing Capital (RBC) - pre capital injection	71.7	81.6	(9.9)	-12.1%
SST Ratio	**173%**	**278%**	**-105%**	**-38%**

Note to the above table naming: "netgross" means gross figures after QS

The SST ratio decreases to 173% from 278% in 2021. Combined effect of reduction of RBC and increased Target Capital are the driver of such variance compared to last year. The RBC decrease is the result of the impact of the large losses occurred in 2021 (especially Floods caused by Bernd storm in Europe at the beginning of summer). The Target Capital change is driven by increased Insurance and Credit risks due to expected further growth in the business volume in line with Group strategy to proceed with a more intense use of the capital. The largest component of the Target Capital remained the Natural Catastrophe risk (NE) at USD 59.6m (undiversified basis).

Further details on components of Risk Bearing Capital are detailed here below.

Breakdown of risk-bearing capital into its main components

The table below presents the evolution and the breakdown of our risk-based capital RBC and changes over the previous year:

Note	in mUSD	SST 2022	SST 2021	Difference in amount	Difference in percentage
1	Market Value assets	353.0	382.4	-29.4	-8%
1a	Including ceded market value of claims reserves	139.2	118.9	20.2	17%
2	Market Value liabilities	281.3	300.8	-19.5	-6%
2a	Including gross market value claims reserves	179.0	148.8	30.2	20%
3 = (1) – (2)	Based Capital before deductions	71.7	81.6	-9.9	-12%
4	Deductions	0.0	0.0	0.0	0%
5 = (3) – (4)	Base capital	71.7	81.6	-9.9	-12%
6	Additional capital	0.0	0.0	0.0	0%
7 = (5) + (6)	Risk-bearing capital	71.7	81.6	-9.9	-12%

The RBC decreases by USD 9.9m from USD 81.6m in 2021 to USD 71.7m in 2022.

This decrease is attributable to the increased amount of reserves.

There are no RBC deductions in the SST balance sheet. There is no additional capital.

Breakdown of market risk and insurance risk into its main components

The table below presents the evolution and the breakdown of the market risk between 2021 and 2020 (in USD millions):

Note	Risk factors	SST 2022	SST 2021	Variance
1	Standalone interest rate risk	2.7	3.2	-0.5
2	standalone EUR rate risk	1.0	0.3	0.7
3	standalone USD rate risk	3.2	3.5	-0.3
4	standalone JPY rate risk	0.0	0.0	0.0
(5) = (2) + (3) + (4)	non diversified interest rate	4.2	3.8	0.4
(6) = (1) - (5)	Diversification interest rate	-1.5	-0.6	-0.9
7	Standalone spread risk	4.2	4.5	-0.3
8	Standalone currency risk	4.6	2.2	2.4
9	Equity	0.0	0.0	0.0
(10) = (11) - (1) -(7) - (8) - (9	Diversification market risk	-6.9	-5.4	-1.6
11	Total market risk	4.6	4.5	0.1

The market risk increases by USD 0.1m from USD 4.5m in 2021 to USD 4.6m in 2022, driven by currency risk.

Currency risk increased following the increase in percentage of the USD positions.

(Re)Insurance risk

The table below presents the evolution of the reinsurance risk in USD million net of retrocession calculated under StandRe:

SST Model Component	SST 2022	SST 2021
Premium Risk - Attritional (AEP) - netgross discounted	10.7	10.5
Premium Risk - Individual (IE1) - netgross discounted	36.1	20.1
Premium Risk - Nat Cat (NE) - netgross discounted	59.6	36.7
Diversification	(40.4)	(27.5)
Premium Risk - Total - netgross discounted	65.9	39.7
Premium Risk - Total - net discounted	18.3	14.3
Reserve Risk - Attritional (AER) net discounted	12.0	10.5
Reserve Risk - Individual (IE2) net discounted	8.3	10.2
Diversification	(6.3)	(7.6)
Reserve Risk - Total net discounted	14.0	13.1
Diversification	*(11.4)*	*(7.3)*
Insurance Risk - Total net discounted	**25.4**	**20.4**

The Insurance risk increases from USD 20.4m to USD 25.4m.

This evolution is driven by two effects:

a) slight increase in reserve risk from USD 13.1m to USD 14.0m due to the new calculation methodology for credit risk which provided this year a smaller allowance for diversification;

b) an increase in the premium risk from USD 14.3m to USD 18.3m mainly driven by the increased business volume underwritten in 2022.

The solvency ratio, as calculated under the Swiss Solvency Test and submitted to FINMA, was above the minimum threshold required by law and is maintained above 160% the strategic capital ratio target of the company to support growth of the company in line with Group objectives.

No extraordinary events occurred requiring a recalculation of the solvency ratio as per the SST.

Peak Re Switzerland points out that in the report the current information on solvency (risk-bearing capital, target capital) is the same as that which it has submitted to FINMA and that, if necessary, is subject to a supervisory audit.

III. Sign-off by the Executive Body

The Board of Directors acknowledges its responsibility that this Financial Condition Report has been properly prepared in all material respects in accordance with all applicable rules and regulations.

The Board of Directors of Peak Re Switzerland approved this 2021 Financial Condition Report and signs off its disclosure by decision dated April 30, 2022.

IV. Appendixes

1 Quantitative Template "Market Consistent Balance Sheet - Peak Reinsurance AG"

2 Quantitative Template “Solvency Solo – Peak Reinsurance AG”

3 External auditor’s report

Appendix 1

Quantitative template "Market-consistent Balance Sheet Solo"

Currency	USD (as per SST reporting)	31/12/2020	Adjustments previous period	31/12/2021
Market-consistent value of investments	Real estate	-		
	Shareholdings	-		
	Fixed-income securities	19.5		13.5
	Loans	1.9		-
	Mortgages			
	Equities	58.5		61.0
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Other investments			
	Total investments	**80.0**		**74.5**
	Financial investments from unit-linked life insurance			
	Receivables from derivative financial instruments			
Market-consistent value of other assets	Cash and cash equivalents	37.5		30.7
	Receivables from insurance business	264.6		243.1
	Other receivables			4.2
	Other assets	0.4		0.4
	Total other assets	**302.5**		**278.4**
Total market-consistent value of assets	**Total market-consistent value of assets**	**382.4**		**352.9**
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)	-		
	Direct insurance: non-life insurance business	-		
	Direct insurance: health insurance business	-		
	Direct insurance: unit-linked life insurance business	-		
	Direct insurance: other business	-		
	Outward reinsurance: life insurance business (excluding ALV)	-		
	Outward reinsurance: non-life insurance business	**125.1**		**157.3**
	Outward reinsurance: health insurance business	-		
	Outward reinsurance: unit-linked life insurance business	-		
	Outward reinsurance: other business	-		
	Reinsurers' share of best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business	**126.6**		**79.1**
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
Market-consistent value of other liabilities	Non-technical provisions			
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business			
	Other liabilities	**49.1**		**44.9**
Total BEL plus market-consistent value of other liabilities	**Total BEL plus market-consistent value of other liabilities**	**300.8**		**281.3**
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**81.6**		**71.7**

Appendix 2

Quantitative Template "Solvency Solo – Peak Reinsurance AG"

		31/12/2020	Adjustments previous period	31/12/2021
		in USD millions	in USD millions	in USD millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	81.6		71.7
	Deductions	-		-
	Core capital	81.6		71.7
	Supplementary capital	-		-
	RBC	81.6		71.7

		31/12/2020	Adjustments previous period	31/12/2021
		in USD millions	in USD millions	in USD millions
Derivation of target capital	Underwriting risk	20.4		25.4
	Market risk	4.5		4.6
	Diversification effects	-13.3		-15.0
	Credit risk	17.4		21.9
	Risk margin and other effects on target capital	3.2		7.7
	Target capital	32.2		44.6

	31/12/2020	Adjustments previous period	31/12/2021
	in %	in %	in %
SST ratio	278	-	173

Appendix 3

External auditor's report

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Peak Reinsurance AG, Zürich

Zurich, 26 April 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Peak Reinsurance AG, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 December 2021.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Licensed audit expert (Auditor in charge)	Licensed audit expert

Enclosures

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