

**Financial Condition Report
as per FINMA Circular 2016/02
(Public Disclosure)**

of

Peak Reinsurance AG
Fortunagasse 28
8001 Zürich

**For the business year ended in 2019
(covers period from 1.1.2019 until 31.12.2019)**



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About this Document

This document is the Financial Condition Report (“FCR”) for Peak Reinsurance AG as at 31 December 2019.

This FCR covers Peak Reinsurance AG on a stand-alone basis.

Peak Reinsurance AG’s functional currency is USD, albeit for Local Statutory reporting, figures are presented in CHF.

Directors’ statement

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

- a) throughout the financial year disclosed in this report, Peak Reinsurance AG has complied in all material respects with the requirements of FINMA regulations as applicable to Peak Reinsurance AG; and
- b) it is reasonable to believe that, at the date of publication of this report, Peak Reinsurance AG has continued to comply.

This report was discussed and reviewed by the Board of Directors and signed off on May 29, 2020. The Board of Directors authorized Ulrich Fricker and Gianluca Mereu to sign the report.

On behalf of the Board of Directors

Ulrich Fricker
Member and Independent Non-Executive Director

Gianluca Mereu
Head of Finance

29 May 2020



1. Overview and Management Summary

Peak Reinsurance AG Zurich ("Peak Re AG", "we", "us", or the "Company") is a wholly owned reinsurance subsidiary of Peak Reinsurance Company Limited ("the Parent Company", "Peak Re Hong Kong").

Peak Reinsurance AG is a privately owned limited company domiciled in Zurich, Switzerland, and was incorporated on 26 September 2016. It writes non-life reinsurance business as a reinsurer licensed by the Swiss Financial Regulator FINMA, Laupenstrasse 27, 3003 Bern, Switzerland on 1 January 2017. All shares are held by Peak Reinsurance Company Ltd., Hong Kong which is regulated by the Insurance Authority of Hong Kong. The company underwrites non-life proportional and non-proportional reinsurance treaties ceded by companies headquartered in the Europe, India (since 1. January 2018) and Peru.

With shareholder's equity of CHF 75.8million (previous year: CHF 77.7million) the Company reports a solvency ratio of 249% according to the Swiss Solvency Test (SST) Report 2020 and is rated A- (stable outlook) by AM Best, Oldwick, USA. Since December 2019 AM Best is recognized by FINMA as a Recognized Rating Agency in particular also for capital modelling purposes.

The expansion of business activity in various territories increased the total Gross Written Premium by CHF 18.6m to CHF 86.2m. The Net Earned Premium after Quota Share cessions nearly doubles increasing from CHF 6.9m in 2018 to CHF 14.1m in 2019. The Net Underwriting Margin increased by CHF 0.4m to CHF 1.6m due to absence of natural catastrophe losses and marginal loss activity in other lines of business, however the Net Technical Combined ratio (e.g. without General and Admin expenses) increases by 6% from 82.6% a year ago to 88.8% mainly driven by a greater share of longer tail business.

In terms of financial performance, we reported on a Swiss statutory basis a net loss after taxes of CHF 2.8m.

The result was mainly affected by the impact of an unsatisfactory investment result which was still positive at CHF 115K affected by the sale of underperforming corporate bonds (CHF 1.9m realized losses) and overall poor performance of bonds due to market difficult conditions particularly in the 4th quarter of the year (additional realized losses of 0.9m). The impact of currency fluctuations was pretty limited resulting in a positive result of CHF 97K driven most prominently by the Indian Rupee; General and Admin expenses increased CHF 0.8m driven by additional employee and increased cost of services provided from the parent company in connection with the growth of the business volume.

This Financial Condition Report is available in Peak Re website to all interested third parties such as clients of Peak Re AG, foreign regulators etc. Any important confidential information in addition to the Financial Condition Report requested by foreign regulators directly from Peak Re AG may only be transferred to regulators domiciled outside of Switzerland subject to the prior approval of such transfer by FINMA or by means of a request by the foreign regulator to FINMA (FINMASA Art. 42, FINMA Circular 2017/06)

2. Introduction

This report presents information following the structure provided in FINMA's circular 2016/2 Disclosure-insurers (Public Disclosure) dated 3 December 2016.

It provides quantitative and qualitative information on Peak Reinsurance AG's business activities, performance, corporate governance and risk management, risk profile, valuation, capital management and solvency.

Quantitative information refers to different frameworks applicable or mandatory to the Company: business activities related and performance results are presented on Swiss statutory basis. The disclosure is complemented with information in the quantitative reporting templates (see Appendix 1, 2 and 3).



The risk profile section presents information for the Peak Reinsurance AG under IFRS or market value bases for insurance and credit risk, and a net economic asset value-based analysis of the market risk.

The valuation section of this report presents the market-consistent balance sheet (MCBS) of Peak Reinsurance AG following the Swiss Solvency Test (SST) principles.

Finally, the solvency section shows the regulatory capital adequacy of the Company based on FINMA's Swiss Solvency Test (SST).

3. Financial condition report

3 A Business Activities

Peak Re AG plays an important role in the Peak Re Group strategy to establish its leadership position as a global reinsurer with strong Asia foothold, maintain a client-centric approach, being an agile reinsurer creating value through technology.

The business focus is on underwriting select reinsurance and insurance risks, mostly mainstream Non-life risks.

Peak Re AG is targeting a diversified portfolio of business across Europe, India and selected areas outside Europe as part of Group strategy to provide speedy and attentive reinsurance solutions on a multi-line and long-term basis to clients.

The growth of the assumed reinsurance portfolio originates for a large part from increased business of existing clients and to a lesser extent from the transfer of European business previously written through Peak Re Hong Kong and from the acquisition of new clients.

All shares of Peak Reinsurance AG are held by Peak Reinsurance Company Ltd., Hong Kong which is ultimately owned by the Fosun Group, Shanghai, People's Republic of China (86.5% indirect shareholding in Peak Reinsurance AG). The remaining shares are split between Prudential Insurance Company of America, New Jersey, USA (13.1% indirect shareholding) and Executives of Peak Re HK (0.4% indirect holding). Peak Reinsurance AG has no subsidiary or branch offices.

The Company is licensed to operate as reinsurer as from 1 January 2017 by FINMA.

Peak Reinsurance AG has benefited from an 80% Whole Account Quota Share Retrocession Agreement with the Parent Company.

The Net after the 80% Quota share is protected by an Annual Aggregate XL for Property lines and by a Stop Loss for Indian Agriculture business.

As a second line of defense Peak Re AG is a named reinsured in the external retrocession covers for the Group.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO).

Peak Reinsurance AG's external Auditor is Ernst & Young AG, Zürich.

In 2019 there were no extraordinary events to separately report.



3 B Performance

Peak Reinsurance AG reported a net loss after taxes of CHF 2.8 million for the period 1st January to 31st December 2019.

Technical Result

The Company's main markets show a reduction in the overall weight of the Indian book of business although India remained the largest country. These countries together accounted for 94.6% of the 2019 gross written premium.

Country	2019	2018
India	43.4%	63.1%
Switzerland	15.5%	12.5%
France	10.6%	4.5%
Italy	7.3%	6.6%
Germany	6.6%	2.1%
Belgium	3.8%	3.5%
Portugal	3.7%	3.5%
Spain	3.7%	0.5%

By Line of Business	2019	2018
Agriculture	42%	57%
Property	23%	25%
Motor	14%	8%
Engineering	9%	5%
Casualty	8%	3%

By Treaty type	2019	2018
Proportional	80.8%	81.1%
Non-Proportional	19.2%	18.9%

In the third year of operation Peak Re AG generated again a positive reinsurance underwriting result of CHF 1.6m (CHF 1.2m in 2018).

Please refer to Appendix 1 for detailed split by line of business of the technical result.

In 2020 Peak Re AG will continue to expand its presence in Europe and maintain the support to our clients in India. However the current market conditions make continued profitable growth of the reinsurance portfolio challenging.

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 in Loans and Asset backed securities. The cash and cash equivalents portfolio was above 10% of the Assets under Management.



The net investment result shows a gain of CHF 115k compares to a negative result of CHF 1'188K in 2018. CHF 2.9m worth of losses as per following table were recorded. This amount was more than compensated by the income on bonds, on asset backed securities, dividend on ETFs and interest on cash which added up to CHF 3.0m.

14. Income from investments								
	Income *	Net unrealized gains	Net realized gains	Total	Income *	Net unrealized gains	Net realized gains	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Fixed-interest securities	2'424	-	-	2'424	1'447	205	-	1'652
Loans	88	-	-	88	148	-	-	148
Shares	215	-	-	215	27	-	-	27
Other investments	243	-	-	243	13	-	-	13
Total	2'970	-	-	2'970	1'635	205	-	1'840

* Income relates to dividends for shares (we had in 2018, which were sold share before year end, we received dividend during the year), interest coupons, interest on cash and cash equivalents.

15. Expenses from investments								
	Current expenses	Net unrealized losses	Net realized losses	Total	Current expenses	Net unrealized losses	Net realized losses	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Fixed-interest securities	-	-	-	-	86	1'742	611	2'439
Loans	27	-	2'827	2'854	-	-	-	-
Shares	-	-	-	-	-	-	589	589
Other investments	-	-	-	-	-	-	-	-
Total	27	-	2'827	2'854	86	1'742	1'200	3'028

Other income and expenses

Other income and expenses relate to realized foreign exchange gains and losses and amounted in 2019 to a net income of CHF 128K (expenses of CHF 540K in 2018).

General and Admin Expenses

General and Admin Expenses are presented as part of Acquisition costs and Admin expenses in the Local Statutory Income statement. These contributed to the final result of the year with a slight increase over prior year due to increased cost of our outsourcing expenses, CHF 1.2m (CHF 1.1m in 2018) and of remaining General and Admin Expenses, CHF 3.5m (CHF 2.7 in 2018).



At the end of 2019 Peak Reinsurance AG had 7 employees (5 full time and 2 part time).

3 C Corporate Governance and Risk Management

3 C 1 Corporate Governance

The Board of Directors and the Executive Management are composed as of end of 2018 as follows:

Board of Directors

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

All three were re-elected at the AGM on 4 May 2020 for another year.

Executive management

Jacques Burri, Chief Executive Officer
Lawrence Cheng, Head of Underwriting
Gianluca Mereu, Head of Finance

No change in the Board of Directors or in Executive Management occurred during the reporting period.

C 2 Risk Management

Peak Re AG's Risk Management framework is based on a strong risk culture, a robust compliance framework, a clearly articulated risk ownership by the operational units, a risk management function and internal audit. 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 AG has a documented Risk Management and governance framework.

The company's Risk Policy describes Peak Re AG'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 defines the range within which risks are to stay so as to ensure that the risk appetite is respected.

3 C 2.1 Risk Management Function

The Risk Management function is independent of the business. The technical and business skills of the company risk officer 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 defense"), the risk manager ("2nd line of defense") and the internal auditor PWC AG, Zürich ("3rd line of defense"). There have been no substantial



changes to the risk management system during the reporting period except the engagement of PWC, Switzerland as the Internal Auditor.

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

Some key functions of Peak Reinsurance AG are supported by an outsourcing agreement with Peak Reinsurance Company Ltd., Hong Kong and benefit from the group's scale and depth of knowledge and experience.

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

3 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 in the life 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, including 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.

3 C 2.3 Compliance Function

The Compliance Function ensures that the major 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 AG and its employees by avoiding:

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

The Board of Directors is responsible for compliance, the operational responsibility is delegated to the Executive Management.

The compliance reporting system is the basis for the regular reporting from the Compliance Officer to the



Board of Directors and the Executive Management. It consists of a quarterly and, if required, of an ad-hoc reporting.

3 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 AG. It assists the Board of Directors in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The Internal Audit function reports to the Board of Directors of Peak Re AG (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.

3 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, if 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.

3 D Risk profile

Peak Re AG assumes risk from reinsurance underwriting and investment activities. Peak Re AG has no appetite for operational risk and reputational risks. The Company targets a diversified portfolio in terms of lines of business and geography covering all of the Property and Casualty lines of business in Europe and, from 1 January 2018 on, in India to add value and provide diversification at Group level.

The combination of a diverse inwards portfolio (i.e. by line and country) and a comprehensive retrocession program aims at reducing concentration of risks and volatility, as well as the aggregate risk of the Company.



The main risks that are monitored since considered material are:

- Insurance risk
- Market Risk
- Credit Risk

Peak Re AG 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 Operational Manual – this defines the strategic asset allocation and limits for cash and short term deposits, fixed income, equities, real estate and private debt/private equity, if any, as well as the delegation of authorities to the Chief Investment Officer (CIO).

Risks are evaluated and assumed as part of the daily operations of Peak Re AG. The Company has developed a strong risk culture and implemented processes to ensure that only those risks, which fall within its appetite and limits are being accepted.

Peak Re AG 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 AG 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 AG's risk landscape can be categorised by their source as:

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

While limits and the ORSA process describe the techniques for identifying, tracking and managing of these risks, additional risk specific processes have been implemented:

- 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



AG'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 AG'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 is observed than was expected at the time that premium was determined. This shall be picked up in the quarterly reserving effort, which includes a review of treaty level loss ratios.

Reserving risk arises due to unfavourable development in claims costs relative to Peak Re AG'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 AG employs suitable methodology and assumptions to compute and make provision for its insurance liabilities. Such methodology and assumptions takes into account the business volume, claims experience, industry practice, types of reinsurance product, etc. Any reserving assumptions made are periodically reviewed on a quarterly basis (twice a year by the Responsible Actuary in Switzerland) together with the Reserving Actuary of Peak Re HK to ensure that due recognition has been given to changes in the composition of business portfolio, market and legal developments, etc.

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

The Company's retrocession policy provides for guidance such that the exposures of Peak Re AG's business portfolio to huge losses owing to individual large risks and accumulations of losses could be reduced. Peak Re AG also assesses the security of the participating retrocessionaires (including of external retrocessionaires of the Group) and periodically, every quarter, reviews the collectability of the amounts due.

- Market Risk

Peak Re AG's investments are exposed to market risk, the risk of a price change in the capital market which can come from equities, interest rates, currency, and credit risk, the risk of a change in the financial situation of a counterparty.

Peak Re AG'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 AG 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 end of 2019 there were no assets invested in equity securities.

For its fixed income portfolio, Peak Re AG is exposed to interest rate movements and changes in spread reflecting counterparty risk. Peak Re AG 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 shall be rebalanced or hedged.

The Company's Investment Policy also ensures that cash inflows from invested assets is regularly reviewed so that it is adequate to meet the cash outflows due for settling liabilities under different economic conditions. Timely actions should also be taken to identify any significant investment losses so that provisions will be made for them. During 2019 cash and cash equivalents were above 10% of Asset Under Management (AUM).



- Credit Risk

Credit risk represents the loss that Peak Re AG would incur if a counterparty (including a borrower if any) or an issuer of securities or other instruments Peak Re AG holds fails to perform under its contractual obligations to it, or upon deterioration in the credit quality of borrowers or other third parties whose securities or other instruments the Company holds. Peak Re AG's exposure to credit risk principally arises through its investing, credit and bond and reinsurance ceding activities, receivables and deposits from cedents.

Peak Re AG's credit risk management objectives are to maintain its high asset quality and minimize its concentration risk through a diversified, balanced and risk-weighted product portfolio. The Company continually monitors and seeks to improve its credit risk-related policies and guidelines to reflect changing risks in its business. To measure and manage its credit exposures, Peak Re AG uses a variety of tools on a daily basis, including assessment of counterparty risk. In addition, the Company's credit management system monitors 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, which Peak Re AG shall consider to manage through credit risk management policies setting exposure limits. Its only retrocessionaire is Peak Reinsurance Company Ltd., Hong Kong which itself employs retrocession and other risk mitigating techniques.

- 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 AG monitors its liquidity position and as a precautionary protection keeps at least 5% of its shareholder and policyholder funds in cash. Peak Re AG's equity and fixed income instruments are mostly traded in public exchanges and company ensures her portfolio of fixed income securities is made of securities that can be easily liquidated.

- Operational Risk

Peak Re AG defines operational risk as the risk of loss 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 against these risks, Peak Re AG 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 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 AG 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.

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).

- Legal and Compliance Risk

The Head of Risk Management and Compliance and legal counsel of the Company is responsible for ensuring



that the Company is in compliance with applicable laws and regulations, guidance notes, guidelines and code 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 Control

The monitoring of risk controls and the effective reporting are subject to Internal Audit.

The Internal Auditor exercise independent assessment of risk management and report to the Board on a regular basis and as necessary. The Board is responsible for oversight of all aspects of Peak Re AG's risk management systems and measures and ensure proper implementation of this Policy. The internal audit function is outsourced to PWC.

- Risk Concentration and Accumulation

- a. *Assets*

- Relevant Concentrations*

Peak Re AG's key retrocessionaire is the Parent Company (with AM Best rating of A-) through an intragroup Quota Share and additional Non Proportional retrocession protections. This credit risk is monitored closely, and should it become excessive mitigation via collateral or a letter of credit may be put in place.

- Default Probabilities of the Relevant Exposures*

There are no extraordinary exposures.

- b. *Liabilities*

Peak Re AG expects to write a diversified portfolio of business and have limited risk accumulations on the liability side.

With regards to the quantitative aspects the SST Report 2020 as of 1 January 2020 showed the following risk posture:

The insurance risk comprised 48.3% of the Target Capital of USD 34.8m (as calculated per April 2020) This compares to 39.3% of Target Capital of USD 33.1m as of April 2019. The increased in the proportion of Target Capital was driven by two factors: i) the significance of credit risk declined due to various changes outlined below; and ii) reserve risk increased in importance due to growth in the portfolio.

The market risk (15.5% of Target Capital of USD 34.8m as calculated as per April 2020 which compares to 10.9% of the Target Capital of USD 33.1m as of April 2019) was mainly driven by the increase of the diversified fixed income bonds with the addition of EFTs in the portfolio and foreign exchange risk mainly between the CHF, Euro and USD.

The credit risk (32.5% of Target Capital of USD 34.8m as calculated as per April 2020 which compares to 43.5% of the Target Capital of USD 33.1m as of April 2019). During the year AM Best was acknowledged as a recognised credit rating agency for (re)insurance entities in 2019. In addition, two specific adjustments were proposed and subsequently approved by FINMA:



- netting of PRHK receivables with the PRHK payables. The credit risk related to PRHK is then null because the payables at 31 December 2019, including the collateral of USD 20.0 million, tend to be higher than the loss reserves ceded to PRHK.
- removal of the expected losses in the credit risk calculation.

For a discussion of quantitative aspects refer to section G Solvency

- Reinsurance and risk mitigation techniques

Peak Re AG uses retrocession to manage overall risk limits for underwriting risk and hedging for foreign exchange or asset volatility management Risk Exposures.

The outward retrocession program adequately protects the capital base of the company against large risk and event losses.

3 E Valuation

Following table provides the Market consistent value of assets and liabilities in USD millions

All values are presented in the company reporting currency USD which is also the currency we calculate and present our solvency ratio, to derive the CHF amounts following Exchange rates reported in our Financial Statements are to be used:

Currency	Balance Sheet		Income Statement		Equity (avg. historical rate)	
	2019	2018	2019	2018	2019	2018
USD to CHF	0.9688	0.9815	0.9911	0.9755	0.9912	0.9912

Additionally the tables that show comparison between Statutory Balance Sheet and market value balance sheet MVBS 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 following table shows the statutory and market value balance sheets ("MVBS") as at 31 December 2019 and as at 31 December 2018, respectively:

Component USD million	SST 2020		SST 2019	
	Statutory Balance Sheet	Market Value Balance Sheet	Statutory Balance Sheet	Market Value Balance Sheet
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Assets	348.2	336.7	236.0	224.9
Liability	269.7	254.6	157.0	143.6
Equity/RBC	78.5	82.1	79.0	81.3



The Market Value Balance Sheet contains all business written or “bound” as at 31 December 2019. Bound business is assumed to be all business incepting 1 January 2019 or prior.

The difference between the Statutory Balance Sheet and MVBS is due to:

- adjustment to market value for investments on the assets side,
- addition of liabilities for bound-but-not-incepted business as at 1 January 2020,
- discounting of Best Estimate Loss Reserves,
- adjustment of Unearned Premium Reserve to Market Consistent Premium Liability, and
- exclusion of Equalisation Reserves.

3 E.1 - Assets

The following table shows the breakdown of the statutory and MVBS assets as at 31 December 2019 and as at 31 December 2018, respectively:

Component in USD million	SST 2020		SST 2019	
	Statutory Balance Sheet 31.12.2019	Market Value Balance Sheet 31.12.2019	Statutory Balance Sheet 31.12.2018	Market Value BS 31.12.2018
Retrocessionaires share of UPR	30.3	23.9	28.0	20.1
Cash and cash equivalents	31.4	31.4	26.9	26.9
Bonds	76.2	97.9	84.1	84.1
Shares and ETF Funds investment	20.7	0.0	0.0	0.0
Due from ceding companies	86.2	86.2	55.8	55.8
Due from retrocessionaires	34.2	34.2	9.3	9.3
Deferred acquisition costs on insurance contracts - Gross	6.3	0.0	2.7	0.0
Other assets	1.0	0.9	1.4	1.4
Retrocessionaires outstanding loss reserves	61.9	62.2	27.9	27.3
Total assets	348.2	336.7	236.0	224.9

There are observable market prices for all financial assets and these have been revalued at market value in the MVBS.



Value of investments by investment class

The following table summarises the investments by investment class held by the Company as at December 31, 2019, and 2018, respectively, including market-consistent value relevant for solvency purposes and statutory cost values.

Invested assets by class in USD million	SST 2020		SST 2019	
	Statutory Balance Sheet	Market Value Balance Sheet	Statutory Balance Sheet	Market Value Balance Sheet
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Fixed-interest securities	73.3	74.3	80.7	80.5
Senior and Secured Loans	2.9	2.9	3.4	3.4
Shares and ETF Funds investments	20.7	20.7	-	-
Cash and short term debt instruments	31.4	31.4	26.9	26.9
Total invested assets	128.4	129.3	110.9	110.8

Fixed interest securities, Senior and secured Loans, ETF (Exchange Traded Funds) are valued at market value less required impairments in line with provision of CO art. 960b.

Shares and all other investments are valued at lower of cost or market value. We do have shares in ETF funds that are under Market Value whereas under Statutory Balance Sheet are presented under “Shares and ETF Funds investments”.

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

Bonds

The bond position decreased from USD 80.6 million to USD 73.3 million due to investment into AFS equity securities (in the form of Exchange Traded Funds on Bonds) of USD 20.7 million:

Equities

At the end of 2019 we held no equity securities, although we may invest up to 10% of our total assets in this position during the 2019 year as per our investment policy provision.

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	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)
USD million	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Unearned premium reserve	37.9	30.3	7.6	35.0	28.0	7.0
Loss reserves	78.6	61.9	16.7	35.4	27.9	7.5
Equalisation Reserve	1.7	-	1.7	1.7	-	1.7
Total	118.2	92.2	26.0	72.1	55.9	16.2

Market Consistent Balance Sheet

Gross and net value of provisions for insurance obligations	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)
Market Consistent Balance Sheet	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Unearned premium reserve	30.1	23.9	6.2	26.2	20.1	6.1
Loss reserves	78.0	62.2	15.8	34.5	27.3	7.2
Equalisation Reserve	-	-	-	-	-	-
Total	108.1	86.1	32.0	60.7	47.4	13.3

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.

Firstly, 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. Secondly, and in line with SST



guidelines, an allowance for bound-but-not incepted exposures as at 1 January 2020 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.

Currency breakdown of assets at market value

The converted USD value of assets at market value held in different SST currencies is shown in the table below:

Original currency USD million	Market value	
	SST 2020	SST2019
USD	235.8	163.6
EUR	37.4	17.8
CHF	5.9	2.7
GBP	0.7	0.8
JPY*	56.7	40.1
Total	336.7	224.9

*Peak Re AG does not have any business from Japan cedants; however, JPY is specified as the reference currency for “Rest of World” exposures in the StandRe guidelines relevant for Swiss reinsurers when computing the SST. In practice, the amounts above, which are assigned to JPY represent our business in India, which is denominated in Indian Rupee, i.e. INR.

3 E.2 Liabilities

The following table compares the MVBS Liabilities against the Statutory Balance Sheet Liabilities as at 31 December 2019 and as at 31 December 2018.

Component USD million	SST 2020		SST 2019	
	Statutory Balance Sheet 31.12.2019	Market Value Balance Sheet 31.12.2019	Statutory Balance Sheet 31.12.2018	Market Value Balance Sheet 31.12.2018
Unearned premium reserves	37.9	30.1	35.0	26.2
Outstanding claims reserves	77.6	78.0	35.0	34.5
Due to ceding companies	19.1	19.1	6.7	6.7
Due to retrocessionaires	103.6	103.6	52.7	52.7
Due to Parent company (collateral)	21.0	23.0	20.0	20.0
Retrocessionaires' Deferred acquisition costs	5.0	0.0	2.1	0.0
Premium Deficiency Reserve	1.0	0.0	0.4	0.0
Other liabilities	2.7	0.8	3.5	3.5
Equalization reserves	1.7	0.0	1.7	0.0
Total liabilities	269.7	254.6	157.0	143.4



The table hereafter presents the bridge between the audited balance sheet liabilities and the market value SST liabilities:

Note	in USD million	SST 2020	SST 2019
1	Total Liabilities of the audited balance sheet	269.7	157
2	Equalization reserve	1.7	1.7
3	Deferred acquisition cost	5.0	2.1
4	Premium Deficiency Reserve	1.0	0.4
5	Gross claim reserves + gross UPR	115.5	70
(6) = (1) - (2) - (3) - (4) - (5)	Other assets already as market value	146.5	82.8
7	MV Gross liabilities	108.2	60.7
(8) = (6) + (7)	Market value liabilities	254.6	143.4

Details of the specific changes made when moving from the statutory basis to the MVBS are discussed below.

Provisions for Other liabilities

The Other liabilities position includes amounts due to various suppliers at year end (e.g. other payables) and differences between Swiss Statutory accounting principles and MCBS

Provisions for other liabilities USD Million	Statutory Balance Sheet 31.12.2019	Adjustment	Market Value Balance Sheet 31.12.2019
Other liabilities	2.7	1.9	0.8

The difference of USD 1.9m is due to the elimination of the provision for unrealised gains USD 0.9m and currency translation adjustments USD 1.0m which are not eligible under Market consistent balance sheet. Currency Translation Adjustment is the value of adjusting for the presentation of Statutory Balance Sheet in local currency.

The amount in Statutory balance sheet includes Other payables relating to supplier's invoices not yet paid at year end, these are valued at nominal value USD 0.8m.

Outstanding claims reserves

The outstanding claims reserves value in the MVBS has been estimated by discounting the statutory values.

Unearned premium reserves

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 2019 and Prior



The total gross market-consistent UPR for policies inception in 2019 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 AG.

Underwriting Year 2020

The total gross market consistent UPR arising from bound-but-not-incepted business (i.e. treaties with inception date 1 January 2020) is calculated as the difference between the gross expected discounted claims and the gross signed premiums for 1 January 2020. 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 2020 bound-but-not-incepted exposure arises only from European treaties.

The converted USD value of liabilities at market value held in different SST currencies is shown in the table below:

Original currency USD million	Market value	
	SST 2020	SST2019
USD	131.2	133.2
EUR	45	3.6
CHF	13.3	2.8
GBP	0.2	0
JPY *	65	3.7
Total	254.6	143.4

*we do not have business in JPY but the currency is used in the SST calculation model Stand Re it represents our business in India that is denominated in Indian Rupee: INR.

Assets: overview of market values and changes over the previous year

The table below provides a comparison between the audited balance sheet assets and the market value assets used in the SST calculation:

Note	in USD million	SST 2020	SST 2019
1	Total Asset of the audited balance sheet	348.2	236.0
2	Deferred acquisition cost	6.3	2.7
3	Ceded claim reserves + ceded UPR	92.2	55.9
(4) = (1) - (2) - (3)	Other assets already as market value	250.6	177.5
5	MV ceded liabilities	86.1	47.4
(6) = (4) + (5)	Market value assets	336.7	224.9

The difference between Statutory Balance sheet and Market Value Balance sheet is due to:

- discounting of Best Estimate ceded Loss Reserves,
- 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.

The table below presents the evolution of the assets (statutory and SST) between 2019 and 2020:

Component in USD million	SST 2020		SST 2019	
	Statutory Balance Sheet 31.12.2019	Market Value Balance Sheet 31.12.2019	Statutory Balance Sheet 31.12.2018	Market Value Balance Sheet 31.12.2018
Retrocessionaires share of UPR	30.3	23.9	28.0	20.1
Cash and cash equivalents	31.4	31.4	26.9	26.9
Bonds and Senior and Secured loans	76.2	97.9	84.1	84.1
Shares and ETF Funds investments	20.7	0.0	0.0	0.0
Due from ceding companies	86.2	86.2	55.8	55.8
Due from retrocessionaires	34.2	34.2	9.3	9.3
Deferred acquisition costs on insurance contracts- Gross	6.3	0.0	2.7	0.0
Other assets	1.0	0.9	1.4	1.4
Retrocessionaires outstanding loss reserves	61.9	62.2	27.9	27.3
Total assets	348.2	336.7	236.0	224.9

The **market value assets** increased by USD 111.7 million from USD 224.9 million in 2018 to USD 336.7 million in 2019.

Table above shows the individual position developments, **Other assets** represents investment income receivables that are accrued interests on held bond securities.

The cash and cash equivalents include the cash collateral of USD 20.0 million provided by the Parent Company as the key retrocessionaire for Peak Re AG as part of the Quota Share retrocession contract between Peak Re AG and Peak Re Hong Kong.

The bonds include AFS equity securities of USD 20.7 million which were invested in ETF during 2019.



Reinsurance portfolio

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 35.0 million up to USD 77.6 million, spread across all lines of business with prevalence in the Agriculture line of business USD 23.4 million. As detailed below.

Note	in USD million	SST 2020	SST 2019	Var. in amount	Var. in %
1	Gross expected premium for current accident year	87.3	98.8	-11.5	-12%
2	of which Europe	49.2	38.5	10.7	28%
3	of which Rest of the World: India	38.0	60.3	-22.3	-37%
4	of rest of the world relates to Indian Agriculture	34.1	53.6	-19.5	-36%
5	Gross Best estimate of Opening Reserves	77.6	35.0	42.6	122%
6	of which Europe	38.7	21.4	17.3	81%
7	Of which rest of the world: India	38.6	13.6	25.0	184%
8	of rest of the world relates to Indian Agriculture	33.6	10.2	23.4	229%

At the end of 2019, Europe represents 50% of gross claim reserves of the portfolio. Indian business represents USD 38.6million (50%) of the gross claim reserves, including USD 33.6 million (43% of gross claims reserves) related to Financial Loss (Agriculture).

Liabilities: overview of market values and changes over the previous year

The table hereafter presents the bridge between the audited balance sheet liabilities and the market value liabilities in the SST calculation:

Note	in USD million	SST 2020	SST 2019
1	Total Liabilities of the audited balance sheet	269.7	157.0
2	Equalization reserve	1.7	1.7
3	Deferred acquisition cost	5.0	2.1
4	Premium Deficiency Reserve	1.0	0.4
5	Gross claim reserves + gross UPR	115.5	70.0
(6) = (1) - (2) - (3) - (4) - (5)	Other Liabilities already as market value	146.5	82.8
7	MV Gross liabilities	108.2	60.7
(8) = (6) + (7)	Market value liabilities	254.6	143.4

The drivers of difference between the statutory balance sheet value and the market value balance sheet value were discussed above.



The table below presents the evolution of the premium and claim reserves (statutory and SST) between 2019 and 2020:

Component In USD million	SST 2020		SST 2019	
	Statutory Balance Sheet	Market Value Balance Sheet	Statutory Balance Sheet	Market Value Balance Sheet
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Unearned premium reserves	37.9	30.1	35.0	26.2
Outstanding claims reserves	77.6	78.0	35.0	34.5
Due to ceding companies	19.1	19.1	6.7	6.7
Due to retrocessionaires	103.6	103.6	49.7	49.7
Retrocessionaires' Deferred acquisition costs	5.0	0.0	2.1	0.0
Premium Deficiency Reserve	1.0	0.0	0.4	0.0
Amount due to Holding Company	21.0	23.0	23.0	23.0
Other liabilities	2.7	0.8	3.5	3.5
Equalization reserves	1.7	0.0	1.7	0.0
Total liabilities	269.7	254.6	157.1	143.6

The evolution of the liabilities is driven by business growth between 2019 and 2020. Other liabilities comprise amounts due to the Parent Company for services rendered during the years and for other supplier services already received but not yet invoiced.

Market value of other liabilities

Any balance sheet items not listed explicitly above are considered to be reflected as marked to market in the statutory balance sheet.

Component In USD million	SST 2020		SST 2019	
	Statutory Balance Sheet	Market Value Balance Sheet	Statutory Balance Sheet	Market Value Balance Sheet
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Due to ceding companies	19.1	19.1	6.7	6.7
Due to retrocessionaires	103.6	103.6	49.7	49.7
Other liabilities	2.7	0.8	3.5	3.5
Total other liabilities	125.4	123.5	59.9	59.9

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 AG as well is not subject to dividend pressure. Capital management is the core of company strategy of being customer centric in that we co-operate with clients and intermediaries to develop risk and capital solutions to assist our clients to grow profitably, 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) process based on the SST modelling framework. The capital planning process targets:

- to identify, assess, monitor, manage and report the short and long term risks that PRAG faces or may face; and
- to determine the own funds necessary to ensure that the solvency needs are met all the time.

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

In the process we consider following factors:

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

The ORSA at Peak Re AG 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.

Shareholders' equity decreased in 2019 by USD 2.8m (CHF 2.78m) deduction of the net loss after taxes of USD 2.8m (CHF2.78m).

We do hold a very simple capital structure all made up of Tier 1 capital that 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 70.0m (CHF 70.4m) 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.

No hybrid, conditional or mezzanine capital instruments were used.

In USD thousands	Share capital	Statutory capital reserves	Voluntary retained earnings	Treasury shares	Total equity
As of 31 Dec 2017	9'837	43'335	(4'889)	-	48'283
Additional Paid in capital	-	35'500	-	-	35'500
Profit (Loss) for the period	-	-	(4'731)	-	(4'731)
As of 31 Dec 2018	9'837	78'835	(9'619)	-	79'053
Profit (Loss) for the period	-	-	(2'806)	-	(2'806)
As of 31 Dec 2019	9'837	78'835	(12'425)	-	76'247

Valuation differences between the shareholder's equity position of USD 76.2 million or CHF 75.8 million and the Economic Balance sheet (MVBS) are explained in detail above in chapter 3 E Valuation.



3 G Solvency

The company uses the official version of the Standard Model of the Swiss Solvency Test SST for reinsurers published by FINMA in October 2019 (StandRe) for all risks excluding Natural Catastrophe (CAT), and an internal model for CAT risk. The Company's capital and retrocession posture was managed by means of the ORSA process which at Peak Reinsurance AG also banks upon the Swiss Solvency Test methodology.

The results of the SST 2020 report and a comparison with the previous SST report as submitted to FINMA are as follows:

SST Model Component In USD million	SST 2020	SST 2019	Var. in amount	Var. in %
Premium Risk - Attritional (AEP) - netgross discounted	7.2	13.6	-6.4	-47%
Premium Risk - Individual (IE1) - netgross discounted	8.7	19.7	(11.0)	-56.0%
Premium Risk - Nat Cat (NE) - netgross discounted	18.4	16.7	1.7	10.1%
Diversification	(14.9)	(25.3)	10.4	-41.1%
Premium Risk - Total - netgross discounted	19.3	24.7	(5.4)	-21.8%
Premium Risk - Total - net discounted	6.0	11.1	(5.1)	-45.8%
Reserve Risk - Attritional (AER) net discounted	5.9	2.6	3.3	126.4%
Reserve Risk - Individual (IE2) net discounted	15.0	6.6	8.4	126.8%
Diversification	(5.4)	(2.4)	(3.0)	126.6%
Reserve Risk - Total net discounted	15.5	6.8	8.7	126.7%
Diversification	(4.7)	(5.0)	0.3	-5.0%
Insurance Risk - Total net discounted	16.8	13.0	3.8	29.4%
Market Risk	5.4	3.6	1.8	49.3%
Scenarios	0.0	0.0	0.0	0.0%
Diversification	(4.1)	(2.5)	(1.6)	61.9%
Insurance & Market Risk & Scenarios	18.2	14.1	4.1	28.7%
Expected Insurance Result	2.7	0.4	2.2	514.6%
Expected Financial Performance Over 1 Year Risk Free	(0.4)	(0.3)	(0.1)	38.6%
Insurance plus Market including expected result	20.4	14.2	6.2	43.4%
Credit Risk	11.3	14.4	(3.1)	-21.7%
Insurance & Market & Credit including expected result	31.7	28.6	3.1	10.7%
Market Value Margin	3.1	4.5	(1.4)	-30.6%
Target Capital	34.8	33.1	1.7	5.1%
Risk Bearing Capital (RBC) - pre capital injection	82.0	81.5	0.5	0.6%
SST Ratio	249%	269%	-20%	-7.5%

Peak Re AG's solvency ratio decreased by 20 percentage points from 269% in 2019 to 249% in 2020. The largest component of the Target Capital is Natural Catastrophe risk (NE) which makes up USD 18.4 million (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	Component in USD million	SST 2020	SST 2019	Var. in amount	Var. in %
1	Market Value assets	336.7	224.9	111.7	50%
1a	Including ceded market value of claims reserves	62.2	27.3	34.9	128%
2	Market Value liabilities	254.6	143.4	111.2	78%
2a	Including gross market value claims reserves	78.0	34.5	43.5	126%
3 = (1) – (2)	Base Capital before deductions	82.0	81.5	0.5	1%
4	Deductions	0.0	0.0	0.0	0%
5 = (3) – (4)	Base capital	82.0	81.5	0.5	1%
6	Additional capital	0.0	0.0	0.0	0%
7 = (5) + (6)	Risk-bearing capital	82.0	81.5	0.5	1%

The RBC increases by USD 0.5 million from USD 81.5 million in 2018 to USD 82.0 million in 2019. This slight increase is attributed to good asset-liability management and by the almost neutral impact of profit/loss after tax.

The SER has remained stable between 2019 and 2020 at USD 1.7 million.

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

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, latest changed on 31 October 2019.

The table below presents the evolution of the market value margin (MVM).

In USD million	SST 2020	SST 2019	SST 2017
MVM	3.1	4.5	4.2

The primary reason for the MVM decrease from USD 4.5m in SST19 to USD3.1m for SST20 is a revision to FINMA’s methodology for SST20, which now permits diversification between prior year and current year exposures when calculating the MVM

The three main components for the MVM calculation are Underwriting Risk for outstanding exposures as at 31 December 2019, Reserve Risk arising from the run-off of liabilities as at 31 December 2019, and Credit Risk arising from the run-off of ceded reserves.

The Underwriting Risk capital charge as at 31 December 2019 is equal to the diversified Attritional Event Premium (AEP), Individual Event 1 (large losses, IE1) and Nat Cat Events (NE) capital charge as at 1 January 2019 scaled in proportion to unearned premium as at 31 December 2019 divided by 2019 earned premium. The unexpired risk at 31 December 2019 is assumed to be fully earned during 2020.

The Reserve Risk capital charge as at 31 December 2019 has been estimated by rescaling the Reserve Risk



capital requirement as at 31 December 2018 by the ratio “Expected reserves as at 31 December 2019 / Reserves as at 31 December 2018”. Reserve Risk is then decayed over time in line with projected net loss reserves.

The Credit Risk capital charge as at 31 December 2019 has been estimated using the Standard Model approach based on the expected ceded reserves as at 31 December 2019. It is assumed that all expected ceded reserves relate to the quota share treaty (QS) with the parent company. Credit Risk is then decayed over time in line with projected net loss reserves.

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 2019 and 2020:

Note	Risk factors USD million	SST 2020	SST 2019	Variance
1	Standalone interest rate risk	3.1	3.4	-0.3
2	standalone EUR rate risk	0.4	0.2	0.2
3	standalone USD rate risk	3.2	3.7	-0.5
4	standalone JPY rate risk	0.3	0.2	0.1
(5) = (2) + (3) + (4)	non-diversified interest rate	3.9	4.1	-0.3
(6) = (1) - (5)	Diversification interest rate	-0.8	-0.7	-0.1
7	Standalone spread risk	4.0	2.8	1.2
8	Standalone currency risk	3.6	1.9	1.7
9	Equity	0.0	0.0	0.0
(10) = (11) - (1) - (7) - (8) - (9)	Diversification market risk	-5.2	-4.5	-0.7
11	Total market risk	5.4	3.6	1.8

The market risk increases by USD 1.8 million from USD 3.6 million in 2019 to USD 5.4 million in 2020, driven by the currency and the spread risks.

Spread risk increased due to market changes in some of the bonds in our portfolio where the price of the bonds suffered from difficult market conditions towards the end of 2019.

Currency risk essentially increased following the increase on our assets and relevant matching to liabilities exposures that are mostly carried in EUR and INR (JPY) and their movement in course against our reporting currency: USD.

(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 USD million	SST 2020	SST 2019	Variance in amount	Variance in percentage
Premium Risk - Attritional (AEP) – net-gross discounted	7.2	13.6	-6.4	-47%
Premium Risk - Individual (IE1) – net-gross discounted	8.7	19.7	(11.0)	-56.0%
Premium Risk - Nat Cat (NE) – net-gross discounted	18.4	16.7	1.7	10.1%
Diversification	(14.9)	(25.3)	10.4	-41.1%
Premium Risk - Total – net-gross discounted	19.3	24.7	(5.4)	-21.8%
Premium Risk - Total - net discounted	6.0	11.1	(5.1)	-45.8%
Reserve Risk - Attritional (AER) net discounted	5.9	2.6	3.3	126.4%
Reserve Risk - Individual (IE2) net discounted	15.0	6.6	8.4	126.8%
Diversification	(5.4)	(2.4)	(3.0)	126.6%
Reserve Risk - Total net discounted	15.5	6.8	8.7	126.7%
Diversification	(4.7)	(5.0)	0.3	-5.0%
Insurance Risk - Total net discounted	16.8	13.0	3.8	29.4%

The Insurance risk increases from USD 13.0 m to USD 16.8 m. This evolution is driven by two opposite effects:

- an increase of the prior-years' risk by USD 8.7 million from 6.8 million to USD 15.5 million. This increase is due to the growth of the portfolio in 2019 entailing a doubling of the gross claim reserves from USD 33.0 million to USD 77.6 million.
- a decrease of the current year risk by USD 5.1 million driven by a decrease of the exposure and lower large losses burden.

The Solvency Ratio, as calculated under the Swiss Solvency Test and submitted to FINMA, was above the minimum threshold required by law and kept at a comfortable level – i.e. above 200%.

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

Peak Reinsurance AG did not use an internal solvency model for the SST 2019 and 2020.

Peak Reinsurance AG 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.



4. Audited Balance Sheet on a statutory basis

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

Assets			
CHF thousands	Note	31.12.2019	31.12.2018
Investments		93'922	82'539
Fixed-interest securities		71'050	79'177
Loans	3	2'783	3'362
Shares		20'089	-
Cash and cash equivalents		30'433	26'363
Reinsurers' share of technical provisions	7	89'366	54'832
Property and equipment		23	28
Deferred acquisition costs, Net	4	1'040	527
Intangible assets		-	-
Insurance receivables	5	116'605	63'914
Other receivables	9	24	380
Other assets		803	988
Prepaid expenses	6	26	11
TOTAL ASSETS		332'242	229'582
Liabilities and equity			
CHF thousands	Note	31.12.2019	31.12.2018
Technical provisions	7	114'552	70'741
Unearned Premium Reserve		36'748	34'324
Outstanding Loss Reserve		76'157	34'748
Equalisation reserve (SER)		1'647	1'669
Insurance payables	8	118'889	55'231
Other liabilities	9	23'017	25'954
TOTAL LIABILITIES		256'457	151'926
Share capital		10'000	10'000
Legal capital reserves		79'462	79'462
Reserves from capital contributions		70'462	70'462
Organization fund		9'000	9'000
Currency Translation Adjustment		910	-
Voluntary retained earnings		-14'588	-11'806
Profit / loss carried forward		-11'806	-7'004
Profit / loss		-2'781	-4'802
Total equity	10	75'784	77'656
TOTAL LIABILITIES AND EQUITY		332'242	229'582

See accompanying notes to audited financial statements



4. Audited Profit and Loss Statement of a statutory basis

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

CHF 000	Note	2019	2018
Gross premium written		86'203	67'569
Premiums ceded to reinsurers		-71'524	-54'424
Net premiums written		14'678	13'145
Change in unearned premium reserves	12	-2'938	-30'769
Change in reinsurers' share of unearned premium reserves	12	2'350	24'615
Net premiums earned		14'091	6'991
Other insurance income		-	-
Total technical income		14'091	6'991
Gross claims and claim expenses paid		-22'117	-2'455
Reinsurer's share of claims and claim expenses		17'694	1'971
Change in technical provisions	12	-42'807	-25'047
Change in reinsurers' share of technical provisions	12	33'712	19'462
Net claims and claim expenses incurred		-13'518	-6'069
Acquisition costs and administrative expenses		-18'011	-11'546
Change in deferred acquisition costs, assumed reinsurance	11	2'658	2'619
Reinsurers' share of acquisition costs and administrative expenses		14'070	7'687
Change in deferred acquisition costs, Reinsurers' share	11	-2'126	-2'095
Net acquisition costs and administrative expenses		-3'409	-3'335
Other technical expenses own business		-188	-127
Total technical expenses		-17'116	-9'531
Income from investments	14	2'970	1'840
Expenses from investments	15	-2'854	-3'028
Net income from investments		115	-1'188
Other financial income		233	-
Other financial expenses		-105	-540
Operating result		-2'781	-4'268
Other income		-	-
Foreign exchange on currency translation to national currency		-	-187
Other expenses	19	-	-347
Extraordinary income/expenses		-	-
Profit/(loss) before tax		-2'781	-4'802
Income tax expense		-	-
LOSS		-2'781	-4'802

See accompanying notes to audited financial statements



6. Audited Cash flow statement of a statutory basis

For the Period January 1, 2019 to December 31, 2019

in Thousands CHF	Note	2019	2018
Profit/loss		-2'781	-4'802
Depreciation, amortization and write-downs on ...			
Property and equipment		23	9
Investments*			
Net realized gains/losses on investments fixed-interest securities		2'369	1'447
Net realized gains/losses on investments loans		86	148
Net realized gains/losses on investments shares		142	-562
Net realized gains/losses on other investments		237	13
Net unrealized gains/losses on investments fixed-interest securities		-2'790	-2'234
Increase/decrease in			
Unearned premium reserves		574	6'192
Technical provisions		41'840	25'203
Increase/decrease in assets and liabilities			
Purchase/Proceeds from sale of fixed-interest securities		-6'251	-45'346
Purchase/Proceeds from sale of loans		-	970
Purchase/Proceeds from sale of shares		-19'371	424
Reinsurance share of technical provisions		-32'950	-19'583
Deferred acquisition costs		-520	-703
Insurance receivables		-53'524	-59'173
Other receivables		149	-2'137
Other assets		-	-
Foreign exchange gains and losses Reinsurance activities		-228	-2'580
Prepaid expenses		15	3
Insurance payables		64'315	54'244
Other liabilities		2'599	15'975
Changes in other operating assets and liabilities		10'486	12'506
Cash flow from operating activities		4'420	-19'987
Purchase of property and equipment		-6	-3
Dividends from participations in associates			
Cash flow from investing activities		-6	-3
Issuance of shares		-	35'407
Cash flow from financing activities		-	35'407
Change in cash and cash equivalents		4'414	15'417
Statement:			
Cash and cash equivalents as of 1 January		-26'019	-10'946
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents as of 31 December		30'433	26'363
Change in cash and cash equivalents		4'414	15'417



7. Notes to the Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

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 January 1, 2013). Apart from the CO, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a AVO-FINMA, applicable as of December 15, 2015) have been applied.

The company was founded on 26th September 2016.

2. Accounting principles

The Company's accounting principles are in line with those prescribed by the CO and AVO-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.

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 amortized over the period in which the related premiums are earned.

(d) Reinsurance receivable

Reinsurance receivable are recognized 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.

PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

(e) **Technical provisions**

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

Unearned premium reserves is earned respectively amortized 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 assumed together with industry data.

Equalization 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 prepared in USD and is 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 2019 and 2018 respectively are presented below:

Currency	Balance Sheet		Income Statement		Equity (avg. historical rate)	
	2019	2018	2019	2018	2019	2018
USD	0.9688	0.9815	0.9911	0.9755	0.9912	0.9912

**PEAK REINSURANCE COMPANY AG****Notes to Financial Statements**

For the Period January 1, 2019 to December 31, 2019

*(Expressed in thousands of CHF)***3. Loans**

CHF 000	31.12.2019	31.12.2018
Investments in senior secured loans	2'783	3'362
Total	2'783	3'362

4. Deferred acquisition costs, Net

CHF 000	31.12.2019	31.12.2018
Deferred acquisition costs, assumed reinsurance	5'199	2'635
Deferred acquisition costs, ceded reinsurance	-4'159	-2'108
Total	1'040	527

5. Insurance receivables

	Third-party	Intercompany Participants	Total	Third-party	Intercompany Participants	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Receivables from insurance companies	83'464	33'141	116'605	54'781	9'133	63'914
Total	83'464	33'141	116'605	54'781	9'133	63'914

6. Prepaid expenses

CHF 000	31.12.2019	31.12.2018
Other deferrals	26	11
Total	26	11

PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

7. Technical provisions

	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Unearned premium reserve	36'748	29'398	7'350	34'324	27'459	6'865
Outstanding loss reserves	76'157	59'967	16'190	34'748	27'374	7'374
Equalisation reserve (SER)	1'647	-	1'647	1'669	-	1'669
Total	114'552	89'366	25'186	70'741	54'832	15'908

8. Insurance payables

	Third-party	Intercompany Participants *	Total	Third-party	Intercompany Participants *	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Liabilities to insurance companies *	18'510	100'361	118'889	6'495	48'735	55'231
Total	18'510	100'361	118'889	6'495	48'735	55'231

* in both years, 2019 and 2018, CHF 20 million are held as cash collateral for the internal Quota Share retro agreement with the parent company.

9. Other Liabilities and other Receivables

	Third-party	Intercompany Participants *	Total	Third-party	Intercompany Participants *	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Other receivables	24	-	24	380	-	380
Other liabilities *	749	22'267	23'017	3'373	22'581	25'954

* in both year CHF 20 million are to collateral and CHF 1.0m of interest earned on it, net of withholding taxes, held in cash, for Quota share agreement; CHF 1.2m in 2019 respectively CHF 2.5 million in 2018 are for various services outsourced to parent company



PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

10. Statement of changes in equity

CHF 000	Share capital	Statutory capital reserves	Voluntary retained earnings	Currency Translation reserve	Total equity
As of 31 Dec 2017	10'000	44'055	-7'004	-	47'051
Additional Paid in capital		35'407		-	35'407
(Loss) for the period			-4'802		-4'802
As of 31 Dec 2018	10'000	79'462	-11'806	-	77'656
Effect of foreign exchange				910	910
(Loss) for the period			-2'781		-2'781
As of 31 Dec 2019	10'000	79'462	-14'588	910	75'785



PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

Disclosures, breakdowns and explanations on income statement items

11. Change in Deferred acquisition costs, Net

CHF 000	31.12.2019	31.12.2018
Change in deferred acquisition costs, assumed reins.	2'658	2'619
Change in deferred acquisition costs, ceded reins.	-2'126	-2'095
Total	532	524

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

	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
Change in Unearned premium reserve	2'938	2'350	588	30'769	24'615	6'154
Change in loss reserves	42'807	33'712	9'095	24'852	19'462	5'390
Change in SER (Security Equalization Reserve)	-	-	-	195		195
Total	45'745	36'063	9'683	55'816	44'077	11'739

No change in SER (Security Equalization Reserve) for 2019 since policy was changed and no SER is computed and booked in case the FY is due to end with a loss; in 2018 there was a change of CHF 0.195m.

13. Audit fees

CHF 000	31.12.2019	31.12.2018
Audit services	94	145
Total	94	145

The audit fees include fees for engagements with a direct or indirect connection to a current or future audit engagement and fees for audit-related activities. The fees exclude outlays and include VAT.



PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

14. Income from investments

	Income *	Net unreal. gains	Net realized gains	Total	Income *	Net unreal gains	Net realized gains	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Fixed-interest securities	2'424	-	-	2'424	1'447	205	-	1'652
Loans	88	-	-	88	148	-	-	148
Shares and ETF	215	-	-	215	27	-	-	27
Other investments	243	-	-	243	13	-	-	13
Total	2'970	-	-	2'970	1'635	205	-	1'840

* Income relates to dividends for shares, ETFs dividends, interest coupons, interest on cash and cash equivalents.

15. Expenses from investments

	Current expenses	Net unreal losses	Net realized losses	Total	Current expenses	Net unrealized losses	Net realized losses	Total
CHF 000	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Fixed-interest securities	-	-	-	-	86	1'742	611	2'439
Loans	27	-	2'827	2'854	-	-	-	-
Shares	-	-	-	-	-	-	589	589
Other investments	-	-	-	-	-	-	-	-
Total	27	-	2'827	2'854	86	1'742	1'200	3'028



PEAK REINSURANCE COMPANY AG

Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

16. Personnel expenses

Personnel expenses for fiscal year 2019 were CHF 2'296K as compared to 2018 amount of CHF 1'698k and are included in the line item acquisition costs and administrative expenses.

17. Depreciation of hardware and office equipment

CHF 000	31.12.2019	31.12.2018
Hardware and Office Equipment	10	9
Total	10	9

Other notes to the financial statements

18. Contingent Liabilities : none

19. Other Expenses

CHF 000	31.12.2019	31.12.2018
Capital Tax expenses	0	347
Total	0	347

20. Full-time equivalents

The annual average number of full-time equivalents for the reporting year was 6

21. Restricted assets

As at December 31, 2019 no fixed interest securities were held by the Company for the purpose of funding future claim payments in relation to a loss portfolio transfer agreement, these were paid directly to the ceding company upon underwriting of the contract.



Notes to Financial Statements

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)

In the normal course of business, no fixed interest securities and cash and cash equivalents as at December 31, 2019, were deposited in trust for the benefit of ceding companies and credit institutions since no such deposit was required, for the purpose of doing Reinsurance business.

To secure the rental of the office premises a deposit of 47k is held with Zurich Kantonal Bank.

22. Commitments

At December 31, 2019, we had no letters of credit in favour of ceding companies or a letter of credit facility with any Bank.

23. 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



PEAK REINSURANCE COMPANY AG

Proposed appropriation of retained earnings

For the Period January 1, 2019 to December 31, 2019

(Expressed in thousands of CHF)



CHF 000	31.12.2019
Retained earnings carried forward	-11'806
Loss for the year	-2'781
Loss to be carried forward	<u>-14'588</u>

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

Distributable Earnings (deficit)	-14'588
Transfer to Organisation Fund	0
Amount carried forward	<u>-14'588</u>

No dividend is proposed since the year ended with a loss.

Further allocations have been waived.

9. External auditor's report

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

See Appendix 4



Appendixes

1. Quantitative template "Performance Solo Reinsurance";
2. Quantitative template "Market-consistent Balance Sheet Solo"
3. Quantitative template "Solvency Solo"
4. External Auditor's report

Appendix 1
Financial situation report: quantitative template "Performance Solo Reinsurance"
Peak Reinsurance AG

Currency: CHF

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1 Gross premiums	67'568'964	86'202'767	130'003	105'440			5'706'198	12'117'878	342'240	2'221'929	20'280'226	27'829'677	1'864'152	6'741'673	39'246'145	37'186'171
2 Reinsurers' share of gross premiums	(54'424'270)	(71'524'418)	(104'002)	(84'352)			(4'564'958)	(12'256'507)	(273'792)	(1'777'544)	(16'593'280)	(22'263'741)	(1'491'321)	(5'393'339)	(31'396'916)	(29'748'936)
3 Premiums for own account (1 + 2)	13'144'694	14'678'349	26'001	21'088			1'141'240	(138'629)	68'448	444'386	3'686'946	5'565'935	372'830	1'348'335	7'849'229	7'437'234
4 Change in unearned premium reserves	(30'768'868)	(2'938'041)	(62'938)	22'276			(1'833'267)	(2'954'355)	(34'695)	(1'199'774)	(3'063'723)	(2'753'514)	(510'035)	(2'245'516)	(25'264'209)	6'192'841
5 Reinsurers' share of change in unearned premium reserves	24'615'094	2'350'433	50'351	(17'821)			1'466'614	2'363'484	27'756	959'819	2'450'978	2'202'811	408'028	1'796'413	20'211'367	(4'954'273)
6 Premiums earned for own account (3 + 4 + 5)	6'990'920	14'090'741	13'413	25'543			774'586	(729'500)	61'509	204'431	3'074'202	5'015'233	270'823	899'232	2'796'387	8'675'802
7 Other income from insurance business	0	0	0	0			0	0	0	0	0	0	0	0	0	0
8 Total income from underwriting business (6 + 7)	6'990'920	14'090'741	13'413	25'543			774'586	(729'500)	61'509	204'431	3'074'202	5'015'233	270'823	899'232	2'796'387	8'675'802
9 Payments for insurance claims (gross)	(2'455'272)	(22'117'225)	112	(40'198)			(16'887)	(1'820'954)	(1'673)	(68'030)	(360'066)	(5'892'054)	0	(568'091)	(2'076'757)	(13'727'900)
10 Reinsurers' share of payments for insurance claims	1'971'558	17'693'780	(89)	32'158			13'510	1'456'763	1'339	54'424	288'053	4'713'643	0	454'473	1'668'746	10'982'320
11 Change in technical provisions	(25'046'849)	(42'807'220)	(36'523)	(56'459)			(3'651'151)	(8'848'317)	(192'449)	(777'089)	(9'923'436)	(6'194'535)	(1'896'279)	(3'476'178)	(9'347'010)	(23'454'643)
12 Reinsurers' share of change in technical provisions	19'461'897	33'712'424	29'175	44'939			2'758'669	6'898'476	150'496	559'942	7'628'628	4'822'587	1'454'793	2'713'874	7'440'137	18'672'605
13 Change in technical provisions for unit-linked life insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(6'068'665)	(13'518'241)	(7'326)	(19'559)			(895'860)	(2'314'031)	(42'288)	(230'753)	(2'366'822)	(2'550'358)	(441'486)	(875'923)	(2'314'884)	(7'527'618)
15 Acquisition and administration expenses	(9'054'018)	(15'352'500)	(19'527)	(38'244)			(870'188)	(2'562'017)	(34'276)	(305'112)	(4'674'542)	(6'318'175)	(199'093)	(1'432'585)	(3'256'393)	(4'696'368)
16 Reinsurers' share of acquisition and administration expenses	5'591'834	11'943'081	12'445	29'463			556'705	2'007'093	19'057	288'865	3'243'870	5'047'997	113'719	1'121'674	1'646'038	3'497'989
17 Acquisition and administration expenses for own account (15 + 16)	(3'462'185)	(3'409'419)	(7'082)	(8'780)	0	0	(313'483)	(554'924)	(15'219)	(66'247)	(1'430'672)	(1'270'178)	(85'374)	(310'911)	(1'610'355)	(1'198'380)
18 Other underwriting expenses for own account	0	(188'399)	0	0	0	0	0	0	0	0	0	(188'399)	0	0	0	0
19 Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(9'530'850)	(16'927'660)	(14'408)	(28'339)	0	0	(1'209'342)	(2'868'955)	(57'506)	(297'000)	(3'797'494)	(3'820'536)	(526'860)	(1'186'833)	(3'925'239)	(8'725'997)
20 Investment income	(1'101'767)	2'969'711														
21 Investment expenses	(86'336)	2'854'468														
22 Net investment income (20 + 21)	(1'188'104)	115'243														
23 Capital and interest income from unit-linked life insurance	0	0														
24 Other financial income	0	233'365														
25 Other financial expenses	(540'286)	(104'699)														
26 Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	(4'268'319)	(2'781'410)														
27 Interest expenses for interest-bearing liabilities	0	0														
28 Other income	0	0														
29 Other expenses	(533'849)	0														
30 Extraordinary income/expenses	0															
31 Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	(4'802'168)	(2'781'410)														
32 Direct taxes	0	0														
33 Profit / loss (31 + 32)	(4'802'168)	(2'781'410)														

Appendix 2
Financial situation report: quantitative template "Market-consistent Balance Sheet Solo"
Peak Reinsurance AG
Currency: USD (as per SST reporting)
Amounts stated in millions

		31.12.2018	Adjustments previous period	31.12.2019
Market-consistent value of investments	Real estate	-	-	-
	Shareholdings	-	-	-
	Fixed-income securities	80.5	-	74.3
	Loans	3.4	-	2.9
	Mortgages	-	-	-
	Equities	-	-	20.7
	Other investments	-	-	-
	Collective investment schemes	-	-	-
	Alternative investments	-	-	-
	Other investments	-	-	-
	Total investments	83.9	-	97.9
Market-consistent value of other assets	Financial investments from unit-linked life insurance	-	-	-
	Receivables from derivative financial instruments	-	-	-
	Cash and cash equivalents	26.9	-	31.4
	Receivables from insurance business	112.7	-	206.5
	Other receivables	1.4	-	-
	Other assets	-	-	0.9
	Total other assets	141.0	-	238.8
Total market-consistent value of assets	Total market-consistent value of assets	224.9	-	336.7
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	34.5	-	78.0
	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	82.1	-	137.5
	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	26.7	-	39.1
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	143.3	-	254.6
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	81.6	-	82.1

Appendix 3
Financial situation report: quantitative template
"Solvency Solo" - Peak Reinsurance AG

Currency: USD (as per SST reporting)

		31.12.2018	Adjustments previous period	31.12.2019
		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	81.5		82.0
	Deductions	-		-
	Core capital	81.5		82.0
	Supplementary capital	-		-
	RBC	81.5		82.0

		31.12.2018	Adjustments previous period	31.12.2019
		in USD millions	in USD millions	in USD millions
Derivation of target capital	Underwriting risk	11.1		6.0
	Market risk	3.6		5.4
	Diversification effects	-0.5		9.0
	Credit risk	14.4		11.3
	Risk margin and other effects on target capital	4.5		3.1
	Target capital	33.1		34.8

	31.12.2018	Adjustments previous period	31.12.2019
	in %	in %	in %
SST ratio	269	-	249

To the General Meeting of
Peak Reinsurance AG, Zurich

Zurich, 30 April 2020

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 2019.



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 2019 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



Armin Imoberdorf
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Sergio Sardo
(Qualified
Signature)

US Certified Public Accountant(CPA)

Enclosures

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