



Catlin Re Switzerland Ltd

An AXA S.A. Company

Financial Condition Report

Year Ended

December 31, 2022

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Directors' statement

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

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

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

This report was approved by the Board of Directors on April 27, 2023.

By order of the Board

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

Beat Lüthi

Chairman of the Board

April 27, 2023

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

Wanda Eriksen-Grundbacher

Director

April 27, 2023

Management summary

General remarks

This report should be read in conjunction with Catlin Re Switzerland Ltd's ("CRCH", or "the Company") audited financial statements for the year ended December 31, 2022 disclosed in appendix 4.

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

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

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

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

Business activities

Following its purchase by AXA Group in 2018, the Company became part of the AXA XL Division. AXA XL is the property, casualty, and specialty division of AXA comprising global insurance and reinsurance companies that provide property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis.

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

Catlin Re Switzerland Ltd, domiciled in Zurich, Switzerland, operates as a multi-line property, casualty and specialty reinsurance company and as one of AXA XL's Intra-Group Reinsurance ("IGR") carriers.

Seaview Re Ltd ("Seaview Re") was established during 2019 and is a licensed Class 3a insurer regulated by the Bermuda Monetary Authority ("BMA") and a subsidiary of the US domiciled Seaview Re Holdings Inc ("Seaview Holdings"), which in turn is a fully owned subsidiary of CRCH.

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

Business performance

In 2022 the Company benefited from favourable market conditions due to an acceleration of market hardening during the year. The corresponding growth was partly offset by continued focus on signing profitable business, reducing shares/cancelling programs with unsatisfactory terms. The Company remains focused on underwriting profitability over volumes.

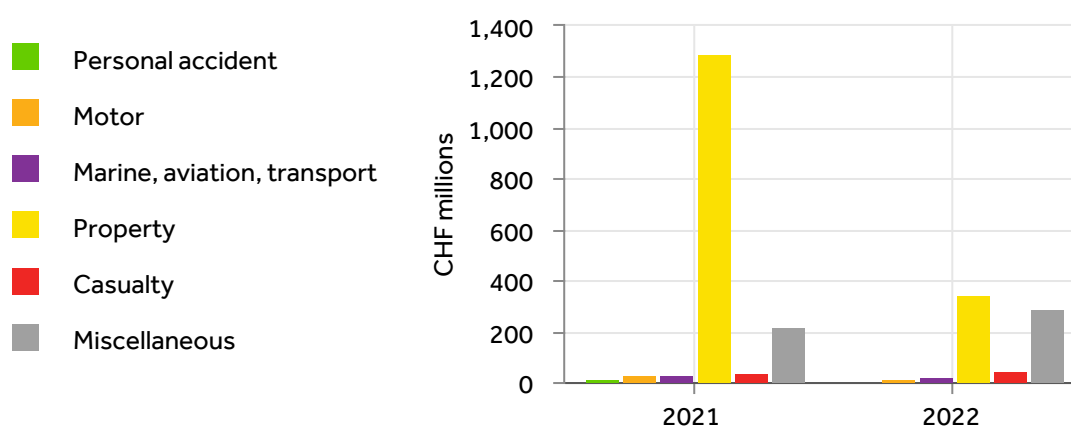
The 2022 loss ratio of 61% is mainly driven by the current accident year losses partially offset by favourable prior year loss development ("PYD") mostly related to COVID-19 and some Property lines.

The Company generated CHF 733m of gross premium written in 2022 and a combined ratio of 100%.

CHF millions

2022	Gross premium written	Net premium earned	Acquisition cost ratio	Loss ratio	Combined ratio
Personal accident	6	3	26 %	176 %	202 %
Motor	18	2	48 %	138 %	186 %
Marine, aviation, transport	26	22	28 %	56 %	84 %
Property	345	820	37 %	70 %	107 %
Casualty	49	29	29 %	44 %	73 %
Miscellaneous	289	233	46 %	31 %	77 %
Total 2022	733	1,109	38 %	61 %	100 %

Gross premium written by FINMA line of business



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

Corporate governance and risk management

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

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

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

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

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

Risk profile

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

The risk profile for 2023 is expected to be different to that of the previous year, largely due to the commutation of the Company's insurance segment reserves. Underwriting risk and reserve risk have decreased due to this decrease in exposure.

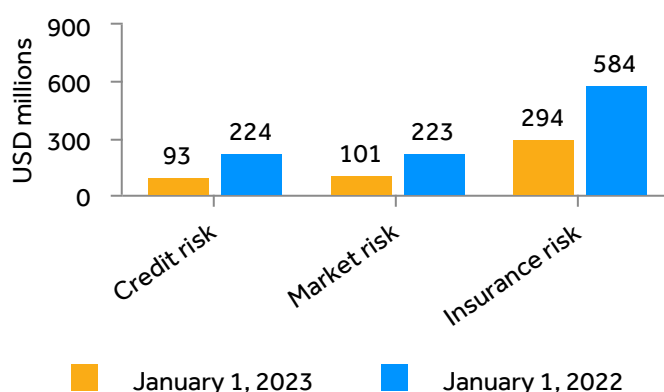
Underwriting risk and to a certain extent reserve risk are mitigated by a Whole Account Stop Loss ("WASL") with AXA XL Reinsurance Ltd ("AXA XL Re"). This cover has been renewed for 2023 Accident Year ("AY") and protects CRCH with any losses exceeding 75% loss ratio up to 110% loss ratio. For 2022, the cover protects CRCH with any losses exceeding 72% loss ratio up to a loss ratio of 87%. The WASL is in place since 2017 and only AY 2018 was commuted in the absence of losses. Accident years 2017 and 2021 have attached and as such potential further adverse developments are covered by the WASL.

During 2022, all reserves pertaining to the Insurance segment within Seaview Re were commuted and the UPR returned to XL Reinsurance America Inc (Pool) ("XLRA"), including Reinsurance segment.

In an effort to reduce volatility from Natural Catastrophes, the Company did not renew several large P&C quota shares, resulting in a reduced premium volume compared to the previous year.

With effect December 31, 2022, the Company placed a Loss Portfolio Transfer ("LPT") agreement with XL Bermuda Ltd, ceding all Insurance Segment exposures.

The key risks before diversification as per the SST for CRCH as at January 1, 2023, and the previous year are shown below:



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

Valuation

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

Capital management

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

USD millions	January 1, 2022	January 1, 2023	Change	Change in %
Risk bearing capital before distribution	1,375	999	(376)	(27)%
Target capital	932	449	(483)	(52)%
MVM	177	77	(100)	(56)%
SST ratio before distribution	159%	248%	89 pts	56%
Distribution		(400)		
Risk bearing capital after distribution		599		
SST ratio after distribution		140%		

The SST ratio is calculated as: $(RBC - MVM) / (TC - MVM)$.

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

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

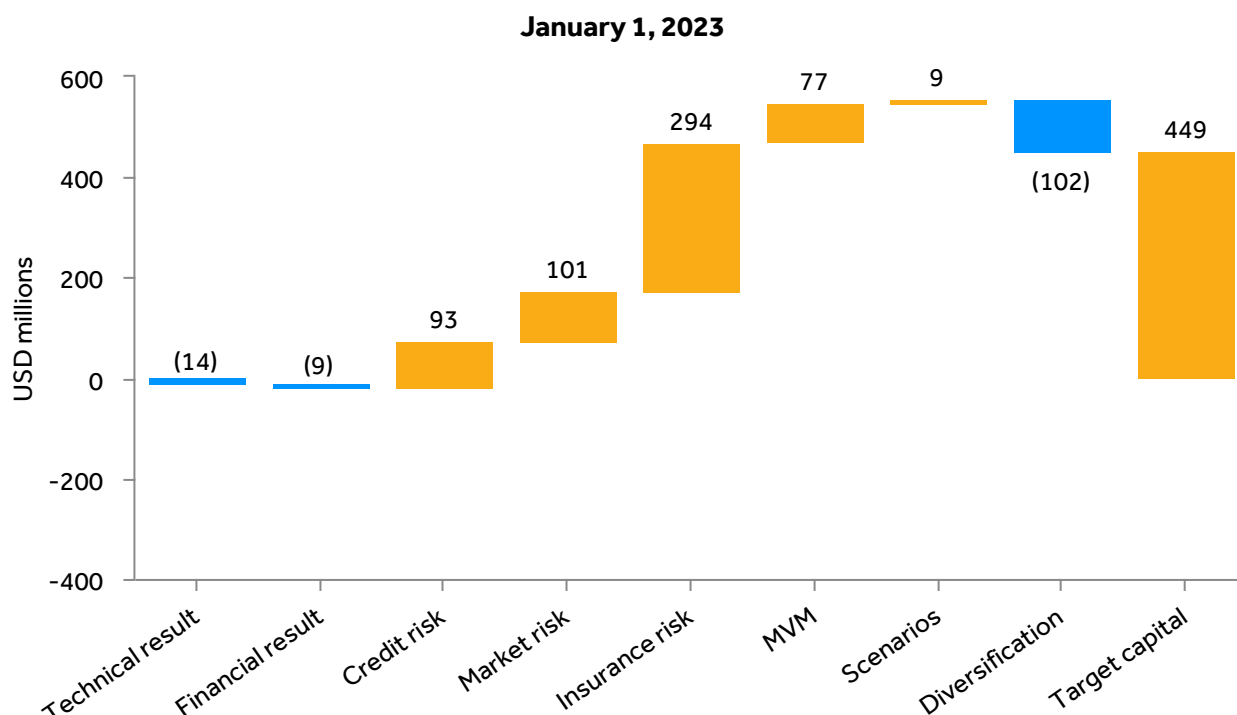
As a result of the solid capital surplus the Company proposes to distribute CHF 365m (USD 400m) to its shareholder AXA XL Luxembourg S.à r.l., subject to FINMA approval. The 2023 SST ratio before distribution would reduce from 248% to 140% after distribution.

Solvency

Section G provides information on the models used for the SST calculations with further breakdowns of the target capital as of January 1, 2023.

During 2020 CRCH developed a new internal model that was submitted to FINMA for approval. In January 2021, FINMA granted the use of this model for the 2021 SST with a temporary 6% loading on insurance risk. CRCH submitted a reapplication for the reserve risk models and this was approved for use for the 2023 SST in January 2023. Therefore the 6% loading is no longer applied in the 2023 results. The 2023 results are derived from the model with the approved reserve risk module.

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



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

Market risk is calculated using the FINMA standard model whereas insurance risk and the MVM ("Market value margin") are calculated in the internal model.

CRCH results are presented on a consolidated basis, as such risks associated with Seaview Re have been included within each risk category.

Overall, the target capital for the 2023 SST has decreased by USD 483m compared to last year. There have been a number of partially offsetting movements, the key drivers of which are highlighted below:

- Commutation of the Seaview Re Insurance segment reserves. This reduced premium risk and reserve risk;
- Decreased premium risk for natural catastrophe exposures due to the reduction of business written;
- Decrease in reserve risk due to reserves running off and the reserve risk profile changing;
- Decrease in asset base due to the reduction in reserves. This decreased market risk and investment credit risk;
- Decrease due to more discount benefit as yield curves have increased;
- Offset by an increase in capital due to less diversification benefit seen as the risk profile is changing.

Significant events post year end:

There have been no significant events post year end.

A. Business activities

A.1 Strategy, objectives and business segments

Following its purchase by AXA Group in 2018, the Company became part of the AXA XL Division. AXA XL is the property, casualty, and specialty division of AXA comprising global insurance and reinsurance companies that provide property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis.

Catlin Re Switzerland Ltd, domiciled in Zurich, Switzerland, operates as a multi-line property, casualty and specialty reinsurance company and as one of AXA XL's Intra-Group Reinsurance carriers.

During 2022 the Company was writing property, casualty and specialty reinsurance classes, including agriculture, trade credit, surety and political risk of reinsurance. The offerings included short-tail multi-peril property, engineering, casualty, accident & health, agriculture, trade credit, surety, political risk, marine lines of reinsurance, mostly in the form of treaty reinsurance. Agriculture and credit & surety lines are provided with a global mandate and are written through the Company's Zurich operations. Reinsurance for property and casualty classes are predominately provided for Central and South America, Brasil and the Caribbean, Asia Pacific and North America through the branches in Bermuda and Singapore, an admitted and local Brasil carrier, a local office in Colombia and binder agreements with the AXA XL offices in Miami and Sydney. Reinsurance coverage is distributed through reinsurance brokers and directly with cedants. The Company prudently manages reinsurance obligations through controlled risk taking, clear accountability and strong underwriting discipline. The Company is viewed as being well established amongst the 2nd tier reinsurers, which jointly with AXA's strong balance sheet positively impacts negotiation leverage and overall opportunities.

Outwards Reinsurance forms an integral part of capital management at AXA XL. It is predominantly managed and placed at Division and Reinsurance segment level in line with the Company's risk appetite to appropriately protect key exposures. In addition, CRCH's peak risks are mitigated by a WASL agreement placed with AXA XL Reinsurance Ltd, Bermuda ("AXA XL Re"). The WASL provides flexible capital and a highly efficient cover to protect the Company's equity from material erosion for 15% of any losses in excess of a 72% loss ratio. Effective January 1, 2023, the WASL was placed at 35% xs 75% loss ratio.

With effect December 31, 2022, the Company placed a LPT agreement with XLB, ceding all Insurance Segment exposures.

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

The hardening market continued for the 2023 renewals as a result of sparse capacity in nat cat exposed lines, inflationary impacts, following ongoing large losses in many lines of business and markets. Loss free accounts in Credit & Surety lines are stable at best in many markets. AXA XL and the Company are focusing on deploying cat capacity on clients providing multi-line diversified relationships, looking to convert existing monoline business where possible, and growing the non-cat business to further diversify the portfolio.

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

A.2 Group information and group related transactions

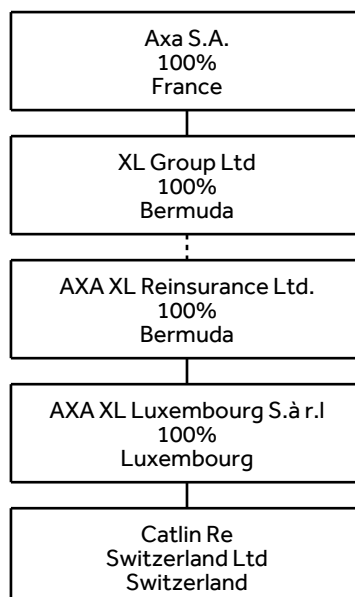
The Company's immediate parent is AXA XL Luxembourg S.à r.l., a company incorporated in Luxembourg which holds 100% of CRCH's ownership interest and voting rights.

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

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

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

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



Group Supervisor

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

Material related party transactions

Effective December 31, 2022, CRCH placed a LPT at 100% with XL Bermuda Ltd ("XLB"), ceding all of CRCH's Insurance Segment reserves including risks associated with the UPR. The Company benefits from a purchased WASL agreement with AXA XL Re. The Company also makes regular payments to AXA Group companies in respect of services provided to the Company. The Company regularly purchases or sells financial investments from and to other Group companies. Other than the previously mentioned, there were no material transactions during 2022 with the Company's direct or indirect shareholders, with persons who exercise a significant influence on the Company or with members of the Board which are deemed material. The Company actively monitors all related party transactions.

A.3 Related undertakings

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

in CHF millions as of December 31, 2022	Domicile	Net Book value	Equity/Voting Shares
Seaview Re Holdings Inc	Delaware, USA	125.45	100 %
AXA XL Resseguros S.A.	Sao Paulo, Brasil	76.83	100 %
XL Re Latin America Argentina SA	Buenos Aires, Argentina	—	80 %
Total investments in affiliated companies		202.28	

Effective January 21, 2022, the Company acquired the remaining 49.68% shares in AXA XL Resseguros S.A. from XL Insurance Company SE, Dublin. As a result, the net book value increased from CHF 34m to CHF 77m, with the equity interest increasing from 50.32% to 99.99%.

Seaview Re, through its shareholder Seaview Re Holdings Inc. declared a USD 600m capital repayment with a December 2022 settlement date. Consequently, the net book value of Seaview Re reduced to CHF 125m in 2022.

Also refer to [Seaview Re's Annual Report](#) for the year ended December 31, 2022 for additional information on the Company's subsidiary (via Seaview Re Holdings) performance.

A.4 Major branches

Catlin Re Switzerland Ltd, Bermuda Branch O'Hara House P.O. Box HM 2245 One Bermudiana Road Hamilton, HM 08 Bermuda	Catlin Re Switzerland Ltd, Singapore Branch 138, Market Street #10-01 Capitagreen Singapore 048946 Singapore
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During 2021, the Company established a new Branch in Singapore, licensed by the Monetary Authority of Singapore (MAS). The new branch started writing business from January 1, 2022, the same date as the portfolio transfer from XL Bermuda Ltd, Singapore Branch to CRCH Singapore Branch took place.

A.5 External auditor

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

Ernst & Young AG
Maagplatz 1
8010 Zurich
Switzerland

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

A.6 Significant unusual events

There have been no extraordinary material events for the year ended 2022.

B. Business performance

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

The table below provides the main 2022 and 2021 key performance indicators; the quantitative template with more granular information can be found in appendix 1.

B.1 Underwriting result

CHF millions	2021	2022	Change	Change in %
Gross premium written	1,624	733	(891)	(55)%
Net earned premium	1,605	1,109	(496)	(31)%
Net acquisition costs	(621)	(425)	196	(32)%
Net claims incurred	(1,113)	(682)	431	(39)%
Net reinsurance result	(130)	2	132	102 %
Ratios				
Acquisition cost ratio	39 %	38 %		(1)%
Loss ratio	69 %	61 %		(8)%
Combined ratio	108 %	100 %		(8)%

In 2022, compared to the previous year, net earned premium decreased by CHF 496m to CHF 1,109m. This was driven by reducing exposures to Natural Catastrophes, the non-renewal of unprofitable business, and Home office P&C business being written by another AXA XL company, partially offset by the business written in the new Singapore Branch.

Acquisition costs also include administration and other expenses. The acquisition cost ratio decreased by 1% from 39% in 2021 to 38% in 2022, driven by the new business mix as well as a decrease in admin expenses.

Net claims incurred are CHF 682m, compared to CHF 1,113m in the previous year. The 2022 loss ratio of 61% is mainly driven by the current accident year losses partially offset by favourable PYD mostly related to COVID-19 and some Property lines.

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

CHF millions					2022
Line of business	Gross premium written	Net premium earned	Acquisition cost ratio	Loss ratio	Combined ratio
Personal accident	6	3	26 %	176 %	202 %
Motor	18	2	48 %	138 %	186 %
Marine, aviation, transport	26	22	28 %	56 %	84 %
Property	345	820	37 %	70 %	107 %
Casualty	49	29	29 %	44 %	73 %
Miscellaneous	289	233	46 %	31 %	77 %
Total 2022	733	1,109	38 %	61 %	100 %

The table below provides the 2021 key performance indicators by FINMA line of business:

CHF millions					2021
Line of business	Gross premium written	Net premium earned	Acquisition cost ratio	Loss ratio	Combined ratio
Personal accident	16	13	37 %	57 %	95 %
Motor	33	16	21 %	67 %	88 %
Marine, aviation, transport	32	19	26 %	92 %	118 %
Property	1,287	1,350	38 %	74 %	112 %
Casualty	40	10	40 %	218 %	258 %
Miscellaneous	217	197	47 %	27 %	73 %
Total 2021	1,624	1,605	39 %	69 %	108 %

B.2 Investment income and expenses

CHF millions	2021	2022	Change	Change in %
Investments				
Investment income	53	626	573	1,081 %
Investment expenses	(9)	(629)	(620)	6,889 %
Net investment result	44	(3)	(47)	(107)%

The net investment result as disclosed in the annual report in appendix 4 amounts to a loss of CHF 3m compared to a CHF 44m gain in 2021.

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

B.2.1 Investment income and expenses by asset class

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

Investment expenses				2022
CHF millions	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	(538)	—	—	(538)
Fixed income securities	—	(79)	(11)	(90)
Equity securities	—	—	—	—
Other investments	—	—	—	—
Short term investments	—	—	—	—
Cash and cash equivalents	—	—	—	—
Investment management fees	(2)	—	—	(2)
Total investment expenses	(540)	(79)	(11)	(629)
Total net investment contribution	77	(71)	(10)	(3)

Investment income				2021
CHF millions	Income	Unrealised gains	Realised gains	Total
Investments in affiliated companies	—	—	39	39
Fixed income securities	9	4	1	14
Equity securities	—	—	—	—
Other investments	—	—	—	—
Short term investments	—	—	—	—
Cash and cash equivalents	—	—	—	—
Total Investment income	9	4	40	53

Investment expenses				2021
CHF millions	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	—	—	—	—
Fixed income securities	—	(2)	(3)	(6)
Equity securities	—	—	—	—
Other investments	—	—	—	—
Short term investments	—	—	—	—
Cash and cash equivalents	—	—	—	—
Investment management fees	(3)	—	—	(3)
Total investment expenses	(3)	(2)	(3)	(9)
Total net investment contribution	6	2	37	45

The net investment result amounts to a CHF 3m loss for 2022, compared to a CHF 45m gain in the previous year. Investment income has increased by CHF 573m from CHF 53m to CHF 626m year on year mainly driven by a distribution received from the Company's subsidiary Seaview Re via Seaview Re Holdings Inc.

Investment expenses have increased from CHF 9m to CHF 629m year on year which is mainly driven by a write-down recognised on the valuation of subsidiary Seaview Re Holdings Inc during 2022 as well as a CHF 73m temporary impairment of fixed income securities to the lower of cost or market as a result of increased interest rates and lower market values during 2022.

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

B.3 Other income and expenses

CHF millions	2021	2022	Change	Change in %
Interest income	17	26	9	53 %
Interest expense	(1)	(6)	(5)	500 %
Other income	—	3	3	100 %
Foreign exchange	18	2	(16)	(89)%
Total other income and expenses	34	25	(9)	(26)%

Interest income of CHF 26m is mainly comprised of interest earned on funds withheld.

The foreign exchange gain of CHF 2m (2021: CHF 18m) arises from foreign currency transactions incurred in each of the Company's business units and the revaluation of monetary assets and liabilities denominated in foreign currencies into the functional currencies at the period end rates. Revaluation gains and losses are deemed realised and recorded in the income statement. Each business unit with a different functional currency from the Company's Statutory reporting currency is translated to Swiss Francs; resulting unrealised gains are deferred and recorded under the balance sheet line item provision for currency fluctuation. Unrealised losses from translation are either offset against the provision for currency fluctuation or recorded in the income statement. In 2022, unrealised translation losses in the amount of CHF 43m have been recorded against the provision for currency fluctuation (2021: CHF 10m gain).

C. Corporate governance and risk management

C.1 Corporate governance

C.1.1 Board of Directors composition

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

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

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

Doina Palici-Chehab (French/German)	Resigned	April 20, 2022	Non-Executive
Daniela Bräm (Swiss)	Appointed	March 29, 2022	Non-Executive
Jürgen Cherreck (Swiss/German)	Appointed	March 29, 2022	Non-Executive

Board meetings are held at least quarterly. Detailed Board reports are prepared and circulated in advance of meetings, addressing all major areas of the Company's operations, encompassing underwriting performance, financial results, reserving, risk management, legal and compliance and internal audit. The Risk and Audit Committee convenes at least four times a year.

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

Qualifications of the Board and key function holders

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

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

C.1.2 Executive Committee composition

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

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

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

Paul Simons (Bermudian)	Resigned	June 24, 2022
Peter Schmidt (Swiss)	Resigned	December 31, 2022
Felix Winzap (Swiss)	Appointed	January 17, 2023
Wendy Tobey (U.S.)	Appointed	January 17, 2023

C.1.3 General information corporate governance

Corporate governance provides the framework through which:

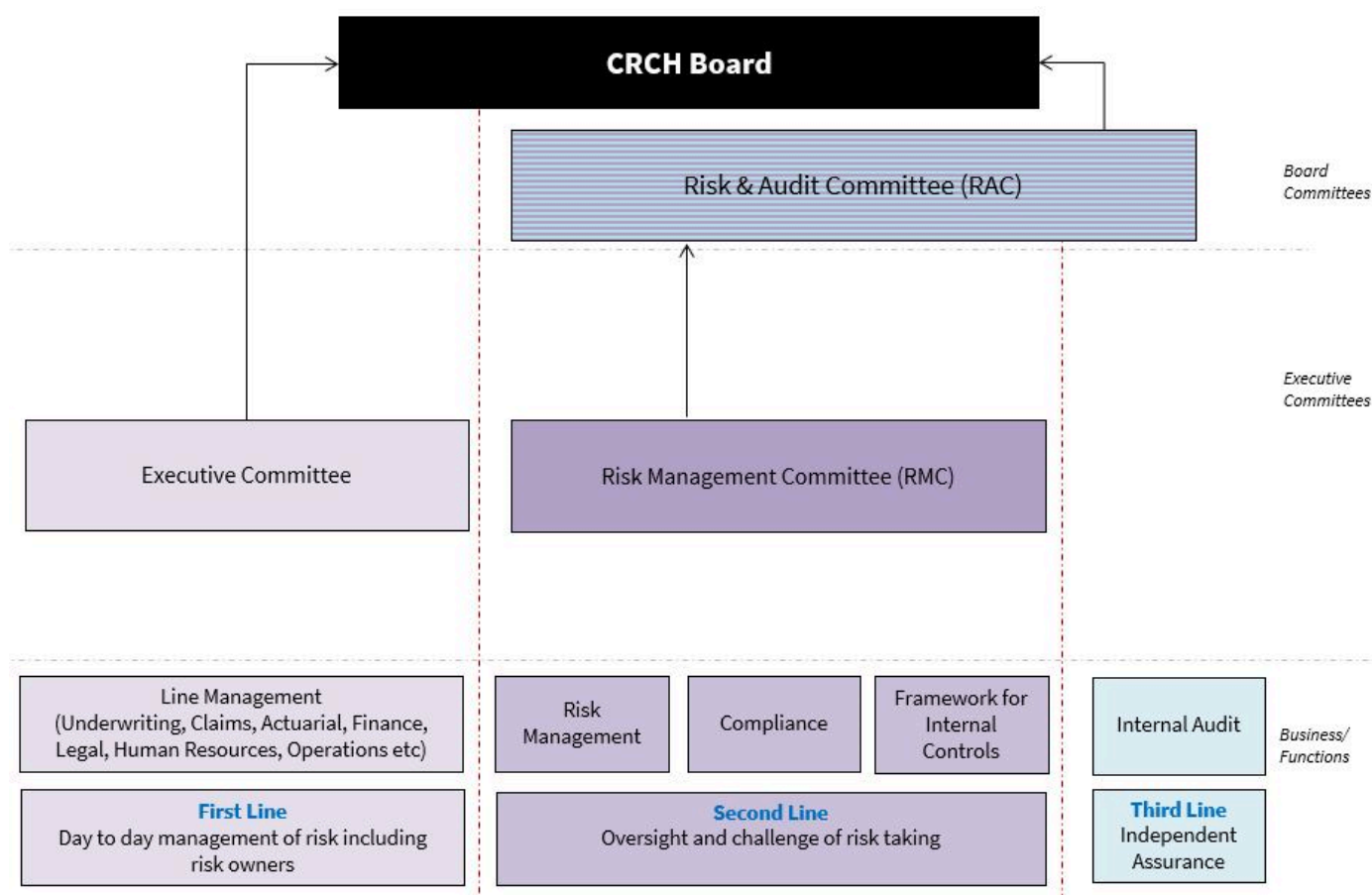
- Objectives and strategy of the Company are set, and the means of attaining those objectives and monitoring performance are determined;
- Roles and responsibilities of the Board and senior management are described;
- At an operational level, policies are set, risk management is developed and carried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

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

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

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

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



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

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

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

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

2. Second line - Oversight / challenge.

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

3. Third line - Independent Assurance.

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

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

Executive Committee

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

Risk Management Committee

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

Risk and Audit Committee

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

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

C.1.4 Key functions

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

Each of these key function holders:

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

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

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

Risk Management

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

Compliance

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

Internal Audit

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

Other critical and important functions

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

C.2 Risk Management

C.2.1 Risk management framework

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

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

The aim of the RMF is to:

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

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

Risk Strategy

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

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

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

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

Risk Appetite

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

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

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

Risk Management Information and Reporting

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

C.2.2 Own risk and solvency assessment

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

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

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

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

ORSA governance

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

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

C.2.3 Compliance function

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

Compliance manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) employee Compliance & Ethics Guide, and (v) the monitoring of compliance and regulatory risks.

Compliance undertakes an annual Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed which is provided to the Board.

The compliance activities are articulated around a number of Group Standards and Policies which set the minimum requirements expected to be covered by AXA XL (e.g. Compliance, Anti-Money Laundering, Sanctions, Anti-Bribery). Group requirements are adapted and local policies are developed to align with the relevant laws and regulations in the jurisdiction in which the Company operates and conducts business.

On a quarterly basis compliance reports directly to the RAC on significant compliance matters and attends Board meetings when compliance matters are addressed. These include major regulatory changes that have compliance implications, the result of the Compliance Risk Assessment, the Annual Compliance Plan, remediation plans and any other significant issues that require escalation.

C.2.4 Material changes in risk management

There were no material changes to the risk management function in 2022.

C.3 Internal control system

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

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

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

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

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

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

C.3.1 Internal Financial Controls

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

The Internal Control's core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting;
- Identifying areas in which the inherent risk of financial misstatement is material so that management can address these risks before they manifest themselves in an actual misstatement;

- Providing Executive Management, the Company's Board and AXA Group reasonable assurance over AXA XL's processes - in particular on financial reporting; and
- Adding value by helping management promote a robust control environment.

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

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

C.3.2 Internal Audit function

Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organisation by providing an independent and objective assurance activity designed to add value and improve the organisation's operations. It helps the organisation meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of governance, and risk and control management.

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

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

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

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

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

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

D. Risk profile

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

Risk Universe

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

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

D.1 Insurance risk

Risk definition

Insurance risk is defined using the following categories:

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

Risk identification

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

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

Risk mitigation

Reinsurance purchases

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

The adequacy of the reinsurance strategy as a protection mechanism for the Company is considered and approved by the Company's Board as part of the annual business planning process, and the impact of that strategy is monitored quarterly by both the RAC and Board.

Actuarial function

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

Rating adequacy

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

Underwriting authorities and guidelines

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

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

Risk monitoring

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

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

Stress testing framework

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

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

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

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

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

D.2 Market risk

Risk definition

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

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

Risk identification

The Company identifies market risk through the following processes:

Process	Description
Business planning	As part of the annual planning process, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities.
Investment decisions and asset allocations	Investment Plan details the planned purchases and sales of securities and their respective quantities for the year in conjunction with the Strategic Asset Allocation (SAA) benchmark and the Risk Appetite Framework limits.
Risk assessment and processes	The risk assessment process assists in identifying if there are any changes to market risks already identified in the previous assessment.
Emerging risks	The Division operates an emerging risks identification process. This assessment identifies key external factor changes that may give rise to Market risk issues.

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

Risk mitigation

Strategic Asset Allocation

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

- **Authorities Framework / Risk Appetitive Framework**

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

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

- **Service level agreements**

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

Currency risk mitigation

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

Risk monitoring

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

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

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

Stress testing framework

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

- Interest rate and spread sensitivities: by re-valuing current portfolio holdings assuming various changes in the level and term structure of interest rates and the level of credit spreads;
- Historical stress tests identified by ERM and Group Investments covering economic, financial and political events and the potential impact to the investment portfolio;
- RDS aggregations; and
- Ad hoc review of enterprise risk scenarios.

The Company undertakes a range of extreme events testing as identified above which intends to stress the capital position and also takes a view at the 1 in 100, which is the point at which the market risk limit and appetite are set. Although the SST is calibrated at the 1% TVaR, internal risk monitoring and risk appetite is set at the 1% VaR risk measure. Considering the 1% annual VaR (1 year historical risk factor returns, exponentially-weighted) for market risk using BlackRock Solutions, the exposure does not breach risk appetite or result in the Company's solvency ratio dropping below 100% and therefore does not breach the SST minimum ratio.

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

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

D.3 Credit risk

Risk definition

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

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

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

Risk identification

The Company identifies credit risk through the following processes:

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

Risk mitigation

Credit risk is managed through:

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

Risk monitoring

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

Investment portfolio

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

Stress testing framework

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

AXA S.A. Credit Facility

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

D.4 Operational risk

Risk definition

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

Risk identification

Operational risk is identified through the following processes:

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

Risk mitigation and monitoring

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

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

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

Purchase of insurance

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

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

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

Risk Appetite

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

Stress testing framework

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

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

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

D.5 Other material risks

Liquidity risk

Risk definition

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

Risk identification

The Company identifies liquidity risk through the following processes:

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

Risk mitigation

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

Liquidity risk is managed through:

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

Risk monitoring

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

Risk Appetite

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

Stress testing framework

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

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

Asset liability mismatch risk

Risk definition

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

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

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

Risk identification

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

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

Risk monitoring

The Company controls asset liability mismatch risk through:

- **Asset Liability Management analysis**

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

- **Investment authorities and guidelines**

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

- **Reserving process controls**

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

Stress testing framework

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

Strategic risk

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

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

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

Reputational Risk

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

Emerging Risk

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

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

Climate Change

Climate risk, and consequently climate change risk, is a key area of consideration to the Company. Climate leadership is one of the five key pillars of AXA Group's Driving Progress 2023 Strategic Plan, announced in December 2020.

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

- **Physical risks:** These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity. The Company has exposure to natural catastrophes which therefore might be impacted and is supported by an AXA XL Division Science & Natural Perils team who consider the impact of climate change on the natural catastrophe models. Our ceded reinsurance protections act to mitigate the risks from natural perils, including those related to climate. However, the hazard changes from the impact of climate change on natural perils are likely to present themselves gradually over a long time period and therefore we view this risk as chronic rather than acute;
- **Transition risks:** These are financial risks which could arise from the transition to a lower-carbon economy, incorporating changes in policy, technology and consumer preference. This can include both loss-causing impacts and the future stability of some of our product portfolios. This risk impacts the Company in, for example, the energy sector where we are seeing the impact of COP 21 & 26 and a move towards insuring renewable energy initiatives as well as monitoring areas such as the motor, aviation, construction and other areas where business could be impacted. Our underwriter workshops have enabled the dissemination of the wealth of knowledge and expertise underwriters have in their specific classes of business. This expert knowledge and engagement with our clients enable AXA XL to be resilient to the changing risks we face in this area; and
- **Liability and litigation risks:** These are risks that could arise from parties who have suffered loss or damage from climate change, and then seek to recover losses from others who they believe may have been responsible or whose actions they want to influence. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all the cost to insurance firms under third-party liability contracts such as professional indemnity (PI) or directors' and officers' (D&O) insurance. Where liability is not ruled or settled, the Company could still be exposed to the costs of duty to defend, should clients seek to recover costs here. The Company has exposure across a range of industries which could be targeted in climate change litigation.

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

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

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

Environmental, Social and Governance (ESG) risks

Regarding its long-term viability, the Company as part of AXA XL is also focused on Environmental, Social and Governance related risks. A key aspect of Environmental risk is described under "Climate Change" but in addition, AXA XL seeks to promote issues related to striving for Net-Zero, promoting sustainable waste management and use of water. In social risk, an immediate area of focus is on Inclusion and Diversity, particularly in AXA XL's workforce. This includes hiring and promoting a diverse workforce through our Diverse Slate policy and building succession plans and creating an inclusive environment through our Dignity at Work Policy, Business Resource Groups and implementing flexible working arrangements.

D.6 Off-balance-sheet risks

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

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

The Company has access to unsecured and secured letter of credit facilities to support its reinsurance business. As at December 31, 2022, unsecured irrevocable letters of credit in the amount of CHF 115m (2021: CHF 103m) have been issued under these facilities.

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

D.7 Risk concentrations

Assets

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

Corporate and Government bonds for CRCH consolidated assets account for 61% of the total investment portfolio, the largest exposure to a single issuer is a government issuer, which is approximately USD 401m.

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

Liabilities

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

Management of risk concentrations

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

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

E. Valuation

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

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

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

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

	2022			2021		
in millions as per December 31	Statutory (CHF)	Statutory (USD)	Adjustment (USD)	MCBS (USD)	MCBS (USD)	Item
Investments, cash and cash equivalents	1,534	1,658	35	1,693	2,159	1
Premiums and other receivables	1,442	1,559	(66)	1,493	2,102	2
Deferred acquisition costs	126	136	(136)	—	—	3
Reinsurance recoverables	463	501	(75)	426	331	4
Other assets	33	35	—	35	74	
Total Assets	3,598	3,889	(242)	3,647	4,666	
Reserves for losses and loss expenses	1,768	1,911	(192)	1,719	1,977	5
Unearned premiums	473	511	(212)	299	754	6
Other insurance obligations	207	224	(10)	214	136	7
Total provisions for insurance obligations	2,448	2,646	(413)	2,233	2,867	
Funds held under reinsurance treaties	—	—	—	—	47	
Other liabilities	466	504	(89)	415	377	8
Proposed distribution	—	—	400	400	—	9
Total provisions for other liabilities	466	504	311	815	425	
Total liabilities	2,914	3,149	(101)	3,048	3,291	
Shareholder's equity (Net assets)	684	739	(140)	599	1,375	

E.1 Assets

Value of investments by investment class

The following table summarises the investments by investment class held by the Company as at December 31, 2022, and 2021, respectively, including the market-consistent value relevant for solvency purposes and statutory cost values.

	2022	2021	2022	2021
in USD millions as per December 31	Market value	Market value	Statutory cost	Statutory cost
Fixed income Securities & Short Term				
Government Bonds	474	505	474	501
Corporate Bonds	257	156	257	156
Structured Products	9	9	9	9
Securitised (ABS, MBS, CMO)	379	105	379	104
Investment in affiliated companies	253	1,238	219	769
Cash and cash equivalents	314	144	314	144
Accrued income	6	2	6	2
Total investments and cash and cash equivalents	1,693	2,159	1,658	1,685

Basis, key assumptions and methods used for valuation of assets

Item	Valuation difference (USD millions)	Asset class	Difference between MCBS and Swiss Statutory accounting principles
1	35	Investments, cash and cash equivalents	Investments, cash and cash equivalents as well as investments in affiliated companies are generally measured at fair value in the MCBS. Under Swiss Statutory valuation rules, all investments are carried at cost less necessary and legally permissible depreciation. In 2022, CRCH recorded a temporary valuation adjustment for Statutory cost due to increased yields and as a result lower market values for its fixed income securities. Securities use quoted market prices in active markets for the same asset as the default valuation method. Where the use of quoted market prices for the same asset is not possible, quoted market prices in active markets for similar assets with adjustments to reflect differences are used. If there are no quoted market prices in active markets available, securities use mark-to-model techniques, which is an alternative valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input.
2	(66)	Premiums and other receivables	Premium and other reinsurance receivables under Swiss Statutory accounting rules are measured at cost less a provision for impairment and are not discounted. The valuation differs to the MCBS in that the receivables are discounted.
3	(136)	Deferred acquisition costs	Deferred acquisition costs ("DAC") are costs relating to the acquisition of new business for reinsurance contracts. Under Swiss Statutory accounting rules these costs are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts. Recognition of DAC is not permitted under the MCBS and therefore eliminated.
4	(75)	Reinsurance recoverables	Overall the reinsurance recoverables are adjusted for future profits, discounting and netting of ceded DAC to get to a market consistent view: <ul style="list-style-type: none"> USD 24m: The recognition of DAC is not permitted under the MCBS, as such the ceded portion is netted off from the ceded UPR as the statutory UPR allows for DAC (see also asset item 3). USD 1m: In order to set the ceded UPR on a market consistent basis, the ceded UPR on the balance sheet is multiplied by the expected combined ratio to get the best estimate losses and costs for the unearned business (future profit). USD 51m: as a result of discounting.

E.2 Provisions for insurance obligations

The following table provides an overview of the Company's gross and net best estimate of reserves for losses and loss expenses on both an undiscounted and discounted basis as at December 31, 2022 and 2021.

in USD millions as per December 31	2022		2021	
	Undiscounted	Discounted	Undiscounted	Discounted
Gross reserves for losses and loss expenses	1,911	1,719	2,013	1,977
Ceded reserves for losses and loss expenses	(398)	(358)	(237)	(233)
Net reserves for losses and loss expenses	1,513	1,361	1,776	1,744

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

Item	Valuation difference (USD millions)	Provisions for insurance obligations	Difference between MCBS and Swiss Statutory accounting principles
5	(192)	Reserves for losses and loss expenses	The Gross losses and loss expense reserves are adjusted for the effects of discounting to get to a market consistent view. The USD 192m discounting impact is derived from the expected future payment patterns and currency mix of the loss reserves and applying the standard risk-free rates obtained from FINMA for 2022. Adjustments for discounting have been allocated in proportion to the underlying liabilities.
6	(212)	Unearned premiums	Overall the unearned premiums are adjusted for future profits, discounting and netting of DAC to get to a market consistent view: <ul style="list-style-type: none"> • USD 160m: The recognition of DAC is not permitted under the MCBS, as such the gross balance is netted off from the UPR as the statutory UPR allows for DAC (see also asset item 3). • USD 5m: In order to set the UPR on a market consistent basis, the UPR on the balance sheet is multiplied by the expected combined ratio to get the best estimate losses and costs for the unearned business (future profit). • USD 47m: as a result of discounting.
7	(10)	Other insurance obligations	The other insurance obligations are adjusted for the effects of discounting to get a market consistent view.

Methodology

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

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

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

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

E.3 Provisions for other liabilities

Item	Valuation difference (USD millions)	Provisions for other liabilities	Difference between MCBS and Swiss Statutory accounting principles
8	(89)	Other liabilities	The difference is primarily due to the elimination of the 73m provision for currency fluctuation which is not eligible under the MCBS. Also 16m discounting impact on Reinsurance payables.
9	400	Proposed distribution	The difference of USD 400m represents the proposed distribution of the Company to its sole shareholder AXA XL Luxembourg S.à r.l., subject to all regulatory approvals.

E.4 Risk margin

The risk margin (market value margin, "MVM") for the Company for the 2023 SST amounts to USD 77m (2022 SST: USD 177m) and incorporates the FINMA prescribed cost of capital of 6%.

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

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

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

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

F. Capital management

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

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

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

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

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

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

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

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

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

CHF millions as of December 31	2021	2022	Change	Change in %
Common stock	100	100	—	— %
Legal capital reserves from capital contribution	633	633	—	— %
Legal profit reserves	45	45	—	— %
Retained earnings (losses)	(51)	(106)	(55)	108 %
Profit / (loss) for the financial year	(54)	11	65	(120) %
Total shareholder's equity	673	684	11	2 %

CHF millions	Common Stock	Legal reserves from capital contribution	Legal profit reserves	Profit/(loss) for the financial year	Retained earnings (losses)	Total
as of December 31, 2021	100	633	45	(54)	(51)	673
Allocation of 2021 loss to retained earnings (losses)				54	(54)	—
Profit/(loss) for the financial year				11		11
CHF millions as of December 31, 2022	100	633	45	11	(106)	684

- **Share capital** (common stock) of the Company amounts to CHF 100m, issued in the form of authorised share capital. It is divided into ten million registered shares with a nominal value of ten Swiss Francs per share. The shares are fully paid.
- **Legal reserves from capital contribution** in the amount of CHF 633m represent additional paid-in capital from AXA XL Luxembourg S.à r.l., the Company's shareholder. Legal reserves from capital contribution have been confirmed by the Swiss Federal Tax Authority and entitle the Company to repatriate capital without adverse tax impacts.
- **Legal profit reserves** in the amount of CHF 45m represent:
 - Capital contributions from Group legal entities other than AXA XL Luxembourg S.à r.l.; and
 - Allocations from previous years retained earnings less dividends paid.

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

The net profit for the financial year 2022 amounts to CHF 11m. The Board of Directors will propose at the Annual Shareholder Meeting on April 28, 2023 to allocate the profit to retained earnings (losses).

In addition, the Board proposes at the Annual Shareholder Meeting to declare a capital distribution of USD 400m. The distribution is paid out of legal reserves from capital contribution, and will be translated into CHF at the spot rate on the date of settlement and must not exceed CHF 365m.

For details on the proposed appropriation of 2022 earnings please also refer to page 19 of the annual report in Appendix 4.

F.3 Difference between statutory and solvency net assets

The main differences of USD (140)m between the equity of the Company in the statutory financial statements and the solvency valuation of the excess of assets over liabilities are explained in section E (Valuation).

G. Solvency

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

G.1 Solvency model

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

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

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

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

During 2020 CRCH developed a new internal model that was submitted to FINMA for approval. In January 2021, FINMA granted the use of this model for the 2021 SST with a 6% loading on insurance risk. CRCH submitted a reapplication for the reserve risk module and this was approved for use for the 2023 SST in January 2023. Therefore the 6% loading is no longer applied in the 2023 results. The 2023 results are derived from the model with the approved reserve risk module.

A large part of CRCH's risks arise from its reinsurance of other companies within AXA XL. The internal model has been developed such that it explicitly captures all material risks to CRCH.

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

G.2 Target capital

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

USD millions	January 1, 2022	in %	January 1, 2023	in %
Technical result	(14)	(1)%	(14)	(3)%
Financial result	(29)	(2)%	(9)	(2)%
Credit Risk	224	19 %	93	17 %
Market Risk	223	19 %	101	18 %
Insurance Risk	584	50 %	294	53 %
Market Value Margin ("MVM")	177	15 %	77	14 %
Scenarios	5	0 %	9	1 %
Total before diversification	1,170	100 %	551	100 %
Diversification	(238)		(102)	
Target Capital	932		449	

The Technical and the Financial results are elements of the profit expected in the current year that reduce the required capital.

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

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

CRCH also identifies scenarios to capture risks not included in other areas of the model. These scenarios are run through the FINMA aggregation tool in order to calculate their diversified impact on capital. For 2023 SST, one company specific scenario was included in the Target Capital which is Currency Risk.

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

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

G.2.1 Market risk

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

USD millions	January 1, 2022	January 1, 2023	Change	Change in %
Interest rate risk	203	52	(151)	(74)%
Spread risk	183	27	(156)	(85)%
Foreign exchange risk	70	45	(25)	(36)%
Investments	24	45	21	88 %
Total before diversification	481	170	(311)	(65)%
Diversification within market risk	(258)	(69)	189	(73)%
Market risk (all risk factors)	223	101	(122)	(55)%

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

Market risk, on a diversified basis, accounts for 14% of the total target capital. Consolidated CRCH holds a significant portion of its assets in bonds. The decrease in market risk is due to the decrease in assets backing the decrease in reserves due to the commutation of the Seaview Re insurance segment reserves. This is partially offset by the increase in the Investments value due to the increase of CRCH's share in AXA XL Resseguros S.A. from 50.32% to 99.99% and the investments held in the new Singapore Branch.

G.2.2 Insurance risk

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

USD millions	January 1, 2022	January 1, 2023	Change	Change in %
1-year underwriting risk	484	192	(292)	(60)%
1-year reserve risk	316	189	(127)	(40)%
Total before diversification	801	382	(419)	(52)%
Diversification impact within insurance risk	(217)	(87)	130	(60)%
1-year insurance-technical risk	584	294	(290)	(50)%

Insurance risk is the largest driver of capital for the Company accounting for approximately 52% of the total capital requirement on a diversified basis with underwriting risk contributing 26% to the total target capital and reserve risk 26%.

Underwriting risk

Underwriting risk reflects the volatility measured on a one-year time horizon of losses earned after December 31, 2022, allowing for one year of new business. This is made up of the portion of the 2022 (and prior) underwriting years not earned by December 31, 2022, and new policies anticipated to be written that attach to the 2023 underwriting year and are earned in 2023.

Underwriting risk has decreased by USD 292m compared to 2022 mainly due to the commutation at Seaview Re and the full return of UPR.

Approximately 79% of the total underwriting risk arises from low frequency, high severity threat events, estimated using the internal model that can lead to simultaneous losses from a number of lines of business and policies at the same time. Third-party reinsurance contracts mitigate the impact of these events substantially, but net of reinsurance their effect is still significant to the Company. These events include natural catastrophe losses and man-made events. Some of the largest threats to the Company are mentioned in section D.1.

Reserve risk

Reserve risk reflects the volatility measured on a one-year time horizon of losses earned before December 31, 2022. Most of the volatility arising from reserve risk is not related to a given specific event but reflects the potential for many different areas to deteriorate at the same time. In particular it is influenced by the volume of reserves held at any given time, and hence casualty business is a key constituent.

Reserve risk has decreased by USD 127m compared to the previous year. The decrease is mainly due to the commutation of the Seaview Re Insurance segment reserves and decrease in the remaining reserves of the company as they are running off for an additional year.

G.2.3 Other components

Expected insurance-technical result: The expected insurance-technical result for underwriting year 2023 is USD 14m (2022: USD 14m) on a discounted basis.

Expected financial result: The financial result of USD 9m for 2023 (2022: USD 29m) is directly calculated by the FINMA standard model by applying factors to investment types. These factors represent the expected return above risk free yields. The decrease is mainly due to the decrease in assets that have reduced as part of the mentioned commutation process.

1-year credit risk: Credit risk, on a diversified basis, accounts for 14% of the total target capital. The 1-year credit risk of USD 93m (2022: USD 224m) is made up of USD 75m (2022: USD 132m) investment credit risk and external reinsurance credit risk; and USD 29m (2022: USD 126m) internal reinsurance credit risk. Both internal and external credit risk and assets credit risk have decreased from 2022 due to the Seaview Re commutation resulting in less insurance risk and asset exposures.

Market value margin: The market value margin (risk margin) of USD 77m (2022: USD 177m) is described in more detail in section E.4.

Scenarios: The diversified impact of scenarios in the amount of USD 9m (2022: USD 5m) is attributable to the scenarios which are not already captured as part of other areas of the model. The diversified impact is calculated by using the FINMA aggregation template.

Diversification impact: The amount of USD 102m (2022: USD 238m) is the diversification benefit between risk categories. The decrease in the diversification benefit is in line with the decrease in the other risk categories.

G.2.4 Risks not included in the target capital

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

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

G.3 Breakdown of risk-bearing capital

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

G.4 Solvency ratio

The SST ratio as per January 1, 2023 for Catlin Re Switzerland Ltd is 140%.

USD millions	January 1, 2022	January 1, 2023	Change	Change in %
Risk bearing capital before distribution	1,375	999	(376)	(27)%
Target capital	932	449	(483)	(52)%
MVM	177	77	(100)	(56)%
SST ratio before distribution	159%	248%	89 pts	56%
Distribution		(400)		
Risk bearing capital after distribution		599		
SST ratio after distribution		140%		

As per margin 62 of the 2017 SST circular (2017/3), the ratio is calculated as: $(RBC - MVM) / (TC - MVM)$.

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

As a result of the solid capital surplus and in light of the capital needed to support future business, the Company proposes to distribute CHF 365m (USD 400m) to its shareholder AXA XL Luxembourg S.à r.l., subject to FINMA approval. The 2023 SST ratio before distribution would reduce from 248% to 140% after distribution.

AXA's Annual Report for the year ended December 31, 2022 is available on the AXA website (<https://www.axa.com/>).

Glossary

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

Appendices to the Financial Condition Report 2022

Appendix 1 Quantitative template "Performance solo reinsurance"

CHF millions	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Gross premium written	1,624	733	16	6	—	—	33	18	32	26	1,287	345	40	49	217	289
Reinsurance premium ceded	(341)	(178)	(2)	(1)	—	—	(19)	—	(12)	(9)	(256)	(106)	(26)	(18)	(26)	(44)
Net premium written	1,283	555	14	5	—	—	13	18	20	16	1,031	239	14	31	190	245
Change in gross UPR	250	580	—	(1)	—	—	3	(17)	(1)	4	252	624	(6)	(1)	2	(29)
Change in ceded UPR	73	(26)	—	(1)	—	—	—	1	—	1	67	(43)	1	(1)	5	16
Net premium earned	1,605	1,109	13	3	—	—	16	2	19	22	1,350	820	10	29	197	233
Total income from reinsurance activities	1,605	1,109	13	3	—	—	16	2	19	22	1,350	820	10	29	197	233
Gross claims paid	(991)	(1,028)	(8)	(12)	—	—	(28)	(27)	(12)	(27)	(844)	(896)	(9)	(7)	(90)	(58)
Ceded claims paid	77	106	1	1	—	—	12	14	4	10	50	77	3	(1)	8	5
Net claims paid	(914)	(922)	(8)	(12)	—	—	(16)	(13)	(8)	(16)	(794)	(819)	(6)	(9)	(82)	(53)
Change in gross loss reserves	(215)	197	—	6	—	—	1	22	(19)	10	(201)	195	(25)	(17)	28	(19)
Change in ceded loss reserves	16	44	—	—	—	—	4	(12)	9	(6)	(9)	49	10	13	1	—
Net claims incurred	(1,113)	(682)	(7)	(6)	—	—	(11)	(3)	(18)	(12)	(1,004)	(575)	(21)	(13)	(53)	(72)
Gross acquisition costs and administration expenses	(660)	(474)	(5)	(1)	—	—	(7)	(1)	(6)	(7)	(534)	(336)	(8)	(12)	(100)	(118)
Ceded acquisition costs	39	49	1	—	—	—	4	—	1	—	22	36	4	3	7	10
Net acquisition costs	(621)	(425)	(5)	(1)	—	—	(3)	(1)	(5)	(6)	(512)	(300)	(4)	(8)	(92)	(108)
Total expenses from reinsurance activities	(1,734)	(1,107)	(12)	(7)	—	—	(14)	(4)	(23)	(18)	(1,516)	(876)	(24)	(21)	(145)	(180)
Net reinsurance result	(130)	2	1	(4)	—	—	2	(2)	(3)	3	(166)	(56)	(15)	8	52	52
Investments																
Investment income	53	626														
investment expenses	(9)	(629)														
Net investment result	45	(3)														
Interest Income	17	26														
Interest expense	(1)	(6)														
Operating result	(69)	20														
Other income	—	3														
Foreign Exchange	18	2														
Income / loss before tax	(51)	25														
Direct taxes	(3)	(14)														
Net income / loss	(54)	11														
Acquisition cost ratio	39 %	38 %	38 %	33 %	— %	— %	19 %	50 %	26 %	27 %	38 %	37 %	40 %	28 %	47 %	46 %
Loss ratio	69 %	61 %	54 %	200 %	— %	— %	69 %	150 %	95 %	55 %	74 %	70 %	210 %	45 %	27 %	31 %
Combined ratio	108 %	100 %	92 %	233 %	— %	— %	88 %	200 %	121 %	82 %	112 %	107 %	250 %	73 %	74 %	77 %

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

USD millions		January 1, 2022	January 1, 2023	Delta
Market-consistent value of investments	Real estate	—	—	—
	Shareholdings	1,238	253	(985)
	Fixed-income securities	775	1,119	344
	Loans	—	—	—
	Equities	—	—	—
	Other investments	2	6	4
	Collective investment schemes	—	—	—
	Alternative investments	—	—	—
	Other investments	2	6	4
	Total investments	2,015	1,378	(637)
	Financial investments from unit-linked life insurance	—	—	—
	Receivables from derivative financial instruments	—	—	—
Market-consistent value of other assets	Cash and cash equivalents	144	314	170
	Receivables from insurance business	2,102	1,493	(609)
	Other receivables	—	—	—
	Other assets	74	35	(39)
	Total other assets	2,320	1,842	(478)
Total market-consistent value of assets		4,335	3,220	(1,115)
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities	2,730	2,019	(711)
	Inward reinsurance: non-life insurance business	2,730	2,019	(711)
	Reinsurers' share of best estimate of provisions for insurance liabilities	(331)	(426)	(95)
	Outward reinsurance: non-life insurance business	(331)	(426)	(95)
Market-consistent value of other liabilities	Non-technical provisions	—	—	—
	Interest-bearing liabilities	—	—	—
	Liabilities from derivative financial instruments	—	—	—
	Deposits retained on ceded reinsurance	47	—	(47)
	Liabilities from insurance business	—	—	—
	Other liabilities	514	1,029	515
Total BEL plus market-consistent value of other liabilities		2,960	2,622	(338)
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities		1,375	599	(776)

Appendix 3 Quantitative template "Solvency solo"

USD millions		January 1, 2022	January 1, 2023	Change
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,375	599	(776)
	Deductions	—	—	—
	Core capital	1,375	599	(776)
	Supplementary capital	—	—	—
	RBC	1,375	599	(776)
Derivation of target capital	Underwriting risk	584	294	(290)
	Market risk	223	101	(122)
	Diversification effects	(238)	(102)	136
	Credit risk	224	93	(131)
	Risk margin and other effects on target capital	139	63	(76)
	Target capital	932	449	(483)
SST ratio	Risk-bearing capital / target capital	159 %	140 %	(19)pts
MVM	Market value margin "MVM"	177	77	(100)

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



Catlin Re Switzerland Ltd

AN AXA SA GROUP COMPANY

Annual Report 2022

To the General Meeting of
Catlin Re Switzerland Ltd, Zurich

Zurich, 27 April 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Catlin Re Switzerland Ltd (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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



Basis for opinion

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

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



Other matter

The financial statements for the year ended 31 December 2021 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 27 April 2022.



Other information

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

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

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

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



Board of Directors' responsibilities for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements



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

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Philip Kirkpatrick
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Sophie Krumsiek
(Qualified
Signature)

Chartered certified accountant (UK)

Enclosures

- ▶ Financial statements (statement of financial position, statement of income, statement of cash flows, notes to the financial statements)
- ▶ Proposed appropriation of available earnings

FINANCIAL STATEMENTS

INCOME STATEMENT

CHF millions	Notes	2021	2022
Reinsurance			
Gross premiums written		1,623.71	733.10
Reinsurance premiums ceded		(341.19)	(178.14)
Net premium written		1,282.52	554.96
Change in gross unearned premiums	1	249.63	580.08
Change in ceded unearned premiums	1	72.75	(25.98)
Net premium earned		1,604.90	1,109.06
Total income from reinsurance activities		1,604.90	1,109.06
Gross claims paid and claim adjustment expenses		(991.24)	(1,027.58)
Ceded claims paid and claim adjustment expenses		77.09	105.56
Net claims paid		(914.15)	(922.02)
Change in gross loss reserves and loss expenses	1	(214.64)	196.57
Change in ceded loss reserves and loss expenses	1	15.54	43.60
Net claims incurred		(1,113.25)	(681.85)
Gross acquisition costs and administration expenses	3	(660.43)	(473.96)
Ceded acquisition costs and administration expenses		39.27	49.08
Net acquisition costs		(621.16)	(424.88)
Total expenses from reinsurance activities		(1,734.41)	(1,106.73)
Net reinsurance result		(129.51)	2.33
Investments	2		
Investment income		53.48	626.26
Investment expenses		(8.86)	(629.28)
Net investment result		44.62	(3.02)
Interest income		16.65	25.96
Interest expense		(1.10)	(5.56)
Operating result		(69.34)	19.71
Other income		—	3.42
Foreign exchange		17.92	1.60
(Loss)/income before tax		(51.42)	24.73
Direct taxes		(2.63)	(13.54)
Net (loss)/income		(54.05)	11.19

The accompanying notes form an integral part of the financial statements

FINANCIAL STATEMENTS

BALANCE SHEET

As of December 31

Assets

CHF millions	Notes	2021	2022
Investments			
Investment in affiliated companies	12	700.93	202.28
Fixed income securities		694.92	1,035.40
Other investments		6.38	—
<i>Short term investments</i>		<i>6.38</i>	<i>—</i>
Total investments		1,402.23	1,237.68
Funds withheld	9	860.80	609.18
Cash and cash equivalents		130.81	290.73
Reinsurer's share in technical provisions	5	338.13	463.19
Deferred acquisition costs		297.99	126.17
Premiums and other receivables from reinsurance, net of bad debts	4	1,055.28	832.98
Other receivables		67.16	32.07
Other assets		0.44	0.51
Accrued income		2.23	5.39
Total assets		4,155.07	3,597.90

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

FINANCIAL STATEMENTS

BALANCE SHEET

As of December 31

Liabilities and shareholder's equity

CHF millions	Notes	2021	2022
Technical provisions	5		
Reserves for losses and loss expenses		1,834.48	1,767.96
Unearned premiums		1,026.74	473.00
Other technical provisions		124.32	207.05
Total technical provisions		2,985.54	2,448.01
Non-technical provisions			
Provision for taxation		3.10	6.92
Provision for currency fluctuation		109.73	66.95
Total non-technical provisions		112.83	73.87
Funds held under reinsurance treaties		42.88	—
Payables to reinsurance companies	6	274.63	347.62
Other liabilities		64.64	41.07
Accrued expenses		1.70	3.29
Total liabilities		3,482.22	2,913.86
Shareholder's equity			
Common stock		100.00	100.00
Legal capital reserves		633.24	633.24
<i>Legal reserves from capital contribution</i>		633.24	633.24
Legal profit reserves		45.15	45.15
Retained earnings (losses)		(51.49)	(105.54)
Profit/(loss) for the financial year		(54.05)	11.19
Total shareholder's equity	7	672.85	684.04
Total liabilities and shareholder's equity		4,155.07	3,597.90

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

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

As of December 31

CHF millions	2021	2022
Cash and cash equivalents at the beginning of the period	123.50	130.81
Net cash provided/(used) for operating activities	(93.66)	(128.58)
Net cash provided/(used) for investing activities	90.63	331.28
Net cash provided/(used) for financing activities	—	—
Change of cash and equivalents	(3.03)	202.70
FX movements	10.34	(42.78)
Cash and cash equivalents at the end of the period	130.81	290.73

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

The financial statements of Catlin Re Switzerland Ltd ("CRCH" or the "Company"), domiciled in Zurich, Switzerland, are prepared in accordance with Swiss Company Law. The financial statements adhere to the requirements of Swiss Code of Obligations and to additional requirements defined by the Swiss Financial Market Supervisory Authority ("FINMA"), Art. 5-6a AVO-FINMA. The 2022 financial year comprises the accounting period from January 1 to December 31, 2022. The prior period was from January 1 to December 31, 2021.

Use of estimates in the preparation of annual accounts

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

Foreign currency translation

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

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

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

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

Investments

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

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

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

- Investments in affiliated companies
- Equity securities

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

Funds withheld

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

Reinsurer's share in technical provisions

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

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

Deferred acquisition costs

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

Other assets and other receivables

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

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

Technical provisions

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

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

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

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

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

Non-technical provisions

Provision for taxation contains direct taxes for the financial year.

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

Funds held under reinsurance treaties

Funds held under reinsurance treaties mainly contain cash deposits withheld from retrocessionaires, which are stated at redemption value.

Payables to reinsurance companies

Payables to reinsurance companies are held at redemption value.

Interest income

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

Operating costs

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

Direct taxes

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

FINANCIAL STATEMENT NOTES

Note 1: Change in technical provisions

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

CHF millions			2021
	Gross	Ceded	Net
Change in unearned premiums	249.63	72.75	322.38
Change in reserves for losses and loss expenses	(214.64)	15.54	(199.10)
Total change in technical provisions	34.99	88.29	123.28

Note 2: Net investment result

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

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

CHF millions				2021
	Income	Unrealised gains	Realised gains	Total
Investments in affiliated companies	—	—	39.21	39.21
Fixed income securities	8.83	4.42	0.99	14.24
Other investments	—	—	0.03	0.03
<i>Short term investments</i>	—	—	0.03	0.03
Cash and cash equivalents	—	—	—	—
Total investment income	8.83	4.42	40.23	53.48

CHF millions				
	Expenses	Unrealised losses	Realised losses	Total
Investments in affiliated companies	—	—	—	—
Fixed income securities	—	(2.35)	(3.21)	(5.56)
Other investments	—	—	—	—
<i>Short term investments</i>	—	—	—	—
Cash and cash equivalents	—	—	—	—
Investment management fees	(3.30)	—	—	(3.30)
Total investment expenses	(3.30)	(2.35)	(3.21)	(8.86)

As a result of increased interest rates during 2022 and fallen market values as a consequence, Fixed income securities were temporarily impaired in the amount of CHF 73m to the lower of amortised cost and market value and it is included in the Unrealised losses.

Seaview Re, through its shareholder Seaview Re Holdings Inc. declared a USD 600m (CHF 598m) dividend to the Company included in investment income with a December 2022 settlement date. Consequently, the valuation of the investment in affiliated company was reviewed and a CHF 538m write-down at P&L rate is included in investment expenses. The adjusted net book value of Seaview Re Holdings Inc. is disclosed in Note 12.

Note 3: Administration and other expenses

Administration and other expenses, included in Gross acquisition costs and administration expenses amounted to CHF 55.44m in 2022 (2021: CHF 83.33m), thereof CHF 0.18m (2021: CHF 0.28m) are related to audit fees.

Note 4: Premiums and other receivables from reinsurance

CHF millions	2021	2022
Receivables from agents and brokers	814.99	585.04
Receivables from reinsurance companies	240.29	247.94
Total premiums and other receivables from reinsurance	1,055.28	832.98

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

Note 5: Net technical provisions

CHF millions	2021			2022		
	Gross	Ceded	Net	Gross	Ceded	Net
Reserves for losses and loss expenses	1,834.48	(216.09)	1,618.39	1,767.96	(368.45)	1,399.51
Unearned premiums	1,026.74	(122.04)	904.70	473.00	(94.74)	378.26
Other technical provisions	124.32	—	124.32	207.05	—	207.05
Total net technical provisions	2,985.54	(338.13)	2,647.41	2,448.01	(463.19)	1,984.82

Other technical provisions include the provision for profit commissions in the amount of CHF 186m (2021: CHF 124m) and a deferred gain of CHF 21m for a Loss Portfolio Transfer ("LPT") cover placed during 2022.

Note 6: Payables from reinsurance business

CHF millions	2021	2022
Payables to agents and brokers	260.79	172.36
Payables to reinsurance companies	13.84	175.26
Total payables to reinsurance companies	274.63	347.62

Note 7: Shareholder's equity rollforward

CHF millions	Common Stock	Legal reserves from capital contribution	Legal profit reserves	Profit/(loss) for the financial year	Retained earnings (losses)	Total
as of 1 January 2022	100.00	633.24	45.15	(54.05)	(51.49)	672.85
Allocation of 2021 loss to retained earnings (losses)				54.05	(54.05)	—
Profit/(loss) for the financial year				11.19	—	11.19
as of 31 December 2022	100.00	633.24	45.15	11.19	(105.54)	684.04

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

Note 8: Contingent liabilities

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

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

The Company has access to unsecured and secured letter of credit facilities to support its reinsurance business. As at December 31, 2022, unsecured irrevocable letters of credit in the amount of CHF 115m (2021: CHF 103m) have been issued under these facilities. Letters of credit are predominantly used to secure the reserves ceded to the Company under certain reinsurance contracts.

Note 9: Funds withheld

Funds withheld of CHF 609m (2021: CHF 861m) represent deposits held by cedants. The decrease is mainly driven by the cancellation of a large external corporate quota share contract.

Note 10: Restricted assets

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

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

The total value of these restricted assets by category as at December 31, 2022 and 2021 are as follows:

CHF millions	2021	2022
Fixed income securities	433.63	454.70
Short term investments	4.55	—
Cash and cash equivalents	30.16	24.40
Accrued income and other receivables	0.92	1.76
Total restricted assets	469.26	480.86

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

CHF millions	2021	2022
Assets		
Premiums and other receivables from reinsurance	114.00	98.80
Other receivables	67.15	31.98
Liabilities		
Payables to reinsurance companies	62.54	91.11
Other liabilities	86.87	75.54

Note 12: Investments in affiliated companies

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

CHF millions		2021	
	City, Country	Net book value	Equity/Voting shares
Seaview Re Holdings Inc	Delaware, USA	666.70	100 %
AXA XL Resseguros S.A.	Sao Paulo, Brasil	34.23	50 %
XL Re Latin America Argentina SA	Buenos Aires, Argentina	—	80 %
Total investments in affiliated companies		700.93	

Effective January 21, 2022, the Company acquired the remaining 49.68% shares in AXA XL Resseguros S.A. from XL Insurance Company SE, Dublin. As a result, the net book value increased from CHF 34m to CHF 77m, with the equity interest increasing from 50.32% to 99.99%.

Seaview Re Holdings Inc. declared a USD 600m (CHF 598m) dividend to the Company. Consequently, the valuation was reviewed and a CHF 541m write-down to CHF 125m was recorded.

Note 13: Staff

In 2021 employees were mostly provided via a personal lending agreement between the Company and XL Catlin Services SE, Dublin, Zurich Branch ("XLCSSSE ZH"). During 2022 some employees were transferred from XLCSSSE ZH to the Company, as a consequence the average number of full time equivalents ("FTEs") employed by the Company for 2022 was more than 10 but less than 50 (2021 less than 10).

Note 14: Subsequent events

There have been no other further material events between December 31, 2022 and the date of this report which are required to be disclosed.

APPROPRIATION OF EARNINGS

The Board of Directors proposes at the Annual Shareholder Meeting to be held in Zurich on April 28, 2023 to allocate the profit of the financial year of CHF 11.19m to retained earnings, and, subject to FINMA approval, a distribution of USD 400m. The distribution is paid out of legal reserves from capital contribution, it will be translated into CHF at the spot rate on the date of settlement and must not exceed CHF 365m.

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

CHF millions	2021	2022
Retained earnings (losses) brought forward	(51.49)	(105.54)
Profit/(loss) for the financial year	(54.05)	11.19
Retained earnings (losses) after allocation	(105.54)	(94.35)
Legal reserves from capital contribution brought forward	633.24	633.24
Distribution	—	(365.00)
Legal reserves from capital contribution after distribution	633.24	268.24