



XL Insurance Company SE, Dublin, Zurich Branch

AN AXA SA GROUP COMPANY

Financial Condition Report

Year Ended

December 31, 2020

Contents

Branch Manager's Statement	<u>3</u>
Management summary	<u>4</u>
A. Business activities	<u>6</u>
A.1 Strategy, objectives and business segments	<u>6</u>
A.2 Group information and group related transactions	<u>7</u>
A.3 Shareholder	<u>7</u>
A.4 Major branches	<u>7</u>
A.5 External auditor	<u>7</u>
A.6 Significant unusual events	<u>8</u>
B. Business performance	<u>9</u>
B.1 Underwriting result	<u>9</u>
B.1.1 Underwriting result Direct business	<u>10</u>
B.1.2 Underwriting result Indirect business	<u>11</u>
B.2 Investment income and expenses	<u>12</u>
B.3 Other income and expenses	<u>13</u>
Glossary	<u>14</u>
Appendices	<u>15</u>
1 Quantitative template "Performance solo insurance"	<u>16</u>
2 Audited annual financial statements and report of the statutory auditor	<u>17</u>

Branch Manager's Statement

The Branch Manager acknowledges his responsibility for ensuring that this Financial Condition Report has been properly prepared in all material respects in accordance with Swiss Financial Market Supervisory Authority ("FINMA") regulations. The Branch Manager confirms that:

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

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



Manuel Meier

Branch Manager

XL Insurance Company SE, Dublin, Zurich Branch

30th April 2021



Hubert Jumel

Chief Financial Officer

XL Insurance Company SE, Dublin

30th April 2021

Management summary

General remarks

This report addresses the Swiss specific disclosure requirements for Swiss branches of foreign insurance companies as defined in FINMA circular "2016/2 - Disclosure - insurers" and should be read in conjunction with:

- XL Insurance Company SE, Dublin, Zurich Branch's ("XLICSE ZH" or "the Branch") audited financial statements for the year ended December 31, 2020 disclosed in [appendix 2](#), and
- the Solvency and Financial Condition Report ("SFCR") published by the head office, XL Insurance Company SE ("XLICSE", "XL Insurance Company SE", or "the Company"). The report is available for [download](#) here.

Unless otherwise stated, all amounts in this report are presented in Swiss Francs ("CHF") being the reporting currency of the financial statements of XLICSE ZH.

Amounts shown in this report generally are disclosed in '000 CHF except for [appendix 1](#) which is displayed in CHF millions, with the consequence that the rounded amounts may not add up to the rounded total in all cases.

Business activities

The principal activity of XLICSE is the transaction of general insurance business. The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms as well as private clients across its network of branches and through fronting partners.

The Company provides the main insurance platform to operate under the AXA XL brand within Europe and Asia Pacific. AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises situated around the world.

XL Insurance Company SE, Dublin, Zurich Branch, domiciled in Zurich, Switzerland, operates as the main insurance platform of AXA XL in Switzerland.

Further details of the Branch's business are provided in Section A. Additional information on AXA Group's performance can be found in AXA's Annual Report for the year ended December 31, 2020.

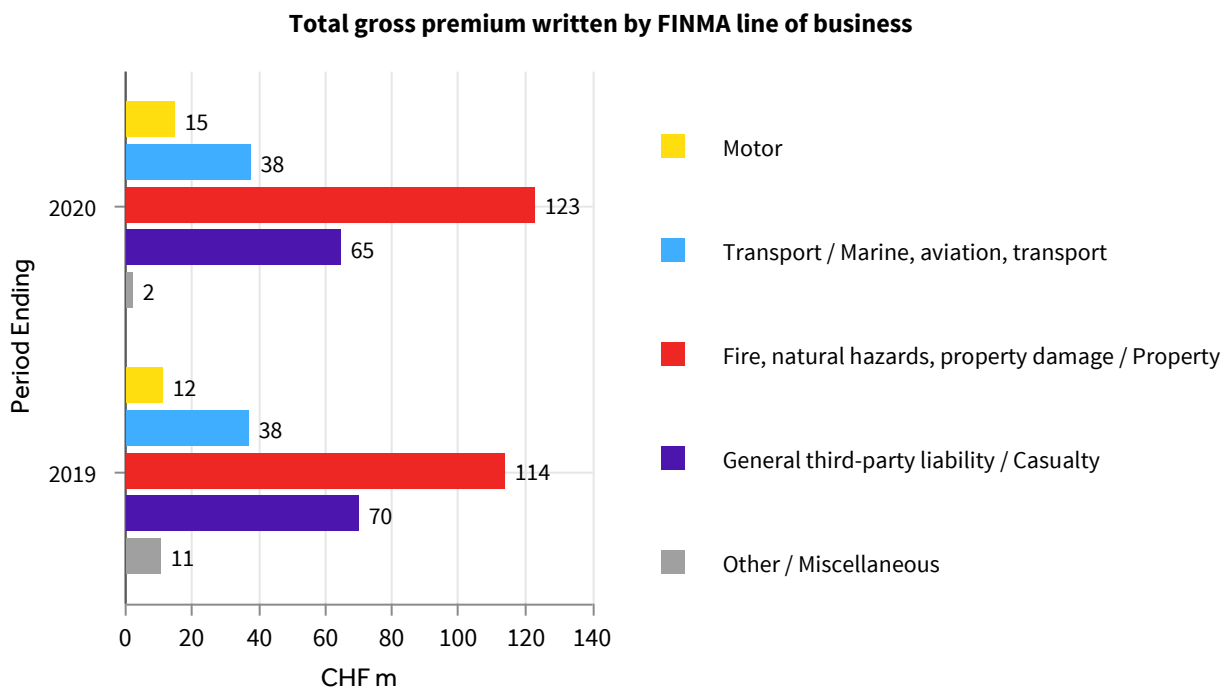
Business performance

in CHF '000	Gross premium written	Net premium earned	Net Losses incurred	Acquisition costs and administrative expenses	Combined Ratio
Total 2020	243,130	68,306	(49,767)	(34,492)	123 %
Total 2019	243,757	83,675	(61,444)	(38,337)	119 %

The Branch generated CHF 243m of gross premium written in 2020 compared to CHF 244m in the prior year. The slight decrease is mainly driven by COVID-19 impacts on turnover based premiums. In the Property, Aerospace and Motor lines of business premiums have increased compared to the previous year. Net premium earned decreased by CHF 15m to CHF 68m as a result of the inclusion of legacy AXA CS and AXA ART business into the existing reinsurance structure.

Net Losses in 2020 decreased by CHF 12m to CHF 50m in line with the higher cession ratio. The gross loss ratio increased driven by higher losses in the Property line, partially COVID-19 related, the net loss ratio decreased remained at the prior year level, profiting from reinsurance protection.

Acquisition costs and administrative expense ratio increased from 46% to 51%, mainly as a result of integration expenses and the increased cession ratio.



Further details of the Branch's performance are provided in section [B](#) and the Annual Financial Statements in [appendix 2](#).

A. Business activities

A.1 Strategy, objectives and business segments

AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises with locations around the world. AXA XL's operating entities underwrite both insurance and reinsurance business within its Global Property and Casualty ("P&C"), Global Specialty and Reinsurance business segments. The P&C segment is structured into two further segments; International and North America. AXA XL underwrites across all the platforms available to provide the best service to both brokers and clients.

The principal activity of XLICSE is the transaction of general insurance business. The Company provides the main insurance company platform to operate under the AXA XL brand within Europe and Asia Pacific.

XL Insurance Company SE, Dublin, Zurich Branch, domiciled in Zurich, Switzerland, operates as the main insurance platform of AXA XL in Switzerland. The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms as well as private clients across its network of branches and through fronting partners. The Branch offers its clients excess of loss, pro-rata and facultative insurance business both direct and through insurance brokers and fronting partners. In addition, the Branch assumes a series of Group-internal reinsurance contracts from XL Insurance Switzerland Ltd ("XLIS").

The Branch prudently manages insurance obligations through controlled risk taking, clear accountability and strong underwriting discipline.

XL Insurance Company SE is domiciled in Dublin, Ireland. The Company issues policies globally through its network of branches or fronting partners in the major locations of its (re)insurance clients and their respective (re)insurance risks. Apart from Switzerland, the Company operates branches in the rest of Europe, Australia, Hong Kong, Malaysia, Singapore and India. This allows the Company to service brokers and clients efficiently providing both local service and global expertise, ensuring that it is able to deliver solutions to the often complex risks of multinational companies. As the Company's clients expand into new and emerging markets, the Company seeks to ensure that it can support that international expansion with the capability to provide local (re)insurance solutions and local service.

A.2 Group information and group related transactions

AXA is one of the best-known brands in the insurance market. It owes this to a long and continuous track record of developing and introducing innovative insurance solutions.

XLICSE ZH is part of the AXA Group and thus one of the world's leading insurance groups. The company has been able to continuously strengthen its position in recent years, among other things through optimized cost efficiency and sustainable growth. Its large portfolio of private and corporate customers, combined with a large and dense distribution network is a key competitive advantage and leads to an influential market position. The diverse range of products and services is supported by many years of expertise, particularly in the areas of asset management, pricing, risk- and claims management.



Related party transactions

The Branch actively monitors all related party transactions. The material transactions with the shareholder, persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body include the Intra-Group reinsurance arrangements.

A.3 Shareholder

XLICSE ZH is a Branch of XLICSE Dublin, Ireland, which owns all capital rights.

A.4 Major branches

XLICSE ZH belongs to the international Branch network of XLICSE Dublin, Ireland.

A.5 External auditor

According to Article 28 of the Insurance Supervisory Act the Branch has appointed PricewaterhouseCoopers Ltd ("PwC") as statutory auditor.

¹ Simplified Organisation Chart

PricewaterhouseCoopers Ltd
Birchstrasse 160
Postfach
8050 Zurich
Switzerland

The auditor in charge is Nebojsa Baratovic. PwC is accredited with the Federal Audit Oversight Authority in Berne, Switzerland.

A.6 Significant unusual events

COVID-19 outbreak

Market Environment

2020 saw the global outbreak of the COVID-19 pandemic, which first appeared in China late 2019 before spreading to other countries and becoming a worldwide pandemic by March 2020.

China first put in place unprecedented lockdowns to contain the spread of the pandemic, and similar measures were imposed by most large economies from Mid-March. Worldwide, governments-imposed confinements, quarantines, travel restrictions, social distancing measures and more generally the closure of activities deemed non-essential to try and alleviate the severe strain experienced by local, national and supra-national medical institutions. This led to massive disruptions to the global economic output, notably manufacturing, trade and supply chains, which resulted in both lower economic activity and lower estimates of future economic growth. From May onwards, as the virus contagion started to show signs of abatement, governments started to ease the restrictions to alleviate the negative impacts on the economy.

However, the pace of the contamination accelerated during the third quarter, with the number of daily new cases reaching very high levels, mostly in Europe and in the United States. This situation has proven to be long-lasting, leading governments to strengthen again the sanitary measures after the relative easing during the summer. Although these measures were less stringent than in March, they weighed further on the economic environment. At the end of 2020, most of these restrictions were still in place and outlooks remain uncertain despite vaccines being rolled out to the population of many countries from the end of 2020.

Activity and Earnings

The COVID-19 pandemic negatively impacted 2020 XLICSE ZH underlying earnings, mainly through Property & Casualty claims, with significant impacts in Business Interruption and Event Cancellation and to a lesser extent in Liability, Travel and Credit Insurance, combined with Solidarity measures to support policyholders and provide extension of disability coverage to vulnerable customers. Property & Casualty claims were partly offset by estimated reinsurance recoveries and the decrease in frequency in Motor resulting from the lockdowns and the various restrictions enacted to reduce the pace of the spread of the virus.

The Branch's turnover was also strongly affected by the crisis, primarily as a significant part of the premiums paid by its clients within the Property & Casualty Commercial lines are based on their own level of activity (e.g. through projects, cargo load, flights number, turnover etc.) that was significantly reduced by the confinement measures.

Financial markets have experienced a significant drop in the first semester, then partly recovered in the second half of the year, as a potential normalization of the situation came in sight with the development of vaccines. The consequence for AXA was a decrease in the fair-value of assets, as well as a decrease in the financial income due to lower reinvestment yields.

In this highly uncertain context, AXA continues to closely monitor its exposures, including

- (i) *the operational impact on its business,*
- (ii) *the consequence of the deterioration in macroeconomic conditions,*
- (iii) *the impacts on insurance coverages, including on-going litigation in some locations,*
- (iv) *the reinsurance recoveries, and*
- (v) *the change in asset prices and financial conditions.*

Significant events post year end:

There have been no significant events post year end until the publication of this report.

B. Business performance

B.1 Underwriting result

The table below provides the key performance indicators by FINMA line of business for both, direct and indirect business:

CHF '000	2020	2019	Change
Gross premium written	243,130	243,757	(627)
Net earned premium	68,306	83,675	(15,369)
Acquisition costs and administrative expenses for own account	(34,492)	(38,337)	3,845
Expenses for claims incurred for own account	(49,767)	(61,444)	11,677
Net underwriting result	(15,953)	(16,106)	153
Ratios			
Acquisition and administrative expense ratio	51 %	46 %	5 %
Loss ratio	73 %	73 %	— %
Combined ratio	123 %	119 %	4 %

The Branch generated CHF 243m of gross premium written compared to CHF 244m in the prior year. The slight decrease is mainly driven by COVID-19 impacts on turnover based premiums. In the Property, Aerospace and Motor lines of business premiums have increased compared to the previous year.

Net premium earned decreased by CHF 15m to CHF 68m as a result of the inclusion of legacy AXA CS and AXA ART business into the existing reinsurance structure .

Acquisition costs and administrative expense ratio increased from 46% to 51%, mainly as a result of integration expenses and the increased cession ratio.

Losses in 2020 amount to CHF 50m, compared to CHF 61m in the prior year, this was driven by a positive effect from losses ceded to reinsurance whilst the gross losses have been impacted by large losses in the property line and some COVID-19 related losses. The combined ratio for 2020 increased to 123% compared to 119% in the prior year due to increased acquisition costs and administration expenses driven by integration costs. The net loss ratio remained at the prior year level.

Further details on the quantitative performance are included in [appendix 1](#).

B.1.1 Underwriting result Direct business

The tables below provide the key performance indicators by FINMA line of business:

CHF '000					2020
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Transport	28,902	13,344	(5,462)	(2,560)	5,322
Fire, natural hazards, property damage	93,563	9,282	(16,131)	(16,602)	(23,451)
General third-party liability	65,196	14,630	(8,104)	1,026	7,552
Other	2,352	548	(126)	(3,475)	(3,053)
Total	190,013	37,804	(29,823)	(21,611)	(13,630)

CHF '000					2019
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Transport	24,012	7,827	(6,969)	(759)	99
Fire, natural hazards, property damage	91,387	20,244	(11,867)	(12,429)	(4,052)
General third-party liability	62,648	14,329	(9,369)	(19,649)	(14,689)
Other	10,520	2,327	(444)	(923)	960
Total	188,567	44,727	(28,649)	(33,760)	(17,682)

Total direct premiums increased to CHF 190.0m from CHF 188.6m in the previous year driven by increases in the Transport, Property and General Liability lines whilst the turnover in the other lines reduced.

Net acquisition costs and administrative expenses increased to CHF 29.8m compared to CHF 28.7m in the previous year.

Net losses in 2020 amount to CHF 21.6m, compared to CHF 33.8m in the previous year, with the loss ratio decreasing from 76% in the previous year to 62% in 2020.

The combined ratio for 2020 is at 138% compared to 140% in the previous year driven by improvements in Casualty and Transport as well as positive effects from reinsurance protection. The positive effects have been reduced by adverse development in the property line.

In the Transport line of business, gross premiums written increased to CHF 28.9m strongly driven by the Aerospace segment with higher premium levels and new business. Net losses also increased to CHF 2.6m. Supported by lower acquisition costs and administrative expenses the net underwriting profit increased to CHF 5.3m.

Gross premiums written in the Fire, natural hazards, property damage line of business increased to CHF 93.6m from CHF 91.4m in the previous year. The increase was driven by new business and increasing premium levels. The cession ratio also increased, leading to a lower net premium base compared to the prior year. The net losses were impacted by large losses leading to a net underwriting loss of CHF 23.5m.

General third-party liability increased the gross premiums written to CHF 65.2m from CHF 62.6m in the previous year. Net losses decreased due to positive claims development leading to a net underwriting profit of CHF 7.6m.

In the other lines of business gross premiums written decreased strongly to CHF 2.4m due to a focus on the main lines of business. Net losses amount to 3.5m CHF leading to a net underwriting result of CHF 3.1m.

B.1.2 Underwriting result Indirect business

The tables below provide the key performance indicators by FINMA line of business:

CHF '000					2020
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Motor	14,887	10,179	(1,964)	(9,883)	(1,660)
Marine, aviation, transport	9,083	4,300	(632)	(3,411)	257
Property	29,357	15,691	(2,040)	(8,387)	5,264
Casualty	(212)	332	(24)	(8,543)	(8,235)
Miscellaneous	—	—	(10)	2,069	2,059
Total	53,116	30,502	(4,670)	(28,155)	(2,315)

CHF '000					2019
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Motor	—	—	—	—	—
Marine, aviation, transport	13,540	9,302	(2,329)	(4,342)	2,631
Property	22,594	13,011	(3,652)	(17,839)	(8,480)
Casualty	7,362	6,077	(1,119)	1,707	6,665
Miscellaneous	4	225	(1)	12	236
Total	55,189	38,948	(9,689)	(27,684)	1,575

Historically the indirect business consisted of the various assumed IGR's from XL Insurance Switzerland Ltd. With the subject business of XLIS being in run-off, results reported as indirect business are mainly related to favorable or unfavorable loss developments that may add considerable volatility to the net result of the Branch. A large portion of the assumed result is retroceded to XL Bermuda Ltd.

With the inclusion of AXA CS Swiss branch the indirect business also encompasses assumed treaties from AXA Insurance Switzerland in the Aviation and Motor lines of business and cessions from local policies of international programs, in total it provides CHF 53.1m of gross written premium and CHF 30.5m net earned premiums. Total net losses amounted to CHF 28.2m and acquisition costs and administrative expenses to CHF 4.7m, leading to a net underwriting loss of CHF 2.3m.

The combined ratio for 2020 is at 105.3% compared to 96.0% in the prior year mainly related to reserve strengthening in Casualty and Motor.

The Motor line of business encompasses the assumed reinsurance business from AXA Insurance Switzerland. Gross premium written was CHF 14.9m, Acquisition expenses CHF 2.0 with net losses of CHF 9.9m leading to a net underwriting result of CHF 1.7m.

The Marine, Aviation and Transport lines of business produced CHF 9.1m gross written premiums and net losses of CHF 3.4m leading to a positive net underwriting result of CHF 0.3m.

The Property line of business is assuming CHF 29.4m of gross written premiums. Acquisition costs amounted to CHF 2.0m and net losses to CHF 8.4m leading to a net underwriting profit of CHF 5.3m.

In the Casualty line of business assumed gross premiums written amounted to CHF -0.2m in relation to adjustments on prior underwriting years. Net losses of CHF 8.5m were mainly impacted by payments and reserve strengthening on prior underwriting years, leading to a net underwriting loss of CHF 8.2m.

In 2020 there is no significant business in the miscellaneous line, net premiums earned were at CHF 0.0m. The net underwriting result of 2.1m is driven by positive prior year developments.

B.2 Investment income and expenses

Investment Income				2020
CHF '000	Investment income	Realized gains	Unrealized gains	Total
Fixed income securities	4,831	376	—	5,207
Total	4,831	376	—	5,207

				2019
CHF '000	Income	Realized gains	Unrealized gains	Total
Fixed income securities	10,808	355	1,696	12,859
Total	10,808	355	1,696	12,859

For the year ended 31 December 2020 there has been a change to bring consistency to the unrealized gains and losses treatment at the Group, with the unrealized foreign exchange movements on investments being treated as unrealized compared to previously where these were treated as realized and fully recorded in the income statement.

The investment income amounts to CHF 5.2m compared to CHF 12.9m in 2019. The decrease is mainly driven by lower interest income on the assets, the different treatment of foreign exchange movements on investments and the discontinuation of the legacy AXA CS Notional Investment Income.

The investment portfolio of the Branch has an average rating of AA, being highly secure and liquid. XLICSE ZH holds fixed income portfolios, which broadly correspond to the respective liabilities of the Branch, held in CHF, USD and EUR portfolios. All assets are pledged for tied-asset purposes to fulfill Swiss regulatory requirements.

Investment Expenses				2020
CHF '000	Expenses	Realized losses	Unrealized losses	Total
Fixed income securities	(2,973)	(83)	—	(3,056)
Total	(2,973)	(83)	—	(3,056)

				2019
CHF '000	Expenses	Realized losses	Unrealized losses	Total
Fixed income securities	(1,219)	(393)	(2,170)	(3,782)
Total	(1,219)	(393)	(2,170)	(3,782)

The investment expenses amount to CHF 3.1 compared to CHF 3.8m in 2019. The change is mainly driven by lower realized and unrealized losses, partially offset by higher expenses and the different treatment of foreign exchange movements on investments.

The Branch has recognized no profits or losses in the Branch capital.

B.3 Other income and expenses

CHF '000	2020	2019	Change
Other income	427	1,384	(957)
Other expenses	(3,721)	(1,493)	(2,229)
Extraordinary income	—	4,898	(7,127)
Total	(3,294)	4,789	(10,313)

Other income amounts to CHF 0.4m in 2020 and decreased from last year in the absence of foreign exchange rate gains.

Other expenses have increased by CHF 2.2m to CHF 3.7m in 2020 driven by losses due to foreign exchange rate movements.

There was no extraordinary income in 2020.

Glossary

ACPR	Autorité de Contrôle Prudentiel et de Résolution
ALM	Asset-Liability Management
AXA	AXA SA
AXA ART	AXA ART AG, Cologne, Swiss Branch
AXA CS	AXA Corporate Solutions Assurance SA, Paris, Swiss Branch
AXA XL	Property, casualty, specialty and reinsurance division of AXA
Branch (the)	XL Insurance Company SE, Dublin, Zurich Branch / XLICSE ZH
CBI	Central Bank of Ireland
Company (the)	XL Insurance Company SE, Dublin / XLICSE
FCA	Financial Conduct Authority
FCR	Financial Condition Report
FED	United States Federal Reserve
FINMA	Swiss Financial Market Supervisory Authority
FX	Foreign Exchange
GPW	Gross premium written
IGR	Intra-group reinsurance
PRA	Prudential Regulatory Authority
P&C	Property & Casualty
PwC	PricewaterhouseCoopers Ltd
SFCR	Solvency and Financial Condition Report
UK	United Kingdom
XL	XL Group Ltd
XLB	XL Bermuda Ltd
XLICSE	XL Insurance Company SE, Dublin
XLICSE ZH	XL Insurance Company SE, Dublin, Zurich Branch
XLIS	XL Insurance Switzerland Ltd

Appendices

Appendix 1 Quantitative template "Performance solo insurance"

CHF millions	Total		Direct Swiss business								Indirect business									
	2019	2020	Transport		Fire, natural hazards, property damage		General third-party liability		Other		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
			2018	2019	2018	2019	2018	2019	2018	2019	2016	2017	2018	2019	2018	2019	2018	2019	2018	2019
Gross premiums	243.76	243.13	24.01	28.90	91.39	93.56	62.65	65.20	10.52	2.35	11.69	14.89	13.54	9.08	22.59	29.36	7.36	(0.21)	—	—
Reinsurers' share of gross premiums	(159.67)	(177.72)	(12.64)	(15.34)	(72.56)	(82.70)	(49.98)	(50.53)	(8.16)	(1.53)	(1.36)	(4.68)	(2.26)	(5.45)	(11.80)	(17.61)	(0.91)	0.13	—	—
Premiums for own account	84.09	65.41	11.37	13.56	18.83	10.87	12.67	14.67	2.36	0.82	10.33	10.20	11.28	3.63	10.79	11.74	6.45	(0.08)	0.01	—
Change in unearned premium reserves	(6.43)	5.25	(5.65)	(3.71)	2.69	(3.33)	(1.15)	0.37	(0.55)	(0.59)	—	(0.06)	(2.72)	1.67	0.71	9.87	(0.30)	1.04	0.55	—
Reinsurers' share of change in UPR	6.01	(2.36)	2.11	3.49	(1.27)	1.75	2.81	(0.41)	0.52	0.32	—	0.03	0.74	(1.00)	1.51	(5.92)	(0.08)	(0.62)	(0.33)	—
Premiums earned for own account	83.68	68.31	7.83	13.34	20.24	9.28	14.33	14.63	2.33	0.55	10.33	10.18	9.30	4.30	13.01	15.69	6.08	0.33	0.23	—
Other income from insurance business	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income from underwriting business	83.68	68.31	7.83	13.34	20.24	9.28	14.33	14.63	2.33	0.55	10.33	10.18	9.30	4.30	13.01	15.69	6.08	0.33	0.23	—
Payments for insurance claims (gross)	(115.58)	(97.74)	(6.17)	(9.71)	(28.61)	(25.90)	(12.78)	(18.80)	(31.02)	(3.41)	(5.05)	(6.97)	(10.96)	(5.94)	(14.79)	(23.56)	(5.97)	(3.46)	(0.22)	—
Reinsurers' share of payments for insurance claims	69.62	52.14	4.19	3.21	21.43	13.54	9.81	11.17	26.20	2.08	—	2.37	3.79	3.56	0.77	14.13	3.30	2.07	0.13	—
Change in technical provisions	(18.01)	(108.90)	5.55	(6.49)	1.62	(65.38)	(38.60)	(7.08)	3.31	(10.08)	(2.62)	(7.16)	7.61	(2.59)	(7.19)	2.59	12.06	(17.90)	0.25	5.17
Reinsurers' share of change in technical provisions	2.53	104.74	(4.33)	10.43	(6.87)	61.13	21.93	15.73	0.59	7.94	0.45	1.88	(4.79)	1.55	3.37	(1.55)	(7.68)	10.74	(0.15)	(3.10)
Expenses for insurance claims for own account	(61.44)	(49.77)	(0.76)	(2.56)	(12.43)	(16.60)	(19.65)	1.03	(0.92)	(3.48)	(7.22)	(9.88)	(4.34)	(3.41)	(17.84)	(8.39)	1.71	(8.54)	0.01	2.07
Acquisition and administration expenses	(64.82)	(65.24)	(9.45)	(8.96)	(22.09)	(29.81)	(20.32)	(19.11)	(1.78)	(0.62)	(2.64)	(2.14)	(2.74)	(1.07)	(4.42)	(3.45)	(1.38)	(0.06)	—	(0.02)
Reinsurers' share of acquisition and admin. expenses	26.48	30.75	2.48	3.50	10.23	13.68	10.95	11.01	1.34	0.49	0.05	0.18	0.41	0.44	0.77	1.41	0.26	0.04	—	0.01
Acquisition and admin. expenses for own account	(38.34)	(34.49)	(6.97)	(5.46)	(11.87)	(16.13)	(9.37)	(8.10)	(0.44)	(0.13)	(2.59)	(1.96)	(2.33)	(0.63)	(3.65)	(2.04)	(1.12)	(0.02)	—	(0.01)
Total expenses from underwriting business	(99.78)	(84.26)	(7.73)	(8.02)	(24.30)	(32.73)	(29.02)	(7.08)	(1.37)	(3.60)	(9.81)	(11.85)	(6.67)	(4.04)	(21.49)	(10.43)	0.59	(8.57)	0.01	2.06
Investment income	12.12	5.21																		
Investment expenses	(3.04)	(3.06)																		
Net investment income	9.08	2.15																		
Other financial income	—	—																		
Other financial expenses	—	—																		
Operating result	(7.03)	(13.80)																		
Interest expenses for interest-bearing liabilities	—	—																		
Other income	1.38	0.43																		
Other expenses	(1.49)	(3.72)																		
Extraordinary income/expenses	4.90	—																		
Profit / loss before taxes	(2.24)	(17.10)																		
Direct taxes	(2.52)	(0.78)																		
Profit / (loss)	(4.76)	(17.88)																		

Appendix 2 Audited annual financial statements and report of the statutory auditor



XL Insurance Company SE, Dublin, Zurich Branch

AN AXA SA GROUP COMPANY

Financial Statements

Year Ended

December 31, 2020



Balance Sheet

Change in

	Notes	31 Dec 2020 CHF	31 Dec 2019 CHF
Assets			
Fixed income securities		314,679,081	338,559,978
Other Investments		0	2,498,137
Total investments		314,679,081	341,058,115
Cash and cash equivalents	1)	73,846,138	35,619,709
Reinsurer's share in insurance technical provisions	3)	295,804,287	186,336,098
Receivables from insurance business	2)	95,956,270	134,979,713
Other receivables	5)	24,054,300	23,334,340
Accrued income and prepaid expenses		2,085,725	3,598,286
Fixed assets		65,924	87,899
Total other assets		491,812,645	383,956,045
Total assets		806,491,726	725,014,160
Liabilities			
Technical Provisions	3)	468,373,349	374,468,491
Payables from insurance business	4)	81,140,783	104,748,505
Other liabilities	6)	146,926,162	149,272,938
Accrued expenses and deferred income		4,432,852	2,106,355
Total liabilities		700,873,146	630,596,289
Branch capital	7)	105,618,580	94,417,871
Branch capital and retained earnings carried forward		94,417,871	101,482,923
Transfers to head office in current year			-2,304,234
Transfers from head office in current year		29,076,000	0
Profit / (loss) of the year		-17,875,291	-4,760,818
Total branch capital		105,618,580	94,417,871
Total liabilities and branch capital		806,491,726	725,014,160



Profit and loss account

	Notes	FY 2020 CHF	FY 2019 CHF
Gross written premium		243,129,977	243,756,764
Premium ceded to reinsurer		-177,715,987	-159,666,352
Premium written for own account		65,413,990	84,090,412
Change in provision for unearned premiums		5,251,917	-6,429,221
Share of reinsurer in change in provision for unearned premiums		-2,360,223	6,014,046
Earned premium for own account	8)	68,305,684	83,675,237
Total income out of insurance business		68,305,684	83,675,237
Claims paid		-97,742,660	-115,578,433
Share of reinsurer in claims paid		52,137,046	69,621,162
Change in reserves for losses and loss expenses		-108,904,363	-18,014,893
Share of reinsurer in change in reserves for losses and loss expenses		104,743,207	2,528,012
Expenses for claims incurred for own account	9)	-49,766,770	-61,444,152
Acquisition costs and administrative expenses		-65,243,436	-64,818,927
Share of reinsurer in acquisition costs and administrative expenses		30,751,204	26,482,114
Acquisition costs and administrative expenses for own account	10)	-34,492,232	-38,336,813
Total expenses from insurance business		-84,259,002	-99,780,965
Investment income	11)	5,207,872	12,859,315
Investment expenses	12)	-3,055,665	-3,782,273
Investment result		2,152,207	9,077,042
Operating result		-13,801,111	-7,028,686
Other income		427,351	1,384,323
Other expenses		-3,721,254	-1,492,675
Extraordinary income		0	4,897,840
Result before tax		-17,095,014	-2,239,198
Direct taxes		-780,277	-2,521,620
Result		-17,875,291	-4,760,818



Notes to the financial statements

The 2020 income statement and balance sheet within this report are consolidated and include former AXA Corporate Solutions Assurance, Paris, Swiss Branch, and AXA ART Versicherung AG, Cologne, Swiss Branch.

Basis of preparation and summary of significant accounting policies

The financial statements as of 31 December 2020 of XL Insurance Company SE, Dublin, Zurich Branch ("XLICSE ZH" or the "Branch") have been prepared in accordance to the requirements by the 32nd title of the Swiss Code of Obligations and with additional requirements defined by FINMA (art. 5-6a AVO-FINMA, valid as of 15 December, 2015 - Preparation and audit of the financial statements of branch offices of foreign insurance companies ("WNL")). The valuation principles applied for each line item are further specified in the respective sections below.

Change in Accounting Policy

For the year ended 31 December 2020 there has been a change to bring consistency to the unrealized gains and losses treatment at the Group, with the unrealized foreign exchange movements on investments being treated as unrealized compared to previously where these were treated as realized and fully recorded in the income statement.

Investments

Fixed Income Securities are recorded no higher than according to the "Amortised Cost Scientific Method". Any further risk to the intrinsic value is taken into account by means of depreciation on individual bonds.

Receivables and payables

Receivables and payables are recorded with their nominal value.

Technical provisions

Provision is made at the year end, on the basis of best available information, for the following estimates:

- The ultimate costs of claims notified but not yet settled at the year end, i.e. "outstanding claims";
- The claims incurred but not reported at the year end, i.e. "IBNR claims";
- Related internal and external claims handling costs attributable to the above; and
- Where applicable, deductions for salvage and other recoveries.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its estimated claim exposures and these are set so that no adverse run-off deviation is envisaged. Given the uncertainty in establishing claims provisions, however, it is likely that the final liability for such claims will prove different from the original estimates established.

FX Rates

The financial statements of XLICSE ZH are disclosed in Swiss Francs ("CHF"). Transactions in foreign currencies are calculated using respective foreign exchange rates applicable to the period in which the transactions take place. Assets and liabilities are revalued at exchange rates prevailing at the balance sheet date, resulting unrealised exchange gains are deferred and recorded as a separate line item on the balance sheet. Unrealised exchange losses are either offset against the provision for currency fluctuation or recorded in the income statement.

1) Cash pool facility

The Branch is part of AXA XL's notional cash pool facility and is thereby provided with additional liquidity. The facility is provided by Bank Mendes Gans, a subsidiary of ING and a market leader in notional cash pooling.

2) Receivables from re/insurance business	31 Dec 2020	31 Dec 2019
	CHF	CHF
Receivables from policyholders	35,264,653	23,562,153
Receivables from agents and brokers	12,107,018	10,358,420
Receivables from external re/insurance companies	17,183,623	36,327,061
Receivables from internal re/insurance companies	31,400,976	64,732,079
Total	95,956,270	134,979,713

3) Technical Provisions	31 Dec 2020	31 Dec 2019
	CHF	CHF
Reserve for gross unearned premiums		
Direct	44,184,842	64,550,442
Assumed	26,237,448	13,734,386
Reserve for ceded unearned premiums	-44,340,706	-47,759,229
Net reserve for unearned premiums	26,081,584	30,525,599
Reserve for gross claims outstanding		
Direct	296,051,174	252,657,048
Assumed	101,899,885	43,526,615
Reserve for ceded claims outstanding	-251,463,581	-138,576,869
Net reserve for claims outstanding	146,487,478	157,606,794
Total	172,569,062	188,132,393

For the year 31 December 2020 there has been a change in the classification between the direct and assumed breakdown, these are now disclosed based on their nature (i.e. direct or assumed business), compared to previously where they were disclosed based on whether they related to internal or external business.

4) Payables from re/insurance business	31 Dec 2020	31 Dec 2019
	CHF	CHF
Payables to policyholders	5,495,677	45,665
Payables to agents and brokers	1,886,769	1,280,700
Payables to external re/insurance companies	31,014,163	17,248,649
Payables to internal re/insurance companies	42,744,175	86,173,491
Total	81,140,783	104,748,505

5) Other receivables	31 Dec 2020	31 Dec 2019
	CHF	CHF
Other receivables from internal parties	23,160,590	22,607,635
Other receivables from external parties	893,710	726,705
Total	24,054,300	23,334,340

6) Other liabilities	31 Dec 2020	31 Dec 2019
	CHF	CHF
Other liabilities to internal parties	116,716,452	135,014,801
Other liabilities to external parties	6,621,033	4,382,105
Provision for currency fluctuation	23,588,679	9,876,032
Total	146,926,163	149,272,938

7) Branch capital	31 Dec 2020	31 Dec 2019
	CHF	
Opening Capital	94,417,871	101,482,923
Transfers to head office in current year		(2,304,234)
Transfers from head office in current year	29,076,000	0
Profit / (loss) of the year	-17,875,246	-4,760,818
31 Dec 2020	105,618,625	94,417,871

The amount reflected in the branch capital is the capital provided by the home office XL Insurance Company SE, Dublin.

8) Earned premium for own account		FY 2020	FY 2019
		CHF	CHF
Gross written premium	Direct	190,014,030	188,567,431
	Assumed	53,115,947	55,189,334
Premium ceded to reinsurer		-177,715,987	-159,666,352
Net written premiums		65,413,990	84,090,413
Change in unearned premium reserve	Direct	-7,269,266	-4,666,956
	Assumed	12,521,183	-1,762,265
Ceded change in unearned premium reserve		-2,360,223	6,014,046
Net change in unearned premium reserve		2,891,694	-415,175
Total		68,305,684	83,675,237

For the year 31 December 2020 there has been a change in the classification between the direct and assumed breakdown, these are now disclosed based on their nature (i.e. direct or assumed business), compared to previously where they were disclosed based on whether they related to internal or external business.

9) Expenses for claims incurred for own account		FY 2020	FY 2019
		CHF	CHF
Gross claims paid	Direct	-57,821,285	-78,586,665
	Assumed	-39,921,376	-36,991,768
Ceded claims paid		52,137,046	69,621,162
Net paid losses and loss expenses		-45,605,614	-45,957,271
Change in gross reserves for losses and loss expenses	Direct	-89,019,633	-28,121,643
	Assumed	-19,884,730	10,106,750
Change in ceded reserves for losses and loss expenses		104,743,207	2,528,012
Net change in reserves for losses and loss expenses		-4,161,156	-15,486,881
Total		-49,766,770	-61,444,152

For the year 31 December 2020 there has been a change in the classification between the direct and assumed breakdown, these are now disclosed based on their nature (i.e. direct or assumed business), compared to previously where they were disclosed based on whether they related to internal or external business.

10) Acquisition costs and administrative expenses for own account		FY 2020	FY 2019
		CHF	CHF
Gross acquisition costs	Direct	-24,694,382	-24,001,459
	Assumed	-4,746,103	-7,269,602
Reinsurer's share of acquisition costs		30,751,204	26,482,114
Net acquisition costs		1,310,719	-4,788,947
Administrative expenses		-35,627,228	-33,310,787
Audit fees		-175,723	-237,078
Total		-34,492,232	-38,336,813

For the year 31 December 2020 there has been a change in the classification between the direct and assumed breakdown, these are now disclosed based on their nature (i.e. direct or assumed business), compared to previously where they were disclosed based on whether they related to internal or external business.

There are no full time equivalents employed by the Branch for FY 2020.

11) Investment income

	FY 2020		
	Investment income	Realized gains	Unrealized gains
	CHF	CHF	CHF
Fixed income securities	4,831,434	376,437	0
Total	4,831,434	376,437	0

For the year ended 31 December 2020 there has been a change to bring consistency to the unrealized gains and losses treatment at the Group, with the unrealized foreign exchange movements on investments being treated as unrealized compared to previously where these were treated as realized and fully recorded in the income statement.

	FY 2019		
	Income*	Realized gains	Unrealized gains
	CHF	CHF	CHF
Fixed income securities	10,808,262	355,319	1,695,734
Total	10,808,262	355,319	1,695,734

12) Investment expenses

	FY 2020		
	Investment expenses	Realized losses	Unrealized losses
	CHF	CHF	CHF
Fixed income securities	-2,972,975	-82,690	0
Total	-2,972,975	-82,690	0

For the year ended 31 December 2020 there has been a change to bring consistency to the unrealized gains and losses treatment at the Group, with the unrealized foreign exchange movements on investments being treated as unrealized compared to previously where these were treated as realized and fully recorded in the income statement.

	FY 2019		
	Expenses	Realized losses	Unrealized losses
	CHF	CHF	CHF
Fixed income securities	-1,219,427	-393,057	-2,169,789
Total	-1,219,427	-393,057	-2,169,789

13) Pledged assets

	FY 2020	31 Dec 2019
	CHF	CHF
Swiss Tied Assets	380,952,874	352,471,436
Total	380,952,874	352,471,436

14) Contingent Liabilities

The company belongs to the VAT group of AXA Versicherungen AG and is jointly and severally liable for its VAT liabilities to the tax authorities

COVID-19 outbreak

Market Environment

2020 saw the global outbreak of the COVID-19 pandemic, which first appeared in China late 2019 before spreading to other countries and becoming a worldwide pandemic by March 2020.

China first put in place unprecedented lockdowns to contain the spread of the pandemic, and similar measures were imposed by most large economies from Mid-March. Worldwide, governments-imposed confinements, quarantines, travel restrictions, social distancing measures and more generally the closure of activities deemed non-essential to try and alleviate the severe strain experienced by local, national and supra-national medical institutions. This led to massive disruptions to the global economic output, notably manufacturing, trade and supply chains, which resulted in both lower economic activity and lower estimates of future economic growth. From May onwards, as the virus contagion started to show signs of abatement, governments started to ease the restrictions to alleviate the negative impacts on the economy.

However, the pace of the contamination accelerated during the third quarter, with the number of daily new cases reaching very high levels, mostly in Europe and in the United States. This situation has proven to be long-lasting, leading governments to strengthen again the sanitary measures after the relative easing during the summer. Although these measures were less stringent than in March, they weighed further on the economic environment. At the end of 2020, most of these restrictions were still in place and outlooks remain uncertain despite vaccines being rolled out to the population of many countries from the end of 2020.

Activity and Earnings

The COVID-19 pandemic negatively impacted 2020 XLICSE ZH underlying earnings, mainly through Property & Casualty claims, with significant impacts in Business Interruption and Event Cancellation and to a lesser extent in Liability, Travel and Credit Insurance, combined with Solidarity measures to support policyholders and provide extension of disability coverage to vulnerable customers. Property & Casualty claims were partly offset by estimated reinsurance recoveries and the decrease in frequency in Motor resulting from the lockdowns and the various restrictions enacted to reduce the pace of the spread of the virus.

The Branch's turnover was also strongly affected by the crisis, primarily as a significant part of the premiums paid by its clients within the Property & Casualty Commercial lines are based on their own level of activity (e.g. through projects, cargo load, flights number, turnover etc.) that was significantly reduced by the confinement measures.

Financial markets have experienced a significant drop in the first semester, then partly recovered in the second half of the year, as a potential normalization of the situation came in sight with the development of vaccines. The consequence for AXA was a decrease in the fair-value of assets, partly offset through hedging strategies, as well as a decrease in the financial income due to lower reinvestment yields.

In this highly uncertain context, AXA continues to closely monitor its exposures, including

- (i) the operational impact on its business,*
- (ii) the consequence of the deterioration in macroeconomic conditions,*
- (iii) the impacts on insurance coverages, including on-going litigation in some locations,*
- (iv) the reinsurance recoveries, and*
- (v) the change in asset prices and financial conditions.*

**XL Insurance Company SE,
Dublin, Zurich Branch
Zurich**

**Report of the independent auditor
to the General Manager
on the financial statements 2020**

Report of the independent auditor

to the General Manager of XL Insurance Company SE, Dublin,
Zurich Branch

Zurich

Report on the audit of the financial statements

As a federally-supervised audit firm, we have audited the accompanying financial statements of XL Insurance Company SE, Dublin, Zurich Branch (the 'Branch'), which comprise the balance sheet, profit and loss account, and notes for the year ended 31 December 2020, in line with Article 28 para. 2 of the Insurance Supervision Act ('ISA') and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies ('WNL')".

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager's Responsibility for the Financial Statements

The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act ('FINMASA'), the ISA, the Insurance Supervision Ordinance ('ISO') and the FINMA Insurance Supervision Ordinance ('ISO-FINMA') as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies ('WNL')" –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements of the Branch for the year ended 31 December 2020 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Branch are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

PricewaterhouseCoopers AG

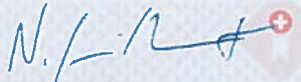


Nebojsa Baratovic

Qualified electronic signature - Swiss law

Audit expert

Auditor in charge



Nicolas Juillerat

Audit expert

Zurich, 30 April 2021

Enclosure:

- Financial statements (balance sheet, profit and loss account, and notes)