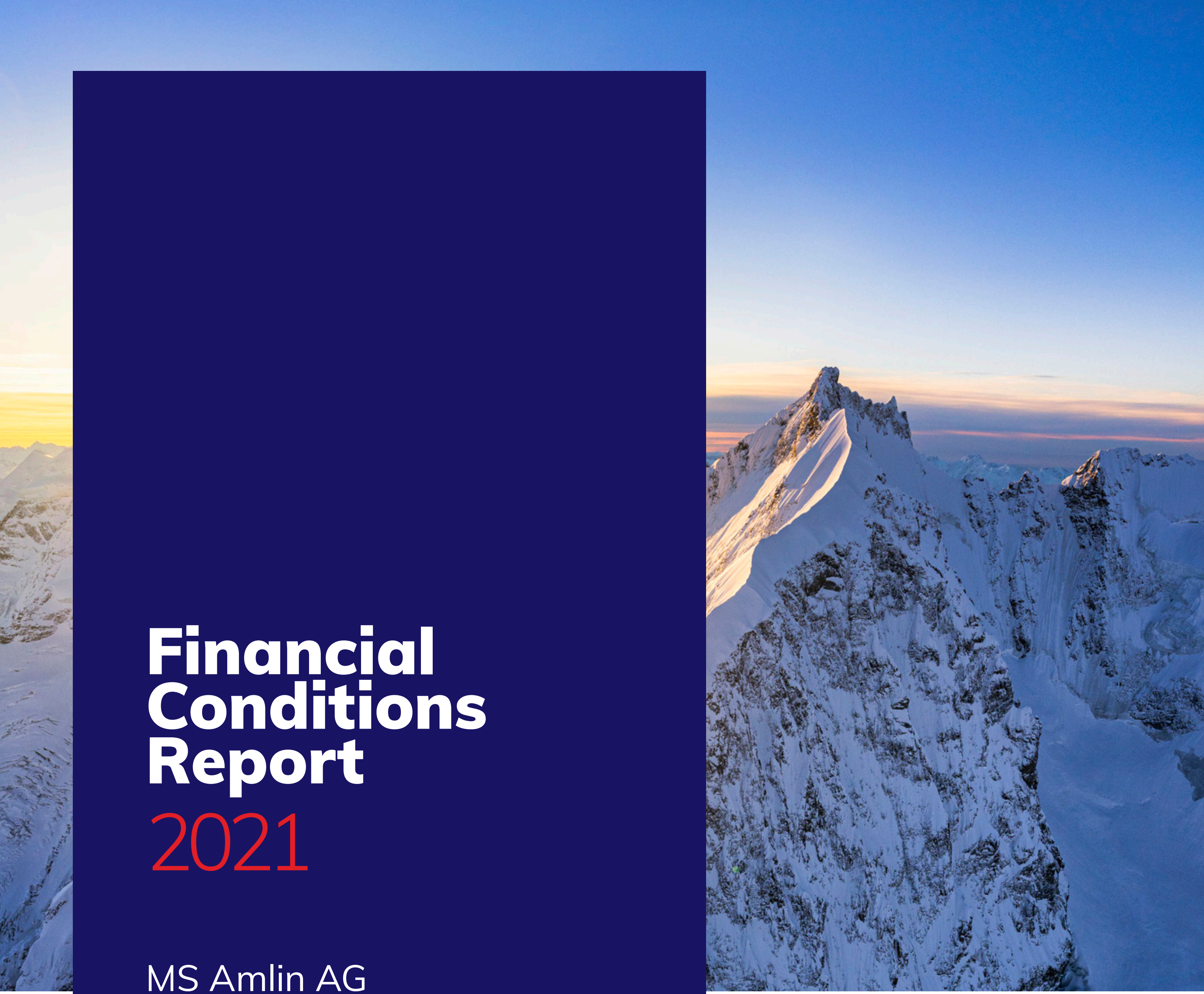


Financial Conditions Report 2021

MS Amlin AG

Contents

1.0

Cautionary Statements

This Report may include statements with respect to future events, trends, plans, expectation or objectives relating to MS Amlin AG's future business, financial condition, results of operations, performance and strategy. Forward looking statements are not statements of historical fact and may contain the terms, "may", "will", "should", "continue", "aims", "estimates", "projects", "believes", "intends", "expects", "plans", "seeks" or "anticipates" or words which have a similar meaning. No undue reliance should be placed on such statements because, by their nature, they are subject to unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans of MS Amlin AG to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as, but not limited to (i) general economic conditions and competitive factors, particularly in key markets, in each case on a local, regional, national and/or global basis (ii) the risk of a global economic downturn (iii) performance of financial markets (iv) levels of interest rates and currency exchange rates (v) the frequency, severity and development of insured claims events (vi) policy renewal and lapse rates (vii) changes in laws and regulations and in the policies of regulators (viii) increases in loss expenses may all have a direct bearing on the results of operations of MS Amlin AG and on whether any targets may be achieved. Many of these factors may be more likely to occur or be more pronounced as a result of catastrophic events. MS Amlin AG does not undertake or assume any obligation to update or revise any of these forward-looking statements, whether to reflect any new information, future events or circumstances or otherwise, except as required by applicable laws and regulations.

2.0 Executive Summary

This annual Financial Condition Report ("FCR") for the year ended 31 December 2021 has been prepared for MS Amlin AG ("the Company").

MS Amlin AG is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited ("MSI") with its ultimate parent being MS&AD Insurance Group Holdings, Inc. ("MS&AD" or the "Group").

Basis of preparation

This Financial Condition Report has been prepared in line with the requirements as set out in the Swiss Financial Market Supervisory Authority ("FINMA") Circular 2016/2 "Disclosure – insurers". The circular expands on Articles 111a and 203a of the Insurance Supervision Ordinance (ISO; SR 961,011) on the FCR of supervised insurance companies, groups and conglomerates. This report is to meet the regulatory reporting requirements of MS Amlin AG and for no other purpose and should not be relied upon for any other such purpose.

Financial information included in this report is based on MS Amlin AG's 2022 Swiss Solvency Test's ("SST") Market Consistent Balance Sheet (for Balance Sheet financial information) and the 2021 Swiss CO Annual Report ("Swiss CO"), (for Profit or Loss information); both have been prepared in accordance with their relevant regulatory or accounting standards. Unless stated otherwise, this report represents the position of MS Amlin AG as of 31 December 2021 only and will not necessarily reflect all changes in MS Amlin AG's operations since that date. All quantitative information in this report is disclosed in USD, MS Amlin AG's presentational currency, unless otherwise specified.

Business activities

MS Amlin AG is a Swiss-domiciled, global reinsurer operating in local and international reinsurance markets, underwriting many classes of business through one capitalised underwriting platform.

The Company operates in four underwriting locations. It is headquartered in Zurich. The Zurich platform predominately writes EMEA (European, Middle East and Africa) business across all lines, and the Bermuda platform focuses on property, casualty, financial and specialty lines in both the U.S. and international markets. The Miami and New Jersey/New York branches write business through a binding authority with MS Amlin Reinsurance Managers, Inc ("ARMi"), which was acquired from MS Amlin Underwriting Limited during the year. Miami is focused on Latin American property, credit and surety, and accident and health business, and New Jersey/New York is focused on U.S. motor and general liability.

The overall portfolio continued to be rebalanced during the year with reductions in catastrophe exposure relative to other classes of business as part of the longer-term strategy to reduce volatility in financial results.

Corporate governance and risk management

The Company operates a two-tier board governance structure. The Supervisory Board consists of non-executive directors who are, in principle, not actively engaged in the day-to-day management of the Company and, of whom more than one third are independent of the Company. As an exception, during 2021, the chairman of the Supervisory Board assumed the role of chief executive officer on an interim basis for the final quarter of the year. The Supervisory Board appoints a chairman from among its members. The Executive Board is the Company's managing body and consists of the chief executive officer and other senior officers and managers of the Company. Appointments to the Executive Board are at the discretion of the Supervisory Board. Further information on corporate governance is provided in section 5.1.

MS Amlin AG's risk management function is embedded throughout the Company and is an integral part of the business model. Risk management is mandated to ensure that the organization has the necessary expertise, frameworks and infrastructure to support good risk-taking. In additional, risk management monitors and ensures adherences to applicable frameworks. Further information on risk management is provided in section 5.2.

Performance

As of 31 December 2021, the Company reported a net loss of USD 272.8 million (2020: net loss of USD 9.3 million). Key drivers of the current year net loss were prior year deteriorations stemming from developments in U.S. Casualty and Engineering, and catastrophe losses in Europe and the U.S. Further information on performance is provided in section 4.

Valuation for Solvency purposes

The MS Amlin AG SST 2022 Capital Ratio, described in detail later in this report, is 180%, which compares favourably with the minimum FINMA SST solvency requirement of 100%. The SST one-year risk capital is USD 892.7 million. The market value margin is USD 164.0 million. The Target capital is USD 1,056.7 million. And, the SST Risk Bearing Capital is USD 1,766.4 million. Please note that the SST 2022 is filed with FINMA in April 2022, simultaneously to this document.

As described throughout this document, the MS Amlin AG SST Target Capital is dominated by insurance risk. Within insurance risk, reserve risk has now overtaken premium risk as the main source of risk. Reserve risk has increased driven by the increase in reserves and the growing long-tail nature of the portfolio, while premium risk has reduced mainly due to reductions in exposures to natural catastrophes.

The relevant measure of available own funds is the risk bearing capital ("RBC") calculated on the SST market consistent balance sheet. MS Amlin AG has net assets under Swiss Code of Obligation ("Swiss CO") of USD 1,568.5 million compared to USD 1,766.4 million net assets based on SST market consistent balance sheet.

The adjustments made to move from Swiss CO balance sheet to SST market-consistent balance sheet are set out below:

In USD millions	SST 2021	SST 2022
Excess of assets over liabilities - Swiss CO annual report(*)	1,841.3	1,568.5
Investment fair value adjustments	91.0	111.8
Technical provision adjustments	-1.8	88.0
Excess of assets over liabilities - SST market-consistent balance	**1,930.6**	**1,768.30**
Intangible Assets	0.0	-1.9
SST Risk Bearing Capital	**1,930.6**	**1,766.4**

(*) Based on MS Amlin AG's Swiss CO financial statements for 2020 and 2021

Approval of the Financial Condition Report

This report was reviewed and approved, and its disclosure pursuant to the FINMA Circular 2016/2 “Disclosure – insurers” signed off, by the Supervisory Board of MS Amlin AG on 20 April 2022.

3.0 Business Activities

3.1 Information about the insurance company's business activities and Group status

MS Amlin AG is a Switzerland-domiciled, global specialty reinsurer operating in local and international reinsurance markets and underwriting many classes of business through one capitalised underwriting platform.

MS Amlin AG is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company Limited ("MSI"), which in turn is a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. ("MS&AD" or the "Group"). Both MSI and MS&AD are registered in Japan.

MS Amlin AG consists of four business operations: Zurich, Switzerland where the Company headquarters are located; branches in Hamilton, Bermuda and Labuan, Malaysia; and Miami and New York/New Jersey in the U.S. written through binding authority with MS Amlin Reinsurance Managers, Inc. The Labuan branch was put into run-off in April 2018. Further information on the business written by each area of MS Amlin AG is included in section 2.

In addition, the Group has placed several intercompany reinsurance contracts with the Company. These intercompany reinsurance contracts are:

- a whole account quota share with Syndicate 2001 (the "Syndicate"), a Lloyd's Syndicate managed by MS Amlin Underwriting Limited, which covers a percentage of the Syndicate's business;
- a number of proportional treaty and excess of loss contracts covering cessions of various classes of business;
- a 100% quota share agreement with MSI to support MSI's strategic partnership with Hippo, an American property insurance company, which includes providing them with reinsurance quota share capacity; and
- various quota share, which are 100% fronting agreements where MS Amlin AG is ceding business to Leadenhall Capital Partners (LCP) through Horseshoe Re II and Nectaris Re.

This FCR covers the Company as a legal entity as well as its branches.

3.2 Strategy, objectives and key business segments Future prospects and vision

MS Amlin AG has faced several difficult years, which has inspired a new strategic path focused on client relationships, employee development, operating efficiency and platform diversification.

MS Amlin AG is a trusted and reliable risk partner, and clients feel enabled to achieve their business goals by working with the Company. Going forward, MS Amlin AG will build on that reputation to deepen and develop consistent long-term relationships.

Satisfied, dedicated employees are foundational to driving success at the Company. MS Amlin AG is committed to developing a dynamic and inspiring culture that engages existing employees and attracts new, top-tier talent. By utilising this talent and investing in state-of-the-art systems to support an agile operating model and drive process efficiencies, the Company is working toward creating an entrepreneurial, innovative and successful environment.

These investments are foundational to supporting growth and achieving scale in both the near- and long-terms. MS Amlin AG is actively working toward being a diversified portfolio reinsurer with a core offering across classes and geographies. Clients will find conducting business with the Company to be easy alongside competitive pricing, which, in turn, adds value to all participants across every transaction.

MSI, the parent company, is one of the world's largest non-life insurance groups and strongly supports MS Amlin AG's corporate development journey.

3.3 External auditors

The external auditors are KPMG AG ("KPMG").
The company address is:

KPMG AG
Badenerstrasse 172
CH-8036 Zurich
Switzerland

KPMG assumes all auditing functions, which are required by law and by the Company's Articles of Incorporation. The external auditors are appointed by the shareholder of MS Amlin AG annually. At the MS Amlin AG's Annual General Meeting on 27 April 2022, KPMG was re-elected by the shareholder of MS Amlin AG.

Refer to Appendix 3 for KPMG's audit report relating to the Company's 2021 Swiss Code of Obligation annual report.

3.4 Significant unusual events

On 24 February 2022, Russia began a military invasion of the Ukraine. The Company's exposure as a result of underwriting activities continues to be assessed albeit are expected to be material to the Company's 2022 financial results, and there is limited exposure in the investment portfolio. Second order impacts are not yet well known or understood.

4.0 Performance

The following sections summarise information about MS Amlin AG's income statement, including underwriting and financial performance. Please note that the income statement as disclosed in Appendix 1, and in the following sections, is based on MS Amlin AG's Swiss CO annual report for the year ended 31 December 2021.

MS Amlin AG's Swiss CO investment valuation basis represents fair value for most investments. For specific investments types, e.g., property funds and government bonds, Swiss CO valuation represents the lowest of cost or market value/amortised cost value. The valuation adjustments mainly reflect unrealised gains for these investments. Please refer to the Swiss CO annual report for full accounting policies (please see Appendix 3).

Please note that the Swiss CO Annual Report is re-mapped to the FCR format, which follows the Aufsichtsverordnung (AVO)-FINMA. The format used for the income statement is the FCR Standard Template translated into English and is disclosed in Appendix 1.

4.1 Underwriting performance

Gross written premium grew significantly in 2021 as the Company looked for new opportunities. This included growing the cyber, financial lines and crop portfolios as well as being a fronting partner for MSI in strategic alliances. Reinstatement premium from the various catastrophe events also increased the top line. Net of reinsurance and on an earned basis, premium levels were slightly ahead of the prior year, reflecting the risk reduction through quota share sessions and the growing longer-tail nature of the portfolio.

The underwriting result was impacted by three key drivers: there were notable prior year deteriorations stemming from developments in the US Casualty, Engineering and Cyber portfolios; COVID-19 developments in early 2021 lead to an increase of expected losses on the catastrophe international portfolio, mainly as a result of European cedants; and finally, there was notable catastrophe loss activity with industry losses in excess of USD 120 billion and the second largest catastrophe loss year on record. The Company was impacted by Storm Uri (Texas Winter Storms), Hurricane Ida and the European Floods. Reserves were also increased to allow for predicted general market inflation.

Administrative expenses increased during the year as the Company embarked on the initial stages of platform redevelopment and investment. The increase in the expense ratio will be short term with investment in IT infrastructure, including underwriting platforms, cat modelling, pricing, actuarial and finance tools. Acquisition costs were in line with the prior year.

The table below shows the main components of MS Amlin AG's technical result. For further details please refer to Appendix 1, which includes the income statement split by relevant classes of business.

In USD millions	2021	2020
Gross premium written	2,198.8	1,604.5
Net premiums written	1,708.7	1,419.9
Net premiums earned	1,419.2	1,392.7
Other insurance income	0.6	0.7
Total technical income	**1,419.8**	**1,393.4**
Net claims and claim expenses incurred	(1290.2)	(1,084.2)
Net acquisition costs and administrative expenses	(433.6)	(394.6)
Total technical result	**(304.0)**	**(85.4)**
Claims ratio	91%	78%
Expense ratio	31%	28%
Combined ratio	121%	106%

4.2 Investment Performance

All investments (except for property) are recorded at market value. For property, this is recorded at the lower of cost or market value. Net income from investments was USD 47.6 million. The decrease of USD 35.2 million compared to the prior year is driven by the low or negative returns on zero duration bonds. This was offset by positive returns on property investments and equity, which are both classified under Other Investments.

The table below shows the main components of MS Amlin AG's net investment return by asset class. For further details, please refer to Appendix 1.

Please note that the numbers shown in the table reflect the investment income by asset category, as presented in the MS Amlin AG Swiss CO annual report (please see Appendix 3).

Income from investments

	Income		Net unrealized gains		Net realized gains		Total	
USB	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	7,469,483	10,364,023	-	1,470,172	553,221	1,365,540	8,002,705	13,199,735
Loans	-	-	-	-	-	-	-	-
Shares	-	2,679,932	-	-	-	-	-	2,679,932
Other Investments	39,989,494	30,404,282	105,748,015	110,869,173	93,754,025	107,229,406	239,491,534	248,502,861
Total	**47,458,977**	**43,448,237**	**105,748,015**	**112,339,345**	**94,287,246**	**108,594,946**	**247,494,239**	**264,502,861**

Expenses from investments

	Expenses		Net unrealized losses		Net realized losses		Total	
USB	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	1,259,838	834,828	2,669,679	2,161,120	3,160,540	1,889,208	7,090,056	4,885,156
Loans	-	-	-	-	-	-	-	-
Shares	-	-	58,556	-	-	-	58,556	-
Other Investments	2,141,520	3,245,380	33,908,234	39,082,780	156,749,821	134,432,759	192,799,575	176,760,919
Total	**3,401,358**	**4,080,208**	**36,636,469**	**41,243,900**	**159,910,361**	**136,321,967**	**199,948,188**	**181,646,075**

Net investment result

USB	2021	2020	2021	2020	2021	2020	2021	2020
Fixed-interest securities	6,209,646	9,529,196	- 2,669,679	- 690,949	- 2,627,318	- 523,668	912,649	8,314,579
Loans	-	-	-	-	-	-	-	-
Shares	-	2,679,932	- 58,556	-	-	-	- 58,556	2,679,932
Other Investments	37,847,974	27,158,902	71,839,781	71,786,393	- 62,995,796	- 27,203,353	46,691,959	71,741,942
Total	**44,057,619**	**39,368,029**	**69,111,546**	**71,095,444**	**- 65,623,115**	**- 2 7,727,021**	**47,546,051**	**82,736,453**

4.3 Profits and Losses recognised directly in Equity

There are no profits and losses recognised directly in equity. These items are shown directly in the income statement for Swiss CO reporting purposes.

4.4 Other material income and expenses

Other financial expenses mainly include letter of credit commission fees. Other expenses include foreign exchange losses. In 2021, other expenses have increased compared to the prior year due to higher realised foreign exchange losses.

The table below shows the main components of MS Amlin AG's other income and expenses. For further details please refer to Appendix 1.

In USD millions	2021	2020
Other financial expenses	(3.9)	(3.7)
Other income	0.3	0.1
Other expenses	(11.7)	(3.7)
Total other income and expenses	**(15.3)**	**(7.3)**

5.0 Corporate Governance and Risk Management

5.1 Overview of Corporate Governance

5.1.1 Corporate Governance Framework

MS Amlin AG's governance framework is based on the underlying principles of accountability, transparency, integrity and a focus on the sustainable success of the Company over the long term.

The governance framework in MS Amlin AG ensures:

- sufficient review and challenge of decision making processes;
- the responsibilities and interests of all stakeholders are appropriately considered; and
- appropriate reporting, of both frequency and content, to enable the Executive Board and Supervisory Board to exercise adequate oversight over business activities.

5.1.2 System of Corporate Governance in MS Amlin AG

The Company operates a two-tier board governance structure. The Supervisory Board consists of non-executive directors who are, in principle, not actively engaged in the management of the Company and of whom more than one third are independent of the Company. The Supervisory Board appoints a chairman from among its members. As an exception, during 2021, the chairman of the Supervisory Board assumed the role of chief executive officer on an interim basis for the final quarter of the year.

The Executive Board is the Company's managing body and consists of the chief executive officer and other senior officers and managers of the Company. Appointments to the Executive Board are at the discretion of the Supervisory Board.

The Supervisory Board also appoints Board Committees for specific purposes from among its members. As of 31 December 2021, these committees comprised:

- the Risk and Solvency Committee;
- the Audit Committee;
- the Underwriting Committee; and
- the Remuneration and Nomination Committee.

As of 1 January 2022, the Risk and Solvency Committee and Audit Committee have been combined into a joint Audit and Risk Committee.

The corporate governance framework of MS Amlin AG is guided by regulatory requirements and best practice. Ultimate responsibility for its design and implementation lies with the Supervisory Board. Key elements include mandatory representation of independent non-executive directors, terms of reference establishing the roles and responsibilities of MS Amlin AG's corporate bodies, processes for the identification and management of conflicts of interest and separation of management and Supervisory Board supervision.

5.1.3 Board membership

The Supervisory Board of Directors as of 31 December 2021 was composed of the following non-executive members:

Name	Board Position
Martin Albers	Chairman
Stefan Materne	Director
Stephan Knipper	Director
Hironori Morimoto	Director
Robin Adam	Director
Tamaki Kawate	Director
Shinichi Imayoshi	Director

Martin Burke stepped down from the Supervisory Board in April 2021. Hironori Morimoto was appointed to the Supervisory Board in April 2021.

The Executive Board of Directors as of 31 December 2021 was composed of the following members:

Name	Chief and Senior Executive Position
Martin Albers[1]	Chief Executive Officer ad interim
Kate McDonald	Chief Financial Officer
Michael Koller[2]	Chief Risk Officer
Charles Goldie[3]	Chief Underwriting Officer
Gregoire Mauchamp[4]	Director of Underwriting Performance

5.2 Overview of Risk Management

5.2.1 Risk Management Strategy

The Supervisory Board sets forth the responsibilities and principles pertaining to the Company's risk management (risk strategy, controlling and management) in the risk strategy document. The risk strategy explains the risk framework (governance and risk management process) and the overarching ultimate risk tolerance, expressed in terms of solvency and liquidity. The risk appetite and limits are also documented in the risk strategy. The risk strategy provides transparency, and defines ownership and responsibilities, throughout the risk management process. It promotes a risk aware culture across the organisation.

Alignment to Business Strategy
MS Amlin AG aligns the business strategy, capital management and enterprise risk management with the objective to achieve long-term substantial outcomes for the shareholder. This approach allows the business to maximise its return on risk, subject to the limitations over acceptable risk taking.

[1] Chris Beazley stepped down from the Executive Board as chief executive officer in August 2021. For the period from September until December 2021, Martin Albers was appointed to the Executive Board as chief executive officer ad interim. As of 1 January 2022, Robert Wiest has been appointed to the Executive Board as chief executive officer.

[2] Catherine Farnworth stepped down from the Executive Board as chief risk officer in September 2021 and Michael Koller was appointed to the Executive Board as chief risk officer at the same time.

[3] Charles Goldie was appointed to the Executive Board as chief underwriting officer in April 2021. At the same time, Jerome Domenichini and Chris Hayward stepped down from the Executive Board as chief underwriting officer, MS Amlin AG in Zurich and chief underwriting officer, MS Amlin in Bermuda, respectively, with the two roles being removed from the Executive Board.

[4] In December 2021, the role of chief operating officer was removed from the Executive Board and the role of director of underwriting performance, exercised by Gregoire Mauchamp, was added.

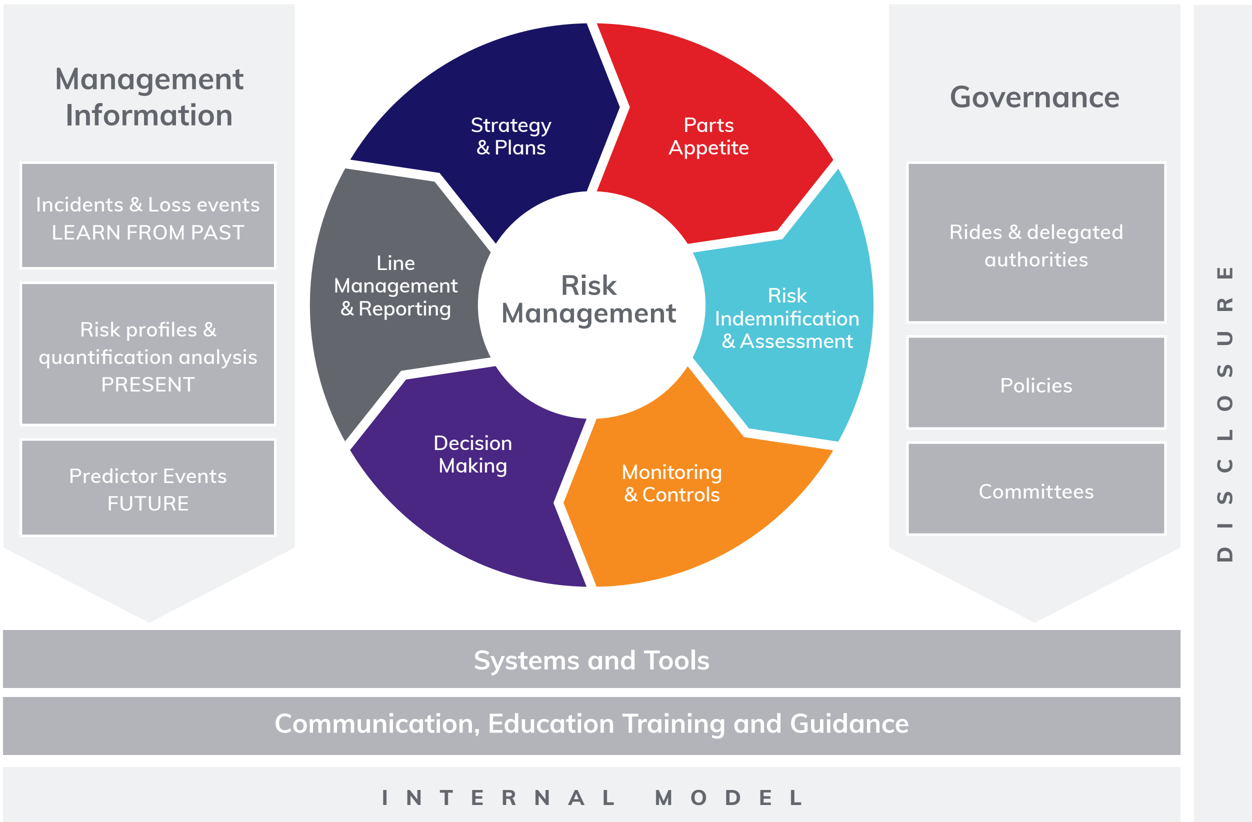
5.2.2 Risk Management Framework and Processes

MS Amlin AG's Risk Management Framework provides:

- a strong, risk based, organisation supported by an appropriate risk management system;
- a robust governance framework;
- clear roles and responsibilities and effective escalation processes;
- effective monitoring; and
- clear and effective communication and reporting lines.

MS Amlin AG's Risk Management Framework consists of a suite of standards, governance processes and procedures. It sets out the processes required to embed risk management across the business.

The diagram below presents the key stages in the risk management process:



Risk Appetite, Tolerances and Limits

The Company's risk appetite is the amount of risk that it is willing to accept in pursuit of value creation. Risk appetite reflects the objective to optimally exploit opportunities and minimise hazard to an acceptable level. The Company operates within a clear risk appetite framework and business decisions are influenced by risk adjusted measures where appropriate.

Risk appetite is implemented through a set of tolerances and limits, which are proposed by the Audit and Risk Committee and approved by the Supervisory Board.

The 'risk tolerance' describes the extent to which the Supervisory Board has authorised Executive Management to assume risk. It represents the amount of risk that the Company is willing to accept within the constraints imposed by regulatory and liquidity resources, its strategy and the regulatory and rating agency environment in which it operates.

Risk limits for material risk exposures are implemented to provide reasonable assurance that the approved Risk tolerance will not be breached. They help to ensure that actual risk-taking remains within the approved business plan and risk appetite, with clear escalation processes in cases where the business sees growth opportunities and therefore makes specific requests to increase limits.

Risk limits for the major risk categories and underlying risk drivers are set based on both economic capital metrics and additional non-economic metrics where that is more appropriate, e.g., credit quality limits for investments and reinsurers. The measures should, however, have some intrinsic link back to economic capital.

The quantitative expression of risk appetite in terms of economic capital is supported by qualitative assessment of the types of risk the Company prefers to take versus those to avoid.

Management is accountable for managing levels of risk within the allocated tolerances and limits. The status of profile versus tolerance and limits is reported quarterly to the Audit and Risk Committee with breaches escalated up to the Supervisory Board.

Risk Categorisation

In order to have a systematic approach to measure, limits and mitigate the risks, the Company adopts a common risk categorisation. The main aim is to have a structured and uniform approach towards risks.

The table below shows the highest level of risk category definitions.

Risk Category	Definition
Insurance Risk	This is the risk that the business will experience financial loss due to the performance and structure of its underwriting portfolio. It's defined as the risk associated with the performance of the underwriting portfolio caused by inadequate pricing and/or unexpected claims frequency, as well as systematic changes in the nature of claims. Unexpected losses on the current underwriting year are reflected in premium risk (split by catastrophe and non-catastrophe), and unexpected losses on prior underwriting years are reflected in reserve risk.
Market Risk	Represents the potential economic impact due to the performance and structure of the Company's investment portfolio. It comprises interest rate risk, equity risk, currency risk, real estate risk and commodity risk.
Liquidity Risk	This is the risk of being unable to promptly meet funding obligations.
Credit Risk	This is the risk of the Company's various counterparties, banks, cedants, brokers, reinsurers, intra-group companies etc failing to pay what is owed to us. The price fluctuation of corporate bonds and similar because of varying credit spread forms also part of credit risk.
Operational Risk	Represents the potential economic, financial reporting, reputational or compliance impact resulting from inadequate or failed internal processes, people and systems or from external causes. Operational risks include legal and compliance risks as well as the risk of material misstatement in the Company's financial reports but excludes strategic risks.
Strategic Risk	This is the risk of failing to meet the strategic goals and business plans, due to poor decision making and execution of the Strategy and business plan.

Each of these categories of risk are owned by a member of the Executive Board with appropriate expertise and authority.

Within each category there is a more detailed list of sub-risks, the details of which are covered in the separate Risk Category Standards.

All material risks are recorded in the Company's risk register.

Emerging Risks

Emerging risks are newly developing or changing risks that are difficult to quantify and whose potential impact on the business is not yet sufficiently known and addressed.

The business is responsible for informing the risk function about emerging risks as part of the emerging risk management process. The risk, compliance, legal and internal audit functions could also identify emerging risks as part of their operation. Information on new emerging risks and updates on previously reported risks are presented to the Audit and Risk Committee quarterly.

Risk Assessment

The risk function carries out detailed risk analyses comprising risk identification and assessment. All material, inherent risks are identified, assessed and recorded.

Risks are measured and assessed in financial terms, if this is both possible and appropriate. Risks that cannot be directly quantified are systematically recorded and represented in an appropriate form.

The risk function uses risk matrices to highlight the materiality of risks and show which risks are within or outside of the approved risk Limits.

The risk assessment approach for the key risk categories is as follows:

- insurance, credit and market risks are quantified based on generally recognised methods and standards and modelled in the Internal Model;
- liquidity and operational risks are measured through stress and scenario testing and have tolerances set against them, although explicit risk charges are not included within the SST Target Capital; and
- strategic risks are, overall, not directly considered within the capital model but managed using management actions, contingency plans, policies, processes and robust preventative and detective business process controls.

Risk Events Reporting

Business functions are responsible for reporting risk events and highlighting any issues with the control environment that require improvement. The objective is to learn lessons and prevent operational events from re-occurring.

Risk events inform the second line of defence's view of the risk landscape and assessment of the risks.

Capital Management

MS Amlin AG has an internal model that has been built to reflect the risk variables that could impact the performance of the Company. The Supervisory Board has confirmed that the internal model is the appropriate method for the calculation of solvency capital under the requirements of the Swiss Solvency Test. The internal model has been approved by the supervisory regulator.

The internal model is a core component of the risk management system and is used for a range of business decisions, including setting and assessing risk tolerances, business planning, strategic decision making and purchase of outwards reinsurance and is a key input into the technical pricing framework.

Section 8.4 and the appendices provide further information about the Internal Model.

Stress and Scenario Testing

Stress and scenario tests form part of the suite of tools that the Company uses in its risk management process. The Company conducts stress and scenario testing to understand how sensitive its risk profile is to changes in specific factors as well as understanding the solvency position under extreme conditions. The reverse stress tests also consider risks that may render the business model unviable thereby identifying potential business vulnerabilities.

The Supervisory Board considers and approves suitable stress and scenario tests to be conducted as part of the annual business planning and Own Risk and Solvency Assessment ("ORSA") process.

Ad-hoc stress and scenario tests are undertaken as part of the normal business process. The results are presented to and scrutinised by the relevant committee and reported to the Supervisory Board accordingly.

ORSA

As part of its risk management system the Company conducts, at least annually, an ORSA taking into account the Company's risk profile, business strategy and related capital requirements. The ORSA is fully embedded into the overall Risk Management Framework and is aligned to the capital strategy and business planning processes.

5.2.3 Internal Control Framework

The purpose of the internal control framework is to:

- promote an effective monitoring and control framework that facilitates the achievement of business objectives,
- protect Company resources against mismanagement or fraud,
- ensure that business activities are compliant with laws and regulations, and
- develop consistent financial data and managerial data and to present them in a timely manner.

The internal control environment is an integral part of the Company's overall risk management framework.

Control operators perform a quarterly self-assessment of the effectiveness of their controls and upload supporting evidence in the risk management system. As a second line of defence the risk function provides challenge to the control operators' self-assessments. Actions to remedy ineffective controls are agreed with management and are tracked and reported on a quarterly basis.

The internal control framework is designed to meet the Japanese Financial Services Agency requirements and standards for Internal Control over Financial Reporting, commonly termed "J-SOX". MS Amlin AG is in-scope for these requirements as a subsidiary of MSI.

The controls over financial reporting, which are in scope for J-SOX purposes are:

- company level controls – foundation controls that aim to establish guidelines for governance, financial analysis, integrity and ethical values, and adherence to laws and regulations;
- process level controls, e.g., premiums, claims, reserving, investments and financial reporting;
- IT general controls – key controls that can be applied to all IT applications/systems within the Company; and
- IT application controls – key controls that are in place at specific IT application/system levels.

Internal Audit performs detailed reviews of all J-SOX controls and provides assurance to management about the effectiveness of their operation.

Management provides annual J-SOX attestation to MS&AD, confirming that Internal Controls over Financial Reporting (ICOFR) that are in scope for J-SOX are designed well and are operating effectively at year-end.

The external auditor issues an annual J-SOX review report, confirming the appropriateness of management's internal J-SOX attestation programme and report.

5.2.4 Material changes during the period

In 2019, Mitsui Sumitomo Insurance Company Limited ("MSI") announced a reorganisation of its international division, and in 2020, MS Amlin AG became a wholly owned subsidiary of MSI. As a result of the reorganisation, various functional responsibilities (including some risk management tasks) were transferred into MS Amlin AG that had previously been outsourced to Group service companies.

The project for transferring responsibilities was initiated in 2020 and completed in 2021.

MS Amlin Corporate Services ("ACS") continues to provide some services to MS Amlin AG, e.g. IT, internal audit, investment management, etc. MS Amlin AG maintains a service level agreement (SLA) with ACS for the services that include key performance indicators (KPIs) against which they are monitored.

5.2.5 Risk Governance

The operation of effective risk management requires the active involvement of all employees and clear roles and responsibilities.

At MS Amlin AG, the Supervisory Board is the ultimate 'risk owner' and delegates authority to the executive level 'Key Risk Takers' who own the management of the risks on a day-to-day basis. The Supervisory Board also delegates certain risk and control oversight responsibilities to the Audit and Risk Committee.

MS Amlin AG operates risk management through a 'three lines of defence' model.

First Line of Defence:

The first line functions (e.g., underwriting, finance, claims, etc.) are accountable for risk taking, implementing the risk framework and embedding a risk culture. Their responsibilities are to:

- operate within the limits as agreed upon by the Supervisory and Executive Boards;
- ensure that material risks in their area are identified and documented and highlight emerging risks to the risk function;
- regularly re-assesses the impact and likelihood of risks materialising in their business area;
- establish internal controls to mitigate the risks in their business area and regularly assess the effectiveness of the controls;
- develop risk appetite statements and guidelines for their areas of responsibility and ensure that risk limits are in place and operating effectively;
- ensure that risk taking is in line with the risk appetite, and where a risk limit is likely to be breached, escalate this to the risk function, along with a proposed action plan;
- ensure delegated authorities are clear and fully documented with appropriate segregation of duties and that people are not assigned conflicting responsibilities;
- ensure the adequacy of financial, operational and compliance information;
- promote an environment where management and staff can report without fear, control breaches, suspicions of fraud, theft, malpractice and any near misses, while guaranteeing anonymity when requested; and
- reinforce the ''three lines of defence'' model by encouraging close working relationships between the first line (line management) and the risk and compliance functions, facilitating independent assurance by internal audit.

The CEO sets a strong 'tone from the top' on the importance of risk management throughout the Company.

Actuarial Function: MS Amlin AG has a local actuarial team supported by the actuarial function in MS Amlin Business Services. The core actuarial function focuses on providing capital modelling and reserving services.

The pricing actuaries report to the director of underwriting performance, and there is close co-operation between the pricing actuaries and the other teams in the areas of business planning, reserving, underwriting performance management and setting of technical pricing standards.

Second Line of Defence:

The second line (Risk and Compliance Function) is accountable for quantitative and qualitative oversight and challenge of the key risks, including compliance with the risk strategy, tolerance and limits and regulatory compliance. The risk and compliance functions are led by the chief risk officer (“CRO”).

The key responsibilities of the Risk Management Function are:

- support the development of the risk tolerance and limit framework;
- support the first line to assess potential risk transfer and/or mitigation strategies;
- facilitate the regular risk and control self-assessment by the business;
- challenge the first line as part of the strategy/planning process;
- provide tools to quantify risk (internal model outputs) and calculate the impact of the business plan on the risk tolerance;
- monitor the adherence to tolerance, limits and appetite. In case of breaches it initiates, together with the first line of defence, mitigating actions;
- review and challenge any first line requests to change risk limits;
- develop and coordinate the stress and scenario tests to understand the impact of material risks and cross-balance sheet accumulations on the risk tolerance;
- report to the Audit and Risk Committee and the Supervisory Board; and
- draft the ORSA Report, which is then approved by the Supervisory Board along with the approval of the business plan.

MS Amlin AG’s risk team is supported by MS Amlin Business Services (“ABS”) through risk managers specialised in information technology and security, investment risk management and internal model validation.

The role of the Compliance Function is to provide assurance to the Supervisory and Executive Boards that the company complies with regulatory requirements, associated laws and relevant policies. The compliance function has five key responsibilities:

- identify compliance risks and advise on them;
- design and implement controls to protect the Company from identified risks, including awareness and training;
- monitor and report on the effectiveness of these controls;
- resolve compliance issues if and when they occur; and
- advise the business on compliance, rules and controls in specific cases.

The second line of defence operates with independence of mind from the first line. This independence is reinforced by management reporting lines. The risk management and compliance functions are responsible for supporting the Audit and Risk Committee and provision of risk and compliance reports.

Third Line of Defence:

In its role as the third line of defence, internal audit conducts regular assurance testing to confirm the adequacy of the design and operational effectiveness of the risk and internal control framework. The internal audit function is responsible for:

- developing a risk-based Internal Audit assurance plan based on an understanding of the significant risks to which the organisation is exposed and submitting the plan to the Audit and Risk Committee for review and approval;
- providing reasonable assurance as to the adequacy and effectiveness of the Internal Control Framework in operation throughout the Company;
- reporting the results of internal audit activity, significant control issues identified, progress in delivering the audit plan and status of management remediation activities;
- performing/overseeing fraud investigations at the direction of the Audit and Risk Committee or Executive Board;
- facilitating an effective and mutually collaborative relationship within the business and with external audit;
- executing ad-hoc assignments as instructed by the Audit and Risk Committee or Supervisory Board;
- ensuring the internal audit function is staffed with professional and competent staff, with sufficient knowledge, skills and experience to effectively carry out the annual internal audit assurance plan; and
- ensuring adherence to the approved *Internal Audit Manual*.

Audit and Risk Committee

The main duties of the Audit and Risk Committee in relation to risk management include reviewing and monitoring the following:

- company's system of internal controls;
- the risk management framework, risk appetite, tolerances, solvency, economic and regulatory capital and regulatory reporting matters related to risk and solvency;
- the effectiveness of the risk management framework: methodology used for determining capital requirements and stress testing;
- due diligence appraisals for strategic or significant transactions;
- compliance with regulatory requirements;
- the adequacy of the Company's reserving level and process; and
- integrity of the financial statements and information provided to the Group for reporting purposes.

Specific tasks:

- recommend risk limits to the Supervisory Board for approval;
- review and challenge the ORSA scenarios;
- regularly discuss the reports produced by the second- and third-line functions; and
- oversee the legal and regulatory submissions, including the Financial Condition Report and the ORSA.

The Audit and Risk Committee meets quarterly. There are also periodic attendances from subject matter experts across the business.

5.3 Outsourcing Policy

MS Amlin AG has an outsourcing policy that sets out how the Company manages its outsourced arrangements. Outsourcing services may be provided by independent third-party providers as well as by other companies within the Group (intra-group outsourcing).

The Company outsources material operations if:

- it is economically justified,
- the operational risks arising from the outsourcing do not exceed the risk limits,
- the supervisory authorities' ability to monitor the Company is not impaired, and
- if the activity is considered a non-core function.

The Company monitors and manages its outsourcing arrangements on an ongoing basis to ensure the quality and efficiency of the outsourced services and functions.

6.0 Valuation

6.1 Market Consistent Asset Valuation for solvency purposes

6.1.1 Value of assets broken down by asset class

The market-consistent balance sheet is disclosed in the FCR Standard Template in Appendix 1.

Please note that the SST 2022 is filed with FINMA on 30 April 2022 simultaneously to this document.

The market consistent value of investments of MS Amlin AG amounts to USD 4,003.6 million as of 31 December 2021. Investments mainly consist of property investments and equity, which are classified as other investments (USD 3,451.6 million), fixed-income securities (USD 537.5 million) and equities (USD 12.9 million). In line with the FCR Standard Template (Appendix 1), receivables from derivative financial instruments (USD 0.03 million) are included as part of overall investments.

The market consistent value of other assets of MS Amlin AG amounts to USD 2,791.4 million as of 31 December 2021. These mainly consist of receivables from insurance business, cash and cash equivalents, and deferred acquisition costs.

6.1.2 Description of basis and methods used for valuation

The starting point for the FCR balance sheet is the SST, which captures the market consistent value of assets. SST figures are re-mapped to the FCR Standard Template (Appendix 1).

The market consistent SST valuation method on investments is based on IFRS fair values. The financial data used in preparing the FCR balance sheet originates from the MS Amlin financial reporting system and is as of 31 December 2021.

6.1.3 Discrepancies between asset valuation for solvency and annual report

The valuation discrepancy between MS Amlin AG's FCR (i.e., SST) and annual report (i.e., Swiss CO) is regarding investment fair value adjustments, which amounted to USD 111.8 million for the current year. MS Amlin AG's Swiss CO investment valuation basis represents fair value for most investments. A portion of the portfolio continues to be recognised at the "lower of cost or market value" or amortised cost, being property funds and government bonds. For FCR reporting purposes these investment types are adjusted to fair values. These adjustments are based on market values and reconcile to the IFRS. The valuation adjustments are calculated on a security-by-security basis.

6.2 Market Consistent Valuation of Provisions for Insurance Obligations for Solvency Purposes

6.2.1 Gross and Net Value of the provisions for insurance obligations

For FCR reporting purposes the best estimate of provisions for insurance liabilities (gross) amount to USD 4,569.2 million, which includes loss reserves (USD 2,971.1million) and unearned premium reserves ("UPR") (USD 1,598.1 million) as of 31 December 2021.

The reinsurers' share of best estimate of provisions for insurance liabilities amount to USD 537.3 million consisting of loss reserves (USD 312.3 million) and UPR (USD 225.0 million).

6.2.2 Description of basis, methods and key assumptions used in the valuation for insurance obligations

MS Amlin AG's (gross and net) reserves are discounted in order to reflect best estimate values required in a market consistent view. The discounting adjustment is calculated using various actuarial assumptions, including those on payment patterns and using the FINMA yield curves.

6.2.3 Discrepancies between valuation for solvency and annual report for insurance obligations

We summarised valuation discrepancies between MS Amlin AG's FCR (i.e., SST) and annual report (i.e., Swiss CO) as follows:

• Reserve Discounting Adjustment: Under Swiss CO, loss reserves are on an undiscounted basis, whereas the market consistent view is on a discounted best estimate basis. Therefore, a discounting adjustment on loss reserves (including inward business as well as ceded reserves) based on actuarial assumptions was applied. The net discounting effect is USD 60.2 million, which represents a decrease to loss reserves.

• Adjustment for foreign exchange provision built for unrealised foreign exchange gains under Swiss CO: The valuation reflects the reversal of this provision in order to represent the market view of liabilities, which amounted to USD 27.9 million.

The net impact of the provision adjustments (i.e., discounting and foreign exchange) amounts to USD 88.1 million.

6.3 Information on the Risk Margin

6.3.1 Value of the market value margin and of the other effects on target capital

The market value margin is calculated in order to reach a market-consistent valuation for the insurance liabilities (reserves). It is deducted from the RBC in determining surplus capital.

6.3.2 Description of basis, methods and key assumptions used in the valuation

The market value margin is modelled as being equal to the cost of the statutory regulatory capital an entity would be required to hold to account for the risk of running off the business. Regarding the model elements included in the statutory regulatory capital, the following are excluded:

1. Market risk: is assumed to be hedgeable and is therefore excluded. That would require a portfolio of highly rated government bonds. MS Amlin AG liabilities are mainly in currencies for which government bonds are widely available (mostly USD and EUR) and the payment pattern is relatively short, which simplifies matching issues.

2. Credit risk (investment): is assumed to be reduced to zero due to the assumption of holding highly-rated government bonds.

3. SST required scenarios: the components of scenarios that are related to either new claims or to financial market events, which do not apply to a matched portfolio of government bonds are excluded.

The following elements are included:

1. reserve risk;
2. reinsurance credit risk relating to the held reserves; and
3. the components of the scenario which affect reserves and reinsurance credit risk relating to the held reserves.

The cost of capital is assumed to be 6% as prescribed by FINMA.

Based on the above assumptions, the calculated market value margin is USD 164.0 million. Accordingly, the SST Target Capital is USD 1,056.7 million, and the SST Capital Ratio is 180%. For further details please refer to Appendix 1.

6.4 Market Consistent Valuation of Other Liabilities

6.4.1 Value of provisions for other liabilities

Out of the total USD 5,026.7 million liabilities, USD 4,569.2 million are technical provisions including UPR. The remainder of liabilities includes liabilities from insurance business (USD 411.7 million), non-technical provisions (USD 19.3 million), other liabilities (USD 19.8 million) and liabilities from derivative financial instruments (USD 6.7 million).

6.4.2 Description of basis, methods and key assumptions used in the valuation of other liabilities

MS Amlin AG's other liabilities in a market consistent view are valued in line with Swiss CO.

7.0 Capital Management

7.1 Goals, strategy and time horizon for capital planning

With respect to its capital philosophy, MS Amlin AG seeks to maintain sufficient capital to comfortably meet its regulatory capital requirements, maintain a strong credit rating, ensure cedants are sufficiently protected and to fulfil its on-going business objectives. In line with its capital philosophy, the Boards regularly monitor the capital position.

The Company calculates its regulatory capital requirement using its Internal Model on the SST basis. MS Amlin AG utilises its Internal Model to calculate the capital requirements, utilising data from the business and the forecast business plan that has been approved by the MS Amlin AG Supervisory Board. MS Amlin AG Target Capital is measured using the Swiss Solvency Test risk-based capital methodology.

Swiss Solvency Test Capital Requirement

This is a regulatory mandatory capital requirement measure that is based on the calculation of capital requirements to operate on a one-year basis. It is calculated to cover the risks that could materialise based on the execution of the one-year business plan that runs from 1 January to 31 December of the same calendar year.

Through the annual business planning cycle and forward-looking plans, MS Amlin AG considers capital management to ensure any business growth is supported by retained profit or through raising additional capital.

Under the requirements of SST, MS Amlin AG operates a framework to ensure that capital needs are assessed. MS Amlin AG's internal model has been approved by FINMA for use when calculating the SST for risk charges including insurance risk, reinsurance credit risk and dependencies.

In all circumstances, capital needs are assessed through MS Amlin's internal model. The internal model forecasts a wide range of potential financial outcomes for each area of the business, which are used to calculate capital requirements and other risk adjusted metrics.

Dividend Policy

As a principle, MS Amlin AG will pay potential dividends out of the current year profits. The timing, manner and amount will be decided considering MSI's future strategy for the businesses, subject to regulatory considerations and ultimate approval at the Annual General Meeting.

Available Funds to meet Capital Requirement

The relevant measure of available own funds is the RBC calculated on the SST market consistent balance sheet.

MS Amlin AG has net assets under Swiss CO of USD 1,568.5 million as compared to USD 1,768.3 million net assets based on SST market consistent balance sheet. The adjustments made to adjust from Swiss CO balance sheet to SST market consistent balance sheet are set out below:

In USD millions	SST2021	SST 2022
Excess of assets over liabilities - Swiss CO annual report (*)	1,841.3	1,568.5
Investment fair value adjustments	91.0	111.8
Technical provision adjustments	-1.8	88.0
Excess of assets over liabilities - SST market-consistent balance	**1,930.6**	**1,768.3**
Intangible Assets	**0.0**	**-1.9**
SST Risk Bearing Capital	**1,930.6**	**1,766.4**

(*) Based on MS Amlin AG's Swiss CO financial statements for 2020 and 2021

For further details regarding the significant discrepancies please refer to section 6.

Capital Composition

MS Amlin AG must ensure that it continuously maintains RBC of a suitable quality and permanence to meet the admissibility requirements of the SST.

Contingency Plans

As part of the Group, MS Amlin AG benefits from being able to draw on a substantial capital base from a secure and supportive parent. The specific response to any capital shortfall will depend on the circumstances giving rise to it.

In the case of an extreme event that threatens MS Amlin AG's capital adequacy, the Company will have two choices: 1. reduce its capital needs by altering areas of its business plans; or 2. seek to raise capital to support the current business plan and future strategy. Any given solution can utilise one or both of these options. Any proposals to change the business plan or raise additional capital requires approval by the Supervisory Board as well as by MSI.

The timelines and potential limitations of raising capital depend on the context of the event that necessitates activating the contingency plan.

7.2 Structure, level and quality of the equity capital reported in the annual report

For details regarding structure, level and quality of the equity capital please refer to MS Amlin AG's Swiss CO annual report (Appendix 3).

8.0 Solvency

8.1 The development of the SST Ratio

The MS Amlin AG SST 2022 Capital Ratio described in this report is 180%, which compares favourably with the minimum FINMA SST solvency requirement of 100%. The SST one-year risk capital is USD 892.7 million, the market value margin is USD 164.0 million and the SST Risk Bearing Capital is USD 1,766.4 million.

The table below shows how the SST 2022 Capital Ratio has developed since the last published SST 2021.

The SST Capital Ratio declined from 208% to 180%, mainly driven by a reduction in the Risk Bearing Capital ("RBC") of USD 164.2 million, and to a lesser extent, by an increase in the Target Capital ("TC") of USD 56.7 million and the Market Value Margin ("MVM") of USD 23.6million.

Solvency and capital position (USD millions)			
	2021	2022	Change
One-Year Risk Capital	859.6	892.7	33.1
Market Value Margin	140.3	164.0	23.6
Target Capital	1,000.0	1,056.7	56.7
Risk Bearing Capital	1,930.6	1,766.4	-164.2
SST Capital Ratio (RBC-MVM)/One-year Risk Capital	208%	180%	-29ppt

The reduction in the RBC during 2021 reflects the net loss reported in the year following heavy natural catastrophe losses particularly in Europe and the US and reserve strengthening on prior years. The increase in TC is mainly driven by growth in insurance risk and, to a lesser extent, by growth in financial market and credit risks. Growth in reserves were the main contributor to the increase in the MVM.

Despite the reduction in the SST Capital Ratio, the capital ratio remains strong. The decline in the RBC during the year was primarily a result of reserve strengthening and catastrophe activity. No dividends will be paid from the 2021 financial results.

8.2 Target Capital developments

8.2.1 Summary of the main changes in the target capital since SST 2021

The table below shows the overall result of the SST quantitative model, combining all the components discussed in previous sections. Please note that SST 2022 is filed with FINMA in April 2022 simultaneously to this document.

	2021	2022	Change
Insurance Risk (standalone)	875.1	892.3	17.2
Reserving Risk (standalone)	545.5	625.4	80.0
Premium Risk (standalone)	581.6	510.7	-70.9
RI Credit & ILS Risk (standalone)	75.0	68.5	-6.5
Market Risk (standalone)	238.7	268.4	29.7
Credit Risk (standalone)	112.8	137.6	24.8
Diversification	-270.5	-304.2	-33.7
Expected Insurance Result	-64.8	-84.8	-20.0
Expected Investment Result (above risk free)	-40.9	-40.0	0.9
Impact of Scenarios	9.2	23.5	14.3
One-year Risk Capital	859.6	892.7	33.1
Market Value Margin	140.3	164.0	23.6
SST Target Capital	1,000	1,056.7	56.7
SST Risk Bearing Capital	1,930.6	1,766.4	-164.2
SST Capital Ratio (RBC - MVM) / One-year Risk Capital	208%	180%	-29ppt

*All values derived from distributions are 1% TVaRs. All distributions are relative to expected results, except for the Scenarios distribution

The SST Target Capital increases in SST 2022 due to the growth in the one-year risk capital of USD 33.1 million and the MVM of USD 23.6 million.

MS Amlin AG's risk profile and risk capital remain dominated by insurance risk. Reserve risk in SST 2022 grew by USD 80 million, reflecting increased reserve volumes following natural catastrophe losses in 2021, some reserve strengthening on prior underwriting years and growth in long-tail lines of business. The reserving actions taken to address concerns over reserve adequacy and inflation risk have been necessary but place us in a much stronger position going forward. Reserve risk has now overtaken premium risk as the main contributor to total insurance risk.

Premium risk declined by USD 70.9 million as growth in risk, due to business growth across all divisions, was offset by continued reduction in natural catastrophe risk appetite, a reduction in the percentage of business that is ceded from MS Amlin Underwriting Limited ("AUL") to MS Amlin AG and assumed improvements in the rating environment.

Market risk increased by USD 29.7 million driven by notable growth in spread risk, some growth in equity risk and foreign exchange risk, which are only partly offset by a slight decline in interest rate risk.

The credit risk from the investment portfolio increased by USD 24.8 million predominantly driven by the introduction of a new hedge fund investing in both short and long-term credit opportunities.

The expected insurance result increases by USD 20 million due to an expected improvement in underwriting performance during 2022. Operating expenses have however increased, reflecting the continued investment in strengthening people, infrastructure and systems. Investment income is assumed to remain stable for 2022.

The MVM increased by USD 23.6 million due to increases in reserve risk and some lengthening of the reserve duration, only partly offset by the impact of greater discounting benefit due to increasing yield curves.

The following sections provide more detail on the changes by risk category.

8.2.2 Insurance risk profile and changes in risk capital

Insurance Risk for MS Amlin AG is dominated by premium risk and reserve risk.

Premium Risk

Premium risk relates to unexpected losses on the current underwriting year that can be caused by inadequate pricing, inappropriate terms and conditions, unexpected claims frequency, or catastrophe losses from large natural or non-elemental events such as earthquake, hurricane or terrorism threats. MS Amlin AG has a risk-seeking attitude to premium risk and accepts that there will be claims arising from all areas of its insurance risk profile. The appetite for risk is governed by the amount of business that meets the Company's pricing requirements but also by the capacity determined by the available capital base and outwards reinsurance arrangements.

The scale of risk concentration is identified through several core methodologies:

- Stochastic Modelling – MS Amlin AG utilises exposure data to feed its Internal Model that aggregates the risk concentration, taking account of inherent exposure and the benefit of the associated mitigation strategies. Modelling takes place on a single Occurrence Exceedance Probability basis as well as at an Aggregated Exceedance Probability basis.
- Realistic Disaster Scenarios ("RDS") – Specific event scenarios are run and monitored quarterly. The RDSs cover both modelled and non-modelled classes as well as natural and man-made perils, also taking account of single occurrence and multi occurrence events.

Premium risk concentration is derived from:

- natural perils such as windstorm or earthquake;
- large losses from man-made events such as terrorism, cyber or industrial accidents; and
- casualty accumulation risks driven by exposure to economic, social and legislative changes.

Risk Concentration and Changes over the year

As of 1 January 2022, MS Amlin AG quantified its premium risk as USD 510.7 million versus USD 581.6 million for SST 2021 on a stand-alone SST basis. Premium risk reduced by USD 70.9 million as growth in risk due to business growth across all divisions is more than offset by reductions in risk due to continued de-risking of natural catastrophe risk, a reduction in the percentage of business that will be ceded from AUL and improving rating environment.

Natural catastrophe risk is a material driver of premium risk. The largest natural catastrophe exposure for MS Amlin AG is the US/hurricane scenario with a USD 327.2 million loss in SST 2022. European windstorm and North America earthquake losses are estimated to be at USD 209.1 million and USD 178.4 million respectively.

The table below shows the details of the potential losses for these peak exposures, including any potential recoveries on the Company's outwards reinsurance programmes. It highlights the actual and planned reductions in peak Natural Catastrophes being implemented during 2022.

Premium Risk **Annualised unexpected loss, 99% TVaR in USD millions** (net of outwards Reinsurance recoveries)	**SST 2021**	**SST 2022**
US / Caribbean Hurricane	442.0	327.2
Europe Windstorm	245.8	209.1
North America Earthquake	194.1	178.4

Assessment, Monitoring and Mitigation Techniques

Insurance risk is managed mainly via the following:

- the impact of the annual business plan on the risk and solvency position is assessed;
- tolerance and limits are set to maintain minimum solvency and liquidity levels and manage peak exposures;
- technical pricing considers key risk accumulations and large loss potentials; and
- outwards reinsurance is purchased where it makes economic sense to do so and where it is needed to maintain risk within the approved risk tolerance and limits.

Reserving Risk

Reserving risk relates to the possible inadequacy of claims provisions. Specifically, it relates to the uncertainty around whether reserves are adequately accounted for, taking account of fluctuations in claim settlements. MS Amlin AG adopts a neutral approach to reserving risk (accepting risk with caution as a by-product of pursuing desired business strategy), which is an unavoidable consequence of underwriting a portfolio of business where claims may develop after the policy period has elapsed. The Company's appetite is governed by a policy that ensures that reserves are carried above the actuarial best estimate of future outcomes. Classes with a higher level of uncertainty of potential development will naturally carry a higher level of reserve provision.

Reserving risk concentrations are the accumulation of assumed claims and the uncertainty associated with the ultimate size of the claims given the extended duration it can take for some claims to mature. Liability classes are considered as the primary drivers of reserve risk. MS Amlin AG operates an actuarial led reserving process to estimate the reserves on a 'best estimate' basis. Reserving risk exposures and concentrations are identified using the internal model. Volatility in forecast reserve requirements is monitored on a quarterly basis.

MS Amlin AG's internal model produces a full distribution of possible reserving outcomes with the intention of capturing the uncertainty in the reserves. Expert judgement is applied during parameterisation to ensure that the final results from the Internal Model appropriately reflect MS Amlin AG's risk profile.

Risk Concentration and Changes over the year

As of 1 January 2022, MS Amlin AG quantified its reserving risk as USD 625.4 million on a stand-alone SST basis.

Overall reserve volumes have grown during 2021, reflecting the impacts of large loss events in the year (in particular, weather-related events in Europe and the US), adverse reserve developments on prior-years and continued growth in long-tail lines of business. An independent review was conducted and has confirmed the overall adequacy of reserves for underwriting prior years. In addition, further reserve margins are being held at year-end to allow for further inflation, as there is a great level of uncertainty over how much inflation will rise in the future.

Assessment, Monitoring and Mitigation Techniques

The key mitigation strategies, processes and controls are as follows:

• actuarial best estimates are subject to independent review and challenge;
• reinsurance programme – responds to large loss developments from prior years;
• a risk tolerance requiring a minimum probability of carried reserves being in excess of liabilities; and
• robust claims policy and process for the setting of case reserves.

Reinsurance Counterparty Risk

Reinsurance purchase exposes the business to losses on recoveries from either an inability or unwillingness to pay on the part of reinsurers. There is the risk of loss if a reinsurance counterparty fails to fulfil its underwritten obligations in full or fails to perform them in a timely fashion. MS Amlin AG accepts reinsurance counterparty credit risk as a consequence of using reinsurance to protect the company against severe catastrophic events and other scenarios.

Risk Concentration and Changes over the year

As of 1 January 2022, MS Amlin AG quantified its credit risk as USD 68.5 million on a stand-alone SST basis. The credit quality of the Company's reinsurers remains strong. The slight decrease in credit risk of USD 6.5 million reflects refinement in the modelling and a reduction in risk due to a decrease in inter-company business, which is only partly offset by an increase in reinsurance receivables following underwriting losses in 2021.

Assessment, Monitoring and Mitigation Techniques

The key mitigation strategies, processes and controls include counterparty review and approval processes, counterparty credit limits based on ratings, on-going monitoring of outstanding balances (credit control and escalation processes) and purchase of collateralised reinsurance where the reinsurer ratings do not meet internal minimum standards.

8.2.3 Market risk profile and changes in risk capital

The basis of the MS Amlin AG market risk calculation is the SST Standard Market Risk model. As of 1 January 2022, MS Amlin AG quantified its market risk as USD 268.4 million on a stand-alone basis, versus USD 238.7 million for SST 2021.

The results of the market risk model are presented below:

	Syandalone TVaR		
Risk Factor	**2021**	**2022**	**Change**
Market Risk (all Risk Factors)	238.7	268.4	29.7
All interest Rates	126.6	115.8	-10.8
Spreads	44.1	111.7	67.6
Foreign Exchange	72.6	87.0	14.4
Equities	59.9	80.2	20.3
Hedge Funds	-	9.9	9.9
Real Estate	83.4	89.8	6.4
Other	13.8	18.5	4.7

Market risk increased by USD 29.7 million, driven by a notable increase in spread risk, which grew from USD 44.1 million to USD 111.7 million (increase of USD 67.6 million). The growth in spread risk is driven by an increase in the total volume of floating rate securities, which give more weight to spread risk factors in the SST Standard Market Risk Model. Spread risk is now as material as interest rate risk, which is USD 115.8 million for SST 2022. Equity risk increased by USD 20.3 million in SST 2022 due to a reduction in equity hedges. The movements in foreign exchange and interest rate risks are the consequence of the mismatch between assets and liabilities in terms of currencies and duration.

Assessment, Monitoring and Mitigation Techniques

The key mitigation strategies, processes and controls are as follows:

- investment policy and strategic asset allocation, which aims to maximise long-term investment returns in relation to an agreed risk budget;
- asset duration management – interest rate risk is managed relative to liabilities through the strategic asset allocation;
- tactical asset allocation, which responds to expectations for short-term market prospects or volatility;
- a diversified portfolio, which limits exposure to any one security or asset class;
- tolerance, limit setting and performance monitoring – stochastic value at risk monitoring is utilised by the investment team through the modelling and monitoring of investment risk against agreed tolerance;
- sub-advisor monitoring: sub-advisors are appointed to carry out stock selection within their specialist asset class where each sub-advisor has discretion to manage the funds within their investment guidelines while performance and compliance with mandates are monitored by the investment team; and
- hedging: MS Amlin Investment Management actively manages interest rate risk exposure and the level of equity exposure.

8.2.4 Credit Risk profile (from Investments) and change in risk capital

The Company seeks a certain level of investment counterparty risk as a return is generated for this type of risk as part of the investment portfolio. Additionally, counterparty exposure is managed by monitoring the concentration of assets against grade and quality limits, which are designed to ensure adequate diversification.

Risk Concentration and Changes over the year

As of 1 January 2022, MS Amlin AG quantified its credit risk (from investments) as USD 137.6 million on a stand-alone SST basis versus USD 112.8 million for the SST 2021 (increase of USD 24.8 million). The increase is largely driven by the newly introduced hedge fund, whose strategy is to identify both long and short individual credit opportunities, and a slightly courser grouping of counterparties.

The table below shows the credit risk exposure by issuer credit rating. As of 31 December 2021, 98 percent of MS Amlin AG debt securities were investment grade with 43 percent rated AAA.

	As of December 31	% of total
Investments by rating of issuer	**Rating**	
	A and higher	64%
	BBB and lower	34%
	Unrated	2%
	Total	**100%**

8.2.5 Diversification

Following growth in all the main risk categories (insurance, market and credit risks), diversification has consequently increased. The diversification assumptions and approach have remained unchanged since SST 2021.

8.2.6 Expected Insurance Result and Investment Income

The expected insurance result increased by USD 20 million due to an expected improvement in underwriting performance during 2022, which has been partly offset by planned increases in operating expenses. Increased operating expenses reflect the continued onboarding of experienced individuals and investment in the upgrading of the Company's infrastructure and systems. The expected result from investments remains consistent with that assumed for the SST 2021.

8.2.7 Impact of Scenarios

The impact of scenarios has increased by USD 14.3 million compared to the SST 2021, reflecting growth in risk on the 'Pandemia' and Financial Distress scenarios. Additionally, in light of concerns regarding inflation risk, a new inflation scenario defined in line with the FINMA StandRe documentation has been included.

8.2.8 Market Value Margin

The MVM increased by USD 23.6 million (+17%) compared to 2021 mainly driven by the increase in reserve risk and a slight lengthening in the reserve run-off duration, which is only partially offset by higher discounting benefit as the yield curves have increased.

8.3 Non-modelled Risks

The following sections detail how risks that are not specifically modelled within the Internal Model are assessed and managed and changes in these risks during 2021.

8.3.1 Liquidity Risk

The strength and liquidity of the balance sheet is fundamental to the Company's proposition as a reinsurer of choice, providing us with the ability to respond quickly to claims, particularly relevant in the event of a large catastrophic loss such as a hurricane or earthquake. Consequently, MS Amlin AG has a risk-averse attitude towards liquidity risk. Liquidity risk arises from insufficient financial resources being available to meet liabilities as they fall due. MS Amlin AG's liquidity risk is tested on a monthly basis. Assets are stressed by applying Basel III regulatory haircuts to total assets under management to determine our high-quality liquid assets, which are then compared to the SST Target Capital. There is a tolerance metric where this liquidity ratio must remain above 100%.

Risk Concentration and Changes over the year

Throughout the year, the liquidity ratio has remained comfortably above the minimum ratio of 100% against solvency capital requirements.

Assessment, Monitoring and Mitigation Techniques

In addition to ensuring that the Company's investment portfolio is sufficiently liquid to allow liabilities to be settled, in the event of a large catastrophic loss, these liquidity requirements are reviewed. Liquidity management is closely aligned to investment management. Returns are balanced against the need for liquidity and assets backing reserves are invested to meet expected claims payment profile:

- In terms of Liquidity management, the Bond funds, which are often the source of money used to pay claims (alongside cash), are highly liquid and can generally be liquidated within two days.
- Bank facilities are in place to mitigate liquidity constraints.
- A Liquidity Policy and Liquidity Risk Standard are in place to formally articulate the liquidity risk management strategy. This policy articulates MS Amlin AG's liquidity strategy to ensure there are sufficient liquid assets and/or available sources of financing to support the payment of claims and operating cash flows as they fall due while supporting the goal of maximising investment returns. The Liquidity Policy also articulates a liquidity contingency plan and the actions required by the finance and investment management functions following a large or catastrophic loss event or material investment markets liquidity event.

8.3.2 Operational Risk

Risk Definition and Appetite

Operational risk represents the potential economic, financial reporting, reputational or compliance impact resulting from inadequate or failed internal processes, people and systems or from external causes. Operational risks include legal and compliance risks as well as the risk of material misstatement in MS Amlin AG financial reports.

MS Amlin AG does not generate any returns on this risk and as such has a risk-averse attitude to operational risk and has zero appetite or tolerance for failures to operate within applicable legal and regulatory requirements.

Risk Concentration and Exposure

Operational risks are identified and assessed as part of the risk management process described in section 5.2.2. Deep dive assessments and other such assurance activities also seek to evaluate risks from a thematic perspective.

Some of the key operational risks in focus are risks to the implementation of business change plans on time and within budget, risks associated with changes in senior management and staff, IT infrastructure and security risks and risks from outsourcing key activities.

Operational risk is mitigated by:

- effective corporate governance, including segregation of duties, avoidance of conflicts of interest, clear lines of management responsibility, adequate management information reporting;
- strong internal controls, a large proportion of which are subject to regular testing as part of the Group's J-SOX requirements, and a risk aware culture;
- ensuring compliance with regulatory requirements;
- recruiting/retaining skilled staff with an adequate performance assessment system;
- risk management framework – used for the identification, assessment and mitigation of operational risks;
- reflecting on lessons learned and implementation of actions in response to risk events (where a risk materialises);
- comprehensive policies, procedures and standards;
- assurance monitoring by the compliance, risk and internal audit functions;
- effective IT systems;
- comprehensive business continuity and IT disaster recovery programme to prepare for various emergency situations; and
- insurance coverage – purchased to cover property damage, liability, cyber risk, etc.

Significant investments are being made to upgrade infrastructure and transition to new systems that will better support the Company's business needs and growth plans. In addition, new, experienced individuals and members of the senior management team have recently been onboarded to strengthen underwriting and operational capabilities.

Strategic Risk

Risk Definition and Appetite

Strategic risks are defined as risks to current and prospective earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. This includes risks associated with the appropriateness of business strategy in the face of the current and future commercial, political, legislative and economic environment.

MS Amlin AG has a risk-seeking attitude to maintain consistent levels of strategic risk as it actively pursues ways of developing the business. The Company also faces several external factors that may impact demand for or supply of products. These risks are analysed, and actions agreed, to adapt the strategic approach to cater for them.

This risk is primarily managed through an annual strategy and planning process, which is subject to independent review and challenge by the risk function. Shaping the MS Amlin AG corporate strategy and developing a best-in-class capital allocation framework that aims to allocate capital to the most attractive risk pools are key priorities for the new CEO, Robert Wiest, and CRO, Michael Koller.

Environmental, Social and Governance Risk

As part of the Group, the Company is committed to the overall vision of achieving a resilient and sustainable society by 2030. In order to deliver this, business activities across the Group are being developed to consider the environment, society and corporate governance and are further detailed in the annual MS&AD Sustainability Report.

8.4 Information about Risk-Bearing Capital

8.4.1 Breakdown of the RBC into its key components

Market consistent value in the FCR template of total assets amount to USD 6,795.1 million and total liabilities amount to USD 5,026.7 million as of 31 December 2021 resulting in a difference between market-consistent assets and market-consistent liabilities of USD 1,768.3 million. For further details please refer to Appendix 1.

The comparison of the RBC between 2020 and 2021 is shown in Appendix 1. The capital has been relatively stable throughout the year but has seen a slight reduction due to the downward movement of yield curves.

8.5 Material risk exposures

8.5.1 Exposure to Material Off Balance Sheet positions

MS Amlin AG does not have any exposure to material off balance sheet positions.

9.0

Appendices

9.1 Appendix 1

Financial situation report: quantitative template "Performance Solo Reinsurance"

Currency: USD
Amounts stated in millions

		Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	1,604.5	2,198.8	0.0	0.0	17.1	18.3	187.4	158.2	113.8	68.3	830.3	1,246.1	258.9	449.7	197.0	258.3
2	Reinsurers' share of gross premiums	(184.6)	(490.1)	0.0	0.0	(0.5)	(0.6)	(3.3)	(3.7)	0.0	0.0	(158.4)	(408.2)	(17.5)	(64.2)	(4.9)	(13.5)
3	**Premiums for own account (1 + 2)**	**1,419.9**	**1,708.7**	**0.0**	**0.0**	16.6	**17.7**	184.2	**154.5**	113.8	**68.3**	671.9	**838.0**	241.4	**385.5**	192.0	**244.8**
4	Change in unearned premium reserves	(40.4)	(489.1)	0.0	0.0	(0.4)	(4.1)	(4.7)	(35.2)	(2.9)	(15.2)	(20.9)	(277.2)	(6.5)	(100.0)	(5.0)	(57.4)
5	Reinsurers' share of change in unearned premium reserves	13.2	199.5	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	5.0	174.6	5.1	16.1	3.0	8.8
6	**Premiums earned for own account (3 + 4 + 5)**	**1,392.7**	**1,419.2**	**0.0**	**0.0**	16.3	**13.6**	179.6	**119.4**	110.9	**53.1**	655.9	**735.4**	240.0	**301.6**	190.0	**196.2**
7	Other income from insurance business	0.7	0.6	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0
8	**Total income from underwriting business (6 + 7)**	**1,393.4**	**1,419.8**	**0.0**	**0.0**	16.3	**13.6**	179.8	**119.7**	110.9	**53.1**	656.3	**735.7**	240.0	**301.6**	190.0	**196.2**
9	Payments for insurance claims (gross)	(829.2)	(992.8)	0.0	0.0	(10.8)	(12.0)	(139.4)	(176.1)	(63.9)	(39.1)	(470.7)	(555.1)	(92.7)	(147.2)	(51.6)	(63.2)
10	Reinsurers' share of payments for insurance claims	65.6	81.6	0.0	0.0	0.0	0.0	1.1	3.0	0.0	0.0	62.6	69.9	1.9	8.7	0.0	0.0
11	Change in technical provisions	(275.4)	(574.6)	0.0	0.0	(6.1)	0.9	(46.6)	(51.8)	(14.7)	(2.7)	(77.1)	(361.7)	(97.8)	(148.0)	(33.1)	(11.3)
12	Reinsurers' share of change in technical provisions	(45.2)	195.5	0.0	0.0	0.0	0.1	2.2	10.4	0.4	(0.8)	(50.8)	144.9	2.7	39.7	0.3	1.3
13	Change in technical provisions for unit-linked life insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**(1,084.2)**	**(1,290.2)**	**0.0**	**0.0**	(16.9)	**(11.0)**	(182.8)	**(214.5)**	(78.3)	**(42.6)**	(536.0)	**(702.0)**	(185.9)	**(246.8)**	(84.4)	**(73.3)**
15	Acquisition and administration expenses	(398.1)	(466.9)	0.0	0.0	(3.5)	(3.3)	(45.9)	(44.3)	(26.4)	(15.8)	(179.2)	(218.3)	(73.1)	(102.8)	(70.0)	(82.3)
16	Reinsurers' share of acquisition and administration expenses	3.5	33.3	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	3.5	19.0	0.0	13.9	0.0	0.5
17	**Acquisition and administration expenses for own account (15 + 16)**	**(394.6)**	**(433.6)**	**0.0**	**0.0**	(3.5)	**(3.3)**	(45.9)	**(44.3)**	(26.4)	**(15.8)**	(175.7)	**(199.4)**	(73.1)	**(88.9)**	(70.0)	**(81.9)**
18	Other underwriting expenses for own account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**(1,478.8)**	**(1,723.8)**	**0.0**	**0.0**	(20.4)	**(14.3)**	(228.7)	**(258.9)**	(104.7)	**(58.4)**	(711.7)	**(901.4)**	(259.0)	**(335.7)**	(154.4)	**(155.2)**
20	Investment income	261.5	247.5														
21	Investment expenses	(181.6)	(199.9)														
22	**Net investment income (20 + 21)**	**79.8**	**47.5**														
23	Capital and interest income from unit-linked life insurance	0.0	0.0														
24	Other financial income	0.0	0.0														
25	Other financial expenses	(3.7)	(3.9)														
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**(9.3)**	**(260.3)**														
27	Interest expenses for interest-bearing liabilities	0.0	0.0														
28	Other income	3.0	0.3														
29	Other expenses	(3.7)	(11.7)														
30	Extraordinary income/expenses	0.0	0.0														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**(10.0)**	**(271.7)**														
32	Direct taxes	0.7	(1.1)														
33	**Profit / loss (31 + 32)**	**(9.3)**	**(272.8)**														

9.1 Appendix 1 cont.

Financial situation report: quantitative template "Market-consistent Balance Sheet Solo"

Currency: USD
Amounts stated in millions

		31.12.2020	Adjustments previous period	31.12.2021
Market-consistent value of investments	Real estate	0.0		0.0
	Shareholdings	0.0		1.5
	Fixed-income securities	446.7		537.5
	Loans	0.0		0.0
	Mortgages	0.0		0.0
	Equities	8.3		12.9
	Other investments	**3,334.6**	0.0	**3,451.6**
	Collective investment schemes	3,330.4		3,451.7
	Alternative investments	4.2		0.0
	Structured products	0.0		0.0
	Other investments	0.0		0.0
	Total investments	**3,789.6**	0.0	**4,003.6**
Market-consistent value of other assets	Financial investments from unit-linked life insurance	0.0		0.0
	Receivables from derivative financial instruments	0.6		0.3
	Deposits made under assumed reinsurance contracts	87.8		97.5
	Cash and cash equivalents	418.1		269.3
	Reinsurers' share of best estimate of provisions for insurance liabilities	**160.2**		**537.3**
	Direct insurance: life insurance business	0.0		0.0
	Reinsurance: life insurance business	0.0		0.0
	Direct insurance: non-life insurance business	0.0		0.0
	Direct insurance: health insurance business	0.0		0.0
	Reinsurance: non-life insurance business	160.2		537.3
	Reinsurance: health insurance business	0.0		0.0
	Direct insurance: other business	0.0		0.0
	Reinsurance: other business	0.0		0.0
	Direct insurance: unit-linked life insurance business	0.0		0.0
	Reinsurance: unit-linked life insurance business	0.0		0.0
	Fixed assets	7.1		7.9
	Deferred acquisition costs	301.1		429.6
	Intangible assets	-0.0		1.9
	Receivables from insurance business	1,071.1		1,385.5
	Other receivables	41.9		32.1
	Other assets	0.0		0.0
	Unpaid share capital	0.0		0.0
	Accrued assets	27.0		30.1
	Total other assets	**2,114.9**	0.0	**2,791.4**
Total market-consistent value of assets	Total market-consistent value of assets	**5,904.5**	0.0	**6,795.1**
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**	**-3,694.0**	**0.0**	**-4,569.2**
	Direct insurance: life insurance business	0.0		0.0
	Reinsurance: life insurance business	0.0		0.0
	Direct insurance: non-life insurance business	0.0		0.0
	Direct insurance: health insurance business	0.0		0.0
	Reinsurance: non-life insurance business	-3,694.0		-4,569.2
	Reinsurance: health insurance business	0.0		0.0
	Direct insurance: other business	0.0		0.0
	Reinsurance: other business	0.0		0.0
	Best estimate of provisions for unit-linked life insurance liabilities	**0.0**	0.0	0.0
	Direct insurance: unit-linked life insurance business	0.0		0.0
	Reinsurance: unit-linked life insurance business	0.0		0.0
Market-consistent value of other liabilities	Non-technical provisions	-12.8		-19.3
	Interest-bearing liabilities	0.0		0.0
	Liabilities from derivative financial instruments	-9.3		-6.7
	Deposits retained on ceded reinsurance	0.0		0.0
	Liabilities from insurance business	-235.9		-411.7
	Other liabilities	-21.8		-19.8
	Accrued liabilities	0.0		0.0
	Subordinated debts	0.0		0.0
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	**-3,973.9**	0.0	**-5,026.7**
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**1,930.6**	0.0	**1,768.4**

9.1 Appendix 1 cont.

Financial situation report: quantitative template "Solvency Solo"

Currency: USD
Amounts stated in millions

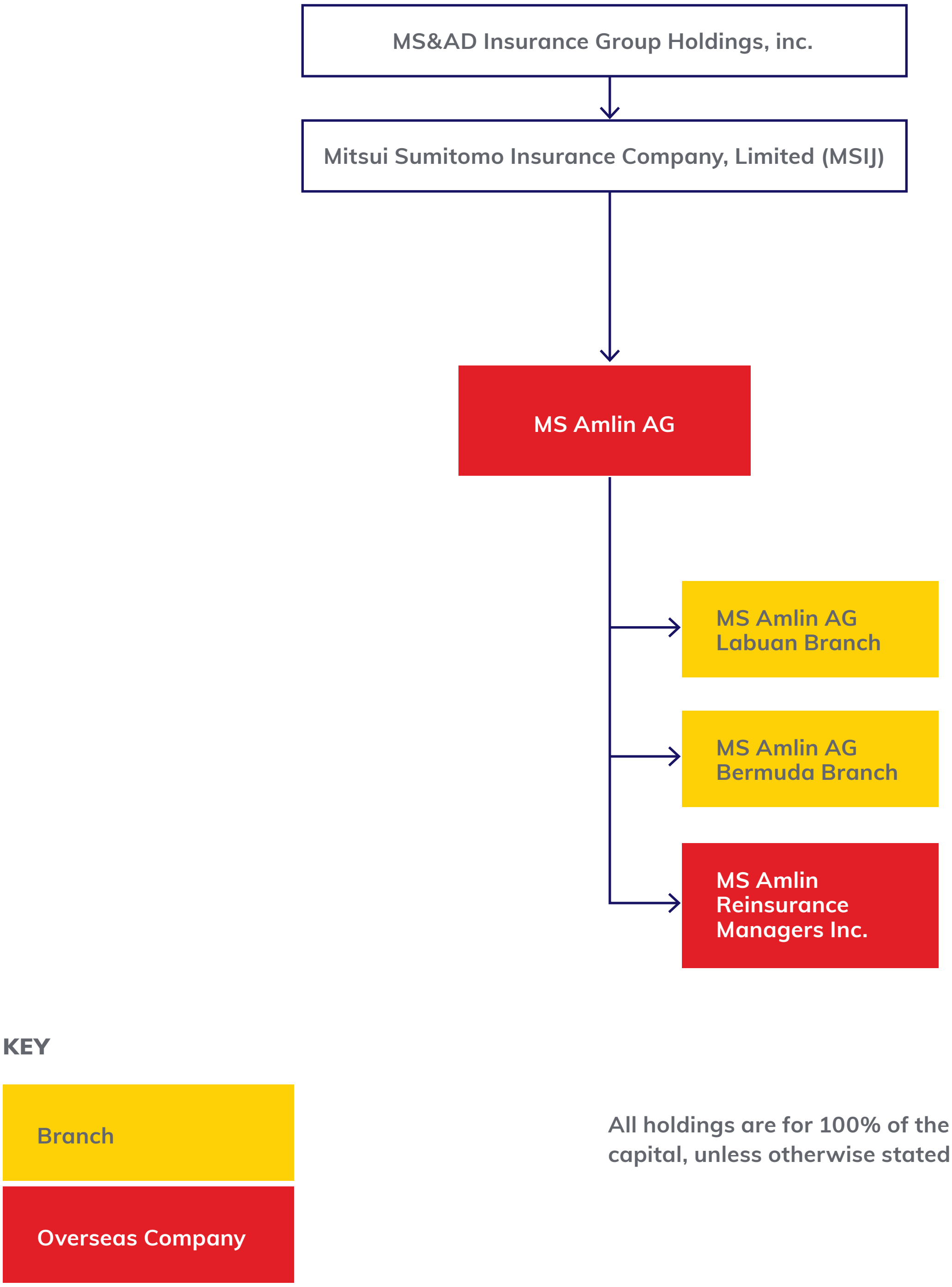
		31.12.2020	Adjustments previous period	31.12.2021
		in USD millions		in USD millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,930.6		1,768.4
	Deductions	-		-
	Core capital	**1,930.6**		**1,768.4**
	Supplementary capital	-		-
	RBC	**1,930.6**		**1,768.4**

		31.12.2020	Adjustments previous period	31.12.2021
		in USD millions		in USD millions
Derivation of target capital	Underwriting risk	875.1		892.3
	Market risk	238.7		268.4
	Diversification effects	-270.5		-304.2
	Credit risk	112.8		137.6
	Risk margin and other effects on target capital	43.9		62.7
	Target capital	**1,000.0**		**1,056.7**

	31.12.2020	Adjustments previous period	31.12.2021
	in %	in %	in %
SST ratio	208%		180%

9.2 Appendix 2 cont.

9.2.1 Structure of MS Amlin entities within MS&AD Group from 1 January 2022



All holdings are for 100% of the share capital, unless otherwise stated

9.0

Annual Report 2021

MS Amlin AG

Kirchenweg 5
8008 Zürich
Switzerland

Management Report

Prior to 1 January 2020, MS Amlin AG (the Company) was a wholly owned subsidiary of MS Amlin plc, whose parent was Mitsui Sumitomo Insurance Company (MSI) Limited, a wholly owned subsidiary of MS&AD Group Holding, Inc. (MS&AD). On 1 January 2020 the share ownership in the Company transferred to MSI with MS Amlin AG becoming a direct subsidiary of MSI.

The Company operates in four underwriting locations: it is head quartered in Zurich. This platform predominately writes EMEA (European, Middle East and Africa) business across all lines and the Bermuda platform focuses on property, casualty, financial and specialty lines in both the US and international markets. The Miami and New Jersey/New York branches write business through a binding authority with MS Amlin Reinsurance Managers, Inc ("ARMi") which was acquired from MS Amlin Underwriting Limited during the year. Miami is focused on Latin American Property, Credit & Surety, and Accident & Health business, and New Jersey/New York on US Motor and General Liability.

Business Development and Financial Condition

Gross written premium grew significantly in 2021 as the Company looked for new opportunities. This included growing the cyber, financial lines and crop portfolios as well as being a fronting partner for MSI in strategic alliances. Reinstatement premium from the various catastrophe events also increased the top line. Net of reinsurance and on an earned basis, premium levels were slightly ahead of the prior year, reflecting the risk reduction through quota share sessions and the growing longer tail nature of the portfolio.

The underwriting result was impacted by three key drivers; there were notable prior year deteriorations stemming from developments in the US Casualty, Engineering and Cyber portfolios. COVID-19 developments in early 2021 lead to an increase of expected losses on the catastrophe international portfolio, mainly as a result of European cedants. Finally there was notable catastrophe loss activity with industry losses in excess of USD 120 billion and the second largest catastrophe loss year on record. The Company was impacted by Storm Uri (Texas Winter Storms), Hurricane Ida and the European Floods. Reserves were increased also to cater for predicted general market inflation.

Administrative expenses increased during the year as the Company embarked on the initial stages of platform redevelopment and investment. The increase in the expense ratio will be short term with investment in IT infrastructure including underwriting platforms, cat modelling, pricing, actuarial and finance tools. Acquisition costs were in line with the prior year.

Net income from investments was USD 47.6 million. The decrease of USD 35.2 million compared to prior year is driven by the low or negative returns on zero duration bonds. This was offset by positive returns on property investments and equity, which are both classified under Other investments.

The overall result was a loss for the Company for the year 2021 of USD 272.8 million.

Number of full-time positions on an annual average

The Company employed a worldwide staff at an average of 148 full time equivalents (2020: 126).

Future prospects and vision

MS Amlin AG has faced several difficult years, which has inspired a new strategic path focused on client relationships, employee development, operating efficiency and platform diversification.

MS Amlin AG is a trusted and reliable risk partner, and clients feel enabled to achieve their business goals by working with the Company. Going forward, MS Amlin AG will build on that reputation to deepen and develop consistent long-term relationships.

Satisfied, dedicated employees are foundational to driving success at the Company. MS Amlin AG is committed to developing a dynamic and inspiring culture that engages existing employees and attracts new, top-tier talent. By utilizing this talent and investing in state-of-the-art systems to support an agile operating model and drive process efficiencies, the Company is working toward creating an entrepreneurial, innovative and successful environment.

These investments are foundational to supporting growth and achieving scale in both the near- and long-terms. MS Amlin AG is actively working toward being a diversified portfolio reinsurer with a core offering across classes and geographies. Clients will find conducting business with the Company to be easy alongside competitive pricing, which, in turn, adds value to all participants across every transaction.

MSI, the parent company, is one of the world's largest non-life insurance groups and strongly supports MS Amlin AG's corporate development journey.

Risk Assessment

Risk Management Strategy

The aim of Risk Management, or 'controlled risk taking' is to **maximise shareholder value** and provide assurance that **minimum solvency and liquidity requirements** for regulatory and rating agency purposes is maintained for the foreseeable future. Effective risk management delivers timely transparency on the risks we are facing as an orgsanisation, ensures those risks are adequately assessed, and where possible quantified in our Internal Model, and allocation of risk capital to the most attractive lines of business based on a robust assessment of risk and return.

All employees in the company are expected, to some bigger or smaller extent, to manage risks in order to limit a potentially adverse outcome and to generate profit and stability for the stakeholders of the company.

A new Risk Strategy has been developed and approved by the Supervisory Board. The Strategy will help shape the future direction of risk management practices within MS Amlin AG. The aim of the Risk Strategy is to clearly define the meaning and scope of risk management, define the roles and responsibilities for the first, second and third lines of defence, and set the expected risk behaviours and culture within which risk management should be performed. The Strategy also provides direction to the business in terms of what types of risks can be taken (the 'risk appetite') and how much risk can be taken (the 'Risk Tolerance' and supporting 'Risk Limits'). The Risk Strategy therefore forms an integral part of the annual Business Strategy and Plan discussions.
Supporting the Risk Strategy are Risk Standards per Risk Category and Policies for the Internal Model and the Own Risk & Solvency Assessment (ORSA), which provide further detailed guidance and requirements.

The building blocks of our holistic risk management approach within MS Amlin AG

Risk Governance: within MS Amlin AG we operate the 'three lines of defence' model which clearly defines the risk responsibilities of the individuals and functions:
•The first line functions, such as underwriting, finance and claims, are accountable for risk taking, implementing the risk framework and embedding a strong risk culture;
•The second line (Risk and Compliance Functions) are accountable for quantitative and qualitative oversight and challenge of the key risks, including compliance with the risk strategy, tolerance & limits and regulations. They support in developing a robust risk framework and methods and provide risk management tools, such as the internal model for risk quantification and the system for recording material risks, key controls and actions.
•Internal Audit provides independent assurance on the adequacy of the risk and control framework.

The table below shows the individual responsibilities of the Executive Board against the main risk categories, for which definitions are provided.

Overall Responsibility	RISK OWNER	SUPERVISION	KEY RISK TAKERS *1st line of defence*	RISK MANAGEMENT *2nd line of defence*	INTERNAL AUDIT *3rd line of defence*
Overall	Supervisory Board	Audit & Risk Committee	CEO	CRO	CIA
Strategic Risk		Supervisory Board	CEO	CRO	CIA
Insurance Risks *(Underwriting)*		Supervisory Board	CUO /DUP		
Insurance Risks *(Reserving)*		Audit & Risk Committee	CA		
Financial Market, Liquidity & Credit Risk		Supervisory Board	CFO		
Operational Risks		Supervisory Board	COO + each Executive for their business areas		

Risk Categorisation

MS Amlin AG groups its risks into five key categories as specified below. Accordingly, the Risk Management Framework has been designed to take account of these risk categories and seeks to ensure ownership and accountability.

Strategic risks such as reputational and political risks are on the whole not directly considered within the capital model but managed rather through the use of management actions, contingency plans, policies, processes and robust preventative and detective business process controls.

Insurance Risks are the risk that the underwriting portfolio performance is worse than expected due to inadequate pricing and/or unexpected claims frequency, as well as systematic changes in the nature of claims. Unexpected losses on the current underwriting year are categorised as 'Premium Risk' (split by Catastrophe and Non-Catastrophe), and unexpected losses on prior underwriting years are categorised as 'Reserve Risk'.

Financial Market, Liquidity and Credit Risk are managed using capital against the residual risk and are included within the Internal Model for the SST.

Financial Market Risk: is the risk that our investment portfolio performs worse than expected, and comprises interest rate risk, equity risk, currency risk, real estate risk and commodity risk.

Liquidity Risk: is the risk that we are unable to meet funding obligations as they fall due.

Credit Risk: This is the risk of our various counterparties, banks, cedants, brokers, reinsurers and intra-group companies failing to pay what is owed to us. The price fluctuation of corporate bonds and similar as a consequence of varying credit spreads within our Investment portfolio also forms part of credit risk.

Operational Risk: represents the potential economic, financial reporting, reputational or compliance impact resulting from inadequate or failed internal processes, people and systems or from external causes.

Solvency and Liquidity

The Solvency (level of available capital in excess of required capital for Regulatory and Rating Agency purposes) and the liquidity (availability of liquid assets) will dictate the total level of risk that can be assumed by MS Amlin AG. The Supervisory Board have approved as part of the Risk Strategy and Capital Management Policy a target solvency position and minimum liquidity ratio, below which any potential capital management actions required need to be discussed and agreed within a defined timescale according to the extent of the deterioration in the Solvency position. We calculate the required capital needed to support potential unexpected losses in the coming year in accordance with the Swiss Solvency Test (SST) risk-based capital methodology in our FINMA approved Internal Model.

The loss reported in 2021 has led to a reduction in the available capital to support risk taking activities. The overall solvency position however, remains strong. No dividends will be paid for 2021.

Risk Tolerance, Appetite and Limits
The Supervisory Board approved risk strategy delegates the amount of risk to be taken and specifies preferences towards risk types. These are expressed through the risk appetite, tolerances and limits. Alongside the business strategy, this defines how we restrict and allocate capacity to ensure that we maintain a strong solvency & liquidity position and allocate capital to the most attractive lines of business.

Processes and organisation
In order to embed the basic building blocks of effective risk management it is essential to have robust risk management processes and governance in place. Risk management processes for identifying, measuring, controlling and reporting on risks are embedded in the day-to-day operations of all functions within MS Amlin AG. The Risk Strategy sets out the specific roles and responsibilities across the three lines of defence for the risk management processes and assurance activities. It also includes details of items that must be escalated, along with the escalation process.

Risk Behaviours
In order to deliver effective risk management, the supporting risk culture and behaviours of our key risk takers is of paramount importance. We promote an environment of open communication and unbiased view in respect of risk. Risk behaviours forms an important part of how we assess the performance of our key risk takers throughout the year.

Assurance Functions
The Risk Function measures the necessary risk capital and independently monitors the adherence to risk appetite, tolerance and limits. In case of breaches it initiates, together with the first line of defence, mitigating actions. The Chief Risk Officer, through periodic review of any part of the risk landscape as deemed necessary, performs additional assurance activities, for example deep-dive reviews. The Risk Function aims to be recognised as a centre of excellence for risk management expertise. The role of the Compliance Function is to provide assurance that the company complies with regulatory requirements, associated laws, and relevant policies. The Internal Audit Function has the main task of providing independent assurance that the risk management framework and processes are adequately working within the first and second lines of defence.
Quarterly assurance reporting from the assurance functions to the Audit & Risk Committee and Board supports the Board in fulfilling their risk oversight responsibilities by providing them with a timely view on changes in the MS Amlin AG risk profile, risks near to or outside of appetite, outcomes of assurance activities and any Legal and Regulatory compliance issues.

MS Amlin AG, Zurich

Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Financial Statements 2021

KPMG AG
Zurich, 20 April 2022

KPMG AG
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PO Box
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kpmg.ch

Report of the Statutory Auditor to the General Meeting of Shareholders of MS Amlin AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements (on pages 5 to 17 and pages 19 to 30) of MS Amlin AG, which comprise the balance sheet, income statement, cash flow statement and notes for the year ended 31 December 2021.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

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

Report on Other Legal Requirements

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

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

We further 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.

KPMG AG

Rainer Pfaffenzeller
Licensed Audit Expert
Auditor in Charge

Lukas Kündig
Licensed Audit Expert

Zurich, 20 April 2022

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

Financial Statements of MS Amlin AG

2021

Kirchenweg 5
8008 Zürich
Switzerland

Income statement

USD	Note	2021	2020
Gross premium written		2,198,825,878	1,604,520,284
Premiums ceded to reinsurers		(490,090,275)	(184,636,555)
Net premiums written		**1,708,735,603**	**1,419,883,729**
Change in unearned premium reserves - gross		(489,063,364)	(40,407,245)
Change in reinsurers' share of unearned premium reserves		199,540,980	13,247,654
Net premiums earned		**1,419,213,219**	**1,392,724,138**
Other insurance income		618,214	671,119
Total technical income		**1,419,831,433**	**1,393,395,257**
Gross claims and claim expenses paid		(992,820,350)	(829,157,228)
Reinsurers' share of claims and claim expenses		81,643,075	65,587,523
Change in technical provisions - gross	6	(574,558,246)	(275,441,058)
Change in reinsurers' share of technical provisions	6	195,540,630	(45,218,484)
Net claims and claim expenses incurred		**(1,290,194,891)**	**(1,084,229,247)**
Acquisition costs - gross		(377,101,848)	(337,361,517)
Administrative expenses - gross		(89,823,067)	(60,741,932)
Acquisition costs and administrative expenses - gross		(466,924,915)	(398,103,449)
Reinsurers' share of acquisition costs		33,298,447	3,503,958
Net acquisition costs and administrative expenses		**(433,626,468)**	**(394,599,491)**
Total technical expenses		**(1,723,821,359)**	**(1,478,828,738)**
Income from investments	11	247,494,239	264,382,528
Expenses from investments	12	(199,948,188)	(181,646,075)
Net income from investments		**47,546,051**	**82,736,453**
Other financial expenses		(3,928,541)	(3,731,561)
Operating income		**(260,372,416)**	**(6,428,589)**
Other income		335,549	136,029
Other expenses		(11,713,596)	(3,711,812)
Profit before direct taxes		**(271,750,463)**	**(10,004,372)**
Direct taxes		(1,096,855)	697,504
LOSS		**(272,847,318)**	**(9,306,868)**

Balance sheet

Assets

USD	Note	31/12/2021	31/12/2020
Investments		3,891,849,254	3,698,552,689
Participations		1,512,614	-
Fixed-interest securities		537,491,196	445,225,596
Shares		12,948,149	8,726,879
Other investments	2	3,339,897,296	3,244,600,214
Receivables from derivative financial instruments		259,281	645,409
Deposits on reinsurance business		97,541,153	87,752,843
Cash and cash equivalents		269,258,224	418,088,847
Reinsurers' share of technical provisions	5	542,376,135	148,706,157
Property and equipment		7,948,000	7,112,212
Deferred acquisition costs		429,551,417	301,118,145
Intangible assets		1,929,362	-
Reinsurance receivables	3 / 8	1,385,512,097	1,071,086,847
Other receivables	8	32,074,119	41,917,935
Prepaid expenses and accrued income		30,099,166	26,956,969
TOTAL ASSETS		**6,688,398,207**	**5,801,938,053**

Liabilities and equity

USD	Note	31/12/2021	31/12/2020
Technical provisions	5	4,634,536,431	3,680,740,616
Non-technical provisions		47,200,311	12,822,268
Liabilities from derivative financial instruments		6,727,858	9,298,154
Reinsurance payables	4 / 9	411,674,408	235,933,631
Other liabilities	9	19,781,676	21,818,544
TOTAL LIABILITIES		**5,119,920,685**	**3,960,613,213**
Share capital		10,333,001	10,333,001
Legal capital reserves		1,516,426,106	1,516,426,106
Reserves from capital contributions	21	1,516,426,106	1,516,426,106
Legal retained earnings		5,166,500	5,166,500
Voluntary retained earnings		36,551,915	309,399,233
Merger reserve		180,256,440	180,256,440
Profit brought forward		129,142,793	138,449,661
Profit/(Loss)		(272,847,318)	(9,306,868)
Total equity	7	**1,568,477,522**	**1,841,324,840**
TOTAL LIABILITIES AND EQUITY		**6,688,398,207**	**5,801,938,053**

Cash Flow Statement*
in USD

	2021	2020
Loss for the year	(272,847,318)	(9,306,868)
Net (purchases)/sales of property, plant and equipment and intangible assets (incl. depreciation)	(2,765,150)	(3,072,247)
Net (purchases)/sales of investments (incl. realised gains/losses)	(191,783,951)	(298,669,942)
Net (purchases)/sales of derivatives (incl. realised gains/losses)	(2,184,168)	298,584
Decrease/(increase) in deposits on reinsurance business	(9,788,309)	(5,934,726)
(Increase)/decrease in reinsurance contract assets	(393,669,977)	32,136,044
(Increase)/decrease in deferred acquisition cost	(128,433,271)	(26,167,456)
(Increase)/decrease in insurance receivables	(314,425,250)	(64,037,299)
(Increase)/decrease other receivables and other payables	7,806,947	(16,895,739)
Increase/(decrease) in outstanding claims	492,504,611	366,922,263
Increase/(decrease) in unearned premium	461,291,204	69,766,214
Increase/(decrease) in creditors arising from insurance operations	175,740,777	13,758,904
Increase/(decrease) in non-technical provision	34,378,043	368,273
(Increase)/decrease prepaid expenses and accrued income	(3,142,198)	4,229,753
Cash flow from operating activities	(147,318,009)	63,395,757
Net (purchases)/sales of participations	(1,512,614)	-
Cash flow from investing activities	(1,512,614)	-
Cash flow from financing activities	-	-
Cash flow for the financial year	(148,830,624)	63,395,757
Cash on 1 January	418,088,847	354,693,090
Cash on 31 December	269,258,224	418,088,847
Change in cash	(148,830,624)	63,395,757

*The Cash Flow Statement is prepared using the indirect method.

Notes to the Financial Statements

1. General
Prior to 1 January 2020, MS Amlin AG (the Company) was a wholly owned subsidiary of MS Amlin plc, whose parent was Mitsui Sumitomo Insurance Company (MSI) Limited, a wholly owned subsidiary of MS&AD Group Holding, Inc. (MS&AD). On 1 January 2020 the share ownership in the Company transferred to MSI with MS Amlin AG becoming a direct subsidiary of MSI.

Basis of presentation
These financial statements were prepared in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) and AVO-FINMA.

Acquisition of MS Amlin Reinsurance Managers Inc (ARMI)
MS Amlin AG acquired 100% (USD 1'512'614) of the shares of ARMi (MS Amlin Reinsurance Managers, Inc a company incorporated and registered in New Jersey, 820 Bear Tavern Road, West Trenton, NJ 08628I) from MS Amlin Underwriting Limited (AUL) on the 30th June, 2021 subject to the terms and conditions of the Sale and Purchase Agreement. The purchase price was defined as the net asset value of ARMI as at 30 June 2021.

Change in Accounting Policy
Reclassification from "Other investments" to "Shares":
In previous years "Other investments" included the Company's ownership in Envelop Risk Limited. Based on further assessment and the nature of the investment, it is reclassified from "Other investments" to "Shares" for the 2021 Financial Statements.

Change in Presentation Currency (in 2020):
The company decided to change the Swiss CO presentation currency for the 2020 Financial Statements from Swiss Francs (CHF) to US dollars (USD). This is allowed according to the Swiss Code of Obligations as USD is one of the functional currencies which contributes to a material part of the company's business.

The company's functional currencies stay the same (USD and EUR) and the foreign exchange translation mentioned below remain. The starting point for the change were the year end 2019 CHF numbers which were then converted to USD and represent the new historical balances (CHF/USD FX rate: 0.9678).

Pursuant to Art. 958d, paragraph 3, CO, figures must also be presented in CHF and the year end CHF/USD exchange rate of 0.9122 was applied for converting the USD numbers to CHF.

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 these estimates.

Investments
Participations represent the Company's holding of ARMI which is acquired by 30 June 2021. ARMI is not consolidated into the Company's financials on a line by line consolidation basis as it is a separate legal entity. The participation amount of USD 1.5 million represents the net asset value of ARMI which is subject to impairment review in case of any material decreases in the net asset value.
Fixed-interest securities consist of government bonds.
Shares represent the Company's investment in the preferred shares of Viribus Re Ltd and Envelop.
Other investments mainly consist of bond and equity funds within Toro Prism Trust, money market funds and property funds.

Foreign currency translation
At year-end, assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate on the balance sheet date whereas revenues and expenses are translated at the average exchange rate for the period under report. Shareholders' equity is translated at historical rates.
FX gains arising from the revaluation of the opening balance sheet as well as from the adjustments from application of year-end or average rates are deferred and booked under provision for currency fluctuation (Balance Sheet: "Non-technical provisions"). FX losses are directly recognised in the income statement.

Realised FX arising from foreign exchange transactions are recognised in the income statement.

The translation from functional currency (EUR) to presentational currency of USD gave rise to a FX translation gain of USD 3.3 million. The revaluation to the functional currencies led to a FX gain of USD 23.5 million. The combined unrealised FX gain of USD 26.8 million further increased the existing FX provision of USD 1.2m (Balance Sheet: Liability account "Non-technical provisions").

The realized FX loss of USD 11.6 million for the financial year is recognised in the income statement.

Presentation of numbers
The numbers presented throughout this report may not add up precisely to the totals provided in the tables and text.

Notes to the Financial Statements

Valuation Principles

Investments
Investments (except for bonds) are carried at market value if an observable market price is available. If the market price is not available (category Participations in pooled investment funds - Property and Hedge Fund as in note 2), investments are accounted for at cost less necessary impairments. Subsequent recoveries of previously recorded impairments may be recognised up to the cost value.
Bond investments are valued at amortized cost less necessary impairments, if any.
Derivative instruments are valued at market value. Gains and losses are shown as part of Income and Expenses from investments.
Participation is carried at cost less necessary impairment, if any.

Deposits on reinsurance business
Deposits are held at nominal value.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and short-term deposits. Such current assets are held at nominal value, after deduction of known credit risks.

Reinsurers' share of technical provisions
Reinsurers' share of technical provisions represent the retroceded part of the technical provisions. The same accounting principles apply as for the technical provisions.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. This also includes right of use assets from the Company's lease contracts.

Intangible assets
Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of software which is not exceeding 20 years.

Reinsurance receivables
Reinsurance receivables are carried at nominal value, after deduction of known credit risks if applicable. The set up of bad debt reserves or write offs will be recorded on a cedent basis.
The position mainly consists of receivables from insurance companies and brokers.

Other receivables
Other receivables are recognised at the nominal value, subject to impairment if necessary.

Technical provisions
The technical provisions are based on the cedent information (case reserves) and the reserves for already incurred but not yet reported claims (IBNR). Additionally, the technical provisions include the written but not yet earned part of the premiums (Unearned premium reserve).

Reinsurance payables

Reinsurance balances payable are held at redemption value.

Acquisition costs - Gross & Reinsurers' share

Acquisition costs comprise brokerage and commission incurred on insurance contracts written during the financial year. They are charged on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable.

Direct taxes
Direct taxes relate to income and capital taxes.

Notes to the Financial Statements

2. Other investments

USD	**31/12/2021**	**31/12/2020**
Participations in pooled investment funds - Property	280,430,380	282,869,958
Participations in pooled investment funds - Equity	612,708,536	519,244,586
Participations in pooled investment funds - Bonds	1,767,099,463	2,049,086,781
Participations in pooled investment funds - Money Market	390,324,598	189,906,266
Participations in pooled investment funds - Hedge Fund	37,973,400	-
Private equity of which participations (holding < 20%)	-	4,231,973
Short-term investments in pooled investment funds	251,360,919	199,260,650
Total	**3,339,897,296**	**3,244,600,214**

3. Reinsurance receivables

USD	**31/12/2021**	**31/12/2020**
Receivables from agents and brokers	1,209,373,725	834,018,981
Receivables from insurance companies	176,138,372	237,067,866
Total	**1,385,512,097**	**1,071,086,847**

4. Reinsurance payables

USD	**31/12/2021**	**31/12/2020**
Liabilities to agents and brokers	362,845,619	82,229,910
Liabilities to insurance companies	48,828,789	153,703,721
Total	**411,674,408**	**235,933,631**

Notes to the Financial Statements

5. Technical provisions

USD	Technical provisions (gross) 31/12/2021	Technical provisions (gross) 31/12/2020	Reinsurers' share 31/12/2021	Reinsurers' share 31/12/2020	Technical provisions (net) 31/12/2021	Technical provisions (net) 31/12/2020
Unearned premium reserve	1,598,114,386	1,136,823,183	224,911,726	25,527,029	1,373,202,660	1,111,296,154
Loss reserves *	3,036,422,045	2,543,917,433	317,464,408	123,179,128	2,718,957,637	2,420,738,305
Total Technical provisions	**4,634,536,431**	**3,680,740,616**	**542,376,135**	**148,706,157**	**4,092,160,296**	**3,532,034,459**

* Unallocated Loss Adjustment Expenses (ULAE) are part of the loss reserves.

6. Change in technical provisions

USD	2021	2020
Change in technical provisions - Outstanding claims	160,795,467	30,010,724
Change in technical provisions - IBNR	413,762,779	245,430,334
Change in technical provisions - gross	**574,558,246**	**275,441,058**
Change in reinsurers' share of technical provisions - Outstanding claims	559,091	40,883,620
Change in reinsurers' share of technical provisions - IBNR	(196,099,721)	4,334,864
Change in reinsurers' share of technical provisions	**(195,540,630)**	**45,218,484**

7. Statement of changes in equity

USD	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
As of 31 Dec 2019	**10,333,001**	**1,516,426,106**	**5,166,500**	**318,706,101**	**1,850,631,708**
Loss for the period				(9,306,868)	(9,306,868)
Dividend payments					-
As of 31 Dec 2020	**10,333,001**	**1,516,426,106**	**5,166,500**	**309,399,233**	**1,841,324,840**
Loss for the period				(272,847,318)	(272,847,318)
Dividend payments					-
As of 31 Dec 2021	**10,333,001**	**1,516,426,106**	**5,166,500**	**36,551,915**	**1,568,477,522**

Notes to the Financial Statements

8. Receivables from third parties and affiliated companies

USD	Third party	Affiliated companies	31/12/2021 Total
Receivables from reinsurance business	1,209,102,862	176,409,235	1,385,512,097
Other receivables	30,158,290	1,915,830	32,074,119
Total	**1,239,261,152**	**178,325,065**	**1,417,586,216**

USD	Third party	Affiliated companies	31/12/2020 Total
Receivables from reinsurance business	846,535,277	224,551,570	1,071,086,847
Other receivables	32,845,221	9,072,714	41,917,935
Total	**879,380,498**	**233,624,284**	**1,113,004,782**

9. Payables to third parties and affiliated companies

USD	Third party	Affiliated companies	31/12/2021 Total
Payables from reinsurance business	352,364,941	59,309,467	411,674,408
Other liabilities	11,745,716	8,035,960	19,781,676
Total	**364,110,657**	**67,345,427**	**431,456,084**

USD	Third party	Affiliated companies	31/12/2020 Total
Payables from reinsurance business	80,386,459	155,547,172	235,933,631
Other liabilities	11,289,851	10,528,694	21,818,544
Total	**91,676,310**	**166,075,866**	**257,752,175**

Notes to the Financial Statements

10. Audit fees

USD	31/12/2021	31/12/2020
Audit services	649,537	676,153
Other services	54,813	-
Total	**772,144**	**676,153**

11. Income from investments

	Income		Net unrealized gains		Net realized gains		Total	
USD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	7,469,483	10,364,023	-	1,470,172	533,221	1,365,540	8,002,705	13,199,735
Shares	-	2,679,932	-	-	-	-	-	2,679,932
Other investments	39,989,494	30,404,282	105,748,015	110,869,173	93,754,025	107,229,406	239,491,534	248,502,861
Total	**47,458,977**	**43,448,237**	**105,748,015**	**112,339,345**	**94,287,246**	**108,594,946**	**247,494,239**	**264,382,528**

12. Expenses from investments

	Expenses		Net unrealized losses		Net realized losses		Total	
USD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	1,259,838	834,828	2,669,679	2,161,120	3,160,540	1,889,208	7,090,056	4,885,156
Shares	-	-	58,556	-	-	-	58,556	-
Other investments	2,141,520	3,245,380	33,908,234	39,082,780	156,749,821	134,432,759	192,799,575	176,760,919
Total	**3,401,358**	**4,080,208**	**36,636,469**	**41,243,900**	**159,910,361**	**136,321,967**	**199,948,188**	**181,646,075**

Notes to the Financial Statements

13. Personnel expenses

Personnel expenses for fiscal year 2021 amount to USD 41.7 million (2020 USD 30.0 million) and are included in the line item administrative expenses.

14. Contingent liabilities

The Company has no contingent liabilities at 31 December 2021 (31 December 2020: nil). There were no capital commitments or authorised but uncontracted commitments at the end of the financial year.

15. Depreciation of real estate and equipment and amortization of intangible assets

USD	31/12/2021	31/12/2020
Property and equipment	681,039	964,760
Intangible assets	1,074	2,542
Total	**682,113**	**967,302**

16. Restricted assets

At 31 December 2021, the Company holds restricted funds in the form of letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments, and collateral received from reinsurance counterparties.

Letter of Credit ("LOC") facilities
MS Amlin AG has three LOC facilities of USD 650.0 million (2020: USD 450.0 million), USD 210.0 million (2020: USD 210.0 million) and USD 51.3 million (2020: USD 53.9 million). The USD 650.0 million facility is secured by a registered charge over a portfolio of assets managed by Fiera Capital with BNP Paribas as custodian. The USD 210.0 million facility is secured by time deposits held at Barclays Bank. The NZD 75.0 million LOC is secured by time deposits held at National Australia Bank. As at 31 December 2021, USD 697.6 million of LOC were issued (2020: USD 572.6 million). The total value of restricted assets as at 31 December 2021 was USD 788.9 million (2020: USD 646.0 million).

Revolving Credit Facility
MS Amlin AG has access to an uncommited revolving credit facility agreement with SMBC Bank of USD 150.0 million credit limit. As at 31 December 2021 the revolving credit facility is undrawn.

Derivative margins and collateral
Derivative instruments traded by the Company for hedging purposes give rise to collateral being placed with, or received from, external counterparties. At 31 December 2021 included in other receivables is USD 19.9 million (2020: USD 31.5 million) margins and collateral pledged in relation to listed future margins.

Funds withheld as premium/claim deposits
At 31 December 2021, the Company had placed funds totalling net to USD 28.0 million (2020: USD 20.3 million) as premium deposits and USD 69.5 million (2020: USD 67.5 million) as claim deposits. These funds are held by external brokers or cedents. In addition a further USD 137.1 million (2020: USD 136.3 million) has been placed into pledge accounts to collateralise against losses due to reinsurance cedents.

Trust Funds
At 31 December 2021, cash and cash equivalents with a fair value of USD 243.3 million (2020: USD 263.8 million) have been deposited in trust by the Company for the benefit of U.S. ceding companies. These funds are held in a trust by a U.S. based bank.

17. Residual amount of lease obligations

The maturity profile of lease obligations that do not expire in or cannot be canceled within 12 months is presented below:

Operating lease commitments

USD	31/12/2021	31/12/2020
Later than 1 year and no later than 5 years	5,149,148	3,936,554
Later than 5 years	-	100,072
Total operating lease commitments	**5,149,148**	**4,036,626**

The operating leases are mainly related to the office rental in the different locations which are no later than 5 year as at December 31, 2021.

18. Liabilities to pension schemes

There is no pension fund liability at December 31, 2021 (2020: nil).

19. Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as for the previous year, did not exceed 250.

20. Significant events after the balance sheet date

Military conflict in Ukraine

On 24 February 2022, Russia began a military invasion of the Ukraine. The Company’s exposure as a result of underwriting activities continue to be assessed albeit are expected to be material to the Company’s 2022 financial results, and there is limited exposure in the investment portfolio. Second order impacts are not yet well known or understood.

21. Shareholders' equity (reserves from capital contributions)

On 31 December 2021, USD 1,516.4 million are shown as "reserves from capital contributions" (31 December 2020: USD 1,516.4 million). The total reserves from capital contributions include USD 144.7 million of "capital reserves" as agreed with FINMA during the application process.

22. Hidden reserves

In 2021, the company did not release nor does it hold any hidden reserves.

Proposal for the appropriation of distributable earnings

USD	31/12/2021	31/12/2020
Profit/(loss) carried forward	309,399,233	318,706,101
Profit/(loss)	(272,847,318)	(9,306,868)
Merger reserve	-	-
Distributable earnings	**36,551,915**	**309,399,233**
Proposal of the Board of Directors:		
Distributable earnings	36,551,915	309,399,233
Dividend payments	-	-
Amount carried forward	**36,551,915**	**309,399,233**

Income statement

CHF	Note	2021	2020
Gross premium written		2,005,768,966	1,419,839,999
Premiums ceded to reinsurers		(447,060,349)	(163,384,887)
Net premiums written		**1,558,708,617**	**1,256,455,112**
Change in unearned premium reserves - gross		(446,123,601)	(35,756,371)
Change in reinsurers' share of unearned premium reserves		182,021,282	11,722,849
Net premiums earned		**1,294,606,298**	**1,232,421,590**
Other insurance income		563,935	593,873
Total technical income		**1,295,170,233**	**1,233,015,463**
Gross claims and claim expenses paid		(905,650,723)	(733,721,231)
Reinsurers' share of claims and claim expenses		74,474,813	58,038,399
Change in technical provisions - gross	6	(524,112,032)	(243,737,793)
Change in reinsurers' share of technical provisions	6	178,372,162	(40,013,836)
Net claims and claim expenses incurred		**(1,176,915,780)**	**(959,434,461)**
Acquisition costs - gross		(343,992,306)	(298,531,206)
Administrative expenses - gross		(81,936,602)	(53,750,535)
Acquisition costs and administrative expenses - gross		(425,928,907)	(352,281,742)
Reinsurers' share of acquisition costs		30,374,843	3,100,652
Net acquisition costs and administrative expenses		**(395,554,064)**	**(349,181,090)**
Total technical expenses		**(1,572,469,844)**	**(1,308,615,551)**
Income from investments	11	225,764,245	233,952,099
Expenses from investments	12	(182,392,737)	(160,738,612)
Net income from investments		**43,371,508**	**73,213,487**
Other financial expenses		(3,583,615)	(3,302,058)
Operating income		**(237,511,718)**	**(5,688,659)**
Other income		306,088	120,372
Other expenses		(10,685,142)	(3,284,582)
Profit before direct taxes		**(247,890,772)**	**(8,852,869)**
Direct taxes		(1,000,551)	617,221
PROFIT / (LOSS)		**(248,891,323)**	**(8,235,648)**

Balance sheet

Assets

CHF	Note	31/12/2021	31/12/2020
Investments		3,550,144,890	3,272,849,276
Participations		1,379,806	-
Fixed-interest securities		490,299,469	393,980,130
Shares		11,811,301	7,722,416
Other investments	2	3,046,654,314	2,871,146,730
Receivables from derivative financial instruments		236,516	571,122
Deposits on reinsurance business		88,977,039	77,652,491
Cash and cash equivalents		245,617,352	369,966,820
Reinsurers' share of technical provisions	5	494,755,510	131,590,078
Property and equipment		7,250,166	6,293,597
Deferred acquisition costs		391,836,802	266,459,447
Intangible assets		1,759,964	-
Reinsurance receivables	3 / 8	1,263,864,135	947,804,751
Other receivables	8	29,258,012	37,093,180
Prepaid expenses and accrued income		27,456,459	23,854,221
TOTAL ASSETS		**6,101,156,845**	**5,134,134,983**

Liabilities and equity

CHF	Note	31/12/2020	31/12/2020
Technical provisions	5	4,227,624,133	3,257,087,371
Non-technical provisions		43,056,124	11,346,425
Liabilities from derivative financial instruments		6,137,152	8,227,936
Reinsurance payables	4 / 9	375,529,395	208,777,670
Other liabilities	9	18,044,845	19,307,230
TOTAL LIABILITIES		**4,670,391,649**	**3,504,746,632**
Share capital		10,000,001	10,000,001
Legal capital reserves		1,467,556,475	1,467,556,475
Reserves from capital contributions	21	1,467,556,475	1,467,556,475
Legal retained earnings		5,000,000	5,000,000
Voluntary retained earnings		51,308,237	300,199,560
Merger reserve		174,447,343	174,447,343
Profit brought forward		125,752,217	133,987,865
Profit/(Loss)		(248,891,323)	(8,235,648)
Conversion difference		(103,099,517)	(153,367,685)
Total equity	7	**1,430,765,196**	**1,629,388,351**
TOTAL LIABILITIES AND EQUITY		**6,101,156,845**	**5,134,134,983**

Cash Flow Statement
in CHF

	2021	2020
Profit / (Loss) for the year	(248,891,323)	(8,235,648)
Net (purchases)/sales of property, plant and equipment and intangible assets (incl. depreciation)	(2,522,370)	(2,718,632)
Net (purchases)/sales of investments (incl. realised gains/losses)	(174,945,320)	(264,293,031)
Net (purchases)/sales of derivatives (incl. realised gains/losses)	(1,992,398)	264,217
Decrease/(increase) in deposits on reinsurance business	(8,928,896)	(5,251,639)
(Increase)/decrease in reinsurance contract assets	(359,105,753)	28,437,185
(Increase)/decrease in deferred acquisition cost	(117,156,830)	(23,155,582)
(Increase)/decrease in insurance receivables	(286,818,713)	(56,666,605)
(Increase)/decrease other receivables and other payables	7,121,497	(14,951,040)
Increase/(decrease) in outstanding claims	449,262,706	324,689,511
Increase/(decrease) in unearned premium	420,789,837	61,736,123
Increase/(decrease) in creditors arising from insurance operations	160,310,737	12,175,255
Increase/(decrease) in non-technical provision	31,359,651	325,885
(Increase)/decrease prepaid expenses and accrued income	(2,866,313)	3,742,908
Cash flow from operating activities	(134,383,488)	56,098,906
Net (purchases)/sales of participations	(1,379,806)	-
Cash flow from investing activities	(1,379,806)	-
Cash flow from financing activities	-	-
Cash flow for the financial year	(135,763,294)	56,098,906
Cash on 1 January	369,966,820	343,262,450
Exchange rate difference on cash and cash equivalents	11,413,826	(29,394,536)
Cash on 31 December	245,617,352	369,966,820
Change in cash	(135,763,294)	56,098,906

*The Cash Flow Statement is prepared using the indirect method.

Notes to the Financial Statements

1. General

Prior to 1 January 2020, MS Amlin AG (the Company) was a wholly owned subsidiary of MS Amlin plc, whose parent was Mitsui Sumitomo Insurance Company (MSI) Limited, a wholly owned subsidiary of MS&AD Group Holding, Inc. (MS&AD). On 1 January 2020 the share ownership in the Company transferred to MSI with MS Amlin AG becoming a direct subsidiary of MSI.

Basis of presentation

These financial statements were prepared in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations) and AVO-FINMA.

Participation: Acquisition of MS Amlin Reinsurance Managers Inc (ARMI)

MS Amlin AG acquired 100% (USD 1'512'614) of the shares & voting rights of ARMi (MS Amlin Reinsurance Managers, Inc a company incorporated and registered in New Jersey, 820 Bear Tavern Road, West Trenton, NJ 08628I) from MS Amlin Underwriting Limited (AUL) on the 30th June, 2021 subject to the terms and conditions of the Sale and Purchase Agreement. The purchase price was defined as the net asset value of ARMI as at 30 June 2021.

Change in Accounting Policy

Reclassification from Other investments to Shares:
In previous years "Other investments" included the Company's ownership in Envelop Risk Limited. Based on further assessment and the nature of the investment, it is reclassified from "Other investments" to "Shares" for the 2021 Financial Statements.

Change in Presentation Currency (in 2020):
The company decided to change the Swiss CO presentation currency for the 2020 Financial Statements from Swiss Francs (CHF) to US dollars (USD). This is allowed according to the Swiss Code of Obligations as USD is one of the functional currencies which contributes to a material part of the company's business.

The company's functional currencies stay the same (USD and EUR) and the foreign exchange translation mentioned below remain. The starting point for the change were the year end 2019 CHF numbers which were then converted to USD and represent the new historical balances (CHF/USD FX rate: 0.9678).

Pursuant to Art. 958d, paragraph 3, CO, figures must also be presented in CHF and the year end CHF/USD exchange rate of 0.9122 was applied for converting the USD numbers to CHF (2020 CHF/USD 0.8849).

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 these estimates.

Investments

Participations represent the Company’s holding of ARMI which is acquired by 30 June 2021. ARMI is not consolidated into the Company’s financials on a line by line consolidation basis as it is a separate legal entity. The participation amount of USD 1.5 million represents the net asset value of ARMI which is subject to impairment review in case of any material decreases in the net asset value.
Fixed-interest securities consist of government bonds.
Shares represent the Company’s investment in the preferred shares of Viribus Re Ltd and Envelop.
Other investments mainly consist of bond and equity funds within Toro Prism Trust, money market funds and property funds.

Foreign currency translation

At year-end, assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate on the balance sheet date whereas revenues and expenses are translated at the average exchange rate for the period under report. Shareholders' equity is translated at historical rates.
FX gains arising from the revaluation of the opening balance sheet as well as from the adjustments from application of year-end or average rates are deferred and booked under provision for currency fluctuation (Balance Sheet: "Non-technical provisions"). FX losses are directly recognised in the income statement.

Realised FX arising from foreign exchange transactions are recognised in the income statement.

The translation from functional currency (EUR) to presentational currency of USD gave rise to a FX translation gain of USD 3.3 million. The revaluation to the functional currencies led to a FX gain of USD 23.5 million(CHF 21.4 million). The combined unrealised FX gain of USD 26.8 million (CHF 24.4 million) further increased the existing FX provision of USD 1.2m (CHF1.1 million) (Balance Sheet: Liability account "Non-technical provisions").

Presentation of numbers

The numbers presented throughout this report may not add up precisely to the totals provided in the tables and text.

Notes to the Financial Statements

Valuation Principles

Investments
Investments (except for bonds) are carried at market value if an observable market price is available. If the market price is not available (category Participations in pooled investment funds - Property and Hedge Fund as in note 2), investments are accounted for at cost less necessary impairments. Subsequent recoveries of previously recorded impairments may be recognised up to the cost value.
Bond investments are valued at amortized cost less necessary impairments, if any.
Derivative instruments are valued at market value. Gains and losses are shown as part of Income and Expenses from investments.
Participation is carried at cost less necessary impairment, if any.

Deposits on reinsurance business
Deposits are held at nominal value.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and short-term deposits. Such current assets are held at nominal value, after deduction of known credit risks.

Reinsurers' share of technical provisions
Reinsurers' share of technical provisions represent the retroceded part of the technical provisions. The same accounting principles apply as for the technical provisions.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. This also includes right of use assets from the Company's lease contracts.

Intangible assets
Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of software which is not exceeding 20 years.

Reinsurance receivables
Reinsurance receivables are carried at nominal value, after deduction of known credit risks if applicable. The set up of bad debt reserves or write offs will be recorded on a cedent basis.

The position mainly consists of receivables from insurance companies and brokers.

Other receivables
Other receivables are recognised at the nominal value, subject to impairment if necessary.

Technical provisions
The technical provisions are based on the cedent information (case reserves) and the reserves for already incurred but not yet reported claims (IBNR). Additionally, the technical provisions include the written but not yet earned part of the premiums (Unearned premium reserve).

Reinsurance payables

Reinsurance balances payable are held at redemption value.

Acquisition costs - Gross & Reinsurers' share

Acquisition costs comprise brokerage and commission incurred on insurance contracts written during the financial year. They are charged on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable.

Direct taxes
Direct taxes relate to income and capital taxes.

Notes to the Financial Statements

2. Other investments

CHF	31/12/2021	31/12/2020
Participations in pooled investment funds - Property	255,808,593	250,311,626
Participations in pooled investment funds - Equity	558,912,727	459,479,534
Participations in pooled investment funds - Bonds	1,611,948,131	1,813,236,893
Participations in pooled investment funds - Money Market	356,054,099	168,048,055
Participations in pooled investment funds - Hedge Fund	34,639,335	-
Private equity of which participations (holding < 20%)	-	3,744,873
Short-term investments in pooled investment funds	229,291,430	176,325,749
Total	**3,046,654,313**	**2,871,146,730**

3. Reinsurance receivables

CHF	31/12/2021	31/12/2020
Receivables from agents and brokers	1,103,190,712	738,023,396
Receivables from insurance companies	160,673,423	209,781,355
Total	**1,263,864,135**	**947,804,751**

4. Reinsurance payables

CHF	31/12/2021	31/12/2020
Liabilities to agents and brokers	330,987,773	72,765,247
Liabilities to insurance companies	44,541,621	136,012,423
Total	**375,529,395**	**208,777,670**

Notes to the Financial Statements

5. Technical provisions

CHF	Technical provisions (gross)		Reinsurers' share		Technical provisions (net)	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Unearned premium reserve	1,457,799,943	1,005,974,834	205,164,476	22,588,868	1,252,635,466	983,385,966
Loss reserves *	2,769,824,189	2,251,112,537	289,591,033	109,001,210	2,480,233,157	2,142,111,327
Total Technical provisions	**4,227,624,133**	**3,257,087,371**	**494,755,510**	**131,590,078**	**3,732,868,622**	**3,125,497,293**

* Unallocated Loss Adjustment Expenses (ULAE) are part of the loss reserves.

6. Change in technical provisions

CHF	2021	2020
Change in technical provisions - Outstanding claims	146,677,625	26,556,490
Change in technical provisions - IBNR	377,434,407	217,181,303
Change in technical provisions - gross	**524,112,032**	**243,737,793**
Change in reinsurers' share of technical provisions - Outstanding clain	510,003	36,177,915
Change in reinsurers' share of technical provisions - IBNR	(178,882,165)	3,835,921
Change in reinsurers' share of technical provisions	**(178,372,162)**	**40,013,836**

7. Statement of changes in equity

CHF	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Conversion difference *	Total equity
As of 31 Dec 2019	**10,000,001**	**1,467,556,476**	**5,000,000**	**308,435,207**	**-**	**1,790,991,684**
Conversion difference *					(153,367,685)	(153,367,685)
Loss for the period				(8,235,648)	-	(8,235,648)
Dividend payments					-	-
As of 31 Dec 2020	**10,000,001**	**1,467,556,476**	**5,000,000**	**300,199,559**	**(153,367,685)**	**1,629,388,351**
Conversion difference *					50,268,168	50,268,168
Loss for the period				(248,891,323)	-	(248,891,323)
Dividend payments				-	-	-
As of 31 Dec 2021	**10,000,001**	**1,467,556,476**	**5,000,000**	**51,308,236**	**(103,099,517)**	**1,430,765,196**

* Pursuant to Art. 958d, paragraph 3, CO, figures must also be presented in CHF and the year end CHF/USD exchange rate of 0.9122 was applied for converting the USD numbers to CHF. Equity nominals, except for the free reserves, are revalued with historical rates leading to a conversion difference.

Notes to the Financial Statements

8. Receivables from third parties and affiliated companies

CHF	Third party	Affiliated companies	31/12/2021 Total
Receivables from reinsurance business	1,102,943,631	160,920,504	1,263,864,135
Other receivables	27,510,391	1,747,620	29,258,012
Total	**1,130,454,022**	**162,668,124**	**1,293,122,146**

CHF	Third party	Affiliated companies	31/12/2020 Total
Receivables from reinsurance business	749,099,067	198,705,684	947,804,751
Other receivables	29,064,735	8,028,445	37,093,180
Total	**778,163,802**	**206,734,129**	**984,897,931**

9. Payables to third parties and affiliated companies

CHF	Third party	Affiliated companies	31/12/2021 Total
Payables from reinsurance business	321,427,299	54,102,096	375,529,395
Other liabilities	10,714,442	7,330,403	18,044,845
Total	**332,141,741**	**61,432,499**	**393,574,240**

CHF	Third party	Affiliated companies	31/12/2020 Total
Payables from reinsurance business	71,133,977	137,643,693	208,777,670
Other liabilities	9,990,389	9,316,841	19,307,230
Total	**81,124,366**	**146,960,534**	**228,084,900**

Notes to the Financial Statements

10. Audit fees

CHF	31/12/2021	31/12/2020
Audit services	592,508	598,328
Other services	50,000	-
Total	**642,508**	**598,328**

11. Income from investments

	Income		Net unrealized gains		Net realized gains		Total	
CHF	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	6,813,663	9,171,124	-	1,300,955	486,405	1,208,367	7,300,067	11,680,446
Shares	-	2,371,472	-	-	-	-	-	2,371,472
Other investments	36,478,416	26,904,749	96,463,339	98,108,131	85,522,422	94,887,302	218,464,177	219,900,182
Total	**43,292,079**	**38,447,345**	**96,463,339**	**99,409,086**	**86,008,826**	**96,095,668**	**225,764,245**	**233,952,099**

12. Expenses from investments

	Expenses		Net unrealized losses		Net realized losses		Total	
CHF	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed-interest securities	1,149,224	738,739	2,435,281	1,912,375	2,883,044	1,671,760	6,467,549	4,322,875
Shares	-	-	53,415	-	-	-	53,415	-
Other investments	1,953,495	2,871,837	30,931,091	34,584,352	142,987,187	118,959,549	175,871,773	156,415,737
Total	**3,102,719**	**3,610,576**	**33,419,786**	**36,496,728**	**145,870,231**	**120,631,309**	**182,392,737**	**160,738,612**

Notes to the Financial Statements

13. Personnel expenses

Personnel expenses for fiscal year 2021 amount to CHF 38.0 million (2020: CHF 26.5 million) and are included in the line item administrative expenses.

14. Contingent liabilities

The Company has no contingent liabilities at 31 December 2021 (31 December 2020: CHF nil). There were no capital commitments or authorised but uncontracted commitments at the end of the financial year.

15. Depreciation of real estate and equipment and amortization of intangible assets

CHF	31/12/2021	31/12/2020
Property and equipment	621,244	853,716
Intangible assets	980	2,249
Total	**622,223**	**855,965**

16. Restricted assets

At 31 December 2021, the Company holds restricted funds in the form of letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments, and collateral received from reinsurance counterparties.

Letter of Credit ("LOC") facilities

MS Amlin AG has three LOC facilities of CHF 592.9 million (2020: CHF 398.2 million), CHF 191.6 million (2020: CHF 185.8 million) and CHF 46.8 million (2020: CHF 47.7 million). The USD 650.0 million facility is secured by a registered charge over a portfolio of assets managed by Fiera Capital with BNP Paribas as custodian. The USD 210.0 million facility is secured by time deposits held at Barclays Bank. The NZD 75.0 million LOC is secured by time deposits held at National Australia Bank. As at 31 December 2021, CHF 636.4 million of LOC were issued (2020: CHF 506.7 million). The total value of restricted assets as at 31 December 2021 was CHF 719.6 million (2020: CHF 571.6 million).

Revolving Credit Facility

MS Amlin AG has access to an uncommited revolving credit facility agreement with SMBC Bank of CHF 136.8 million credit limit. As at 31 December 2021 the revolving credit facility is undrawn.

Derivative margins and collateral

Derivative instruments traded by the Company for hedging purposes give rise to collateral being placed with, or received from, external counterparties. At 31 December 2021 included in other receivables is CHF 18.2 million (2020: CHF 27.9 million) margins and collateral pledged in relation to listed future margins.

Funds withheld as premium/claim deposits

At 31 December 2021, the Company had placed funds totalling net to CHF 25.5 million (2020: CHF 18.0 million) as premium deposits and CHF 63.4 million (2020: CHF 59.7 million) as claim deposits. These funds are held by external brokers or cedents. In addition a further CHF 125.1 million (2020: CHF 120.6 million) has been placed into pledge accounts to collateralise against losses due to reinsurance cedents.

Trust Funds

At 31 December 2021, cash and cash equivalents with a fair value of CHF 221.9 million (2020: CHF 233.4 million) have been deposited in trust by the Company for the benefit of U.S. ceding companies. These funds are held in a trust by a U.S. based bank.

17. Residual amount of lease obligations

The maturity profile of lease obligations that do not expire in or cannot be canceled within 12 months is presented below:

Operating lease commitments

CHF	31/12/2021	31/12/2020
Later than 1 year and no later than 5 years	4,697,053	3,483,457
Later than 5 years	-	88,553
Total operating lease commitments	**4,697,053**	**3,572,010**

The operating leases are mainly related to the office rental in the different locations which are no later than 5 year as at December 31, 2021.

18. Liabilities to pension schemes

There is no pension fund liability at December 31, 2021 (2020: nil).

19. Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as for the previous year, did not exceed 250.

20. Significant events after the balance sheet date

Military conflict in Ukraine

On 24 February 2022, Russia began a military invasion of the Ukraine. The Company's exposure as a result of underwriting activities continue to be assessed albeit are expected to be material to the Company's 2022 financial results, and there is limited exposure in the investment portfolio. Second order impacts are not yet well known or understood.

21. Shareholders' equity (reserves from capital contributions)

On 31 December 2021, CHF 1,467.6 million are shown as "reserves from capital contributions" (31 December 2020: CHF 1,467.6 million). The total reserves from capital contributions include CHF 140.0 million of "capital reserves" as agreed with FINMA during the application process.

22. Hidden reserves

In 2021, the company did not release nor does it hold any hidden reserves.

Proposal for the appropriation of distributable earnings

CHF	31/12/2021	31/12/2020
Profit/(loss) carried forward	300,199,560	308,435,208
Profit/(loss)	(248,891,323)	(8,235,648)
Merger reserve	-	-
Distributable earnings	**51,308,237**	**300,199,560**
Proposal of the Board of Directors:		
Distributable earnings	51,308,237	300,199,560
Dividend payments	-	-
Amount carried forward	**51,308,237**	**300,199,560**

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