Financial Condition Report 2022

MS Reinsurance

Contents

Cautionary Statements

This Report may include statements with respect to future events, trends, plans, expectations, 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 that 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, and (viii) increases in loss expenses may all have a direct bearing on the results of the 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 because 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.

About MS Reinsurance

MS Reinsurance is a global reinsurer domiciled in Switzerland. With underwriting offices in Zurich, Bermuda, Miami, and New York, we provide best-in-class reinsurance products and services to clients around the world. We are a trusted long-term partner, helping clients turn risks into opportunities through deep technical expertise and bespoke reinsurance solutions offering holistic excellence across four key areas:

Deep client understanding

We know our clients, understand their needs, and will work to provide effective solutions.

Ease of business

We have an efficient platform and empowered underwriters with demonstrated expertise enabling fast, reliable decision-making.

Competitive pricing

We understand the market and aim to offer fair risk transfer solutions with respect to market conditions.

Portfolio management

We write diversified and well-rewarded business risks commensurate to the capacity of our balance sheet.

MS Reinsurance launched in September 2022 as the rebranded trading identity of MS Amlin AG. While we continue to use MS Amlin AG as our legal and risk carrying entity, our new name and brand provides clarity as to who we are as a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited* and what we do as a treaty reinsurer.

The new MS Reinsurance offers the unique opportunity to build on long-standing underwriting expertise, established client relationships, and strong shareholder investment as we transform into a modern company agile enough to successfully meet the demands of a rapidly evolving risk landscape.

Net Written Premium, 2022

USD **$2,025** million

Combined Ratio (IFRS), 2022

98%

SST Ratio, 2023

204%

A.M. Best Rating, 2022

A (stable)

*As a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited, MS Reinsurance is part of the industry-leading (re) insurance MS&AD group and forms an important part of the group's international growth strategy. MS&AD operates in forty-eight countries and regions with approximately 40,000 employees from its headquarters in Tokyo, Japan.

1. Executive Summary

This annual Financial Condition Report (FCR) for the year ended 31 December 2022 has been prepared for MS Amlin AG (the Company or MS Reinsurance). In 2022, MS Amlin AG was rebranded and is now trading as "MS Reinsurance, an MS Amlin AG company" without impacting its legal name or operational structure. MS Reinsurance is a Switzerland-domiciled global reinsurer and a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited (MSI), a part of MS&AD Insurance Group Holdings, Inc. (MS&AD or the Group). Both MSI and MS&AD are registered in Japan.

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's (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 FCR is to meet the regulatory reporting requirements of MS Reinsurance 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 data from "MS Reinsurance's 2023 Swiss Solvency Test's (SST) Market Consistent Balance Sheet" (for balance sheet financial information) and the "2022 Swiss Code of Obligations Annual Report" (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 Reinsurance as of 31 December 2022 only and will not necessarily reflect all changes in MS Reinsurance's operations since that date. All quantitative information in this report is disclosed in USD, MS Reinsurance's presentational currency, unless otherwise specified.

Business activities

MS Reinsurance has a global underwriting strategy prioritizing long-term client portfolios serving a variety of reinsurance clients facilitated across four underwriting offices:

1. **Zurich, Switzerland**. Operating from the company's headquarters, this platform predominately writes EMEA (Europe, Middle East and Africa) business across all lines.
2. **Hamilton, Bermuda**. This platform primarily focuses on property, casualty, financial, and specialty lines in both the USA and international markets.
3. **United States**. The Miami and New York offices of the Company's subsidiary MS Amlin Reinsurance Managers, Inc ("MS ARMI"), which was acquired from MS Amlin Underwriting Limited in 2021, write business on behalf of MS Amlin AG, Zurich, based on binding authorities. Miami is focused on Latin American property, credit and surety, and accident and health business, while the team in New York is primarily focused on USA motor and general liability business.

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

Corporate governance and risk management

The Company is supervised by a two-tier Supervisory Board, in accordance with Swiss legal and regulatory requirements. The Supervisory Board consists of non-executive directors of which at least one-third are independent of the Company.

The Executive Board is the Company's managing body and consists of the chief executive officer (CEO) 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 Reinsurance'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 acceptable risk-taking. The risk management function also monitors and ensures adherences to applicable frameworks. Further information on risk management is provided in section 5.2.

Performance

As of 31 December 2022, the Company reported a net loss of USD 177.6 million (2021 net loss: USD 272.8 million). Losses were a result of several key drivers: ongoing conflict in Ukraine impacting both the political violence portfolio and Intercompany Quota Share agreements, catastrophe losses in Australia and the USA, the inclusion of a specific inflation consideration in the best estimate reserves at year-end 2022, and unrealized losses from investments. Further information on performance is provided in section 4.

Valuation for solvency purposes

The MS Reinsurance SST 2023 Capital Ratio, described in detail later in this report, is 204%, which compares favorably with the minimum FINMA SST solvency requirement of 100%. The SST one-year risk capital is USD 854.9 million. The market value margin is USD 127.2 million. The target capital is USD 982.1 million, and the SST risk bearing capital is USD 1,868.5 million. Please note that the SST 2023 is filed with FINMA in April 2023, simultaneously to this document.

As described throughout this document, the MS Reinsurance SST target capital is dominated by insurance risk. Within insurance risk, reserve risk has now overtaken premium risk as the main source of risk. Overall reserve volumes have grown during 2022, reflecting a growing volume of long-tail business and the inclusion of a specific inflation consideration in the best estimate reserves at year-end 2022.

The relevant measure of available own funds is the risk bearing capital (RBC) calculated on the SST market consistent balance sheet. MS Reinsurance has net assets under Swiss Code of Obligation (Swiss CO) of USD 1,390.9, million compared to USD 1,868.5 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 2022	SST 2023
Excess of assets over liabilities - Swiss CO annual report (*)	1,568.5	1,390.9
Investment fair value adjustments	111.8	153.7
Technical provision adjustments	88.0	328.7
Excess of assets over liabilities - SST market-consistent balance	**1,768.30**	**1,873.3**
Intangible assets	-1.9	-4.8
SST risk bearing capital	**1,766.4**	**1,868.5**

(*) Based on MS Reinsurance's Swiss CO financial statements for 2021 and 2022

Approval of the Financial Condition Report

This report was reviewed and approved, and its disclosure pursuant to FINMA's "Circular 2016/2: Disclosure – insurers" signed off, by the Supervisory Board of MS Reinsurance on 25 April 2023.

2. Business Activities

2.1 MS Reinsurance's business activities and Group role

MS Reinsurance is a Switzerland-domiciled global reinsurer whose parent is Mitsui Sumitomo Insurance Company, Limited, Japan (MSI), 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 Reinsurance underwrites a diverse range of client portfolios and reinsurance products across four underwriting offices as described in section 1.

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 (significantly reduced compared to prior years) of the Syndicate's business;
- several 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 shares, which are 100% fronting agreements where MS Reinsurance is ceding business to Leadenhall Capital Partners (LCP) through Horseshoe Re II and Nectaris Re.

2.2 Strategy, objectives, and key business segments

Future prospects and vision

As evidenced by the recent brand repositioning from MS Amlin AG to MS Reinsurance, the Company has developed a new strategic direction. This new direction includes a complete transformation of the Company's core values and vision, an overhaul of the operating platform, and a new underwriting strategy built on a four-pronged value proposition:

- **Deep client understanding.** We know our clients, understand their needs, and will work to provide effective solutions.
- **Ease of business.** We have an efficient platform and empowered underwriters with demonstrated expertise enabling fast, reliable decision-making.
- **Competitive pricing.** We understand the market and aim to offer fair risk transfer solutions with respect to market conditions.
- **Portfolio management.** We write diversified and well-rewarded business risks commensurate to the capacity of our balance sheet.

This new strategic direction will allow MS Reinsurance to exploit its full business potential, support the aspirations of clients and valued partners, and attract and develop top talent. A part of this change is a comprehensive transformation program that has taken every aspect of the business into consideration. Several of the first transformation workstreams have already been completed, and most of the internal transformation is expected to be completed by the end of 2023.

As evidenced by recent business renewals, the new value proposition is working, and clients are reacting positively to this new approach. The strategy, in combination with a positive market environment, resulted in an improved profitability of the book during the latest renewals.

A crucial component of the Company's strategy remains the close relationship with its shareholder, MSI. MSI is fully committed to the strategy, which allows flexible execution of the Company's plans. MSI strongly supports MS Reinsurance's corporate development journey.

MS Reinsurance is committed to developing a dynamic and inspiring culture that engages existing employees and attracts new, top-tier talent. Significant progress has been made and can be measured in two ways: (1) the quality of the workforce, and (2) feedback from an annual employee engagement survey. Both measures demonstrate positive progress on the most important elements of success: MS Reinsurance's corporate values and culture.

2.3 External auditors

The external auditors are KPMG AG (KPMG). KPMG's 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 Reinsurance annually. At the MS Reinsurance Annual General Meeting on 25 April 2023, KPMG was re-elected by the shareholder of MS Reinsurance.

Refer to Appendix 3 for KPMG's audit report relating to the Company's 2022 Swiss Code of Obligation annual report.

2.4 Significant unusual events

On 24 February 2022, Russia began a military invasion of the Ukraine having had, so far, a limited impact on MS Reinsurance. Refer to section 4.1 for further details.

3. Performance

The following sections summarize information about MS Reinsurance'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 Reinsurance's Swiss CO annual report for the year ended 31 December 2022.

MS Reinsurance's Swiss CO investment valuation basis represents fair value for most investments. For specific investment types, e.g., bond investments and property funds, Swiss CO valuation represents amortized cost or the lower of cost or market value. The valuation adjustments mainly reflect unrealized gains for these investments. Please refer to the Swiss CO annual report for full accounting policies (see Appendix 3).

To note: the Swiss CO Annual Report is re-mapped to the FCR format, which follows the "FINMA Insurance Supervision Guidance" (ISO-FINMA). The format used for the income statement is the FCR Standard Template translated into English and is disclosed in Appendix 1.

3.1 Underwriting performance

Gross written premium (GWP) continued to increase during 2022. This growth was seen in segments where market conditions were unexpectedly favorable and in areas that successfully employed the strategic approach for diversification and increased profitability, notably in financial and agricultural lines. This more than offset reductions in US casualty, catastrophe (all regions), and intercompany fronting and quota share arrangements. Net of reinsurance and on an earned basis, net premium levels increased approximately 19% relative to the prior year, reflecting the earned impact of the shift towards longer-tail business within the portfolio, which has occurred in recent years.

The 2022 underwriting result improved significantly relative to the prior year. However, the ongoing conflict in Ukraine impacted both the political violence portfolio and intercompany quota share agreements. Further, the inclusion of a specific inflation consideration in the best estimate reserves at year-end 2022 impacted the result. While there was significant catastrophe activity during 2022, notably Hurricane Ian and the Australian floods, the reduction of catastrophe business, in-line with strategic goals, and at a faster pace than the plan anticipated, resulted in an impact that was in-line with the catastrophe budget and undersized relative to peers.

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

In USD millions	2022	2021
Gross premium written	2,292.7	2,198.8
Net premiums written	2,024.9	1,708.7
Net premiums earned	1,716.5	1,419.2
Other insurance income	0.4	0.6
Total technical income	**1,716.9**	**1,419.8**
Net claims and claim expenses incurred	(1,233.1)	(1290.2)
Net acquisition costs and administrative expenses	(550.1)	(433.6)
Total technical result	**(66.3)**	**(304.0)**
Claims ratio	72%	91%
Expense ratio	32%	31%
Combined ratio	104%	121%

3.2 Investment performance

Most investments (except for bond investments and property funds, for example) are recorded at market value. Bond investments are valued at amortized cost and property funds are recorded at the lower of cost or market value. Net loss from investments was USD 97.2 million. Equity and fixed income exposures have detracted from investment returns, but it is noted that the underweight duration stance has protected the portfolio from more significant losses.

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

To note: the numbers shown in the table reflect investment income by asset category, as presented in the MS Reinsurance Swiss CO annual report (see Appendix 3).

Income from investments								
	Income		Net unrealized gains		Net realized gains		Total	
In USD millions	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	12,911,097	7,469,483		-		553,221	12,911,097	8,002,705
Loans	-	-		-		-		-
Shares	-	-		-		-		-
Other Investments	18,742,092	39,989,494	944,861	105,748,015	230,278,385	93,754,025	249,965,338	239,491,534
Total	**31,653,189**	**47,458,977**	**944,861**	**105,748,015**	**230,278,385**	**94,287,246**	**262,876,435**	**247,494,239**

Expenses from investments								
	Expenses		Net unrealized losses		Net realized losses		Total	
In USD millions	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	3,832,213	1,259,838	14,904,540	2,669,679	16,737,303	3,160,540	35,474,056	7,090,056
Loans		-		-		-	-	-
Shares		-	-58,556	58,556		-	-58,556	58,556
Other Investments	1,031,163	2,141,520	107,103,446	33,908,234	216,554,362	156,749,821	324,688,972	192,799,575
Total	**4,863,376**	**3,401,358**	**121,949,431**	**36,636,469**	**233,291,665**	**159,910,361**	**360,104,473**	**199,948,188**

Net investment result								
In USD millions	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	9,078,885	6,209,646	-14,904,540	-2,669,679	-16,737,303	-2,627,318	-22,562,959	912,649
Loans		-		-		-		-
Shares		-	58,556	-58,556		-	58,556	-58,556
Other Investments	17,710,928	37,847,974	-106,158,586	71,839,781	13,724,023	-62,995,796	-74,723,635	46,691,959
Total	**26,789,813**	**44,057,619**	**-121,004,570**	**69,111,546**	**-3,013,280**	**- 65,623,115**	**-97,228,037**	**47,546,051**

3.3 Profits and losses recognized directly in equity

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

3.4 Other material income and expenses

Other financial expenses mainly include letter of credit commission fees. Other expenses include foreign exchange revaluation losses.

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

In USD millions	2022	2021
Other financial expenses	(3.5)	(3.9)
Other income	0.1	0.3
Other expenses	(6.2)	(11.7)
Total other income and expenses	**(9.6)**	**(15.3)**

4. Corporate Governance and Risk Management

4.1 Overview of corporate governance

4.1.1 Corporate governance framework

MS Reinsurance'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 at MS Reinsurance ensures:

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

4.1.2 MS Reinsurance's corporate governance system

The Company is supervised by a two-tier Supervisory Board in accordance with Swiss legal and regulatory requirements. The Supervisory Board consists of non-executive directors of which at least one-third are independent of the Company.

The Supervisory Board also appoints Board Committees for specific purposes from among its members. For the calendar year 2022, these committees comprised:

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

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. The Executive Board may form committees for specific purposes and has revised its committee structure as of 1 January 2023. Appointments to the Executive Board are at the discretion of the Supervisory Board.

MS Reinsurance's corporate governance framework is guided by regulatory requirements and best practices. Ultimate responsibility for its design and implementation belongs to the Supervisory Board.

Key elements include mandatory representation of independent non-executive directors, terms of reference establishing the roles and responsibilities of MS Reinsurance's corporate bodies, processes for the identification and management of conflicts of interest and separation of management, and Supervisory Board oversight.

4.1.3 Board membership

The following non-executive members comprised the **Supervisory Board of Directors** as of 31 December 2022:

Martin Albers	Chairman (independent)
Stefan Materne	Director (independent)
Stephan Knipper	Director (independent)
Hironori Morimoto	Director
Robin Adam	Director
Yoshio Motohashi	Director
Norihiro Tanaka	Director

Changes in 2022:

- Tamaki Kawate and Shinichi Imayoshi stepped down as members of the Supervisory Board in April 2022.
- Yoshio Motohashi and Norihiro Tanaka were appointed as members of the Supervisory Board in April 2022.

The following members comprised the **Executive Board of Directors** as of 31 December 2022:

Robert Wiest	Chief Executive Officer
Kate McDonald	Chief Financial Officer (on leave)
Michael Koller	Chief Risk Officer
Charles Goldie	Chief Underwriting Officer
Gregoire Mauchamp	Director of Underwriting Performance
Francesco Rizzo	Chief Financial Officer ad interim

Changes in 2022:

- Robert Wiest was appointed as Chief Executive Officer as of 1 January 2022, replacing Martin Albers, who had been acting as Chief Executive Officer and member of the Executive Board ad interim and stepped down as of 31 December 2021.
- Francesco Rizzo was appointed as Chief Financial Officer *ad interim* as of 15 November 2022 during Kate McDonald’s leave.

4.2 Overview of risk management

4.2.1 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 Management Policy. The Risk Management Policy explains the risk framework (governance and risk management process) and the overarching ultimate risk tolerance, expressed in terms of solvency liquidity, rating, and statutory capital. It further provides transparency and defines ownership and responsibilities throughout the risk management process. It promotes a risk aware culture across the organization.

MS Reinsurance aligns business strategy, capital management, and enterprise risk management with the objective to achieve long-term sustainable outcomes for the shareholder. This approach allows the business to optimize its return on risk, subject to the limitations over acceptable risk taking.

4.2.2 Risk management framework and processes

MS Reinsurance's Risk Management Framework provides:

- a strong, risk-based organization 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 Reinsurance's Risk Management Framework consists of a suite of policies, standards, guidelines, and procedures. It sets out the processes required to embed risk management across the business.

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 minimize 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 strategic and operational 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 authorized executive management to assume risk. It represents the amount of risk that the Company is willing to accept within the constraints imposed by capital and liquidity resources, its strategy, and the regulatory and ratings 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 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 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 status of the current risk profile versus tolerance and limits is reported quarterly to the Audit and Risk Committee with breaches escalated up to the Supervisory Board.

Risk categorization

The Company adopts a common risk categorization. The main aim is to have a structured and uniform approach toward risks.

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

Risk Category	Definition
Insurance Risk	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 potential economic impacts due to the performance and structure of the investment portfolio. It comprises interest rate, equity, currency, real estate, and commodity risks.
Liquidity Risk	Reflects the risk of being unable to promptly meet funding obligations.
Credit Risk	Represents the risk of various counterparties (e.g., banks, cedants, brokers, reinsurers, group companies, etc.) failing to meet obligations owed to the Company. Price fluctuation of corporate bonds and similar as a consequence of varying credit spread 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. It includes legal and compliance risks as well as the risk of material misstatement in MS Reinsurance's financial reports but excludes strategic and emerging risks.
Strategic Risk	Reflects the risk of the Company failing to meet its strategic goals and business plans due to poor decision making and execution of the strategy and business plan.
Emerging Risks	Newly developing or changing risks that are difficult to quantify and whose potential impact on the Company is not yet sufficiently known and addressed. Drivers include demographic, economic, technological, socio-political, regulatory, and environmental developments.

Each of these categories of risk are owned by a member of the Executive Board with appropriate expertise and authority. All material risks are recorded in the Company's risk register.

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

- insurance, credit, and market risks are quantified based on generally recognized 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 and emerging 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

Operational risk events are identified and reported by the business to the risk function. The objective of reporting events is to enhance transparency of operational mishaps, errors, or omissions to learn from lessons and to prevent operational events from reoccurring.

Capital and solvency management

MS Reinsurance 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 SST. 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.

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, identifying potential business vulnerabilities.

The Supervisory Board considers and approves suitable stress and scenario tests to be conducted as part of annual business planning and the 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 analyzed by relevant committees and reported to the Supervisory Board accordingly.

Own risk solvency assessment (ORSA)

As part of the risk management system, the Company conducts, at least annually, an ORSA considering 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.

Internal control framework

The internal control environment is an integral part of the Company's overall risk management framework and is designed 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 effectiveness of the internal control framework is assessed by the respective business functions on a quarterly basis as part of the Risk and Control Self-Assessment (RCSA) process, from design and operating perspectives.

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

4.2.3 Risk governance

The respective tasks and duties of the key risk governance bodies are outlined in the regulations of the Supervisory Board and in the terms of reference of the individual governance bodies, which are listed below:

- Supervisory Board;
- Audit and Risk Committee of the Supervisory Board;
- Executive Board; and
- Executive Board Risk Committee (as of 1 January 2023).

The Supervisory Board is the ultimate 'risk owner' and delegates the management of the Company to the Executive Board, including the management of risks on a day-to-day basis. The Executive Board delegates certain responsibilities and duties regarding risk-related matters to the Executive Board Risk Committee. The Supervisory Board also delegates certain risk and control oversight responsibilities to the Audit and Risk Committee.

The Executive Board Risk Committee (as of 1 January 2023) and Audit and Risk Committee meet quarterly. Periodically, during these committee meetings, subject matter experts from across the business attend to report on specific topics.

The Executive Board Risk Committee was established with effect as of 1 January 2023 and covers the following key topics:

- business plan risk assessment and strategy and projects review;
- risk reporting;
- internal control performance reporting (including JSOX);
- regulatory reports and submissions, including ORSA;
- risk tolerances and limits update and monitoring;
- compliance updates, compliance corporate governance survey, Speak-Up report review; and
- model validation annual report review.

‘Three lines of defense’ model

MS Reinsurance operates risk management through a ‘three lines of defense’ model.

First line of defense
The business functions as first line of defense have an important risk management role. This function is responsible for ensuring that all processes in the business adhere to the risk policies and standards and that the Company operates within the risk appetite and risk limits as agreed upon by the Supervisory Board and the Executive Board.

The first line of defense is responsible for the effective operation of controls to ensure risk policies are followed and limits are adhered to, and they take on risk as an inherent part of their business activities.

Second line of defense
The risk and compliance functions have the duty to provide reliable, timely, and constructive challenge and/or support to the first line of defense.

The risk function measures the necessary risk capital and independently monitors the adherence to risk appetite, tolerances, and limits. In case of breaches, it initiates, together with the first line of defense, mitigating actions. The risk function, through periodic review of any part of the risk landscape, as deemed appropriate, performs additional assurance activities e.g., deep-dive reviews.

The compliance function ensures that the Company operates with integrity and adheres to applicable laws, regulations, standards, and internal policies. The compliance function advises the Executive and Supervisory Boards on the effectiveness of the compliance framework as implemented and operated within the Company as well as measures needed to ensure on-going compliance, considering the possible impact of relevant changes in the legal and regulatory environments as applicable to MS Reinsurance.

Third line of defense
Internal Audit is the third line of defense and has the main task of providing independent assurance, to the Supervisory and the Executive Boards, that the risk management processes are adequately working within the first and second lines of defense.

4.3 Outsourcing policy

MS Reinsurance 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.

5. Valuation

5.1 Market consistent asset valuation for solvency purposes

5.1.1 Value of assets broken down by asset class

The market-consistent balance sheet is disclosed in the FCR Standard Template in Appendix 1.
To note: the SST 2023 is filed with FINMA on 30 April 2023 simultaneously to this document.

The market consistent value of investments of MS Reinsurance amounts to USD 3,949.3 million as of 31 December 2022. Investments mainly consist of property investments and equity, which are classified as other investments (USD 3,379.1 million), fixed-income securities (USD 556.9 million), and equities (USD 11.8 million). In-line with the FCR Standard Template (Appendix 1), receivables from derivative financial instruments (USD 3.2 million) are included as part of overall investments.

The market consistent value of other assets of MS Reinsurance amounts to USD 3,164.9 million as of 31 December 2022. These mainly consist of receivables from insurance business, cash and cash equivalents, and deferred acquisition costs.

5.1.2 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 remapped 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 Reinsurance financial reporting system and is as of 31 December 2022.

5.1.3 Discrepancies between asset valuation for solvency and annual report

The valuation discrepancy between MS Reinsurance's FCR (i.e., SST) and annual report (i.e., Swiss CO) is regarding investment fair value adjustments, which amounted to USD 153.7 million for the current year. MS Reinsurance's Swiss CO investment valuation basis represents fair value for most investments. A portion of the portfolio continues to be recognized at the "lower of cost or market value" or amortized cost, being property funds and bonds investments. 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.

5.2 Market consistent valuation of provisions for insurance obligations for solvency purposes

5.2.1 Gross and net value of the provisions for insurance obligations

For FCR reporting purposes, the best estimate of provisions for insurance liabilities (gross) amounts to USD 4,774.0 million, which includes loss reserves (USD 2,937.5 million) and unearned premium reserves (UPR) (USD 1,836.5m million) as of 31 December 2022.

The reinsurers' share of best estimate of provisions for insurance liabilities amount to USD 550.0, consisting of loss reserves (USD 374.4m million) and UPR (USD 175.6m million).

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

MS Reinsurance's (gross and net) reserves are discounted 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.

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

We summarized valuation discrepancies between MS Reinsurance'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 295.2 million, which represents a decrease to loss reserves.
- Adjustment for foreign exchange provision built for unrealized foreign exchange gains under Swiss CO: the valuation reflects the reversal of this provision to represent the market view of liabilities, which amounted to USD 33.5 million.

The net impact of the provision adjustments (i.e., discounting and foreign exchange) amounts to USD 328.7 million.

5.3 Information on the market value margin (MVM)

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

The market value margin is calculated to reach a market-consistent valuation for the insurance liabilities (reserves). It is added to the one-year risk capital in determining the target capital. Based on the assumptions in the next section, it is calculated at a value of USD 127.2 million. Accordingly, the SST target capital is USD 982.1 million, and the SST capital ratio is 204%. Note that the SST ratio is calculated as the one-year risk capital divided by the SST Risk Bearing Capital (RBC) minus the MVM.

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

The MVM represents the cost of the regulatory capital an entity would require to hold run off the business. Regarding the model elements included in the market value margin, the following are excluded:

1. **Market risk**. Market risk is assumed to be hedgeable and is therefore excluded since the Company's liabilities are mainly in currencies for which government bonds are widely available (mostly USD and EUR), and the payment patterns are relatively short, which simplifies matching issues.
2. **Credit risk (investments)**. Credit risk is reduced to zero due to the above assumption of holding highly rated government bonds.

The following elements are included:

1. reserve risk (including unearned reserves),
2. reinsurance credit risk relating to held reserves, and
3. the components of the scenarios that affect reserves and reinsurance credit risk relating to the held reserves.

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

5.4 Market consistent valuation of other liabilities

5.4.1 Value of provisions for other liabilities

Out of the total USD 5,240.9 million liabilities, USD 4,774.0 million are technical provisions including UPR. The remainder of liabilities include liabilities from insurance business (USD 418.4 million), non-technical provisions (USD 26.9 million), other liabilities (USD 20.0 million), and liabilities from derivative financial instruments (USD 1.6 million).

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

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

6. Capital Management

6.1 Goals, strategy, and time horizon for capital planning

With respect to its capital philosophy, MS Reinsurance 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 ongoing 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 Reinsurance utilizes its internal model to calculate capital requirements, utilizing data from the business and the forecasted business plan that has been approved by the Company's Supervisory Board. MS Reinsurance's target capital is measured using the SST risk-based capital methodology.

Swiss solvency test capital requirement

This is a regulatory 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 materialize 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 Reinsurance considers capital management requirements to ensure any business growth is supported by retained profit or through raising additional capital.

Under the requirements of the SST, MS Reinsurance operates a framework that ensures that capital needs are assessed. MS Reinsurance'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 Reinsurance'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 Reinsurance will pay potential dividends out of the current year's profits. The timing, manner, and amount are decided considering MSI's future strategy for the businesses, subject to regulatory considerations, and with the final 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 Reinsurance has net assets under Swiss CO of USD 1.390.9 million as compared to USD 1,873.3 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	SST 2022	SST 2023
Excess of assets over liabilities - Swiss CO annual report (*)	1,568.5	1,390.9
Investment fair value adjustments	111.8	153.7
Technical provision adjustments	88.0	328.7
Excess of assets over liabilities - SST market-consistent balance	**1,768.30**	**1,873.3**
Intangible Assets	-1.9	-4.8
SST Risk Bearing Capital	**1,766.4**	**1,868.5**

(*) Based on MS Reinsurance's Swiss CO financial statements for 2021 and 2022

For further details regarding valuation discrepancies please refer to section 6.2.3.

Capital composition

MS Reinsurance ensures 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 Reinsurance benefits from being able to draw on a substantial capital base from a secure and supportive shareholder. 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 Reinsurance'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 utilize one or both 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.

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

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

7. Solvency

7.1 The development of the SST ratio

The Company's SST 2023 capital ratio described in this report is 204%, which compares favorably with the minimum FINMA SST solvency requirement of 100%, and it is well within our defined SST capitalization range of 180 – 220%. The SST one-year risk capital is USD 854.9 million, the MVM is USD 127.2 million, and the SST RBC is USD 1,868.5 million.

The table below shows how the SST 2023 capital ratio has developed since the last published SST 2022. The increase of the SST capital ratio to 204% was driven by an increase in the RBC of USD 102.1 million, a decrease in the target capital of USD 74.6 million due to a decrease in one-year risk capital of USD 37.8 million, and a decrease in MVM of USD 36.8 million.

Solvency and capital position (USD millions)			
	2022	2023	Change
One-Year Risk Capital	**892.7**	**854.9**	**-37.8**
Market Value Margin	**164.0**	**127.2**	**-36.8**
Target Capital	**1,056.7**	**982.1**	**-74.6**
Risk Bearing Capital	**1,766.4**	**1,868.5**	**102.1**
SST Capital Ratio (RBC-MVM)/One-year risk capital	**180%**	**204%**	**24ppt**

The increase in the RBC during 2022 reflects the significant increase in risk free interest rates reducing the discounted value of reserves, partially offset by an increase in reserves due to general business growth and a consideration for inflation as well as loss on investments. The decrease in target capital is due to a significant increase in the expected insurance result also due to the increase in interest rates alongside general business growth and improved market conditions. The increase in interest rates also reduces the MVM. The reduction in the target capital is partially offset by an increase in insurance risk due to underlying business growth and an update to the reserve risk parametrization.

With the increase of the SST capital ratio, the Company's capital position remains strong and within its target range. No dividends will be paid from the 2022 financial results.

7.2 Target capital developments

7.2.1 Summary of the main changes in the target capital since SST 2022

The table below shows the overall result of the SST quantitative model, combining all the components discussed in previous sections. Please note that SST 2023 is filed with FINMA in April 2023 simultaneously to this document.

Solvency and capital position (USD millions)	2022	2023	Change
Insurance Risk (standalone)	892.3	1093.5	201.2
Reserving Risk (standalone)	625.4	827.8	202.3
Premium Risk (standalone)	510.7	533.2	22.5
RI Credit & ILS Risk (standalone)	68.5	64.8	-3.7
Market Risk (standalone)	268.4	166.5	-101.9
Credit Risk (standalone)	137.6	174.7	37.1
Diversification	-304.2	-288.9	15.3
Expected Insurance Result	-84.8	-293.9	-209.0
Expected Investment Result (above risk free)	-40.0	-21.4	18.7
Impact of Scenarios	23.5	24.4	0.8
One-Year Risk Capital	892.7	854.9	-37.8
Market Value Margin	164.0	127.2	-36.8
SST Target Capital	1,056.7	982.1	-74.6
SST Risk Bearing Capital	1,766.4	1,848.5	102.1
SST Capital Ratio (RBC - MVM) / One-year risk capital	180%	204%	24ppt

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

The SST target capital reduces in the SST 2023 due to reductions in the one-year risk capital of USD 37.8 million as well as in the MVM of USD 36.8 million, respectively.

MS Reinsurance's risk profile and risk capital remain dominated by insurance risk. Reserve risk grew by USD 202.3 million, reflecting increased reserve volumes following growth in long-tail lines as well as an inclusion of an inflation estimate in the best estimate reserves at year-end 2022. Furthermore, the one-year reserve risk recognition factors were adjusted with the SST 2023 parametrization. As it was last year, reserve risk is the largest risk component.

Premium risk increased by USD 22.5 million only as growth in risk, due to business growth across all divisions and a reduction in natural catastrophe retrocession, was offset by a continued reduction in natural catastrophe risk appetite, the discontinuation of business ceded from MS Amlin Underwriting Limited (AUL) to MS Reinsurance, and improvements in the market environment.

Market risk reduced by USD 101.9 million by adjusting the risk profile within the portfolio by strongly reducing the net equity exposure and slightly increasing duration for the portfolio.

Credit risk (excluding RI credit risk) increased by USD 37.1 million due to a slight deterioration of average rating quality of the asset allocation.

The expected insurance result increases by USD 209 million due to significant market hardening, particularly in property classes, a strong increase in discount rates in 2022, and a reduction in retroceded business. The increase is partially offset by higher operating expenses, reflecting the continued investment in strengthening people, infrastructure, and systems, with the underlying growth in business volume. Investment income is assumed to reduce, mainly due to a reduction in projected equity income.

The MVM reduced by USD 74.6 million due to increases in interest rates and an adjustment in the way it is calculated. This was partially offset by an increase in reserve risk, as explained above.

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

7.2.2 Insurance risk profile and changes in risk capital

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 severity, or catastrophe losses from large natural or other events such as earthquake, hurricane, or terrorism threats. MS Reinsurance 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 as well as the capacity determined by the available capital base and outwards reinsurance arrangements.

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

- Stochastic Modelling. The Company utilizes 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 (RDSs). 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 into account 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 2023, MS Reinsurance quantified its premium risk as USD 533.2 million versus USD 510.7 million for the SST 2022 on a stand-alone basis. Premium risk increased by USD 22.5 million with growth in risk due to business growth across all divisions except natural catastrophes. The increase is partially offset by the non-continuation of group internal cessions in 2023. A reduction of ceded natural catastrophe risk had a reducing impact on premium risk as well.

Natural catastrophe risk remains a material driver of premium risk, despite having reduced since last year. The largest natural catastrophe exposure for MS Reinsurance remains the US/Caribbean hurricane scenario with a USD 211.8 million standalone TVaR in the SST 2023. European windstorm and North America earthquake TVaRs are the next most important contributors.

Natural Catastrophe Risk			
Annualized unexpected loss, 99% TVaR in USD millions (net of outwards Reinsurance recoveries)	2022	2023	Change
US / Caribbean Hurricane	327.2	211.8	-115.4
Europe Windstorm	209.1	178.5	-30.6
North America Earthquake	178.4	142.9	-35.5

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 Reinsurance adopts a neutral approach to reserving risk (accepting risk with caution as a by-product of pursuing the desired business strategy), which is an unavoidable consequence of underwriting a portfolio of business where claims may develop after the policy period has elapsed.

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 Reinsurance 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.

MS Reinsurance'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 parameterization to ensure that the results from the internal model appropriately reflect MS Reinsurance's risk profile.

Risk concentration and changes over the year

As of 1 January 2023, MS Reinsurance quantified its reserving risk as USD 827.8 million on a stand-alone SST basis.

Overall reserve volumes have grown during 2022, reflecting a growing volume of long-tail business and the inclusion of a specific inflation consideration in the best estimate reserves at year-end 2022. Furthermore, the one-year recognition of reserve risk was updated in the SST 2023 parametrization.

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 program – responds to large loss developments from prior years;
- a risk tolerance requiring reserves to be in excess of a minimum quantile on the overall reserve distribution; and
- robust claims handling policy and process for setting case reserves.

Reinsurance counterparty risk

Reinsurance purchase exposes the business to losses on recoveries either from 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 Reinsurance 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 2023, MS Reinsurance quantified its reinsurance credit risk as USD 64.8 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 3.7 million reflects the non-renewal of the Company's share in an ILS fund and a reduction of credit risk passed through via internal cessions that were not renewed. This was partially offset by a refinement in the modelling of this risk component.

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 collateralized reinsurance where the reinsurer ratings do not meet internal minimum standards.

7.2.3 Market risk profile and changes in risk capital

The basis of the MS Reinsurance market risk calculation is the SST Standard Market Risk model. As of 1 January 2023, MS Reinsurance quantified its market risk as USD 166.5 million on a stand-alone basis versus USD 268.4 million for SST 2022.

The results of the market risk model are presented below:

Standalone TVaR in USD million			
Risk Factor	2022	2023	Change
Market Risk (all Risk Factors)	268.4	166.5	-101.9
All interest Rates	115.8	91.8	-24.0
Spreads	111.7	51.7	-60.0
Foreign Exchange	87.0	72.0	-15.0
Equities	80.2	50.4	-29.8
Hedge Funds	9.9	18.5	8.6
Real Estate	89.8	86.3	-3.5
Other	18.5	15.5	-3.0

Market risk decreased by USD 101.9 million, driven by a notable decrease in spread risk, which decreased from USD 111.7 million to USD 51.7 million (decrease of USD 59.9 million) and a decrease of equity risk, which decreased from USD 80.2 million to USD 50.4 million (decrease of USD 59.9 million). In addition, a decrease of equity risk from USD 80.2 million to USD 50.4 million (decrease of USD 29.8 million) is observed.

Reasons are:

- the total volume of floating rate securities has been reduced, decreasing spread risk;
- asset duration has been increased to align closer to liability duration; and
- the equity hedge level has been increased to reduce real assets exposure.

Assessment, monitoring, and mitigation techniques

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

- investment policy and strategic asset allocation, which aims to maximize long-term investment returns in relation to an agreed risk budget;
- asset duration management: interest rate risk is managed relative to liabilities;
- 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 utilized 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.

7.2.4 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 2023, MS Reinsurance quantified its credit risk (from investments) as USD 158.0 million on a stand-alone SST basis versus USD 133.5 million for the SST 2022 (increase of USD 24.5million). The increase is due to a slight deterioration of average rating quality in the asset allocation.

The table below shows the credit risk exposure by issuer credit rating. As of 31 December 2022, 99 percent of MS Reinsurance debt securities were investment grade with 40 percent rated AAA (SST22: 43 percent).

	As of December 31	% of total
	Rating	
Investments by rating of issuer	**A and higher**	**69%**
	BBB and lower	**30%**
	Unrated	**1%**
	Total	**100%**

7.2.5 Diversification

The diversification assumptions and approach have remained unchanged since the SST 2022, and the overall diversification benefit remains at a similar level as last year.

7.2.6 Expected insurance result and investment income

The expected insurance result increased by USD 209 million due to positive market momentum improving the overall profitability expectation on business written, strong increases in yield curves over 2022, and a reduction in retroceded business. This has been slightly offset by a planned increase 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 reduced by USD 18.7 million with a notable reduction in assumed profit from equity investments.

7.2.7 Impact of scenarios

The impact of scenarios has increased by USD 0.8 million compared to the SST 2022. This reflects a growth of the financial distress scenario, driven by a higher impact assumed on the insurance portfolio in the event of this scenario, partially offset by a reduced market risk impact. The pandemic and the inflation scenario reduce, compared to last year, with the reduction of the latter driven by increased interest rates.

7.2.8 Market value margin

The MVM reduced by USD 36.8 million compared to 2022. This was driven by an increase in interest rates and an adjustment to the methodology of calculating the MVM, partially offset by the increase in reserve risk.

7.3 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 2022.

7.3.1 Liquidity risk

The strength and liquidity of the balance sheet is fundamental to the Company's value proposition as a reinsurer of choice, providing the ability to respond quickly to claims, particularly in the event of large catastrophic losses such as hurricanes or earthquakes. Consequently, MS Reinsurance 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 Reinsurance's liquidity risk is monitored monthly. Assets are stressed by applying Basel III regulatory haircuts to total assets under management to determine the 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, as follows.

- 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 Reinsurance'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 maximizing 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.

7.3.2 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 financial reports. MS Reinsurance does not generate any returns on this risk and, as such, has a risk-averse attitude to operational risk and 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 materializes);
- 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 program to prepare for various emergency situations; and
- insurance coverage purchased to cover property damage, liability, cyber risk, etc.

The Company is actively investing in significant upgrades to infrastructure and a 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 joined the Company to strengthen underwriting and operational capabilities.

7.3.3 Strategic risk

Risk definition and appetite

Strategic risk is defined as the risk of failing to meet the company's strategic goals and business plans due to poor decision making and execution of the strategy and business plan. MS Reinsurance 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 analyzed, 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 Reinsurance 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 CEO and CRO.

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. 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”.

7.4 Information about risk-bearing capital

7.4.1 Breakdown of the RBC into its key components

Market consistent value in the FCR template of total assets amount to USD 7,114.2 million and total liabilities amount to USD 5,240.9 million as of 31 December 2022, resulting in a difference between market-consistent assets and market-consistent liabilities of USD 1,873.3 million, further reduced by USD 4.8 million intangible assets to arrive at an RBC of USD 1,868.5 million. For further details please refer to Appendix 1.
The comparison of the RBC between 2021 and 2022 is shown in Appendix 1. The increase in the RBC during 2022 is driven by an increase in risk free interest rates, partially offset by an increase in reserves due to general business growth and a consideration for inflation as well as loss on investments.

7.5 Material risk exposures

7.5.1 Exposure to material off balance sheet positions

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

8. Appendices

8.1 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	2,198.8	2,292.7	0.0	0.0	18.3	26.8	158.2	127.2	68.3	44.1	1,246.1	1,105.3	449.7	539.5	258.3	449.8
2	Reinsurers' share of gross premiums	(490.1)	(267.8)	0.0	0.0	(0.6)	(0.9)	(3.7)	(2.9)	0.0	(4.8)	(408.2)	(161.6)	(64.2)	(86.1)	(13.5)	(11.5)
3	**Premiums for own account (1 + 2)**	**1,708.7**	**2,024.9**	0.0	**0.0**	**17.7**	**26.0**	154.5	**124.3**	68.3	**39.3**	838.0	**943.6**	385.5	**453.4**	244.8	**438.2**
4	Change in unearned premium reserves	(489.1)	(259.2)	0.0	0.0	(4.1)	(2.5)	(35.2)	30.5	(15.2)	8.5	(277.2)	(80.1)	(100.0)	(92.0)	(57.4)	(123.6)
5	Reinsurers' share of change in unearned premium reserves	199.5	(49.2)	0.0	0.0	0.0	0.8	0.1	(1.0)	0.0	1.2	174.6	(69.7)	16.1	12.4	8.8	7.2
6	**Premiums earned for own account (3 + 4 + 5)**	**1,419.2**	**1,716.5**	0.0	**0.0**	**13.6**	**24.2**	119.4	**153.9**	53.1	**49.0**	735.4	**793.9**	301.6	**373.8**	196.2	**321.8**
7	Other income from insurance business	0.6	0.4	0.0	0.0	0.0	0.0	0.3	0.2	0.0	0.0	0.3	0.2	0.0	0.0	0.0	0.0
8	**Total income from underwriting business (6 + 7)**	**1,419.8**	**1,716.9**	0.0	**0.0**	**13.6**	**24.2**	119.7	**154.1**	53.1	**49.0**	735.7	**794.0**	301.6	**373.9**	196.2	**321.8**
9	Payments for insurance claims (gross)	(992.8)	(1,087.0)	0.0	0.0	(12.0)	(13.4)	(176.1)	(142.0)	(39.1)	(81.8)	(555.1)	(593.7)	(147.2)	(215.6)	(63.2)	(40.5)
10	Reinsurers' share of payments for insurance claims	81.6	122.7	0.0	0.0	0.0	0.0	3.0	2.5	0.0	0.0	69.9	108.2	8.7	12.0	0.0	0.0
11	Change in technical provisions	(574.6)	(331.9)	0.0	0.0	0.9	(8.2)	(51.8)	(12.4)	(2.7)	35.3	(361.7)	(136.6)	(148.0)	(86.1)	(11.3)	(123.9)
12	Reinsurers' share of change in technical provisions	195.5	63.1	0.0	0.0	0.1	0.0	10.4	1.9	(0.8)	2.9	144.9	15.3	39.7	41.7	1.3	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)**	**(1,290.2)**	**(1,233.1)**	0.0	**0.0**	**(11.0)**	**(21.6)**	(214.5)	**(150.0)**	(42.6)	**(43.6)**	(702.0)	**(606.8)**	(246.8)	**(248.0)**	(73.3)	**(163.1)**
15	Acquisition and administration expenses	(466.9)	(587.0)	0.0	0.0	(3.3)	(3.7)	(44.3)	(41.7)	(15.8)	(8.2)	(218.3)	(255.2)	(102.8)	(154.7)	(82.3)	(123.5)
16	Reinsurers' share of acquisition and administration expenses	33.3	36.9	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.1	19.0	20.1	13.9	15.3	0.5	1.4
17	**Acquisition and administration expenses for own account (15 + 16)**	**(433.6)**	**(550.1)**	0.0	**0.0**	(3.3)	**(3.7)**	(44.3)	**(41.7)**	(15.8)	**(8.1)**	(199.4)	**(235.1)**	(88.9)	**(139.4)**	(81.9)	**(122.1)**
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)**	**(1,723.8)**	**(1,783.2)**	0.0	**0.0**	**(14.3)**	**(25.3)**	(258.9)	**(191.7)**	(58.4)	**(51.7)**	(901.4)	**(841.9)**	(335.7)	**(387.5)**	(155.2)	**(285.2)**
20	Investment income	247.5	262.9														
21	Investment expenses	(199.9)	(360.1)														
22	**Net investment income (20 + 21)**	**47.5**	**(97.2)**														
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	(3.9)	(3.5)														
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**(260.4)**	**(167.0)**														
27	Interest expenses for interest-bearing liabilities	0.0	0.0														
28	Other income	0.3	0.1														
29	Other expenses	(11.7)	(6.2)														
30	Extraordinary income/expenses	0.0	0.0														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**(271.8)**	**(173.1)**														
32	Direct taxes	(1.1)	(4.4)														
33	**Profit / loss (31 + 32)**	**(272.8)**	**(177.6)**														

8.1 Appendix 1 cont.

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

Currency: USD
Amounts stated in millions

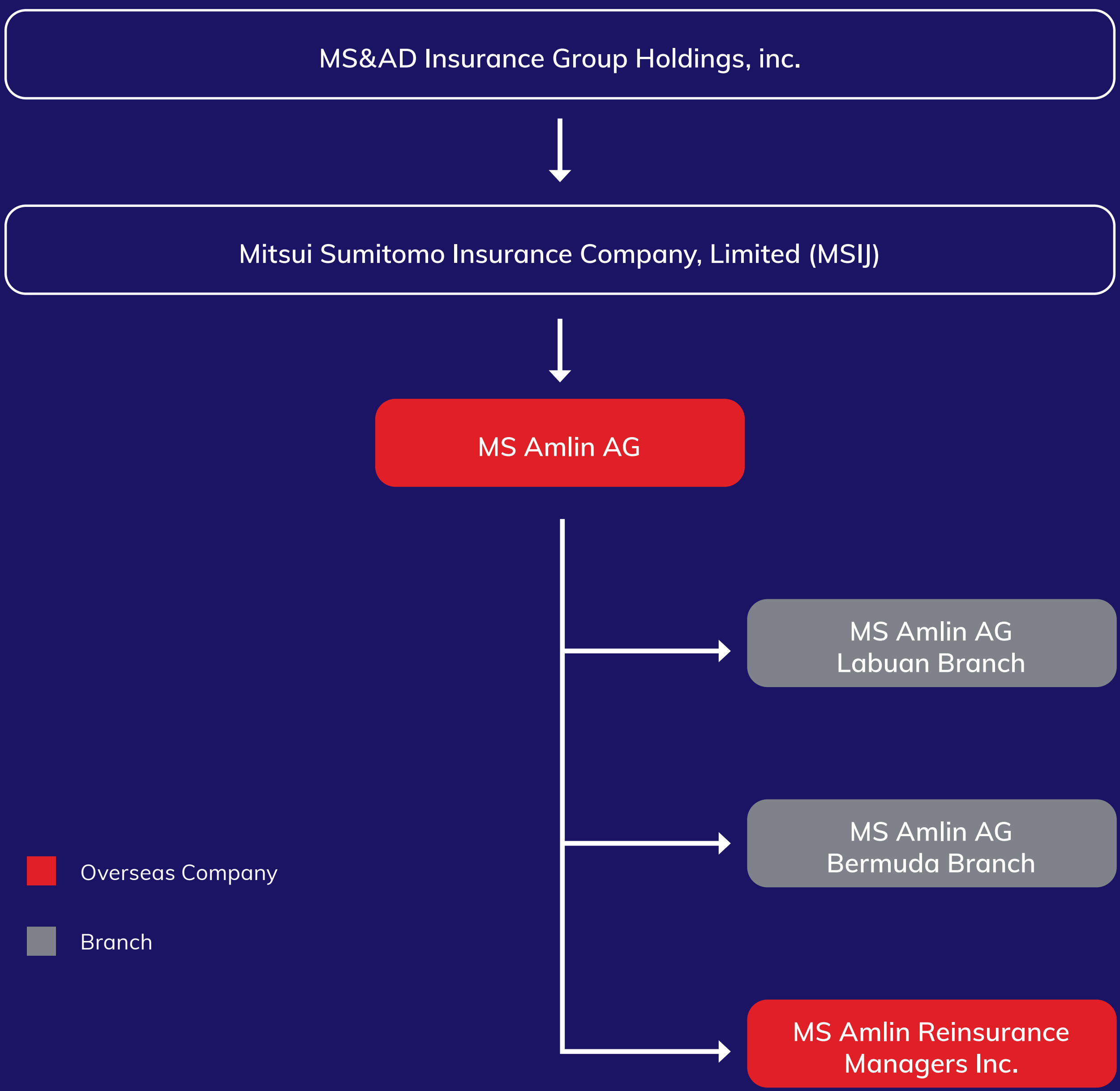
		31.12.2021	Adjustments previous period	31.12.2022
Market-consistent value of investments	Real estate	0.0		0.0
	Shareholdings	1.5		1.5
	Fixed-income securities	537.5		556.9
	Loans	0.0		0.0
	Mortgages	0.0		0.0
	Equities	12.9		11.8
	Other investments	**3,451.6**	0.0	**3,379.1**
	Collective investment schemes	3,451.6		3,379.1
	Alternative investments	0.0		0.0
	Structured products	0.0		0.0
	Other investments	0.0		0.0
	Total investments	**4,003.5**	0.0	**3,949.3**
Market-consistent value of other assets	Financial investments from unit-linked life insurance	0.0		0.0
	Receivables from derivative financial instruments	0.3		3.2
	Deposits made under assumed reinsurance contracts	97.5		94.9
	Cash and cash equivalents	269.3		367.0
	Reinsurers' share of best estimate of provisions for insurance liabilities	**537.3**		**516.0**
	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	537.3		516.0
	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	7.9		6.6
	Deferred acquisition costs	429.6		493.0
	Intangible assets	1.9		4.8
	Receivables from insurance business	1,385.5		1,636.0
	Other receivables	32.1		37.2
	Other assets	0.0		0.0
	Unpaid share capital	0.0		0.0
	Accrued assets	30.1		6.0
	Total other assets	**2,791.4**	0.0	**3,164.9**
Total market-consistent value of assets	Total market-consistent value of assets	**6,795.1**	0.0	**7,114.2**
BEL: Best estimate of liabilities (including unit linked life insurance)	**Best estimate of provisions for insurance liabilities**	**-4,569.2**	**0.0**	**-4,774.0**
	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	-4,569.2		-4,774.0
	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	-19.3		-26.9
	Interest-bearing liabilities	0.0		0.0
	Liabilities from derivative financial instruments	-6.7		-1.6
	Deposits retained on ceded reinsurance	0.0		0.0
	Liabilities from insurance business	-411.7		-418.4
	Other liabilities	-19.8		-20.0
	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	**-5,026.7**	0.0	**-5,240.9**
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**1,768.4**	0.0	**1,873.3**

8.1 Appendix 1 cont.

Financial situation report: quantitative template "Solvency Solo"				Currency: USD Amounts stated in millions
		31.12.2021	Adjustments previous period	31.12.2022
		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	1,768.4		1,873.3
	Deductions	-		- 4.8
	Core capital	**1,768.4**		**1,868.5**
	Supplementary capital	-		-
	RBC	**1,768.4**		**1,868.5**
		31.12.2021	Adjustments previous period	31.12.2022
		in USD millions		in USD millions
Derivation of target capital	Underwriting risk	892.3		1,093.5
	Market risk	268.4		166.5
	Diversification effects	-304.2		-288.9
	Credit risk	137.6		174.7
	Risk margin and other effects on target	62.6		-163.7
	Target capital	**1,056.7**		**982.1**
		31.12.2021	Adjustments previous period	31.12.2022
		in %	in %	in %
	SST ratio	180%		204%

8.2 Appendix 2

MS Amlin Company Structure Chart as at 2 January 2023



8.3 Appendix 3

Annual Report MS Reinsurance (MS Amlin AG)

2022

Management report

MS Amlin AG (the Company or MS Reinsurance) is a Switzerland-domiciled, global reinsurer whose parent is Mitsui Sumitomo Insurance Company, Limited (MSI), a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. (MS&AD). Both MSI and MS&AD are domiciled in Japan.

In 2022, MS Amlin AG was rebranded and is now trading as "MS Reinsurance, an MS Amlin AG company" without impacting its legal name or operational structure.

MS Reinsurance has a global underwriting strategy prioritizing long-term client portfolios serving a variety of reinsurance clients facilitated across four underwriting offices:

1. Zurich, Switzerland. Operating from the company's headquarters, this platform predominately writes EMEA (Europe, Middle East, and Africa) business across all lines.

2. Hamilton, Bermuda. This platform primarily focuses on property, casualty, financial, and specialty lines in both the USA and international markets.

3. United States. The Miami and New York offices of the Company's subsidiary MS Amlin Reinsurance Managers, Inc ("MS ARMI"), which was acquired from MS Amlin Underwriting Limited in 2021, write business on behalf of MS Amlin AG, Zurich, based on binding authorities. Miami is focused on Latin American property, credit and surety, and accident and health business, while the team in New York is primarily focused on USA motor and general liability business.

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

Business Development and Financial Condition

Gross written premium continued to increase during 2022. This growth was seen in segments where market conditions were unexpectedly favorable and in areas that successfully employed the strategic approach for diversification and increased profitability, notably in financial and agricultural lines. This more than offset reductions in US casualty, catastrophe (all regions), and intercompany fronting and quota share arrangements. Net of reinsurance and on an earned basis, net premium levels increased approximately 19% relative to the prior year, reflecting the earned impact of the shift towards longer-tail business within the portfolio, which has occurred in recent years.

The 2022 underwriting result improved significantly relative to the prior year. However, the ongoing conflict in Ukraine impacted both the political violence portfolio and intercompany quota share agreements. Further, the inclusion of a specific inflation consideration in the best estimate reserves at year-end 2022 impacted the result. While there was significant catastrophe activity during 2022, notably Hurricane Ian and the Australian floods, the reduction of catastrophe business, in-line with strategic goals, and at a faster pace than the plan anticipated, resulted in an impact that was in-line with the catastrophe budget and undersized relative to peers.

Equity and fixed income exposures have detracted from investment returns, but it is noted that the underweight duration stance has protected the portfolio from more significant losses.

The overall result for the Company for the year 2022 is a loss of USD 177.6 million.

Number of Full-time Positions on an Annual Average

The Company employed a worldwide staff at an average of 188 full time equivalents (2021: 148).

Future Prospects and Vision

As evidenced by the recent brand repositioning from MS Amlin AG to MS Reinsurance, the Company has developed a new strategic direction. This new direction includes a complete transformation of the Company's core values and vision, an overhaul of the operating platform, and a new underwriting strategy built on a four-pronged value proposition:

Deep client understanding

We know our clients, understand their needs, and will work to provide effective solutions.

Ease of business

We have an efficient platform and empowered underwriters with demonstrated expertise enabling fast, reliable decision-making.

Competitive pricing

We understand the market and aim to offer fair risk transfer solutions with respect to market conditions.

Portfolio management

We write diversified and well-rewarded business risks commensurate to the capacity of our balance sheet.

This new strategic direction will allow MS Reinsurance to exploit its full business potential, support the aspirations of clients and valued partners, and attract and develop top talent. A part of this change is a comprehensive transformation program that has taken every aspect of the business into consideration. Several of the first transformation workstreams have already been completed, and most of the internal transformation is expected to be completed by the end of 2023.

As evidenced by recent business renewals, the new value proposition is working, and clients are reacting positively to this new approach. The strategy, in combination with a positive market environment, resulted in an improved profitability of the book during the latest renewals.

A crucial component of the Company's strategy remains the close relationship with its shareholder, MSI. MSI is fully committed to the strategy, which allows flexible execution of the Company's plans. MSI strongly supports MS Reinsurance's corporate development journey.

MS Reinsurance is committed to developing a dynamic and inspiring culture that engages existing employees and attracts new, top-tier talent. Significant progress has been made and can be measured in two ways: (1) the quality of the workforce, and (2) feedback from an annual employee engagement survey. Both measures demonstrate positive progress on the most important elements of success: MS Reinsurance's corporate values and culture.

Risk Management

Risk strategy

MS Reinsurance aligns Risk Management to the business strategy and to capital management with the objective to achieve long-term sustainable outcomes for the shareholder. This approach allows the business to optimize its return on risk subject to the limitations over acceptable risk taking.

The Risk Strategy, approved by the Supervisory Board in 2022, includes a comprehensive risk framework (governance, roles and responsibilities, and risk management process) as well as Risk Appetite, Risk Tolerance, and Risk Limits, which are updated annually as part of the strategy and plan discussions. The risks our organization is facing are assessed and where possible quantified in our Internal Model. The Risk Strategy also sets the expected risk behaviors and culture within which Risk Management should be performed.

The Supervisory Board is the ultimate 'Risk Owner' and delegates the management of the Company to the Executive Board, including the management of risks on a day-to-day basis. The Company operates the three lines of defense model, which defines the risk responsibilities of the risk-taking functions and of the assurance functions: business functions, Risk and Compliance, Internal Audit.

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 mitigating actions together with the first line of defense. It also undertakes periodic reviews of any part of the risk landscape as deemed necessary. The Compliance Function ensures that the Company operates with integrity and adheres to applicable laws, regulations, standards, and internal policies. Internal Audit provides independent assurance that the risk management framework and processes are adequately working within the first and second lines of defense.

MS Reinsurance groups its risks into categories that are owned by respective Executive Board members: Insurance Risk, Market Risk, Credit Risk, Liquidity Risk, Operational Risk, Strategic Risk, Emerging Risks.

The Company promotes an environment of open communication, unbiased views, and effective challenge in respect of risk. Risk behaviors form part of how we assess the performance of our key risk takers throughout the year.

Internal Control Framework

The Internal Control Framework forms an integral part of the company's risk management framework and is designed to:

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

The effectiveness of the Internal Control framework is assessed by the respective business functions on a quarterly basis as part of the Risk and Control Self-Assessment (RCSA) process, from a design and an operating perspective.

Risk assessment
Material risks highlighted in 2022 during the quarterly RCSA processes and the ongoing Risk Management activities are presented in the Own Risk and Solvency Assessment (ORSA) report. Appropriate actions have been identified to manage those risks and are being implemented.

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 Reinsurance. The Supervisory Board approved, as part of the Risk Strategy and Capital Management Policy, a target solvency position and minimum liquidity ratio below which management actions are required.

The Company calculates 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 available SST capital to support risk taking activities has increased in 2022 predominately due to rising interest rates. The overall solvency position remains strong with an SST ratio in excess of 200%. No dividends will be paid for 2022.

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 we maintain a strong solvency and liquidity position.

Processes and organization
Risk management processes for identifying, measuring, controlling, and reporting on risks are embedded in the day-to-day operations of all functions within MS Reinsurance. The Risk Strategy sets out the specific roles and responsibilities across the three lines of defense for the risk management processes and assurance activities. It also includes details of items that must be escalated, along with the escalation process.

Quarterly assurance reporting to the Audit and Risk Committee and Supervisory Board supports the Supervisory Board in fulfilling their risk oversight responsibilities by providing them with a timely view on changes in the MS Reinsurance 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 to the
General Meeting on the

Financial Statements 2022

KPMG AG
Zurich, 25 April 2023

KPMG AG
Badenerstrasse 172
PO Box
CH-8036 Zurich

+41 58 249 31 31
kpmg.ch

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

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

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

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

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of 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, 25. April 2023

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

Financial Statements of MS Reinsurance (MS Amlin AG)

2022

Kirchenweg 5
8008 Zürich
Switzerland

Income statement

USD	Note	2022	2021
Gross premium written		2'292'696'373	2'198'825'878
Premiums ceded to reinsurers		(267'824'242)	(490'090'275)
Net premiums written		**2'024'872'131**	**1'708'735'603**
Change in unearned premium reserves - gross		(259'163'193)	(489'063'364)
Change in reinsurers' share of unearned premium reserves		(49'166'971)	199'540'980
Net premiums earned		**1'716'541'967**	**1'419'213'219**
Other insurance income		403'834	618'214
Total technical income		**1'716'945'800**	**1'419'831'433**
Gross claims and claim expenses paid		(1'086'986'401)	(992'820'350)
Reinsurers' share of claims and claim expenses		122'675'806	81'643'075
Change in technical provisions - gross	6	(331'930'282)	(574'558'246)
Change in reinsurers' share of technical provisions	6	63'099'410	195'540'630
Net claims and claim expenses incurred		**(1'233'141'469)**	**(1'290'194'891)**
Acquisition costs - gross		(477'986'689)	(377'101'848)
Administrative expenses - gross		(108'982'472)	(89'823'067)
Acquisition costs and administrative expenses - gross		(586'969'161)	(466'924'915)
Reinsurers' share of acquisition costs		36'862'558	33'298'447
Net acquisition costs and administrative expenses		**(550'106'603)**	**(433'626'468)**
Total technical expenses		**(1'783'248'072)**	**(1'723'821'359)**
Income from investments	11	262'876'435	247'494'239
Expenses from investments	12	(360'104'473)	(199'948'188)
Net income from investments		**(97'228'038)**	**47'546'051**
Other financial expenses		(3'468'982)	(3'928'541)
Operating income		**(166'999'292)**	**(260'372'416)**
Other income		111'284	335'549
Other expenses		(6'246'160)	(11'713'596)
Profit before direct taxes		**(173'134'168)**	**(271'750'463)**
Direct taxes		(4'438'934)	(1'096'855)
LOSS		**(177'573'102)**	**(272'847'318)**

Balance sheet

Assets

USD	Note	31/12/2022	31/12/2021
Investments		3'795'582'938	3'891'849'254
Participations		1'512'614	1'512'614
Fixed-interest securities		556'867'469	537'491'196
Shares		11'485'304	12'948'149
Other investments	2	3'225'717'551	3'339'897'296
Receivables from derivative financial instruments		3'235'405	259'281
Deposits on reinsurance business		94'894'032	97'541'153
Cash and cash equivalents		367'011'045	269'258'224
Reinsurers' share of technical provisions	5	550'028'620	542'376'135
Property and equipment		6'634'120	7'948'000
Deferred acquisition costs		493'045'171	429'551'417
Intangible assets		4'804'436	1'929'362
Reinsurance receivables	3 / 8	1'636'030'272	1'385'512'097
Other receivables	8	37'192'641	32'074'119
Prepaid expenses and accrued income		6'030'905	30'099'166
TOTAL ASSETS		**6'994'489'587**	**6'688'398'207**

Liabilities and equity

USD	Note	31/12/2022	31/12/2021
Technical provisions	5	5'103'163'043	4'634'536'431
Non-technical provisions		60'451'347	47'200'311
Liabilities from derivative financial instruments		1'580'876	6'727'858
Reinsurance payables	4 / 9	418'380'481	411'674'408
Other liabilities	9	20'009'598	19'781'676
TOTAL LIABILITIES		**5'603'585'346**	**5'119'920'685**
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		(141'021'366)	36'551'915
Merger reserve		180'256'440	180'256'440
Profit brought forward		(143'704'524)	129'142'793
Profit/(Loss)		(177'573'282)	(272'847'318)
Total equity	7	**1'390'904'241**	**1'568'477'522**
TOTAL LIABILITIES AND EQUITY		**6'994'489'587**	**6'688'398'207**

Cash Flow Statement*
in USD

	2022	2021
Loss for the year	(177'573'102)	(272'847'318)
Net (purchases)/sales of property, plant and equipment and intangible assets (incl. depreciation)	(1'561'195)	(2'765'150)
Net (purchases)/sales of investments (incl. realised gains/losses)	96'266'317	(191'783'951)
Net (purchases)/sales of derivatives (incl. realised gains/losses)	(8'123'106)	(2'184'168)
Decrease/(increase) in deposits on reinsurance business	2'647'120	(9'788'309)
(Increase)/decrease in reinsurance contract assets	(7'652'485)	(393'669'977)
(Increase)/decrease in deferred acquisition cost	(63'493'755)	(128'433'271)
(Increase)/decrease in insurance receivables	(250'518'354)	(314'425'250)
(Increase)/decrease other receivables and other payables	(4'890'600)	7'806'947
Increase/(decrease) in outstanding claims	230'266'602	492'504'611
Increase/(decrease) in unearned premium	238'360'011	461'291'204
Increase/(decrease) in creditors arising from insurance operations	6'706'073	175'740'777
Increase/(decrease) in non-technical provision	13'251'036	34'378'043
(Increase)/decrease prepaid expenses and accrued income	24'068'261	(3'142'198)
Cash flow from operating activities	97'752'822	(147'318'009)
Net (purchases)/sales of participations	0 -	1'512'614
Cash flow from investing activities	0 -	1'512'614
Cash flow from financing activities	-	-
Cash flow for the financial year	97'752'822	(148'830'624)
Cash on 1 January	269'258'224	418'088'847
Cash on 31 December	367'011'045	269'258'224
Change in cash	97'752'822	(148'830'624)

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

Notes to the Financial Statements

1. General

MS Reinsurance is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited (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 relevant insurance supervisory law, including FINMA Insurance Supervision Guidance (ISO-FINMA).

Change in accounting policy

There are no changes in accounting policies in the period under report.

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 100% holding of ARMI (MS Amlin Reinsurance Managers, Inc, a company incorporated and registered in New Jersey, 820 Bear Tavern Road, West Trenton, NJ 08628) which was acquired on 30 June 2021. The participation book value of USD 1.5 million represents the acquisition costs, 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 recognized in the income statement.

Realized FX arising from foreign exchange transactions are recognized in the income statement.

The translation from functional currency (EUR) to presentational currency of USD gave rise to a FX translation gain of USD 6.6 million. The revaluation to the functional currencies led to a FX loss of USD 0.9 million. The combined unrealized FX gain of USD 5.6 million increased the existing FX provision to USD 33.5 million (Balance Sheet: Liability account "Non-technical provisions").

The realized FX loss of USD 6.2 million for the financial year is recognized in the income statement.

Pursuant to Art. 958d, paragraph 3, CO, figures must also be presented in CHF and the year-end CHF/USD exchange rate of 0.9245 (2021: 0.9122) is applied for converting the USD numbers to CHF. Shareholders' equity is translated with historical CHF/USD exchange rate: 0.9678.

Presentation of numbers

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

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 recognized 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.

Participations are 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 represents 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 capitalized development costs for software for internal use, are measured at cost less straight-line amortization 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 recognized 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 and 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 amortized 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.

2. Other investments

USD	31/12/2022	31/12/2021
Participations in pooled investment funds - Property	233’367’408	280’430’380
Participations in pooled investment funds - Equity	510’771’979	612’708’536
Participations in pooled investment funds - Bonds	1’561’879’126	1’767’099’463
Participations in pooled investment funds - Money Market	585’298’447	390’324’598
Participations in pooled investment funds - Hedge Fund	71’574’157	37’973’400
Private equity of which participations (holding < 20%)	-	-
Short-term investments in pooled investment funds	262’826’434	251’360’919
Total	**3’225’717’551**	**3’339’897’296**

3. Reinsurance receivables

USD	31/12/2022	31/12/2021
Receivables from agents and brokers	1’538’404’592	1’209’373’725
Receivables from insurance companies	97’625’681	176’138’372
Total	**1’636’030’272**	**1’385’512’097**

4. Reinsurance payables

USD	31/12/2022	31/12/2021
Liabilities to agents and brokers	378’666’147	362’845’619
Liabilities to insurance companies	39’714’334	48’828’789
Total	**418’380’482**	**411’674’408**

5. Technical provisions

	Technical provisions (gross)		Reinsurers' share		Technical provisions (net)	
USD	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Unearned premium reserve	1'836'474'397	1'598'114'386	175'601'957	224'911'726	1'660'872'440	1'373'202'660
Loss reserves *	3'266'688'647	3'036'422'045	374'426'662	317'464'408	2'892'261'984	2'718'957'637
Total Technical provisions	**5'103'163'044**	**4'634'536'431**	**550'028'620**	**542'376'135**	**4'553'134'424**	**4'092'160'296**

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

6. Change in technical provisions

USD	2022	2021
Change in technical provisions - Outstanding claims	30'211'443	160'795'467
Change in technical provisions - IBNR	301'718'839	413'762'779
Change in technical provisions - gross	**331'930'282**	**574'558'246**
Change in reinsurers' share of technical provisions - Outstanding claims	(25'042'336)	559'091
Change in reinsurers' share of technical provisions - IBNR	(38'057'074)	(196'099'721)
Change in reinsurers' share of technical provisions	**(63'099'410)**	**(195'540'630)**

7. Statement of changes in equity

USD	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Total equity
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**
Loss for the period				(177'573'101)	(177'573'101)
Dividend payments					-
As of 31 Dec 2022	**10'333'001**	**1'516'426'106**	**5'166'500**	**(141'021'185)**	**1'390'904'421**

8. Receivables from third parties and affiliated companies

USD	Third party	Affiliated companies	31/12/2022 Total
Receivables from reinsurance business	1'554'184'453	81'845'820	1'636'030'272
Other receivables	35'310'280	1'882'361	37'192'641
Total	**1'589'494'733**	**83'728'181**	**1'673'222'914**

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**

9. Payables to third parties and affiliated companies

USD	Third party	Affiliated companies	31/12/2022 Total
Payables from reinsurance business	370'874'960	47'505'521	418'380'481
Other liabilities	11'061'751	8'947'847	20'009'598
Total	**381'936'711**	**56'453'369**	**438'390'079**

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**

10. Audit fees

USD	2022	2021
Audit services	713,439	649,537
Other services	112,148	54,813
Total	**825,587**	**772,144**

11. Income from investments

	Income		Net unrealized gains		Net realized gains		Total	
USD	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	12,911,097	7,469,483	-	-	-	533,221	12,911,097	8,002,705
Shares	-	-	-	-	-	-	-	-
Other investments	18,742,092	39,989,494	944,861	105,748,015	230,278,385	93,754,025	249,965,338	239,491,534
Total	**31,653,189**	**47,458,977**	**944,861**	**105,748,015**	**230,278,385**	**94,287,246**	**262,876,435**	**247,494,239**

12. Expenses from investments

	Expenses		Net unrealized losses		Net realized losses		Total	
USD	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	3,832,213	1,259,838	14,904,540	2,669,679	16,737,303	3,160,540	35,474,056	7,090,056
Shares	-	-	(58,556)	58,556	-	-	(58,556)	58,556
Other investments	1,031,163	2,141,520	107,103,446	33,908,234	216,554,362	156,749,821	324,688,972	192,799,575
Total	**4,863,376**	**3,401,358**	**121,949,431**	**36,636,469**	**233,291,665**	**159,910,361**	**360,104,473**	**199,948,188**

13. Personnel expenses

Personnel expenses for fiscal year 2022 amount to USD 50.5 million (2021 USD 41.7 million) and are included in the line-item administrative expenses.

14. Contingent liabilities

The Company has no contingent liabilities at 31 December 2022 (31 December 2021: nil). There were no capital commitments or authorized but uncontracted commitments at the end of the financial year.

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

USD	31/12/2022	31/12/2021
Property and equipment	518’699	681’039
Intangible assets	-	1’074
Total	**518’698**	**682’113**

16. Restricted assets

At 31 December 2022, 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 Reinsurance has three LOC facilities of USD 650.0 million (2021: USD 650.0 million), USD 230.0 million (2021: USD 210.0 million) and NZD 75.0 million (2021: NZD 75.0 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 230.0 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 2022, USD 733.0 million of LOC were issued (2021: USD 697.6 million). The total value of restricted assets as at 31 December 2022 was USD 819.7 million (2021: USD 788.9 million).

Revolving credit facility

MS Reinsurance has access to an uncommitted revolving credit facility agreement with SMBC Bank of USD 150 million (2021: USD 150 million) credit limit. As at 31 December 2022 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 2022 included in other receivables is USD 41.0 million (2021: USD 19.9 million) margins and collateral pledged in relation to listed future margins.

Funds withheld as premium/claim deposits

At 31 December 2022, the Company had placed funds totaling net to USD 31.2 million (2021: USD 28 million) as premium deposits and USD 63.7 million (2021: USD 69.5 million) as claim deposits. These funds are held by external brokers or cedents. In addition, a further USD 164.7 million (2021: USD 137.1 million) has been placed into pledge accounts to collateralize against losses due to reinsurance cedents.

Trust Funds

At 31 December 2022, cash and cash equivalents with a fair value of USD 372.6 million (2021: USD 243.3 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	31/12/2022	31/12/2021
Later than 1 year and no later than 5 years	4'399'724	5'149'148
Later than 5 years	70'474	-
Total operating lease commitments	**4'470'198**	**5'149'148**

The operating leases are mainly related to the office rental in the different locations, as at December 31, 2022.

18. Liabilities to pension schemes

There is no pension fund liability at December 31, 2022 (2021: nil).

19. Full-time equivalents

The annual average number of full-time equivalents for the reporting year with 188, as well as for the previous year 148, did not exceed 250.

20. Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

21. Shareholders' equity (reserves from capital contributions)

On 31 December 2022, USD 1,516.4 million are shown as "reserves from capital contributions" (31 December 2021: USD 1,516.4 million). The total reserves from capital contributions include USD 144.7 million (2021: USD 144.7 million) of "capital reserves" as agreed with FINMA during the application process.

22. Hidden reserves

In 2022, the Company did not release, nor does it hold, any hidden reserves.

Proposal for the appropriation of distributable earnings

USD	31/12/2022	31/12/2021
Profit/(loss) carried forward	36'551'916	309'399'233
Profit/(loss)	(177'573'102)	(272'847'318)
Merger reserve	-	-
Loss carried forward	**(141'021'185)**	**36'551'915**
Proposal of the Board of Directors:		
Loss carried forward	(141'021'185)	36'551'915
Dividend payments	-	-
Amount carried forward	**(141'021'185)**	**36'551'915**

Income statement

CHF	Note	2022	2021
Gross premium written		2’119’597’797	2’005’768’966
Premiums ceded to reinsurers		(247’603’512)	(447’060’349)
Net premiums written		**1’871’994’285**	**1’558’708’617**
Change in unearned premium reserves - gross		(239’596’372)	(446’123’601)
Change in reinsurers' share of unearned premium reserves		(45’454’865)	182’021’282
Net premiums earned		**1’586’943’048**	**1’294’606’298**
Other insurance income		373’344	563’935
Total technical income		**1’587’316’393**	**1’295’170’233**
Gross claims and claim expenses paid		(1’004’918’928)	(905’650’723)
Reinsurers' share of claims and claim expenses		113’413’782	74’474’813
Change in technical provisions - gross	6	(306’869’546)	(524’112’032)
Change in reinsurers' share of technical provisions	6	58’335’404	178’372’162
Net claims and claim expenses incurred		**(1’140’039’288)**	**(1’176’915’780)**
Acquisition costs - gross		(441’898’694)	(343’992’306)
Administrative expenses - gross		(100’754’295)	(81’936’602)
Acquisition costs and administrative expenses - gross		(542’652’989)	(425’928’907)
Reinsurers' share of acquisition costs		34’079’435	30’374’843
Net acquisition costs and administrative expenses		**(508’573’555)**	**(395’554’064)**
Total technical expenses		**(1’648’612’843)**	**(1’572’469’844)**
Income from investments	11	243’029’264	225’764’245
Expenses from investments	12	(332’916’585)	(182’392’737)
Net income from investments		**(89’887’321)**	**43’371’508**
Other financial expenses		(3’207’074)	(3’583’615)
Operating income		**(154’390’845)**	**(237’511’718)**
Other income		102’882	306’088
Other expenses		(5’774’575)	(10’685’142)
Profit before direct taxes		**(160’062’538)**	**(247’890’772)**
Direct taxes		(4’103’794)	(1’000’551)
PROFIT / (LOSS)		**(164’166’332)**	**(248’891’323)**

Balance sheet

Assets

CHF	Note	31/12/2022	31/12/2021
Investments		3'509'016'427	3'550'144'890
Participations		1'398'412	1'379'806
Fixed-interest securities		514'823'975	490'299'469
Shares		10'618'163	11'811'301
Other investments	2	2'982'175'876	3'046'654'314
Receivables from derivative financial instruments		2'991'132	236'516
Deposits on reinsurance business		87'729'533	88'977'039
Cash and cash equivalents		339'301'712	245'617'352
Reinsurers' share of technical provisions	5	508'501'459	494'755'510
Property and equipment		6'133'244	7'250'166
Deferred acquisition costs		455'820'261	391'836'802
Intangible assets		4'441'701	1'759'964
Reinsurance receivables	3 / 8	1'512'509'987	1'263'864'135
Other receivables	8	34'384'597	29'258'012
Prepaid expenses and accrued income		5'575'572	27'456'459
TOTAL ASSETS		**6'466'405'623**	**6'101'156'845**

Liabilities and equity

CHF	Note	31/12/2022	31/12/2021
Technical provisions	5	4'717'874'234	4'227'624'133
Non-technical provisions		55'887'271	43'056'124
Liabilities from derivative financial instruments		1'461'519	6'137'152
Reinsurance payables	4 / 9	386'792'755	375'529'395
Other liabilities	9	18'498'873	18'044'845
TOTAL LIABILITIES		**5'180'514'652**	**4'670'391'649**
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		(112'858'262)	51'308'237
Merger reserve		174'447'343	174'447'343
Profit brought forward		(123'139'106)	125'752'217
Profit/(Loss)		(164'166'499)	(248'891'323)
Conversion difference		(83'807'243)	(103'099'517)
Total equity	7	**1'285'890'971**	**1'430'765'196**
TOTAL LIABILITIES AND EQUITY		**6'466'405'623**	**6'101'156'845**

Cash Flow Statement

in CHF

	2022	2021
Profit / (Loss) for the year	(164'166'332)	(248'891'323)
Net (purchases)/sales of property, plant and equipment and intangible assets (incl. depreciation)	(1'443'325)	(2'522'370)
Net (purchases)/sales of investments (incl. realised gains/losses)	88'998'210	(174'945'320)
Net (purchases)/sales of derivatives (incl. realised gains/losses)	(7'509'812)	(1'992'398)
Decrease/(increase) in deposits on reinsurance business	2'447'263	(8'928'896)
(Increase)/decrease in reinsurance contract assets	(7'074'723)	(359'105'753)
(Increase)/decrease in deferred acquisition cost	(58'699'976)	(117'156'830)
(Increase)/decrease in insurance receivables	(231'604'218)	(286'818'713)
(Increase)/decrease other receivables and other payables	(4'521'360)	7'121'497
Increase/(decrease) in outstanding claims	212'881'473	449'262'706
Increase/(decrease) in unearned premium	220'363'830	420'789'837
Increase/(decrease) in creditors arising from insurance operations	6'199'765	160'310'737
Increase/(decrease) in non-technical provision	12'250'583	31'359'651
(Increase)/decrease prepaid expenses and accrued income	22'251'107	(2'866'313)
Cash flow from operating activities	90'372'484	(134'383'488)
Net (purchases)/sales of participations	0 -	1'379'806
Cash flow from investing activities	0 -	1'379'806
Cash flow from financing activities	-	-
Cash flow for the financial year	90'372'484	(135'763'294)
Cash on 1 January	245'617'352	369'966'820
Exchange rate difference on cash and cash equivalents	11'413'826	11'413'826
Cash on 31 December	339'301'712	268'877'959
Change in cash	90'372'484	(135'763'294)

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

Notes to the Financial Statements

1. General

MS Reinsurance is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited (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 relevant insurance supervisory law, including FINMA Insurance Supervision Guidance (ISO-FINMA).

Change in accounting policy

There are no changes in accounting policies in the period under report.

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 100% holding of ARMI (MS Amlin Reinsurance Managers, Inc, a company incorporated and registered in New Jersey, 820 Bear Tavern Road, West Trenton, NJ 08628) which was acquired on 30 June 2021. The participation book value of USD 1.5 million (CHF 1.4 million) represents the acquisition costs, 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 recognized in the income statement.

Realized FX arising from foreign exchange transactions are recognized in the income statement.

The translation from functional currency (EUR) to presentational currency of USD gave rise to a FX translation gain of USD 6.6 million (CHF 6.1 million). The revaluation to the functional currencies led to a FX loss of USD 0.9 million (CHF 0.8 million). The combined unrealized FX gain of USD 5.6 million (CHF 5.2 million) increased the existing FX provision to USD 33.5 million (CHF 31.0 million) (Balance Sheet: Liability account "Non-technical provisions").

The realized FX loss of USD 6.2 million (CHF 5.7 million) for the financial year is recognized in the income statement.

Pursuant to Art. 958d, paragraph 3, CO, figures must also be presented in CHF and the year-end CHF/USD exchange rate of 0.9245 (2021: 0.9122) is applied for converting the USD numbers to CHF. Shareholders' equity is translated with historical CHF/USD exchange rate: 0.9678.

Presentation of numbers

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

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 recognized 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.

Participations are 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 represents 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 capitalized development costs for software for internal use, are measured at cost less straight-line amortization 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 recognized 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 and 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 amortized 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.

2. Other investments

CHF	31/12/2022	31/12/2021
Participations in pooled investment funds - Property	215’748’169	255’808’593
Participations in pooled investment funds - Equity	472’208’695	558’912’727
Participations in pooled investment funds - Bonds	1’443’957’252	1’611’948’131
Participations in pooled investment funds - Money Market	541’108’414	356’054’099
Participations in pooled investment funds - Hedge Fund	66’170’308	34’639’335
Private equity of which participations (holding < 20%)	-	-
Short-term investments in pooled investment funds	242’983’039	229’291’430
Total	**2’982’175’876**	**3’046’654’313**

3. Reinsurance receivables

CHF	31/12/2022	31/12/2021
Receivables from agents and brokers	1’422’255’045	1’103’190’712
Receivables from insurance companies	90’254’942	160’673’423
Total	**1’512’509’987**	**1’263’864’135**

4. Reinsurance payables

CHF	31/12/2022	31/12/2021
Liabilities to agents and brokers	350’076’853	330’987’773
Liabilities to insurance companies	36’715’902	44’541’621
Total	**386’792’755**	**375’529’395**

5. Technical provisions

CHF	Technical provisions (gross)		Reinsurers' share		Technical provisions (net)	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Unearned premium reserve	1’697’820’579	1’457’799’943	162’344’009	205’164’476	1’535’476’570	1’252’635’466
Loss reserves *	3’020’053’654	2’769’824’189	346’157’449	289’591’033	2’673’896’205	2’480’233’157
Total Technical provisions	**4’717’874’234**	**4’227’624’133**	**508’501’459**	**494’755’510**	**4’209’372’775**	**3’732’868’622**

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

6. Change in technical provisions

CHF	2022	2021
Change in technical provisions - Outstanding claims	27’930’479	146’677’625
Change in technical provisions - IBNR	278’939’067	377’434’407
Change in technical provisions - gross	**306’869’546**	**524’112’032**
Change in reinsurers' share of technical provisions - Outstanding claims	(23’151’640)	510’003
Change in reinsurers' share of technical provisions - IBNR	(35’183’765)	(178’882’165)
Change in reinsurers' share of technical provisions	**(58’335’404)**	**(178’372’162)**

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 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				0	-	0
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**
Conversion difference *					19’292’274	19’292’274
Loss for the period				(164’166’332)	-	(164’166’332)
Dividend payments				-	-	-
Conversion difference					-	-
As of 31 Dec 2022	**10’000’001**	**1’467’556’476**	**5’000’000**	**- 112’858’096**	**(83’807’244)**	**1’285’891’138**

8. Receivables from third parties and affiliated companies

CHF	Third party	Affiliated companies	31/12/2022 Total
Receivables from reinsurance business	1’436’843’527	75’666’460	1’512’509’987
Other receivables	32’644’354	1’740’243	34’384’597
Total	**1’469’487’880**	**77’406’703**	**1’546’894’583**

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**

9. Payables to third parties and affiliated companies

CHF	Third party	Affiliated companies	31/12/2022 Total
Payables from reinsurance business	342’873’900	43’918’855	386’792’755
Other liabilities	10’226’588	8’272’285	18’498’873
Total	**353’100’489**	**52’191’140**	**405’291’628**

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**

10. Audit fees

CHF	2022	2021
Audit services	659,574	592,508
Other services	103,681	50,000
Total	**763,255**	**642,508**

11. Income from investments

	Income		Net unrealized gains		Net realized gains		Total	
CHF	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	11,936,310	6,813,663	-	-	-	486,405	11,936,310	7,300,067
Shares	-	-	-	-	-	-	-	-
Other investments	17,327,064	36,478,416	873,524	96,463,339	212,892,367	85,522,422	231,092,955	218,464,177
Total	**29,263,373**	**43,292,079**	**873,524**	**96,463,339**	**212,892,367**	**86,008,826**	**243,029,264**	**225,764,245**

12. Expenses from investments

	Expenses		Net unrealized losses		Net realized losses		Total	
CHF	2022	2021	2022	2021	2022	2021	2022	2021
Fixed-interest securities	3,542,881	1,149,224	13,779,247	2,435,281	15,473,637	2,883,044	32,795,765	6,467,549
Shares	-	-	(54,135)	53,415	-	-	(54,135)	53,415
Other investments	953,311	1,953,495	99,017,136	30,931,091	200,204,508	142,987,187	300,174,955	175,871,773
Total	**4,496,191**	**3,102,719**	**112,742,249**	**33,419,786**	**215,678,145**	**145,870,231**	**332,916,585**	**182,392,737**

13. Personnel expenses

Personnel expenses for fiscal year 2022 amount to CHF 46.7 million (2021 CHF 38.0 million) and are included in the line-item administrative expenses.

14. Contingent liabilities

The Company has no contingent liabilities at 31 December 2022 (31 December 2021: nil). There were no capital commitments or authorized but uncontracted commitments at the end of the financial year.

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

CHF	31/12/2022	31/12/2021
Property and equipment	479'537	621'244
Intangible assets	-	980
Total	**479'537**	**622'223**

16. Restricted assets

At 31 December 2022, 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 Reinsurance has three LOC facilities of CHF 600.9 million (2021: CHF 592.9 million), CHF 212.6 million (2021: CHF 191.6 million) and CHF 46.8 million(2021: CHF 46.8million). 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 230.0 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 2022, CHF 677.7 million of LOC were issued (2021: CHF 636.4 million). The total value of restricted assets as at 31 December 2022 was CHF 757.8 million (2021: CHF 719.6 million).

Revolving credit facility
MS Reinsurance has access to an uncommitted revolving credit facility agreement with SMBC Bank of CHF 138.7 million (2021: CHF 136.8 million) credit limit. As at 31 December 2022 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 2022 included in other receivables is CHF 37.9 million (2021: CHF 18.2 million) margins and collateral pledged in relation to listed future margins.

Funds withheld as premium/claim deposits
At 31 December 2022, the Company had placed funds totaling net to CHF 28.8 million (2021: CHF 25.5 million) as premium deposits and CHF 58.9 million (2021: CHF 63.4 million) as claim deposits. These funds are held by external brokers or cedents. In addition, a further CHF 152.3 million (2021: CHF 125.1 million) has been placed into pledge accounts to collateralize against losses due to reinsurance cedents.

Trust Funds
At 31 December 2022, cash and cash equivalents with a fair value of CHF 344.5 million (2021: CHF 221.9 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	31/12/2022	31/12/2021
Later than 1 year and no later than 5 years	4’067’545	4’697’053
Later than 5 years	65’153	-
Total operating lease commitments	**4’132’698**	**4’697’053**

The operating leases are mainly related to the office rental in the different locations, as at December 31, 2022.

18. Liabilities to pension schemes

There is no pension fund liability at December 31, 2022 (2021: nil).

19. Full-time equivalents

The annual average number of full-time equivalents for the reporting year with 188, as well as for the previous year 148, did not exceed 250.

20. Significant events after the balance sheet date

No significant events occurred after the balance sheet date.

21. Shareholders’ equity (reserves from capital contributions)

On 31 December 2022, CHF 1,467.6 million are shown as “reserves from capital contributions” (31 December 2021: CHF 1,467.6 million). The total reserves from capital contributions include CHF 140.0 million (2021: CHF 140.0 million) of “capital reserves” as agreed with FINMA during the application process.

22. Hidden reserves

In 2022, the Company did not release, nor does it hold, any hidden reserves.

Proposal for the appropriation of distributable earnings

CHF	31/12/2022	31/12/2021
Profit/(loss) carried forward	51’308’237	300’199’560
Profit/(loss)	(164’166’332)	(248’891’323)
Merger reserve	-	-
Loss carried forward	**(112’858’095)**	**51’308’237**
Proposal of the Board of Directors:		
Distributable earnings	(112’858’095)	51’308’237
Dividend payments	-	-
Amount carried forward	**(112’858’095)**	**51’308’237**

MS Amlin AG
Kirchenweg 5
8008 Zurich
Switzerland

+41 (0)44 389 4000
msreinsurance.com

MS Reinsurance