

To the General Meeting of
The 21st Century Toa Reinsurance Company Limited, Zurich

Zurich, 23 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of The 21st Century Toa Reinsurance Company Limited, which comprise the balance sheet, income statement, cashflow statement and notes, for the year ended 31 December 2020.



Board of Directors' responsibility

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



Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

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

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

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

Ernst & Young Ltd



Armin Imoberdorf
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Daniel Nikoltchev
(Qualified
Signature)

ACCA (UK)

Enclosures

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

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

Financial Reporting per 31.12.2020

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THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

1. Balance sheet as of December 31, (in Swiss Francs)

	Notes	2020	2019
Assets			
Investments	1	360,975,997	260,830,962
Fixed-income securities		273,432,053	260,830,962
Funds		87,543,944	0
Receivables from derivative financial instruments		0	300,511
Deposits on reinsurance business	17	9,095,356	765,079
Cash and cash equivalents	2	179,236,669	155,399,283
Fixed assets	3	215,778	195,951
Reinsurer's share in technical reserves	6	4,990,580	1,394,591
Provision for unearned premiums		559,758	467,043
Claims outstanding & IBNR		4,430,822	927,548
Deferred acquisition costs		17,042,917	11,942,595
Receivables from insurance business	4	48,945,853	32,396,822
Receivables from outward business	4	457,512	0
Other Receivables	5	4,457,154	4,604,588
Other Assets		4,967,414	12,078,764
Reinstatement premium reserve		3,340,253	9,703,640
Accrued interest income		948,109	2,153,369
Prepayments		679,052	221,755
Total assets		630,385,231	479,909,145
Liabilities			
Technical provisions	6	218,973,516	208,033,493
Provision for unearned premiums		68,853,711	46,373,462
Claims outstanding & IBNR		150,119,806	161,660,031
Non-technical provisions		2,811,135	451,038
Provisions for taxation	7	1,577,137	451,038
Provisions for unrealised gains		1,233,998	0
Liabilities from derivative financial instruments	8	836,057	1,364,242
Payables to insurance business	9	5,171,607	9,671,580
Payables from outward business		2,153,953	1,422,752
Deferred acquisition costs		104,981	102,810
Reinstatement premium reserve		11,035	0
Other liabilities		1,127,745	2,738,749
Other payables		625,882	446,665
Accrued expenses		501,863	2,292,083
Total liabilities		231,190,029	223,784,663
Shareholders' equity	10		
Share capital		243,000,000	243,000,000
Legal capital reserves		152,000,000	2,000,000
Organisation Fund		2,000,000	2,000,000
Reserves from capital contribution		150,000,000	0
Legal retained earnings		38,650,228	38,650,228
Voluntary retained earnings		-34,455,026	-27,525,746
Result carried forward		-27,525,746	15,507,141
Result for the period		-6,929,280	-43,032,887
Total shareholders' equity		399,195,202	256,124,482
Total liabilities and shareholders' equity		630,385,231	479,909,145

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

2. Income statement for the year ended December 31, (in Swiss Francs)

	Notes	2020	2019
Gross premiums written		141,997,742	110,331,930
Outward premiums		-7,635,802	-2,833,822
Net premiums written		134,361,940	107,498,107
Gross change in unearned premium		-23,936,436	-27,046,087
Outward change in unearned premium		30,096	467,043
Net premiums earned		110,455,599	80,919,064
Total income from insurance business		110,455,599	80,919,064
Gross claims paid		-98,092,571	-61,113,329
Outward claims paid		-141,169	94,926
Gross change in technical provisions	11	8,813,941	-50,193,673
Gross change in claims reserves		8,813,941	-63,566,056
Change in AURR		0	396,688
Change in the equalization provision		0	12,975,695
Outward change in technical provisions	11	3,446,988	928,944
Outward change in claims reserves		3,446,988	928,944
Net claims incurred		-85,972,811	-110,283,131
Acquisition costs		-21,264,094	-13,333,173
Administrative expenses		-2,993,198	-2,788,789
Personnel expenses	12	-2,567,837	-4,620,403
Net acquisition cost and administrative expenses		-26,825,129	-20,742,365
Total depreciation		-98,607	-108,027
Other technical expenses		-302,261	-86,942
Other expenses from insurance business		-302,261	-86,942
Total expenses from insurance business		-113,198,809	-131,220,466
Investment income	13	5,108,346	8,747,353
Income from derivative financial instruments		3,709,705	3,866,913
Other investment income		1,398,640	4,880,440
Investment expenses	14	-8,127,833	-1,361,404
Expenses from derivative financial instruments		-5,593,565	-1,468,114
Other investment expenses		-2,534,268	106,710
Net investment result		-3,019,488	7,385,950
Exchange gains and losses		-47,180	-3,116,996
Gain on acquisition		0	3,088,741
Other financial expenses		-47,180	-28,255
Operating result		-5,809,877	-42,943,708
Result before taxes		-5,809,877	-42,943,708
Direct taxes		-1,119,403	-89,179
Result after taxes		-6,929,280	-43,032,887

**The TOA 21st Century
Reinsurance Company Ltd.**

CASH FLOW STATEMENT

	31/12/2020	31/12/2019
CASH FLOW FROM OPERATING ACTIVITIES		
NET INCOME	-6,929,280	-43,032,887
ADJUSTMENTS FOR	300,511	-254,918
Unrealized gain provision	300,511	-254,918
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES	-19,388,810	49,597,278
Unearned premium reserve (retrocession)	-92,715	-467,043
Claims outstanding (retrocession)	-3,503,274	-927,548
Reinsurance premium receivables	-24,879,309	-13,930,902
Other technical reserves	6,374,422	-9,703,640
Receivables from outward business	-457,512	0
Other receivables	147,433	-33,883
Accrued interest	1,205,260	-733,017
Deferred policy acquisition costs	-5,098,152	-6,322,102
Prepayments	-457,296	-201,795
Unearned premium reserve	22,480,248	26,873,430
Claims outstanding	-11,540,226	49,613,094
Local taxes payable	1,126,099	337,972
Reinsurance losses payable	-3,768,772	1,926,339
Other payables	-348,968	1,478,263
Accrued liabilities	-1,790,220	1,827,965
Fixed assets	-19,827	-139,856
Unrealized gain provision	1,233,998.38	0
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	-26,017,579	6,309,472
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of fixed maturities	16,149,120	76,555,998
Purchases of fixed maturities available-for-sale	-28,750,211	-40,255,414
Purchases of funds	-87,543,944	0
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	-100,145,035	36,300,584
CASH FLOW FROM FINANCING ACTIVITIES		
Capital contribution	150,000,000	0
Dividends to shareholder	0	0
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	150,000,000	0
CHANGE IN CASH AND CASH EQUIVALENTS	23,837,385	42,610,056
Cash and cash equivalents at beginning of period	155,399,283	112,789,227
CASH AND CASH EQUIVALENTS AT END OF PERIOD	179,236,669	155,399,283

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

4. Notes

(in Swiss Francs)

The Toa 21st Century Reinsurance Company Ltd. (hereinafter "TTFC") was incorporated on 23 January 2002 in Chur and moved to Zurich on 23 January 2017. Since 27 November 2019 the registered office is at Kreuzplatz 16, CH – 8008 Zurich.

General

These financial statements were prepared according to the provisions on commercial accounting of the Swiss Code of Obligations (Art.957-963b, applicable as of 1 January 2015), as well as according to the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies, applicable as of 15 December 2015.

Due to rounding errors, there may be difference of CHF 1.

Key accounting and valuation principles

The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.

Foreign currency items and translation for presentation purposes

The currency in which TTFC operates is CHF (functional currency). Transactions in other currencies are converted into the functional currency at the exchange rate on the date the transaction takes place.

Monetary assets and liabilities in other currencies are converted into the functional currency at the exchange rate as of the balance sheet date. Foreign exchange gains arising from the revaluation of the opening balance sheet as well as from the adjustments from application of balance sheet date rates are deferred and booked under provision for currency fluctuation. Foreign exchange losses are directly recognised in the income statement.

Non-monetary assets and liabilities are converted to the functional currency at the historical foreign exchange rate at the time of the original transaction. In case the foreign exchange rate as of the balance sheet date is lower than the historical foreign exchange rate, a foreign exchange loss is recorded in the income statement.

Fixed-income securities

Comprise out of bonds and evaluated at lower of amortized cost or market value.

Funds

Funds are evaluated at market value.

Technical reserves

The technical reserves of TTFC are calculated in line with the TTFC's reserving policy.

Deferred commissions

The revised reserving policy of TTFC explicitly states that the deferred commissions will be shown as an asset on the balance sheet.

The deferred commissions shown in the balance sheet as at December 31, 2020 and 2019 are related only to non-life business.

1 Investments

	2020	2019
Government Bonds	22,960,267	20,943,798
Corporate Bonds	250,471,787	239,887,164
	<u>273,432,053</u>	<u>260,830,962</u>
Bond credit rating (Moody's, if available, otherwise S&P)	2020	2019
Bonds, rating AAA	80,525,680	82,529,580
Bonds, rating AA	53,037,793	53,032,745
Bonds, rating A	58,851,681	60,380,628
Bonds, rating BBB	45,811,812	40,010,921
Bonds, unrated	35,205,087	24,877,087
	<u>273,432,053</u>	<u>260,830,962</u>
Swisscanto fund	57,453,691	0
UBS fund	30,090,253	0
	<u>87,543,944</u>	<u>0</u>

2 Cash and cash equivalents

	2020	2019
Cash and cash equivalents held in CHF	104,120,836	60,719,745
Cash and cash equivalents held in JPY	3,096,849	70,293,513
Cash and cash equivalents held in EUR	32,446,195	10,013,458
Cash and cash equivalents held in GBP	32,325,332	11,239,232
Cash and cash equivalents held in other currencies	7,247,456	3,133,335
	<u>179,236,669</u>	<u>155,399,283</u>

3 Fixed assets

With the activation of TTFC in 2018, the company has its own office and therefore fixed assets. The fixed assets of the company consist of furniture, hardware and software. Furniture is depreciated at a rate of 25% and hardware and software at a rate of 40%. The fixed assets will be depreciated down to a value of zero.

4 Receivables from insurance business

	2020	2019
Due from insurance business	48,945,853	32,396,822
from related parties	7,407,367	11,380,663
from third parties	41,538,486	21,016,159
Due from outward business	457,512	0
from related parties	0	0
from third parties	457,512	0

5 Other Receivables

	2020	2019
State tax	4,116,178	4,116,178
Withholding tax	269,083	421,535
Rental deposit	66,875	66,875
Reimbursed costs from related parties	5,019	0
	4,457,154	4,604,588

There is an overpayment of the 2017 and 2018 state taxes. A prepayment for 2017 taxes was paid in 2017 for the sum of both state and federal tax. An additional payment to settle the invoiced federal tax was made in 2018, leading to an overpayment for state tax being booked at the Zurich tax office for tax year 2017.

In 2018, a prepayment was paid for tax year 2018 based on the prior year's results. Due to the fact that TTFC had a loss in 2018, and therefore no income tax would be due, an overpayment for state tax was booked at the Zurich tax office for tax year 2018.

In 2018 the rental deposit for the office premises was held under Cash and Cash Equivalents. The rental deposit for the new office premises has been presented in 2019 as a receivable.

6 Technical provisions

	Gross technical reserves		Reinsurers share of Technical reserves		Net technical reserves	
	2020	2019	2020	2019	2020	2019
Unearned premiums	68,853,711	46,373,462	-559,758	-467,043	68,293,952	45,906,419
Outstanding claims reserves	79,222,531	70,186,659	-2,057,410	-42,034	77,165,121	70,144,625
IBNR reserves	70,554,333	91,381,850	-2,373,412	-885,513	68,180,921	90,496,337
Unallocated loss adjustment expenses reserve	342,942	91,522	0	0	342,942	91,522
Total	218,973,517	208,033,493	-4,990,580	-1,394,591	213,982,936	206,638,902

7 Provisions for taxation

	2020	2019
State tax	1,541,357	429,756
VAT	35,779	21,281
	1,577,137	451,038

8 Liabilities from derivative financial instruments

	Nominal value	Market value at 31.12
Provision for unrealised losses FX Forward contract		
open date 17.12.2020	CHF -51,412,560	CHF -51,438,408
expiry 19.01.2021	JPY 6,000,000,000	CHF 51,376,245
		-62,163
open date 08.07.2020	EUR -37,100,000	CHF -40,134,541
expiry 11.01.2021	CHF 39,351,970	CHF 39,363,782
		-770,758
open date 09.11.2020	EUR -700,000	CHF -757,255
expiry 11.01.2021	CHF 753,893	CHF 754,119
		-3,135
		-836,057

9 Payables to insurance business

	2020	2019
Due to insurance companies	5,171,607	9,671,580
to related parties	5,515,028	9,652,764
to third parties	-343,421	18,816
Due to outward business	2,153,953	1,422,752
to related parties	0	0
to third parties	2,153,953	1,422,752

10 Statement of changes in Equity

	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Shareholders' equity
Balance 01.01.2019	243,000,000	2,000,000	38,650,228	15,507,141	299,157,369
Approp. of prior period result			0	0	0
Dividend payment				0	0
Result for the period				-43,032,887	-43,032,887
Balance 31.12.2019	243,000,000	2,000,000	38,650,228	-27,525,746	256,124,482
Balance 01.01.2020	243,000,000	2,000,000	38,650,228	-27,525,746	256,124,482
Approp. of prior period result			0	0	0
Dividend payment				0	0
Capital injection		150,000,000			150,000,000
Result for the period				-6,929,280	-6,929,280
Balance 31.12.2020	243,000,000	152,000,000	38,650,228	-34,455,025	399,195,202

Information related to items on the income statement

11 Changes in technical provisions

	Gross technical provisions		Reinsurers share of technical provisions		Net technical provisions	
	2020	2019	2020	2019	2020	2019
Change in outstanding claims reserves	-11,197,705	-30,107,058	1,984,474	43,431	-9,213,231	-30,063,627
Change in IBNR reserves	20,267,700	-33,367,476	1,462,514	885,513	21,730,214	-32,481,962
Change in ULAE reserves	-256,054	-91,522	0	0	-256,054	-91,522
Change in AURR	0	396,688	0	0	0	396,688
Change in the equalization provision	0	12,975,695	0	0	0	12,975,695
Total	8,813,941	-50,193,673	3,446,988	928,944	12,260,929	-49,264,729

12 Personnel expenses

With the activation of TTFC in 2018, the company has its own employees. Personnel expenses consist of salaries and bonus paid to employees, as well as expenses for social insurances (AHV, UVG, KTG, BVG). Accruals for personnel expenses are included in the balance sheet under "Accrued expenses."

13 Investment income

	Earnings		Appreciation		Realized gains	
	2020	2019	2020	2019	2020	2019
Bonds	683,330	3,538,238	63,300	85,423	376,345	1,256,780
Forward contracts	0	0	0	0	3,709,705	3,866,913
Funds	275,666	0	0	0	0	0
Other interest	0	0	0	0	0	0
Total Investment income					5,108,346	8,747,353

14 Investment expenses

	Investment related costs		Depreciation		Realized losses	
	2020	2019	2020	2019	2020	2019
Bonds	-379,308	-441,544	-86,005	569,854	-18,870	-21,600
Forward contracts	0	0	0	0	-5,593,565	-1,468,114
Funds	0	0	-135,239	0	0	0
Other interest	-414,846	0	0	0	0	0
Other costs	-1,500,000	0	0	0	0	0
Total Investment expenses					-8,127,833	-1,361,404

15 Fees for audit services

	2020	2019
External Audit Fees	97,684	105,988
Internal Audit Fees	8,616	17,232
Total Fees for audit services	106,300	123,220

Other information

16 Liabilities to pension schemes

	2020	2019
Profond Vorsorgeeinrichtung	454	185
Total Liabilities to pension schemes	454	185

17 Deposits on reinsurance business

	2020	2019
Other collateral assignments	9,095,356	765,079
Total Deposits on reinsurance business	9,095,356	765,079

18 Full-time equivalents

The TTFC has an annual average of less than 50 full-time positions (previous year: less than 50 full-time positions).

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

5. Proposal of the Board of Directors' for the appropriation of available earnings (in Swiss Francs)

	2020	2019
Movements of retained earnings		
Result brought forward	-27,525,747	15,507,141
Profit / Loss for the business period	-6,929,280	-43,032,887
Available earnings	-34,455,026	-27,525,747
Allocation to general legal reserve	0	0
Dividend payment	0	0
Retained earnings to be carried forward	-34,455,026	-27,525,747