



# ANNUAL REPORT 2010

SI Re – Mutually yours  
Sustainable, agile, committed



© Armin Strittmatter, detail of «Ruhe in der Ferne»

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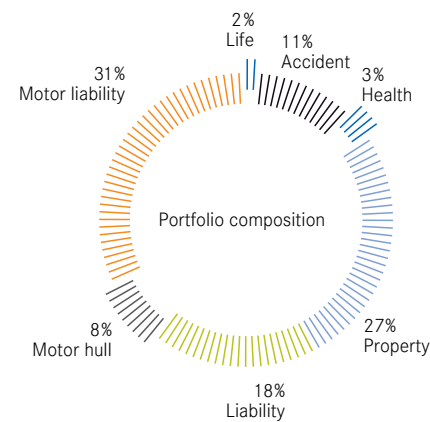
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# SI Re at a glance

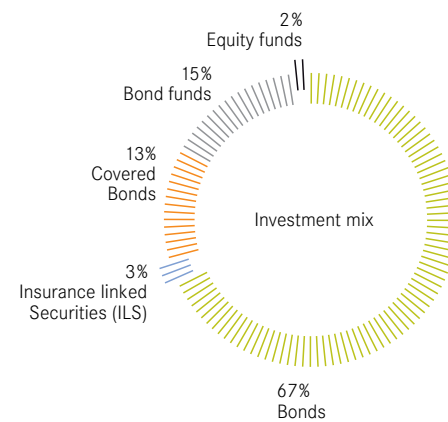
SIGNAL IDUNA Reinsurance Ltd (SI Re) is a Swiss reinsurer based in Zug, operational since 2004. We primarily serve mutual insurance companies and focus on selected European countries. Sustainability, agility and commitment are the building blocks of our franchise. We are strongly capitalized as evidenced by an «A-» financial strength rating from Fitch.

	2010 in mio. CHF	2009 in mio. CHF	Change in mio. CHF
Net premiums written	120.0	127.3	-7.3
Net premiums earned	118.5	126.6	-8.1
Technical result	7.8	0.9	6.9
Net investment income	9.0	12.1	-3.1
Result for the year	5.4	4.4	1.0
Net technical provisions	228.2	214.5	13.7
Investments	292.8	292.8	0
Shareholders' equity	110.0	108.8	1.2

PORTFOLIO COMPOSITION 2010  
based on gross premiums



INVESTMENTS 2010



## BOARD OF DIRECTORS

Dr. Klaus Sticker, Chairman  
 Ulrich Leitermann  
 Dr. Otto Bruderer  
 Armin L. Landtwing  
 Rainer Schönberg  
 Peter Schmid  
 Bertrand R. Wollner, Executive Member

## EXECUTIVE BOARD

Bertrand R. Wollner, Chief Executive Officer  
 Beat Landtwing, Chief Financial Officer

## SHAREHOLDERS

100% SIGNAL IDUNA Allgemeine Versicherung AG,  
 Dortmund

## RATING

Fitch: A- «Outlook stable»

## AUDITORS

PricewaterhouseCoopers AG, Zurich

The Annual Report is published in German, English and French. In the case of inconsistencies in the English and French translations, the German original version shall prevail.

## Report of the Board of Directors



Dr. Klaus Sticker



Bertrand R. Wollner

Dear Readers

In its seventh financial year, SI Re is happy to report that its business developed successfully. Our cautious, long-term strategy is bearing fruit. The circumstances continue to be demanding. After adjusting for currency effects, we increased our business volume and significantly reduced our incurred claims. SI Re's result rose by well over 20% compared to the prior year. For the second time in our relatively short history, we shall be paying out a dividend of CHF 4.2 million.

Accounting in Swiss francs led to considerable distortions for this reporting year. The value of the euro declined by a good 15% against the Swiss franc. Since SI Re earns over 90% of its premiums in euros, its devaluation has had a major impact. In the 2010 financial year, SI Re posted a premium volume of CHF 121 million, or 5.4% less than in the prior year. Expressed in euros, however, we grew our premiums by 4.9%, bringing the total to EUR 88.7 million.

We achieved this growth without compromising our disciplined underwriting policy, as can be seen from our loss development. Although we increased our technical provisions by well over 6% to CHF 228 million in the year under review, our incurred claims nevertheless declined by 13% from CHF 96.1 million to CHF 83.7 million over the same period. The improvement of 5.2 percentage points in the loss ratio is due mainly to a reduction in the insurance benefits paid. This also brought the combined ratio down from 102.7% to 96.9%. SI Re therefore performed profitably, even without taking investment income into account.

The reinsurance market remains competitive, and this is especially true of the non-proportional property business. However, pressure from clients to broaden the diversification of their reinsurance shares continues unabated. SI Re was again able to benefit from this development by significantly expanding its client base.

Due to exchange rates, our investment portfolio remained at the previous year's level of CHF 293 million. Thanks to the above-average credit quality of our portfolio, we earned an attractive return on investments of 3.6%. For the first time in 2010, we invested about CHF 10 million of our assets in insurance securitisations, also known as insurance-linked securities. This innovative decision has enabled us to diversify our risk profile so that we can participate selectively in global natural perils.

Our result of CHF 5.4 million – after CHF 4.4 million in the previous year – clearly reflects our successful underwriting. Shareholders' equity, posted before distribution of dividends, increased to CHF 110 million. Thanks to the sustained strength of our financial and earnings situation, the General Meeting of the company approved the Board of Directors' proposal to pay a dividend of CHF 4.2 million.

It is SI Re's ambition to continuously fulfill or surpass our clients' expectations. Their trust, as well as the quality of our employees are the bedrock of our business success. They both deserve our thanks.



Dr. Klaus Sticker  
Chairman of the Board



Bertrand R. Wollner  
Executive Member of the Board

## The 2010 financial year

### CONTINUITY PAYS DIVIDENDS

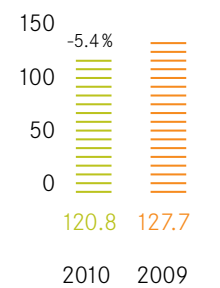
Three major developments dominated the 2010 financial year for SI Re: first, the euro declined by 15% of its value against the Swiss franc. Since SI Re draws up its balance sheet in Swiss francs but earns 90% of its premiums in the euro zone, the weakness of the European single currency had a significant impact on our financial statement. Second, the primary markets in the European non-life business managed to reverse their poor growth. After two years of contraction, 2010 saw growth of 4% posted in the 33 member states of CEA (Comité Européen des Assurances, European Insurance Committee), the umbrella association for the European insurance sector. This reversal primarily reflects the economic recovery in Europe's national economies. And third, we noted a further increase in reinsurance capacity during 2010; this led to correspondingly competitive market conditions, with a very noticeable onrush of competitors from Bermuda and the Lloyd's market arriving on the continental European market. Thanks to our clients' need to diversify their reinsurance shares, we were able to attain premium growth of almost 5% while adhering strictly to our profitability standards. We are proud of this achievement.

In the 2010 financial year, gross premiums booked by SI Re rose by 4.9% from EUR 84.5 million to EUR 88.7 million. In Swiss francs, however, premiums fell by 5.4% from CHF 127.7 million to CHF 120.8 million. After adjusting for currency effects, SI Re's constant growth is clear evidence of the recognition and trust that we have earned in the reinsurance market. Moreover, we again received many new requests to evaluate clients' portfolios and submit our bids during 2010. Even so, only 10% of all these enquiries resulted in the conclusion of a deal – a further proof of our disciplined underwriting policy. At the same time, the loyalty of our clients continues to develop positively. We cultivate long-term relationships, enabling us to benefit from better loss development in overall terms.

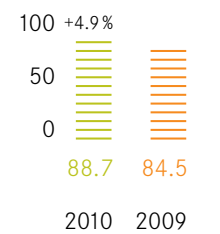
### FURTHER INCREASE IN TECHNICAL PROVISIONS

We increased the technical provisions for our own account in 2010. They grew in line with the business volume, by 6.4% from CHF 214 million to CHF 228 million. As regards losses, SI Re recorded an increased frequency for medium-sized events in the property business but a lower accumulation of severe events. In conjunction with significantly reduced expenditure on claims payments, this resulted in a decrease of 5.8 percentage points in our combined ratio, which was 96.9%. The loss ratio fell to 70.7% of net premiums earned, from 75.9% in the prior year.

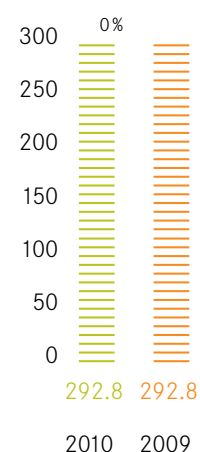
PREMIUMS WRITTEN GROSS  
(in mio. CHF)



PREMIUMS WRITTEN GROSS  
(in mio. EUR)



#### INVESTMENTS (in mio. CHF)



#### INSURANCE SECURITISATIONS: A NEW INVESTMENT CLASS

For reasons related to exchange rates, our total portfolio of investments remained unchanged at CHF 293 million in 2010. However, some rebalancing was carried out within the investment classes.

SI Re reduced its holding of fixed-income securities by 5.7% to 80.2% of the investment portfolio and the share of investment funds rose to 16.4%. SI Re also added insurance securitisations to its investment portfolio for the first time in 2010, with a holding of CHF 10 million.

Insurance securitisations, or insurance-linked securities, are more profitable than traditional natural perils reinsurance. Moreover, they are not correlated with the typical capital market risks. Their performance is more dependent on insurance events. Since we have a very low exposure to catastrophe risks in our insurance portfolio, these CAT bonds (as they are known) allow us to benefit from additional global diversification. Our holding of insurance securitisations will increase to as much as CHF 25 million over the coming years.

SI Re posted a net investment result of CHF 9.0 million in 2010, as compared to CHF 12.1 million in the preceding year. This decrease was caused by currency-related effects, the decline in capital gains from CHF 4.3 million in 2009 to CHF 2.1 million in the reporting period, and the formation - for the first time - of an equalisation reserve of CHF 1.2 million for potential risks associated with our investment in insurance securitisations. Before taking account for this reserve, we achieved an attractive return on investments of 3.6% in the last financial year.

We pursue an exceptionally conservative investment policy, and the credit quality of our investment portfolio is above the average. More than two-thirds of our investments have a debt rating of AA or better. The equity component of the portfolio accounts for a mere 2% of the total. The euro positions on the asset side of the balance sheet are offset by corresponding positions on the liability side, thereby hedging the shortfall with forward exchange transactions. It is SI Re's declared policy to hedge foreign-exchange risks in full in order to protect its Swiss franc balance sheet.

#### ADMINISTRATIVE EXPENSES

SI Re expanded its workforce again in 2010. At year's end, the company had twelve employees, including the Executive Board. This led, in particular, to an increase in personnel expenses. To replace Mr. Jean-Marie Bigot, who will retire in mid-2011, we added another underwriter to our team during the current year, who will handle the French, Belgian and Luxembourg markets. In overall terms, administrative expenses increased from CHF 4.6 million to CHF 5.2 million in the reporting year. This equates to an administrative expense ratio of 4.4% of net premiums earned, as compared to 3.6% in the previous year.

#### HIGH AND STABLE CAPITAL ADEQUACY

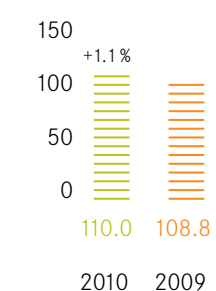
SI Re earned a profit of CHF 5.4 million in 2010, following a figure of CHF 4.4 million in the prior year. This is equivalent to an increase of 23%, due largely to our successful underwriting. Shareholders' equity reported before allocation of profit was CHF 110 million. The Board of Directors again proposed to the General Meeting the distribution of a dividend of CHF 4.2 million. The shareholders' equity after allocation of profit is CHF 106 million.

#### CONTINUITY IS OUR CORNERSTONE

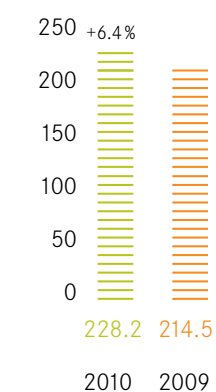
SI Re continues to pursue its strategy of corporate expansion. We aim to retain our employees for as long as possible. This poses a major challenge for SI Re, because the sustained influx of reinsurers into Switzerland is making the labour market increasingly competitive.

Another aspect of our reliability is that we underwrite business only if it meets our profitability standards. We became active in the Iberian and Scandinavian markets for the first time in 2010. In light of our in-depth evaluation of the risks offered to us, we have yet to underwrite any new business there. Nevertheless, we shall continue to maintain our presence in these markets, since our long-term business decisions do not depend solely on current cyclical developments in the reinsurance market.

#### SHAREHOLDERS' EQUITY (in mio. CHF)



#### NET TECHNICAL PROVISIONS (in mio. CHF)





RENEWALS  
(in mio. CHF)



PROSPECTS FOR THE 2011 FINANCIAL YEAR

SI Re is very pleased with the progress of contract renewals to date in the current financial year, and we await developments in the rest of the year with confidence. We have achieved premium growth of 18%, bringing the total to EUR 105 million. This growth is well in excess of the previous year's level. The proportion of group business (i.e. reinsurance for the SIGNAL IDUNA Group) rose by 5% to 39% of premium volume. SI Re was also pleased to note that improved terms and conditions were implemented for well over 20% of the renewed policies.

We continue to see an increase in available reinsurance capacity, due in particular to the new reinsurance subsidiaries of Bermuda and Lloyd's companies arriving on the continental European market. This development is specifically impacting prices for non-proportional short-tail business that is underwritten on an opportunistic basis. On the other hand, prices are more stable in the long-tail business and especially in reinsurance relationships whose complexity calls for trust and mutual commitment in the long term – and this is precisely the type of business which SI Re prefers to take on.

So far, we have not observed any direct effects on European reinsurance prices as a result of the natural disasters in Australia, New Zealand and Japan, or the record-breaking tornado season in the US. However, in view of the imminent storm season in the Atlantic, the increasing risk of inflation and the ominous debt crisis in the eurozone and the US, we believe that reinsurance prices have bottomed out.

We will pay close attention to the ongoing performance of the euro, and to the challenges posed by high national debt in several of our target markets. Insofar as possible, we shall protect ourselves against the effects of the weak euro on our Swiss franc balance sheet. We shall of course be especially interested to track further price developments on the reinsurance markets. In 2011, we intend to maintain our existing business policy, which is strictly geared towards the long-term profitability of our portfolio.

## Balance sheet

### Assets

	31.12.2010	31.12.2009
	CHF	CHF
<hr/>		
INVESTMENTS		
Fixed-income securities	244 866 290	251 542 446
Shares in investment funds	47 949 881	41 225 270
Tangible assets	514 961	499 079
Intangible assets	270 293	187 291
	<b>293 601 425</b>	<b>293 454 086</b>
<hr/>		
CURRENT ASSETS		
Cash	18 610 468	5 784 812
Receivables from insurance operations – Group	6 265 731	1 351 298
Receivables from insurance operations – Third parties	14 101 007	16 857 858
Deposits	9 796 388	10 344 137
Other assets	19 307	25 086
Accrued income	5 500 363	6 593 872
	<b>54 293 264</b>	<b>40 957 063</b>
<hr/>		
Total assets	<b>347 894 689</b>	<b>334 411 149</b>

### Liabilities and shareholders' equity

	31.12.2010	31.12.2009
	CHF	CHF
<hr/>		
LIABILITIES		
Net technical provisions		
Unearned premiums	3 892 984	3 149 067
Provision for annuity contracts	7 828 747	2 749 637
Provision for future life benefits	9 486 767	10 344 137
Provision for outstanding claims	206 993 214	198 284 937
	<b>228 201 712</b>	<b>214 527 778</b>
<hr/>		
Other liabilities		
Liabilities from insurance operations – Group	887 131	2 222 495
Liabilities from insurance operations – Third parties	5 743 982	7 192 677
Other liabilities – Group	388 549	376 182
Other liabilities – Third parties	309 392	204 712
Other provisions	2 241 500	966 900
Accrued expenses	89 635	74 514
	<b>9 660 189</b>	<b>11 037 480</b>
	<b>237 861 901</b>	<b>225 565 258</b>
<hr/>		
SHAREHOLDERS' EQUITY		
Share capital	100 000 000	100 000 000
Legal reserve	2 260 000	1 389 000
Other reserves	2 296 692	2 296 692
Retained earnings		
Retained earnings brought forward from previous year	89 199	807 026
Result for the year	5 386 897	4 353 173
	<b>110 032 788</b>	<b>108 845 891</b>
<hr/>		
Total liabilities and shareholders' equity	<b>347 894 689</b>	<b>334 411 149</b>



## Income statement

### Technical income statement

(for own account)

	2010	2009
	CHF	CHF
<b>NON-LIFE REINSURANCE</b>		
Net premiums written	118 158 219	125 458 392
Change in unearned premiums	-1 494 198	-686 141
Premiums earned	116 664 021	124 772 251
Income from technical interest	4 425 940	4 423 384
Commissions and profit commissions	-30 806 503	-33 585 742
Claims paid	-33 277 127	-43 441 610
Change in provision for outstanding claims	-48 547 920	-50 927 086
Incurred claims	-81 825 047	-94 368 696
Other technical expenses	-566 568	-492 202
Non-life reinsurance result	7 891 843	748 995
<b>LIFE REINSURANCE</b>		
Net premiums written	1 851 584	1 837 193
Premiums earned	1 851 584	1 837 193
Income from technical interest	325 147	336 208
Commissions and profit commissions	-301 333	-329 487
Life benefits	-726 487	-821 186
Change in provision for future life benefits	-1 192 334	-879 319
Total life benefits	-1 918 821	-1 700 505
Life reinsurance result	-43 423	143 409
Overall technical result	7 848 420	892 404

### Non-technical income statement

	2010	2009
	CHF	CHF
<b>NON-TECHNICAL INCOME</b>		
Investment income	9 480 674	9 396 779
Capital gains	2 107 443	4 308 693
Capital losses	-1 360 144	-1 595 975
Equalisation provision – investments	-1 200 000	0
Income from technical interest, non-life reinsurance	-4 425 940	-4 423 384
Exchange-rate differences	-838 767	1 169 598
Other income	5 626	1 283
Total non-technical income	3 768 892	8 856 994
<b>NON-TECHNICAL EXPENSES</b>		
Personnel expenses	-2 864 829	-2 394 426
Financial expenses	-627 074	-570 349
Other administrative expenses	-1 747 302	-1 626 461
Total administrative expenses	-5 239 205	-4 591 236
Valuation adjustments	-229 597	-217 443
Other expenses	-136 484	-82 539
Total non-technical expenses	-5 605 286	-4 891 218
Non-technical result	-1 836 394	3 965 776
Pre-tax result for the year	6 012 026	4 858 180
Taxes	-625 129	-505 007
Result for the year	5 386 897	4 353 173

## Notes to the 2010 financial statements



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The following notes are an integral part of the income statement and balance sheet. Below SIGNAL IDUNA Reinsurance Ltd has disclosed all details required for compliance with Art. 663b of the Swiss Code of Obligations.

### 1. GENERAL

SIGNAL IDUNA Reinsurance Ltd is a subsidiary of SIGNAL IDUNA Group, Dortmund/Hamburg. 100% of the shares are owned by SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund.

### 2. ACCOUNTING AND VALUATION PRINCIPLES

#### Time period

Reinsurance business comprises the cedants' 2010 financial year. Cedant accounts that are not available at the time of closing have been estimated. General income and expenses are congruent with the financial year 2010.

#### Foreign currency translation

As is common practice in the international reinsurance business, accounts are denominated in the original currencies. For the purposes of the balance sheet, translations are made into Swiss francs at year-end exchange rates; income statement amounts are translated at the relevant quarterly exchange rates. The resulting exchange-rate differences are recognised in the income statement. Net non-realised gains derived from foreign-currency translations are reserved.

#### Investments

Fixed-income securities are valued at amortised cost using the linear cost amortisation method. The difference between the purchase price and the redemption value is distributed evenly over the remaining time to maturity and is recorded in the income statement as write-ups or write-downs. Value adjustments are made to reflect any decline in credit rating. Shares in investment funds are carried at fair value on the balance sheet date.

#### Current assets

Receivables, deposits and other assets are carried at nominal value. In questionable cases, the value of the positions is reduced as appropriate.

#### Net technical provisions

Unearned premiums, the provision for outstanding claims and other technical provisions are based on information supplied by cedants. Final calculations conducted internally may result in the original reported provisions being strengthened. Additional provisions are created based on estimates for claims incurred but not yet reported.

#### Premium and claim portfolio movements

Premiums consist of premium portfolio inflows and outflows and claims paid consist of the corresponding claims portfolio inflows and outflows.

#### Change in unearned premiums

The change in the provision for performance-related premium rebates is contained in the position «Change in unearned premiums».

#### Other provisions

The «equalisation provision – investments» is designed to cover a large loss event on our Insurance-Linked Securities (ILS) portfolio.

Other provisions for taxes include liabilities relating to taxes on income and capital at year-end as well as estimated income tax on years that have not yet been assessed for tax purposes.

#### Deposit accounting

Contracts without risk transfer are not included in the technical account but are accounted for using the deposit accounting method.

#### Technical interest, non-life reinsurance

The interest recorded in the technical income statement corresponds to the income from technical interest calculated in the pricing for the entire portfolio of reinsurance contracts. It is calculated by currency and as accrued, using the risk-free interest rate curve in effect at the time of pricing.

### 3. OWNERSHIP RESTRICTIONS ON RECORDED ASSETS PLEDGED TO SECURE OWN LIABILITIES

	2010	2009
	CHF	CHF
-----		
Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	81 321 164	75 669 270
Current account	85 000	85 000
-----		
Total book value of pledged assets	81 406 164	75 754 270

The following banks have granted SIGNAL IDUNA Reinsurance Ltd credit facilities:

UBS AG, Lucerne	EUR 20 million
Zürcher Kantonalbank, Zurich	CHF 35 million

The credit facilities are available in various currencies and secure deposits, guarantees and letters of credit issued by these credit institutions on our behalf.

On the balance sheet date, 31 December 2010, EUR 15 000 000, USD 5 000 000 and GBP 1 050 000 of the above credit facilities had been used (31 December 2009: EUR 15 000 000).

### 4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2010	2009
	CHF	CHF
-----		
Tangible assets	900 000	800 000

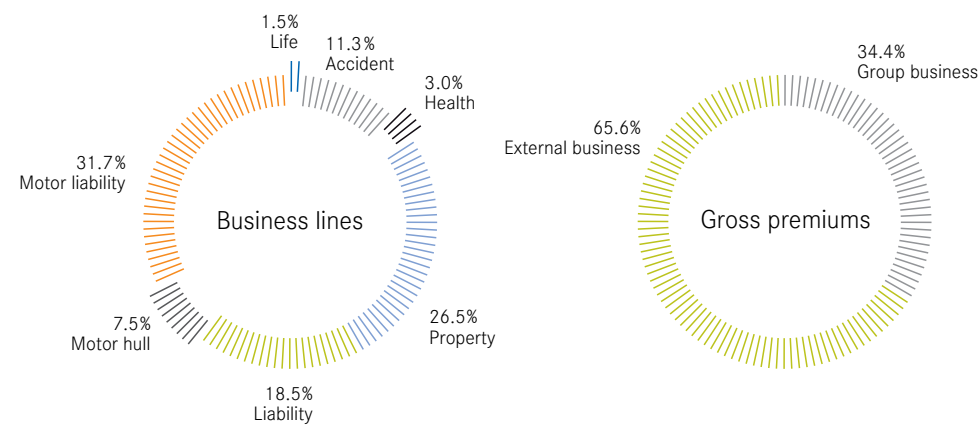
### 5. OFF-BALANCE SHEET LEASING COMMITMENTS

Rental contract for office space with an earliest possible termination date 30 September 2015 – CHF 936 000.

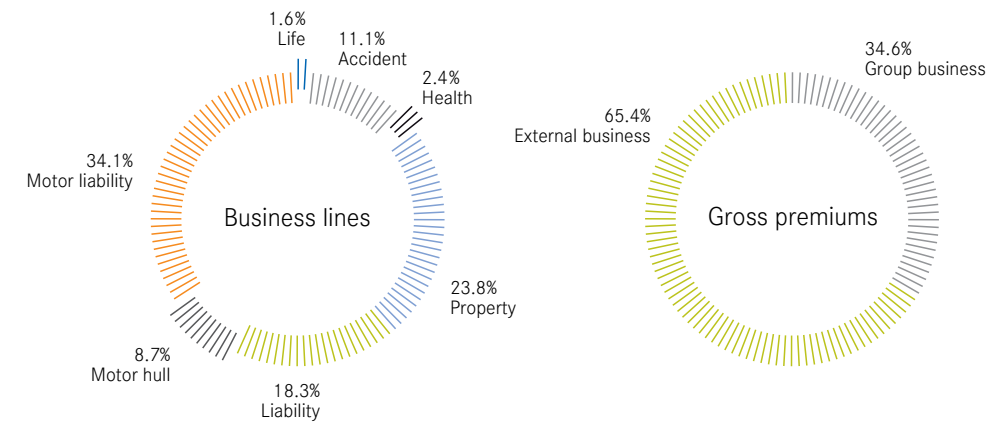
6. ADDITIONAL INFORMATION ON SPECIFIC INCOME-STATEMENT POSITIONS

The technical income statement shows net technical positions, which are subdivided into non-life and life reinsurance. The reconciliation of gross to net for the business as a whole is set out in the table below:

2010	CHF Gross	CHF Retro	CHF Net
Premiums written	120 810 868	-801 065	120 009 803
Change in unearned premiums	-1 494 198	-	-1 494 198
<b>Premiums earned</b>	<b>119 316 670</b>	<b>-801 065</b>	<b>118 515 605</b>
Technical interest	4 751 087	-	4 751 087
Commissions and profit commissions	-31 107 836	-	-31 107 836
Claims paid / life benefits	-34 003 615	-	-34 003 615
Change in provision for outstanding claims and future life benefits	-49 740 254	-	-49 740 254
<b>Incurred claims and life benefits</b>	<b>-83 743 868</b>	<b>-</b>	<b>-83 743 868</b>
Other technical expenses	-566 568	-	-566 568
<b>Technical result</b>	<b>8 649 485</b>	<b>-801 065</b>	<b>7 848 420</b>



2009	CHF Gross	CHF Retro	CHF Net
Premiums written	127 726 613	-431 028	127 295 585
Change in unearned premiums	-686 141	-	-686 141
<b>Premiums earned</b>	<b>127 040 472</b>	<b>-431 028</b>	<b>126 609 444</b>
Technical interest	4 759 592	-	4 759 592
Commissions and profit commissions	-33 915 229	-	-33 915 229
Claims paid / life benefits	-44 262 796	-	-44 262 796
Change in provision for outstanding claims and future life benefits	-51 806 405	-	-51 806 405
<b>Incurred claims and life benefits</b>	<b>-96 069 201</b>	<b>-</b>	<b>-96 069 201</b>
Other technical expenses	-492 202	-	-492 202
<b>Technical result</b>	<b>1 323 432</b>	<b>-431 028</b>	<b>892 404</b>



## 7. ADDITIONAL INFORMATION ON SPECIFIC BALANCE-SHEET POSITIONS

Technical provisions gross and for own account are as follows:

	2010	2010	2009	2009
	Gross	Net	Gross	Net
	CHF	CHF	CHF	CHF
Unearned premiums	3 892 984	3 892 984	3 149 067	3 149 067
Provision for annuity contracts	7 828 747	7 828 747	2 749 637	2 749 637
Provision for future life benefits	9 486 767	9 486 767	10 344 137	10 344 137
Provision for outstanding claims	206 993 214	206 993 214	198 284 937	198 284 937
Total technical provisions	228 201 712	228 201 712	214 527 778	214 527 778

«Other provisions» contains the following amounts:

	2010	2009
	CHF	CHF
Equalisation provision – investments	1 200 000	0
Taxes	628 000	485 000
Unrealised foreign-exchange gains	0	106 200
Other	413 500	375 700
Total other provisions	2 241 500	966 900

## 8. RISK MANAGEMENT ASSESSMENT

SIGNAL IDUNA Reinsurance Ltd has a modern and company-specific risk management and internal control system. The resulting risk management system is structured to reflect the complexity and size of the company and dovetails with the Swiss Solvency Test and the internal control system. Furthermore, the risk management system has been integrated into the SIGNAL IDUNA Group's central risk management system.

The risk management process is the responsibility of the company's risk manager who supplies the Executive Board with a half-yearly risk report based on information contained in the risk catalogue. The risk report analyses the company's overall risk position and examines the development and quantification of technical, financial and company-wide risks. It also gives details of any corporate governance incidents.

The Executive Board reports twice a year on the findings of the report to the Board of Directors at its regular board meetings.



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## Appropriation of available earnings



	CHF
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Retained earnings brought forward from previous year	89 199
Result for the year	5 386 897
Retained earnings as per 31 December 2010 available to the Annual General Meeting	5 476 096
The Board of Directors proposes to the Annual General Meeting to appropriate available earnings as follows:	
Dividend	4 200 000
Allocation to legal reserve	1 078 000
Retained earnings carried forward	198 096
	<hr style="border-top: 1px dashed orange;"/> 5 476 096

Zug, 18 March 2011

# Auditor's report

Report of the statutory auditor  
to the general meeting of  
SIGNAL IDUNA Reinsurance Ltd  
Zug

## REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SIGNAL IDUNA Reinsurance Ltd, which comprise the balance sheet, income statement and notes (pages 14-27), for the year ended 31 December 2010.

### 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 2010 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.

PricewaterhouseCoopers AG

Peter Lüssi  
Audit expert  
Auditor in charge

Karin Kirkpatrick

Zurich, 15 April 2011





© Armin Strittmatter, detail of «The Wall»

#### ARMIN STRITTMATTER

The painter Armin Strittmatter (b. 1959) lives and works in Gebenstorf in the Swiss canton of Aargau. Fascinated by the world of colour since childhood, he began to paint at an early age and while the first few years saw him creating mainly landscapes and portraits, he eventually distanced himself from representational art entirely and turned to abstraction. This enabled him to constrain and release form and colour in equal measure, creating images of compelling power and aesthetic impact. His work ranges from the subtly vibrant to the disturbingly powerful.

The pictures he has created have cast their spell on gallery visitors at countless exhibitions at home and abroad and in 2000, Armin Strittmatter was awarded the «Diplôme de Médaille d'Argent» by the Académie Française for his work. Discover the magic and power of Armin Strittmatter's expressive colours for yourself.

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