



ANNUAL REPORT 2012

SI Re – Mutually yours
Sustainable, agile, committed



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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.

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

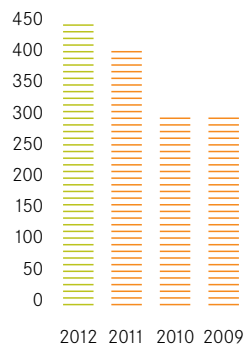
PricewaterhouseCoopers AG, Zurich

Key figures

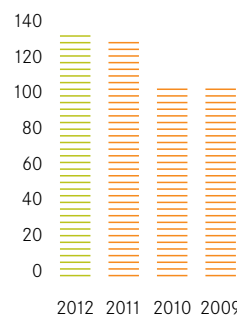
GROSS WRITTEN PREMIUMS
(in mio. CHF)



INVESTMENTS
(in mio. CHF)

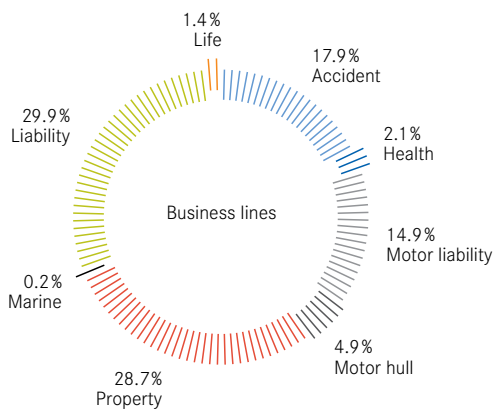


SHAREHOLDERS' EQUITY
AFTER DIVIDEND DISTRIBUTION
(in mio. CHF)

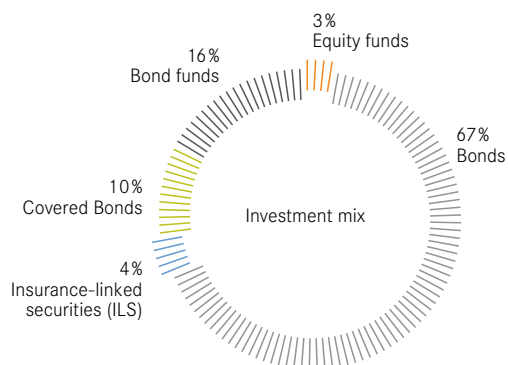


	2012 (in mio. CHF)	2011 (in mio. CHF)	Change (in mio. CHF)
Net premiums written	153.0	140.7	12.3
Net premiums earned	139.2	139.3	-0.1
Technical result	5.9	6.5	-0.6
Net investment income	12.7	10.6	2.1
Result for the year	6.6	5.7	0.9
Net technical provisions	344.8	279.8	65.0
Investments	447.1	375.7	71.4
Shareholders' equity (before dividend distribution)	138.9	136.5	2.4

PORTFOLIO COMPOSITION 2012
BASED ON GROSS PREMIUMS



INVESTMENTS 2012





Dr. Klaus Sticker



Bertrand R. Wollner

Report of the Board of Directors

Dear readers

SIRe reported another successful financial year in 2012. Profits increased by 15% from CHF 5.7 million to CHF 6.6 million, despite consistently challenging market conditions. The balance sheet total of CHF 503 million represents a further double-digit growth of 17%, having risen from last year's CHF 429 million to exceed half a billion Swiss francs for the first time.

In a market that was once again devoid of significant volume increases in 2012, we nonetheless managed to increase gross premiums booked by 8.7%, from CHF 141 million to CHF 153 million, thanks to new cedants. This successful acquisition of new clients also raised the percentage of external business from 62% to 65% in proportion to the premiums ceded to us by SIGNAL IDUNA, our parent company.

SIRe ended the 2012 financial year with a technical result of CHF 5.9 million, which translates into 4.2% of premiums earned and roughly reflects last year's performance. Our 2012 combined ratio of 99.2% was also on a par with the previous year's figure (98.5%).

SIRe raised its technical provisions by 23%, from CHF 280 million to CHF 345 million, in response to the dynamic premium developments. This corresponds to 247% of net premiums booked, up 47 percentage points from last year's figure.

Investments rose according to premium growth, i.e. 19% from CHF 376 million to CHF 447 million. The market value of investments grew as a result of low interest rates, resulting in a positive market-to-book ratio of CHF 34.7 million. This figure stood at CHF 11.4 million on 31.12.2011.

We pursue an extremely conservative investment policy. Our investments contain 81% fixed-income securities, with covered bonds accounting for approximately 10% of holdings; the proportion of the latter in the portfolio was roughly double last year. Overall, the portfolio has a weighted average rating of «AA-».

Current income grew in line with portfolio holdings, rising by 18% to CHF 13.2 million. This corresponds to a return on investments of 3.27% (compared to 3.41% in the previous year). In addition, SIRe achieved net capital gains of CHF 6.3 million. To mitigate investment risks and as a reflection of our prudent investment policy, SIRe has built up an equalisation provision for fixed-income securities. Allocations to this reserve amounted to CHF 6.8 million over the financial year.

Administrative expenses showed little change at CHF 5.6 million, or 4.0% of premiums earned. Staff numbers remained stable at 13.

SIRe shareholders' equity amounted to CHF 139 million before allocation of profits. The Board of Directors proposes a dividend of CHF 5.3 million to the General Meeting. In 2011, the dividend was CHF 4.2 million. As in the previous year, this figure translates into an interest rate of 4.0% on the net balance of shareholders' equity. After dividend pay-out our shareholders' equity will amount to CHF 134 million.

We would like to take this opportunity to thank our clients once again for their trust and our staff for their hard work and support.



Dr. Klaus Sticker
Chairman of the Board of Directors



Bertrand R. Wollner
Executive Member of the Board

The 2012 financial year

SIRE CONTINUES SUCCESSFUL JOURNEY

SIRe achieved very good results in 2012 despite the consistently challenging operating environment, with all key numbers showing improvements. Gross premiums rose by 8.7% to CHF 153 million, the balance sheet total grew by 17% to CHF 503 million, investments increased by 19% to CHF 447 million, and current income from investments recorded a 18% growth, reaching CHF 13.2 million. This translates into a return of 3.27%. Our profits of CHF 6.6 million exceeded last year's figure by 15%.

NO RETURN TO «NORMALITY» IN SIGHT

Subject to the market conditions in 2012, this result was anything but a foregone conclusion. At this point in time last year, SIRe noted that in 2011 the insurance industry had experienced its fourth turbulent financial year in a row. Now, in the fifth year, this phenomenon is simply being called «the new normal». In short, the global financial and sovereign debt crisis has had serious and lasting consequences for the financial services industry. Only a massive expansion of the money supply in the mature economies has brought some kind of calm to the financial markets. While the Eurozone was saved from breaking up, China has avoided a hard landing and the USA managed – at the very last minute – to avoid falling over the «fiscal cliff». Nonetheless, the underlying problems remain unsolved, interest income is at rock bottom levels, and inflation risk remains infectious.

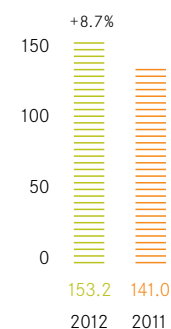
Capital continues to pour into the reinsurance industry in search of higher returns. Figures recently released by Willis reinsurance brokers indicate that some USD 35 billion of non-traditional capital is currently circulating in the so-called convergence markets. This is in addition to USD 505 billion of shareholders' equity (figures from Aon Benfield Analytics) in an industry with capitalisation already at record levels.

Attempts by typically mid-size Anglo-Saxon reinsurers to improve diversification by region and line of business have intensified competition. The number of Zurich-based reinsurers has doubled over the last ten years and currently totals more than 40 companies. These firms are keen not only to use their capital more efficiently, but also to tap into new business areas and profit opportunities.

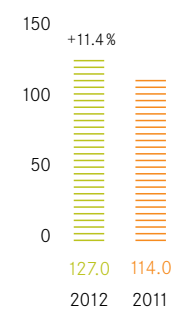
The trend among cedants towards greater consolidation of reinsurance purchasing has persisted in response to stagnating primary insurance markets. Thus, risks are increasingly being allocated centrally, retentions are rising and large single risks are being ceded, while high-frequency risks are typically being retained. All these factors lead to an overall reduction in available premium volume.

Many think of 2012 as a rather low-loss year; in fact, it was anything but that. Not only has the intensity of the greatest global natural catastrophes been rising steadily for the last 25 years, but 2012 also saw the industry report natural catastrophe losses of USD 77 billion, making it the third most expensive year in the history of insurance. However, record losses no longer result in a reversal of the insurance cycle.

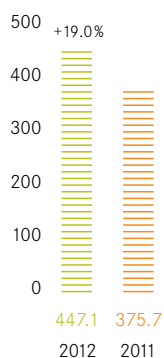
PREMIUMS WRITTEN GROSS (in mio. CHF)



PREMIUMS WRITTEN GROSS (in mio. EUR)



INVESTMENTS (in mio. CHF)



ABOVE-AVERAGE RISE IN PREMIUMS

SIRe increased its net premiums earned from CHF 141 million to CHF 153 million in 2012 – a rise of 8.7%. Aon Benfield estimates the industry average for premium growth at 6% for 2012, based on the analysis of its industry index.

The improved premium volume of SIRe is primarily a result of the successful acquisition of new clients; simultaneously, the company was able to grow business with existing clients by expanding its share of cedants' reinsurance book. The «general liability» line provided the strongest growth for 2012, increasing to 30% of the portfolio. On the other hand, motor business declined from 28% to 20%, thereby providing clear confirmation of SIRe's opinion that better rates can still be achieved in liability insurance. The proportion of internal reinsurance business from the SIGNAL IDUNA Group slightly decreased in 2012, from 38% to 35% of the total premiums written.

SIRe's combined ratio of 99.2% for 2012 was practically unchanged from the previous year's figure of 98.5%. SIRe once again ended the financial year with a positive net technical result of CHF 5.9 million, corresponding to 4.2% of premiums earned. Technical provisions rose in line with business growth by 23%, from CHF 280 million to CHF 345 million or 247% of net premiums earned.

PLEASING RETURN ON INVESTMENTS

Investments recorded considerable growth in 2012. At year-end, SIRe was managing investments of CHF 447 million, compared to 2011 an increase by 19% or CHF 70 million. The market value of investments once again followed an extremely positive trajectory, exceeding book value by CHF 34.7 million by the end of the year. In 2011, the positive market-to-book ratio was CHF 11.4 million.

SIRe pursues a conservative investment policy, with fixed-income securities of CHF 360 million making up 81% of the portfolio. Equity funds with a value of CHF 13.8 million and insurance-linked securities (ILS) of CHF 17.7 million represent just 3% and 4% respectively of the portfolio. Overall, the investment portfolio has a weighted average rating of «AA-».

Current income from the investment portfolio rose by 18% to CHF 13.2 million in 2012, translating into a return on investments of 3.27%, compared to 3.41% in the previous year. The balance sheet values of the investment funds at market prices generated additional net capital gains of CHF 6.3 million.

In response to difficult market conditions – and the substantial investment risks entailed – SIRe decided to make use of this profit and, thus, created an equalisation provision for its fixed-income investments. The initial allocation to this reserve amounted to CHF 6.8 million in 2012.

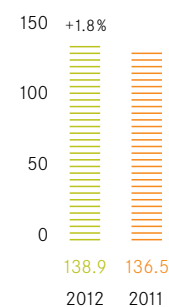
RISING PROFIT AND SHAREHOLDERS' EQUITY

SIRe's corporate culture puts great emphasis on continuity and reliability. These values are also reflected in our administrative costs. At CHF 5.6 million they were almost unchanged to the previous year's cost of CHF 5.7 million. The cost ratio even improved slightly in relation to premiums earned from 4.1% in 2011 to 4.0% in 2012. The number of staff remained stable at 13 employees.

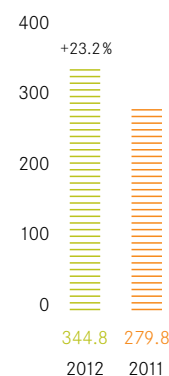
SIRe was once again able to increase profits, which rose after taxes of CHF 0.7 million to CHF 6.6 million. Annual profits for 2012 are thus 15% up on last year's figure of CHF 5.7 million.

This profit brought SIRe's shareholders' equity up to CHF 139 million by year-end. The Board of Directors has decided to propose a dividend of CHF 5.3 million to the General Meeting, thereby exceeding the previous year's dividend of CHF 4.2 million by 26%. Once again, this corresponds to a return on shareholders' equity of 4%. After dividend pay-out, shareholders' equity will amount to CHF 134 million.

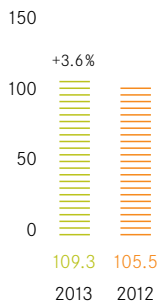
SHAREHOLDERS' EQUITY (in mio. CHF)



NET TECHNICAL PROVISIONS (in mio. CHF)



RENEWALS (in mio. EUR)



OUTLOOK FOR THE 2013 FINANCIAL YEAR

SIRe has made a promising start into 2013 by achieving very pleasing results in the 1/1/2013 renewals. Premiums rose by 3.6% in the portfolio to be renewed, while newly acquired business contributed 6.1% to total premium volume. The number of client relationships rose by 23%.

SIRe has continuously diversified its portfolio. The proportion of property business increased slightly year-on-year from 23.9% to 26.0%, while motor business continued to decline in importance, from 19.7% to 18.9%. SIRe has also extended its geographical reach, increasing business in Scandinavia, Spain and Italy. However, its share of business dropped slightly in Germany, Austria and France.

Such pleasant renewal results cannot mask the fact that still no signs exist of a wider shift in market trends in 2013. Hurricane Sandy, which in autumn 2012 devastated the Eastern seaboard of the USA with private insurance industry loss claims of USD 25 billion, may have gone down in history as the third most expensive tropical storm in history to date. Yet, it had virtually no impact on margins in short-tail business.

SIRe encountered more stable prices in long-tail business with signs of a development from which SIRe can benefit: Cedants are still seeking to diversify their reinsurance panel, spread their risks further and incorporate new risk capacity providers into their portfolios in an attempt to reduce the dominance of individual reinsurers.

At the same time, the trend described above for primary insurers to consolidate and/or centralise their reinsurance purchasing has sustained. This makes it possible to raise retentions and bundle risks across lines of business and geographical boundaries. Subsequently, these bundles are passed on to the reinsurers. There has been a range of reactions to this development among providers, with some reinsurers and brokers offering so-called multi-line and/or multi-year cover.

Bundling risks across national borders, companies and sectors is not without problems: As became apparent with many of the structured financial products prior to the financial crisis, a combination of different risks often comes at the expense of transparency, resulting in complex vehicles whose interdependencies are almost impossible to anticipate. Specific knowledge of local conditions and risks falls by the wayside, while model-driven considerations come to the forefront.

Competition among reinsurers has continued to intensify. Leading reinsurers repeatedly attempted to scale back their presence in mature insurance markets in recent years with a view to seeking their fortunes in growth markets. However, more and more of them are now returning to their old home markets after the painful experience of a record loss year in 2011. This has inevitably contributed to price pressure here back home.

SIRe is nonetheless upbeat about the further course of 2013. Our successes over the last nine years since our launch have shown that cedants value our expertise and our services. SIRe has also been able to build a track record of reliability and security clients know they can depend on – even in «stormy» times.

Balance sheet

Assets

	31.12.2012 CHF	31.12.2011 CHF
NON-CURRENT ASSETS		
Investments		
Bonds	297 165 642	229 034 482
Covered bonds	45 199 762	70 864 486
Insurance-linked securities (ILS)	17 717 778	10 269 075
Bond funds	73 221 948	59 307 713
Equity funds	13 844 048	6 206 055
	447 149 178	375 681 811
Other investment assets		
Tangible assets	400 044	481 111
Intangible assets	514 743	300 881
	914 787	781 992
	448 063 965	376 463 803
CURRENT ASSETS		
Cash	12 299 341	12 559 478
Receivables from insurance operations – Group	674 951	2 567 785
Receivables from insurance operations – Third parties	23 238 266	20 413 581
Deposits	11 712 678	10 389 615
Other assets	72 096	77 959
Accrued income	6 886 204	6 204 290
	54 883 536	52 212 708
Total assets	502 947 501	428 676 511

Liabilities and shareholders' equity

	31.12.2012 CHF	31.12.2011 CHF
LIABILITIES		
Net technical provisions		
Unearned premiums	18 758 400	5 134 582
Provision for annuity contracts	11 552 274	9 818 521
Provision for future life benefits	11 675 706	10 090 175
Provision for outstanding claims	302 814 059	254 799 495
	344 800 439	279 842 773
Other liabilities		
Liabilities from insurance operations – Group	497 291	1 108 572
Liabilities from insurance operations – Third parties	9 139 791	8 397 987
Other liabilities – Group	641 607	494 410
Other liabilities – Third parties	278 174	346 820
Other provisions	8 605 000	1 878 000
Accrued expenses	82 823	78 049
	19 244 686	12 303 838
	364 045 125	292 146 611
<hr style="border-top: 1px dashed orange;"/>		
SHAREHOLDERS' EQUITY		
Share capital	100 000 000	100 000 000
Legal reserve		
- Thereof capital contribution reserve	27 884 208	26 184 000
- Thereof profit reserve	3 294 000	2 154 000
Other reserves	596 484	2 296 692
Retained earnings		
Retained earnings brought forward from previous year	555 208	198 096
Result for the year	6 572 476	5 697 112
	138 902 376	136 529 900
Total liabilities and shareholders' equity	502 947 501	428 676 511
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Income statement

Technical income statement

(for own account)

	2012 CHF	2011 CHF
NON-LIFE REINSURANCE		
Net premiums written	150 886 944	138 990 330
Change in unearned premiums	-13 768 939	-1 405 240
Premiums earned	137 118 005	137 585 090
Income from technical interest	4 515 634	4 099 458
Commissions and profit commissions	-32 565 086	-32 977 497
Claims paid	-50 556 186	-45 325 013
Change in provision for outstanding claims	-52 187 190	-56 255 916
Incurred claims	-102 743 376	-101 580 929
Other technical expenses	-799 445	-678 201
Non-life reinsurance result	5 525 732	6 447 921
LIFE REINSURANCE		
Net premiums written	2 110 613	1 737 538
Premiums earned	2 110 613	1 737 538
Income from technical interest	351 471	322 557
Commissions and profit commissions	-338 790	-295 624
Life benefits	-805 946	-778 791
Change in provision for future life benefits	-970 688	-913 161
Total life benefits	-1 776 634	-1 691 952
Life reinsurance result	346 660	72 519
Overall technical result	5 872 392	6 520 440

Non-technical income statement

	2012 CHF	2011 CHF
NON-TECHNICAL INCOME		
Current income from investments	13 220 085	11 169 473
Capital gains	6 425 387	1 298 770
Capital losses	-147 885	-2 503 351
Equalisation provision – investments	-6 800 000	600 000
Total income from investments	12 697 587	10 564 892
Income from technical interest, non-life reinsurance	-4 515 634	-4 099 458
Exchange-rate differences	-795 024	-368 972
Other income	4 065	6 446
Total non-technical income	7 390 994	6 102 908
NON-TECHNICAL EXPENSES		
Personnel expenses	-3 093 308	-3 091 970
Financial expenses	-1 091 278	-913 604
Other administrative expenses	-1 396 623	-1 696 167
Total administrative expenses	-5 581 209	-5 701 741
Valuation adjustments	-246 822	-211 724
Other expenses	-127 622	-354 298
Total non-technical expenses	-5 955 653	-6 267 763
Non-technical result	1 435 341	-164 855
Pre-tax result for the year	7 307 733	6 355 585
Taxes	-735 257	-658 473
Result for the year	6 572 476	5 697 112



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Notes to the financial statements



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' 2012 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 2012.

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

Bonds, covered bonds and insurance-linked securities (ILS) are valued 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 bond and equity 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

In the spirit of prudent risk management – and in order to ensure the long-term health of the company against a backdrop of rising investment risk – an equalisation provision has been established for fixed-income investments. This provision will be built up prudently and over a long time horizon.

The equalisation provision on insurance-linked securities (ILS) is designed to cover a large loss event on one of the ILS investments in our 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

	2012 CHF	2011 CHF
Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	155 743 634	116 938 498
Current account	85 000	85 000
Total book value of pledged assets	155 828 634	117 023 498

The Zürcher Kantonalbank, Zurich, has granted SIGNAL IDUNA Reinsurance Ltd a credit facility of up to CHF 70 million.

The credit facility is available in various currencies and secures deposits, guarantees and letters of credit issued by this credit institution on our behalf.

On the balance sheet date, 31 December 2012, EUR 15 000 000 and GBP 32 441 630 of the above credit facility had been used (31 December 2011: EUR 15 000 000 and GBP 4 550 000).

4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2012 CHF	2011 CHF
Tangible assets	1 100 000	1 100 000

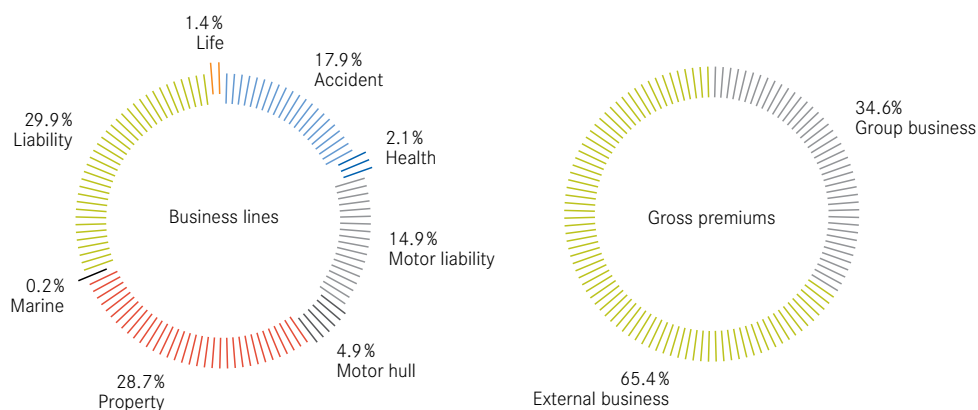
5. OFF-BALANCE SHEET LEASING COMMITMENTS

Rental contract for office space with an earliest possible termination date 30 September 2015 – CHF 542 000.

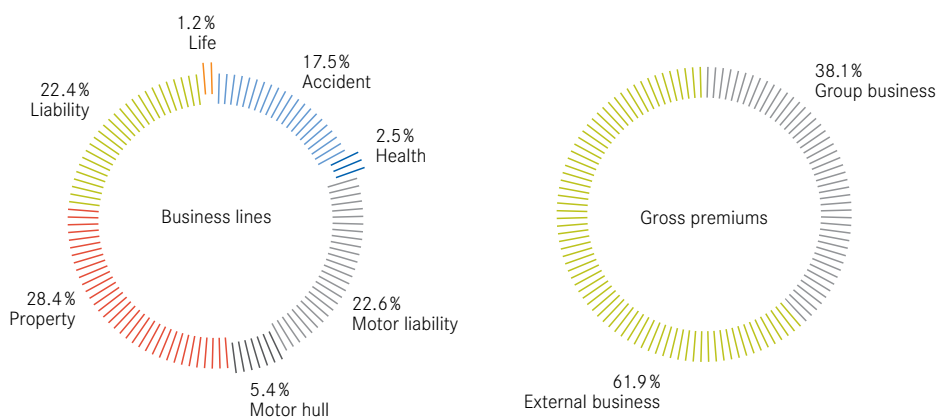
6. ADDITIONAL INFORMATION ON SPECIFIC INCOME-STATEMENT POSITIONS

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:

2012	CHF Gross	CHF Retro	CHF Net
Premiums written	153 234 258	-236 701	152 997 557
Change in unearned premiums	-13 768 939	-	-13 768 939
Premiums earned	139 465 319	-236 701	139 228 618
Technical interest	4 876 105	-	4 867 105
Commissions and profit commissions	-32 903 876	-	-32 903 876
Claims paid / life benefits	-51 362 132	-	-51 362 132
Change in provision for outstanding claims and future life benefits	-53 157 878	-	-53 157 878
Incurred claims and life benefits	-104 520 010	-	-104 520 010
Other technical expenses	-799 445	-	-799 445
Technical result	6 109 093	-236 701	5 872 392



2011	CHF Gross	CHF Retro	CHF Net
Premiums written	140 992 677	-264 809	140 727 867
Change in unearned premiums	-1 405 240	-	-1 405 240
Premiums earned	139 587 437	-264 809	139 322 627
Technical interest	4 422 015	-	4 422 015
Commissions and profit commissions	-33 273 121	-	-33 273 121
Claims paid / life benefits	-46 103 804	-	-46 103 804
Change in provision for outstanding claims and future life benefits	-57 169 077	-	-57 169 077
Incurred claims and life benefits	-103 272 881	-	-103 272 881
Other technical expenses	-678 201	-	-678 201
Technical result	6 785 249	-264 809	6 520 440



7. ADDITIONAL INFORMATION ON SPECIFIC BALANCE-SHEET POSITIONS

Technical provisions gross and for own account are as follows:

	2012 Gross CHF	2012 Net CHF	2011 Gross CHF	2011 Net CHF
Unearned premiums	18 758 400	18 758 400	5 134 582	5 134 582
Provision for annuity contract	11 552 274	11 552 274	9 818 521	9 818 521
Provision for future life benefits	11 675 706	11 675 706	10 090 175	10 090 175
Provision for outstanding claims	302 814 059	302 814 059	254 799 495	254 799 495
Total technical provisions	344 800 439	344 800 439	279 842 773	279 842 773

«Other provisions» contains the following amounts:

	2012 CHF	2011 CHF
Equalisation provision for fixed-income investments	6 000 000	0
Equalisation provision for insurance-linked securities (ILS)	1 400 000	600 000
Taxes	750 000	670 000
Other	455 000	608 000
Total other provisions	8 605 000	1 878 000

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
Retained earnings brought forward from previous year	555 208
Result for the year	6 572 476
Retained earnings as per 31 December 2012 available to the Annual General Meeting	7 127 684

The Board of Directors proposes to the Annual General Meeting to appropriate available earnings as follows:

	CHF
Dividend	5 300 000
Allocation to legal reserve	
Capital contribution reserve	250 000
Profit reserve – allocation 1	1 315 000
Profit reserve – allocation 2	30 000
Retained earnings carried forward	232 684
	7 127 684



Zug, 1 March 2013

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 2012.

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 2012 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

Michael Stämpfli
Audit expert
Auditor in charge

Ivana Herrmann
Audit expert

Zurich, 26 April 2013



© Armin Strittmatter, detail of «Seesucht»

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Photographs: © Armin Strittmatter; cover picture: detail of
«Rückwärts in die Zukunft».

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.

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.

www.sire.ch

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