



# ANNUAL REPORT 2013

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, Delegate

## EXECUTIVE BOARD

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

## SHAREHOLDERS

100% SIGNAL IDUNA Allgemeine Versicherung AG,  
Dortmund

## RATING

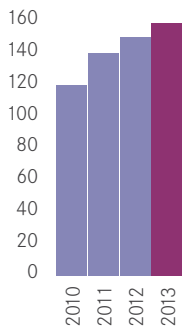
Fitch: A- «Outlook stable»

## AUDITORS

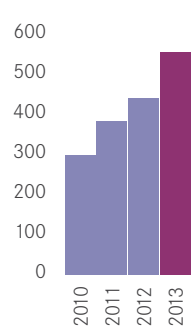
PricewaterhouseCoopers AG, Zurich

# Key figures

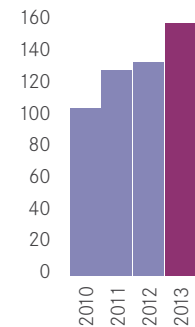
Gross Written Premiums  
(in mio. CHF)



Investments  
(in mio. CHF)



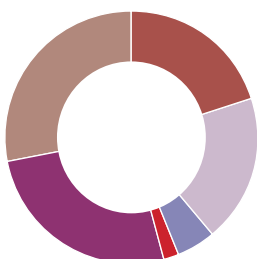
Shareholders' Equity  
after dividend distribution  
(in mio. CHF)



	2013 (in mio. CHF)	2012 (in mio. CHF)	Change (in mio. CHF)
Net premiums written	158.8	153.0	5.8
Net premiums earned	166.5	139.2	27.3
Technical result	5.0	5.9	-0.9
Net investment income	13.3	12.7	0.6
Result for the year	6.7	6.6	0.1
Net technical provisions	416.4	344.8	71.6
Investments	551.5	447.1	104.4
Shareholders' equity (before dividend distribution)	165.3	138.9	26.4

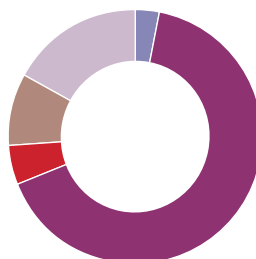
Portfolio composition 2013  
(Gross Written Premiums)

Business lines



- 20% Accident & Health
- 19% Motor
- 5% Engineering
- 2% Life
- 26% Property
- 28% Liability

Investments



- 3% Equity funds
- 66% Bonds
- 5% Insurance-linked securities (ILS)
- 9% Covered Bonds
- 17% Bond funds



Dr. Klaus Sticker



Bertrand R. Wollner

# Report of the Board of Directors

Dear readers

Our success story has continued into the tenth year since SI Re's foundation, with all of our key figures improving, some even considerably. The balance sheet total, which had broken the half billion Swiss francs barrier for the first time in 2012, grew by a further 20% in 2013 to a current total of CHF 608 million. Profits increased slightly from CHF 6.6 million to CHF 6.7 million and gross premiums booked rose by 3.8% to CHF 159 million. We also recorded above-average growth in investments, which climbed by 23% – or more than CHF 100 million – from a previous total of CHF 447 million to the current total of CHF 551 million.

As in the past, our success was rooted in SI Re's strong client relationships. The last financial year was once again witness to our success in acquiring additional cedants as well as writing more business with existing clients, thereby driving up our premiums written by 3.8% to CHF 159 million. The proportion of external business was practically unchanged compared to the previous year and continues to account for about two-thirds (64.5%) of our portfolio. The remainder is ceded to SI Re by our parent company, the SIGNAL IDUNA Group. In 2013, this intra-group proportion of our portfolio was 0.9 percentage points above the previous year's value.

Premiums earned recorded greater growth than premiums written in 2013, rising by a solid 19% from CHF 139 million to CHF 166 million. The discrepancy is primarily due to a cedant's decision last year to change their way to account premiums earned. Our underwriting policy remained unchanged in 2013 and, thus, we continue to pursue a policy of «gross for net», almost exclusively writing business that we retain on our own books. For this reason, the proportion of retrocessions in our portfolio is extremely small (CHF 0.2 million). The portfolio breakdown by lines was not changed to any significant degree. Property insurance accounts for a good third – 30.7% to be exact – of the business, followed by general liability (28.1%) and motor liability (18.9%).

SI Re closed the 2013 financial year with a technical result of CHF 5.0 million, corresponding to 3.0% of premiums earned. The figure for 2012 was 4.2%. The combined ratio rose minimally, from 99.2% in 2012 to 99.6% in 2013.

We once again increased our technical provisions significantly in the year under review. By the end of 2013, these totalled CHF 416 million, up 21% on last year. When compared with net premiums earned, this gives a coverage ratio of 250%, which is 3 percentage points higher than in 2012.

By the end of the year, SI Re was for the first time managing assets of more than half a billion Swiss francs. Growth in our reinsurance business has meant that our investments grew by 23% in the period under review, from CHF 447 million to CHF 551 million. Despite ongoing concern about potential shift away from the current low-interest-rate scenario, these investments still retain a positive market-to-book ratio of CHF 23.7 million. The market-to-book value (calculated as the differential between the book value and the market value) is nonetheless down CHF 11 million on last year's figure.

We have never strayed off from an extremely conservative investment strategy since the company's foundation. Bonds and covered bonds with an average weighted rating of «AA-» account for a good 75% of our investments. The proportion of insurance-linked securities (ILS) in the portfolio stands at 4.5%, with bond funds amounting to 17%. Only about 3.5% of the portfolio is comprised of equities.

Current income also rose in line with portfolio holdings, climbing by 15% to CHF 15.2 million. This translates into a return on investments of 3.1%, almost unchanged from the previous year's return of 3.2%. The balance sheet values of the investment funds at market prices once again developed positively, resulting in a net capital gain of CHF 4.5 million. Since a considerable risk of a sudden change in interest-rate policy still exists, we began building up a fluctuation reserve for our investments last year. We have the option to scale up this particular reserve depending on business performance. We have continued with this precautionary measure in the period under review, allocating a further tranche of CHF 5.8 million to the provision. As of the end of 2013, the reserve totalled CHF 11.8 million or 2.8% of our fixed-income investments.

Administration costs amounted to CHF 6.2 million in 2013, but increased more slowly than one might have expected given the rise in net premiums earned. Our cost ratio thus fell from last year's 4.0% to 3.7% in 2013. Staff numbers grew from 13 to 14 employees.

Thanks to our gratifying performance, the Board of Directors is proposing a dividend of CHF 5.3 million to the General Meeting, a figure unchanged from last year and which has now been paid for the last five years in succession. In response to our positive performance, the SIGNAL IDUNA Group, our parent company, increased our shareholders' equity by CHF 25 million at the end of the year. Once the dividend is paid, shareholders' equity will amount to a total of CHF 160 million.

In this, our anniversary year, we would like to extend a special thanks to our clients without whom SIRe's continuing success over the last decade would not have been possible. We would also like to express our sincere gratitude to our employees for their many years of hard work and support.



Dr. Klaus Sticker  
Chairman of the Board of Directors



Bertrand R. Wollner  
Delegate of the Board of Directors and  
Chairman of the Executive Board



# The 2013 financial year

## A REASON TO CELEBRATE ...

December 2013 saw the tenth anniversary of the foundation of SIRe – to be precise, of our entry into the commercial register at the company’s headquarter in Zug. The story of SIRe’s success has continued unabated to the end of its first decade, as the most important figures have once again improved despite difficult and uncertain market conditions.

Gross premiums rose by 3.8% to CHF 159 million, with premiums earned rising by no less than 19% to CHF 166 million. The balance sheet total improved on last year’s growth of 17%, increasing by a further 20% to CHF 608 million. Investments also exceeded half a billion Swiss francs for the first time. As of 31 December 2013, SIRe had investments of CHF 551 million under management, up 23% on last year’s total of CHF 447 million. Income from investments also rose in lockstep, climbing 15% to CHF 15.2 million. This translates into a current return of 3.1%, marginally less than last year’s 3.2%. SIRe achieved a bottom-line profit of CHF 6.7 million, almost exactly the same as last year’s total of CHF 6.6 million. The Board of Directors is again recommending a dividend of CHF 5.3 million, the fifth consecutive dividend.

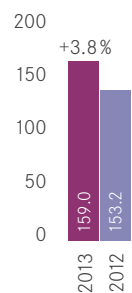
## VOLATILE MARKET CONDITIONS

SIRe has once again achieved consistent growth in conditions that could quite reasonably be described as problematic. While the financial and economic crisis continues to subside, there is no indication of a return to business as usual: The US Fed’s «tapering» – a tentative scaling back of the expansionary monetary policy that has reigned during the crisis years – has resulted in considerable turbulence in some of the developing markets. Europe simultaneously experienced a slight rally, with Iceland and Ireland in particular coming up to speed and returning to the capital markets. Improvements were also noted in Italy, Portugal and Greece. However, there is no sign of any turnaround in interest-rate policy, nor is an end to the era of cheap money in sight.

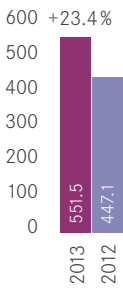
The inflow of alternative capital hunting for returns higher than those available on the capital markets is increasing. As 2013 suffered virtually no large natural-catastrophe losses, the amount of shareholders’ equity available in the reinsurance sector grew by 7% to a current USD 540 billion, according to estimates by Aon Benfield in its annual sector review. Some 10% of this sum, approximately USD 50 billion, can be traced back to so-called «alternative» sources – capital market investors such as private equity investors and hedge or pension funds. Shareholders’ equity also rose as a result of value adjustments linked to unrealised investment gains. A shift in interest-rate policy is likely to reverse this trend. For the reinsurance markets, this means that a reversal of the insurance cycle and an associated shift away from low rates is not on the horizon.

Growth in shareholders’ equity exerts downward pressure on reinsurance rates and many market players clearly believe that current prices are not sufficient to cover expected losses and costs. They are thus returning capital to their investors rather

Gross Written Premiums (GWP)  
(in mio. CHF)



Investments  
(in mio. CHF)



than writing more business – this is the second consequence of ubiquitous cheap money. The broker Aon Benfield estimates that the 31 reinsurers it tracks systematically in its annual report paid out approximately USD 14 billion in dividends in 2013, 9% more than the previous year, while repurchasing some USD 5.6 billion in shares – 34% up on last year.

Downward pressure on prices is being exerted not only by an oversupply of reinsurance capacity, but also by falling demand, predominantly in the mature insurance markets. Faced with stagnating original markets since the recession of 2009, primary insurers have been at pains to reduce their costs and thus to safeguard their earnings. This is a continuation of a trend in 2013 that had already established itself in the preceding years, with primary insurers bundling their reinsurance requirements, ceding risks centrally and increasing their retentions. This reduces the demand for reinsurance. Aon Benfield has indeed estimated that reinsurers' global premium volume grew by a mere 4% in 2013, gaining ground at a considerably slower rate than shareholders' equity.

Faced with rising supply and falling demand, many reinsurers are seeking relief by diversifying their portfolios and attempting to write additional business in new markets and lines of business. However, this merely transfers excess capacity to lines that previously had hardly been affected – with the result that the zero-sum competition is becoming more intense there, too.

Despite these difficult market conditions, SIRe is in a strong position. Price erosion in the reinsurance markets primarily affects natural-catastrophe lines. The irresistible rise of improved catastrophe modelling has rendered this business more and more generic. Consequently, client relationships and in-depth knowledge of the cedant's business model are only of secondary importance in these segments. However, SIRe is playing to its specific strengths by continuing to concentrate on the markets and lines in which such competencies are requested and required.

## NET PREMIUMS EARNED EXPERIENCE STRONG GROWTH

While SIRe's gross premiums increased by 3.8%, from CHF 153 million to CHF 159 million in 2013, the growth in net premiums earned was considerably greater, rising by 19% from CHF 139 million to 166 million, thereby substantially exceeding the sector average of 6% for net premiums earned in property and liability. The discrepancy between gross and net premiums earned is primarily due to a cedant's internal change of recording premiums earned last year.

The successful acquisition of new business was once again principally responsible for SIRe's premium growth. Right from the January renewals of 2013, the company wrote 6.1% more business with existing clients and, even more so, new clients. The number of client relationships has risen by 23%.

SIRe continued to rebalance its portfolio: as in the previous year, the company reduced its share of liability business in both motor and in general liability while increasing its share of property insurance from 29% to some 31%. This makes it the largest line, followed by a share of 28% for general liability and just short of 20% each for both accident and motor (liability and hull). SIRe has a «gross for net» underwriting policy, with the risks accepted from cedants remaining on its own balance sheet rather than being retroceded. The proportion of retrocessions in the portfolio is thus extraordinarily small at CHF 0.2 million.

The combined ratio stood at 99.6% in 2013, very close to last year's total. The technical result (for own account) dropped from CHF 5.9 million to CHF 5.0 million, corresponding to 3.0% of premiums earned. As a result of the rise in premiums, the largest changes on the balance sheet were recorded in technical provisions. The company increased its reserves more or less in line with the growth in premiums earned, by 21% from CHF 345 million to CHF 416 million, thus slightly increasing a comfortable coverage ratio of 250%. SIRe achieved an annual result of CHF 6.7 million, slightly more than 2012's total of CHF 6.6 million.

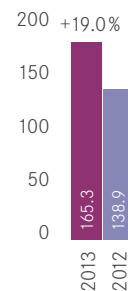
## STRONG GROWTH IN INVESTMENTS

SIRe's investments also grew in line with premium growth. Having increased by 19% in 2012, these exceeded half a billion Swiss francs for the first time in 2013, climbing 23% from CHF 447 million to CHF 551 million.

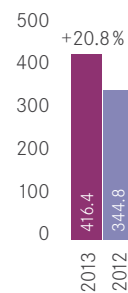
Current income increased in tandem, rising 15% to CHF 15.2 million. This represents a current return on investment of 3.1%, almost identical to last year's total of 3.2%. The balance sheet values of the investment funds at market prices developed positively, netting capital gains of CHF 4.5 million.

The market value of SIRe's investments continues to exceed their book value. However, concern about potential interest-rate developments reduced this market-to-book ratio by CHF 11 million from last year's figure of CHF 34.7 million to CHF 23.7 million.

Shareholders' equity  
(in mio. CHF)



Net technical provisions  
(in mio. CHF)



SIRe continued to pursue its conservative investment policy in 2013. Bonds and covered bonds in the amount of CHF 414 million and with an average weighted rating of «AA-» account for 75% of the portfolio. Another 17% is made up of bond funds. The proportion of equities is almost exactly 3.5%. Insurance-linked securities (ILS), which, for underwriting purposes, SIRe uses to diversify risks in a convergent capital/insurance market, rose from around CHF 18 million to almost CHF 25 million, now accounting for some 4.5% of the portfolio.

SIRe believes that the risks on the capital markets are significant and a sudden shift in interest-rate policy in particular may have grave consequences for an insurer's investment portfolio. For this reason, SIRe not only shifted its investments to high-rated assets, but also decided as far back as 2012 to start building up a equalisation provision for its investments in line with business performance. A new tranche of CHF 5.8 million was allocated to this reserve in 2013. As of 31 December 2013, this provision totalled CHF 11.8 million, or 2.8% of fixed-income investments.

#### INCREASED SHAREHOLDERS' EQUITY THANKS TO SOLID PERFORMANCE

Administration expenses rose from CHF 5.6 million to CHF 6.2 million in the year under review. Measured against the 19% rise in net premiums, this translates to a slightly improved cost ratio of 3.7%. In 2012 this figure was 4.0%. SIRe increased its headcount from 13 to 14 employees. SIRe's annual profit of CHF 6.7 million was up slightly on 2012, when the figure was CHF 6.6 million. Tax paid remained almost unchanged at CHF 0.7 million, and the profit was transferred to shareholders' equity.

In light of SIRe's positive business performance, the SIGNAL IDUNA Group decided to increase SIRe's shareholders' equity by CHF 25 million at the end of the year. Taken in conjunction with its profit, SIRe thus held shareholders' equity amounting to CHF 165.3 million on 31 December 2013. Since the Board of Directors is proposing to the General Meeting the same CHF 5.3 million dividend as last year, shareholders' equity will be reduced to CHF 160 million after this payment has been booked.

## OUTLOOK FOR THE 2014 FINANCIAL YEAR

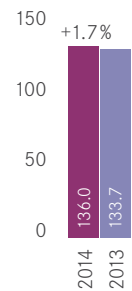
Building on its robust shareholders' equity position and conservative reserving and investment approach, SIRe has continued its consistent growth trajectory into its eleventh year of business. In the January renewals, in which SIRe traditionally writes more than 80% of its business, premium volume rose by 2% from CHF 133.7 million to CHF 136 million. Our growth is primarily based on new business with existing clients and with cedants that newly added SIRe to their reinsurance panel after these renewals. The number of client relationships has thus risen by a further 13%.

These stable renewals represent a salutary contrast to rate developments on the wider market, where prices fell further at the beginning of the year due to an over-supply of reinsurance capacity and increasing amounts of alternative capital entering the market. Price drops of 10% to 15% were reported in global catastrophe business and even the special lines of aviation, credit & surety and US liability, in which SIRe has virtually no exposure, saw premium rates fall by 10% to 20% (source: S&P).

SIRe also remains confident about the outlook for the remainder of the year. Thanks to its focus on European cedants, most of which are mutuals, and its policy of concentrating on long-term, high-frequency risks, SIRe is operating in a segment that is less prone to fluctuations and which has higher entry barriers for more opportunistic market players. In addition, a good two-thirds of our book consists of proportional business.

SIGNAL IDUNA increased SIRe's shareholders' equity by a further CHF 25 million to CHF 160 million at the end of the year, and SIRe intends to continue its consistent expansion guided by three key principles: Firstly, it will continue to ensure that it fully understands the business model, markets and business lines of its cedants and will support them with the right products and solutions. Secondly, the company's reliability will remain its most important capital. Cedants will be able to depend on the fact that SIRe does not make promises that it cannot keep, as the company has proved to the satisfaction of all our clients over the first decade of its existence. Thirdly, despite its judicious expansion in existing core markets and future markets in the United Kingdom as well as Central and Eastern Europe, SIRe will concentrate on client relationships where collaboration is anchored in personal contact and mutual trust.

Renewals  
(in mio. CHF)



# Balance sheet

## Assets

	31.12.2013 CHF	31.12.2012 CHF
<b>NON-CURRENT ASSETS</b>		
Investments		
Bonds	363 682 948	297 165 642
Covered bonds	51 250 979	45 199 762
Insurance-linked securities (ILS)	24 760 813	17 717 778
Bond funds	92 491 450	73 221 948
Equity funds	19 343 671	13 844 048
	551 529 861	447 149 178
Other investment assets		
Tangible assets	476 528	400 044
Intangible assets	643 860	514 743
	1 120 388	914 787
	552 650 249	448 063 965
<b>CURRENT ASSETS</b>		
Cash	8 928 656	12 299 341
Receivables from insurance operations – Group	3 295 047	674 951
Receivables from insurance operations – Third parties	21 932 074	23 238 266
Deposits	13 599 169	11 712 678
Other assets	50 860	72 096
Accrued income	7 509 983	6 886 204
	55 315 789	54 883 536
<b>Total assets</b>	<b>607 966 038</b>	<b>502 947 501</b>

## Liabilities and shareholders' equity

	31.12.2013 CHF	31.12.2012 CHF
<b>LIABILITIES</b>		
Net technical provisions		
Unearned premiums	10 950 308	18 758 400
Provision for annuity contracts	14 758 264	11 552 274
Provision for future life benefits	13 292 441	11 675 706
Provision for outstanding claims	377 424 876	302 814 059
	416 425 889	344 800 439
Other liabilities		
Liabilities from insurance operations – Group	1 297 183	497 291
Liabilities from insurance operations – Third parties	7 497 103	9 139 791
Other liabilities – Group	728 645	641 607
Other liabilities – Third parties	252 762	278 174
Other provisions	16 390 931	8 605 000
Accrued expenses	70 445	82 823
	26 237 069	19 244 686
	442 662 958	364 045 125
<hr/>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	100 000 000	100 000 000
Legal reserve		
- Thereof capital contribution reserve	53 134 208	27 884 208
- Thereof profit reserve	4 639 000	3 294 000
Other reserves	596 484	596 484
Retained earnings		
Retained earnings brought forward from previous year	232 684	555 208
Result for the year	6 700 704	6 572 476
	165 303 080	138 902 376
<b>Total liabilities and shareholders' equity</b>	<b>607 966 038</b>	<b>502 947 501</b>
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# Income statement

## Technical income statement

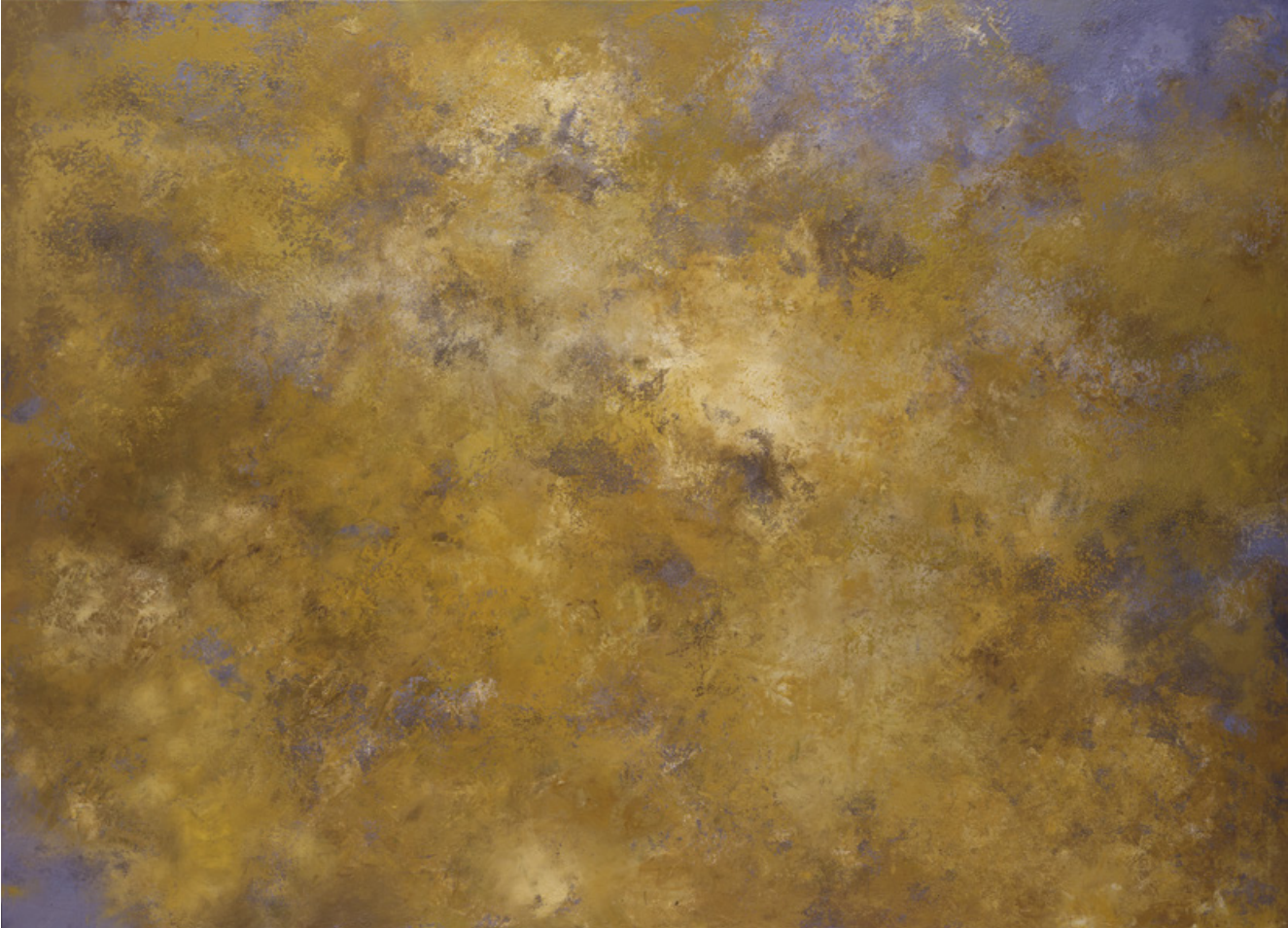
(for own account)

	2013 CHF	2012 CHF
<b>NON-LIFE REINSURANCE</b>		
Net premiums written	156 449 409	150 886 944
Change in unearned premiums	7 746 954	-13 768 939
Premiums earned	164 196 363	137 118 005
Income from technical interest	4 013 062	4 515 634
Commissions and profit commissions	-34 666 985	-32 565 086
Claims paid	-54 684 039	-50 556 186
Change in provision for outstanding claims	-73 321 930	-52 187 190
Incurred claims	-128 005 969	-102 743 376
Other technical expenses	-756 261	-799 445
Non-life reinsurance result	4 780 210	5 525 732
<b>LIFE REINSURANCE</b>		
Net premiums written	2 336 760	2 110 613
Premiums earned	2 336 760	2 110 613
Income from technical interest	398 700	351 471
Commissions and profit commissions	-332 665	-338 790
Life benefits	-974 065	-805 946
Change in provision for future life benefits	-1 195 346	-970 688
Total life benefits	-2 169 411	-1 776 634
Life reinsurance result	233 384	346 660
Overall technical result	5 013 594	5 872 392



## Non-technical income statement

	2013 CHF	2012 CHF
<b>NON-TECHNICAL INCOME</b>		
Current income from investments	15 199 717	13 220 085
Capital gains	4 764 247	6 425 387
Capital losses	-250 467	-147 885
Equalisation provision – investments	-6 400 000	-6 800 000
<b>Total income from investments</b>	<b>13 313 497</b>	<b>12 697 587</b>
Income from technical interest, non-life reinsurance	-4 013 062	-4 515 634
Exchange-rate differences	4 251	-795 024
Other income	4 487	4 065
<b>Total non-technical income</b>	<b>9 309 173</b>	<b>7 390 994</b>
<b>NON-TECHNICAL EXPENSES</b>		
Personnel expenses	-3 286 026	-3 093 308
Financial expenses	-1 158 909	-1 091 278
Other administrative expenses	-1 723 249	-1 396 623
<b>Total administrative expenses</b>	<b>-6 168 184</b>	<b>-5 581 209</b>
Valuation adjustments	-295 344	-246 822
Other expenses	-420 765	-127 622
<b>Total non-technical expenses</b>	<b>-6 884 293</b>	<b>-5 955 653</b>
<b>Non-technical result</b>	<b>2 424 880</b>	<b>1 435 341</b>
<b>Pre-tax result for the year</b>	<b>7 438 474</b>	<b>7 307 733</b>
Taxes	-737 770	-735 257
<b>Result for the year</b>	<b>6 700 704</b>	<b>6 572 476</b>



© Susanne Keller «Crouching Tiger»

# 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' 2013 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 2013.

### 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

	2013 CHF	2012 CHF
Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	203 517 917	155 743 634
Current account	85 000	85 000
Total book value of pledged assets	203 602 917	155 828 634

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The Zürcher Kantonalbank, Zurich, has granted SIGNAL IDUNA Reinsurance Ltd a credit facility of up to CHF 125 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 2013, EUR 15 000 000 and GBP 51 597 290 of the above credit facility had been used (31 December 2012: EUR 15 000 000 and GBP 32 441 630).

### 4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2013 CHF	2012 CHF
Tangible assets	1 300 000	1 100 000

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### 5. OFF-BALANCE SHEET LEASING COMMITMENTS

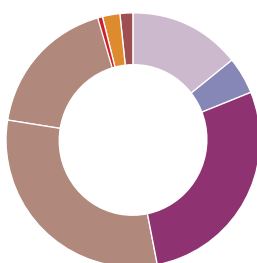
Rental contract for office space with an earliest possible termination date 30 September 2015 – CHF 345 000.

## 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:

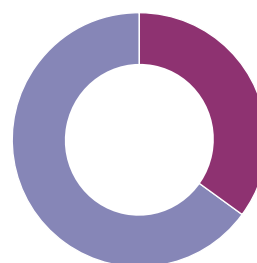
2013	CHF Gross	CHF Retro	CHF Net
Premiums written	158 987 401	-201 232	158 786 169
Change in unearned premiums	7 746 954	-	7 746 954
Premiums earned	166 734 355	-201 232	166 533 123
Technical interest	4 411 762	-	4 411 762
Commissions and profit commissions	-34 999 650	-	-34 999 650
Claims paid / life benefits	-55 658 104	-	-55 658 104
Change in provision for outstanding claims and future life benefits	-74 517 276	-	-74 517 276
Incurred claims and life benefits	-130 175 380	-	-130 175 380
Other technical expenses	-756 261	-	-756 261
<b>Technical result</b>	<b>5 214 826</b>	<b>-201 232</b>	<b>5 013 594</b>

Business lines



- 14.3% Motor liability
- 4.6% Motor hull
- 28.1% Liability
- 30.7% Property
- 18.2% Accident
- 0.3% Marine
- 2.3% Health
- 1.5% Life

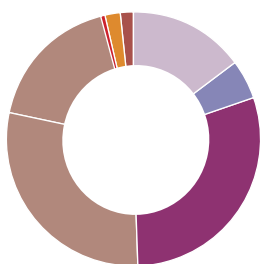
Gross premiums



- 35.5% Group business
- 64.5% External business

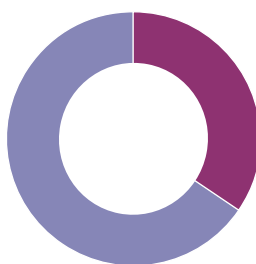
2012	CHF Gross	CHF Retro	CHF Net
Premiums written	153 234 258	-236 701	152 997 557
Change in unearned premiums	-13 768 939	-	-13 768 939
Premiums earned	139 465 319	-236 701	139 228 618
Technical interest	4 867 105	-	4 867 105
Commissions and profit commissions	-32 903 876	-	-32 903 876
Claims paid / 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
<b>Technical result</b>	<b>6 109 093</b>	<b>-236 701</b>	<b>5 872 392</b>

Business lines



- 14.9% Motor liability
- 4.9% Motor hull
- 29.9% Liability
- 28.7% Property
- 17.9% Accident
- 0.2% Marine
- 2.1% Health
- 1.4% Life

Gross premiums



- 34.6% Group business
- 65.4% External business

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

Technical provisions gross and for own account are as follows:

	2013 Gross CHF	2013 Net CHF	2012 Gross CHF	2012 Net CHF
Unearned premiums	10 950 308	10 950 308	18 758 400	18 758 400
Provision for annuity contract	14 758 264	14 758 264	11 552 274	11 552 274
Provision for future life benefits	13 292 441	13 292 441	11 675 706	11 675 706
Provision for outstanding claims	377 424 876	377 424 876	302 814 059	302 814 059
<b>Total technical provisions</b>	<b>416 425 889</b>	<b>416 425 889</b>	<b>344 800 439</b>	<b>344 800 439</b>

«Other provisions» contains the following amounts:

	2013 CHF	2012 CHF
Equalisation provision for fixed-income investments	11 800 000	6 000 000
Equalisation provision for Insurance-linked securities (ILS)	2 000 000	1 400 000
Unrealised foreign exchange gains	1 318 931	0
Taxes	755 000	750 000
Other	517 000	455 000
<b>Total other provisions</b>	<b>16 390 931</b>	<b>8 605 000</b>

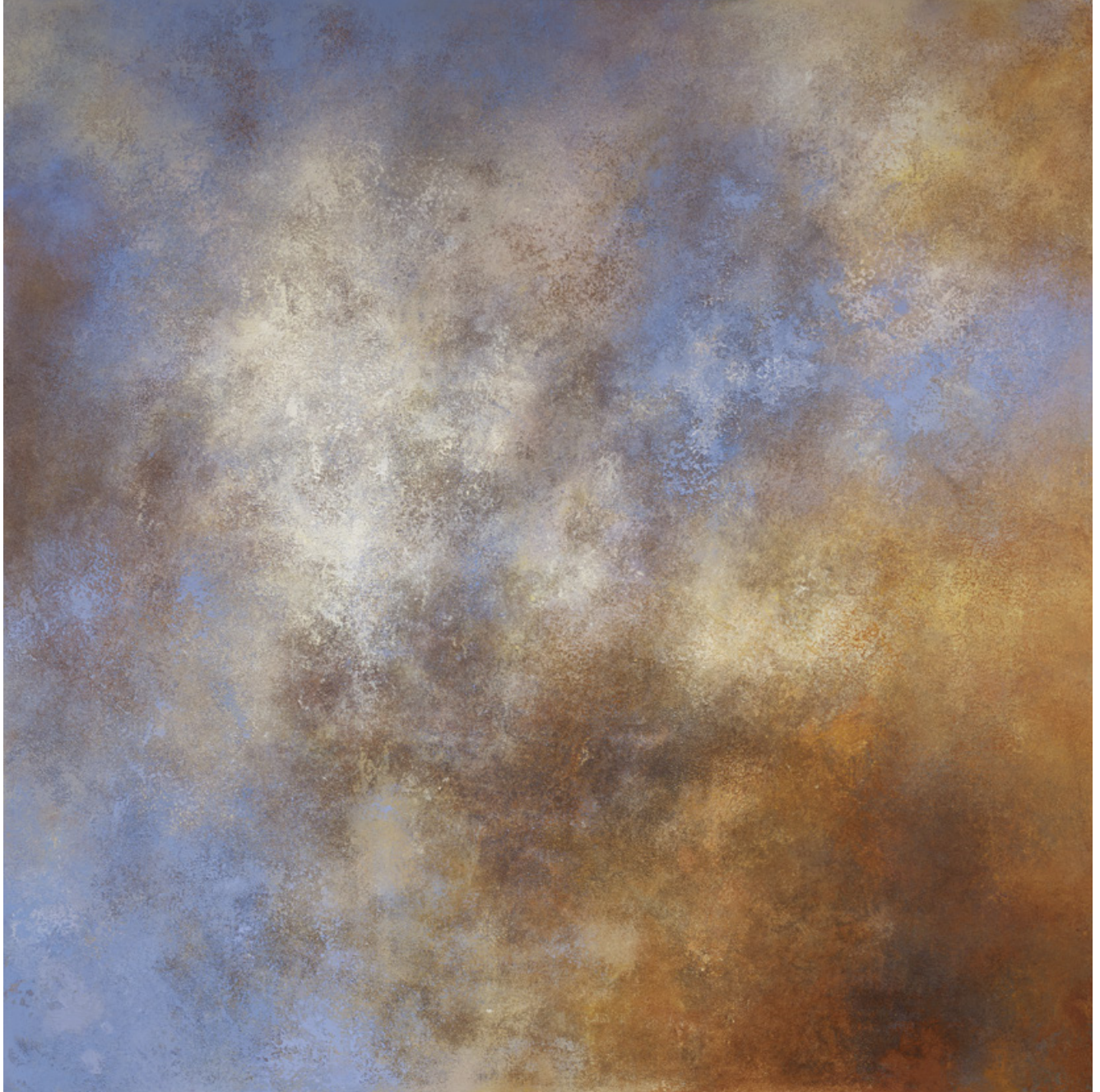


## 8. RISK MANAGEMENT ASSESSMENT

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	232 684
Result for the year	6 700 704
Retained earnings as per 31 December 2013 available to the Annual General Meeting	6 933 388

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	
Profit reserve – allocation 1	1 341 000
Profit reserve – allocation 2	30 000
Retained earnings carried forward	262 388
	<b>6 933 388</b>



Zug, 21 February 2014

# 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 2013.

### 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 2013 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.

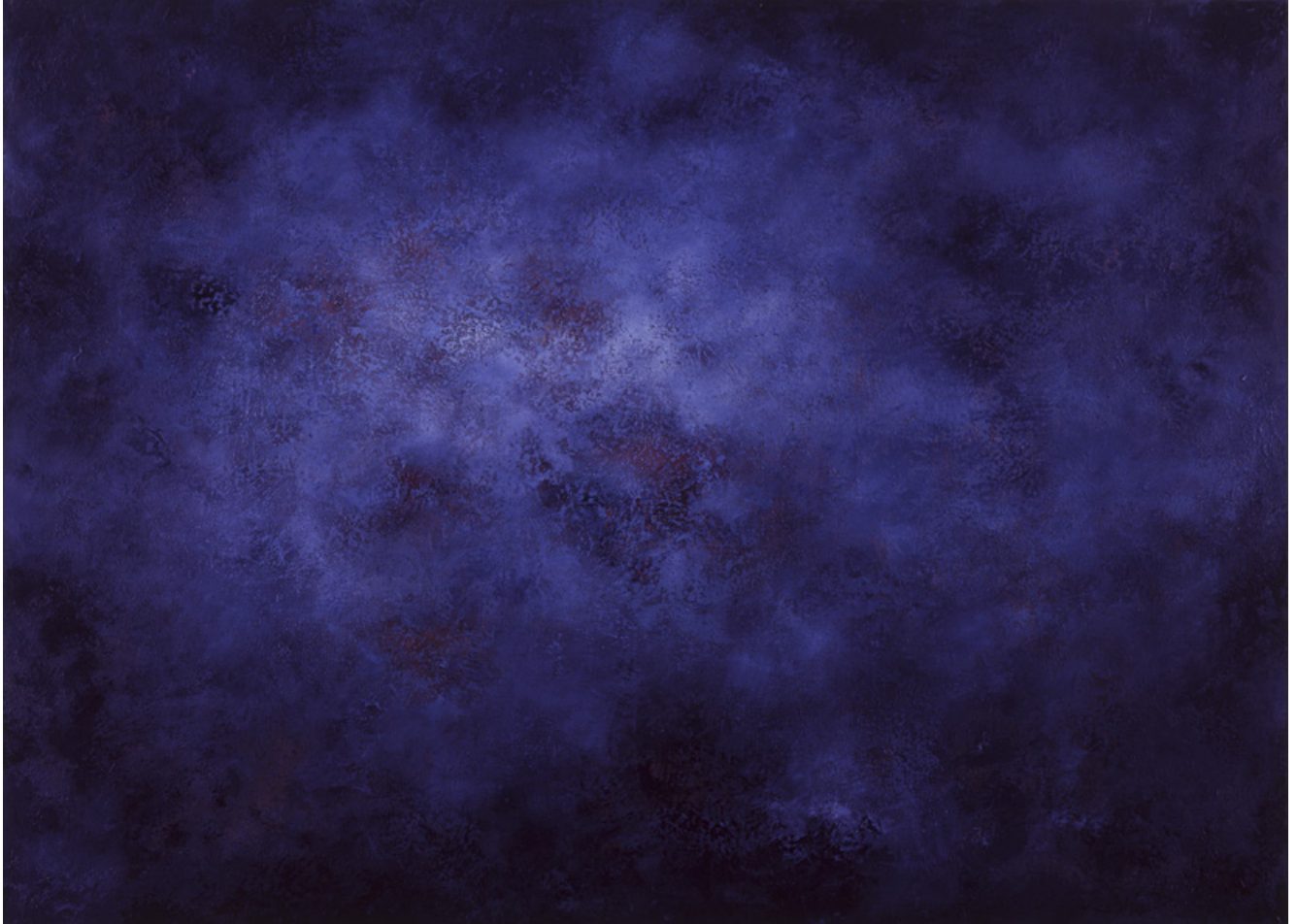
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Michael Stämpfli  
Audit expert  
Auditor in charge

Magali Zimmermann  
Audit expert

Zurich, 29 April 2014



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Photographs: © Susanne Keller; cover picture: detail of  
«Blues 2009»

Born in 1954, Susanne Keller is a freelance artist living and working in the town of Stäfa in the canton of Zurich, Switzerland. After studying at the School of Art and Design in Zurich, she completed her degree in Art History in Florence in 1982. Upon graduation, Susanne moved into her first studio in Winterthur. She has been working in Zurich since 1983.

Her passion, talent and ability find expression in her creations, in expressive composition and layering of colours, in tension and in depth as well as the interplay of the elements of her work with the mysterious and the dynamic. Her positive personality grants her pictures a wealth of strength, thereby evoking unforeseen emotions.

Since 1991, she has increasingly been managing larger projects and her work can be found in public spaces (KiÖR, Kunst am Bau) in Switzerland and its neighbouring countries. She has also presented her work in numerous exhibitions in the USA, Korea, Belgium, France and Germany, etc. since 1982.

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](http://www.sire.ch)

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