



# ANNUAL REPORT 2014

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  
Patrick Schumacher, Chief Financial Officer  
Andreas Gadmer, Chief Risk Officer

## SHAREHOLDERS

100% SIGNAL IDUNA Allgemeine Versicherung AG,  
Dortmund

## RATING

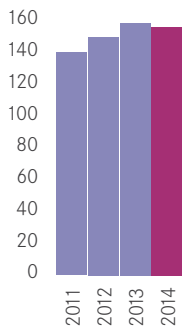
Fitch: A- «Outlook stable»

## AUDITORS

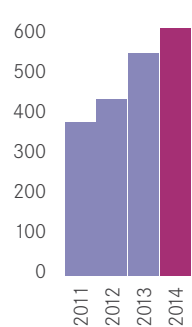
PricewaterhouseCoopers AG, Zurich

# Key figures

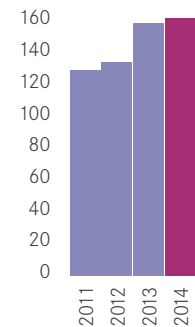
Gross Written Premiums  
(in mio. CHF)



Investments  
(in mio. CHF)



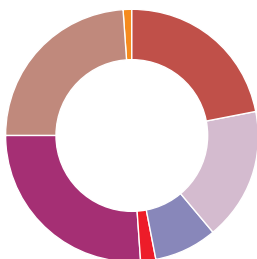
Shareholders' Equity  
after dividend distribution  
(in mio. CHF)



	2014 (in mio. CHF)	2013 (in mio. CHF)	Change (in mio. CHF)
Net premiums written	155.8	158.8	-3.0
Net premiums earned	155.3	166.5	-11.2
Technical result	5.3	5.0	0.3
Net investment income	15.8	13.3	2.5
Result for the year	8.2	6.7	1.5
Net technical provisions	468.1	416.4	51.7
Investments	607.9	551.5	56.4
Shareholders' equity (before dividend distribution)	168.2	165.3	2.9

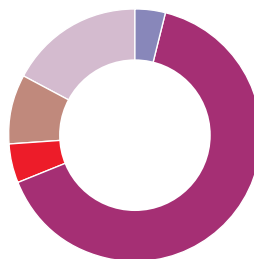
PORTFOLIO COMPOSITION 2014  
(Gross Written Premiums)

Business lines



- 22% Accident & Health
- 17% Motor
- 8% Engineering
- 2% Life
- 26% Property
- 24% Liability
- 1% Marine

Investments



- 4% Equity funds
- 65% 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

SIRe closed its eleventh financial year with a successful result, thereby continuing the established trend. In 2014, we increased the balance sheet total by 10.8% from CHF 608 million to CHF 674 million, while annual profits rose by 22.4% from CHF 6.7 million to CHF 8.2 million.

This success is all the more remarkable given that the changes in the reinsurance industry continued during the last financial year. Alternative capital made further headway into the market in its quest for attractive investment opportunities. The reinsurance sector therefore remained under, at times considerable, price pressure. In addition to excessive supply, demand for reinsurance cover was also affected. On the back of a comfortable capital base, partially centralised – and frequently also improved – risk management, as well as low premium growth, many primary insurers again decided to increase their retentions or to reduce their ceded shares in 2014.

Despite this difficult market environment, we are pursuing a consistent underwriting policy that is reliable, predictable and sustainable for our clients. As in the past, we steadily followed our course of selective diversification while broadening our client base and expanding our shares with existing clients. Our clients grew in number by 12%. Still, gross premiums written dropped by 1.9% to CHF 156 million as two major clients raised their retentions. The breakdown of business by lines of business remained virtually unchanged. Property (34.0%), General Liability (24.4%) and Accident & Health (21.9%) reinsurance are still our dominant lines.

We closed the technical account (net) with a positive result of CHF 5.3 million. This corresponds to 3.4% of premiums earned. We also managed to reduce the loss ratio by three percentage points to 74.8%. At the same time, our technical provisions grew by 12.5% to reach CHF 468 million. This equates to a comfortable coverage ratio of 301%, reflecting our conservative reserving approach.

Investments grew by 10.2% to reach a book value of CHF 608 million. The increase in portfolio holdings was also mirrored by a 9.8% rise in current income, which climbed to CHF 16.7 million. In keeping with our conservative investment policy, this represents a return on investment of 2.9% from average investments.

Administration costs (broken down into personnel, financial and other administration costs) amounted to CHF 7.1 million in the year under review – a year-on-year increase of 0.9 million, due in particular to extraordinary costs related to the celebrations for SIRe's tenth anniversary. The headcount remained stable at 14 employees.

The Board of Directors of SI Re is again proposing a dividend to the General Meeting: on this occasion, the proposed dividend of CHF 6.4 million represents an increase of 21 % on the prior year's figure of CHF 5.3 million. As of the balance sheet date, our shareholders' equity was CHF 168.2 million. After payment of the proposed dividend, shareholders' equity will be reduced to CHF 161.8 million.

We would like to thank our employees for the support they have given us. They are the foundation that underpins our long-term success. Equally, our thanks go to our clients: their trust is the most important endorsement of the quality of our work. Our ambition is to continue supporting our clients in the future with reliable, innovative products that are precisely tailored to their requirements.



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 2014 financial year

## SIRE AIMS FOR CONTINUITY

The reinsurance industry is undergoing a transformation process. Oversupply is growing, in response to a steady increase in alternative capital coupled with a decline in losses from major catastrophes. This situation has been intensifying over the last four years. There is also an incipient trend towards market players, who have lost hope of a turnaround, seeking salvation in upsizing through mergers or acquisitions.

Against this backdrop, SI Re aims for continuity, efficient management of the insurance cycle, and careful selection of risks. Based on this approach, the company was once again able to achieve an attractive result in 2014. At CHF 8.2 million, profit was 22.4% above the prior year's result; the balance sheet total rose by 10.8% to CHF 674 million, while investments grew by 10.2% to reach CHF 608 million. These developments were mirrored by growth of 9.8% in current income, which totalled CHF 16.7 million. The technical account closed with a profit of CHF 5.3 million, equating to a year-on-year increase of 5.6%. Based on this encouraging profit growth, the Board of Directors is proposing a dividend of CHF 6.4 million to the General Meeting, representing a 21% increase on the previous year's dividend of CHF 5.3 million.

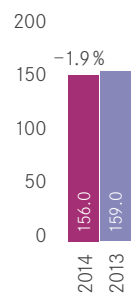
## THE REINSURANCE INDUSTRY AT THE CROSSROADS

One of the ongoing causes of the malaise in the reinsurance industry is the muted pace of the global economic recovery. In Europe, the European Central Bank (ECB) has switched to stimulating the economy by introducing its own package of monetary policy measures to bring about quantitative easing. The upswing is more advanced in the US, however, the turnaround in interest rates has yet to materialise here as well. Likewise in the emerging markets, a renewed slowdown in growth momentum is triggering a decline in interest rates.

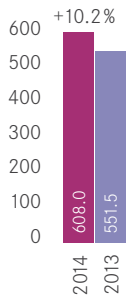
The «cheap money» policy is not without consequences for reinsurers' shareholder equity which – according to an estimate by Aon Benfield – rose by 6% to a record USD 575 billion in 2014. This includes an increase in the inflow of alternative capital which is due to a search for higher yield in the reinsurance sector. During the period under review, the amount of such capital rose by 28% to reach USD 64 billion; it now accounts for 15% of reinsurers' available capital. At the same time, global reinsurers benefited from below-average natural catastrophe losses and unrealised gains on their bond portfolios alike. Both factors played a part in the further growth of shareholders' equity.

Market players are now assuming that alternative capital has become a permanent feature of the reinsurance market. In the meantime, such capital is moving beyond natural catastrophe covers in the US, where the latest assumptions indicate that it already accounts for 40–50% of available capital, into other business lines and regions. In fact, hedge fund and pension fund investors are gaining a better understanding of the market, and thus are becoming more familiar with this asset class as well as the risks that it entails. Moreover, primary insurers, reinsurers and global brokers are making greater use of alternative investment vehicles for their own risk management, and/or are offering them to their cedants as additional cover.

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



Investments  
(in mio. CHF)



Aon Benfield's 2014 review also notes that premiums for the leading property and liability reinsurers included in the Aon Benfield Aggregate were stagnant at just under USD 200 billion; this is because primary insurers have ceded less risk even though reinsurance capacity is favourable. Since the original markets are growing at only a negligible pace, the trend towards centralised risk management and increased retentions is continuing. As a consequence, rates are falling, commissions are rising and conditions are softening. This applies not only to natural catastrophe risks but also – and increasingly – to liability and speciality lines.

The sector is responding to these market changes with various strategies: On the one hand, it is adapting and expanding its own range of offerings by adding alternative investment vehicles. And on the other hand, reinsurers are returning capital to their investors if they feel unable to obtain adequate conditions for its use in the market. In 2014, reinsurers paid out a total of USD 18 billion in the form of ordinary or special dividends and share buybacks. The year also saw the first market exits, with hedge funds closing their investment vehicles or placing them in run-off. The ultimate outcome is an increase in mergers and acquisitions.

A series of high-profile mergers and acquisitions took place last year and at the start of 2015 in both the reinsurance industry and the brokerage sector. The causes go beyond price softening and the expansion of reinsurance capacity. Higher capital adequacy requirements imposed by regulators and rating agencies, as well as the associated increase in costs are cited as further reasons. Moreover, certain market players are attempting to reduce costs by exploiting economies of scale or diversifying their portfolios into new lines of business and regions.

## A GOOD RESULT FOR SIRE

In the current market environment, SIRE forged ahead with diversifying its portfolio as part of its insurance cycle management. We increased both the number of our client relationships and expanded our share of business with existing clients. The total number of our clients rose by 12%, enabling us to continue broadening our client base, thereby enhancing our flexibility. We had already acquired a new client base of 23% in the prior year.

Even so, gross written premiums decreased by 1.9% from CHF 159 million to CHF 156 million. Two major clients, who dramatically increased their retentions, were mainly responsible for the decline. This also caused a reduction of 2.1 percentage points in the proportion of external business in our portfolio, which now stands at 62.4%. The intra-group portion of our portfolio comprising business with our parent company, the SIGNAL IDUNA Group, was therefore 37.6% at the end of 2014.

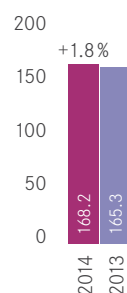
Premiums earned also declined by 6.6% during 2014, from CHF 167 million to CHF 155 million. This downturn was due to special effects caused by one cedant's decision to change its accounting method for premiums earned in the preceding year. This effect had a correspondingly positive impact on our premiums earned in 2013. SIRE remains faithful to its strategy and only writes business that it intends to retain on its own books. Thanks to this «gross for net» policy, our retrocessions amount to a mere CHF 0.2 million.

Adjustments to the portfolio during 2014 were relatively minor. Property insurance (34.0%), General Liability (24.4%) and Accident & Health (21.9%) are still the main lines, followed by Motor Liability (13.6%), Motor Hull (3.9%), Marine (0.7%), and Life (1.5%).

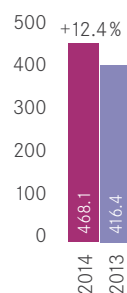
At 99.3% of premiums earned, the combined ratio was slightly below the previous year's level of 99.6%. The technical result (net) rose from CHF 5.0 million to CHF 5.3 million. This represents 3.4% of premiums earned – a slight improvement on the prior year's figure of 3.0%. The loss ratio also fell around three percentage points to reach its present level of 74.8%.

At the same time, our technical provisions increased by 12.5% to reach CHF 468 million. In relation to premiums earned of CHF 155 million, this translates into an increase in our coverage ratio from 250% to the comfortable figure of 301%, thus reflecting our conservative reserving approach.

Shareholders' equity  
(in mio. CHF)



Net technical provisions  
(in mio. CHF)



## CAUTIOUS INVESTMENT POLICY

SIRe's investments saw another double-digit increase. They grew by 10.2%, from CHF 551 million in 2013 to CHF 608 million as at 31 December 2014. Current income from investments increased in tandem, climbing by 9.8% from CHF 15.2 million to CHF 16.7 million. This translates into a return on investment of 2.9% from average investments. The return during the prior year was 3.1%. As was already the case in 2013, balance sheet values of the investment funds at market prices developed positively, netting capital gains of CHF 2.0 million for the equity funds and CHF 5.4 million for the bond funds.

The market value of SIRe's investments again exceeded their book value in 2014. Following a slight upturn in the market-to-book ratio during the prior year, the interest-rate level shifted significantly downwards again in 2014 due to the central banks' continuation of their expansionary monetary policy. This exacerbation of the low interest rate environment prevailing in 2014 pushed the market-to-book ratio up from CHF 23.7 million at the end of the prior year to CHF 44.3 million.

In the 2014 reporting year, bonds and covered bonds amounted to CHF 448 million, or 73.8% of the portfolio. Their average rating was «AA-». Another 17.2% is made up of bond funds, while the equity share is low at 3.8%. Insurance-linked securities (ILS), which not only enable us to maintain a foothold in the convergence market but also allow us to diversify risks as we see fit on the insurance side, rose from CHF 24.7 million to CHF 31.7 million, equivalent to 5.2% of the portfolio.

SIRe continues to maintain an equalisation provision for its investments in order to arm itself against the risks on the capital market which remain persistently high. In particular, they include the possibility of a sudden turnaround in interest rates which could have a major impact on an insurer's investment portfolio. This is why SIRe set up an equalisation provision of this sort for the first time in 2012; a new tranche of CHF 7.3 million was allocated to the provision in 2014, following the tranche already allocated in the previous year. As at 31 December 2014, this provision totalled CHF 19.1 million or 4.2% of investments in bonds and covered bonds administered by the company itself.

## HIGHER PROFIT AND INCREASED DIVIDEND

Administration expenses rose from CHF 6.2 million to CHF 7.1 million in 2014. The increase of 0.9 million is largely due to extraordinary marketing activities in connection with the celebrations of SIRe's tenth anniversary. Measured against the competition, SIRe continues to operate with a very low cost base. The headcount remained constant at 14 employees.

Annual profit rose by 22.4% from CHF 6.7 million to CHF 8.2 million. Taxes amounted to CHF 0.9 million, equating to a year-on-year increase of 28.6%. The profit was transferred to shareholders' equity.

As of the balance sheet date at the end of December, we posted shareholders' equity of CHF 168.2 million. Since the Board of Directors is proposing a dividend pay-out of CHF 6.4 million (following CHF 5.3 million in 2013) to the General Meeting that, the equity capital will be reduced to CHF 161.8 million after the payment has been booked. As of the financial year 2015, the full reporting will be carried out in euro.

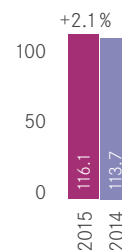
### OUTLOOK FOR THE 2015 FINANCIAL YEAR

We presume that the excess capacity currently available on the market will continue to be present for the time being. The ECB's quantitative easing policy is undermining the ability of governments in the eurozone countries to implement speedy structural reforms. This policy also has a counterproductive effect, since current interest rates do not adequately reflect the risk on the market. This adds up to a difficult situation for risk-conscious investors such as those in the insurance industry. We therefore foresee no turnaround in interest rates for a long time to come – let alone an outflow of alternative capital from the reinsurance market.

In this market environment, SI Re is positioning itself as a professional and flexible partner: we pursue a selective underwriting policy that enables us to further pursue the ongoing diversification of our own portfolio on the basis of close client relationships underpinned by market expertise as well as by offering tailored solutions and advisory services. In the January renewals, when we write about 90% of our portfolio, we increased our gross premiums by 2.1% year-on-year. At the same time, we cautiously extended our underwriting limits, increased shares with existing or stepped up business with new clients. We also continued our geographical diversification by developing our market presence in Benelux, Finland, Iceland, Portugal and the Czech Republic. In overall terms, SI Re was able to grow its client base by 13% year-on-year in this year's round of renewals.

We are cautiously optimistic with regards to the course of the rest of the year. Our strengths lie in our expanded client base and in the strong personal relationships we have built over many years. These factors constitute a high barrier to entry for providers pursuing more transaction-driven business models. Nevertheless, we approach the current market situation with due scepticism: the reinsurance sector should resist forces that may seek to reduce it to the status of a return-generating and exchangeable asset class.

Renewals  
(in mio. EUR)



# Balance sheet (translated)

## Assets

	31.12.2014 CHF	31.12.2013 CHF
<b>NON-CURRENT ASSETS</b>		
Investments		
Bonds	391 793 722	363 682 948
Covered bonds	56 565 629	51 250 979
Insurance-linked securities (ILS)	31 736 642	24 760 813
Derivatives	132 040	0
Bond funds	104 360 001	92 491 450
Equity funds	23 339 476	19 343 671
	607 927 510	551 529 861
Other investment assets		
Tangible assets	472 059	476 528
Intangible assets	812 016	643 860
	1 284 075	1 120 388
	609 211 585	552 650 249
<b>CURRENT ASSETS</b>		
Cash	9 901 597	8 928 656
Receivables from insurance operations – Group	3 151 637	3 295 047
Receivables from insurance operations – Third parties	29 156 088	21 932 074
Deposits	15 080 544	13 599 169
Other assets	44 818	50 860
Accrued income	7 557 168	7 509 983
	64 891 852	55 315 789
<b>Total assets</b>	<b>674 103 437</b>	<b>607 966 038</b>

## Liabilities and shareholders' equity

	31.12.2014 CHF	31.12.2013 CHF
<b>LIABILITIES</b>		
Net technical provisions		
Unearned premiums	11 538 001	10 950 308
Provision for annuity contracts	15 715 900	14 758 264
Provision for future life benefits	14 263 149	13 292 441
Provision for outstanding claims	426 573 110	377 424 876
	468 090 160	416 425 889
Other liabilities		
Liabilities from insurance operations – Group	306 518	1 297 183
Liabilities from insurance operations – Third parties	11 320 444	7 497 103
Other liabilities – Group	882 323	728 645
Other liabilities – Third parties	530 897	252 762
Other provisions	24 753 662	16 390 931
Accrued expenses	44 811	70 445
	37 838 655	26 237 069
	505 928 815	442 662 958
<hr style="border-top: 1px dashed orange;"/>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	100 000 000	100 000 000
Legal reserve		
- Thereof capital contribution reserve	53 134 208	53 134 208
- Thereof profit reserve	6 010 000	4 639 000
Other reserves	596 484	596 484
Retained earnings		
Retained earnings brought forward from previous year	262 388	232 684
Result for the year	8 171 542	6 700 704
	168 174 622	165 303 080
<b>Total liabilities and shareholders' equity</b>	<b>674 103 437</b>	<b>607 966 038</b>
<hr style="border-top: 1px dashed orange;"/>		

# Income statement (translated)

## Technical income statement

(for own account)

	2014 CHF	2013 CHF
<b>NON-LIFE REINSURANCE</b>		
Net premiums written	153 387 863	156 449 409
Change in unearned premiums	-553 043	7 746 954
Premiums earned	152 834 820	164 196 363
Income from technical interest	3 743 322	4 013 062
Commissions and profit commissions	-36 798 966	-34 666 985
Claims paid	-61 007 068	-54 684 039
Change in provision for outstanding claims	-52 787 972	-73 321 930
Incurred claims	-113 795 040	-128 005 969
Other technical expenses	-823 804	-756 261
Non-life reinsurance result	5 160 332	4 780 210
<b>LIFE REINSURANCE</b>		
Net premiums written	2 437 867	2 336 760
Premiums earned	2 437 867	2 336 760
Income from technical interest	438 875	398 700
Commissions and profit commissions	-436 033	-332 665
Life benefits	-1 058 054	-974 065
Change in provision for future life benefits	-1 246 939	-1 195 346
Total life benefits	-2 304 992	-2 169 411
Life reinsurance result	135 717	233 384
Overall technical result	5 296 048	5 013 594



## Non-technical income statement

	2014 CHF	2013 CHF
<b>NON-TECHNICAL INCOME</b>		
Current income from investments	16 692 283	15 199 717
Capital gains	7 463 782	4 764 247
Capital losses	-293 443	-250 467
Equalisation provision – investments	-8 040 000	-6 400 000
<b>Total income from investments</b>	<b>15 822 621</b>	<b>13 313 497</b>
Income from technical interest, non-life reinsurance	-3 743 322	-4 013 062
Exchange-rate differences	-655 221	4 251
Other income	7 061	4 487
<b>Total non-technical income</b>	<b>11 431 139</b>	<b>9 309 173</b>
<b>NON-TECHNICAL EXPENSES</b>		
Personnel expenses	-3 706 107	-3 286 026
Financial expenses	-1 366 172	-1 158 909
Other administrative expenses	-2 054 327	-1 723 249
<b>Total administrative expenses</b>	<b>-7 126 607</b>	<b>-6 168 184</b>
Valuation adjustments	-351 081	-295 344
Other expenses	-182 796	-420 765
<b>Total non-technical expenses</b>	<b>-7 660 483</b>	<b>-6 884 293</b>
<b>Non-technical result</b>	<b>3 770 656</b>	<b>2 424 880</b>
<b>Pre-tax result for the year</b>	<b>9 066 704</b>	<b>7 438 474</b>
Taxes	-895 162	-737 770
<b>Result for the year</b>	<b>8 171 542</b>	<b>6 700 704</b>



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# Notes to the financial statements (translated)



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' 2014 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 2014.

### 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

	2014 CHF	2013 CHF
Technical provisions and other liabilities secured by pledged securities or current accounts		
Securities	233 751 127	203 517 917
Current account	85 000	85 000
Total book value of pledged assets	233 836 126	203 602 917

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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 2014, EUR 15 000 000 and GBP 55 915 030 of the above credit facility had been used (31 December 2013: EUR 15 000 000 and GBP 51 597 290).

### 4. FIRE INSURANCE VALUE OF TANGIBLE ASSETS

	2014 CHF	2013 CHF
Tangible assets	1 300 000	1 300 000

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### 5. OFF-BALANCE SHEET LEASING COMMITMENTS

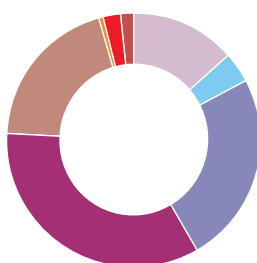
Rental contract for office space with a set term until 30 September 2020 – CHF 1 055 000.

## 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:

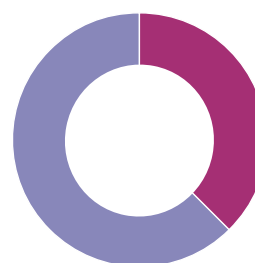
2014	CHF Gross	CHF Retro	CHF Net
Premiums written	155 998 281	-172 551	155 825 730
Change in unearned premiums	-553 043	-	-553 043
Premiums earned	155 445 238	-172 551	155 272 687
Technical interest	4 182 197	-	4 182 197
Commissions and profit commissions	-37 234 999	-	-37 234 999
Claims paid / life benefits	-62 065 122	-	-62 065 122
Change in provision for outstanding claims and future life benefits	-54 034 910	-	-54 034 910
Incurred claims and life benefits	-116 100 032	-	-116 100 032
Other technical expenses	-823 804	-	-823 804
<b>Technical result</b>	<b>5 468 600</b>	<b>-172 551</b>	<b>5 296 049</b>

Business lines



- 13.6% Motor liability
- 3.9% Motor hull
- 24.4% Liability
- 34.0% Property
- 19.7% Accident
- 0.7% Marine
- 2.2% Health
- 1.5% Life

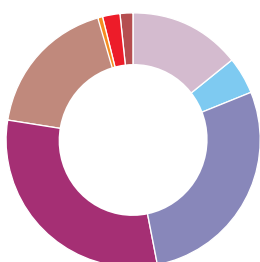
Gross premiums



- 37.6% Group business
- 62.4% External business

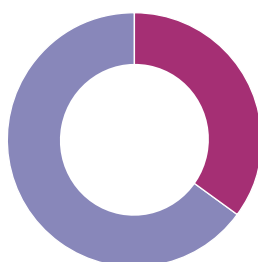
2013	CHF Gross	CHF Retro	CHF Net
Premiums written	158 987 401	-201 232	158 786 169
Change in unearned premiums	7 746 954	-	7 746 954
Premiums earned	166 734 355	-201 232	166 533 123
Technical interest	4 411 762	-	4 411 762
Commissions and profit commissions	-34 999 650	-	-34 999 650
Claims paid / life 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

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

Technical provisions gross and for own account are as follows:

	2014 Gross CHF	2014 Net CHF	2013 Gross CHF	2013 Net CHF
Unearned premiums	11 538 001	11 538 001	10 950 308	10 950 308
Provision for annuity contract	15 715 900	15 715 900	14 758 264	14 758 264
Provision for future life benefits	14 263 149	14 263 149	13 292 441	13 292 441
Provision for outstanding claims	426 573 110	426 573 110	377 424 876	377 424 876
<b>Total technical provisions</b>	<b>468 090 160</b>	<b>468 090 160</b>	<b>416 425 889</b>	<b>416 425 889</b>

«Other provisions» contains the following amounts:

	2014 CHF	2013 CHF
Equalisation provision for fixed-income investments	19 100 000	11 800 000
Equalisation provision for Insurance-linked securities (ILS)	2 740 000	2 000 000
Unrealised foreign exchange gains	1 500 662	1 318 931
Taxes	912 500	755 000
Other	500 500	517 000
<b>Total other provisions</b>	<b>24 753 662</b>	<b>16 390 931</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 (translated)



	CHF
Retained earnings brought forward from previous year	262 388
Result for the year	8 171 542
Retained earnings as per 31 December 2014 available to the Annual General Meeting	8 433 930



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

	CHF
Dividend	6 400 000
Allocation to free reserves	2 000 000
Retained earnings carried forward	33 930
	8 433 930

An allocation to the statutory reserves is no longer necessary, as the existing statutory reserves already exceed 50% of the paid-in equity capital.

Zug, 25 February 2015

# Auditor's report (translated)

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 2014.

### 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 2014 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.

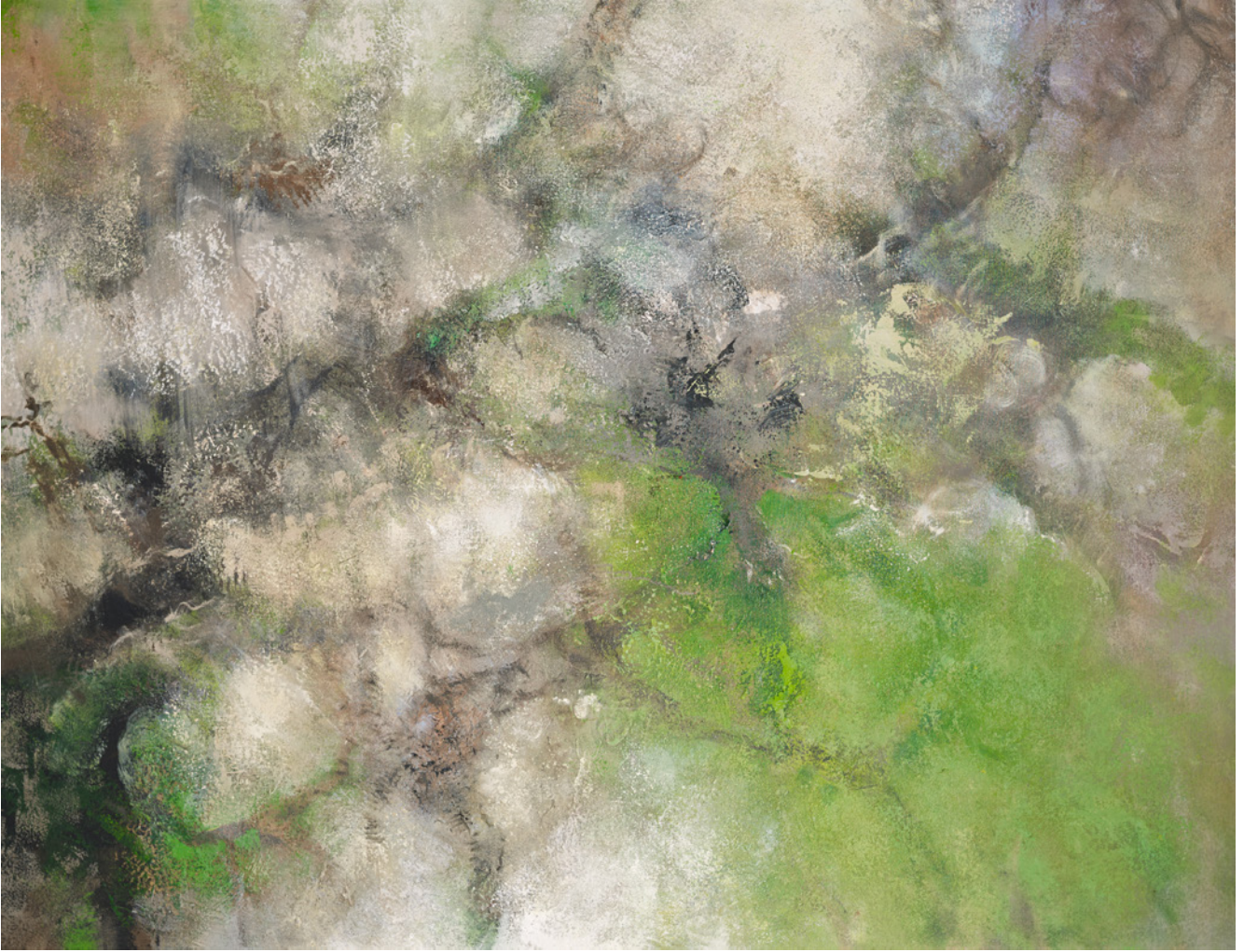
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Michael Stämpfli  
Audit expert  
Auditor in charge

Angela Marti  
Audit expert

Zurich, 29 April 2015



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

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.

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