Chubb Insurance (Switzerland) Limited

2019 Financial Condition Report (Public Disclosure)

Contents

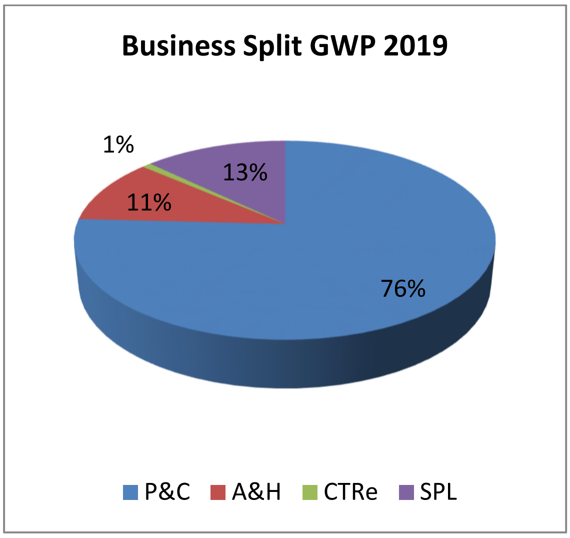
A. Executive Summary

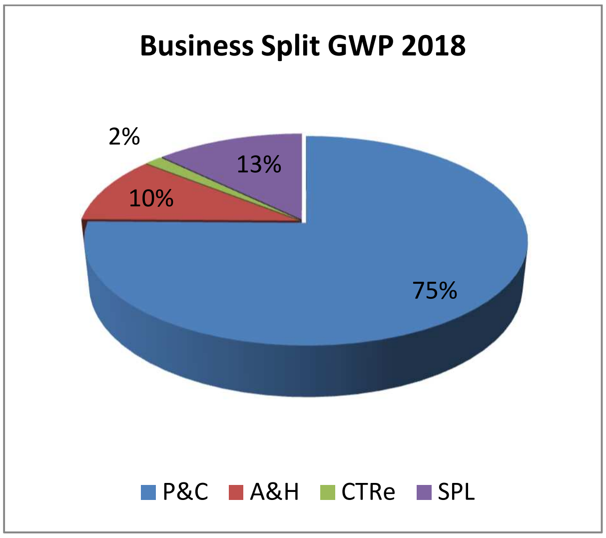
Chubb Insurance Switzerland Limited ('CISL') provides a range of property and casualty, accident and health, personal lines insurance products for a diverse range of clients. In addition through its business unit Chubb Tempest Re International ('CTRe') CISL also provides casualty, marine and property treaty reinsurance in selected markets. With shareholder's equity of CHF 191.0m, a S&P AA rating (stable outlook), CISL is a well-capitalized company.
For the year ended December 31, 2019, net income was CHF 11.8m compared with CHF 2.4m, operating income was at CHF 14.9m compared to CHF 4.9m last year. The combined ratio was at 84.2% compared to 93.2% in 2018. The underwriting result was impacted by increased business volume, and by higher than prior year favourable prior year developments. Net investment income increased by CHF 2.6m compared to prior year, mainly due to lower realized losses and despite decreasing interest rates.

B. Business Activities

1. Company's strategy, objectives and key business segments

Chubb Insurance Switzerland Limited ("Chubb Switzerland" or "CISL") offers its clients a broad range of insurance and risk solutions encompassing property & casualty, accident & health and personal lines classes, with policies written under the brand names "Chubb Europe" and "Chubb Tempest Re (CTRe)". These brands capitalise on the distinctiveness and strength of the Chubb name and acknowledge the company's strong insurance platforms, reputation, skill sets, financial strength ratings and consistent management philosophy.
The principal business segments of Chubb are managed as Property and Casualty ("P&C"), Accident and Health ("A&H") and Specialty Personal Lines ("SPL"). The P&C operations provide client-focused insurance solutions and risk management and engineering services for a range of multinational, large and mid-sized commercial clients, with products encompassing property, primary and excess casualty, financial lines and marine cargo related risks. The A&H division underwrites a range of A&H and leisure travel related products, providing benefits and services to individuals, employee groups and affinity groups throughout Europe. In some cases, these products are packaged under other brands or form part of another service provider's products. A range of personal accident and sickness insurance products including short-term disability, critical condition and hospitalisation/recovery are also offered across a number of European countries. The SPL team has developed innovative insurance solutions and industry-leading claims capabilities for Mobile Network Operators and Electrical Retailers, in order to provide their customers with protection for their mobile devices. CTRe provides traditional and non-traditional casualty, marine and property treaty reinsurance in selected markets. The split of the 2019 and 2018 gross written premiums are shown below:





2. Group Relations, Activities and Relations

CISL is a direct subsidiary of Chubb Limited, Zurich, Switzerland ("Chubb"). Chubb is the world's largest publicly traded property and casualty insurer. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. The company is distinguished by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength, superior claims handling expertise and local operations globally.

The Group serves multinational corporations, mid-size and small businesses with property and casualty insurance and risk engineering services; affluent and high net worth individuals with substantial assets to protect; individuals purchasing life, personal accident, supplemental health, homeowners, automobile and specialty personal insurance coverage; companies and affinity groups providing or offering accident and health insurance programs and life insurance to their employees or members; and insurers managing exposures with reinsurance coverage. Chubb's core operating insurance companies maintain financial strength ratings of "AA" from Standard & Poor's and "A++" from A.M. Best. As a consequence of its international and multinational program offerings CISL assumes and cedes risks from and to Chubb's international network. In addition CISL has entered into reinsurance treaties with both, third party and affiliated reinsurers.

3. Major Shareholder

The Company was incorporated under the laws of Switzerland on 19 September 2008 and has obtained its licence effective 1 November 2008. The Company is directly and wholly-owned by its ultimate parent company Chubb Limited, Switzerland ("Chubb").

4. External Auditors

The Company's external auditors are PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zurich, Switzerland ('PWC'). PWC confirms that it meets 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 its independence.

5. Significant Unusual Events

There were no extraordinary events in 2019 and 2018 respectively.

The outbreak of the COVID – 19 crisis has led to significant volatility in the financial markets and will most likely adversely impact the global and local economies. The Company's Board of Directors and Executive Management Committee are reviewing the development and the potential impact of this crisis on assets, liabilities and operations on a regular basis

C. Performance

1. Results and Performance

The summary of the financial results is shown in the table below.

CHFm	2019	2018
Gross written premiums	134.0	125.1
Net written premiums	77.8	65.2
Net earned premiums	**73.4**	**66.2**
Net claims and claim expenses incurred	26.9	32.3
Operating Expense, net	34.9	29.4
Underwriting result	**11.6**	**4.4**
Net investment income	3.0	0.4
Net other financial income / expense	0.3	0.1
Operating result	**14.9**	**4.9**
Net other income/expense	0.1	-1.7
Income before tax	**15.0**	**3.2**

1.2 Underwriting Result

The underwriting result was impacted on the one hand by increased business volume mainly due to significant new business wins, high retention ratios and favourable impacts from exposure changes. Furthermore, higher than prior year favourable prior year developments also contributed to the increased underwriting result.

CHFm		2019			2018		
		INS**	RI**	Total	INS**	RI**	Total
Gross written premiums	Direct	107.8	0.0	107.8	99.2	0.0	99.2
	Assumed	25.1	1.1	26.2	23.9	1.9	25.9
Premium ceded to reinsurers	Ceded	-53.1	0.0	-53.1	-54.0	0.0	-54.0
	Retroceded	-2.8	-0.3	-3.1	-5.6	-0.3	-5.9
Net written premiums		**77.0**	**0.8**	**77.8**	**63.6**	**1.6**	**65.2**
Change in unearned premium reserves	Direct	-2.1	0.0	-2.1	0.2	0.0	0.2
	Assumed	-1.7	0.5	-1.2	-1.1	0.7	-0.4
	Ceded	-0.3	0.0	-0.3	1.1	0.0	1.1
	Retroceded	-0.3	-0.5	-0.7	0.1	0.0	0.1
Change in unearned premium reserves		**-4.4**	**0.0**	**-4.3**	**0.3**	**0.7**	**1.0**
Net earned premiums		**72.6**	**0.8**	**73.5**	**63.8**	**2.3**	**66.2**
Total technical income		**72.6**	**0.8**	**73.5**	**63.8**	**2.3**	**66.2**
Claims and claim expenses incurred	Direct	38.7	0.0	38.7	34.5	0.0	34.5
	Assumed	22.6	-5.0	17.7	9.4	-2.1	7.3
	Ceded	-25.7	0.0	-25.7	-3.3	0.0	-3.3
	Retroceded	-7.9	4.2	-3.7	-8.3	2.2	-6.1
Total Claims Incurred, net		**27.7**	**-0.7**	**27.0**	**32.3**	**0.0**	**32.3**
Acquisition costs	Gross	28.9	0.7	29.6	26.0	0.6	26.5
	Ceded	-7.8	-0.6	-8.4	-7.3	-0.2	-7.5
Total Acquisition costs, net		**21.1**	**0.1**	**21.2**	**18.7**	**0.3**	**19.0**
Administrative expenses		13.1	0.5	13.7	10.0	0.4	10.4
Total acquisition- and administrative expenses, net		**34.2**	**0.6**	**34.8**	**28.7**	**0.7**	**29.4**
Total technical expenses		**61.9**	**0.0**	**61.9**	**61.0**	**0.8**	**61.8**
Underwriting result		**10.7**	**0.9**	**11.6**	**2.9**	**1.5**	**4.4**

* Row: Represents the legal view as outlined in FINMA's quantitative template Appendix 2 (total amounts)
** Column: Represents how Chubb manages its business (multinational & international programs)

2.1.1 Accident & Health

Underwriting result in 2019 is lower than in prior year. Business developed well in terms of new business and high retention ratio however loss and loss expense increased significantly. Operational expense increased due to the increased business volume and increased business written via the broker channel.

CHFm		2019	2018
Gross written premium (GWP)	Direct	13.1	12.2
	Assumed	1.1	1.0
Total GWP		**14.2**	**13.2**
Premium ceded to reinsurers (RI)	Ceded	-7.5	-6.9
	Retroceded	-0.6	-0.5
Total RI		**-8.1**	**-7.4**
Change in unearned premium reserve (UPR)	Direct	-0.1	-0.2
	Assumed	0.0	0.0
	Ceded	0.0	0.0
	Retroceded	0.0	0.0
Total change in UPR		**-0.1**	**-0.2**
Net earned premium		**6.1**	**5.7**
Loss and loss Expense	Direct	-5.2	-4.6
	Assumed	-0.6	-0.2
	Ceded	2.5	3.0
	Retroceded	0.3	0.1
Total loss and loss expense		**-3.0**	**-1.7**
Operating expense	Gross	-7.9	-6.9
	Ceded	4.6	3.8
Net operating expense		**-3.3**	**-3.1**
Underwriting Result		**-0.3**	**0.9**

2.1.2 Marine

The underwriting result has been mainly impacted by loss of business and higher than anticipated current year loss activities. Business development has been within expectation.

CHFm		2019	2018
Gross written premium (GWP)	Direct	13.3	12.8
	Assumed	2.6	5.1
Total GWP		**15.9**	**17.8**
Reinsurance premium ceded (RI)	Ceded	-11.1	-11.1
	Retroceded	-0.3	-3.1
Total RI		**-11.4**	**-14.3**
Change in unearned premium reserve (UPR)	Direct	0.0	-0.1
	Assumed	0.3	-0.1
	Ceded	-0.0	0.2
	Retroceded	-0.4	0.0
Total change in UPR		**-0.1**	**0.0**
Net earned premium		**4.5**	**3.6**
Loss and loss expense	Direct	0.9	-6.3
	Assumed	-0.0	0.0
	Ceded	-3.6	3.9
	Retroceded	-1.1	-0.9
Total loss and loss expense		**-3.8**	**-3.3**
Operating expense	Direct	-2.0	-2.7
	Ceded	0.5	0.5
Net operating expense		**-1.5**	**-1.7**
Underwriting Result		**-0.9**	**-1.3**

2.1.3 Fire

Positive business development has been more than compensated by some large losses.

CHFm		2019	2018
Gross written premium (GWP)	Direct	29.7	25.1
	Assumed	7.2	7.8
Total GWP		**36.9**	**32.9**
Reinsurance premium ceded (RI)	Ceded	-11.5	-9.3
	Retroceded	-1.3	-1.6
Total RI		**-12.8**	**-10.9**
Change in unearned premium reserve (UPR)	Direct	-1.4	1.3
	Assumed	-0.2	-0.3
	Ceded	0.3	-0.9
	Retroceded	0.1	0.1
Total change in UPR		**-1.3**	**0.1**
Net earned premium		**22.8**	**22.2**
Loss and loss expense	Direct	-21.5	-17.8
	Assumed	-14.3	3.3
	Ceded	10.9	4.0
	Retroceded	11.7	-1.9
Total loss and loss expense		**-13.2**	**-12.5**
Operating expense	Gross	-14.1	-12.4
	Ceded	0.5	0.7
Net operating expense		**-13.6**	**-11.7**
Underwriting Result		**-4.0**	**-2.0**

2.1.4 Casualty

Business development has been very positive due to a higher than expected retention ratio as well as significant new business win. Loss and loss expense decrease is mainly due to higher favourable prior year developments compared to 2018. Net operating expense development has been in line with expectation, i.e. mainly driven by headcount developments.

CHFm		2019	2018
Gross written premium (GWP)	Direct	51.5	48.3
	Assumed	14.2	10.0
Total GWP		**65.8**	**58.3**
Reinsurance premium ceded (RI)	Ceded	-23.2	-25.9
	Retroceded	-0.5	-0.4
Total RI		**-23.7**	**-26.3**
Change in unearned premium reserve (UPR)	Direct	-1.0	-1.0
	Assumed	-1.6	-0.7
	Ceded	-0.4	2.0
	Retroceded	0.0	0.0
Total change in UPR		**-3.0**	**0.3**
Net earned premium		**39.1**	**32.3**
Loss and loss expense	Direct	-13.8	-6.7
	Assumed	-8.0	-12.5
	Ceded	16.7	-6.9
	Retroceded	-2.8	11.0
Total loss and loss expense		**-7.9**	**-15.0**
Operating expense	Direct	-17.8	-13.8
	Ceded	2.2	1.9
Net operating expense		**-15.6**	**-11.9**
Underwriting Result		**15.7**	**5.4**

2.1.5 Reinsurance Business

Lower loss and loss expenses as a result of favourable prior year developments compensated the reduction in business due to the non-renewal of several treaties and lower new business.

CHFm		2019	2018
Gross written premium (GWP)	Assumed	1.1	1.9
Total GWP		**1.1**	**1.9**
Reinsurance premium ceded (RI)	Retroceded	-0.3	-0.4
Total RI		**-0.3**	**-0.4**
Change in unearned premium reserve (UPR)	Assumed	0.5	0.6
	Retroceded	-0.5	0.0
Total change in UPR		**0.0**	**0.6**
Net earned premium		**0.8**	**2.2**
Loss and loss expense	Assumed	5.0	-2.2
	Retroceded	-4.3	2.2
Total loss and loss expense		**0.7**	**-0.0**
Operating expense	Assumed	-1.3	-0.9
	Retroceded	0.6	0.2
Net operating expense		**-0.7**	**-0.7**
Underwriting Result		**0.8**	**1.5**

2.2 Net Investment Result

According to Swiss National Banks (SNB) 2018 annual report, SNB maintained its expansionary monetary policy. This continued to be based on the negative interest rate that banks and other financial market participants pay on their sight deposits at the SNB, and on the SNB's willingness to intervene in the foreign exchange market as necessary. Not surprisingly interest income from investments in Swiss Franc bonds remained under pressure. The increase in net investment income is owed to lower amortisation charges & writes downs as well unrealized/realized losses for fixed maturities

	2019			2018		
	Interest	**Realised Gains**	**Total**	**Interest**	**Realised Gains**	**Total**
Fixed maturities	5.0	0.0	5.0	4.9	0.0	4.9
Other investments	0.0	0.4	0.4	0.0	0.0	0.0
Total investment income	**5.0**	**0.4**	**5.4**	**4.9**	**0.1**	**5.0**
	Amort/ Write-Downs	**Realised Losses**	**Total**	**Amort/ Write-Downs**	**Realised Losses**	**Total**
Fixed maturities	-1.6	-0.2	-1.8	-3.0	-0.8	-3.8
Other investments	0.0	-0.1	-0.1	0.0	-0.3	-0.3
Asset Management Cost			-0.5			-0.5
Total Investment related expenses	**-1.6**	**-0.3**	**-2.4**	**-3.0**	**-1.1**	**-4.6**
Net investment income			**3.0**			**0.4**

2.3 Other material income and expense

Other income and expense include realized foreign exchange gains, capital tax and increase or decrease in bad debt provisions.

D. Corporate Governance, Risk Management & Internal Control

1. Composition of the Board of Directors and Executive Board

The Board of Directors' composition at the end of 2019 was as shown in the overview below. With the exception of the retirement of Ken Koreyva there were no changes to the members of the Board of Directors.

Name	Function	Executive	Non-executive
Mark McCausland	Chairman of the Board of Directors	X	
Mark Hammond	Member of the Board of Directors	X	
Gérard Naisse	Member of the Board of Directors		X
Ernst Koller	Member of the Board of Directors		X

Members of the Management Committee (management) composition at the end of 2019 are:

Name	Function
Florian Eisele	CEO / Country President
Harald Jacobsen	Manager Chubb Tempest Re
Mark Budil	CFO
Benedikt Gschwend	Legal & Compliance Manager

2. Risk Management

CISL has a documented risk management framework and governance framework, the purpose of which is to exercise oversight and control over the management of the business in all its geographical locations and to disseminate key information effectively to the necessary recipients.

2.1 Risk Management Approach

Underwriting - CISL's underwriting strategy is to manage risk by employing consistent, disciplined pricing and risk selection. Our underwriting is therefore working with global and regional product boards, which ensure consistency of approach and the establishment of best practices. Our priority is to help ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise in our underwriting staff. In addition, we employ a business review structure that helps ensure control of risk quality and conservative use of policy limits and terms and conditions.

Qualified actuaries work closely with the underwriting teams to provide additional expertise in the underwriting process. We use sophisticated catastrophe loss and risk modelling techniques designed to ensure appropriate spread of risk and to analyse correlation of risk across different product lines and territories.

Reinsurance **-** As part of our risk management strategy, we purchase reinsurance protection to mitigate our exposure to losses, including catastrophes, to an acceptable level. Although reinsurance agreements contractually obligate our reinsurers to reimburse us for an agreed-upon portion of our gross paid losses, this reinsurance does not discharge our primary liability to our insureds and, thus, we ultimately remain liable for the gross direct losses. The counterparty is selected based upon its financial strength, claims settlement record, management, line of business expertise, and its price for assuming the risk transferred.

Investment - With regards to investment our objective is to maximize investment income and total return while ensuring an appropriate level of liquidity, investment quality and diversification. As such, the company's investment portfolio is invested primarily in investment-grade fixed-income securities as measured by the major rating agencies. We do not allow leverage or complex credit structures in our investment portfolio.

Three line of defence model - CISL's "Three Lines of Defence" model – is the most widely accepted risk governance structure which comprises day-to-day risk management and controls, risk management oversight, and independent assurance. The Three Lines of Defence portray the interaction (horizontal) of risk management roles and responsibilities across the organization:

1 The first line, the business units and supporting functions, is responsible for identifying and managing risks directly, including the design and operation of controls.
2 The second line consists of groups responsible for ongoing monitoring and challenging of the design and operation of the controls in the first line of defence, as well as for providing advice/expertise and facilitating risk management activities.
3 Finally, the third line represents the groups responsible for independent assurance over the management of risks, including challenge of the first and second lines.

An overview is shown below:

1st Line of Defense **(day-to-day risk management & control)**	***2nd Line of Defense*** **(risk oversight, policy & approaches)**	***3rd Line of Defense*** **(Independent assurance)**
Directly responsible for management and control of risk.	Co-ordinate, facilitate & oversee effective Risk Management framework.	Independent assurance & challenge of integrity & effectiveness
- CISL Management Committee - Business/Functional Management	- Risk Management* function - Compliance function*	- Internal Audit* - Audit & Risk Committee - Other 3rd parties

2.2 *Risk Management, Internal Audit and Compliance

2.2.1 Risk Management Function

The Risk Management function is responsible for the collation and analysis of risk insight in two key areas. First, external information that provides insight on existing or emerging risks that might significantly impact CISL's key objectives and second, internal risk aggregations arising from Chubb's business writings and other activities such as investments and operations. The Risk Management function is independent of the operating units and reports to the Board of Directors and administratively to the Chief Executive Officer.

2.2.2 Internal Audit

Internal Audit's mission is to help CISL's Board and Management in protecting the assets, reputation and sustainability of Chubb. The mission is accomplished by assessing the design and effectiveness of risk management, and control and governance processes across the organisation. The Head of Internal Audit reports to the Chairman of the Board of Directors.

2.2.3 Compliance

In accordance with the Rules and Guidance set out by most of the regulators the global standards, CISL is expected to maintain a permanent and effective compliance function, which operates independently, and which has the following responsibilities:

1. To monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place by CISL to achieve compliance with its regulatory obligations and the actions taken to address any deficiencies in the CISL's compliance with its obligations
2. To advise and assist those persons responsible for carrying out regulated activities to comply with the CISL's obligations under the regulatory system

CISL's Legal and Compliance function reports to the Company's Board of Directors and Management Committee.

3. Internal Control Framework (ICF)

An adequately designed and effective control environment is key to manage CISL's risk exposure actively. CISL is part of the Chubb Group organisation due to its Chubb Europe based lines of business activities. For this reason, CISL collaborates with different Chubb control/monitoring functions outside of Switzerland. Different levels of controls stemming from various organisational levels (Chubb Group, Chubb Europe "CEG", CISL) are taken into account when assessing the CISL internal control setup. The Chubb Switzerland Internal Control Framework ("ICF") and the Chubb Switzerland Risk Management Framework ("RMF") form part of the system of internal control (ICS). The ICF is made up of five components according to the COSO ERM Framework and is in line with the Swiss RMF.

The ICS in place enables the Management Committee and the Board to monitor adherence to internal policies and guidelines (Chubb Policies, Chubb Corporate Governance Manual, Chubb Underwriting Guidelines etc.) and external ones (regulatory and legal), which are key to attain the strategic and operational objectives of the company. It encompasses the policies, processes, tasks, behaviours and other aspects of a company that, taken together facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives.

Concerning Risk Management, the controls and consequently the ICF as a whole act as mitigation of risks and evidence the difference between the inherent risk and the residual risk; this difference is equal to the effectiveness of controls.

4. Material Changes in Risk Management in 2019

In 2019 the risk governance was strengthened to increase the independence of the risk management function. Since November 2019 the CISL risk management functions is a standing attendee at the Board meeting to lead the risk management discussion with the Board as well as at the Management Committee meetings to advice on and facilitate risk management matters.

E. Risk Profile

1. Qualitative and Quantitative Aspects

1.1. Qualitative Aspects

The Enterprise Risk Management ("ERM") process has identified certain material risks and exposures which could impact achievement of strategic business objectives. In addition to qualitative factors, CISL considers any risk or event that could impact capital held by 10% or more to be material.
Each risk deemed reasonably foreseeable and material is analysed individually; for each a risk policy, risk appetite statement, risk tolerances, potential causes of the risk, and mitigating strategies including controls have been implemented and documented. These material risks (including emerging trends and risks) having the greatest potential exposure to CISL and their impact are listed as follows:

- Underwriting Risk (insurance risk) - includes Pricing, Catastrophe, Risk Selection and Product Risk. CISL has a range of controls in place to ensure that combined ratio is below 100% (no losses from underwriting operations), including appropriate pricing tools, referrals to Chubb Group to ensure pricing is in line with guidelines, underwriting audits which are conducted on regular basis to ensure compliance with underwriting guidelines and internal standards. Also, a dedicated Chubb Group catastrophe management team supports and oversees catastrophe exposures such as hurricane, earthquake, terrorism, windstorm and other perils.
- Reserving Risk (insurance risk) - Processes and controls have been put in place to ensure there are no material adverse developments. These include regular review of reserve developments and large losses reviews of external independent actuaries to ensure reserve adequacy. In particular, Willis Tower Watson conducts assessments of reserve levels on annual basis.
- Capital Adequacy (financial risk) - Economic Capital ratio, SST ratio and legal entity capital coverage above 100%. CISL Management in collaboration with Chubb Group functions assess capital annually as part of the ORSA and SST run. At least on a yearly basis these levels of capital are reviewed and assessed considering actual developments and potential emerging risks. Reports on capital are provided to the BoD regularly.
- Asset Liability Matching (financial risk) - CISL has defined Key Risk Indicator for Asset-Liability Management, such as duration thresholds and FX-limits. CISL Asset Manager operates under strict Investment guidelines whose compliance is ensured by CISL CFO in collaboration with Chubb Group Treasury.
- Investments & Credit Risk (financial risk) - CISL has investment strategy and investment guidelines in place which are being monitored by Treasury. Investment Performance and Key Risk Indicators such as the change in market value of bonds due to a change in the interest rate (Delta Value of a Basis Point Approach) and rating thresholds are monitored by CISL CFO on quarterly basis. More detailed indicators (on single holding level) including buy & sell decisions are monitored by Chubb Group Treasury.
- Liquidity Risk (financial risk) - CISL has put in place Liquidity Indicators and thresholds. Weekly Liquidity reports are produced by Chubb Treasury to the attention of the CISL CFO for monitoring

purposes. CISL takes part in the Chubb Group Liquidity Pooling facility and has access to intra-group liquidity sources, which reduce the Liquidity Risk to an acceptable level.

- Business Continuity Risk (operational risk) - Processes and controls have been put in place to ensure there are no operational outages or downtimes of significance. These include Business Continuity Plans and IT specific disaster recovery plans, which are tested regularly as well as premium processing and outsourcing processes and controls. Design and effectiveness of relevant controls are reviewed and tested by internal audit.
- Legal and Compliance Risk (operational risk) - Processes and controls are in place to ensure CISL business is conducted within applicable group and Swiss legal and compliance frameworks. Compliance is ensured by mandatory training to all staff and an annual affirmation processes. CISL Legal and Compliance function closely collaborates with the risk function to identify and assess legal and regulatory changes potentially impacting CISL. Additionally, CISL has internal and external legal counsel at its disposal.
- People/Staff Risk (operational risk) – Processes and controls are in place to ensure CISL retains and attract key staff as well as ensuring health and safety of all staff. HR function is monitoring staffing available, turn-over rate and general trends and developments on ongoing basis. Mitigation measure comprise structured hiring and leaving processes, Personal Development Plans, succession planning and learning & development initiatives.
- Strategic Risk – Processes and control are in place to reduce the risk of strategic failure both at legal entity level and on business segment level. Changes and development in the market, legal, regulatory and economic environment are monitored by Management at all levels and in collaboration with Chubb Europe and Chubb Group. Emerging risks and opportunities are assessed and discussed. Business plans and forecasts are established and assessed against risks. Financial performance and position is reviewed quarterly and business (Combined Ratios, capital position). Strong corporate governance framework including ORSA and SST processes further reduces the risk of strategy failure.
- Reputational Risk - Reputational Risk is assessed as part of regular discussions with Chubb Group Management. Chubb Group itself has mitigation measures in place to both monitor and mitigate this risk.

In addition, CISL performs a risk assessment of its strategic business plan each year and identifies key risks that may impair achievement of that plan. Furthermore, CISL also recognizes that emerging risks are present at all times. CISL defines emerging risks as any event, situation or trend that may arise internally or externally that could significantly impact its corporate objectives. They can vary widely, be newly developing, quantifiable or non-quantifiable, known or unknown. Those risks are included in above outlined key risks.

The Risk Management Framework articulates CISL's process for managing emerging risks that incorporates timely identification, early strategies to address concerns, assessing the likely emergence and impact over time. CISL leverages off the Group and Regional office in receiving daily alerts as well as ad hoc advice on events or trends. The ERM Function will also seek out articles, surveys, and other material and communicate to management. CISL can register emerging risk through its risk registers, at its management committee meetings and at Board level where discussions take place. A "Watch List" process is also in place for risks that are known, significant to the business and developing over time, and are tracked with relevant updates and status reports. In preparing the ORSA Report emerging risks are taken into consideration.

1.2. Quantitative Aspects

For a discussion of the quantitative aspects refer to section "H 2. Target Capital" of this report.

2. Risk Exposure

2.1. Material Risks

There are no other risks than the ones included in this report.

2.2. Risk Assessments

There are no other risk assessment measures than the ones included in this report.

2.3. Off-Balance-Sheet Positions

There are no material off-balance-sheet positions.

2.4. Special Purpose Vehicles (SPV's)

There are no material risks transferred to SPV's.

3. Other Risk Profile Considerations

3.1. Concentration Risks

We evaluate the financial condition of our reinsurers and potential reinsurers on a regular basis and also monitor concentrations of credit risk with reinsurers. Provisions for uncollectible reinsurance are set up to account for the potential failure of reinsurers to indemnify Chubb, primarily because of disputes under reinsurance contracts and insolvencies.

Our investment portfolio is managed following prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue and issuer. We believe that there are no significant concentrations of credit risk associated with our investments.

3.2. Risk Mitigation Tools

We seek to manage our loss exposure by maintaining a disciplined underwriting process throughout our insurance operations. We limit program size for each client and purchase third party reinsurance for our own account. In the case of our assumed proportional reinsurance treaties, we seek per occurrence limitations or loss and loss expense ratio caps to limit the impact of losses ceded by the client. However, there are inherent limitations in all of these tactics and no assurance can be given against the possibility of an event or series of events that could result in loss levels that could have an adverse effect on our financial condition or results of operations. It is also possible that losses could manifest themselves in ways that we do not anticipate and that our risk mitigation strategies are not designed to address. Additionally, various provisions of our policies, such as limitations or exclusions from coverage or choice of forum negotiated to limit our risks, may not be enforceable in the manner we intend. As a result, one or more natural catastrophes and/or terrorism or other events could result in claims that substantially exceed our expectations, which could have an adverse effect on our results of operations and financial condition.

F. Valuation

1. Qualitative and Quantitative Aspects

1.1. Market Consistent Value of Assets

	Market Consistent Value of Assets 01.01.2020	Statutory Value 31.12.2019	Market Consistent Value of Assets 01.01.2019	Statutory Value 31.12.2018
Fixed income securities	267.7	262.3	255.1	255.1
Other investments	27.3	27.7	27.7	27.7
Market consistent values of investments	**295.0**	**290.0**	**282.8**	**282.8**
Cash & equivalents	24.0	24.0	13.8	13.8
Insurance balances receivable	28.0	28.0	21.6	21.6
Other receivables	6.2	6.2	26.9	26.9
Other assets	0.8	0.8	0.6	1.3
Accrued income	1.9	1.9	1.9	1.9
Market consistent value of other assets	**60.9**	**60.9**	**64.9**	**65.6**
Total Assets	**355.9**	**350.9**	**347.7**	**348.3**

1.1.1. Market consistent value of investments

As at 1 January 2020, this position is composed of fixed income securities with a market value of CHF 267.7m and other investments (collective investments) with a market value of CHF 27.3m. These collective investments are pledged assets (claim trust funds in the form of money market funds).

1.1.2. Market consistent value of other assets

Cash and cash equivalents are at fair market value (nominal value). As at 31.12.2019 the participation in a notional cash pool is positive, whereas at the end of 208 t was negative and therefore shown on the liabilities side of the balance sheet in section 1.2.2 (interest bearing liabilities).
The receivables from insurance activities mainly reflect the nominal value of premiums which are due by third party entities to CISL (CHF 28.7m) and funds withheld of CHF 0.4m representing collateral of a ceding company within the Chubb Tempest Re segment. This position also captures a negative asset which corresponds to a bad debt reserve (CHF -1.1m CHF). Receivables from insurance activities are valued at market value although due to their very short duration there is only a very small difference with the nominal value

Other receivables reflect receivables which are non-insurance technical receivables. It is mainly composed of operational costs (nominal value) prefunded by CISL and recharged to Group companies. The nominal value of these assets is considered to be equal to their market value.
Other assets capture assets that are not classifiable within the other categories at nominal value. According to the SST Circular (Margin no. 18) the market consistent balance sheet should not contain any corporate tax related positions. As at 31.12.2019 there were no prepaid tax whereas as at 31.12.2018 the prepaid tax of CHF 0.7m, was captured within the other assets in the statutory balance sheet but not in the market consistent balance sheet.

Accrued income relates to the bonds described in the previous section and reflects the interest that has accumulated since the principal investment or since the previous interest payment, if one has already been made. Due to its very short duration, the market value of accrued income is not discounted.

1.2. Market Consistent Value of Liabilities

	Market Consistent Value of Liabilities 01.0.2020	Statutory Value 31.12.2019	Market Consistent Value of Liabilities 01.0.2019	Statutory Value 31.12.2018
Technical provisions, gross	**266.0**	**296.9**	**269.7**	**292.4**
Non-life insurance (direct business)	230.1	261.4	225.2	247.1
Active reinsurance: non-life insurance (indirect business)	35.9	35.5	44.5	45.3
Share of technical provisions from reinsurance	**-162.3**	**-163.3**	**-158.7**	**-159.4**
Non-life insurance (direct business)	-135.4	-136.4	-125.0	-125.2
Active reinsurance: non-life insurance (indirect business)	-26.9	-26.9	-33.7	-34.3
Best estimate of technical provisions (BEL)	**103.7**	**133.6**	**110.9**	**132.9**
Interest bearing liabilities	-	-	15.2	15.2
Liabilities from insurance business	10.5	10.5	9.5	9.5
Other liabilities	15.3	15.8	11.5	11.5
Market consistent value of other liabilities	**25.8**	**26.3**	**36.2**	**36.2**
Sum of BEL and market consistent value of other liabilities	**129.5**	**159.9**	**147.2**	**169.1**

1.2.1 Best estimate of technical provisions (BEL)

1.2.1.1 Technical provisions: gross

This position includes

- Non-life insurance (direct business)
- Active reinsurance: non-life insurance (indirect business)

Non-life insurance (direct business) position (CHF 230.1m) corresponds to the sum of the discounted value on the statutory (best estimate) unpaid loss reserves plus the related administration expenses and the present value of the expected losses associated with the statutory gross UPR at the beginning of the year for non-life direct business (CHF 35.9m).

The discounted value on the statutory (best estimate) unpaid loss reserves is calculated projecting the future cash flows (paid losses and administration expenses) obtained by considering the reserve payment patterns and discounting those cash flows with FINMA-provided zero-coupon bond yield curves.
The present value of the expected losses associated with the statutory gross UPR at the beginning of the year is obtained by multiplying the statutory UPR value by the corresponding current year loss ratio by line of business. The loss ratio is discounted using the current year payment patterns and the FINMA-provided zero-coupon bond yield curves.

Active reinsurance position (CHF 35.9m) corresponds to the sum of the discounted value on the statutory (best estimate) unpaid loss reserves plus the related administration expenses and the present value of the expected losses associated with the statutory gross UPR at the beginning of the year for non-life indirect business (CHF 0.0m). It is calculated with the same process as the non-life insurance (direct business) position.

1.2.1.2 Share of technical provisions from reinsurance

This position includes

- Non-life insurance (direct business)
- Active reinsurance: non-life insurance (indirect business)

Non-life insurance (direct business) position (CHF -135.4m) includes mainly two components, i.e. discounted ceded unpaid loss reserves (CHF -120.9m) and discounted expected losses associated with the ceded UPR (CHF -13.5m). The rest of this position reflects paid losses which are outstanding and to be recovered from a reinsurer (CHF -1.1m).

“Discounted ceded unpaid loss reserves” corresponds to the discounted value on the statutory (best estimate) ceded unpaid loss reserves. It is calculated projecting the future cash flows (paid losses) obtained by considering the reserve payment patterns and discounting those cash flows with FINMA-provided zero-coupon bond yield curves. “Discounted expected losses associated with the ceded UPR” corresponds to the present value of the expected losses associated with the statutory ceded UPR at the beginning of the year. It is obtained by multiplying the statutory ceded UPR value by the corresponding current year loss ratio by line of business. The loss ratio is discounted using the current year payment patterns, currency mix and the FINMA-provided zero-coupon bond yield curves. Active reinsurance position (CHF -26.9m) corresponds to the sum of the discounted value on the statutory (best estimate) unpaid loss reserves plus the related administration expenses and the present value of the expected losses associated with the statutory gross

UPR at the beginning of the year for non-life indirect business (- CHF 0.0m). It is calculated with the same process as the non-life insurance (direct business) position.

The net best estimate of technical provisions (BEL) is equal to CHF 103.7m on a market consistent basis.

1.2.2 Market consistent value of other liabilities

According to the SST Circular (Margin no. 18) the market consistent balance sheet should not contain any corporate tax related positions. As at 31.12.2019 the tax balance of CHF 0.6m (2018: CHF -0.7m), is captured within non-technical provisions in the statutory balance sheet but not in the market consistent balance sheet. As explained in section 1.1.2, CISL’s participation in a notional cash pool was shown in the interest-bearing liabilities as it was negative at the end of 2018. As at 31.12.2019, this position is positive and included in cash and cash equivalent. The liabilities from insurance business reflect the nominal value of premiums which are owed by CISL to third party entities and Group companies. Given their short-term nature, the nominal value of these payables is considered to be equal to their market value. Other liabilities reflect payables which are non-insurance technical payables owed to Group and third party companies. Given their short-term nature, the nominal value of these payables is considered to be equal to their market value.

1.3. Risk bearing capital

In accordance with the revised SST Circular (article 55) and articles 47-48 of the Insurance Supervision Ordinance: risk-bearing capital is the sum of the core capital and the supplementary capital, to the extent that the supplementary capital is eligible for inclusion. Since CISL does not hold eligible supplementary capital, risk-bearing capital for CISL equals core capital. Core capital is defined as the sum of the difference between the market consistent value of assets and the market consistent value of debt (liabilities) plus the risk margin. The following exhibit shows the composition of the risk-bearing capital as at 1 January 2020:

Risk-bearing capital (m CHF)	**2020 SST 01.01.2020**	**2019 SST 01.01.2019**
(1) Market consistent value of assets	355.9	347.7
(2) Market consistent value of liabilities	140.3	156.0
(3) Risk margin	10.9	8.8
(4) Capital reduction or anticipated dividend	-	-
(5) Risk-bearing capital = (1)-(2)+(3)-(4)	**226.5**	**200.5**

The position "risk margin" (CHF 10.9m) corresponds to the cost of capital to cover the risk-bearing capital over the lifetime of insurance liabilities, in the exhibit above it is added to the market consistent value of liabilities but deducted from the difference between (1) and (2) as it should be neutral to the RBC. The risk margin is based on the SST standard model approach.

G. Capital Management

1. Goals, Strategy and Time Horizon for Capital Planning

CISL defines as part of the annual ORSA (Own Risk and Solvency Assessment) the appropriate level of capital to allow CISL to conduct its business over the strategic period of 3 years (e.g. 2019 – 2021) by the Economic Capital defined based on the Chubb internal Model – GCM. CISL's Minimum Capital Required ("MCR") is defined as the greater of the Economic Capital, the SST and the statutory one. In the specific case of CISL, the statutory minimum capital is the one driving the MCR.

2. Structure, Level and Quality of the Equity Capital

	2019	2018
Share capital	100.0	100.0
Legal Reserves	51.6	51.6
- Capital contribution reserves	50.0	50.0
- General legal reserves	1.6	1.6
Free Reserves	39.4	27.6
- Retained earnings	27.6	25.3
- Net income for the period	11.8	2.4
Total shareholders' equity	**191.0**	**179.2**

3. Description of any Material Changes during the Reporting Period

There were no material changes during the reporting period.

4. Differences between Statutory & market-consistent valuation Equity

	Market Consistent Value of Assets 01.0.2020	Adjustments	Statutory Value 31.12.2019
Fixed income securities	267.7	5.0	262.7
Other investments	27.3	-	27.3
Market consistent values of investments	**295.0**	**5.0**	**290.0**
Cash & equivalents	24.0	-	24.0
Insurance balances receivable	28.0	-	28.0
Other receivables	6.2	-	6.2
Other assets	0.8	-	0.8
Accrued income	1.9	-	1.9
Market consistent value of other assets	**60.9**	**0.0**	**60.9**
Total Assets	**355.9**	**5.0**	**350.9**
Technical provisions, gross	**266.0**	**-30.9**	**296.9**
Non-life insurance (direct business)	230.1	-31.3	261.4
Active reinsurance: non-life insurance (indirect business)	35.9	0.4	35.5
Share of technical provisions from reinsurance	**-162.3**	**1.0**	**-163.3**
Non-life insurance (direct business)	-135.4	1.2	-136.6
Active reinsurance: non-life insurance (indirect business)	-26.9	-0.2	-26.7
Best estimate of technical provisions (BEL)	**103.7**	**-29.9**	**133.6**
Liabilities from insurance business	10.5	-	10.5
Other liabilities	15.3	-0.6	15.8
Market consistent value of other liabilities	**25.8**	**-**	**25.8**
Sum of BEL and market consistent value of other liabilities	**129.5**	**-30.5**	**159.9**
Difference between market consistent value of assets and liabilities	**226.5**	**25.5**	**191.0**

As at 1 January 2020, the difference between the market consistent value of investments and the statutory value is CHF 5.0m due to the market value of the fixed income securities being above the amortized costs one. The difference between the best estimate of technical provisions (BEL) and the statutory value of the technical provisions value is mainly due to the discounting of the technical provisions and the exclusion of the equalization reserves. In total, market consistent value of equity (CHF 226.5m) exceeds statutory value (CHF 191.0m) by CHF 25.5m.

H. Solvency

1. Solvency Model

For the SST 2020 and 2019, natural catastrophe risk was based on the GCM (internal Chubb Global Capital Model) the other risk components were calculated using the respective standard model (some with company specific adjustments). Aggregation of insurance and market risks is dependent, based on the market risk standard model tool provided by FINMA. Reference is made to the following overview:

		2018 and 2019	2020
		CISL	**CISL**
Insurance Risk	Cat	GCM	GCM
	Non-cat	Standard w/adjustments	Standard w/adjustments, and addition of URR risk
	Prior years (reserve)	Standard w/adjustments	Standard w/adjustments
Market risk		Standard	Standard
Aggregation		Independent	Dependent
Credit risk		Standard, added	Standard, added
Scenarios		Standard, added	Standard, added
Risk profile basis		CISL	CISL

The key assumptions are outlined below:

a) *RBC and target capital:* Any planned capital transactions and dividends are implemented as changes in risk-bearing capital – no effect on target capital. None currently anticipated

b) *Insurance risk*: Follows the standard model for non-cat current year and prior years risks (with company specific adjustments under review by FINMA) and natural catastrophe risk follows the GCM (formally approved by FINMA in 2019).

c) *Market risk:* SST standard model is used.

d) *Credit risk:* SST standard model is used.

e) *Scenarios:* SST standard model is used.

1.1 Approval Status

FINMA agreed that CISL natural catastrophe risk should be modelled with an internal model and formal approval of the model has been obtained. FINMA agreed that the rest of the components should be covered by the respective standard models; in the case of non-natural catastrophe risk current year and prior years risk FINMA is reviewing the company specific adjustments proposed by CISL, but allowed the company to use them until the review is finalised.

1.2 RBC and Target Capital

Any planned capital transactions and dividends are implemented as changes in risk-bearing capital with no effect on target capital. None are currently anticipated.

2. Target Capital

2.1 Key Components of Target Capital (incl. market risk)

m CHF	2019 SST	2020 SST	2020 vs 2019	
Market Risk	**23.8**	**25.2**	**1.4**	**6%**
Interest	10.0	9.9	(0.0)	0%
Spread	6.4	7.0	0.5	9%
Currency	22.8	24.3	1.5	7%
Equity	-	-	-	0%
Diversification	*(15.4)*	*(16.1)*	*(0.7)*	*4%*
Insurance Risk	**43.0**	**47.3**	**4.4**	**10%**
Current Year Risk	9.3	11.3	2.0	22%
Non-cat	9.2	9.7	0.5	5%
Cat	1.8	1.4	(0.4)	-24%
URR	-	3.8	3.8	100%
Prior Years Risk	37.7	40.9	3.2	8%
Diversification	*(4.0)*	*(4.9)*	*(0.8)*	*21%*
Market v. Insurance Risk Diversification	*(14.6)*	*(15.7)*	*(1.1)*	*8%*
Insurance + market risk	**52.1**	**56.8**	**4.6**	**9%**
Expected technical result	(8.3)	(13.5)	(5.3)	64%
Expected financial result	(0.7)	(1.1)	(0.4)	59%
Scenarios	3.0	3.1	0.1	2%
Credit Risk	8.3	9.7	1.4	16%
One-yr Capital	**54.5**	**54.9**	**0.4**	**1%**
Risk margin	8.8	10.9	2.1	23%
Target Capital	**63.3**	**65.8**	**2.4**	**4%**

Risk-bearing capital	**200.5**	**226.5**	**25.9**	**13%**
SST Ratio	**352%**	**393%**	**41%**	**12%**

As at 1 January 2012, based on the model described in the section H.1, the target capital for CISL is CHF 65.5m. As shown in the table above the target capital is mainly driven by market risk, insurance risk, credit risk and risk margin. Market risk (CHF 25.2m) components include interest rate risk (CHF 9.9m), spread risk (CHF 7.0m) and currency risk (CHF 24.3m), offset by a diversification effect of CHF -16.1m. In the same manner, insurance risk (CHF 47.3m) can be decomposed between current year risk of 11.3m (cat: CHF 1.4m; non-cat: CHF 9.7m and URR: CHF 3.8m) and prior years risk (CHF 40.9m), offset by a diversification effect of CHF -4.9m. Aggregation between insurance and market risk is equal to CHF 56.8m due to the diversification effect of CHF -15.7m. Adding scenarios, expected technical and financial result, credit risk and risk margin leads to the target capital of CHF 65.8m.

3. Risk Bearing Capital

The key components of the risk bearing capital have been disclosed in section "F – Valuation" of this report.

4. Comments on Reported Solvency

The SST ratio, as defined in the revised SST Circular 2017/3, as at 1 January 2019 is at 393% mainly due to very strong risk-bearing capital.

5. Reconciliation to FINMA Submissions

The current information about solvency (risk-bearing capital, target capital) corresponds to what has been established for FINMA and is subject to supervisory review.

Appendices

1	External auditor’s summary report to the Board of Directors (Art 728b SCO)
2	2019 Financial Statements
3	Quantitative template "Performance Non-Life Solo"
4	Quantitative template “Market consistent balance sheet Solo”
5	Quantitative template “Solva Solo”