

Markel Insurance
SE, Munich,
Switzerland
Branch Küsnacht:
Report on Financial
Condition

For year ended December 31, 2020

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1 Summary

The Branch Manager submits the Financial Condition Report ("FCR") for Markel Insurance SE, Munich, Switzerland Branch Küsnacht for the period from 9 January 2019 to 31 December 2020.

The Branch was incorporated on 9 January 2019 and became active as a non-life insurer including reinsurance business after the entry into force of the FINMA license on 20 January 2020.

The time during 2020 was primarily used to set up operations. Actual underwriting of business started only in the second half of 2020. Accordingly, the gross premium income was only CHF 31k

The results of the Branch show a pre-tax loss of CHF 98k for the (long) year. Loss after tax was CHF 98k as well.

2 Business Activities

2.1 Company Information

Name & Legal Form	Markel Insurance SE, Munich, Switzerland Branch Küsnacht A branch of Markel Insurance SE ("MISE")
Firm Number	CHE – 435.102.703
Address	Limbergstrasse 34, CH-8700 Küsnacht, Switzerland
Supervisory Authorities	Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern
External Auditor	KPMG AG, Badenerstrasse 172, CH 8036 Zurich
MISE's immediate Parent	Markel Holdings GmbH

2.2 Business Activities

MISE is a subsidiary of Markel Holdings GmbH, a German holding company ("MHG"). Markel Insurance SE, Munich, Switzerland Branch Küsnacht ("the Switzerland branch") was formed in January 2019 and received the license from Finma on January 20, 2020. The Switzerland branch has issued Swiss policies of insurance for Markel Insurance SE, Munich. It holds licenses to write the following lines of business:

Class		Risks
B6	Ships	
B7	Goods in Transit	Only in connection with property insurance in categories B9, B13, B14
B8	Fire and natural hazards	Only in connection with property insurance in categories B9, B13, B14
B9	Other damage to property	Equine
B12	Liability for ships	
B13	General liability	All risks
B14	Credit	All risks
B16	Miscellaneous financial loss	Only in connection with property insurance in categories B9, B13, B14

In each of our businesses, we seek to provide quality products and excellent customer service so that we can be a market leader. We believe that our specialty product focus and niche market strategy enable us to develop expertise and specialized market knowledge. We seek to differentiate ourselves from competitors by our expertise, service, continuity and other value-based considerations. Overall, our corporate strategy is one of diversification and specialization.

Currently, the Switzerland branch is solely writing third party liability business. The ramp-up for the other lines of business is planned for 2021.

2.3 Business during 2020

The Switzerland Branch started writing business in the second half of 2020. Based on premium figures according to the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b OR), 100% of the gross written premium by the Switzerland Branch was General Liability business.

2.4 Changes during 2020

There were no changes during 2020 as this is the first year of operations.

3 Business Performance

3.1 Underwriting Performance

Gross written premiums for the period were CHF 31k, consisting of general liability business.

Net written premiums for the year were CHF 3k and all related to general liability business. An internal quota-share reinsurance arrangement existed for all Markel Insurance SE business. Under this agreement, the Branch reinsured up to 90%, less the relevant percentage ceded to third-party reinsurers, to Markel Bermuda Limited, a fellow Markel subsidiary.

3.2 Investment Performance

MISE's business strategy recognises the importance of both consistent underwriting and operating profits and superior investment returns to build shareholder value. MISE relies on sound underwriting practices to produce investable funds while minimising underwriting risk. The majority of investable assets come from premiums paid by policyholders. Policyholder funds are invested in high-quality fixed income securities.

Branch investments as at 31 December 2020 consisted of government bonds issued by the Swiss Confederation, which is rated AAA. In the current market environment, these show significantly less negative developments than the stock markets or other bonds. A deterioration in the issuer credit rating is highly unlikely and we therefore do not expect any longer-term negative impact on tied assets as a result of the Covid-19 pandemic.

3.3 Performance of other activities

Not applicable.

3.4 Any other information

Not applicable.

Attachment 1: Finma rs 2020 02¹

Financial situation report: quantitative template "Performance Solo NL"																
Currency: CHF or annual report currency Amounts stated in thousands																
	Total		Direct Swiss business													
	Previous year	Reporting year	Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches	
			Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	0.0	31.0														
2	0.0	(28.0)														
3	0.0	3.0											0.0	3.0	0.0	0.0
4	0.0	(20.0)												(20.0)		
5	0.0	18.0												18.0		
6	0.0	1.0											0.0	1.0	0.0	0.0
7	0.0	0.0														
8	0.0	1.0											0.0	1.0	0.0	0.0
9	0.0	0.0														
10	0.0	0.0														
11	0.0	(3.0)												(3.0)		
12	0.0	3.0												3.0		
13																
14	0.0	0.0											0.0	0.0	0.0	0.0
15	0.0	(413.0)												(413.0)		
16	0.0	352.0												352.0		
17	0.0	(61.0)											0.0	(61.0)	0.0	0.0
18	0.0	0.0											0.0	0.0	0.0	0.0
19	0.0	(61.0)											0.0	(61.0)	0.0	0.0
20		1.0														
21		(8.0)														
22	0.0	(7.0)														
23																
24																
25		(31.0)														
26	0.0	(98.0)														
27		0.0														
28		0.0														
29		0.0														
30		0.0														
31	0.0	(98.0)														
32																
33	0.0	(98.0)														

¹ Please note that all other pages of the form are not applicable.

Attachment 2: KPMG Audit Report



**Markel Insurance SE, Munich,
Switzerland Branch Kusnacht, Kusnacht**

Independent Auditor's Report
on the Financial Statements

Period from 9 January 2019 to 31 December 2020



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**Independent Auditor's Report to the General Manager of
Market Insurance SE, Munich, Switzerland Branch Kusnacht**

Report of the Independent Auditor on the Financial Statements

As a federally-supervised audit firm, we have audited the accompanying financial statements of Market Insurance SE, Munich, Switzerland Branch Kusnacht, which comprise the balance sheet as at 31 December 2020, and the income statement and notes for the period then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)".

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager's Responsibility for the Financial Statements

The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)", and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office'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 branch office's internal control system.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, 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 of Markel Insurance SE, Munich, Switzerland Branch Kusnacht as of and for the period ended 31 December 2020 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Markel Insurance SE, Munich, Switzerland Branch Kusnacht are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

KPMG AG

Jean-Marc Wicki
Licensed Audit Expert
Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 30 April 2021

Enclosure:

- Financial statements (balance sheet, income statement and notes)

Attachment 3: Stat Accounts

Markel Insurance SE,
Munich, Switzerland Branch Küsnacht

Financial Statements for the period from
9 January 2019 to
31 December 2020

Balance Sheet as at 31 December 2020

Assets		
CHF k	Note	31 December 2020
Fixed-interest securities		1,630
Cash and cash equivalents		64
Reinsurers' share of technical provisions	3	15
Insurance receivables	1,4	395
Other receivables		1,161
Prepaid expenses and accrued income	2	52
Total assets		3,317
Liabilities		
CHF k	Note	31 December 2020
Technical provisions	3	23
Other liabilities	4	528
Account to Head Office	5	2,766
Total liabilities		3,317

Income Statement for the period from 9 January 2019 to 31 December 2020

CHF k	Note	For the period 9 January 2019 to 31 December 2020
Gross premium written		31
Premiums ceded to reinsurers		(28)
Net premiums written		3
Change in unearned premium reserves		(20)
Change in reinsurers' share of unearned premium reserves		18
Net premiums earned		1
Total technical income		1
Gross claims and claim expenses paid		0
Reinsurer's share of claims and claim expenses		0
Change in technical provisions	6	(3)
Change in reinsurers' share of technical provisions	6	3
Net claims and claim expenses incurred		0
Acquisition costs and administrative expenses		(413)
Reinsurers' share of acquisition costs and administrative expenses		352
Net acquisition costs and administrative expenses		(61)
Total technical expenses		(61)
Income from investments	7	1
Expenses from investments	7	(8)
Net income from investments		(7)
Other financial income/(expenses)		(31)
Operating result		(98)
Other income		0
Other expenses		0
Extraordinary income/expenses		0
(Loss)/Profit before tax		(98)
Income tax		(15)
(Loss)/Profit after tax		(113)

Notes to the Financial Statements

Markel Insurance SE, Munich, Switzerland Branch Küsnacht

Financial reporting policies

The Branch was incorporated on 9 January 2019. The income statement of the first extended financial year thus includes the period from 9 January 2019 to 31 December 2020. The branch became active as a non-life insurance carrier including reinsurance business on obtaining the FINMA licence on 20 January 2020.

The financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b OR). Apart from the Swiss Code of Obligations, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5a ISO-FINMA, including Appendix) have been applied for the period from 9 January 2019 to 31 December 2020.

Foreign Currency Translation

The financial statements of Markel Insurance SE, Swiss Branch Küsnacht ("the Branch") are prepared in Swiss Franc ("CHF"). Transactions denominated in currencies other than the functional currency are recorded in the functional currency at the exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rate ruling on the reporting date. The main exchange rates used are presented below:

	2020
EUR	1.0811
USD	0.8824
GBP	1.2001

Valuation principles

Uniform valuation principles were applied. Assets, equity and liabilities were valued individually. Equity and liabilities are stated at their nominal value.

Fixed-interest securities are valued using the amortised cost method. The amortisation in the period is recognised in income from investments.

Technical provisions are obligations due to insured parties which are determined based on an individual insurance agreement. They are calculated based on the business plan as agreed with FINMA.

Employees

The Branch employed no employees during the year. All staff are employed by Markel International Services Limited ("MISL") and MISE (Head office Munich).

Audit fees

All fees relate to audit services. They are paid for by Markel International Services Limited and recharged to the Branch. Estimated fees for 2020 are CHF 24,000.

Disclosures, breakdowns and explanations on Balance Sheet items

1. Insurance receivables

	31 December 2020
CHF k	
Receivables from policyholders	14
Receivables from insurance companies	381
Total	395

2. Prepaid expenses and accrued income

	31 December 2020
CHF k	
Accrued interest on investments	52
Total	52

3. Technical provisions

	31 December 2020		
	Gross	Reinsurers' Share	Net
CHF k			
Unearned premium reserve	20	12	8
Loss reserves	3	3	0
Total	23	15	8

4. Receivables from and liabilities to related parties

			31 December 2020
CHF k	Third-party	Affiliates	
Insurance receivables	14	381	395
Other receivables		1,161	1,161
Other liabilities	(15)	(513)	(528)
Total	(1)	1,029	1,028

5. Statement of changes in Branch account

CHF k	Payable to Head Office	Voluntary retained earnings	Total account to Head Office
As at the beginning of the period	0	0	0
Profit/(Loss) for the period	0	(113)	(113)
Amounts due to (from) with Head Office	2,879	0	2,879
As at 31 December 2020	2,879	(113)	2,766

Disclosures, breakdowns and explanations on Income Statement items

6. Change in technical provisions

	31 December 2020		
	Gross	Reinsurers' Share	Net
Change in loss reserve	3	3	0
Total	3	3	0

7. Investment result

CHF k	For the period from 9 January 2019 to 31 December 2020			
	Income	Amortisation	Expenses	Total
Fixed-interest securities	1	(2)	(6)	(7)
Total	1	(2)	(6)	(7)

Management report

The Branch was incorporated on 9 January 2019 and is domiciled at Limbergstrasse 34, 8700 Küsnacht. The Branch became active as a non-life insurance carrier including reinsurance business on obtaining the FINMA licence on 20 January 2020.

The income statement of the first extended financial year thus includes the period from 9 January 2019 to 31 December 2020.

The results of the Branch, as set out on page 3, show a pre-tax loss of CHF 98k for the period and a loss of CHF113k after tax.

Gross written premiums for the period were CHF 31k, consisting of general liability business. Net written premiums for the year were CHF 3k and all related to general liability business. An internal quota share reinsurance arrangement existed for all Markel Insurance SE business. Under this agreement, the Branch reinsured up to 90%, less the relevant percentage ceded to third-party reinsurers, to Markel Bermuda Limited, a fellow Markel subsidiary.

The Branch experienced gross claims incurred CHF 3k of during the period, net CHF nil, in relation to general liability business. The operating result for the year was a loss of CHF 98k.

The Branch employed no employees during the year. All staff are employed by Markel International Services Limited (MISL).

Branch investments as at 31 December 2020 consisted of government bonds issued by the Swiss Confederation, which is rated AAA. In the current market environment, these show significantly less negative developments than the stock markets or other bonds. A deterioration in the issuer credit rating is highly unlikely and we therefore do not expect any longer-term negative impact on tied assets as a result of the Covid-19 pandemic.

Principal risks and uncertainties

As required by its regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Markel Insurance SE (MISE) monitors the risks to which it is exposed, which includes all business underwritten by the MISE Swiss Branch. MISE groups the risks under the following categories in line with Solvency II requirements:

- Underwriting Risk
- Reserving Risk
- Market Risk
- Credit Risk
- Operational Risk

- Liquidity Risk
- Group Risk

The MISE Chief Risk Officer (CRO) and MISE Management Board regularly review the risks to which MISE is exposed. The CRO ensures that appropriate measures are taken to mitigate risks and, in addition, the Risk Management department of Markel International monitors the identified risks with qualitative and quantitative risk analyses and assessments and ensures regular and, where necessary, ad-hoc reporting to the MISE Management Board.

An Own Risk and Solvency Assessment report is produced being a forward looking assessment of the risk profile and adequacy of MISE capital to meet solvency needs over the business planning time horizon. MISE is in compliance with Solvency II.

MISE uses the Standard Formula to calculate its Solvency Capital Requirement under Solvency II.

Future prospects

With disciplined underwriting and its strong financial condition the Branch is in an excellent position to capitalise on opportunities as they arise. The Branch will continue to apply Markel's underwriting discipline of underwriting for profit rather than volume and, accordingly, will decline business where the rates are not acceptable.

The Branch does not anticipate any short or medium-term impact on its technical provisions related to Covid-19, which consists of general liability insurance. These are not a direct consequence of the Covid-19 pandemic, unlike daily sickness benefits, business interruption or cancellation of events.

No material uncertainties that cast doubt about the ability of MISE or the Branch to continue as a going concern have been identified.

The Directors of MISE have a reasonable expectation that MISE and the Branch have adequate resources to continue in operational existence for the foreseeable future.