

Markel Insurance SE,  
Munich, Switzerland  
Branch Küsnacht

Report on Financial Condition

For year ended December 31, 2021

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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 1 January 2021 to 31 December 2021.

The Branch was incorporated on 9 January 2019 and became active as a non-life insurer including reinsurance business in August 2020. The business volume steadily increased resulting in a gross premium income of CHF 821k for the financial year 2021.

## 2. Business activities

### 2.1 Company information

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
Supervisory authority	Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern
External Auditor	KPMG AG Badenerstrasse 172, CH-8036 Zürich
MISE'S immediate Parent	Markel Holdings GmbH

## 2.2 Business activities

Markel Insurance SE (MISE) is a subsidiary of Markel Holdings GmbH, a German holding company. Markel Insurance SE, Munich, Switzerland Branch Küssnacht ("the Switzerland branch") was formed on January 8th 2019 and received the license from FINMA on January 20th, 2020. The Switzerland branch has issued Swiss policies of insurance for Markel Insurance SE, Munich. As of December 31, 2021 it holds licenses to write the following lines of business:

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
B15 – Suretyship	
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 about simplification and targeted market leadership.

Currently, the Switzerland branch is solely writing third party liability business. The ramp-up for the other lines of business is planned for 2022.

## 2.3 Business during 2021

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 2021

The Branch applied for the additional line of business Suretyship and received the license from FINMA on 6th December 2021.

## 3. Business Performance

### 3.1 Underwriting Performance

Gross written premiums for the period were CHF 821k (31k), consisting of general liability business.

Net written premiums for the year were CHF 80k (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 recognizes 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 minimizing underwriting risk. Most investable assets come from premiums paid by policyholders. Policyholder funds are invested in high-quality fixed income securities.

Branch investments as of 31 December 2021 consisted of government bonds issued by the Swiss Confederation, which is rated AAA. In the current market environment, these show significantly fewer 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.

### 3.3 Performance of other activities

Not applicable.

### 3.4 Any other information

Not applicable.



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 Gross premiums	31,0	821,0											31,0	821,0		
2 Reinsurers' share of gross premiums	(28,0)	(741,0)											(28,0)	(741,0)		
3 Premiums for own account (1 + 2)	3,0	80,0											3,0	80,0	0,0	0,0
4 Change in unearned premium reserves	(20,0)	(227,0)											(20,0)	(227,0)		
5 Reinsurers' share of change in unearned premium reserves	18,0	206,0											18,0	206,0		
6 Premiums earned for own account (3 + 4 + 5)	1,0	59,0											1,0	59,0	0,0	0,0
7 Other income from insurance business	0,0	0,0											0,0	0,0		
8 <b>Total income from underwriting business (6 + 7)</b>	1,0	59,0											1,0	59,0	0,0	0,0
9 Payments for insurance claims (gross)	0,0	0,0											0,0	0,0		
10 Reinsurers' share of payments for insurance claims	0,0	0,0											0,0	0,0		
11 Change in technical provisions	(3,0)	(303,0)											(3,0)	(303,0)		
12 Reinsurers' share of change in technical provisions	3,0	256,0											3,0	256,0		
13 Change in technical provisions for unit-linked life insurance																
14 <b>Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)</b>	0,0	(47,0)											0,0	(47,0)	0,0	0,0
15 Acquisition and administration expenses	(413,0)	(331,0)											(413,0)	(331,0)		
16 Reinsurers' share of acquisition and administration expenses	352,0	299,0											352,0	299,0		
17 Acquisition and administration expenses for own account (15 + 16)	(61,0)	(32,0)											(61,0)	(32,0)	0,0	0,0
18 Other underwriting expenses for own account	0,0	0,0											0,0	0,0	0,0	0,0
19 <b>Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)</b>	(61,0)	(79,0)											(61,0)	(79,0)	0,0	0,0
20 Investment income	1,0	85,0											1,0	85,0		
21 Investment expenses	(8,0)	(89,0)											(8,0)	(89,0)		
22 <b>Net investment income (20 + 21)</b>	(7,0)	(4,0)											(7,0)	(4,0)		
23 Capital and interest income from unit-linked life insurance																
24 Other financial income																
25 Other financial expenses	(31,0)	(38,0)											(31,0)	(38,0)		
26 <b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	(98,0)	(62,0)											(98,0)	(62,0)		
27 Interest expenses for interest-bearing liabilities	0,0	0,0											0,0	0,0		
28 Other income	0,0	129,0											0,0	129,0		
29 Other expenses	0,0	0,0											0,0	0,0		
30 Extraordinary income/expenses	0,0	0,0											0,0	0,0		
31 <b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	(98,0)	67,0											(98,0)	67,0		
32 Direct taxes		15,0												15,0		
33 <b>Profit / loss (31 + 32)</b>	(98,0)	82,0											(98,0)	82,0		





Financial situation report: quantitative template "Market-consistent Balance Sheet Solo"

Currency: CHF or  
currency for SST  
reporting  
Amounts stated in  
thousands

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
<b>Market-consistent value of investments</b>	Real estate			
	Shareholdings			
	Fixed-income securities	1.627		1.553
	Loans			
	Mortgages			
	Equities			
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Other investments			
<b>Market-consistent value of other assets</b>				
	Cash and cash equivalents	64		2.323
	Receivables from insurance business	395		1.095
	Other receivables	1.161		1.861
	Other assets			472
	Total other assets	52		52
<b>Total market-consistent value of assets</b>	<b>Total market-consistent value of assets</b>	<b>3.299</b>		<b>7.356</b>
<b>Best estimate liabilities (BEL)</b>	Best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business	-23		-548
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business			
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
	Reinsurers' share of best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business	15		472
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
Outward reinsurance: life insurance business (excluding ALV)				
Outward reinsurance: non-life insurance business				
Outward reinsurance: health insurance business				
Outward reinsurance: unit-linked life insurance business				
Outward reinsurance: other business				
<b>Market-consistent value of other liabilities</b>	Non-technical provisions			
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business			
	Other liabilities	-3.393		-3.014
<b>Total BEL plus market-consistent value of other liabilities</b>	<b>Total BEL plus market-consistent value of other liabilities</b>	<b>-3.401</b>		<b>-3.090</b>
<b>Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities</b>		<b>-102</b>		<b>4.266</b>

**Financial situation report: quantitative template  
"Solvency Solo"**

Currency: CHF or  
currency for SST  
reporting  
Amounts stated in  
millions

		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
<b>Derivation of RBC</b>	Market-consistent value of assets minus total from best estimate liabilities plus market- consistent value of other liabilities			
	Deductions			
	<b>Core capital</b>			
	Supplementary capital			
	<b>RBC</b>			

		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
<b>Derivation of target capital</b>	Underwriting risk			
	Market risk			
	Diversification effects			
	Credit risk			
	Risk margin and other effects on target capital			
	<b>Target capital</b>			

		Ref. date previous period in %	Adjustments previous period in %	Ref. date reporting year in %
<b>SST ratio</b>	Risk-bearing capital / target capital			

Markel Insurance SE, Munich,  
Switzerland Branch, Küsnacht

Financial Statements for the period from  
1 January 2021 to  
31 December 2021

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## Balance Sheet as at 31 December 2021

<b>Assets</b>				
<b>CHF k</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	
Fixed-interest securities		1.557	1.630	
Cash and cash equivalents		2.323	64	
Reinsurers' share of technical provisions	3	472	15	
Insurance receivables	1,4	1.095	395	
Other receivables		1.861	1.161	
Prepaid expenses and accrued income	2	52	52	
<b>Total assets</b>		<b>7.360</b>	<b>3.317</b>	
<b>Liabilities</b>				
<b>CHF k</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	
Technical provisions	3	548	23	
Insurance payables	4	2.541	0	
Other liabilities	4	1	528	
Account to Head Office	5	4.270	2.766	
<b>Total liabilities</b>		<b>7.360</b>	<b>3.317</b>	

# Income Statement for the period from 1 January 2021 to 31 December 2021

CHF k	Note	31.12.2021	09.01.2019 - 31.12.2020
Gross premium written		821	31
Premiums ceded to reinsurers		(741)	(28)
<b>Net premiums written</b>		<b>80</b>	<b>3</b>
Change in unearned premium reserves		(227)	(20)
Change in reinsurers' share of unearned premium reserves		206	18
<b>Net premiums earned</b>		<b>59</b>	<b>1</b>
<b>Total technical income</b>		<b>59</b>	<b>1</b>
Gross claims and claim expenses paid		0	0
Reinsurer's share of claims and claim expenses		0	0
Change in technical provisions	6	(303)	(3)
Change in reinsurers' share of technical provisions	6	256	3
<b>Net claims and claim expenses incurred</b>		<b>(47)</b>	<b>0</b>
Acquisition costs and administrative expenses		(331)	(413)
Reinsurers' share of acquisition costs and administrative expenses		299	352
<b>Net acquisition costs and administrative expenses</b>		<b>(32)</b>	<b>(61)</b>
<b>Total technical expenses</b>		<b>(79)</b>	<b>(61)</b>
Income from investments	7	85	1
Expenses from investments	7	(89)	(8)
<b>Net income from investments</b>		<b>(4)</b>	<b>(7)</b>
Other financial income/(expenses)		(38)	(31)
<b>Operating result</b>		<b>(62)</b>	<b>(98)</b>
Other income		129	0
Other expenses		0	0
Extraordinary income/expenses		0	0
<b>(Loss)/ Profit before tax</b>		<b>67</b>	<b>(98)</b>
Income tax		15	(15)
<b>(Loss)/ Profit after tax</b>		<b>82</b>	<b>(113)</b>

# Notes to the Financial Statements – Markel Insurance SE, Munich, Switzerland Branch, Küsnacht

## Financial reporting policies

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 1 January 2021 to 31 December 2021.

## Foreign Currency Translation

The financial statements of Markel Insurance SE, Munich, 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:

	2021	2020
EUR	1,0336	1,0811
USD	0,9111	0,8824
GBP	1,2301	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.

## 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 2021 are CHF 24.000.

## Disclosures, breakdowns and explanations on Balance Sheet items

### 1. Insurance receivables

CHF k	31.12.2021	31.12.2020
Receivables from policyholders	914	14
Receivables from insurance companies	181	381
<b>Total</b>	<b>1.095</b>	<b>395</b>

### 2. Prepaid expenses and accrued income

CHF k	31.12.2021	31.12.2020
Accrued interest on investments	52	52
<b>Total</b>	<b>52</b>	<b>52</b>

### 3. Technical provisions

Technical Provisions			
31.12.2021			
CHF k	Gross	Reinsurers' Share	Net
Unearned premium reserve	247	218	29
Loss reserves	242	254	(12)
Actuarial IBNR	59	0	59
<b>Total</b>	<b>548</b>	<b>472</b>	<b>76</b>

31.12.2020			
CHF k	Gross	Reinsurers' Share	Net
Unearned premium reserve	20	12	8
Loss reserves	3	3	0
<b>Total</b>	<b>23</b>	<b>15</b>	<b>8</b>

### 4. Receivables from and liabilities to related parties

CHF k	Third-party	Affiliates	31.12.2021	31.12.2020
Insurance receivables	914	181	1.095	395
Other receivables		1.861	1.861	1.161
Insurance payables	(2.541)	0	(2.541)	-
Other liabilities	(1)	0	(1)	(528)
<b>Total</b>	<b>(2,511)</b>	<b>2,103</b>	<b>(408)</b>	<b>1,028</b>



## 5. Statement of changes in Branch account

<b>Statement of changes in Branch account</b> CHF k	Payable to Head Office	Voluntary retained earnings	<b>Total account to Head Office</b>
<b>As at the beginning of the period</b>	<b>2.879</b>	<b>(113)</b>	<b>2.766</b>
Profit/(Loss) for the period	0	82	<b>82</b>
Amounts due to (from) with Head Office	1.422	0	<b>1.422</b>
<b>As at 31 December 2021</b>	<b>4.301</b>	<b>(31)</b>	<b>4.270</b>

# Disclosures, breakdowns and explanations on Income Statement items

## 6. Change in technical provisions

CHF k

	31.12.2021		
	Gross	Reinsurers' Share	Net
Change in loss reserve	283	256	27
Change in Equalisation reserve	20	0	20
<b>Total</b>	<b>303</b>	<b>256</b>	<b>47</b>

  

	31.12.2020		
	Gross	Reinsurers' Share	Net
Change in loss reserve	3	3	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

## 7. Investment result

	For the period from 1 January 2021 to 31 December 2021			
	Income	Amortisation	Expenses	Total
CHF k				
Fixed-interest securities	85	(89)	0	(4)
<b>Total</b>	<b>85</b>	<b>(89)</b>	<b>0</b>	<b>(4)</b>

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

## 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 results of the Branch, as set out on page 3, show a pre-tax profit of CHF 67k (loss of CHF 98k) for the period and a profit of CHF 82k (Loss of CHF 113k) after tax.

Gross written premiums for the period were CHF 821 (31)k, consisting of general liability business. Net written premiums for the year were CHF 80 (3)k 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 303 (3)k of during the period, in relation to general liability business. The operating result for the year was a loss of CHF 62 (98)k.

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

Branch investments as at 31 December 2021 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.

## **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 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 and MISE Management Board regularly review the risks to which MISE is exposed. The Chief Risk Officer 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.

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.



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

Independent Auditor's Report on the Financial Statements

Financial Statements 2021

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

**Report of the Independent Auditor on the Financial Statements**

As a federally-supervised audit firm, we have audited the accompanying financial statements of Markel Insurance SE, Munich, Switzerland Branch Kusunacht, which comprise the balance sheet as at December 31, 2021, and the income statement and notes for the year 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 year ended December 31, 2021 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 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.

Yours sincerely

KPMG AG

Jean-Marc Wicki  
Licensed Audit Expert  
Auditor in Charge

Rico Marti  
Licensed Audit Expert

Zurich, 29 April 2022

Enclosure:

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

Markel Insurance SE, Munich,  
Switzerland Branch, Küsnacht

Financial Statements for the period from  
1 January 2021 to  
31 December 2021



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## Balance Sheet as at 31 December 2021

<b>Assets</b>				
<b>CHF k</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	
Fixed-interest securities		1.557	1.630	
Cash and cash equivalents		2.323	64	
Reinsurers' share of technical provisions	3	472	15	
Insurance receivables	1,4	1.095	395	
Other receivables		1.861	1.161	
Prepaid expenses and accrued income	2	52	52	
<b>Total assets</b>		<b>7.360</b>	<b>3.317</b>	
<b>Liabilities</b>				
<b>CHF k</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	
Technical provisions	3	548	23	
Insurance payables	4	2.541	0	
Other liabilities	4	1	528	
Account to Head Office	5	4.270	2.766	
<b>Total liabilities</b>		<b>7.360</b>	<b>3.317</b>	

# Income Statement for the period from 1 January 2021 to 31 December 2021

CHF k	Note	31.12.2021	09.01.2019 - 31.12.2020
Gross premium written		821	31
Premiums ceded to reinsurers		(741)	(28)
<b>Net premiums written</b>		<b>80</b>	<b>3</b>
Change in unearned premium reserves		(227)	(20)
Change in reinsurers' share of unearned premium reserves		206	18
<b>Net premiums earned</b>		<b>59</b>	<b>1</b>
<b>Total technical income</b>		<b>59</b>	<b>1</b>
Gross claims and claim expenses paid		0	0
Reinsurer's share of claims and claim expenses		0	0
Change in technical provisions	6	(303)	(3)
Change in reinsurers' share of technical provisions	6	256	3
<b>Net claims and claim expenses incurred</b>		<b>(47)</b>	<b>0</b>
Acquisition costs and administrative expenses		(331)	(413)
Reinsurers' share of acquisition costs and administrative expenses		299	352
<b>Net acquisition costs and administrative expenses</b>		<b>(32)</b>	<b>(61)</b>
<b>Total technical expenses</b>		<b>(79)</b>	<b>(61)</b>
Income from investments	7	85	1
Expenses from investments	7	(89)	(8)
<b>Net income from investments</b>		<b>(4)</b>	<b>(7)</b>
Other financial income/(expenses)		(38)	(31)
<b>Operating result</b>		<b>(62)</b>	<b>(98)</b>
Other income		129	0
Other expenses		0	0
Extraordinary income/expenses		0	0
<b>(Loss)/ Profit before tax</b>		<b>67</b>	<b>(98)</b>
Income tax		15	(15)
<b>(Loss)/ Profit after tax</b>		<b>82</b>	<b>(113)</b>

# Notes to the Financial Statements – Markel Insurance SE, Munich, Switzerland Branch, Küsnacht

## Financial reporting policies

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 1 January 2021 to 31 December 2021.

## Foreign Currency Translation

The financial statements of Markel Insurance SE, Munich, 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:

	2021	2020
EUR	1,0336	1,0811
USD	0,9111	0,8824
GBP	1,2301	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.

## 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 2021 are CHF 24.000.

## Disclosures, breakdowns and explanations on Balance Sheet items

### 1. Insurance receivables

CHF k	31.12.2021	31.12.2020
Receivables from policyholders	914	14
Receivables from insurance companies	181	381
<b>Total</b>	<b>1.095</b>	<b>395</b>

### 2. Prepaid expenses and accrued income

CHF k	31.12.2021	31.12.2020
Accrued interest on investments	52	52
<b>Total</b>	<b>52</b>	<b>52</b>

### 3. Technical provisions

Technical Provisions			
31.12.2021			
CHF k	Gross	Reinsurers' Share	Net
Unearned premium reserve	247	218	29
Loss reserves	242	254	(12)
Actuarial IBNR	59	0	59
<b>Total</b>	<b>548</b>	<b>472</b>	<b>76</b>

31.12.2020			
CHF k	Gross	Reinsurers' Share	Net
Unearned premium reserve	20	12	8
Loss reserves	3	3	0
<b>Total</b>	<b>23</b>	<b>15</b>	<b>8</b>

### 4. Receivables from and liabilities to related parties

CHF k	Third-party	Affiliates	31.12.2021	31.12.2020
Insurance receivables	914	181	1.095	395
Other receivables		1.861	1.861	1.161
Insurance payables	(2.541)	0	(2.541)	-
Other liabilities	(1)	0	(1)	(528)
<b>Total</b>	<b>(2,511)</b>	<b>2,103</b>	<b>(408)</b>	<b>1,028</b>

## 5. Statement of changes in Branch account

<b>Statement of changes in Branch account</b> CHF k	Payable to Head Office	Voluntary retained earnings	<b>Total account to Head Office</b>
<b>As at the beginning of the period</b>	<b>2.879</b>	<b>(113)</b>	<b>2.766</b>
Profit/(Loss) for the period	0	82	<b>82</b>
Amounts due to (from) with Head Office	1.422	0	<b>1.422</b>
<b>As at 31 December 2021</b>	<b>4.301</b>	<b>(31)</b>	<b>4.270</b>

# Disclosures, breakdowns and explanations on Income Statement items

## 6. Change in technical provisions

CHF k

	31.12.2021		
	Gross	Reinsurers' Share	Net
Change in loss reserve	283	256	27
Change in Equalisation reserve	20	0	20
<b>Total</b>	<b>303</b>	<b>256</b>	<b>47</b>

  

	31.12.2020		
	Gross	Reinsurers' Share	Net
Change in loss reserve	3	3	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>

## 7. Investment result

	For the period from 1 January 2021 to 31 December 2021			
CHF k	Income	Amortisation	Expenses	Total
Fixed-interest securities	85	(89)	0	(4)
<b>Total</b>	<b>85</b>	<b>(89)</b>	<b>0</b>	<b>(4)</b>

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

## 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 results of the Branch, as set out on page 3, show a pre-tax profit of CHF 67k (loss of CHF 98k) for the period and a profit of CHF 82k (Loss of CHF 113k) after tax.

Gross written premiums for the period were CHF 821 (31)k, consisting of general liability business. Net written premiums for the year were CHF 80 (3)k 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 303 (3)k of during the period, in relation to general liability business. The operating result for the year was a loss of CHF 62 (98)k.

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

Branch investments as at 31 December 2021 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.



## **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 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 and MISE Management Board regularly review the risks to which MISE is exposed. The Chief Risk Officer 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.

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.