

Great Lakes Insurance SE

Swiss Branch

Financial Condition Report 2017

Local GAAP format
(Swiss Code of obligations)

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Business activities

Overview

Great Lakes Insurance SE (formerly Great Lakes Reinsurance (UK) SE) was established under its original name of Great Lakes Reinsurance (UK) Plc in London on 5th November 1987. The company's importance to the Munich Re Group as a special purpose vehicle for developing new business opportunities in primary insurance arising out of the reinsurance portfolio developed over the next twenty years culminating in the renaming of the company into Great Lakes Insurance SE and the move of the Headquarters from London to Munich on 30th December 2016.

The Swiss Branch of Great Lakes was authorised in Switzerland on 13th December 2007 for a portfolio of property, casualty, jewellers block and aviation business through large single risk placements and delegated authorities located in the United Kingdom and the European Union.

Great Lakes and its branches combine the financial strength of the Munich Re Group through shared ratings with flexibility in offering appropriate bespoke innovation solutions to the Group's clients.

Great Lakes enhances the value of the Group through four pillars: acting as a competent partner to develop primary insurance business; maximising the profitability of the business through transparent and efficient administrative and capital costs; providing operational excellence in expertise and innovation; conducting our business in a legal and ethical manner that meets the expectations of our regulators and satisfies the requirements of our policyholders.

Business segments

Property & Casualty Insurance

Property and casualty insurances for multinational clients located in Switzerland via their head offices or local presences are written on a subscription market basis. These are placed as a coinsurance by the international broker houses. We maintain an appetite for such business as a following insurer. Lines of business that build upon the underwriting strength of our Group may include property, specialist liabilities (PI), engineering and energy risks. Through an agents distribution channel, we write gadget insurance.

Aviation

Aviation is written either via brokers or through agents. The business may include larger airlines as well as general aviation within the portfolio. This business has been written since the inception of the branch.

Contingency

A book of cancellation insurance is written by the branch via broker placement. This book includes the largest risk in the branch's portfolio but is a small proportion of the overall business.

Management summary

General Overview

The year 2017 was marked by the continuing challenges in the market in pricing for larger clients in the property, casualty and aviation insurance markets as technical rates were still considered in general as being technically poor. GLISE in Switzerland further developed its agency business in Switzerland by writing mobile phone insurances.

The 2017 result for the year was CHF -1.5m compared to CHF 1.2m in 2016 which was mainly driven by the exposure increase in 2017 and the related increase in reserve positions.

Market conditions, competition, supply and demand

The non-life insurance market continued to deteriorate in terms of price competition within the aviation, property and casualty sectors. Where pricing strength could not be maintained, rejection of the risk or acceptance at market rates takes place whilst resisting market pressure as much as possible to reduce the price or broaden the terms and conditions offered. The continued driver of these market conditions was the high supply of insurance and reinsurance capacity across international markets and our licensed lines of business.

Innovation and development

During 2017, supported by New Reinsurance Company AG (NewRe) as the Group's reinsurer located in Switzerland, Great Lakes developed its relationships with recently-established Swiss intermediaries, to support their target markets of business including gadget and online motor insurance. These opportunities focused on non-life insurances products which are distributed through online and offline sales channels linked to efficient flexible IT operations ensuring lean processes and competitive costs while upholding strong levels of consumer protection. These new opportunities resulted in Great Lakes Switzerland entering into Swiss retail market including the modification and extension of our delegated authority risk framework for Managing General Agents to our Swiss business with greater scrutiny on retail sales and consumer protection. As part of this process, Great Lakes obtained licensing permissions for Class 1 (Accident), Class 3 (Land Vehicles), Class 10 (Motor Liability), Class 14 (Credit) and Class 15 (Suretyship). Further markets such as credit that enhance the beneficial marriage of high profitability, and flexible processes and products will continue to be explored.

Extraordinary events

No significant extraordinary events had a material impact on the Swiss Branch of Great Lakes in 2017.

Risk management

Great Lakes risk management for the Swiss Branch is integrated into the overall Great Lakes risk framework. It is also consistent with the requirements and approach taken by the overall Munich Re Group.

Outlook

No major changes are expected in the market conditions or claims patterns for the existing portfolio of Great Lakes Swiss Branch. Results will continue to depend on losses incurred. The portfolio has developed from low volume business concentrated on medium and large clients towards an increased premium based upon higher volumes and retail policyholders through entry to the Swiss motor insurance markets. Necessary adjustments to processes, controls, authorities and operations have been or will be further implemented in line with the growth expectations and in close collaboration and dialogue with all relevant stakeholders in a timely fashion. Where appropriate, Great Lakes has deepened its knowledge of the appropriate local markets to ensure that we understand developing conditions and can monitor conduct risk.

In addition to winning new customers, we place our focus on our existing customers. Our goal is to offer all customers current and modern state of the art insurance cover and to place innovative products and services.

Additional information

Supervisory Board of Great Lakes Insurance SE

Claus-Ulrich Kroll, Chairman
Christoph Carus
Dr. Carsten Prussog
Alex Wettemann

Board of Management Great Lakes Insurance SE

Dr. Achim Stegner, Chief Executive Officer
Dr. Stefan Pasternak, Chief Financial Officer
Dr. Tobias Klauß, Chief Risk Officer
Stéphane Deutscher, Chief Operations Officer

Legal Representative Great Lakes Insurance SE Swiss Branch

Gerald König, PRS Prime Re Services AG, Baar

Shareholder

100% Munich Reinsurance Company, Munich

Rating

AA- by Standard & Poor's
A+ by A.M. Best

Auditors

KPMG AG, Zurich

Performance

Income statement for the year

Technical Accounts

<i>in CHF</i>	2017	2016
Gross premiums	23,167,838	10,687,016
Premiums ceded	(15,785,377)	(7,317,696)
Premiums for own account	7,382,461	3,369,320
Change in unearned premiums gross	8,420,047	(1,660,878)
Change in unearned premiums ceded	(7,660,773)	1,233,210
Change in unearned premiums for own account	759,274	(427,668)
Net earned premiums for own account	8,141,735	2,941,652
Other technical income, net of RI	-	202,726
Total technical income for own account	8,141,735	3,144,378
Claims payment gross	(5,980,216)	(3,843,842)
Claims payment ceded	4,694,474	3,016,122
Claims payment for own account	(1,285,742)	(827,720)
Change in provision gross	(8,455,327)	3,036,146
Change in provision ceded	1,262,632	(3,706,089)
Change in provision for own account	(7,192,695)	(669,944)
Expenditure for incurred claims for own account	(8,478,437)	(1,497,664)
Commissions expenses gross	(8,335,724)	(973,070)
Commissions expenses ceded	6,855,963	632,716
Administration expenses	(73,584)	(50,447)
Acquisition costs and administrative expenses for own account	(1,553,345)	(390,801)
Total technical expenses for own account	(10,031,782)	(1,888,465)
Overall technical result	(1,890,047)	1,255,913

General Accounts

<i>in CHF</i>	2017	2016
Investment income	766,866	845,500
Investment expenses	(239,629)	(150,547)
Investment result	527,237	694,953
Operating result	(1,362,810)	1,950,866
Other income	71,705	(6)
Other expenses	(122,154)	(602,083)
Profit before taxes	(1,413,259)	1,348,777
Direct taxes	(15,919)	(215,601)
Result for the year	(1,429,178)	1,133,176

Qualitative information performance

Premiums

Written premiums comprise the amount receivable including an estimate of pipeline premiums during the financial year for the whole period the Company is on risk in respect of contracts of insurance entered into and accepting during that period, together with any further adjustments to premiums receivable for prior accounting periods that had not been fully recognised in previous financial statements. Pipeline premiums are those collected by intermediaries but not yet notified to Great Lakes, and are assessed based on estimates from underwriting or past experience. Premiums are stated before deduction of commissions but net of taxes and duties levied on premiums. Premiums are earned over the term of the insurance policies to which they relate, in accordance with the risk coverage provided by the underlying insurance policies.

Outward reinsurance and retrocession premiums are accounted for in the same accounting period as the premiums for the underlying direct insurance or inwards reinsurance business.

Claims incurred

Claims incurred comprise claims and claim settlement expenses (both internal and external) paid in the year and the movement in the provision for outstanding claims and settlement expenses, including an allowance for the costs of claims incurred by the balance sheet date but not reported until after the year end.

Acquisition costs and administrative expenses

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Investment result

Investment income comprises amortization, interests, realised investment gains and losses, investment management expenses and other investment expenses..

Realised gains and losses represent the difference between net sales proceeds and amortized acquisition costs in the accounting period.

Foreign Currencies

Foreign currency transactions are translated at the rates of exchange ruling at the dates of the transaction.

Other Income and expenses

The main component of other income and expenses were foreign exchange gains and losses.

Profits and Losses recognised directly in equity

There are no profits and losses recognised directly in equity.

Quantitative information performance

“Performance Solo NL” template¹

Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF or annual report currency
Amounts stated in millions

	Total		Direct Swiss business															
			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	Previous year	Reporting year	Previous year	Reporting year
Gross premiums	11	23	-	-	-	-	-	-	2	0	3	16	2	4	4	1		
Reinsurers' share of gross premiums	(7)	(16)	-	-	-	-	-	-	(1)	(0)	(3)	(13)	(1)	(3)	(2)	1		
Premiums for own account (1 + 2)	3	7	-	-	-	-	-	-	0	0	0	3	2	2	1	2		
Change in unearned premium reserves	(2)	8	-	-	-	-	-	-	(1)	0	(1)	1	0	1	(0)	7		
Reinsurers' share of change in unearned premium reserves	1	(8)	-	-	-	-	-	-	0	(0)	0	(1)	0	(0)	1	(7)		
Premiums earned for own account (3 + 4 + 5)	3	8	-	-	-	-	-	-	(0)	0	(1)	3	2	2	2	2		
Other income from insurance business	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total income from underwriting business (6 + 7)	3	8	-	-	-	-	-	-	(0)	0	(1)	3	2	2	2	2		
Payments for insurance claims (gross)	(4)	(6)	-	-	-	-	-	-	(1)	(2)	-	(2)	(0)	(0)	(3)	(2)		
Reinsurers' share of payments for insurance claims	3	5	-	-	-	-	-	-	(0)	1	1	2	0	0	2	2		
Change in technical provisions	3	(8)	-	-	-	-	-	-	3	(0)	(0)	(12)	(0)	13	0	(7)		
Reinsurers' share of change in technical provisions	(4)	1	-	-	-	-	-	-	(1)	(0)	(0)	8	(2)	(10)	(0)	4		
Change in technical provisions for unit-linked life insurance																		
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(1)	(8)	-	-	-	-	-	-	2	(1)	0	(5)	(2)	2	(1)	(3)		
Acquisition and administration expenses	(1)	(8)	-	-	-	-	-	-	(0)	(0)	0	(9)	(0)	0	(1)	(0)		
Reinsurers' share of acquisition and administration expenses	1	7	-	-	-	-	-	-	0	(0)	(1)	7	0	(0)	1	(0)		
Acquisition and administration expenses for own account (15 + 16)	(0)	(1)	-	-	-	-	-	-	0	(0)	(0)	(2)	(0)	0	0	(0)		
Other underwriting expenses for own account	(0)	(0)	-	-	-	-	-	-	(0)	(0)	(0)	(0)	(0)	(0)	-	-		
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(0)	(2)	-	-	-	-	-	-	0	(0)	(0)	(2)	(0)	0	0	(0)		
Investment income	1	1																
Investment expenses	(0)	(0)																
Net investment income (20 + 21)	1	1																
Capital and interest income from unit-linked life insurance	-	-																
Other financial income	-	-																
Other financial expenses	-	-																
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	2	(1)																
Interest expenses for interest-bearing liabilities	-	-																
Other income	(0)	0																
Other expenses	(1)	(0)																
Extraordinary income/expenses	-	-																
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	1	(1)																
Direct taxes	(0)	(0)																
Profit / loss (31 + 32)	1	(1)																

¹ Please note that the split between direct and indirect business is unavailable for financial years prior to 2017. However, the indirect business is immaterial compared to the direct business.

Financial situation report: quantitative template "Performance Solo NL"

	Direct non-Swiss business		Indirect business													
	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	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	Previous year	Reporting year
Gross premiums			-	-	-	-	-	-	-	0	-	1	-	-	-	-
Reinsurers' share of gross premiums			-	-	-	-	-	-	-	(0)	-	0	-	(0)	-	-
Premiums for own account (1 + 2)	-	-	-	-	-	-	-	-	-	(0)	-	2	-	(0)	-	-
Change in unearned premium reserves			-	-	-	-	-	-	-	(0)	-	(0)	-	-	-	-
Reinsurers' share of change in unearned premium reserves			-	-	-	-	-	-	-	0	-	0	-	0	-	-
Premiums earned for own account (3 + 4 + 5)	-	-	-	-	-	-	-	-	-	(0)	-	1	-	(0)	-	-
Other income from insurance business			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income from underwriting business (6 + 7)	-	-	-	-	-	-	-	-	-	(0)	-	1	-	(0)	-	-
Payments for insurance claims (gross)			-	-	-	-	-	-	-	(0)	-	-	-	-	-	-
Reinsurers' share of payments for insurance claims			-	-	-	-	-	-	-	0	-	-	-	-	-	-
Change in technical provisions			-	-	-	-	-	-	-	(0)	-	0	-	(2)	-	-
Reinsurers' share of change in technical provisions			-	-	-	-	-	-	-	0	-	0	-	(0)	-	-
Change in technical provisions for unit-linked life insurance																
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	-	-	-	-	-	-	-	-	-	(0)	-	0	-	(2)	-	-
Acquisition and administration expenses			-	-	-	-	-	-	-	(0)	-	0	-	0	-	-
Reinsurers' share of acquisition and administration expenses			-	-	-	-	-	-	-	0	-	-	-	-	-	-
Acquisition and administration expenses for own account (15 + 16)	-	-	-	-	-	-	-	-	-	(0)	-	0	-	0	-	-
Other underwriting expenses for own account			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	-	-	-	-	-	-	-	-	-	(0)	-	0	-	0	-	-
Investment income																
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Net investment income (20 + 21)																
Capital and interest income from unit-linked life insurance																
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Profit / loss before taxes (26 + 27 + 28 + 29 + 30)																
Direct taxes																
Profit / loss (31 + 32)																

Comments on “Performance Solo NL” template

Premium income

The net premium income from direct business grew significantly from CHF 3.4m to CHF 7.4m.

The increase in net premium income during 2017 was primarily driven by the direct business lines of business fire and other property insurance. This was due to a new relationship with a recently established Swiss intermediary providing gadget insurance.

Payments for insurance claims

Overall net payments for insurance claims increased comparatively due to the introduction of a new relationship with a recently established Swiss intermediary providing gadget insurance.

Expenses from underwriting business

Total net expenses from underwriting business increased from CHF 390k to CHF 1.6m.

This was mainly driven by a net increase in commissions, which resulted from the new business relationship with a recent established Swiss intermediary providing gadget insurance.

Net investment income

The net investment income (after management expenses for investments) amounted to CHF 5k, after CHF 7k in the previous year. The decrease was mainly driven by the net sales proceeds of fixed interest securities.

Profit/Loss

At CHF -1.4m, GLISE's 2017 result decreased from CHF 1.1m by CHF 2.6m.

Key drivers of the net technical result were an increase in exposures during 2017 and a more conservative re-serving approach for property and contingency business. This was partly offset by reserve releases for a large loss in general third party liability where the final settlement was lower than expected.

Baar, 27 April 2018

Legal Representative



Gerald König

Appendices

Great Lakes Insurance SE, Munich, Baar branch

Independent auditor's report
on the financial statements

Financial year 2017

Independent auditor's report to the General Manager of

Great Lakes Insurance SE, Munich, Baar Branch, Baar

As a federally-supervised audit firm, we have audited the accompanying financial statements of the Great Lakes Insurance SE, Munich, Baar branch which comprise the balance sheet as at 31 December 2017, the income statement for the year then ended and the notes, 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 Great Lakes Insurance SE, Munich, Baar branch, as of and for the year ended 31 December 2017 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 Great Lakes Insurance SE, Munich, Baar branch 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



Bill Schiller
Licensed audit expert
Auditor in charge



Patrick Scholz
Licensed audit expert

Zurich, 27 April 2018

Enclosure:

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

Great Lakes Insurance SE

Swiss Branch

Annual Report 2017

Local GAAP format
(Swiss Code of obligations)

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Overview

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Great Lakes enhances the value of the Group through four pillars: acting as a competent partner to develop primary insurance business; maximising the profitability of the business through transparent and efficient administrative and capital costs; providing operational excellence in expertise and innovation; conducting our business in a legal and ethical manner that meets the expectations of our regulators and satisfies the requirements of our policyholders.

Supervisory Board Great Lakes Insurance SE

Claus-Ulrich Kroll, Chairman

Christoph Carus

Dr. Carsten Prussog

Alex Wettemann

Board of Management Great Lakes Insurance SE

Dr. Achim Stegner, Chief Executive Officer

Dr. Stefan Pasternak, Chief Financial Officer

Dr. Tobias Klauß, Chief Risk Officer

Stéphane Deutscher, Chief Operations Officer

Appointed Actuary Great Lakes Insurance SE Swiss Branch

Dr. Mariel Lüdecke, Chief Actuary

Legal Representative Great Lakes Insurance SE Swiss Branch

Gerald König, PRS Prime Re Services AG, Baar

Shareholder

100% Munich Reinsurance Company, Munich

Rating

AA- by Standard & Poor's

A+ by A.M. Best

Auditors

KPMG AG, Zurich

Management Report

General overview

The year 2017 was marked by the continuing challenges in the market in pricing for larger clients in the property, casualty and aviation insurance markets as technical rates were still considered in general as being technically poor. GLISE in Switzerland further developed its agency business in Switzerland by writing mobile phone insurances.

The 2017 result for the year was CHF -1.5m compared to CHF 1.2m in 2016 which was mainly driven by the exposure increase in 2017 and the related increase in net technical provisions.

Staff

Great Lakes does not directly employ any individuals in Switzerland. The Branch is on the one hand administered locally by the legal representative with support services from PRS Prime Re Services AG and on the other hand fully integrated alongside Great Lakes' other operations as well as within the Munich Re Group.

The Company's conduct of a risk assessment

Great Lakes risk management for the Swiss Branch is integrated into the overall Great Lakes risk framework. It is also consistent with the requirements and approach taken by the overall Munich Re Group.

Governance and responsibilities

The Great Lakes Board of Management is responsible for the overall governance at Great Lakes including the Swiss Branch and also the risk management principles and policies, as well as for approving the overall risk tolerance. Great Lakes maintains an own risk management function which is also embedded in the Group risk management framework. One of the objectives of an effective Internal Control System (ICS) is to promote and enhance the risk and control culture at Great Lakes in all areas and at all levels including the Swiss Branch.

Risk management objectives and methodology

The careful selection of (re)insurance risks is at the core of Great Lakes business model. The company deploys a variety of risk management tools, processes and functions to manage its risks, and seeks to optimise the balance between risks taken and earnings opportunities.

Great Lakes risk management strategy is aimed at

- maintaining Great Lakes financial strength,
- safeguarding the reputation of Great Lakes and Munich Re Group,
- enabling Great Lakes to protect and generate sustainable shareholder value.

The two main elements of Great Lakes risk management approach are :

- a system of internal controls aimed at avoiding and reducing undesired risk and
- the regular analysis and measurement (quantification) of risks.

Risk identification, evaluation and measurement

Risks are identified and classified according to their potential exposure to one or a combination of the following risk types: underwriting, market, credit, operational, liquidity, reputational and strategic risks.

The primary tool for measuring and quantifying risks is based on Great Lakes regulatory-approved Solvency II internal capital model. The corresponding regulatory and economic risk capital required to carry its risks is measured at the 99.5% of the value at risk (VaR) over a one-year time horizon. This represents an estimate of the unexpected annual loss that Great Lakes is likely to occur with a frequency of less than one in two hundred years, and is consistent with Solvency II directives.

The evaluation and quantitative measurement of the risks are documented in the Internal Risk Report and communicated to Great Lakes Board of Management, on a quarterly basis.

Competition, supply and demand

The non-life insurance market continued to deteriorate in terms of price competition within the aviation, property and casualty sectors. Where pricing strength could not be maintained, rejection of the risk or acceptance at market rates takes place whilst resisting market pressure as much as possible to reduce the price or broaden the terms and conditions offered. The continued driver of these market conditions was the high supply of insurance and reinsurance capacity across international markets and our licensed lines of business.

Innovation and development

During 2017, supported by New Reinsurance Company AG (NewRe) as the Group's reinsurer located in Switzerland, Great Lakes developed its relationships with recently-established Swiss intermediaries, to support their target markets of business including gadget and online motor insurance. These opportunities focused on non-life insurances products which are distributed through online and offline sales channels linked to efficient flexible IT operations ensuring lean processes and competitive costs while upholding strong levels of consumer protection. These new opportunities resulted in Great Lakes Switzerland entering into Swiss retail market including the modification and extension of our delegated authority risk framework for Managing General Agents to our Swiss business with greater scrutiny on retail sales and consumer protection. As part of this process, Great Lakes obtained licensing permissions for Class 1 (Accident), Class 3 (Land Vehicles), Class 10 (Motor Liability), Class 14 (Credit) and Class 15 (Suretyship). Further markets such as credit that enhance the beneficial marriage of high profitability, and flexible processes and products will continue to be explored.

Extraordinary events

No significant extraordinary events had a material impact on the Swiss Branch of Great Lakes in 2017.

Outlook

No major changes are expected in the market conditions or claims patterns for the existing portfolio of Great Lakes Swiss Branch. Results will continue to depend on losses incurred. The portfolio has developed from low volume business concentrated on medium and large clients towards an increased premium based upon higher volumes and retail policyholders through entry to the Swiss motor insurance markets. Necessary adjustments to processes, controls, authorities and operations have been or will be further implemented in line with the growth expectations and in close collaboration and dialogue with all relevant stakeholders in a timely fashion. Where appropriate, Great Lakes has deepened its knowledge of the appropriate local markets to ensure that we understand developing conditions and can monitor conduct risk.

In addition to winning new customers, we place our focus on our existing customers. Our goal is to offer all customers current and modern state of the art insurance cover and to place innovative products and services.

Financial Statements

Balance Sheet

<i>in CHF</i>	31 December 2017	31 December 2016
Investments	47,983,725	49,548,461
Fixed interest securities		
Cash and Cash equivalent	24,830,996	17,283,422
Underwriting provisions ceded	37,227,056	42,369,537
Accounts receivable from insurance business	20,962,479	14,315,406
Other accounts receivable	209,502	155,290
Total assets	131,213,758	123,672,116
Technical provisions	(56,661,204)	(56,310,507)
Accounts payable from insurance business	(21,758,458)	(8,813,274)
Other liabilities	(9,145,975)	(50,596,573)
Head office account	(43,648,121)	(7,951,763)
Total liabilities	(131,213,758)	(123,672,116)

Technical Accounts

<i>in CHF</i>	2017	2016
Gross premiums	23,167,838	10,687,016
Premiums ceded	(15,785,377)	(7,317,696)
Premiums for own account	7,382,461	3,369,320
Change in unearned premiums gross	8,420,047	(1,660,878)
Change in unearned premiums ceded	(7,660,773)	1,233,210
Change in unearned premiums for own account	759,274	(427,668)
Net earned premiums for own account	8,141,735	2,941,652
Other technical income, net of RI	-	202,726
Total technical income for own account	8,141,735	3,144,378
Claims payment gross	(5,980,216)	(3,843,842)
Claims payment ceded	4,694,474	3,016,122
Claims payment for own account	(1,285,742)	(827,720)
Change in provision gross	(8,455,327)	3,036,146
Change in provision ceded	1,262,632	(3,706,089)
Change in provision for own account	(7,192,695)	(669,944)
Expenditure for incurred claims for own account	(8,478,437)	(1,497,664)
Commissions expenses gross	(8,335,724)	(973,070)
Commissions expenses ceded	6,855,963	632,716
Administration expenses	(73,584)	(50,447)
Acquisition costs and administrative expenses for own account	(1,553,345)	(390,801)
Total technical expenses for own account	(10,031,782)	(1,888,465)
Overall technical result	(1,890,047)	1,255,913

General Accounts

<i>in CHF</i>	2017	2016
Investment income	766,866	845,500
Investment expenses	(239,629)	(150,547)
Investment result	527,237	694,953
Operating result	(1,362,810)	1,950,866
Other income	71,705	(6)
Other expenses	(122,154)	(602,083)
Profit before taxes	(1,413,259)	1,348,777
Direct taxes	(15,919)	(215,601)
Result for the year	(1,429,178)	1,133,176

Notes to the financial statements

The annual 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.

Accounting principles

The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.

Investments

Fixed-interest securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised as current income.

Cash and cash equivalents

The cash and cash equivalents includes cash holdings. These are recorded at their nominal value.

Technical reserves

The statutory reserves are the higher of of the best estimate and the market consistent reserves.

To obtain the technical reserves the best estimate reserves are supplemented with safety & equalization reserves.

The best estimate reserves consist of different components, which are:

- Unearned Premiums: Premiums that relate to the unexpired terms of insurance policies in force at the balance sheet date are deferred as unearned premiums. These unearned premiums are taken to the Profit and Loss account so that premiums are recognised over the period of risk coverage provided by the underlying insurance policies.
- Case reserves represent the best estimate of the ultimate payment for claims reported and open as of the balance sheet date.
- Incurred But Not Reported (IBNR) reserves are estimates of the amounts required to settle claims that have been incurred but not yet reported. They are estimated with standard actuarial techniques.
- Allocated loss adjustment expenses are part of the case reserves. Unallocated loss adjustment expenses reserves are determined as a percentage of the case reserve and IBNR.
- Other technical reserves which include expected future result dependent commission payments.

No discounting takes place as long as no annuities are concerned.

The safety and equalisation reserves serve as a buffer to absorb the volatility of the claims. They are considered via a prudence margin, which is calculated using an internal stochastic model.

The market consistent value of reserves is calculated as the sum of the discounted best estimate reserves plus a risk margin, based on GLUK's internal model for Solvency II purpose. The Great Lakes appointed Actuary for the Swiss Branch reviews the results of the reserving exercise.

Premiums

Written premiums comprise the amount receivable including an estimate of pipeline premiums during the financial year for the whole period the Company is on risk in respect of contracts of insurance entered into and incepting during that period, together with any further adjustments to premiums receivable for prior accounting periods that had not been fully recognised in previous financial statements. Pipeline premiums are those collected by intermediaries but not yet notified to Great Lakes, and are assessed based on estimates from underwriting or past experience. Premiums are stated before deduction of commissions but net of taxes and duties levied on premiums. Premiums are earned over the term of the insurance policies to which they relate, in accordance with the risk coverage provided by the underlying insurance policies.

Outward reinsurance and retrocession premiums are accounted for in the same accounting period as the premiums for the underlying direct insurance or inwards reinsurance business.

Foreign currency items and translation for presentation purposes:

All balance sheet items are translated from their original currency into CHF using the year-end exchange rate. Transactions of the income statement, where not carried out in Swiss francs, are converted at the rate of exchange ruling at the date of the transaction. The company books a provision for net unrealised foreign exchange gains.

The principal exchange rates for 2017 are:

Currency	Balance Sheet as at	Income Statement for the year
1 CHF = x FW	31 December 2017	2017
EUR	0.854591	0.899637
GBP	0.758578	0.788414
USD	1.026193	1.016229

Other information according to the Swiss Code of Obligations (OR) and Insurance Supervisory Ordinance-FINMA (AVO-FINMA)

Auditors' fees

The fees for the audit of the 2017 financial statements, as well as the regulatory audit, amount to CHF 49.600. Fees exclude outlays and VAT.

Staff

Great Lakes does not employ any individuals in Switzerland. The Branch is on the one hand administered locally by the legal representative with support services from PRS Prime Re Services AG and on the other hand integrated alongside Great Lakes' other operations as well as within the Munich Re Group.

Receivables from Insurance business

All balances have been allocated to receivables from policyholders.

Affiliated companies

At the balance sheet date there were receivables and liabilities in respect of other affiliated companies belonging to the Munich Re (Group), as follows :

<i>in CHF</i>	31 December 2017	31 December 2016
Accounts receivable from group companies for insurance business	2,170,330	
Accounts payable to group companies for insurance business	(6,561,412)	(9,585,901)
Total	(4,391,082)	(9,585,901)

Technical provisions

<i>in CHF</i>	31 December 2017			31 December 2016		
Technical provisions	Assumed	Ceded	Net	Assumed	Ceded	Net
Unearned premiums	11,456,463	8,619,494	2,836,969	20,207,424	16,440,576	3,766,847
Loss reserves	36,289,629	28,355,424	7,934,204	31,948,591	25,928,961	6,019,631
Equalisation reserve	8,578,928	-	8,578,928	4,154,492	-	4,154,492
Other underwriting provisions	336,184	252,138	84,046	-	-	-
Total	56,661,204	37,227,056	19,434,148	56,310,507	42,369,537	13,940,970

<i>in CHF</i>	2017			2016		
Changes of the technical provisions	Assumed	Ceded	Net	Assumed	Ceded	Net
Changes in unearned premiums	8,420,047	(7,660,773)	759,274	(1,660,878)	1,233,210	(427,668)
Changes in loss reserves	(8,455,327)	1,262,632	(7,192,695)	3,036,146	(3,706,089)	(669,944)
Total			(6,433,421)			(1,097,612)

Head office account movement schedule

<i>in CHF</i>	31 December 2017	31 December 2016
Opening Balance	(7,951,763)	(6,818,586)
Capital from Head Office	(37,125,536)	-
Capital to Head Office	-	-
Profit for the year 2017	1,429,178	(1,133,176)
Balances as at 31 December 2017	(43,648,121)	(7,951,763)

Capital from Head Office includes prior year balances that had been booked under long term liabilities.

Investment result*in CHF*

				2017			2017
	Current income	Amortization	Realised gains	Total investment income	Investment management expenses, other investment expenses	Realised losses	Total investment expenses
Fixed interest securities	827,470	(60,604)	-	766,866	(88,445)	(126,973)	(215,419)
Other investments					(24,210)		(24,210)
Total				766,866			(239,629)

in CHF

				2016			2016
	Current income	Amortization	Realised gains	Total investment income	Investment management expenses, other investment expenses	Realised losses	Total investment expenses
Fixed interest securities	960,266	(271,790)	157,024	845,500	(76,450)	(56,207)	(132,657)
Other investments					(17,890)		(17,890)
Total				845,500			(150,547)

Shareholder

The shareholder of Great Lakes Insurance SE is Munich Reinsurance Company (Münchener Rückversicherungsgesellschaft Aktiengesellschaft in München), which holds 100% of the shares in the Company.

Baar, 27 April 2018

Legal Representative



Gerald König