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DR Swiss Key Figures

2012 and 2011 financial years			
in CHF 1,000	2012	2011	Change in %
Gross premiums written	270,209	269,669	0.2
Premiums earned for own account	270,174	269,316	0.3
Net investment income	31,757	23,539	34.9
Administrative expenses	4,881	4,862	0.4
Result after tax	7,733	7,651	1.1
Financial investments incl. cash deposits	803,810	815,584	-1.4
Technical provisions for own account	527,147	549,717	-4.1
Shareholders' equity incl. mezzanine capital	221,869	220,430	0.7
Loss ratio			
in % of net premiums earned	75.4	73.7	2.3
Expense ratio			
in % of net premiums earned	1.81	1.81	0.0
Number of employees	14	13	

Deutsche Rückversicherung Switzerland Ltd

Report on the 12th Financial Year

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Foreword to DR Swiss Annual Report

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**Dear Shareholders,
Dear Business Partners,**

Following a pleasing financial year, DR Swiss can once again post a sound annual profit of CHF 7.7 million.

Despite a further slip in the average euro exchange rate, in our base currency, Swiss Francs, our earned premium volume remained stable at CHF 270.2 million as compared to CHF 269.3 million in the previous year. Calculated in euros, we even achieved a premium growth of 2.5%. We further consolidated our customer relations in international reinsurance business.

Claims expenditure was 2.6% higher than in the previous year, amounting to CHF 203.6 million in both net and gross terms. Claims paid climbed 15.5% to CHF 234.1 million. This disproportionate rise is largely due to the commutation of reinsurance treaties.

The technical loss came to CHF 13.1 million net or 4.8% of premiums earned for own account, compared to a technical loss of CHF 7.6 million net or 2.8% in the previous year.

As at 31 December 2012, technical provisions totalled CHF 527.1 million. The reserve ratio (reserves expressed as a percentage of the premiums earned) dropped from the previous year's level of 204.1% to 195.1% in the year under review. The commutation of reinsurance treaties referred to above was a major



Dr Arno Junke

contributing factor. We continue to practice a conservative reserve policy as reflected in our combined ratio of 104.8 %.

We maintained our low administration expense ratio at the previous year's level of below 2 %.

After a modest performance in the previous year, our investments in the year under review exceeded expectations. Our unrealised gain on investments recognised in the balance sheet at market value surpassed our forecasts. This resulted from rising prices on stock markets in the second half of the year and a further drop in yields and credit spreads for fixed income bonds. Our total income from investments climbed from CHF 23.5 million in the previous year to CHF 31.8 million.



Frank Schaar

Despite the lower underwriting result, we were hence able to post a positive overall result, permitting us to make an adequate dividend payment and to service our mezzanine capital accordingly.

Our A+ rating from Standard & Poor's remains secure so that we can continue to offer our clients the assurance of a reliable partner.

Outlook for 2013

In 2013, we expect our gross premiums written to be slightly down compared to the previous year as a result of our customers' concentration processes when purchasing reinsurance covers. Another reason is a shift from proportional treaties to non-proportional covers. Despite the surplus capacities on various

reinsurance markets, the price level for our reinsurance portfolio has remained pleasingly stable. We will continue to adhere to our profit-oriented underwriting policy.

We expect global economic growth to continue slackening in 2013. Capacity utilisation will be average at best and we expect low inflation. We assume that central banks will continue to assure liquidity and support financial markets. The low-interest-rate environment looks likely to persist.

We will adhere to our tried-and-tested strategy in the management of our portfolio. This will include a slight increase in the ratio of equities to total investments and a wide diversification of bonds, depending on the creditworthiness of the debtor. To secure our underwriting commitments, we will increase liquidity accordingly.

Thanks

We would like to thank all our employees, whose dedication assured the early completion of this year's annual report and whose great competence has once again contributed to the good overall result of DR Swiss.

We would also like to express special thanks to our clients for the trust they have shown in us in the increasingly demanding reinsurance environment and to our shareholders for their support and confidence.



Dr Arno Junke
Chairman of
the Board of Directors



Frank Schaar
Managing Director
and Delegate of
the Board of Directors

DR Swiss Organisation

Board of Directors

Dr Arno Junke, Chairman
 Frank Schaar, Delegate of the Board of Directors
 Peter Hafner
 Peter Rainer
 Friedrich Schubring-Giese
 Hugo Singer
 Dr Ulrich Thalmann
 Ulrich-Bernd Wolff von der Sahl

Shareholders

75% Deutsche Rückversicherung AG, Dusseldorf
 25% VHV Holding AG, Hanover

Statutory Auditors

PricewaterhouseCoopers AG, Zurich

Rating

A+, Standard & Poor's

Executive Management

Frank Schaar
 Managing Director and
 Delegate of the Board of Directors

Senior Management

Andreas Aemisegger
 Pietro Lodigiani
 Heinz Lussi
 Peter Lusti
 Urs Meier
 Dr Markus Petermann
 Juan Serra

Our Philosophy

Continuity

- reliable and long-lasting partnership approach
- close co-operation leading to a sustainable success for both parties

Competence

- credible team with high technical expertise and many years of professional experience
- profound market knowledge

Consistency

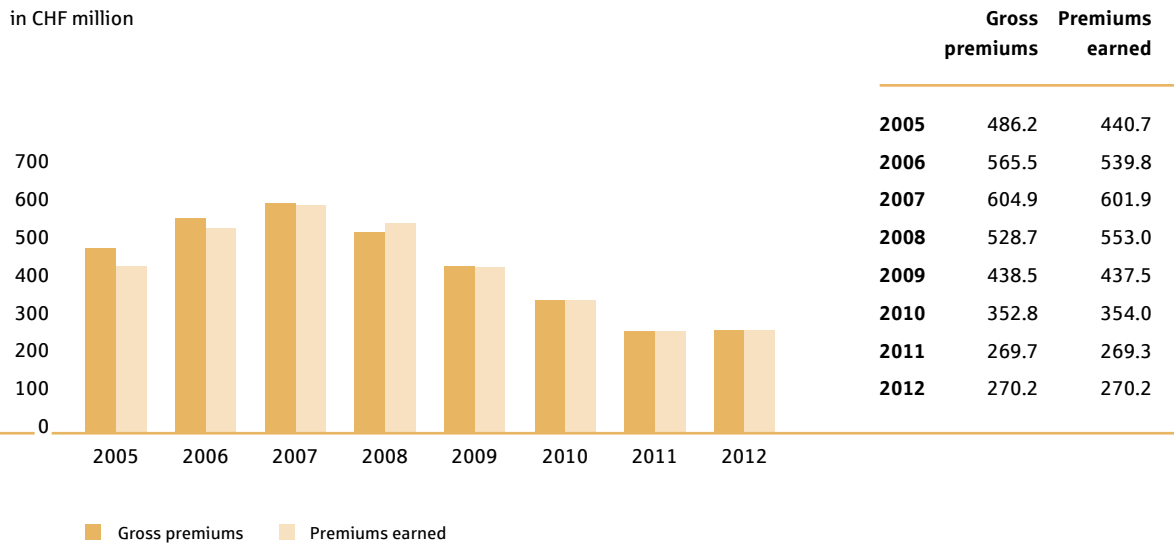
- reinsurance arrangements according to specific customer needs
- strong financial security (A+ rating from Standard & Poor's; stable group of shareholders)

Client Focus

- tailor-made solutions with great flexibility
- excellent administration and prompt claims payment
- direct negotiations with the authorized managers

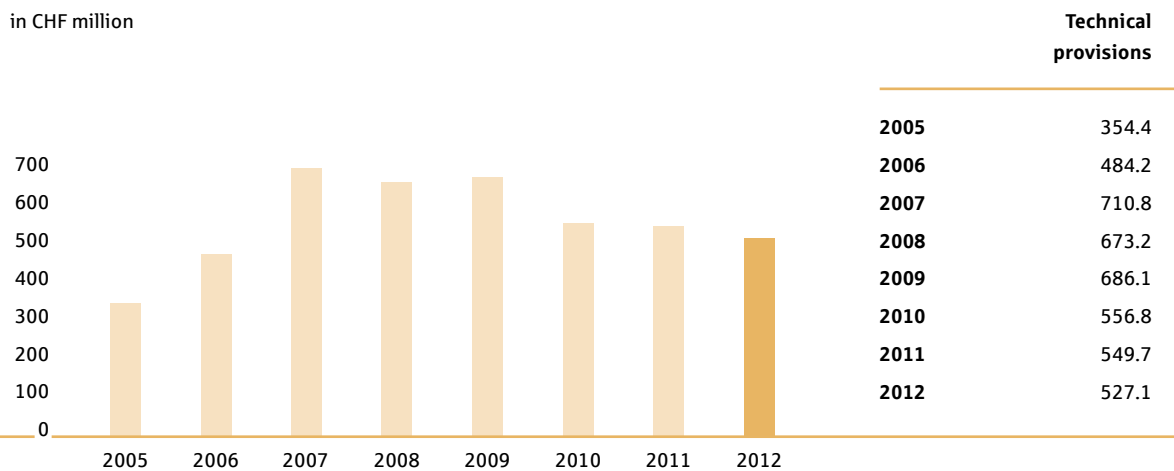
Premiums

in CHF million



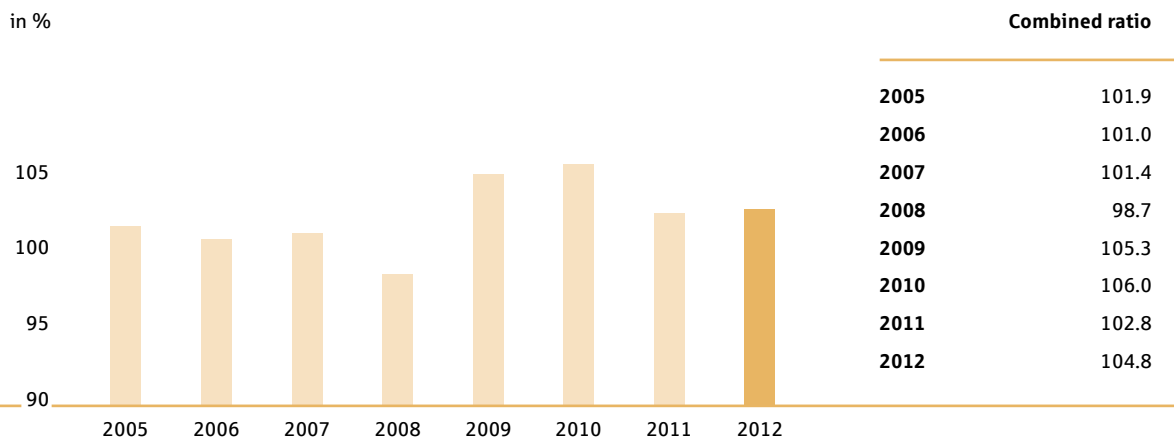
Technical provisions

in CHF million



Combined ratio (on earned premiums)

in %



Financial investments inclusive cash deposits

in CHF million

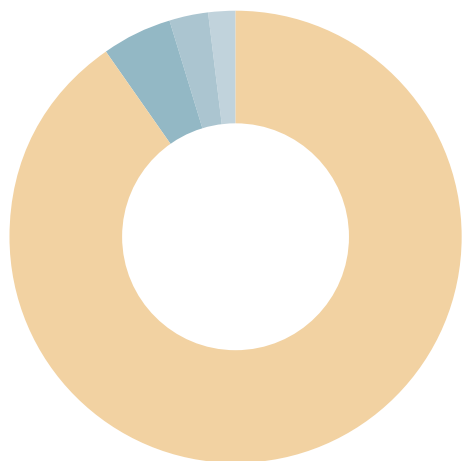


Financial investments

2005	582.1
2006	711.0
2007	931.4
2008	982.0
2009	941.1
2010	870.0
2011	815.6
2012	803.8

Asset allocation as at 31 December 2012

in %

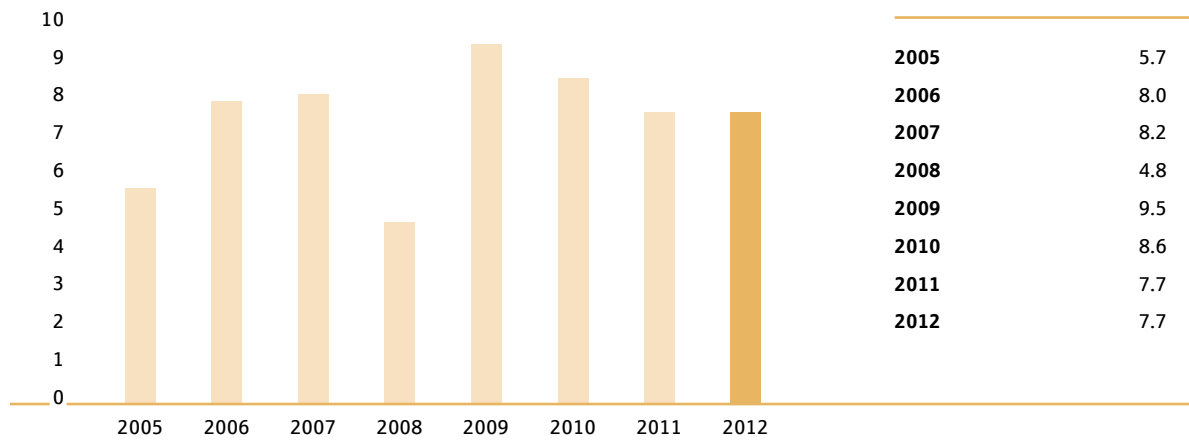


Asset allocation

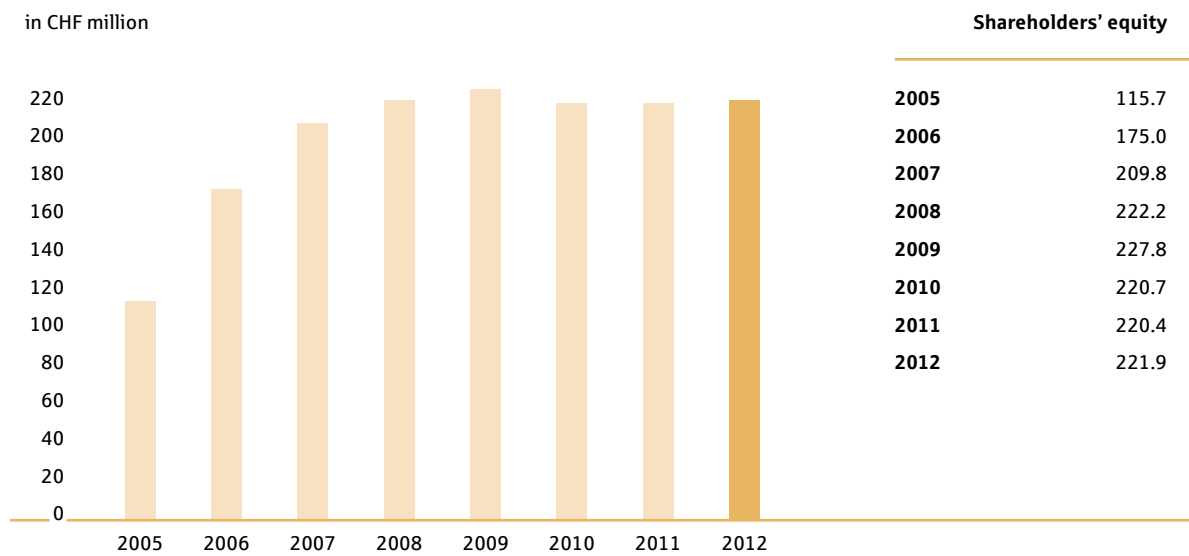
90.3	Fixed income securities
5.1	Equities and equity funds
2.9	Real estate funds
1.7	Cash and cash equivalents including time deposits

Income after tax

in CHF million

**Shareholders' equity inclusive mezzanine capital**

in CHF million



Balance Sheet as at 31 December 2012

Assets		
in CHF 1,000	2012	2011
Fixed assets		
Investments		
Fixed income securities	725,617	707,928
Real estate funds	23,013	22,461
Equities and equity funds	41,213	40,529
Total investments	789,843	770,918
Other assets		
Plant and equipment	326	262
Intangible assets	60	65
Total other assets	386	327
Total fixed assets	790,229	771,245
Current assets		
Cash and cash equivalents	13,967	44,666
Receivables from shareholders	–	22
Reinsurance receivables	771	6,449
Deposits from reinsurance assumed	27,643	10,740
Other receivables	285	1,540
Accrued income and prepaid expenses	11,951	13,096
Total current assets	54,617	76,513
Total assets	844,846	847,758

Liabilities and shareholders' equity		
in CHF 1,000	2012	2011
Liabilities		
Technical provisions		
Reserves for unearned premiums for own account	5,246	5,283
Reserves for outstanding claims for own account	453,505	487,074
Provisions for profit commissions	68,396	57,360
Total technical provisions	527,147	549,717
Fluctuation reserves for financial investments	9,250	8,500
Provisions for currency fluctuations	750	–
Accounts payable		
Payables to shareholders	10,743	14,750
Payables to insurance and reinsurance companies	73,556	53,024
Other short-term liabilities	174	250
Total accounts payable	84,473	68,024
Mezzanine capital	42,252	42,546
Accrued expenses and deferred income	1,357	1,087
Total liabilities	665,229	669,874
Shareholders' equity		
Share capital	150,000	150,000
Legal reserves on appropriation of profits	11,331	9,731
Legal reserves on contribution of capital	9,177	9,177
Free reserves	1,223	1,223
Profit carried forward from previous year	153	102
Net income for the year	7,733	7,651
Profit available for distribution	7,886	7,753
Total shareholders' equity	179,617	177,884
Total liabilities and shareholders' equity	844,846	847,758

Income Statement

for the period 1 January to 31 December 2012

Technical account		
in CHF 1,000	2012	2011
Premiums earned for own account		
Gross premiums written	270,209	269,669
Reinsurance premiums ceded	-35	-44
Change in gross unearned premiums	-	-309
Total premiums earned for own account	270,174	269,316
Claims incurred for own account		
Gross claims paid	-234,141	-202,730
Reinsurers' share	-	-
Change in technical provisions	30,532	4,308
Total claims incurred for own account	-203,609	-198,422
Insurance operating expense for own account		
Commissions and profit-sharing	-79,624	-78,452
Reinsurers' share	-	-
Total insurance operating expense for own account	-79,624	-78,452
Underwriting result	-13,059	-7,558

Non-technical account		
in CHF 1,000	2012	2011
Underwriting result (carried forward)	-13,059	-7,558
Investment income		
Current income	25,355	26,761
Price gains on investments	16,223	14,874
Increased valuation	796	910
Total income from investments	42,374	42,545
Expenditure on investments		
Investment administration	-494	-520
Price losses on investments	-8,801	-17,884
Decreased valuation	-572	-602
Fluctuation reserves for financial investments	-750	-
Total expenses for investments	-10,617	-19,006
Income from financial investments	31,757	23,539
Other income and expenses		
Income from revaluation of foreign currencies	-1,450	1,321
Mezzanine capital financing costs	-2,168	-2,215
Operating expenses	-4,881	-4,862
Amortisation of tangible assets	-170	-204
Other income or expenses	-	-1
Profit from other income and expenses	-8,669	-5,961
Profit from non-technical account	23,088	17,578
Profit for the year before taxes	10,029	10,020
Taxes	-2,296	-2,369
Profit for the year	7,733	7,651

Cash Flow Statement

Cash Flow Statement		
in CHF 1,000	2012	2011
Cash flow from operating activities		
Annual surplus	7,733	7,651
Change in reserves for unearned premiums	–	309
Change in outstanding claims reserves	–30,532	–4,308
Change in provisions for profit commissions	11,618	12,270
Change in fluctuation reserves for financial investments	750	–
Realised profit/loss on sale on investments	–1,449	–1,552
Amortisation	170	204
Change in funds held with reinsured companies/reinsurance liabilities	–16,993	–1,627
Change in other assets and liabilities	25,087	–47,123
Other non-cash expenses and income	–4,822	3,125
Total cash flow from operating profit	–8,438	–31,051
Cash flow from investing activities (net change)		
Fixed income securities	–18,542	5,454
Real estate funds	–79	85
Equity and equity funds	2,589	4,435
Time deposits	–	47,417
In-/Decrease of tangible and intangible assets	–229	–116
Total cash flow from investing activities	–16,261	57,275
Cash flow from financing activities		
Payments of dividend	–6,000	–6,750
Total cash flow from financing activities	–6,000	–6,750
Total cash inflow/outflow	–30,699	19,474
Cash and cash equivalents at start of period	44,666	25,192
Cash and cash equivalents at end of period	13,967	44,666
Inflow/outflow	–30,699	19,474

Notes to the Financial Statement

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Technical account items with an effect on liquidity

in CHF 1,000

Item	Disclosed	Estimated	Total recognized
Premium payments	154,782	115,391	270,174
Claims payments	88,628	145,513	234,141
Commissions/profit shares	22,831	45,174	68,005
Change in provisions for profit commissions		11,618	11,619
Commissions and profit shares			79,624

Earlier annual financial statements

Due to the earlier scheduling of the annual financial statements, technical account items with an effect on liquidity have been shown in the 2012 financial statement on the basis of the amounts disclosed in statements of account from ceding companies as well as estimates. These estimates affected the income statement items in the 2012 financial year as shown in the table.

The corresponding sums are included in the balance sheet under Payables to insurance and reinsurance companies (for premium payments and claims payments), as well as under Provisions for profit commissions (commissions and profit shares).

Property insurance values

The property insurance value of office and business equipment at 31 December 2012 comes to CHF 1.091 million (2011: CHF 1.091 million).

Rental and leasing commitments

Rental commitments amount to CHF 2.527 million at 31 December 2012 (2011: CHF 0.142 million).

No leasing commitments exist.

Accounting and valuation principles

Equity funds, bond funds and real estate funds are valued at market value on the balance sheet date.

Direct bond investments are valued at acquisition cost on the balance sheet date, using the effective interest method.

Intangible and tangible assets are valued at purchase cost less scheduled amortisation.

Receivables are recognised in the balance sheet at their nominal amount. If necessary, the risk of payment default is accounted for by means of specific value adjustments.

Original unearned premiums and original reserves for outstanding claims are recognised in the balance sheet in accordance with the disclosures of the ceding companies. Actuarial estimates were made for the statements of account not yet received from ceding companies as at the balance sheet date.

Liabilities are included in the balance sheet at their settlement value.

Foreign currency positions in the annual accounts are translated at the exchange rate on the balance sheet date. Transactions of the non-technical accounts are translated at current rates; transactions of the technical accounts are translated at annual average rates. Unrealised gains and losses on foreign exchange are recognised in income. A possible surplus will be deferred. The EUR/CHF exchange rate on the balance sheet date was 1.2072 (2011: 1.2156).

Administrative expenses

Personnel expenses amount to CHF 3.745 million for 2012.

Long-term liabilities against shareholders

The long-term liabilities against shareholders from mezzanine equity amount to CHF 4.527 million.

Security for commitments

A rent deposit in the amount of CHF 190,576 was lodged with our bankers as security for our rental commitments for business premises.

Risk Management

Through its risk management Deutsche Rückversicherung Switzerland Ltd aims to identify risks early and to protect its financial strength and reputation with appropriate actions to act in the interests of business partners and shareholders.

Risk Assessment

The established internal control system (IKS), according to Art. 27 of the Insurance Supervision Act (ISA), covers qualitatively oriented risks of all business processes. The risks are reassessed each year. Control mechanisms have been defined to anticipate their occurrence and the observance of these is monitored and documented on an ongoing basis.

A quantitative assessment of the risks results from the Swiss Solvency Test (SST). The partial internal model, which was developed to implement the SST, covers the insurance, market, credit and investment risks.

Other disclosures as specified in Art. 663b of the Swiss Code of Obligations (OR) are not required.

Proposal for the Appropriation of Profit

The following net result for the year is available at the General Meeting on 24 April 2013 in Zurich:

Proposal for the appropriation of profit as at 31 December 2012		
in CHF 1,000	2012	2011
Profit carried forward from previous year	153	102
Net income for the year	7,733	7,651
Disposable profit	7,886	7,753
The Board of Directors proposes to the General Meeting that the disposable profit be distributed as follows:		
Dividends	6,000	6,000
Allocation to legal reserves	1,600	1,600
Balance carried forward	286	153

entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Zurich, April 24, 2013

PricewaterhouseCoopers AG



Michael Stämpfli
Audit expert
Auditor in charge



Lee James Bellamy

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1291



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