



**Financial Condition Report of Cigna Europe Insurance Company S.A.-N.V., Brüssel,  
Zweigniederlassung Zürich - Financial year 2017**

## **CIGNA EUROPE INSURANCE COMPANY S.A.-N.V.**

### **Overview**

Cigna Europe Insurance Company S.A.-N.V. ("CEIC" or "the company") was formed in March 2001 and is licensed to write accident, health, legal protection and other financial risks classes of business throughout most of Europe. Its registered office is in Brussels (Belgium) and its subscribed capital at the end of 2016 was €94,401,460.00 with 2 shareholders:

- 92.5% - Cigna Beechwood Holdings "Société de droit commun" (Brussels, Belgium)
- 7.5% - Cigna Myrtle Holdings, Ltd. (Valletta, Malta)

The business is organised into two areas which focus separately on the employer segment and the individual segment.

Operations span across 3 major branches located in the UK, Switzerland and Singapore.

Currently approximately forty-five percent of the business pertains to the employer segment which provides expatriate healthcare insurance solutions in Switzerland and Singapore for Corporate clients.

We experienced a strong level of growth over the year particularly in the Singapore market (+21%). Overall profitability has improved in Switzerland and Singapore markets with the strong growth in Singapore improving profitability through economies of scale.

The strategy remains to be the pre-eminent provider of expatriate benefits to multinationals in our markets by combining high quality services with comprehensive and integrated care management and information systems. The increase in the size and quality of our global medical network will continue to be a priority to serve our customers at best.

In line with our corporate strategy we have continued to develop our capabilities and offerings to the individual market. The main strategy for growth focus on the provision of Global Individual Private Medical Insurance products in Switzerland and Singapore. In addition in the UK market the main offering has been the provision of a range of individual health and travel related products sold through its sister company, CISEL. The remaining business pertains to European Health Life and Accident (HL&A) business which is currently in run off.

### **Corporate governance**

CEIC is governed by a Board of Directors which delegates responsibilities to a number of board committees and an management committee in line with the Cigna's governance memorandum.

#### Management Committee

This committee has delegated authority for the day to day running and operations of the business. It is chaired by the European Managing Director. The committee consists of the 4 Executive Directors who provide oversight across all the business which is written in the insurance company. The committee also includes guests from all key areas including the



Business Heads, Functional Heads (HR, IT, Facilities, Finance) and Control Heads (actuarial function, risk, audit and compliance).

#### Audit Committee

The board has an Audit Committee which meets quarterly prior to board meetings. The non-executive directors of the Board are the members of the Audit Committee and one is an independent non-executive directors acting as the chairman. The board is satisfied that the members have the collective expertise in the activities of CEIC as well as in the fields of financial management, financial reporting, accounting and audit. The board is further satisfied that the independent non-executive directors meets the necessary criteria to both demonstrate and fulfill the requirement for independence.

#### Risk Committee

The board has a Risk Committee which meets quarterly prior to the board meetings. The non-executive directors are members of this Committee and one is an independent non-executive directors acting as the chairman. This committee is responsible for ensuring that CEIC appropriately oversees and manages risks in line with the company's Risk Management Policy. This policy ensures CEIC approach is sufficient and proportionate to the business risks it faces.

In addition, this committee reviews and advises on the Solvency II implementation programme for CEIC. The company has seen the validation of its Partial Internal Model for Solvency II during 2015 by the National Bank of Belgium and is now compliant with this new regulation.

#### Asset Liability Management

Formal ALM meetings occur quarterly during the year to assess the liability profile of the company and the matching assets. Given the short-term nature of the liability profile there are no significant ALM issues from a duration point of view. However ALM is particularly active on currency matching. The company works closely with its asset managers to develop investment management strategies which are appropriate to each liability profile.

The company does not use any derivative products within its asset portfolio. The interest rate and credit risk of the company is limited by its use of investment-grade assets.

#### Remuneration Committee

The company's remuneration philosophy reflects its desire to strengthen its financial position and to invest in its people, who, through their skills, competencies, and abilities advance the company in the competitive marketplace.

The Remuneration and People Resources Committee consists of three members with at least one member as an independent non-executive director. The Committee assists the Board of Directors in fulfilling its responsibilities related to the oversight of the company's human resource and remuneration policies. It also specifically reviews all Executive and Non-Executive Director remuneration and ensures adherence to all regulatory "Fit and Proper" guidelines.



## **CIGNA EUROPE INSURANCE COMPANY S.A.-N.V. – SWISS BRANCH**

Further details regarding business activities and performance of the Swiss branch of CEIC are provided in the following sections in line with the disclosure requirements of FINMA Circular 2016/2.

### **Business activities**

The Swiss market is important for CEIC and the Swiss employees keep on strengthening the company position by adding new business and renewing the existing portfolio. Our client base has consistently been growing over the years, a trend which should continue in the future.

In the Swiss branch, the annual average of full-time jobs amounts to 5. There are no mandates, no research, as well as no development activities. Furthermore, the branch did not have exceptional events in 2017.

CEIC Swiss branch has performed an Internal Control Self-Assessment at the request of FINMA which has been audited by PwC. No significant deficiencies or risks have been identified.

In addition, the branch is also included in the regulatory Self-Assessment of the Corporate governance conducted at the European level on an annual basis. No specific issues or risks have been identified.

CEIC Swiss branch reinsurance strategy includes a 50% quota share treaty with CIGNA Global Reinsurance Company Ltd complemented by Excess Loss treaties that are placed externally.

In terms of significant intra group transactions affecting the Swiss branch, the following should be noted:

- Reinsurance Treaty with CIGNA Global Reinsurance Company Ltd;
- Cash pooling with Head-Office
- Brokerage commissions paid to CIGNA International Health Services BVBA;
- Administrative expenses, including charges from CIGNA European Services Ltd (Actuarial support, accounting, tax and treasury services, IT, HR and facility management services, insurance intermediary services).

The following section provides details relating to the financial performance of the Swiss branch. The summary report issued by the PricewaterhouseCoopers AG, the external auditor of the company, is appended to the Financial Condition Report.

## Performance

The key financial indicators for the Swiss branch of CEIC in 2017, pertaining entirely to the line of business "Illness", are illustrated in the table below with comparative figures for 2016:

		Total	
		Previous year	Reporting year
1	Gross premiums	56.0	60.2
2	Reinsurers' share of gross premiums	-28.3	-31.1
3	Premiums for own account (1 + 2)	27.7	29.1
4	Change in unearned premium reserves	-0.4	-1.1
5	Reinsurers' share of change in unearned premium reserves	0.2	0.5
6	Premiums earned for own account (3 + 4 + 5)	27.5	28.5
7	Other income from insurance business		
8	<b>Total income from underwriting business (6 + 7)</b>	27.5	28.5
9	Payments for insurance claims (gross)	-41.7	-42.1
10	Reinsurers' share of payments for insurance claims	22.2	22.2
11	Change in technical provisions	-0.8	-2.7
12	Reinsurers' share of change in technical provisions	0.4	1.4
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>	-19.9	-21.2
15	Acquisition and administration expenses	-12.5	-13.2
16	Reinsurers' share of acquisition and administration expenses	7.2	9.2
17	Acquisition and administration expenses for own account (15 + 16)	-5.3	-4.0
18	Other underwriting expenses for own account	0.0	0.0
19	<b>Total expenses from underwriting business (17 + 18) (non-life insurance only)</b>	-5.3	-4.0
20	Investment income	0.1	0.1
21	Investment expenses		-0.1
22	<b>Net investment income (20 + 21)</b>	0.1	0.0
23	Capital and interest income from unit-linked life insurance		
24	Other financial income		
25	Other financial expenses		
26	<b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	2.4	3.3
27	Interest expenses for interest-bearing liabilities		
28	Other income		1.4
29	Other expenses	-1.1	-0.1
30	Extraordinary income/expenses		
31	<b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	1.3	4.6
32	Direct taxes	-0.3	-1.0
33	<b>Profit / loss (31 + 32)</b>	1.0	3.6



In 2017, gross premium income increased by 7.62 % to CHF 60.3m primarily as a result of our strategy to continue to grow our Expatriate business. This commercial growth was driven by new affaires coming from our individual and our corporate segments.

Net policyholders benefit ratio (74.30%) has increased by 2.11 % in 2017 driven by the increase in net premiums.

Net commissions and expenses ratio has decreased by 4.93 % to reach 14.20% due to a cost control of our expenses.

Reinsurance cessions have not changed during the period.

The investments consisted of US, German and Swiss government bonds. A specific investment policy as well as a committee was set up in 2014 for the steering of the Swiss assets portfolio. The overall quality of assets remained high during 2017. The net investment income of our portfolio is in line with 2016, as fixed income interests were largely offset by value adjustments in government bonds.

Other income captures the impact from FX rate adjustments which amounted to a profit in 2017 of CHF 1m.

As a result, the net income after taxes for the year shows a gain of CHF 3,604K, which is better than last year because the branch experienced good growth levels.

None of the profits and losses reported in 2017 were recognised directly in equity.

The financial statements on which the FCR is based are published in the appendix of this report.



**Cigna Europe Insurance Company S.A.-N.V., Brüssel, Zweigniederlassung Zürich**

**Freigutstrasse 20  
8002 Zürich**

**Financial Statements  
Prepared in accordance with the Swiss Code and AVO-FINMA Obligations**

**Year Ended 31 December 2017**

## Balance Sheet

*(Expressed in thousands of Swiss Francs)*

	Note	31.12.2017	31.12.2016
<b>Assets</b>			
Investments			
Participations			
Fixed interest securities	2	22 222	20 123
Shares			
Other investments	2		
Deposits retained on insurance business			
Cash and cash equivalents		8 024	4 705
Reinsurers' share of technical provisions	5	8 670	6 795
Property and equipment			
Deferred acquisition costs			
Intangible assets			
Insurance receivable	3	13 797	9 516
Deposit assets			
Other receivables	4		
Other assets		98	100
Prepaid expenses and accrued interest		310	320
		<u>53 121</u>	<u>41 559</u>
<b>Liabilities and Head Office account</b>			
Technical provisions	5	17 453	13 666
Non-technical provisions	2	755	329
Deposits retained on insurance business			
Deposit received from reinsurers		8 875	7 029
Insurance payable	6	5 617	4 406
Other liabilities	4	15 466	465
Deferred income and taxes		5 863	6 141
		<u>54 029</u>	<u>32 036</u>
<b>Capital</b>			
Accumulated profit end of previous year	7	14 654	13 626
Result for the year		3 605	1 028
Liaison account with the Head Office		-19 167	-5 131
		<u>-908</u>	<u>9 523</u>
		<u>53 121</u>	<u>41 559</u>

*See accompanying notes to financial statements*

Income Statement

(Expressed in thousands of Swiss Francs)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross premium written		60 275	56 008
Premium ceded to reinsurers		31 180	28 311
Net premiums written		29 095	27 697
Change in unearned premiums – gross		-1 063	-409
Change in unearned premiums – ceded		505	226
Change in unearned premiums		-558	-183
Net premiums earned		28 537	27 514
Other technical income		0	0
Total technical income		28 537	27 514
Gross claims and claim expenses paid		42 116	41 646
Reinsurer's share of claims and claim expenses		22 267	22 206
Change in technical provisions		2 723	816
Change in reinsurer's share of technical provisions		1 369	393
Net claims and claim expenses incurred		21 203	19 863
Gross acquisition costs		8 420	8 007
Reinsurer's share of acquisition costs		9 194	7 208
General and administrative expenses		4 824	4 464
Net acquisition costs and general and administrative expenses		4 050	5 263
Other technical expense		111	76
Total technical expense		25 364	25 202
<b>Technical result</b>		3 173	2 312
Investment income	8	404	395
Investment expense	8	367	357
<b>Net investment income</b>		37	38
<b>Operating result</b>		3 210	2 350
Other income		1 387	64
Other expense		0	1 085
<b>Profit before tax</b>		4 597	1 329
Tax benefit (expense)		-992	-301
<b>Profit after tax</b>		3 605	1 028

See accompanying notes to financial statements



**1. Basis of preparation**

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.

**2. Accounting principles**

The Company's accounting principles are in line with those prescribed by the CO and ISO-FINMA. They are consistent with those applied in the previous year. The accounting and valuation principles applied for the main balance sheet items are as follows:

*(a) Investments*

Fixed interest securities are valued at amortised cost less required impairments.

*(b) Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at nominal value.

*(c) Insurance receivable*

Insurance receivable are recognised when due and recorded net of commissions, brokerage, premium taxes and other levies on premium, unless the contract specifies otherwise, and are booked at nominal value. These balances are reviewed for impairment, with any impairment losses recognised as an expense in the period in which it is determined.

*(d) Technical provisions*

Technical provisions comprise unearned premium reserves, outstanding losses and loss expense reserves..

Unearned premium reserves are earned over the period of exposure to risk of the underlying contract.

*(e) Non- technical provisions*

According to the Swiss CO prudency principle, unrealized foreign gains are recognized within provision in the balance sheet whereas unrealized losses are recognized within profit and loss account.

*(Expressed in thousands of Swiss Francs)***2. Accounting principles (continued)**

Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance companies plus a provision for losses incurred but not reported ("IBNR"). The IBNR provision is estimated by management based on reports from industry sources, including initial estimates of aggregate industry losses, individual loss estimates received from ceding companies and brokers, output from commercially available catastrophe loss models and actuarial analysis using historical data available to the Company on the business assumed together with industry data.

**3. Insurance receivable**

Insurance receivable comprise of the following:

	2017			2016		
	<u>Third Party</u>	<u>Group Companies</u>	<u>Total</u>	<u>Third Party</u>	<u>Group Companies</u>	<u>Total</u>
Receivables from policyholders	2 077		2 077	782		782
Receivables from brokers	233	9 085	9 318	69	7 267	7 336
Receivables from insurance companies	1 849	553	2 402	668	730	1 398
	4 159	9 638	13 797	1 519	7 997	9 516

**4. Other receivables and other liabilities**

Cigna has implemented a process to minimise the CEIC Swiss Branch exposure to FX volatility as a result of carrying non-functional Net Asset Value profiles. The key component of this is managing non-tied asset cash as an offset lever with the resulting impacts being on the other liabilities and the capital liaison account. These sections include also balances with other Cigna entities.

**5. Technical provisions**

Technical provisions comprise of the following:

	2017			2016		
	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Unearned premiums	3 708	1 785	1 923	2 644	1 279	1 365
Outstanding losses and loss expenses	13 745	6 885	6 860	11 022	5 516	5 506
	17 453	8 670	8 783	13 666	6 795	6 871

Changes in technical provisions, included as part of net claims and claim expenses incurred in the income statement, for the year 2017 were related to changes in outstanding losses and loss expense reserves only.

*(Expressed in thousands of Swiss Francs)*

## 6. Insurance payable

Insurance payables comprise of the following:

	2017			2016		
	<u>Third Party</u>	<u>Group Companies</u>	<u>Total</u>	<u>Third Party</u>	<u>Group Companies</u>	<u>Total</u>
Payables to policyholders	2 048		2 048	1 814		1 814
Payables to brokers	371	3 110	3 481	27	2 403	2 430
Payables to insurance companies	88	0	88	161	1	162
	<u>2 507</u>	<u>3 110</u>	<u>5 617</u>	<u>2 002</u>	<u>2 404</u>	<u>4 406</u>

## 7. Capital

	<u>2017</u>	<u>2016</u>	<u>%</u>
Opening Balance	9 523	5 617	+70%
Cash Inflow	4 939	2 878	+71%
Cash Outflow	-18 985		
Other Assets/ Liabilities	10		
Result of the year	3 605	1 028	+251%
Closing Balance	<u>-908</u>	<u>9 523</u>	<u>-110%</u>

## 8. Investment income and expense

	2017		2016	
	<u>Income</u>	<u>Expense</u>	<u>Income</u>	<u>Expense</u>
Fixed interest securities	395		388	
Value adjustment on bonds	9	321	7	347
Interest on other investments		46		10
Total	<u>404</u>	<u>367</u>	<u>395</u>	<u>357</u>

*(Expressed in thousands of Swiss Francs)*

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**9. Restricted assets and commitments**

***Restricted assets***

Further than the Tied Assets there are no other restricted assets.

***Commitments***

No letters of credit, no commitments, no contingent liabilities, no guarantees, no pledged assets and no collaterals have been issued.

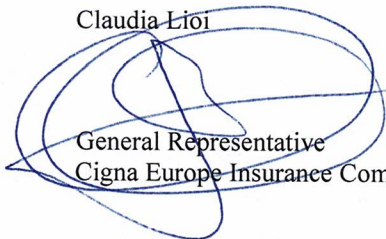
**10. Full-time equivalents**

The average number of full-time equivalents for the year ended 31 December 2017 was 6

**11. Subsequent events**

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2017, through April 27, 2018, the date the financial statements were authorised for issue. There were no subsequent events that would warrant an adjustment to the financial statements.

Claudia Lioi



General Representative

Cigna Europe Insurance Company S.A.-N.V., Brüssel, Zweigniederlassung Zürich