



<p><b>Financial Condition Report of Cigna Europe Insurance Company S.A.-N.V., Brüssel, Zweigniederlassung Zürich - Financial year 2018</b></p>
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## **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 2018 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 sixty-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 both the Switzerland and Singapore. Overall profitability has deteriorated in Switzerland and Singapore markets resulting from a higher claim experience.

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. The other businesses within CEIC are in runoff and relate to CISEL Health and Travel products and European Health Life and Accident (HL&A) business.

### **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 results and processes 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 compliant with this 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 6. There are no mandates, no research, as well as no development activities. Furthermore, the branch did not have exceptional events in 2018.

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 2018, pertaining entirely to the line of business "Illness", are illustrated in the table below with comparative figures for 2017:

		Total	
		Previous year	Reporting year
		Currency: CHF Amounts stated in millions	
1	Gross premiums	60.2	64.2
2	Reinsurers' share of gross premiums	-31.1	-34.1
3	Premiums for own account (1 + 2)	29.1	30.0
4	Change in unearned premium reserves	-1.1	-3.0
5	Reinsurers' share of change in unearned premium reserves	0.5	2.0
6	Premiums earned for own account (3 + 4 + 5)	28.5	29.1
7	Other income from insurance business		
8	<b>Total income from underwriting business (6 + 7)</b>	28.5	29.1
9	Payments for insurance claims (gross)	-42.1	-54.5
10	Reinsurers' share of payments for insurance claims	22.2	29.1
11	Change in technical provisions	-2.7	1.8
12	Reinsurers' share of change in technical provisions	1.4	-0.8
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>	-21.2	-24.4
15	Acquisition and administration expenses	-13.2	-15.5
16	Reinsurers' share of acquisition and administration expenses	9.2	9.0
17	Acquisition and administration expenses for own account (15 + 16)	-4.0	-6.5
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>	-4.0	-6.5
20	Investment income	0.1	0.5
21	Investment expenses	-0.1	-0.7
22	<b>Net investment income (20 + 21)</b>	0.0	-0.2
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>	3.3	-2.2
27	Interest expenses for interest-bearing liabilities		
28	Other income	1.4	1.3
29	Other expenses	-0.1	-0.2
30	Extraordinary income/expenses		
31	<b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	4.6	-0.9
32	Direct taxes	-1.0	-0.1
33	<b>Profit / loss (31 + 32)</b>	3.6	-1.0



In 2018, gross premium income increased by 6.45 % to CHF 64.2m 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 corporate segments.

Net policyholders benefit ratio of (84.03%) has increased by 9.73 % in 2018 driven by the increase in claims paid.

Net commissions and expenses ratio has increased by 8.07 % to reach 22.27%. This has been driven primarily by group wide strategic initiatives increasing costs across the Cigna business, with the Swiss branch experiencing its share of this.

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 investment assets remained high during 2018. The net investment income of our portfolio is in line with 2017, 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 2018 of CHF 1.3m.

As an overall result, the net income after taxes for the year shows a loss of CHF (905K). This has been driven in the main by an increase in the administration expenses in 2018 and a higher claim experience mainly resulting from large claims occurrence.

None of the profits and losses reported in 2018 were recognised directly in equity.

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