



<p>Financial Condition Report of Cigna Europe Insurance Company S.A.-N.V., Antwerp, Zweigniederlassung Zürich - Financial year 2020</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 and other financial risks classes of business throughout most of Europe. Its registered office is in Antwerp (Belgium) and its subscribed capital at the end of 2020 was €94,401,460.00 with 2 shareholders:

- 92.5% - Cigna Beechwood Holdings “Société de droit commun” (Antwerp, 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 the majority of the business pertains to Group Insurance covering expatriate healthcare insurance solutions in Switzerland and Singapore for Corporate clients and Non-Governmental Organisations (NGOs).

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

Switzerland continues to be an important region for CEIC with focus remaining on the addition of new business and growing our client base. We are also moving towards technological efficiencies in our billing systems for the whole expatriate business.

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 2020.

The branch is 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 continues to participate in both internal and external reinsurance arrangements. The CEIC reinsurance strategy includes a 50% quota share treaty with CIGNA Global Reinsurance Company Ltd complemented by Excess Loss treaties that are placed externally. During 2020 all except one of the external reinsurance treaties was terminated, this reflects a change in direction of the Cigna Global reinsurance strategy. The remaining external reinsurance treaty in which CEIC Swiss branch participates is that of Catastrophe Reinsurance.



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, project related costs).

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 2020, pertaining entirely to the line of business "Illness", are illustrated in the table below with comparative figures for 2019:

		Total	
		Reporting year	Previous year
		Currency: CHF Amounts stated in millions	
1	Gross premiums	44.7	60.0
2	Reinsurers' share of gross premiums	-24.9	-33.4
3	Premiums for own account (1 + 2)	19.8	26.5
4	Change in unearned premium reserves	3.6	3.3
5	Reinsurers' share of change in unearned premium reserves	-1.9	-2.1
6	Premiums earned for own account (3 + 4 + 5)	21.6	27.8
7	Other income from insurance business		
8	Total income from underwriting business (6 + 7)	21.6	27.8
9	Payments for insurance claims (gross)	-36.4	-45.8
10	Reinsurers' share of payments for insurance claims	19.7	26.3
11	Change in technical provisions	1.8	-0.4
12	Reinsurers' share of change in technical provisions	-1.0	0.2
13	Change in technical provisions for unit-linked life insurance		
14	Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	-15.8	-19.7
15	Acquisition and administration expenses	-18.7	-17.4
16	Reinsurers' share of acquisition and administration expenses	7.5	9.0
17	Acquisition and administration expenses for own account (15 + 16)	-11.2	-8.5
18	Other underwriting expenses for own account	0.0	0.0
19	Total expenses from underwriting business (17 + 18) (non-life insurance only)	-11.2	-8.5
20	Investment income	0.5	0.6
21	Investment expenses	-0.4	-0.7
22	Net investment income (20 + 21)	0.1	-0.1
23	Capital and interest income from unit-linked life insurance		
24	Other financial income		
25	Other financial expenses		
26	Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	-5.3	-0.5
27	Interest expenses for interest-bearing liabilities		
28	Other income	0.0	0.0
29	Other expenses	-2.3	-0.8
30	Extraordinary income/expenses		
31	Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	-7.7	-1.2
32	Direct taxes	0.0	-0.1
33	Profit / loss (31 + 32)	-7.7	-1.3



The reduction in gross premiums in 2020 was driven by in group shrinkage on the Global Employer Health (“GEH”) book coupled with new business headwinds and the impact of our value deployment strategy. In addition to these factors the Global Individual Health (“GIH”) business for Switzerland migrated from CEIC to Cigna Life Insurance Company of Europe (“CLICE”) during 2020.

Net policyholders benefit ratio of 73.1% has increased by 2.2% in 2020 driven by top line reduction despite significant claims favourability in the current year resulting from lower claims utilization arising from the COVID-19 pandemic.

Net commissions and expenses ratio has increased by 21.3% to reach 51.9% due to project cost recharges to the Expatriate business which includes CEIC Switzerland. During the year there has been a significant increase in North America IT project allocation (CHF -0.7M) as well as UK Global Project Management recharges (CHF -0.2M). 2020 expense line also includes an additional CHF 0.3M VAT provision when compared to the previous year.

During 2020 the internal reinsurance treaty with Cigna Global Reinsurance Company was amended to increase the profit share back to CEIC entities to 80% from 50%. This was a one-off amendment in response to the impact of COVID-19 on the results of both Companies and the profit share has returned to 50% for Treaty Year 2021.

The investments consisted of US, German, Netherlands and Swiss government bonds. The Swiss assets portfolio continues to be guided by the Asset and Liability Management and Investment Charter Committees with adherence to specific investment policy.

The overall quality of investment assets remained high during 2020. The net investment income of our portfolio is in line with 2019, with fixed income interests largely offset by value adjustments in government bonds.

A breakdown of Investment Income and Expense based on investment category is shown below:

	2020 CHF (000's)	
	Fixed Interest Securities	Interest on Other Investments
Investment income	430	0
Appreciation	42	0
Realized gains	0	0
Total investment income	<u>472</u>	<u>0</u>
Investment expense	0	-264
Depreciation	-125	0
Realized losses	0	0
Total investment expense	<u>-125</u>	<u>-264</u>

As an overall result, the net income after taxes for the year shows a loss of CHF 7.7M. This has been driven in the main by revenue challenges in the year and partially offset by favourable claims movements.

None of the profits and losses reported in 2020 were recognised directly in equity.



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

Corporate governance

CEIC is governed by a Board of Directors which delegates responsibilities to a number of Board Committees and a Management Committee in line with 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 members of the Audit Committee and one is an independent non-executive Director 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 meet 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 Director 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's 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.

Asset Liability Management ("ALM")

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 and People Resources 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.

Claudia Lioi

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

General Representative
Cigna Europe Insurance Company S.A.-N.V., Antwerp, Zurich Branch



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

**Europaallee 41
8004 Zürich**

Financial Statements

Year Ended 31 December 2020

Balance Sheet

(Expressed in thousands of Swiss Francs)

	<u>Note</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Assets			
Investments			
Participations			
Fixed interest securities	2	18 040	25 446
Shares			
Other investments			
Deposits retained on insurance business			
Cash and cash equivalents		19 454	15 773
Reinsurers' share of technical provisions	5	5 942	7 813
Property and equipment			
Deferred acquisition costs			
Intangible assets			
Insurance receivable	3	5 935	4 703
Deposit assets			
Other receivables	4		
Other assets		173	426
Prepaid expenses and accrued interest		124	237
		<u>49 668</u>	<u>54 398</u>
Total Assets			
Liabilities and Head Office account			
Technical provisions	5	11 635	15 337
Non-technical provisions	2	0	0
Deposits retained on insurance business			
Deposit received from reinsurers		5 538	7 043
Insurance payable	6	9 205	3 852
Other liabilities	4	15 870	16 688
Deferred income and taxes		7 059	5 488
		<u>49 307</u>	<u>48 408</u>
Total Liabilities			
Capital			
Capital	7		
Accumulated profit end of previous year		16 044	17 304
Result for the year		-7 699	-1 260
Liaison account with the Head Office		-7 984	-10 054
		<u>361</u>	<u>5 990</u>
Total Capital			
Total Liabilities and Capital			
		<u>49 668</u>	<u>54 398</u>

See accompanying notes to financial statements

Income Statement

(Expressed in thousands of Swiss Francs)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross premium written		44 689	59 958
Premium ceded to reinsurers		-24 906	-33 425
Net premiums written		19 783	26 533
Change in unearned premiums – gross		3 649	3 330
Change in unearned premiums – ceded		-1 872	-2 055
Change in unearned premiums		1 777	1 275
Net premiums earned		21 560	27 808
Other technical income		0	0
Total technical income		21 560	27 808
Gross claims and claim expenses paid		-36 389	-45 764
Reinsurer's share of claims and claim expenses paid		19 741	26 299
Change in technical provisions		1 847	-432
Change in reinsurer's share of technical provisions		-993	246
Net claims and claim expenses incurred		-15 794	-19 651
Gross acquisition costs		-5 765	-6 260
Reinsurer's share of acquisition costs		7 501	8 899
General and administrative expenses		-12 899	-11 141
Net acquisition costs and general and administrative expenses		-11 163	-8 502
Other technical expense		1	-17
Total technical expense		-26 956	-28 170
Technical result		-5 396	-362
Investment income	8	472	563
Investment expense	8	-389	-651
Net investment income		83	-88
Operating result		-5 313	-450
Other income		0	0
Other expense		-2 344	-751
Loss before tax		-7 657	-1 201
Tax expense		-42	-59
Loss after tax		-7 699	-1 260

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 balances 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. 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.

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 prudence principle, unrealized foreign gains are recognized within provisions in the balance sheet whereas unrealized losses are recognized within the profit and loss account.

*(Expressed in thousands of Swiss Francs)***3. Insurance receivable**

Insurance receivable comprise of the following:

	2020			2019		
	<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	848	0	848	989	0	989
Receivables from brokers	241	0	241	299	0	299
Receivables from insurance companies	2 507	2 339	4 846	2 856	559	3 415
	<u>3 596</u>	<u>2 339</u>	<u>5 935</u>	<u>4 144</u>	<u>559</u>	<u>4 703</u>

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 also include balances with other Cigna entities.

5. Technical provisions

Technical provisions comprise of the following:

	2020			2019		
	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Unearned premiums	1 611	829	782	3 375	1 688	1 687
Reported losses and loss expenses	338	92	246	465	139	326
Incurred but not reported losses	9 686	5 021	4 665	11 497	5 986	5 511
	<u>11 635</u>	<u>5 942</u>	<u>5 693</u>	<u>15 337</u>	<u>7 813</u>	<u>7 524</u>

Changes in technical provisions included as part of net claims and claim expenses incurred in the income statement for the year 2020 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:

	2020			2019		
	<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	6 156	0	6 156	3 473	0	3 473
Payables to brokers	470	84	554	263	7	270
Payables to insurance companies	2 446	49	2 495	109	0	109
	9 072	133	9 205	3 845	7	3 852

7. Capital

	2020	2019	%
Opening Balance	5 990	1 047	+472%
Cash Inflow	13 674	19 251	-29%
Cash Outflow	-11 608	-13 050	-11%
Other Assets / (Liabilities)	4	2	+100%
Result of the year	-7 699	-1 260	+511%
Closing Balance	361	5 990	-94%

8. Investment income and expense

	2020		2019	
	Fixed Interest Securities	Interest on Other Investments	Fixed Interest Securities	Interest on Other Investments
Investment income	430	0	511	0
Appreciation	42	0	52	0
Realised gains	0	0	0	0
Total investment income	472	0	563	0
Investment expense	0	-264	0	-397
Depreciation	-125	0	-254	0
Realised losses	0	0	0	0
Total investment expense	-125	-264	-254	-397

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.

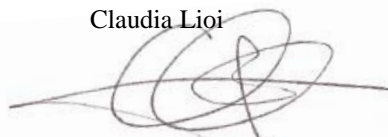
10. Full-time equivalents

The average number of full-time equivalents for the year ended 31 December 2020 was 6 (2019: 4)

11. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2020, through April 20, 2021, 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
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