# Cigna Europe Insurance Company S.A. – N.V., Brussels, Zurich Branch

Zurich

Report of the independent auditor to the General Manager

on the financial statements 2019

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# Report of the independent auditor

## to the General Manager of Cigna Europe Insurance Company S.A.-N.V., Brussels, Zurich Branch

## Zurich

## Report on the audit of the financial statements

As a federally-supervised audit firm, we have audited the accompanying financial statements of the Zurich branch office of Cigna Europe Insurance Company S.A.-N.V., Brussels, which comprise the balance sheet as at December 31, 2019, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guide-lines “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 the Zurich branch office of Cigna Europe Insurance Company S.A.-N.V., Brussels, as of and for the year ended December 31, 2019 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.

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## Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Zurich branch office of Cigna Europe Insurance Company S.A.-N.V., Brussels, 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.

PricewaterhouseCoopers AG

Martin Schwörer

Michael Waldburger

Audit expert
Auditor in charge

Zurich, 29 April 2020

Enclosure:

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

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

**Europaalle 41**
**8004 Zürich**

**Financial Statements**

Year Ended 31 December 2019

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

Balance Sheet

*(Expressed in thousands of Swiss Francs)*

| | Note | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| **Assets** | | | |
| Investments | | | |
| Participations | | | |
| Fixed interest securities | 2 | 25 446 | 26 825 |
| Shares | | | |
| Other investments | | | |
| Deposits retained on insurance business | | | |
| Cash and cash equivalents | | 15 773 | 13 877 |
| Reinsurers' share of technical provisions | 5 | 7 813 | 9 868 |
| Property and equipment | | | |
| Deferred acquisition costs | | | |
| Intangible assets | | | |
| Insurance receivable | 3 | 4 703 | 5 057 |
| Deposit assets | | | |
| Other receivables | 4 | | |
| Other assets | | 426 | 203 |
| Prepaid expenses and accrued interest | | 237 | 303 |
| Total assets | | 54 398 | 56 133 |
| **Liabilities and Head Office account** | | | |
| Technical provisions | 5 | 15 337 | 18 667 |
| Non-technical provisions | 2 | 0 | 144 |
| Deposits retained on insurance business | | | |
| Deposit received from reinsurers | | 7 043 | 7 339 |
| Insurance payable | 6 | 3 852 | 1 547 |
| Other liabilities | 4 | 16 688 | 21 865 |
| Deferred income and taxes | | 5 488 | 5 524 |
| Total liabilities | | 48 408 | 55 086 |
| Capital | 7 | | |
| Accumulated profit end of previous year | | 17 304 | 18 259 |
| Result for the year | | -1 260 | -955 |
| Liaison account with the Head Office | | -10 054 | -16 257 |
| Total Capital | | 5 990 | 1 047 |
| Total liabilities and Capital | | 54 398 | 56 133 |

*See accompanying notes to financial statements*

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

Income Statement

*(Expressed in thousands of Swiss Francs)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| Gross premium written | | 59 958 | 64 160 |
| Premium ceded to reinsurers | | -33 425 | -34 105 |
| Net premiums written | | 26 533 | 30 055 |
| Change in unearned premiums – gross | | 3 330 | -2 989 |
| Change in unearned premiums – ceded | | -2 055 | 1 979 |
| Change in unearned premiums | | 1 275 | -1 010 |
| Net premiums earned | | 27 808 | 29 045 |
| Other technical income | | 0 | 0 |
| Total technical income | | 27 808 | 29 045 |
| Gross claims and claim expenses paid | | -45 764 | -54 516 |
| Reinsurer's share of claims and claim expenses paid | | 26 299 | 29 116 |
| Change in technical provisions | | -432 | 1 774 |
| Change in reinsurer's share of technical provisions | | 246 | -781 |
| Net claims and claim expenses incurred | | -19 651 | -24 407 |
| Gross acquisition costs | | -6 260 | -7 622 |
| Reinsurer's share of acquisition costs | | 8 899 | 8 985 |
| General and administrative expenses | | -11 141 | -7 830 |
| Net acquisition costs and general and administrative expenses | | -8 502 | -6 467 |
| Other technical expense | | -17 | -170 |
| Total technical expense | | -28 170 | -31 044 |
| **Technical result** | | -362 | -1 999 |
| Investment income | 8 | 563 | 510 |
| Investment expense | 8 | -651 | -683 |
| **Net investment expense** | | -88 | -173 |
| **Operating result** | | -450 | -2 172 |
| Other income | | 0 | 1 262 |
| Other expense | | -751 | 0 |
| **Loss before tax** | | -1 201 | -910 |
| Tax expense | | -59 | -45 |
| **Loss after tax** | | -1 260 | -955 |

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

## 3. Insurance receivable

Insurance receivable comprise of the following:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Third Party | Group Companies | Total | Third Party | Group Companies | Total |
| Receivables from policyholders | 989 | 0 | 989 | 1 145 | 0 | 1 145 |
| Receivables from brokers | 299 | 0 | 299 | 270 | 530 | 800 |
| Receivables from insurance companies | 2 856 | 559 | 3 415 | 2 578 | 534 | 3 112 |
| | 4 144 | 559 | 4 703 | 3 993 | 1 064 | 5 057 |

## 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:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross | Ceded | Net | Gross | Ceded | Net |
| Unearned premiums | 3 375 | 1 688 | 1 687 | 6 696 | 3 764 | 2 932 |
| Reported losses and loss expenses | 465 | 139 | 326 | 395 | 102 | 293 |
| Incurred but not reported losses | 11 497 | 5 986 | 5 511 | 11 576 | 6 002 | 5 574 |
| | 15 337 | 7 813 | 7 524 | 18 667 | 9 868 | 8 799 |

Changes in technical provisions, included as part of net claims and claim expenses incurred in the income statement, for the year 2019 were related to changes in outstanding losses and loss expense reserves only.

## 6. Insurance payable

Insurance payables comprise of the following:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Third Party | Group Companies | Total | Third Party | Group Companies | Total |
| Payables to policyholders | 3 473 | 0 | 3 473 | 931 | 0 | 931 |
| Payables to brokers | 263 | 7 | 270 | 299 | 107 | 406 |
| Payables to insurance companies | 109 | 0 | 109 | 210 | 0 | 210 |
| | 3 845 | 7 | 3 852 | 1 440 | 107 | 1 547 |

## 7. Capital

| | 2019 | 2018 | % |
|---|---|---|---|
| Opening Balance | 1 047 | -908 | +215% |
| Cash Inflow | 19 251 | 26 511 | -27% |
| Cash Outflow | -13 050 | -23 592 | +45% |
| Other Assets/ Liabilities | 2 | -9 | +122% |
| Result of the year | -1 260 | -955 | -32% |
| Closing Balance | 5 990 | 1 047 | +472% |

## 8. Investment income and expense

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Fixed Interest Securities | Interest on Other Investments | Fixed Interest Securities | Interest on Other Investments |
| Investment income | 511 | 0 | 483 | 0 |
| Appreciation | 52 | 0 | 27 | 0 |
| Realised gains | 0 | 0 | 0 | 0 |
| Total investment income | 563 | 0 | 510 | 0 |
| Investment expense | 0 | -397 | 0 | -313 |
| Depreciation | -254 | 0 | -370 | 0 |
| Realised losses | 0 | 0 | 0 | 0 |
| Total investment expense | -254 | -397 | -370 | -313 |

## 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 2019 was 4 (2018: 6)

## 11. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2019, through April 29, 2020, the date the financial statements were authorised for issue. There were no subsequent events that would warrant an adjustment to the financial statements. We are monitoring the current and expected future impact of the COVID-19 pandemic from insurance, market and operational risk perspectives. In response to the pandemic, we have invoked our Business Continuity Plans for our European sites and have taken actions to further increase resilience by increasing employees' ability to work from home. We anticipate increased costs from hospitalisation claims and from our commitment to cover the cost of COVID-19 testing and movements in financial markets could have an impact on our investment portfolio. CEIC is well placed to weather these risks in the short term and we do not consider these to be a threat to our solvency position. As the impact of the virus continues to grow, we expect the situation will continue to develop. We will continue to monitor this closely and take further mitigating measures where necessary.

Claudia Lioi

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