**Financial Condition Report of Cigna Europe Insurance Company S.A.-N.V., Brüssel, Zweigniederlassung Zürich - Financial year 2019**

## 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 Brussels (Belgium) and its subscribed capital at the end of 2019 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 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).

CEIC has also continued to develop capabilities and offerings to the individual market. The main strategy for growth focuses on the provision of Global Individual Private Medical Insurance products in Switzerland and Singapore.

## 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 4. There are no mandates, no research, as well as no development activities. Furthermore, the branch did not have exceptional events in 2019.

During 2019 CEIC Swiss branch performed an Internal Control Self-Assessment at the request of FINMA which was audited by PwC. No significant deficiencies or risks were identified. This Self-Assessment was not required in the current year.

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 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.

In terms of significant intra group transactions afftecting 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 2019, pertaining entirely to the line of business “Illness”, are illustrated in the table below with comparative figures for 2018:

## Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF
Amounts stated in millions

| | | Total | |
|---|---|---|---|
| | | Previous year | Reporting year |
| 1 | Gross premiums | 64.2 | 60.0 |
| 2 | Reinsurers' share of gross premiums | -34.1 | -33.4 |
| 3 | Premiums for own account (1 + 2) | 30.0 | 26.5 |
| 4 | Change in unearned premium reserves | -3.0 | 3.3 |
| 5 | Reinsurers' share of change in unearned premium reserves | 2.0 | -2.1 |
| 6 | Premiums earned for own account (3 + 4 + 5) | 29.1 | 27.8 |
| 7 | Other income from insurance business | | |
| 8 | **Total income from underwriting business (6 + 7)** | 29.1 | 27.8 |
| 9 | Payments for insurance claims (gross) | -54.5 | -45.8 |
| 10 | Reinsurers' share of payments for insurance claims | 29.1 | 26.3 |
| 11 | Change in technical provisions | 1.8 | -0.4 |
| 12 | Reinsurers' share of change in technical provisions | -0.8 | 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)** | -24.4 | -19.7 |
| 15 | Acquisition and administration expenses | -15.5 | -17.4 |
| 16 | Reinsurers' share of acquisition and administration expenses | 9.0 | 9.0 |
| 17 | Acquisition and administration expenses for own account (15 + 16) | -6.5 | -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)** | -6.5 | -8.5 |
| 20 | Investment income | 0.5 | 0.6 |
| 21 | Investment expenses | -0.7 | -0.7 |
| 22 | **Net investment income (20 + 21)** | -0.2 | -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)** | -2.2 | -0.5 |
| 27 | Interest expenses for interest-bearing liabilities | | |
| 28 | Other income | 1.3 | 0.0 |
| 29 | Other expenses | -0.2 | -0.8 |
| 30 | Extraordinary income/expenses | | |
| 31 | **Profit / loss before taxes (26 + 27 + 28 + 29 + 30)** | -0.9 | -1.2 |
| 32 | Direct taxes | -0.1 | -0.1 |
| 33 | **Profit / loss (31 + 32)** | -1.0 | -1.3 |

In 2019, gross premium income decreased by 6.54% to CHF 60.0m as a result of intergroup growth shrinkage within our Expatriate business.

Net policyholders benefit ratio of 70.67% has decreased by 13.36% in 2019 driven by the decrease in claims paid in the year and partially offset by a CHF 1.2m decrease in NEP.

Net commissions and expenses ratio has increased by 8.31% to reach 30.57% due to project cost recharges to the Expatriate business which includes CEIC Switzerland.

Reinsurance cessions have not changed during the period.

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 2019. The net investment income of our portfolio is in line with 2018, 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:

| | 2019 CHF (000's) | |
|---|---|---|
| | Fixed Interest Securities | Interest on Other Investments |
| Investment income | 511 | 0 |
| Appreciation | 52 | 0 |
| Realised gains | 0 | 0 |
| Total investment income | 563 | 0 |
| | | |
| Investment expense | 0 | -397 |
| Depreciation | -254 | 0 |
| Realised losses | 0 | 0 |
| Total investment expense | -254 | -397 |

As an overall result, the net income after taxes for the year shows a loss of CHF 1.3m. This has been driven in the main by an increase in the administration expenses in 2019 coupled with lower NEP and partially offset by lower claims in the year.

None of the profits and losses reported in 2019 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 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'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. 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.