

Markel Insurance  
SE, Munich,  
Switzerland  
Branch Küsnacht:  
Report on Financial  
Condition

For year ended December 31, 2022

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## 1. Summary

The Branch Manager submits the Financial Condition Report (“FCR”) for Markel Insurance SE, Munich, Switzerland Branch Küssnacht for the period from 1 January 2022 to 31 December 2022. The Branch was incorporated on 9 January 2019 and became active as a non-life insurer including reinsurance business in August 2020. The business volume steadily increased resulting in a gross premium income of CHF 1,327k for the financial year 2022. The results of the Branch show an operating loss of CHF 38k for the year. Loss after tax was CHF 68k.

## 2. Business Activities

### 2.1 Company Information

<b>Name &amp; Legal Form</b>	Markel Insurance SE, Munich, Switzerland Branch Küsnacht A branch of Markel Insurance SE ("MISE")
<b>Firm Number</b>	CHE – 435.102.703
<b>Address</b>	Limbergstrasse 34, CH-8700 Küsnacht, Switzerland
<b>Supervisory Authorities</b>	Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern
<b>External Auditor</b>	KPMG AG, Badenerstrasse 172, CH 8036 Zurich
<b>MISE's immediate Parent</b>	Markel Holdings GmbH

### 2.2 Business Activities

Markel Insurance SE (MISE) is a subsidiary of Markel Holdings GmbH, a German holding company. Markel Insurance SE, Munich, Switzerland Branch Küsnacht ("the Switzerland branch") was formed on January 8<sup>th</sup>, 2019 and received the license from FINMA on January 20<sup>th</sup>, 2020. The Switzerland branch has issued Swiss policies of insurance for Markel Insurance SE, Munich. As of December 31, 2022 it holds licenses to write the following lines of business:

Class		Risks
B6	Ships	
B7	Goods in Transit	Only in connection with property insurance in categories B9, B13, B14
B8	Fire and natural hazards	Only in connection with property insurance in categories B9, B13, B14
B9	Other damage to property	Equine
B12	Liability for ships	
B13	General liability	All risks
B14	Credit	All risks
B15	Suretyship	
B16	Miscellaneous financial loss	Only in connection with property insurance in categories B9, B13, B14

In each of our businesses, we seek to provide quality products and excellent customer service so that we can be a market leader. We believe that our specialty product focus and niche market strategy enable us to develop expertise and specialized market knowledge. We seek to differentiate ourselves from competitors by our expertise, service, continuity, and other value-based considerations. Overall, our corporate strategy is one of diversification and specialization.

Currently, the Switzerland branch is solely writing third party liability business. The ramp-up for the other lines of business is planned for 2022.

### 2.3 Business during 2022

The Switzerland Branch started writing business in the second half of 2020. Based on premium figures according to the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b OR), 100% of the gross written premium by the Switzerland Branch was General Liability business.

### 2.4 Changes during 2022

There were no significant changes during 2022.

## 3 Business Performance

### 3.1 Underwriting Performance

Gross written premiums for the period were CHF 1,327k (821k), consisting of general liability business. Net written premiums for the year were CHF 118k (80k) and all related to general liability business. An internal quota-share reinsurance arrangement existed for all Markel Insurance SE business. Under this agreement, the Branch reinsured up to 90%, less the relevant percentage ceded to third-party reinsurers, to Markel Bermuda Limited, a fellow Markel subsidiary.

The Branch experienced gross claims incurred CHF 422k (303k) of during the period. The operating result for the year was a loss of CHF 38k (profit of 62k).

### 3.2 Investment Performance

MISE's business strategy recognizes the importance of both consistent underwriting and operating profits and superior investment returns to build shareholder value. MISE relies on sound underwriting practices to produce investable funds while minimizing underwriting risk. Most investable assets come from premiums paid by policyholders. Policyholder funds are invested in high-quality fixed income securities.

Branch investments as of 31 December 2022 consisted of government bonds issued by the Swiss Confederation, which is rated AAA. In the current market environment, these show significantly fewer negative developments than the stock markets or other bonds. A deterioration in the issuer credit rating is highly unlikely and we therefore do not expect any longer-term negative impact on tied assets.

### 3.3 Performance of other activities

Not applicable.

### 3.4 Any other information

Not applicable.

## Attachment 1: Finma rs 2022 02<sup>1</sup>

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

Currency: CHF or annual report currency  
Amounts stated in thousands

	Total		Direct Swiss business														
	Previous year	Reporting year	Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches		
			Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	
Gross premiums	821.0	1'327.0												821.0	1'327.0		
Reinsurers' share of gross premiums	(741.0)	(1'209.0)												(741.0)	(1'209.0)		
Premiums for own account (1 + 2)	80.0	118.0												80.0	118.0	0.0	0.0
Change in unearned premium reserves	(227.0)	(365.0)												(227.0)	(365.0)		
Reinsurers' share of change in unearned premium reserves	206.0	358.0												206.0	358.0		
Premiums earned for own account (3 + 4 + 5)	59.0	111.0												59.0	111.0	0.0	0.0
Other income from insurance business	0.0	0.0															
<b>Total income from underwriting business (6 + 7)</b>	<b>59.0</b>	<b>111.0</b>												<b>59.0</b>	<b>111.0</b>	<b>0.0</b>	<b>0.0</b>
Payments for insurance claims (gross)	0.0	0.0															
Reinsurers' share of payments for insurance claims	0.0	0.0															
Change in technical provisions	(303.0)	(422.0)												(303.0)	(422.0)		
Reinsurers' share of change in technical provisions	256.0	375.0												256.0	375.0		
Change in technical provisions for unit-linked life insurance																	
<b>Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)</b>	<b>(47.0)</b>	<b>(47.0)</b>												<b>(47.0)</b>	<b>(47.0)</b>	<b>0.0</b>	<b>0.0</b>
Acquisition and administration expenses	(331.0)	(482.0)												(331.0)	(482.0)		
Reinsurers' share of acquisition and administration expenses	299.0	434.0												299.0	434.0		
Acquisition and administration expenses for own account (15 + 16)	(32.0)	(48.0)												(32.0)	(48.0)	0.0	0.0
Other underwriting expenses for own account	0.0	0.0												0.0	0.0	0.0	0.0
<b>Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)</b>	<b>(79.0)</b>	<b>(95.0)</b>												<b>(79.0)</b>	<b>(95.0)</b>	<b>0.0</b>	<b>0.0</b>
Investment income	1.0	85.0															
Investment expenses	(8.0)	(89.0)															
<b>Net investment income (20 + 21)</b>	<b>(7.0)</b>	<b>(4.0)</b>															
Capital and interest income from unit-linked life insurance																	
Other financial income																	
Other financial expenses	(31.0)	(38.0)															
<b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	<b>(58.0)</b>	<b>(26.0)</b>															
Interest expenses for interest-bearing liabilities	0.0	0.0															
Other income	0.0	129.0															
Other expenses	0.0	0.0															
Extraordinary income/expenses	0.0	0.0															
<b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	<b>(58.0)</b>	<b>103.0</b>															
Direct taxes		15.0															
<b>Profit / loss (31 + 32)</b>	<b>(58.0)</b>	<b>118.0</b>															

<sup>1</sup> Please note that all other pages of the form are not applicable.

## Attachment 2: Stat Accounts

### Balance Sheet

CHF k

ASSETS			
As of 31. December	Notes	2022	2021
Fixed-interest securities		1.483	1.557
Cash and cash equivalents		3.207	2.323
Reinsurers' share of technical provisions	3	1.202	472
Insurance receivables	1,4	1.008	1.095
Other receivables		706	1.861
Prepaid expenses and accrued income	2	52	52
<b>Total assets</b>		<b>7.659</b>	<b>7.360</b>

CHF k

LIABILITIES			
As of 31. December	Notes	2022	2021
Technical provisions	3	1.330	548
Insurance payables	4	2.160	2.541
Other liabilities	4	3	1
Account to Head Office	5	4.167	4.270
<b>Total liabilities</b>		<b>7.659</b>	<b>7.360</b>

# Income Statement for the period from 1 January 2022 to 31 December 2022

CHF k

INCOME STATEMENT				
	Notes	2022	2022	2021
Gross premium written		1.327		821
Premiums ceded to reinsurers		-1.209		-741
Net premiums written			118	80
Change in unearned premium reserves		-365		-227
Change in reinsurers' share of unearned premium reserves		358		206
Net premiums earned			111	59
<b>Total technical income</b>			<b>111</b>	<b>59</b>
Gross claims and claim expenses paid		-		-
Reinsurers' share of claims and claim expenses		-		-
Change in technical provisions	6	-422		-303
Reinsurers' share of technical provisions	6	375		256
Net claims and claim expenses incurred			-47	-47
Acquisitions costs and administrative expenses		-482		-331
Reinsurers' share of acquisitions costs and administrative expenses		434		299
Net acquisition costs and administrative expenses			-48	-32
<b>Total technical expenses</b>			<b>-95</b>	<b>-79</b>
Income from investments	7	59		85
Expenses from investments	7	-110		-89
<b>Net income from investments</b>			<b>-51</b>	<b>-4</b>
Other financial income/expenses		-3		-38
<b>Operating result</b>			<b>-38</b>	<b>-62</b>
Other income		86		129
Extraordinary income/expenses	8	-115		0
<b>Profit/Loss before tax</b>			<b>-67</b>	<b>67</b>
Income tax			-1	15
<b>Profit/Loss after tax</b>			<b>-68</b>	<b>82</b>

# Notes to the Financial Statements

## Financial reporting policies

The branch became active as a non-life insurance carrier including reinsurance business on obtaining the FINMA licence on 20 January 2020.

The 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 for the period from 1 January 2022 to 31 December 2022.

## Foreign Currency Translation

The financial statements of Markel Insurance SE, Munich, Swiss Branch, Küsnacht ("the Branch") are prepared in Swiss Franc ("CHF"). Transactions denominated in currencies other than the functional currency are recorded in the functional currency at the exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rate ruling on the reporting date. The main exchange rates used are presented below:

EXCHANGE RATES		
	2022	2021
EUR	0,9823	1,0336
USD	0,9250	0,9111
GBP	1,1100	1,2301

## Valuation principles

Uniform valuation principles were applied. Assets, equity and liabilities were valued individually. Equity and liabilities are stated at their nominal value. **Fixed-interest securities** are valued using the amortised cost method. The amortisation in the period is recognised in income from investments. **Technical provisions** are obligations due to insured parties which are determined based on an individual insurance agreement. They are calculated based on the business plan as agreed with FINMA.

## Employees

The Branch employed no employees during the year. All staff are employed by Markel Holdings GmbH.

## Audit fees

All fees relate to audit services. They are paid for by Markel International Services Limited and recharged to the Branch. Estimated fees for 2022 are CHF 32 k.

# Disclosures, breakdowns and explanations on Balance Sheet items

## 1. Insurance receivables

CHF k

INSURANCE RECEIVABLES		
As of 31. December	2022	2021
Receivables from policyholders	839	914
Receivables from insurance companies	169	181
<b>Total</b>	<b>1.008</b>	<b>1.095</b>

## 2. Prepaid expenses and accrued income

CHF k

PREPAID EXPENSES AND ACCRUED INCOME		
As of 31. December	2022	2021
Accrued interest on investments	52	52
<b>Total</b>	<b>52</b>	<b>52</b>

## 3. Technical provisions

CHF k

2022			
As of 31. December	Gross	Reinsurers' share	Net
Unearned premium reserve	610	575	35
Loss reserves	654	627	27
Actuarial IBNR	66	-	66
<b>Total</b>	<b>1.330</b>	<b>1.202</b>	<b>128</b>

CHF k

2021			
As of 31. December	Gross	Reinsurers' share	Net
Unearned premium reserve	247	218	29
Loss reserves	242	254	-12
Actuarial IBNR	59	-	59
<b>Total</b>	<b>548</b>	<b>472</b>	<b>76</b>

#### 4. Receivables and liabilities from/to related parties

CHF k

RECEIVABLES AND LIABILITIES FROM/TO RELATED PARTIES				
As of 31. December	Third-party	Affiliates	2022	2021
Insurance receivables	839	169	1.008	1.095
Other receivables	-	706	706	1.861
Insurance payables	-2.160	-	-2.160	-2.541
Other liabilities	-2	-	-2	-1
<b>Total</b>	<b>-1.323</b>	<b>875</b>	<b>-448</b>	<b>-408</b>

#### 5. Statement of changes in Branch account

CHF k

STATEMENT OF CHANGES IN BRANCH ACCOUNT			
	Payable to Head Office	Voluntary retained earnings	Total account to Head Office
As at the beginning of the period	4.301	-31	4.270
Profit/Loss for the period	0	-68	-68
Amounts due to (from) Head Office	-36	0	-36
<b>Total</b>	<b>4.265</b>	<b>-99</b>	<b>4.167</b>

## Disclosures, breakdowns and explanations on Income Statement items

### 6. Change in technical provisions

CHF k

2022			
As of 31. December	Gross	Reinsurers ' share	Net
Change in loss reserve	414	375	39
Change in equalisation reserve	7	0	7
<b>Total</b>	<b>422</b>	<b>375</b>	<b>47</b>

CHF k

2021			
As of 31. December	Gross	Reinsurers ' share	Net
Change in loss reserve	283	256	27
Change in equalisation reserve	20	0	20
<b>Total</b>	<b>303</b>	<b>256</b>	<b>47</b>

### 7. Investment result

CHF k

INVESTMENT RESULT		
As of 31. December	2022	2021
<b>Fixed-interest securities</b>		
Income	59	85
Amortisation	-110	-89
Expenses	-	-
<b>Total</b>	<b>-51</b>	<b>-4</b>

### 8. Extraordinary income/expenses

Extraordinary expenses of CHF 115 k resulted from a correction of an item from fiscal year 2019 which has been recorded in 2022.

# Management report

## Basics of the Company

The Branch was incorporated on 9 January 2019 and is domiciled at Limbergstrasse 34, 8700 Küsnacht. The Branch became active as a non-life insurance carrier including reinsurance business on obtaining the FINMA licence on 20 January 2020.

## Business performance

The results of the Branch, as set out on page 3, show a pre-tax loss of CHF 67 k (profit of CHF 67 k) for the period and a loss of CHF 68 k (profit of CHF 82 k) after tax.

Gross written premiums for the period were CHF 1.327 (821) k, consisting completely of general liability business. Net written premiums for the year were CHF 118 (80) k. An internal quota share reinsurance arrangement existed for all Markel Insurance SE (MISE) business. Under this agreement, the Branch reinsured up to 90%, less the relevant percentage ceded to third-party reinsurers, to Markel Bermuda Limited, a fellow Markel subsidiary.

The Branch experienced gross claims incurred CHF 422 (303) k of during the period. The operating result for the year was a loss of CHF 38 (profit of 62) k.

The Branch employed no employees during the year. All staff working for the Branch were employed by Markel Holdings GmbH.

The investments of the Branch as at 31 December 2022 consisted of government bonds issued by the Swiss Confederation, which is rated AAA. In the current market environment, these show significantly fewer negative developments than the stock markets or other bonds. A deterioration in the issuer credit rating is highly unlikely and we therefore do not expect any longer-term negative impact on tied assets.

## Principal risks and uncertainties

MISE monitors the risks to which it is exposed, which includes all business underwritten by the MISE Swiss Branch. MISE groups risk under the following categories in line with Solvency II requirements:

- Underwriting Risk
- Reserving Risk
- Market Risk
- Credit Risk
- Operational Risk
- Liquidity Risk
- Group Risk

The MISE Chief Risk Officer (CRO) and the Management Board regularly review the risks to which the company is exposed. The CRO ensures that appropriate measures are taken to mitigate risks and, in addition, the Risk Management department of Markel International monitors the identified risks with qualitative and quantitative risk analyses and assessments and ensures regular and, where necessary, ad-hoc reporting to the Management Board.

An Own Risk and Solvency Assessment report is produced being a forward-looking assessment of the risk profile and adequacy of capital to meet solvency needs over the business planning time horizon. The company is compliant with Solvency II.

MISE uses the Standard Formula to calculate its Solvency Capital Requirement under Solvency II.

## Prospects

With disciplined underwriting and its strong financial condition, the Branch is in an excellent position to capitalise on opportunities as they arise. The Branch will continue to apply Markel's underwriting discipline of underwriting for profit rather than volume and, accordingly, will decline business where the rates are not acceptable.

No material uncertainties that cast doubt about the ability of MISE or the Branch to continue as a going concern have been identified.

The Directors of MISE have a reasonable expectation that MISE and the Branch have adequate resources to continue in operational existence for the foreseeable future.

Attachment 3: KPMG Audit Report



**Markel Insurance SE, Munich**

**Switzerland Branch Kusunacht, Kusunacht**

Report of the Independent Auditor on the Financial Statements to the General Manager

Financial Statements 2022

To the General Manager of  
Markel Insurance SE, Munich – Switzerland Branch, Kusunacht  
Limbergstrasse 34  
8700 Kusunacht

## **Report of the Independent Auditor**

### **Opinion**

As an audit firm under state supervision, we have audited the financial statements of Markel Insurance SE, Munich, Switzerland Branch Kusunacht (the company), which comprise the balance sheet as at 31 December 2022, the income statement for the financial year then ended and the notes to the financial statements, including a summary of significant accounting policies, pursuant to Art. 28 (2) of the Insurance Supervision Act (ISA) and with reference to the supplementary information for audit reporting of insurance companies in Annex 19 to FINMA Circular 13/3 concerning the “Preparation and audit of the financial statements of branches of foreign insurance companies” of 4 November 2020 (Annex 19 to FINMA Circular 13/3).

In our opinion, the accompanying financial statements of the company comply in all material respects with the financial reporting provisions of Annex 19 to FINMA Circular 13/3.

### **Basis for Opinion**

We conducted our audit in accordance with the Swiss Standards on Auditing (SA-CH) as well as the framework for the audit of financial statements as set out in section 3.2 of Annex 19 to FINMA Circular 13/3. Our responsibilities under those provisions and standards are further described in the “Independent Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The General Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **General Manager's Responsibilities for the Financial Statements**

The General Manager is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Annex 19 to FINMA Circular 13/3 and for such internal control as the General Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Manager is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern, and using the going concern basis of accounting unless the General Manager either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Independent Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SA-CH and Annex 19 to FINMA Circular 13/3 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yours sincerely

KPMG AG

Jean-Marc Wicki  
Licensed audit expert  
Lead Auditor

Lukas Kündig  
Licensed audit expert

Zurich, 28 April 2023

Enclosure:

- Financial statements of Markel Insurance SE, Munich, Switzerland Branch Kusnacht consisting of the balance sheet as at 31 December 2022, the income statement and the notes.