

Financial Condition Report - Switzerland

31 December 2021

Lloyd's Financial Condition Report, 31 December 2021

Overview

Lloyd's Financial Condition Report (FCR) per 31 December 2021 has been prepared in accordance with FINMA Circular 2016/2 "Disclosure - insurers".

The FCR is prepared in respect of the Swiss branch of the "Association of Underwriters known as Lloyd's" ("Lloyd's Swiss branch"). Further information on the structure of Lloyd's and the basis of preparation of the FCR is set out in the Summary.

This Lloyd's Swiss FCR contains the narrative disclosures necessary to comply with marginal notes 12 to 34 incl. of FINMA Circular 2016/2 in particular marginal note 17, which sets out those provisions which do not apply to those insurers domiciled outside Switzerland.

Further information

Additional information regarding Lloyd's may be found within the Lloyd's Annual Report 2021 which may be viewed or downloaded from www.lloyds.com:
<https://www.lloyds.com/about-lloyds/investor-relations/financial-performance/financial-results/full-year-results-2021>

The Lloyd's Annual Report includes the Pro Forma Financial Statements (PFFS), which are prepared so that the financial results of Lloyd's and its members taken together, and their net assets can be compared as closely as possible with general insurance companies. The Lloyd's Annual Report also includes the financial statements of the Society of Lloyd's, comprising the financial position and performance of the Corporation of Lloyd's and Central Fund.

The Aggregate Accounts set out an aggregation of all audited syndicate annual accounts including the audited results for calendar year 2021 and the financial position as at 31 December 2021 of all syndicates which transacted business during 2021.

Where relevant, reference to these documents is made in this Lloyd's Swiss FCR.

Additional information on Lloyd's may be found in the 2021 Solvency and Financial Condition Report for Lloyd's as a whole:

[Financial results - Lloyd's \(lloyds.com\)](http://www.lloyds.com)

General Representative's statement in respect of the FCR

In accordance with the terms of FINMA Circular 2016/2 "Disclosure - insurers", marginal note 105 and in my capacity as Lloyd's Underwriters' General Representative for Switzerland, I acknowledge my responsibility for the Financial Condition Report (FCR) of Lloyd's Swiss branch as at 31 December 2021 and for signing off its disclosure.



Graham West
Lloyd's Underwriters' General Representative for Switzerland
Seefeldstrasse 7
8008 Zurich

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Management summary

What is Lloyd's?

Lloyd's Swiss branch is the authorised branch of 'the Association of Underwriters known as Lloyd's. Lloyd's is the world's specialist insurance and reinsurance market.

The business written at Lloyd's is brought to specialist syndicates who price and underwrite risk brought to them by brokers and coverholders (independent underwriting agents).

Under its globally recognised name, the Society of Lloyd's acts both as the market's custodian and promoter and is backed by diverse global resources and a capital structure designed to ensure financial security. Lloyd's works with an international distribution network to increase the use of insurance, building the resilience of local communities and supporting global economic growth.

Led by expert brokers and underwriters operating in more than 200 territories, the Lloyd's market develops and distributes complex and critical insurance to help underwrite human progress.

Lloyd's is an influential force in the insurance industry. Our vision is for Lloyd's to remain the market for specialist insurance and reinsurance. Lloyd's writes a wide range of classes of business in a variety of geographical areas, including Switzerland. Lloyd's Swiss branch does not actively underwrite business. This and other functions, such as the preparation of policy documentation and the management of claims, are performed by managing agents which manage Lloyd's syndicates, as well as their local delegated appointees.

Lloyd's Market Structure

Members - providing the capital

The capital to underwrite policies is provided by members of Lloyd's. This capital is backed by many of the world's major insurance groups, listed companies, individuals and limited partnerships, with corporate groups providing the majority of the capital for the Lloyd's market.

Syndicates - writing the insurance

A Lloyd's syndicate is formed by one or more members joining together to provide capital and accept insurance risks. Most syndicates write a range of classes of business, but many will have areas of specific expertise. Syndicates are, technically, set up on an annual basis. In practice, they usually operate from year to year with members having the right, but not the obligation, to participate in syndicates the following year. This continuity of capital backing the syndicates means they function like permanent insurance operations. Each syndicate sets its own appetite for risk, develops a business plan, arranges its reinsurance programmes and manages its exposures and claims. At 31 December 2021 there were 90 active syndicates at Lloyd's.

Managing agents - managing the syndicates

A managing agent is a company set up to manage one or more syndicates on behalf of the members. Managing agents have responsibility for employing underwriters, overseeing their underwriting and managing the infrastructure and day-to-day operations. At 31 December 2021 there were 50 managing agents at Lloyd's.

Policyholders - transferring risk

Policyholders include businesses, organisations, other insurers and individuals from around the world who seek to mitigate the impact of potential risks. Policyholders may access the Lloyd's market via a broker, coverholder or service company.

Brokers - distributing business

Lloyd's is a broker market in which strong relationships, backed by deep expertise, play a crucial part. Brokers facilitate the risk transfer process between policyholders and underwriters. Much of this business involves face-to-face negotiations between brokers and underwriters. In addition, local Swiss intermediaries are accredited by Lloyd's and by Lloyd's Swiss branch.

Coverholders - offering local access to Lloyd's

A managing agent may also authorise third parties to accept insurance risks directly on behalf of its syndicates. These businesses, known as coverholders, form a vital distribution channel offering a local route to Lloyd's in many territories around the world. In addition, local Swiss coverholders are accredited by Lloyd's and by Lloyd's Swiss branch.

Service companies

A service company operates like a coverholder but is a wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is authorised to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.

Members' agents - supporting the members

Members' agents provide advice and administrative services to members, including assisting with syndicate selection.

Corporation of Lloyd's – supporting the market

The Corporation oversees the Lloyd's market. It provides the market's infrastructure, including services to support its efficient running, and protects and maintains its reputation.

The Corporation's role includes:

- managing and protecting Lloyd's network of international licences;
- agreeing syndicates' business plans and evaluating performance against those plans. Syndicates are required to underwrite only in accordance with their agreed business plans. If they fail to do so, Lloyd's can take a range of actions including, as a last resort, stopping a syndicate underwriting;
- monitoring syndicates' compliance with Lloyd's minimum standards and
- continuing to raise standards and improve performance across two main areas:
 - overall risk and performance management of the market and
 - maintaining and developing the market's attractiveness to capital providers, distributors and clients, while preserving its diversity.

The Corporation's Executive Committee exercises the day-to-day powers and functions of the Council of Lloyd's and the Franchise Board ('the Board').

The average number of employees (FTE basis) of the Corporation in 2021 was 1,356, including 5 members of staff working for Lloyd's Swiss branch.

Lloyd's risk profile

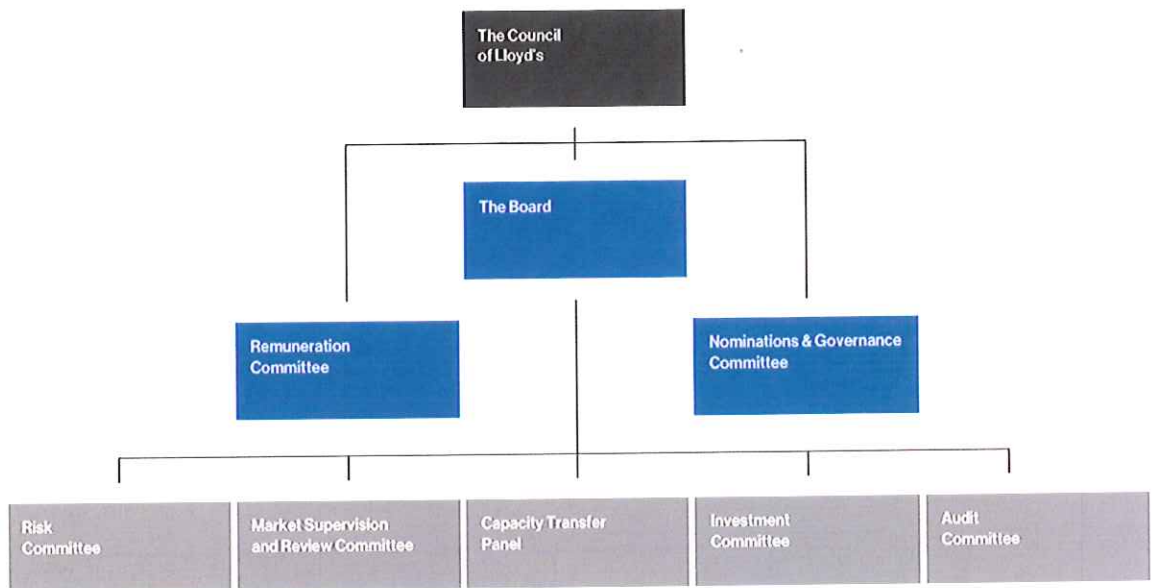
At Lloyd's, the risk profile originates from both syndicates and at central level.

Syndicates are the source of the majority of risks. They source all of the insurance business, manage the bulk of the asset portfolios, hold the majority of the counterparty exposures and conduct most of the day-to-day operational activity. The syndicate risks include insurance risk (underwriting, reserving and catastrophe risk); market risk on central assets; market risk on syndicate assets (including credit risk on Premiums Trust Funds, PTFs); reinsurance and other credit risk; and syndicate operational risk.

At the central level, additional risks arise from central operational risk and pension fund risk.

Lloyd's governance structure

The structure of the principal governing bodies of Lloyd's is summarised in the following figure:



The Council of Lloyd's

Under Lloyd's Act 1982, the Council of Lloyd's undertakes the management and superintendence of the affairs of the Society and has the power to regulate and direct the business of insurance at Lloyd's.

The Board

The Council established the Board as from 1 January 2003. The Board develops strategies to meet the Corporation Purpose of creating and maintaining a competitive, innovative and secure market. The Board is responsible for the day-to-day oversight of Lloyd's.

Lloyd's Switzerland branch: summary result 2021

A loss of CHF 7.7 mn. is reported for the 2021 exercise, compared with a prior year loss of CHF 90.8 mn. This result and its causes are commented on at greater length in Section B.1 "Underwriting performance", however the most material contributory factors are:

Paid claims across all years of account for the whole Swiss portfolio rose to CHF 181.6 mn. (2020: CHF 135.6 mn.) with significant large claims settled in the branches Miscellaneous Pecuniary Loss (CHF 68.9 mn.), many triggered by Covid-19-related claims under Contingency and Cancellation insurance policies. A small number of large claims payments were also made in Professional Liability insurance (total: CHF 64.5 mn.). Significantly lower levels of claims payments were made in the Motor insurance classes and in Aviation Physical Damage.

Best estimate case reserves decreased significantly in the course of 2021 to CHF 105.5 mn. (2020: CHF 190.7 mn.) as a result of the settlement of significant large claims from all years of account, notably in Professional Liability insurance (D&O, PI) but also in Miscellaneous Pecuniary Loss and General Liability. IBNR reserves remained stable at CHF 196.9 mn. (2020: CHF 198.4 mn.) with half of those reserves for the Professional Liability class of business.

The difficult investment environment and a conservative approach to investing the Bound Assets produced a negative financial result of CHF 3.8 mn. (2020: minus CHF 3.4 mn.).

A Business activities

Name and legal form of undertaking

Lloyd's Swiss branch is a branch of the Corporation of Lloyd's, as entered in the Trade Register of the Canton of Zurich. Its principal place of business is Seefeldstrasse 7, 8008 Zurich, Switzerland.

Supervisory authority responsible for financial supervision

The supervisory authority of Lloyd's Swiss branch is the Swiss Financial Market Supervisory Authority, FINMA. The registered office of FINMA is as follows:

Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27
3003 Berne

External auditor of the undertaking

The independent auditors of Lloyd's Swiss branch are:

PricewaterhouseCoopers AG
Birchstrasse 150
Postfach
8050 Zurich

Significant unusual events

No such events were recorded during the reporting period.

Strategy, objectives and key business segments

The purpose and strategy of Lloyd's Swiss branch are fully aligned with those of Lloyd's. Its overriding priority is to remain the top choice for commercial and specialty insurance. As the world's leading insurance and reinsurance marketplace, the Lloyd's market provides leadership and insight to anticipate and understand risk and to develop relevant, new and innovative forms of insurance for customers.

The Lloyd's market offers the efficiencies of shared resources and services in a marketplace that covers and shares risks from a wide range of clients and industries at any scale. It promises a trusted, enduring partnership built on the confidence that Lloyd's protects what matters most i.e. to help people, businesses and communities to recover in times of need.

Lloyd's seeks to enhance the value which it provides to its many stakeholders including not only its customers but also to the distributors which bring business to the Lloyd's market, to managing agents which carry out the business of underwriting and of paying claims and to capital providers which bear the risk written at Lloyd's.

Lloyd's has a globally recognised brand and a reputation for paying all valid claims in a timely and efficient manner. Lloyd's Corporation seeks to improve performance in the market and to maintain its reputation for the benefit of all stakeholders. It carries out this responsibility through a proportionate and robust market oversight regime consistent with an entrepreneurial and innovative culture.

Lloyd's Swiss branch does not, nor has it ever concluded contracts of insurance or administered claims; neither does it intermediate insurance between clients and the market. These activities are the preserve of the underwriting and broking businesses in the Lloyd's market and their appointed representatives.

The Lloyd's Swiss portfolio and the reported annual results are therefore unlike that of a single corporate entity based on a single underwriting strategy. They represent, instead, the aggregation of the underwriting objectives and performance of those businesses in the Lloyd's market which underwrite Swiss business.

Whilst Lloyd's managing agents must submit the annual business plans of syndicates to Lloyd's Performance Management Directorate, those plans do not provide granular, territory-by-territory data which allow an aggregate view of Lloyd's plan data for Switzerland or a single strategy. This is a strength of the Lloyd's market in Switzerland and elsewhere: market underwriting businesses and intermediaries are able to offer not only a wide range of products and services but competition between such businesses allows for competitive pricing and customer choice.

The most significant client segments serviced by Lloyd's in Switzerland include high net worth individuals. In this segment, Lloyd's underwriters' expertise is applied and product offering made in high value homes, private motor cars and water-borne craft, as well as fine art, jewellery and other valuables.

Of great importance are corporate clients and national and multinational organisations (including some of the many NGOs domiciled in Switzerland). Typical insurances offered cover Directors and Officers (D&O) insurance, as well as political risks and marine transportation insurances for such corporate entities trading from Switzerland.

Lloyd's underwriters are authorised to underwrite all classes of non-life insurance business in Switzerland, with the exceptions of B2 (Sickness) and B17 (Legal Expenses). The largest reported total gross written premiums achieved in 2021 were in the classes Professional Liability, Miscellaneous Property Damage, Miscellaneous Pecuniary Loss and General Liability. Reference is made to section B.1 "Underwriting performance" and to the FCR quantitative templates.

As a market, Lloyd's works principally with independent insurance intermediaries; it is therefore an objective of Lloyd's Swiss branch to build Lloyd's Swiss intermediary network by seeking new relationships with professional Swiss broking firms with the potential to bring profitable quality business to the Lloyd's market.

B Performance

B.1 Underwriting performance

The Lloyd's Swiss branch result for 2021 is reported on the EHP survey platform of FINMA. The financial statements of the branch (balance sheet, income statement and management report) were audited and filed with FINMA.

The overall underwriting result is summarised below:

	2021	2020
	CHF '000	CHF '000
Gross written premiums	199'439	202'015
Net earned premiums	193'017	165'549
Net claims incurred	161'239	(219'053)
Acquisition and other operating expenses	(33'968)	(32'288)
Investment return	(3'839)	(3'410)
Operating result	(6'029)	(89'202)
Other income	29	24
Administrative expenses	(1'700)	(1'633)
Net loss	(7'700)	(90'811)

Material changes in the reporting period

Accounting policies

No such material changes were required or made in the reporting period.

Actuarial principles

Written and earned premiums

Ultimate Premiums are determined by applying standard actuarial projection methods to signed premium data as at 31st December 2021.

The written premium to date is calculated at a reserving class of business level by applying an assumed written premium pattern to the ultimate premiums. The assumed written premium patterns capture the percentage of the ultimate premium that is written at each development year. The written premium patterns for each class of business are derived using output from the most recent Lloyd's annual Central Reserving Exercise.

The unearned premium reserve, i.e. the unearned element of the premium written to date, is calculated at a reserving class of business level by applying an assumed earnings pattern to the written premium to date. The assumed earnings patterns capture the percentage of the written premium that is earned at each development year. The earned premium patterns for each class of business are derived using output from the most recent Lloyd's annual Central Reserving Exercise.

IBNR

The total IBNR by class and Year of Account is determined by applying standard actuarial projection methods to the claims data as at 31st December 2021. The earned IBNR is calculated by subtracting the unearned IBNR from the total IBNR, where the unearned IBNR is calculated by multiplying the estimated loss ratio for unearned exposures by the estimated unearned premium for each Year of Account.

Material lines of business

Lloyd's underwriters source a wide range of classes of business from Switzerland. This is highlighted in the table below, which provides a class breakdown of gross written premium in the reporting year 2021:

Accident	8.4%
Sickness	0.0%
Motor vehicle	0.9%
Transport	14.0%
Fire and Property	22.7%
Liability	38.2%
Other branches	15.8%

Total gross written premiums were calculated by the described actuarial method as CHF 199.4 mn.

The broad categorisations of the FCR quantitative template conceal movements within the FINMA reporting types 1 - 24. The most significant increases in gross written premiums were recorded in the lines of Marine Hull (FINMA Type 12) by 368% albeit from a low base of CHF 3.3 mn. in 2020 and in Professional Liability (FINMA Type 21) by 12%. Both classes of business are characterised by the writing of relatively small numbers of significant premiums.

Those developments were offset by reduced gross written premiums in other lines of business, again notably in Credit (FINMA Type 23), by 34% and in Miscellaneous Pecuniary Loss (FINMA Type 19), by 14%, for reasons similarly connected to a small number of important contracts reflecting competitive pressures in the international insurance markets.

It is generally true of Lloyd's portfolio that corporate client business continues to demonstrate a high level of volatility year-on-year, commensurate with the fundamental nature of businesses such as financial institutions and trading companies. Premium income from private client business, which is mostly underwritten by Swiss coverholders, has remained stable and generally profitable. This is true, for instance, for Miscellaneous Property insurances (FINMA Type 18).

For the third successive year no statutory accident insurance ("UVG") premium was underwritten, with the portfolio having been placed into run-off per end-2018. Lloyd's, together with the relevant Lloyd's underwriters, had decided in 2017 to withdraw from underwriting new or renewal UVG insurance business. The relevant discussions were held, and agreements made with FINMA and with the Federal Ministry of Health ("BAG") to this end. Lloyd's underwriters continue to service all continuing obligations from this class of business.

Syndicates underwriting Swiss business continue to be interested on interest in new intermediary co-operations. There remains a steady flow of such interest from Swiss broking companies seeking access to the Lloyd's market, notably for special products not offered by the local market as well as from Lloyd's brokers seeking to service clients' international programmes to include operations in Switzerland.

Ceded reinsurance

Lloyd's managing agents arrange their own reinsurance protections for their portfolios; thus the Lloyd's Switzerland portfolio is not protected as a single, homogeneous account. Lloyd's takes a conservative view of the level of reinsurance ceded by managing agents on their respective Swiss lines of business. In 2019 FINMA decided, in a change of regulatory practice, that it would not continue to grant Lloyd's credit for reinsurance on the basis of Lloyd's "global" data collated at the level of the Lloyd's market, but only on the strength of the evidenced reinsurance programmes of individual Lloyd's syndicates. Lloyd's agreed instead to FINMA's proposal for a stepped reduction in its claims for recognition as an asset of outgoing reinsurance. That final of three steps was made in 2021, with the effect that Lloyd's reserves in Switzerland are made on a gross basis. Lloyd's reserves the right to review this issue again in future.

Claims payments

Paid claims made on business for all underwriting years of account rose to CHF 181.6 mn. (2020: CHF 135.6 mn.) with all but CHF 5.5 mn. of being paid out on prior years of account. For the 2021 underwriting year of account, CHF 3.7 mn. was paid out on short-tail Group Accident insurance business (FINMA-Type 6). Other classes of business underwritten in 2021 are mostly characterised by longer "tails".

A small number of significant large claims settlements were made in the FINMA class 19 (Miscellaneous Pecuniary Loss - CHF 68.9 mn. with some triggered by Covid-19-related claims under Contingency and Cancellation insurance policies. A small number of large claims payments were also made in Professional Liability insurance (FINMA class 21: CHF 64.5 mn.).

In Credit insurance (FINMA Type 23) the experience of paid claims rose to CHF 18.4 mn. in 2021 (2020: CHF 11.3 mn.), however those data are within expected levels and reflect historic experience over many years, with a very small number of large claims payments made to trading companies under Credit of Contract Frustration policies.

Significantly lower levels of claims payments were made in the Motor insurance classes and in Aviation Physical Damage.

Claims reserves

Best estimate claims reserves reduced significantly from CHF 190.7 mn. to CHF 105.5 mn. as a result of the settlement of significant large claims from all years of account, notably in Professional Liability insurance (D&O, PI) but also in Miscellaneous Pecuniary Loss and General

Liability. IBNR reserves remained stable at CHF 196.9 mn. (2020: CHF 198.4 mn.) with half of those reserves for the Professional Liability class of business.

Total claims reserves, comprising case reserves, IBNR and ULAE declined from CHF 394.4 mn. in 2020 to CHF 306.5 mn. at the end of 2020, driven largely by the lower level of case reserves. The preponderance of claims from Professional Liability is shown in the class-by-class breakdown, however there was no material strengthening of IBNR for that class of business. Significant strengthening of IBNR was made in FINMA Type 22 (General Liability). IBNR totalled 196.9 mn. at year-end 2021 and encompasses both general and specific IBNR. It should be noted that Lloyd's holds discussions with syndicate actuaries to ascertain and to challenge the level of specific IBNR which the latter have determined. Lloyd's monitors on a continuing basis the appropriateness of the general level of IBNR held and reported.

Case reserves in UVG insurance (FINMA Types 2 and 7) continued to decline as major progress was made in closing short-tail claims cases within the run-off regime. The annuity capital for UVG pensions also declined as occasional buy-out options were exercised by insureds.

The gross unearned premium reserve CHF 154.7 mn. at year-end 2021 was almost unchanged from the previous year end; this concealed shifts in the underlying composition of the portfolio during the reporting year and the associated weightings of different classes of business and the earning patterns of those premiums.

The security and volatility reserve was CHF 100.0 mn. at year-end. This is the prescribed upper "target" bound prescribed for it and set out in Form "D" to Lloyd's business plan; no supplementary bound assets were consequently required for adjustment to that reserve.

The equalisation reserve in the Credit insurance branch declined by the end of 2021 to CHF 25.3 mn., as the gradual decline in annual gross premium writings over the five-year calculation period took effect notwithstanding the elimination of admissible credit for reinsurance across the whole portfolio.

Lloyd's reserves were subject to and fulfilled the reserve adequacy test within the sense of FINMA circular letter 2008/42 "Reserves Non-Life Insurance" marginal note 9, with the book value of the total technical reserves yielding a surplus of CHF 73.0 mn. (2020 year-end: CHF 45.5 mn.) compared to the minimum reserve requirement.

Significant events during the reporting period

The Lloyd's market as a whole recorded a profit before tax of GBP 2.3 bn (2020: a pre-tax loss of GBP 0.9 bn.), in a year in which the market had to continue to deal with claims resulting from the Covid-19 pandemic but in which market performance showed improvement across most metrics. The combined ratio for the Lloyd's market (excluding Covid-19-related data) declined once again in 2021 to 93.5% from 2020's like-for-like figure of 97.0% on gross written premiums which increased to GBP 39.2 bn. (2020: GBP 35.9 bn.).

These results also reflect the exercise of great underwriting discipline, the rejection of consistently loss-making business and a return to profitability, both of some individual lines of business and of some business operating in the Lloyd's market.

Lloyd's total net resources stood at the end of 2021 at GBP 36.6 bn., strengthened once more from their level at end-2020 of GBP 33.9 bn. These and complementary data reflect an exceptionally strong balance sheet and a central solvency ratio of 388%. It should be noted that these resources form the security behind the promise inherent in each Lloyd's policy. Swiss policyholders enjoy the additional security represented by Lloyd's Swiss bound assets located in Switzerland in accordance with Swiss insurance supervision law.

Lloyd's underwriters' licensing position and operations in Switzerland have not been affected by the establishment of its Brussels-based insurance company, designed to provide access for EEA-based clients and intermediaries following the United Kingdom's withdrawal from the European Union (EU).

Lloyd's had welcomed the signing on 24 January 2019 by the U.K. and Swiss governments of an Agreement on direct non-life insurance. The Agreement aims to replicate the existing EU-Swiss Agreement on direct non-life insurance. That came into effect in October 1989 and was updated by a Decision of the EU-Switzerland Joint Committee on 3 July 2018, to take account of recent developments in prudential insurance regulation.

Lloyd's has continued to monitor the development of Swiss insurance supervisory legislation and regulatory practice, notably the draft amended Insurance Supervision Act and the partial amendment to the Insurance Contract Act; the latter came into force on 1 January 2022.

B.2 Financial Performance

Lloyd's Swiss branch is required to maintain Bound Assets in Switzerland to collateralise its total liabilities from its Swiss insurance business. This is performed in accordance with Swiss insurance supervisory law, including FINMA Circular 2016/5 "Investment Guidelines - Insurers".

As at 31 December 2021, Lloyd's bound assets held in Switzerland in accordance with Swiss insurance supervisory law amounted to CHF 665.34 mn. Those assets provide all Swiss insurance policyholders with a further layer of protection in addition to those assets of the Society of Lloyd's held elsewhere.

Lloyd's investment policy is prudent and seeks to provide the greatest security for Swiss policyholders. The investment environment remained difficult in the course of 2021, with only negative interest rates on offer in those asset classes in which Lloyd's bound assets are principally invested i.e. short-term instruments, fixed deposits of short maturity and cash deposits.

One collective investment held with a major Swiss bank yielded positive interest income. However, money market deposits held with several Swiss banks enjoying the highest levels of security generated negative results, such that a total investment loss of CHF 3.839 mn. was booked (2020: CHF - 3.410 mn.).

No investments were made in equities, derivative instruments or any other asset classes permissible under the relevant statutes, hence no further commentary is provided.

As at 31 December 2021 the bound assets were spread among four Swiss banks with high or the highest credit ratings. General supervisory principles and norms concerning the security of the assets and their retention were observed at all times.

The Lloyd's market has been able to meet its commitments without any significant impact on its total resources, which remain strong.

As at 31 December 2021, the net total resources of the Society of Lloyd's (capital, reserves and subordinated loan notes) amounted to GBP 36.6 bn. (31 December 2020: GBP 33.9 bn.). Lloyd's ratings remain at A+ (Strong) with Standard and Poor's, AA- (Very Strong) with Fitch Ratings, A (Excellent) with A.M. Best and AA- with KBRA.

B.3 Other material income and expenses

Lloyd's Swiss branch office provides services exclusively for Lloyd's, London, i.e. the Corporation of Lloyd's and Lloyd's market entities, notably the underwriting members of Lloyd's and Lloyd's managing agents. All such market entities benefit from those services aimed at maintaining and enhancing Lloyd's licensed status in Switzerland and its market competitiveness, so are not invoiced individually by the Swiss branch office.

Costs of maintenance of the Swiss branch office rose marginally to CHF 1.70 mn. (2020: CHF 1.63 mn.). The continued increasing burden of regulation and the consequent greater requirement for legal and actuarial support services accounted once more for a significant part of total expenses.

There is no other material information to report.

B.4 Other information

There is no other material information to report.

Lloyd's, London,
Zweigniederlassung Zürich
Zurich

Report of the independent auditor
to the General Manager

on the financial statements 2021



Report of the independent auditor

to the General Manager of Lloyd's, London, Zweigniederlassung Zürich

Zürich

Report of the independent auditor on the financial statements

As a federally-supervised audit firm, we have audited the accompanying financial statements of Lloyd's, London, Zweigniederlassung Zürich (the "Branch"), which comprise the income statement, balance sheet and notes for the year ended 31 December 2021, in line with Article 28 para. 2 of the Insurance Supervision Act ('ISA') and with reference to the FINMA guidelines "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 the 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 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 judgment, 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 Branch for the year ended 31 December 2021 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.

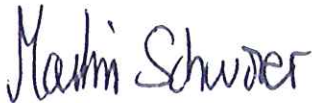
*PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch*

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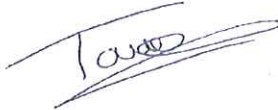
Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Branch 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
Audit expert
Auditor in charge



Tomas Fabo

Zürich, 27 April 2022

Enclosure:

- Financial statements (Income statement, Balance sheet and notes)

Financial Statements
Lloyd's, London,
Zweigniederlassung Zürich
(Lloyd's Switzerland)

Year ended 31 December 2021



Graham West
Lloyd's Underwriters' General Representative for Switzerland

Zurich, 27 April 2022

Lloyd's London, Zweigniederlassung Zürich (Lloyd's Switzerland)

INCOME STATEMENT

In Swiss Franc's 000's

	Notes	2021	2020
Gross written premiums		199,439	202,015
Reinsurers' share of written premiums		7,634	(11,458)
Net written premiums		207,073	190,557
Change in unearned premiums		(411)	(17,018)
Reinsurers' share of change in unearned premiums		(13,645)	(7,990)
Net earned premiums		193,017	165,549
Gross claims paid		181,609	135,620
Reinsurers' share of claims paid		0	(11,911)
Change in insurance reserves		(67,678)	82,932
Reinsurers' share of change in insurance reserves		47,308	12,412
Net claims incurred		161,239	219,053
Acquisition expenses, net of reinsurance	4e	(33,968)	(32,288)
Investment Result	4f	(3,839)	(3,410)
Operating result		(6,029)	(89,202)
Other Income		29	24
Administrative expenses		(1,700)	(1,633)
Net loss		(7,700)	(90,811)

Lloyd's London, Zweigniederlassung Zürich (Lloyd's Switzerland)

BALANCE SHEET

In Swiss Franc's 000's

	Notes	2021	2020
ASSETS			
Other investments		422,705	385,728
Cash and cash equivalents		244,876	270,354
Reinsurers' share of insurance reserves	4b	0	60,953
Deferred acquisition costs		26,440	25,822
Receivables relating to insurance operations	4a	59,717	71,812
Other receivables		470	493
Accrued income and prepaid expenses		49	49
Total Assets		754,257	815,211
LIABILITIES			
Insurance reserves	4b	621,520	688,788
Reinsurance balance payable		0	6,685
Payables from insurance business	4c	1,498	1,571
Accrued expenses		387	261
Total Liabilities		623,405	697,305
Liaison account to head office	4d	130,852	117,906
Total liabilities and liaison account to head office		754,257	815,211

1 Nature of operations

Lloyd's London, Zweigniederlassung Zürich ("Lloyd's Switzerland") is not an insurance company. It is the office of the local representative of Lloyd's underwriters, a partially mutualized market where members join together to form syndicates that insure risks.

Lloyd's is incorporated in the United Kingdom and its headquarters are at 1 Lime Street, London, EC3M 7HA.

Lloyd's Switzerland is headquartered at, Seefeldstrasse 7, 8008 Zürich.

Lloyd's Switzerland has 4 full-time positions (previous year: 4 full-time positions).

Much of Lloyd's business is written on a subscription basis, with more than one syndicate taking a share of the same risk. Lloyd's is licensed by FINMA to provide insurance coverage for clients in Switzerland for direct non-life business.

Business is written through approved brokers that have been given authority to accept insurance contracts and settle claims or to place business on an open market basis. Brokers facilitate the risk transfer process between policyholders and underwriters. Clients can discuss their risk needs with a broker, a coverholder or a service company.

When placing a risk on the open market, a Swiss broker approaches the Lloyd's market, either by utilizing a Lloyd's broker, or directly if it is a Lloyd's broker itself. The broker is then able to work directly with the specialist underwriters for each syndicate who price, underwrite and handle any subsequent claims in relation to the risk. Alternatively, Lloyd's syndicates delegate underwriting authority to an appropriate third party – either a coverholder or service company.

A coverholder is a local intermediary who is given a Delegated Authority Contract (binder) to bind risks on Lloyd's behalf, within the parameters set out in the binder. The specific terms vary from binder to binder but cover matters such as the amount of premium and risk aggregate that can be bound, the nature of the risks to be bound, the terms and conditions for the risks, the pricing structure to be used and the authority to vary that pricing, the process to refer non-standard risks to the syndicate, and any claims handling or claims paying ability. A coverholder may hold more than one binder, which may be from more than one syndicate or company.

Members delegate all responsibility for management of the underwriting business of a syndicate to the managing agent. Managing agents may manage more than one syndicate. A service company is an approved coverholder that is wholly owned by the managing agent. It only holds binders with syndicates of the relevant managing agent however it is also able to sub-delegate underwriting authority to other coverholders (coverholders are not permitted to sub-delegate).

Lloyd's utilizes third party providers for the accounting and settlement processes to facilitate efficient processing of subscription business. Ins-sure Services Ltd and Xchanging Claims Services Ltd (collectively known as "Xchanging") service premiums and claims for Lloyd's and for insurance companies.

As well as providing accounting and settlement services to the Lloyd's syndicates, Xchanging provides services to the Corporation of Lloyd's (the "Corporation"), which provides infrastructure and governance for Lloyd's, and which undertakes as part of this service provision, centralized regulatory and tax reporting. Xchanging undertakes certain compliance checking services on behalf of Lloyd's and the Corporation, and applies coding to transactions to facilitate regulatory and tax reporting around the world. The Corporation, on behalf of Lloyd's, uses Xchanging data for these purposes as it provides a consistent approach to processing and coding, under a control framework subject to ISAE 3402 Type II Controls Assurance Report independent annual audit. The majority of Lloyd's regulatory reporting in Switzerland is based mainly on either (a) premiums reported by a Swiss intermediary or (b) where there is no such intermediary, premiums signed or reported through Xchanging. The majority of the claims and premiums are reported via Xchanging, while a small proportion is reported by local Swiss brokers and an even smaller proportion reported directly by managing agents.

2 Basis of presentation

Key Accounting and Valuation Principles

The annual accounts for Lloyd's Switzerland have been prepared in accordance with Swiss law and Swiss regulations. The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described below.

The Financial Information was authorized for issue by the Lloyd's General Representative for Switzerland on 27.04.2022.

Basis of preparation

The Financial Information is expressed in Swiss Francs, which is also the functional currency of the Business. The amounts presented in these Financial Statements are rounded to the nearest thousand, unless otherwise stated. The Financial Information is prepared on a going concern basis, under the Historical Cost Convention, except for investments that are accounted for at fair value. The Financial information is an aggregation of the bound asset balances, premium and insurance liabilities estimates for those Lloyd's syndicates underwriting business regulated in Switzerland, together with the income, expenses, assets and liabilities of the representative's office.

The Lloyd's Switzerland financial statements have been prepared on an aggregated basis. To the extent there are transactions and balances between syndicates or between syndicates and Lloyd's Switzerland, these have not been eliminated in preparing these financial statements.

Significant Judgments, estimates and assumptions

Preparation of the Financial Information requires management to make judgments, estimates and assumptions, which are described in the significant accounting policies below. These judgments, estimates and assumptions are based on the best knowledge that management possesses of relevant facts and circumstances, considering its past experience, and on measures that the Business may undertake in the future. Actual results may differ from these judgments, estimates and assumptions.

The judgments, estimates and assumptions having a significant impact on the amounts presented in the Financial Information are:

- Premium estimates
- Insurance liabilities estimates

Income taxes

Net Income is distributed to Lloyd's Underwriting Members in proportion to their participation and is subject to taxation in the hands of each Member. Therefore, no provision for income taxes is included in the Financial Information.

3 Significant accounting policies

a) Premiums

Premium written

Premiums are recorded gross of commissions and premium taxes.

The branch is reporting on behalf of a subscription market and written premium data is not available centrally. Therefore, as a proxy for such data, premium data is included (i) when it has been processed/recorded by Xchanging or directly by managing agents; or (ii) when cash for premiums reported by Swiss intermediaries to Lloyd's Switzerland has actually been received.

The written premium to date is calculated at a reserving class of business level by applying an assumed written premium pattern to the ultimate premiums. The assumed written premium patterns capture the percentage of the ultimate premium that is written at each development year.

Estimated future premiums

Future premium is the written premium less the premium signed to date. Future premium reflects business that has been written but may still be subject to timing and other adjustments. This is used as an exposure measure for actuarial reserve projections, which are on a full underwriting year basis.

The basis of estimating future premiums was refined in 2019 to one which better reflects written premium patterns for each class of business. This change has been applied from 1 January 2019 and as a result the impact of this change has been recognised in the income statement for the current year.

b) Acquisition costs

Brokerage and commission costs are reported on the same basis as written premiums, namely (i) when they have been processed/recorded by Xchanging or directly by managing agents; or (ii) when cash has been received for reported by Swiss intermediaries. These costs are earned using the same assumptions as for the earning of gross premiums.

c) Financial instruments

Investments

Purchases or sales of investments that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way purchases) are recognised on the settlement date.

Interest-bearing investments are measured at amortised cost. Interest is calculated using the effective interest method and recognised in the branch statement of income. The UBS fund is measured at market value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with original maturities of three months or less.

d) Recoverable from reinsurance – Reinsurance ceded

Because of the nature of Lloyd's operations, each syndicate year of account manages its own reinsurance which is specific to its risk profile. As syndicates tend to write an amalgamation of business with different levels of exposure, the reinsurance programmes are usually applied globally rather than at country specific levels. Therefore, no centralized information is available for reinsurance ceded pertaining specifically to the Swiss operations, however credit for reinsurance on claims liabilities are based on Lloyd's global reinsurance credit. This is a fixed reinsurance credit, (as per audited historic gross and reinsurance results), reduced for non-admissible reinsurers in line with FINMA's guidelines. A further 60% reduction was applied in the 2020 financial year as required by FINMA (20% reduction in 2019). The 2021 annual reporting does not include any credit for reinsurance, in line with the FINMA requirements to reduce the rate to zero and remove any impact of reinsurance in the Financial Statements.

e) Other Assets

Fixed assets are shown at original cost less accumulated depreciation, estimated to write them off evenly across their economic life.

f) Insurance liabilities

Insurance liabilities include case reserves, IBNR, unearned premiums, security and volatility reserves, pre-paid premium liability and ULAE.

Case Reserves

The case reserves undergo actuarial review as at 31 December each year. The details of the work carried out as part of this review and the results are set out in the responsible actuary's report to management. In addition, there is a quarterly review of the notified case reserves, changes in IBNR specifically for large losses and UPR. There is also a monthly review of the notified case reserves. Each of these reviews provides an indication of the adequacy of the bound assets and hence any subsequent action that may be required.

The classes of business considered are as follows:

- Accident (excluding UVG)
- Financial Loss (including Bail, Credit and Miscellaneous Financial Losses)
- Fire and Property Damage
- Liability
- Marine Aviation and Transport
- Motor (including Miscellaneous Motor and Motor Third Party Liability)
- Tourist Assistance

IBNR

The total gross premium, paid claims and outstanding claim data for each class is triangulated on an underwriting year basis and standard actuarial techniques are used to project the future developments on the years of account which have not yet fully run off.

The selected gross ultimate claims from these methods are then used to produce an estimate of the IBNR for each class of business by subtracting the incurred claims. This IBNR includes an estimate of the future claims anticipated from the unexpired portion of incepted risks and is compared against the UPR. Any IBNR in excess of the UPR is subsequently

booked in addition to the UPR. In the event of the UPR exceeding the IBNR, the UPR will be booked. This is in accordance with the Annexe to Form D.

Any changes in IBNR during the quarterly review relate specifically to large losses and this information is provided by syndicates upon request. UPR are also reviewed quarterly.

An estimate included for ULAE reserves on the claims liabilities described above is also included. Finally, there is an allowance for capital in respect of UVG (pensions) business.

Unearned Premiums

In addition to this calculation, the Unearned Premium Reserve ("UPR") is calculated by applying at a reserving class of business level an assumed written premium pattern to the written premiums to date. The assumed patterns capture the percentage of ultimate premiums that is written at each development year.

As described above, UPR forms a part of the total liabilities which are calculated quarterly and are used to establish the Bound Assets reserving requirement and therefore the adequacy of the Bound Assets. The larger of the UPR and IBNR is used in the calculation as per the approach agreed with FINMA.

UPR within the Income Statement is shown gross of deferred acquisition costs (DAC), with the movement in DAC being shown in 4(e) in the accompanying notes. The provision for UPR within the balance sheet is also gross of DAC.

Pre-Paid Premium Liability

In accordance with FINMA requirements highlighted in 2019, Lloyd's Switzerland is obliged to reserve for the liabilities for pre-paid premiums. The liability includes any signed premium incepted after the 31 December 2021.

Security and Volatility Reserves

In accordance with the FINMA requirements Lloyd's Switzerland is also required to hold security and volatility reserves. There are two components to this the fluctuation reserve and the credit equalisation reserve. The minimum and maximum boundaries of the fluctuation reserve are set by Lloyd's and are subject to annual review by Lloyd's. The credit equalisation reserve is set in accordance with the requirements of FINMA. The reinsurance described above is applied to the fluctuation reserve but not to the credit equalisation reserve.

g) Foreign currency translation

Monetary assets and liabilities are translated into Swiss Francs at the rates in effect at the schedule of assets and liabilities date. Revenues and expenses are translated using the spot rates prevailing at the dates of the transactions, or the average rate may be used when this is a reasonable approximation.

Principle Exchange Rates	<i>Balance Sheet at end-of-period</i>		<i>Income statement at average</i>	
	<i>exchange rate</i>		<i>exchange rates</i>	
CHF per foreign currency unit	31/12/2021	31/12/2020	31/12/2021	31/12/2020
GBP	1.2340	1.2083	1.2577	1.2041
USD	1.0977	1.1338	1.0938	1.0630
EUR	0.9652	0.9269	1.0810	1.0656

4 Information relating to items on the balance sheet and income statement

a) Receivables from Insurance business

	2021 CHF 000's	2020 CHF 000's
Policyholders	58,666	70,504
Agents and intermediaries	1,041	1,301
Recoverable expenses (professional fees re UVG)	10	7
Total receivables from insurance business	59,717	71,812

b) Reinsurers' share of technical reserves

	2021 CHF 000's	2021 CHF 000's	2021 CHF 000's
	Gross	Reinsurers' share	Net
Unearned premiums	154,701	-	154,701
Outstanding claims reserves – gross	340,150	-	340,150
Credit and fluctuation reserves – gross	125,299	-	125,299
Prepaid premium liability	1,370	-	1,370
Total insurance reserves	621,520	-	621,520

	2020 CHF 000's	2020 CHF 000's	2020 CHF 000's
	Gross	Reinsurers' share	Net
Unearned premiums	154,290	(13,645)	140,645
Outstanding claims reserves – gross	427,816	(47,308)	380,508
Credit and fluctuation reserves – gross	105,256	-	105,256
Prepaid premium liability	1,425	-	1,425
Total insurance reserves	688,787	(60,953)	627,834

c) Payables from Insurance business

	2021 CHF 000's	2020 CHF 000's
Policyholders	-	-
Agents and Intermediaries	1,498	1,571
Total other payables from Insurance business	1,498	1,571

d) Liaison account

	2021 CHF 000's	2020 CHF 000's
Opening Valuation	117,906	108,781
Bound Assets Movement	16,667	130,175
Net Premium Trust Fund Movement	3,970	(30,239)
Annual results	(7,691)	(90,811)
Closing Valuation	130,852	117,906

e) Acquisition costs

	2021 CHF 000's	2020 CHF 000's
Contract conclusion expenses	33,637	34,956
Movement on deferred acquisition costs	1,078	(236)
Reinsurance commissions and profit participation	(747)	(2,432)
Total acquisition costs	33,968	32,288

f) Investment Income and Expenses

	Other Investments		Cash and cash equivalents	
	CHF 000's 2021	CHF 000's 2020	CHF 000's 2021	CHF 000's 2020
Investment income				
Income	470	493	-	-
Realised gains	-	-	-	-
Value appreciations	-	-	-	-
Investment expenses				
Depreciation and amortisation	(523)	(518)	-	-
Realised losses	-	-	(3,549)	(3,183)
Bank charges	-	-	(236)	(201)
Net investment result	(53)	(25)	(3,785)	(3,384)

5 Covid-19 Pandemic

The impact of Covid-19 has been monitored on a quarterly basis as part of the actuarial review, using the most recent source of data available from the market to assess the potential impact of Covid-19 on the reserves.

The Covid-19 reserve estimation is calculated using the ultimate claim expectations relating to Covid-19 claims reported by syndicates, at a class of business and UWY level, allocated to Swiss regulated business based on the share of global premium in the relevant Lloyd's generic class of business. The emerging reported claims experience for Covid-19 is combined with the priori estimate in a credibility weighted approach.

The full details of the Covid-19 reserve estimate and limitations around the anticipated impact are provided in the responsible actuary's report to management.

6 Ukraine Crisis

The Russian invasion of Ukraine will have short, medium, and long-term impacts on both Lloyd's performance and balance sheet.

The primary sources of risk relate to underwriting exposure arising from sanctions, exposure within investment portfolios and the impact on operations. There is a high degree of uncertainty around the eventual outcomes at this point and we continue to monitor the situation closely.

Our assessment of the potential financial impact is ongoing and we are actively working with the Lloyd's market to continue our assessment of the situation. We are also working closely with governments and regulators across the world to ensure we interpret and enact sanctions requirements at pace, together with other legal and regulatory obligations.

At this early stage, it is difficult to assess the full financial impact of this crisis, however there are no indications that this will impact the Lloyd's market or Society of Lloyd's ability to satisfy regulatory capital requirements or meet their financial obligations.

7 Events after the reporting date

There are no material events after the balance sheet date. Subsequent events for the current reporting period have been evaluated up to 27.04.2022. This is the date on which the financial statements were approved by the Lloyd's General Representative for Switzerland.

8 Contingent liabilities

Lloyd's Switzerland has no contingent liabilities.

9 Liabilities to pension schemes

Lloyd's Switzerland has no liabilities to pension schemes.

10 Other required disclosures

Lloyd's Switzerland does not have any further disclosures under the Swiss Code of Obligations.