

Markel International Insurance Company Limited, Switzerland Branch Küsnacht: Report on Financial Condition

For year ended December 31, 2019

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1 Summary

The Branch Manager submits the Financial Condition Report ("FCR") for Markel International Insurance Company Limited, London, Switzerland Branch Küsnacht for the year ended 31 December 2019.

The results of the Branch, as set out in Section 3, show a pre-tax profit of CHF 232k for the year (2018, loss of CHF 1,336k). Profit after tax for the year was CHF 222k (2018, loss of CHF 1,347k). The Branch is primarily writing Trade Credit, Casualty and Professional Liability, as well as Equine and Marine Specie risks.

The Branch has an operating profit of CHF 248k for the year (2018, loss of CHF 1,669k).

2 Business Activities

2.1 Company Information

Name & Legal Form	Markel International Insurance Company Limited, London, Switzerland Branch Küssnacht A branch of Markel International Insurance Company Limited ("MIICL")
Firm Number	CHE – 375.129.748
Address	Limbergstrasse 34, CH-8700 Küssnacht, Switzerland
Supervisory Authorities	Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern
External Auditor	KPMG AG, Badenerstrasse 172, CH 8036 Zurich
MIICL's Immediate Parent	Markel Capital Holdings Limited, UK

2.2 Business Activities

MIICL is a subsidiary of Markel Capital Holdings Limited ("MCH"). Markel International Insurance Company Limited, London, Switzerland Branch Küssnacht ("the Switzerland branch") was opened in September 2014. The Switzerland branch has issued Swiss policies of insurance for Markel Assurance, Trade Credit & Equine teams. It holds licenses to write the following lines of business:

Class		Risks
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
B13	General liability	All risks
B14	Credit	All risks
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.

2.2.1 Equine

The Equine team underwrites equine and liability insurance with a diverse range of coverage for bloodstock. The equine account offers coverage for the widest range of needs from individual horse owners up to the largest breeding and racing operations.

2.2.2 Trade Credit & Surety and Political Risk

This team underwrites trade credit, political risk and contract frustration insurance, protecting sellers from the risk of buyer insolvency and other forms of counterparty risk.

The trade credit account coverage includes prepayment cover, insolvency and default, captive reinsurance, syndicated co-insurance solutions and financial institutions. Policies are designed to provide clients with certainty of cover and are underwritten with the aim of establishing a long-term partnership with the insured. The political risk and contract frustration account has a broad range of coverage including insolvency or default by either a public or privately owned entity, license cancellation, aircraft and vessel repossession, mortgage rights insurance and currency inconvertibility and exchange transfer. The surety account coverage

includes both contract bonds and commercial bonds. Whilst embedded within construction, surety bonds can be utilized across a wide variety of trade sectors and international markets.

2.2.3 Markel Assurance

Markel Assurance is focused on large accounts and complex risks, providing casualty and professional liability coverage for privately held companies and publicly traded companies.

2.2.4 Marine Specie

We have written Marine Specie business the first time in 2019 on the Swiss Branch. The Specie Account includes coverage for fine art, exhibition business and other aspects of valuable item insurance.

2.3 Business during 2019

Based on premium figures according to the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b OR), 79% (2017, 36%) of the gross written premium by the Switzerland Branch was General Liability, 20% (2017, 60%) was Credit and 1% (2017, 4%) was Other Damage to Property business.

2.4 Changes during 2019

2.4.1 Classes of Business

For 2019 there were no material additions to the classes of business previously offered.

3 Business Performance

3.1 Underwriting Performance

Gross written premiums for the year were CHF 7,144k (2018, CHF 5,479k), consisting of general liability business of CHF 5,344k (2018, CHF 4,305k), trade credit business of CHF 1,715k (2018, CHF 1,117k), equine business of CHF 75k (2018, CHF 57k), and marine specie business of CHF 10k (2018, CHF 0k).

Net written premiums for the year were CHF 2,553k (2018, CHF 1,346k), consisting of general liability business of CHF 972k (2018, CHF 484k), trade credit business of CHF 1,498k (2018, CHF 806k), equine business of CHF 74k (2018, CHF 56k), and marine specie business of CHF 10k (2018, CHF 0k). An internal quota share reinsurance arrangement existed for all general liability 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 CHF 911k of net claims incurred during the year (2018, CHF 3,320k). This includes on General Liability a gain of CHF 147k (2018, loss of CHF 2,641k), on Credit business a loss of CHF 941k (2018, loss of CHF 534k), and on Other Damage to Property business a loss of CHF 37k (2018, loss of CHF 64k), and a change in the Actuarial reserve a loss of CHF 79k (2018, loss of CHF 81). The operating result for the year was a profit of CHF 248k (2018, loss of CHF 1,669k).

3.2 Investment Performance

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

Consistent with the prior year, investment income of CHF 577k (2018, CHF 396k) has been more than offset by investment expenses of CHF 649k (2018, CHF 449k).

3.3 Performance of other activities

Not applicable.

3.4 Any other information

Not applicable.

Attachment 1: Finma rs 2019 02

Financial situation report: quantitative template "Performance Solo NL"																
Currency: CHF or annual report currency Amounts stated in millions																
	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
1	Gross premiums	5.5	7.1										4.3	5.3	1.2	1.8
2	Reinsurers' share of gross premiums	(4.1)	(4.6)										(3.8)	(4.3)	(0.3)	(0.2)
3	Premiums for own account (1 + 2)	1.3	2.5										0.5	1.0	0.9	1.6
4	Change in unearned premium reserves	(0.9)	(2.1)										(1.0)	(1.9)	0.1	(0.3)
5	Reinsurers' share of change in unearned premium reserves	0.9	1.4										0.9	1.4	(0.0)	(0.0)
6	Premiums earned for own account (3 + 4 + 5)	1.3	1.8										0.4	0.5	0.9	1.3
7	Other income from insurance business	0.0	0.0										0.0	0.0	0.0	0.0
8	Total income from underwriting business (6 + 7)	1.3	1.8										0.4	0.5	0.9	1.3
9	Payments for insurance claims (gross)	0.0	(0.0)										0.0	0.0	0.0	(0.0)
10	Reinsurers' share of payments for insurance claims	0.0	0.0										0.0	0.0	0.0	0.0
11	Change in technical provisions	(26.9)	1.4										(26.0)	2.6	(0.9)	(1.2)
12	Reinsurers' share of change in technical provisions	23.6	(2.3)										23.3	(2.5)	0.2	0.1
13	Change in technical provisions for unit-linked life insurance															
14	Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	(3.3)	(0.9)										(2.7)	0.1	(0.7)	(1.0)
15	Acquisition and administration expenses	(0.9)	(1.1)										(0.8)	(0.9)	(0.1)	(0.2)
16	Reinsurers' share of acquisition and administration expenses	1.0	0.8										0.9	0.7	0.1	0.1
17	Acquisition and administration expenses for own account (15 + 16)	0.1	(0.4)										0.1	(0.2)	0.0	(0.1)
18	Other underwriting expenses for own account	0.0	0.0										0.0	0.0	0.0	0.0
19	Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	(3.2)	(1.3)										(2.6)	(0.1)	(0.6)	(1.2)
20	Investment income	0.4	0.6													
21	Investment expenses	(0.4)	(0.6)													
22	Net investment income (20 + 21)	(0.1)	(0.1)													
23	Capital and interest income from unit-linked life insurance	0.0	0.0													
24	Other financial income	0.0	0.0													
25	Other financial expenses	0.3	(0.2)													
26	Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	(1.7)	0.2													
27	Interest expenses for interest-bearing liabilities	0.0	0.0													
28	Other income	0.3	(0.0)													
29	Other expenses	0.0	0.0													
30	Extraordinary income/expenses	0.0	0.0													
31	Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	(1.3)	0.2													
32	Direct taxes	(0.0)	(0.0)													
33	Profit / loss (31 + 32)	(1.3)	0.2													

Financial situation report: quantitative template "Performance Solo L"

Currency: CHF or annual report currency
Amounts stated in millions

	Total		Swiss business										Non-Swiss business	
	Previous year	Reporting year	Individual life		Group life		Unit-linked life insurance		Other forms of life insurance		Total		Total	
			Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1														
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Financial situation report: quantitative template "Performance Solo Reinsurance"

Currency: CHF or annual report currency
Amounts stated in millions

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	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	Previous year	Reporting year
1	Gross premiums															
2	Reinsurers' share of gross premiums															
3	Premiums for own account (1 + 2)															
4	Change in unearned premium reserves															
5	Reinsurers' share of change in unearned premium reserves															
6	Premiums earned for own account (3 + 4 + 5)															
7	Other income from insurance business															
8	Total income from underwriting business (6 + 7)															
9	Payments for insurance claims (gross)															
10	Reinsurers' share of payments for insurance claims															
11	Change in technical provisions															
12	Reinsurers' share of change in technical provisions															
13	Change in technical provisions for unit-linked life insurance															
14	Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)															
15	Acquisition and administration expenses															
16	Reinsurers' share of acquisition and administration expenses															
17	Acquisition and administration expenses for own account (15 + 16)															
18	Other underwriting expenses for own account															
19	Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)															
20	Investment income															
21	Investment expenses															
22	Net investment income (20 + 21)															
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)															
27	Interest expenses for interest-bearing liabilities															
28	Other income															
29	Other expenses															
30	Extraordinary income/expenses															
31	Profit / loss before taxes (26 + 27 + 28 + 29 + 30)															
32	Direct taxes															
33	Profit / loss (31 + 32)															

Financial situation report: quantitative template "Market-consistent Balance Sheet Solo"		Currency: CHF or currency for SST reporting Amounts stated in millions		
		Ref. date previous period	Adjustments previous period	Ref. date reporting year
Market-consistent value of investments	Real estate			
	Shareholdings			
	Fixed-income securities			
	Loans			
	Mortgages			
	Equities			
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Other investments			
	Total investments			
Market-consistent value of other assets	Financial investments from unit-linked life insurance			
	Receivables from derivative financial instruments			
	Cash and cash equivalents			
	Receivables from insurance business			
	Other receivables			
Total market-consistent value of assets	Other assets			
	Total other assets			
Total market-consistent value of assets				
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business			
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
	Reinsurers' share of best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business			
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
Market-consistent value of other liabilities	Non-technical provisions			
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business			
	Other liabilities			
Total BEL plus market-consistent value of other liabilities				
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities				

Financial situation report: quantitative template "Solvency Solo"				Currency: CHF or currency for SST reporting Amounts stated in millions
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market- consistent value of other liabilities			
	Deductions			
	Core capital			
	Supplementary capital			
	RBC			
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of target capital	Underwriting risk			
	Market risk			
	Diversification effects			
	Credit risk			
	Risk margin and other effects on target capital			
	Target capital			
		Ref. date previous period in %	Adjustments previous period in %	Ref. date reporting year in %
SST ratio	Risk-bearing capital / target capital			

Attachment 2: KPMG Audit Report

**Markel International Insurance Company Limited,
London, Switzerland Branch Kusunacht, Kusunacht**

Independent auditor's report
on the financial statements

Financial year 2019

KPMG AG
Zurich, 30. April 2020
Ref. JMW/MAK



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Independent auditor's report to the General Manager of:

Markel International Insurance Company Limited, London, Switzerland Branch Kusnacht, Kusnacht

As a federally-supervised audit firm, we have audited the accompanying financial statements of Markel International Insurance Company Limited, London, Switzerland Branch Kusnacht, which comprise the balance sheet as at December 31, 2019, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA 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 these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)" –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch office's internal control system.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements of Markel International Insurance Company Limited, London, Switzerland Branch Kusunacht as of and for the year ended December 31, 2019 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Markel International Insurance Company Limited, London, Switzerland Branch Kusunacht 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.

KPMG AG

Jean-Marc Wicki
*Licensed audit expert
Auditor in charge*

Mathew Ackland
Licensed audit expert

Zurich, 30 April 2020

Enclosure:

- Financial statements (balance sheet as at December 31, 2019, income statement, and notes)

Attachment 3: Stat Accounts

Markel International Insurance Company Limited, London, Switzerland Branch Küsnacht

Annual Financial Statements for the year ended December 31, 2019

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Balance Sheet

Assets

CHF k	Note	31.12.2019	31.12.2018
Fixed-interest securities		21,277	16,922
Cash and cash equivalents		4,904	4,684
Reinsurers' share of technical provisions	3	29,749	30,842
Deferred acquisition costs		768	324
Insurance receivables	1,5	4,597	3,013
Other assets		154	431
Prepaid expenses and accrued income	2	502	298
Total assets		61,951	56,514

Liabilities

CHF k	Note	31.12.2019	31.12.2018
Technical provisions	3	36,448	35,984
Ceded deferred acquisition costs		650	426
Insurance payables	4,5	3,620	300
Other liabilities	5	1,010	1,709
Account to Head Office	6	20,223	18,095
Total liabilities		61,951	56,514

Income Statement

CHF k	Note	31.12.2019	31.12.2018
Gross premium written		7,144	5,479
Premiums ceded to reinsurers		(4,591)	(4,133)
Net premiums written		2,553	1,346
Change in unearned premium reserves		(2,160)	(901)
Change in reinsurers' share of unearned premium reserves		1,426	851
Net premiums earned		1,819	1,296
Total technical income		1,819	1,296
Gross claims and claim expenses paid		(1)	0
Reinsurer's share of claims and claim expenses		1	0
Change in technical provisions	7	1,452	(26,881)
Change in reinsurers' share of technical provisions	7	(2,363)	23,561
Net claims and claim expenses incurred		(911)	(3,320)
Acquisition costs and administrative expenses		(1,119)	(866)
Reinsurers' share of acquisition costs and administrative expenses		756	966
Net acquisition costs and administrative expenses		(363)	100
Total technical expenses		(1,274)	(3,220)
Income from investments	8	577	396
Expenses from investments	8	(649)	(449)
Net income from investments		(72)	(53)
Other financial income/(expenses)		(225)	308
Operating result		248	(1,669)
Other income		0	333
Other expenses		(16)	0
Extraordinary income/expenses		0	0
(Loss)/ Profit before tax		232	(1,336)
Income tax		(10)	(11)
(Loss)/ Profit before tax		222	(1,347)

Notes to the Financial Statements – Markel International Company Limited, London, Switzerland Branch Küsnacht

Financial reporting policies

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b OR). Apart from the Swiss Code of Obligations, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5a ISO-FINMA, including Appendix) have been applied.

Foreign Currency Translation

The annual financial statements of Markel International Insurance Company Limited, Swiss Branch Kusunacht (“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:

	2019	2018
EUR	1.0848	1.1250
USD	0.9697	0.9844

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 year 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 International Services Limited (“MISL”).

Audit fees

All fees relate to audit services. They are paid for by MISL and recharged to The Branch. Estimated fees for 2019 are USD 50,500 (2018, USD 50,500).

Disclosures, breakdowns and explanations on Balance Sheet items

1. Insurance receivables

CHF k	31.12.2019	31.12.2018
Receivables from policyholders	4,597	3,013
Total	4,597	3,013

2. Prepaid expenses and accrued income

CHF k	31.12.2019	31.12.2018
Accrued interest on investments	502	298
Total	502	298

3. Technical provisions

	Technical provisions (gross)		Technical provisions (Reinsurers' share)		Technical provisions (net)	
CHF k	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Unearned premium reserve	4,177	2,036	2,992	1,572	1,185	464
Loss reserves	32,020	33,827	26,757	29,270	5,263	4,557
Actuarial IBNR	251	121	0	0	251	121
Total	36,448	35,984	29,749	30,842	6,699	5,142

4. Insurance payables

CHF k	31.12.2019	31.12.2018
Liabilities to policyholders	3,620	300
Total	3,620	300

5. Receivables from and liabilities to related parties

CHF k	Third-party	Affiliates	31.12.2019
Insurance receivables	4,597	0	4,597
Insurance payables	(3,620)	0	(3,620)
Other liabilities	0	(1,010)	(1,010)
Total	977	(1,010)	(33)

CHF k	Third-party	Affiliates	31.12.2018
Insurance receivables	3,013	0	3,013
Insurance payables	(300)	0	(300)
Other liabilities	0	(1,709)	(1,709)
Total	2,713	(1,709)	1,004

6. Statement of changes in Branch account

CHF k	Payable to Head Office	Voluntary retained earnings	Total account to Head Office
As of 31 Dec 2017	21,036	(8)	21,028
Profit/(Loss) for the period	0	(1,347)	(1,347)
Payments to Head Office	(1,586)	0	(1,586)
As of 31 Dec 2018	19,450	(1,355)	18,095
Profit/(Loss) for the period	0	222	222
Payments to Head Office	1,906	0	1,906
As of 31 Dec 2019	21,356	(1,133)	20,223

Disclosures, breakdowns and explanations on Income Statement items

7. Change in technical provisions

CHF k	Technical provisions (gross)		Technical provisions (Reinsurers' share)		Technical provisions (net)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Change in loss reserve	(1,531)	26,800	(2,363)	23,561	832	3,239
Change in actuarial reserve	79	81	0	0	79	81
Total	(1,452)	26,881	(2,363)	23,561	911	3,320

8. Investment result

CHF k	Current income	Amortization	Realised gains	Total Investment income	Investment management expenses, other investment expenses	Amortization	Realised losses	Total Investment income
	2019				2019			
Fixed-interest securities	577			577	(206)	(443)		(649)
Total	577	0	0	577	(206)	(443)	0	(649)

CHF k	Current income	Amortization	Realised gains	Total Investment income	Investment management expenses, other investment expenses	Amortization	Realised losses	Total Investment income
	2018				2018			
Fixed-interest securities	396			396	(136)	(313)		(449)
Total	396	0	0	396	(136)	(313)	0	(449)

Management report

The Branch was granted a license by FINMA to become an insurance branch in 2014 and is domiciled at Limbergstrasse 34, 8700 Küsnacht. The Branch began writing business in 2015.

As a consequence of the consolidation of the Markel Corporation's European underwriting entities in 2015 with the merger of Markel International Insurance Company Limited ("MIICL") and Markel Europe plc ("ME"), the renewal of business previously written by Markel Europe plc, Swiss Branch ("ME Branch") was offered by the Branch.

The merger of MIICL and ME was concluded at 00:01 GMT July 1, 2015 after which MIICL assumed all the rights and obligations of ME via an Irish Portfolio Transfer (defined in Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and regulation 12 of the European Communities Framework Regulations 1994) and a cross border merger under the European Communities (Cross Border Mergers) Regulations 2008. As a consequence of the cross border merger, ME was dissolved and no longer exists.

In addition, a separate Swiss Portfolio Transfer ("Swiss Transfer") was approved by FINMA on May 7, 2015 for the transfer of the entire insurance portfolio of the ME Branch to the Branch. The Swiss Transfer was undertaken simultaneously with the Irish Portfolio Transfer and the Cross Border merger. Furthermore the total of the Branch's Tied Assets were also transferred to the Branch.

The results of the Branch, as set out on page 3, show a pre-tax profit of CHF 232k for the year (2018, loss of CHF 1,336k). Profit after tax for the year was CHF 222k (2018, loss of CHF 1,347k).

Gross written premiums for the year were CHF 7,144k (2018, CHF 5,479k), consisting of general liability business of CHF 5,344k (2018, CHF 4,305k), trade credit business of CHF 1,715k (2018, CHF 1,117k), equine business of CHF 75k (2018, CHF 57k), and marine specie business of CHF 10k (2018, CHF 0k).

Net written premiums for the year were CHF 2,553k (2018, CHF 1,346k), consisting of general liability business of CHF 972k (2018, CHF 484k), trade credit business of CHF 1,498k (2018, CHF 806k), equine business of CHF 74k (2018, CHF 56k), and marine specie business of CHF 10k (2018, CHF 0k). An internal quota share reinsurance arrangement existed for all general liability 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 CHF 911k of net claims incurred during the year (2018, CHF 3,320k). The operating result for the year was a profit of CHF 248k (2018, loss of CHF 1,669k).

The Branch employed no employees during the year. All staff are employed by MISL.

The Branch invests exclusively in government bonds issued by the Swiss Confederation and the United States. In the current market environment, these show significantly less negative developments than the stock markets or other bonds. A deterioration in the credit rating of either issuer is highly unlikely. We therefore do not expect any longer-term negative impact on tied assets as a result of the Covid-19 pandemic.

Principal risks and uncertainties

MIICL has a risk register detailing the risks to which it is exposed, which includes all business underwritten by MIICL. Risks are grouped under the following categories:

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

A formal review by the Risk and Capital Committee and the MIICL Board of Directors (“MIICL Board”) occurs at least annually to ensure that the risk register identifies all the risks to which MIICL is exposed. Key controls are identified to mitigate each risk and quarterly confirmation is sought from the owners of these controls that they are in place and are operating effectively.

The MIICL Risk and Capital Committee meets quarterly to consider Key Risk Indicators and any risk issues that have arisen. These are summarised in the Chief Risk Officer’s quarterly report to the MIICL Board.

An Own Risk and Solvency Assessment report is produced being a forward looking assessment of the risk profile and adequacy of MIICL’s capital to meet solvency needs over the business planning time horizon. MIICL is in compliance with Solvency II.

MIICL has approval from the Prudential Regulation Authority to use an internal model to calculate the Solvency Capital Requirement under Solvency II.

Future 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.

The Branch does not anticipate any short or medium-term impact on our technical provisions related to Covid-19, which primarily consists of general liability, credit and surety, and equine insurance. These are not a direct consequence of the Covid-19 pandemic, unlike daily sickness benefits, business interruption, cancellation of events.

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

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