

# Toa Re Europe

## 2023 Results and 2024 Forecast

The main economy in focus of Toa Re Europe is the European Union which has recorded an increase in GDP of 0.4% for the 2023 year. The EU economy is expected to see a slightly higher, however still quite modest growth in 2024 with forecast now at ca. 1% according to the spring economic forecast prepared by the European Commission. On a positive side all member states are expected to return to growth in 2024. Notwithstanding evidence of cooling demand, the labour market remains tight with unemployment rate expected to remain at the 6.1% level. The strong labour market performance reflects favourable developments in both labour demand and labour supply, also due to migration. Inflation is set to decrease from 6.4% in 2023 to 2.7% in 2024 as disinflationary impulse of energy prices had largely died out. Food and non-energy industrial goods have now become the primary disinflation drivers and are expected to continue detracting from inflation over the forecast horizon, reflecting receding pipeline pressures. Service prices, in contrast, have so far contributed very little to the disinflation process, reflecting still elevated wage pressures. However, relatively weak economic momentum and decelerating wage growth should allow services inflation to ease over the forecast horizon. Expectations for imminent and decisive rate cuts across the world have been pared back, as underlying inflationary pressures - especially in the US - have proved more persistent than previously expected. In the euro area, where the European Central Bank last hiked its policy interest rates in September 2023, markets now expect a more gradual pace of policy rate cuts than in winter.

The European P&C market has shown further signs of hardening, however the momentum has slowed down, specifically related to catastrophe line of business, where capacity supply has been robust. The 1/1 renewal was more orderly than in previous year. The leading discussion points were around the impact of the Nat Cat events on the region and the modelling and risk assessment of such events by the industry, with inflation, higher interest rate environment and overall tightening of Terms and Conditions being in focus as well. Price increases on the Nat Cat business continued however largely differentiating by different territories as retrocession capacity was less constrained than in the previous year.

Following the broad regionwide increase to pricing, retention levels and tightening of Terms and Conditions last renewal, 2024 has seen a return of individual territories differentiating themselves from one another. Generally, loss free territories are being renewed at approximately +5-10% risk adjusted (after exposure

change) with broadly immaterial changes to limits and retention following the reset observed last renewal. Focus continued to be on attachment point of programs although movements in 2023 broadly adequate unless loss affected. Demand increase in limit less than expected, driven mainly in France and Germany, generally immaterial for the region as a whole.

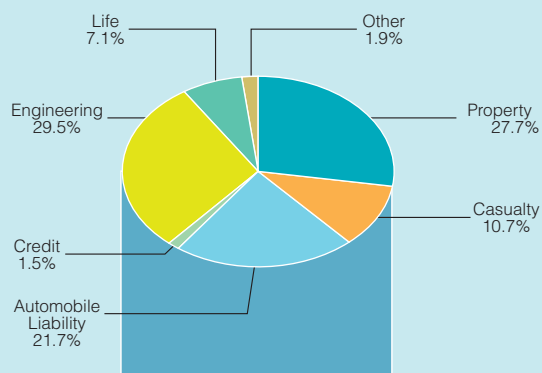
Toa Re Europe's 2023 gross premiums written decreased by 17% from 2022. This is mainly due to ongoing efforts to reunderwrite the property and catastrophe book of business and a reduction in Life business underwritten due to restrictions of the Group-wide capacity for the line of business. Total gross written premium amounted to 235.6 million CHF of which third party business was 223.4 million CHF and internal group related business was 12.2 million CHF. Toa Re Europe had a GAAP Net Earned combined ratio of 92.4% for 2023, which shows a significant improvement and positive effect of underwriting actions undertaken in the past renewals. GAAP after-tax net income was 2.5 million CHF for 2023. For the year, the market value of Toa Re Europe's cash and invested assets increased by 56 million CHF. Toa Re Europe's invested assets recorded an overall gross return of 2.7% for 2023. Shareholders' equity increased by 13 million CHF (3.8%) to 365 million CHF during 2023 mainly driven by the positive technical and investment results for the financial year 2023.

The Toa 21st Century (TTFC) is a fully owned subsidiary of The Toa Reinsurance Company Ltd. (Toa Re). It provides reinsurance protection for all lines of business to its parent company and since 2018 also to third party clients with a primary focus on the EMEA region and global specialties (e.g. engineering) as approved by the TTFC board and allowed by TTFC's insurance license. TTFC's strategic objectives are:

- To optimise value to the group and clients by writing life and non-life third party business in the EMEA region and selected specialty business with worldwide focus. The business unit providing reinsurance to third party is labelled and marketed as Toa Re Europe (TRE).
- To act as group risk carrier for peak risk and for regulatory and solvency reasons, writing Internal Group Reinsurance business, front business for the group or provide structured reinsurance solutions to group clients.

Toa Re Europe's forecast for 2024 anticipates that gross written premium of third party business will continue increasing modestly according to the business plan. Underwriting is expected to be profitable due to the prudent risk assessment and the hardening reinsurance market. The Toa Re Europe team will continue to build the franchise in the EMEA region and expand its business and client base.

## Gross Premiums by Class



## Financial Highlights

Years ended 31st December	U.S. GAAP Thousands of CHF		
	2023	2022	Percentage Change
<b>Summary of Operations</b>			
Gross Premiums Written	235,661	283,913	(17.0)%
Net Premiums Written	214,715	260,444	(17.6)
Pre-Tax Net Income (Loss)	9,571	(15,796)	(160.6)
After-Tax Net Income (Loss)	2,583	(10,442)	(124.7)
<b>Balance Sheets</b>			
Total Assets	977,519	891,190	9.7
Total Liabilities	611,697	538,754	13.5
Total Stockholders' Equity	365,822	352,435	3.8
<b>Cash Flows</b>			
Net Cash from Operations	66,830	24,107	177.2