

Toa Re Europe

2022 Results and 2023 Forecast

The main economy in focus of Toa Re Europe is the European Union which has continued on the 2021 post-COVID-19 rebound and recorded a 3.5% real GDP growth in 2022. The EU economy is expected to see a slower growth in 2023 with forecast now at 1% according to the spring economic forecast prepared by the European Commission. A record-strong labour market is bolstering the resilience of the EU economy with unemployment rate of 6.0% in March 2023. The EU labour market is expected to react only mildly to the slower pace of economic expansion. Employment growth is forecast at 0.5% in 2023. After peaking in 2022, headline inflation continued to decline and is projected to average 6.1% in 2023. More persistent core inflation could continue restraining the purchasing power of households and force a stronger response of monetary policy, with broad macro-financial ramifications. An expansionary fiscal policy stance would fuel inflation further, leaning against monetary policy action. In addition, new challenges may arise for the global economy following the banking sector turmoil or related to wider geopolitical tensions. On the positive side, more benign developments in energy prices would lead to a faster decline in headline inflation, with positive spillovers on domestic demand. Finally, there is persistent uncertainty stemming from Russia's ongoing invasion of Ukraine.

The European P&C market has shown increased signs of hardening due to poor underwriting results and loss developments of prior years. This was demonstrated with a very late and uncertain 1/1 renewal. There was some shortage of capacity seen especially on property and catastrophe lines of business. 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. Price increases on the Nat Cat business continued as retrocession capacity contracted as well. Inflation continues to be a core topic for the industry.

The reinsurance market conditions continued to improve. Loss affected programs have reported large price increases and there have been some knock-on effect on the rest of the reinsurance pricing with loss free programs mainly recording risk adjusted price increases. Aggregate and frequency covers continued to be

challenging to renew and required substantial terms or price changes or have not been renewed at all.

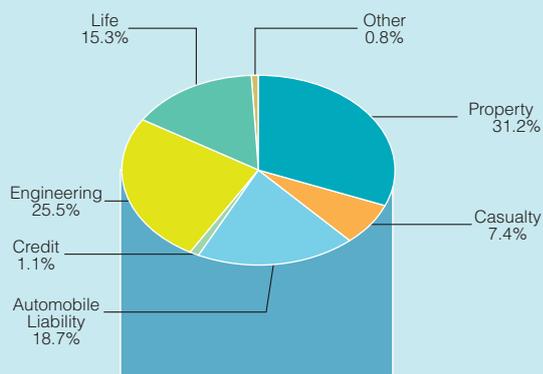
Toa Re Europe's 2022 gross premiums written increased by 16.4% from 2021. This is mainly due to continuous, planned growth of the third party business underwritten by the Swiss based legal entity. Total gross written premium amounted to 283.9 million CHF of which third party business was 265.5 million CHF and internal group related business was 18.4 million CHF. Toa Re Europe had a GAAP Net Earned combined ratio of 98.6% for 2022. The majority of the impact on the combined ratio came from slightly higher claims activity and inflationary effects on the reserves. GAAP after-tax net loss was 10.4 million CHF for 2022. For the year, the market value of Toa Re Europe's cash and invested assets increased by 60.9 million CHF. Toa Re Europe's invested assets recorded an overall gross return of (1.6%) for 2022. Shareholders' equity decreased by 34 million CHF (9%) to 352 million CHF during 2022 mainly driven by the negative result for the financial year 2022.

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 Toa Re or provide structured life reinsurance solutions to group clients.

Toa Re Europe's forecast for 2023 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		Percentage Change
	2022	2021	
Summary of Operations			
Gross Premiums Written	283,913	243,883	16.4%
Net Premiums Written	260,444	213,785	21.8
Pre-Tax Net Income (Loss)	(15,796)	(41,255)	(61.7)
After-Tax Net Income (Loss)	(10,442)	(37,158)	(71.9)
Balance Sheets			
Total Assets	891,190	823,328	8.2
Total Liabilities	538,754	436,530	23.4
Total Stockholders' Equity	352,435	386,797	(8.9)
Cash Flows			
Net Cash from Operations	24,107	46,019	(47.6)