



**AIG Life Insurance Company
(Switzerland) Ltd.**

**Financial Condition Report
2019**

30 April 2020



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Executive Summary

AIG Life Insurance Company Ltd. ("AIG Life" or the "Company") is incorporated in Switzerland and is a wholly owned subsidiary of the American International Group, Inc. ("AIG Inc."), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

The Company is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland.

The purpose of the Financial Condition Report (FCR) is to provide the reader with an understanding of the Company's Business and Performance, Systems of Governance, Risk Profile, Valuation for Solvency purposes and Capital Management.

The Company received on March 28, 2018 FINMA's decision to release AIG Life from the obligation of publishing some information ("light reporting") as foreseen by FINMA's circular 2016/02 marginal 16. Based on FINMA's decision AIG Life must publish the following information:

- Solvability (FINMA's circular 2016/02 marginal 73-82) (Section B)
- Tables of quantitative model for the market value balance sheet and the target capital (FINMA's circular 2016/02 marginal 102 and 104 and attachment 1) (Section B)
- Allowance for the light reporting (attachment 1)
- Annual report (Attachment 2)
- Sign off of the Financial Condition Report by the board of directors (Attachment 3)

Section A to the FCR provides information about the Company's business.

Section B provides information on SST (Swiss Solvency Test) valuation and in particular on the market consistent balance sheet items, the Target capital items and the changes from the prior year results. Furthermore, the following requirements as set in FINMA's circular 2016/02 marginal 73-82 are covered:

- Information regarding the choice of solvency model.
- Breakdown of target capital into its key components, including explanatory notes
- Breakdown of market risk and insurance risk into their key components, including explanatory notes
- Comparison with the corresponding information from the previous reporting period, including explanatory notes
- Breakdown of risk-bearing capital into its key components, including explanatory notes
- Comparison with the corresponding information from the previous reporting period, including explanatory notes
- Comments on the reported solvency.

The SST coverage is calculated as the ratio of the Company's total risk bearing capital reduced by the market value margin to the Capital for Insurance & Market & Credit risks (SCR). The SCR corresponds to the target capital reduced by the market value margin. The SST metrics are defined by the regulations. During the year, the company ensured compliance with SST requirements including



maintaining capital resources above the solvency capital requirements. As at 1st January 2020, the SCR is CHF 18.8m covered by CHF 28.5m of capital resources thus providing a 151.8% coverage ratio. The solvency (risk-bearing capital, target capital) amounts stated in the FCR are identical to the information submitted to FINMA. The SST amounts as at 1st January 2020 are still subject to regulatory audit.

The Company was fully compliant with SST during 2019.



AIG General Manager
Claudio Maffucci



A. BUSINESS

The 'Business' section of the report sets out the details regarding the business structure, key operations and market position of AIG Life Insurance Company (Switzerland) Ltd. ("AIG Life" or the "Company").

A.1 COMPANY INFORMATION

AIG Life is incorporated in Switzerland and is a wholly owned subsidiary of the American International Group, Inc. ("AIG Inc."), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

AIG Life was founded in 1962 and holds a life insurance license, a reinsurance license, an accident insurance license and an illness insurance license from the Swiss regulator FINMA. Currently the company is headquartered in Breganzona (Switzerland) and started its operations in 1963 under the name "Ticino Vita - Società d'assicurazioni sulla vita" in Lugano and was selling insurance policies to clients from Switzerland, especially to those from the Southern Italian-speaking canton Ticino, as well as clients from North Italy. Initially, customers from Switzerland bought mainly annual premium products, whereas the north Italian customers were more interested in single premium products.

In 1983, AIG Inc. bought 100% of AIG Life. This change in ownership had a positive impact on the business, which continued to expand until the late 1990's. In the late 1990's, due to AIG Inc.'s expansion into markets where AIG Life customers were located, AIG Inc. slowed the growth of the company. In July 2002, the Board of Directors of AIG Life and AIG Inc. decided to stop new business directly written by the Company. At 30th October 2019 AIG Life submitted to FINMA the official request to move into a run-off status. As part of the request the Company gave up the insurance licenses and a revised business plan was sent to FINMA. Thus the Company does not underwrite new business, does not maintain distribution channels and does not market products in any form. Furthermore, due to the long term new business stop status of AIG Life, the Company maintains only necessary operational structures to support the administration of the running off insured portfolio. In particular, in order to optimize costs, AIG Life has outsourced some of its administration services (in particular actuarial services and IT services) to external providers.



The company is FINMA authorised and regulated by the FINMA, and gave up the following licenses:

A	B	Business lines	
X		A1	Collective life insurance vocational provisions
X		A2.1	Capital insurance bound to parts of fund, with death or disability benefits
X		A2.2	Ditto, with additional guarantee in case of life
X		A2.3	Annuity insurance bound to parts of fund
X		A2.4	Life insurance bound to confined funds or other reference values, with death or disability benefits
X		A2.5	Ditto, with additional guarantee in case of life
X		A2.6	Pension insurance bound to confined funds or other reference values
X		A3.1	Individual capital insurance in case of death and life
X		A3.2	Individual pension insurance
X		A3.3	Other individual life insurances
X		A3.4	Collective life insurance outside vocational provisions
X		A4	Accident insurance
X		A5	Health insurance
X		A6	Operations of capitalization

Registered Office
AIG Life Insurance
Company (Switzerland) Ltd
Via Camara 19
6932 Breganzona (CH)
+41 91 960 48 48

Supervisory Authority
Swiss Financial Market
Supervisory Authority (FINMA)
Laupenstrasse 27
3003 Bern (CH)
+41 31 327 91 00

External Auditors
PricewaterhouseCoopers AG

Birchstrasse 160
8050 Zürich
+41 58 792 44 00

A.2 POSITION WITHIN THE GROUP LEGAL STRUCTURE

The company is a 100% subsidiary of AIG Inc. and is thus directly owned by AIG Inc. The company operates independently and almost all operational decisions are made locally.

A.3 MATERIAL PARTICIPATING UNDERTAKINGS

The company has no subsidiaries nor undertakings.

A.4 MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT

From an operating perspective, AIG Life forms part of the Legacy business module of AIG Inc.



The portfolio of AIG Life consists of the product types described in the following:

- Ordinary
 - o Endowment: A product providing a death benefit with an embedded investment element of a fixed term. This type of product provides a benefit regardless of whether the policyholder is alive or not and there is the possibility to increase such a benefit regularly throughout the duration of the policy.
 - o Whole of Life: A single (or annual) premium product, which provides a death benefit and also has an embedded investment element of variable term. The benefit is paid in the event of surrender or death.
 - o Risk Only: A life insurance product for which the benefit is payable only in case of the policyholder's death (which has to occur within the policy's duration, or in the event of the "fixed term product"; the benefit is payable only at the maturity). The policy itself has no value if the policyholder is alive at the expiry date (though any associated policy may have a value). In the case of the "fixed term product", if the policyholder dies before the maturity, no additional premium is due.
 - o Group Pension: A single premium product with a death benefit and amount payable at retirement.
- Annuities: A standard annuity product with guaranteed benefits paid on one or two lives either up to the death of the beneficiaries or up to a defined term. The annuity might be either deferred or in payment and both forms of premium payment single and regular, are available. The policyholder can include in the contract death benefit coverage in the form of a premium refund.
- Saving: Whole of Life saving products with an interest guarantee. In the case of death the saving amount is paid out to the beneficiaries.
- Unit Linked: Whole of Life or endowment type product invested in funds with a Guaranteed Minimum Death Benefit (GMDB). The policyholder bears the investment risk.
- Hospitalization: A regular premium life insurance product which provides daily benefits in the event of hospitalization according to a chosen plan (every admission into a clinic or hospital as a consequence of an injury or illness).
- Credit Life: Credit Life is liable for any outstanding debt the policyholder may leave behind in the event of death or disability.

It was possible to add the following riders to the main insurance policy:

In the event of disability

- Incapacity to work (annuity): This rider was available (1) as an annual benefit in the case of disability claim (incapacity to work) paid until the maturity of the main insurance policy or disability's disappearance or (2) as a lump sum. This rider cover was available only in case of simultaneous subscription of the waiver premium rider.
- Waiver of premium: This is a rider cover provided in case of policyholder's incapacity to work. This rider provides as its benefit the payment of the main cover premium.



In the event of death

- by accident: A supplementary benefit is due in the event of death by accident.
- Annuity (temporary): An annuity due to the policyholder in the event of death from insured death day to the maturity date of the main cover.
- Risk only (fixed term): A fixed benefit is provided in case of insured death within rider cover duration. This rider cover's duration cannot be higher than the duration of the main cover.

AIG Life products are either with profit participation or Index-linked and unit-linked insurance.

The following table shows the size of the insured portfolio by product class at 31st December 2019:

Product class	Number of covers	Statutory technical provisions
Ordinary	3219	63'622'354
Annuities	238	27'286'451
Saving	32	7'275'791
Unit Linked	6	329'973
Disabilities	1'668	12'327'855
Hospitalization	40	184'019

Table 1: Summary of the insured portfolio as at 31st December 2019

A.5 MATERIAL GEOGRAPHICAL LOCATIONS

AIG Life operates within Switzerland.



B. Solvency

The 'Solvency' section of the report describes the following:

- Valuation of assets, technical provisions and other liabilities from a statutory basis to a Solvency basis. This section contains quantitative and qualitative explanations of the main differences between the figures valued according to the SST principles (FINMA circular 2008/44) and those accounted for in the statutory balance sheet of AIG Life.
- Approach and methodology underlying the target capital valuation.

Key elements of the section include:

- Solvency model
- Risk bearing capital
- Target capital

The Target Capital within the Swiss Solvency Test is the amount of funds that the Company is required to hold in line with the capital requirements set in the Swiss insurance supervision act and ordinance. The Target Capital is a distribution based figure calibrated to ensure that all quantifiable risks are taken into account, including insurance, market, and credit risk.

The amount of the Target Capital at 1st January 2020 was CHF 23.4m for a SST ratio of 151.8% (175.3% in the prior year)

It is worth noting, that the Company capitalization within the SST is done by the ratio of (1) the Risk Bearing Capital reduced by the Market Value Margin and (2) the target capital amount without considering the Market Value Margin. The Target Capital reduced by the Market Value Margin (2) is called Capital for Insurance & Market & Credit risks ("SCR") within the SST valuation.

B.1 Solvency Model

As in the prior year AIG Life applies the SST Standard Model for calculating the target capital. On the 31st of October 2018 FINMA published a new version of the Standard Model for the SST calculation and delivered to the insurance companies a SST Tool set up by FINMA for calculating the SST under the Standard Model. The new FINMA SST model was used by AIG Life to produce the Target Capital components and amounts since the SST 2019.

The following simplification is used:

- Cash-flows are projected gross of reinsurance which is thus not considered for mitigating the impact of the risk exposure (e.g. the reinsurance participation in larger or more frequent claims).

The assessment of the Target Capital using the standard formula approach is based on a modular approach consisting of a core of life, market and credit risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. Extreme scenarios are then used for calibrating the impact in the distribution tail. Furthermore, the non-linearity impact in the distribution tail is considered as well when determining the Target Capital. The operational risk component is not quantified as part of the Target Capital. A qualitative analysis of that risk is performed within the ORSA.

Here, the "delta-RBC" (Δ RBC) approach is used for capturing the impact of the underlying risk module. Note that the expression Δ RBC has a sign convention whereby positive values signify a loss.



In order to calculate ΔRBC , the base scenario as well as the stressed assets and liabilities will need to be calculated. The difference between the base and the stressed assets and liabilities is the ΔRBC .

The ΔRBC is based on the market consistent balance sheet. No further risk mitigation techniques in addition to those considered within the MCBS (i.e. management of the run-off) are used in the calculation of the Target Capital.

B.2 Risk Bearing Capital

Company's Risk Bearing Capital ("RBC") is comprised of the following:

- The subscribed shareholder equity
- Statutory accumulated gains or losses
- Unrealized gains and losses resulting from the transition of both assets and liabilities from statutory to market consistent balance sheet ("MCBS").

The following table shows the risk bearing capital split into its main components comparing the amounts as at 1st January 2019 and as at 1st January 2020:

Risk Bearing Capital Components	1 st January 2020	1 st January 2019
Subscribed shareholder equity	18'435'580	18'423'580
Statutory accumulated losses	-3'191'730	-3'133'559
Unrealized gains on transition to the MCBS	18'001'750	22'802'784
Reduction	-111'411	-178'432
RBC	33'134'189	37'914'373

Table 2: Risk Bering Capital as at 1st January 2020 and 2019

The RBC decreased in 2019 by CHF 4.8m. Most of the drop can be explained as follows:

- The statutory accumulated losses slightly decreased by the gain of the financial year 2019 of CHF 0.1m
- The amortization of the real estate book value increased the unrealized gains by CHF 0.3m
- Both market yields and spreads on the bonds decreased in 2019 and thus the market value increased, resulting in larger hidden reserves on the bonds. The unrealized gains on the bonds increased indeed by CHF 3.3m
- The unrealized gains on transition to the best estimate liabilities reduced by CHF 8.4m due to (1) the further drop in the market yields and (2) the reduction of the statutory equalization reserve of CHF 3.1m. The release in the equalization reserve was indeed used to partly fund the new buyout reserve of CHF 5.8m set up at year-end 2019 for funding the campaigns planned in the next years to terminate the in force insurance contracts through surrender offers to the policyholders. The amount of the buyout reserve is transferred into the MCBS as well.



- The reduction applied within the RBC calculation is related to the intangible assets which are not allowed within the RBC.

The following subsections outline the structure of assets and liabilities as well as the changes in values since the prior year SST valuation.

B.2.1 Assets

The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the SST regime, including information on the basis, methods and The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the SST regime, including information on the basis, methods and assumptions utilised.

The assets table below shows the Market Consistent Balance Sheet line items as in the SST valuation, their corresponding statutory values, and the market value adjustments and reclassifications applied.

Assets - Market Consistent Balance Sheet	Notes	Statutory Accounts Value	SST Adjustment	SST Value
		In CHF	In CHF	In CHF
Goodwill		-	-	-
Deferred acquisition costs		-	-	-
Intangible assets		111'411	-	111'411
Deferred tax assets		-	-	-
Pension benefit surplus		-	-	-
Property, plant & equipment held for own use		6'814	-	6'814
Investments (other than assets held for index-linked and unit-linked contracts)	1	140'314'549	10'254'534	150'569'082
Property (other than for own use)		26'354'944	3'483'056	29'838'000
Holdings in related undertakings, including participations		-	-	-
Equities		-	-	-
Government Bonds		15'350'187	1'520'375	16'870'562
Corporate Bonds		98'609'418	5'251'102	103'860'520
Derivatives		-	-	-
Deposits other than cash equivalents		-	-	-
Other investments		-	-	-
Assets held for index-linked and unit-linked contracts		248'300	-	248'300
Loans and mortgages		418'557	-	418'557
Reinsurance recoverables		-	-	-
Deposits to cedants		-	-	-
Insurance and intermediaries receivables		285'828	-	285'828
Reinsurance receivables		112'308	-	112'308
Receivables (trade, not insurance)	2	555'408	519'860	1'075'268
Own shares (held directly)		-	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in		-	-	-
Cash and cash equivalents	3	3'121'999	-	3'121'999
Any other assets, not elsewhere shown		828'208	-	828'208
Total assets		146'003'382	10'774'394	156'777'775

Table 3: Market Values and statutory amounts of the assets as at 1st January 2020



1. INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

Investments are measured and carried at fair value in accordance with FINMA circular 2008/44. The following valuation principles are applied to the statutory amounts:

- Bonds and other fixed-interest bearing securities are valued according to the amortized cost-method, which prescribes that the difference between the purchase price and the amount to be repaid should be written off pro rata over the remaining period to maturity.
- Property at market value reduced by the annual depreciation.
- Deposits other than cash equivalents at par value.

The valuation difference of CHF 10.3m between statutory and SST relates to unrealized gains, i.e. differences between book and market value of the properties and the bonds.

2. RECEIVABLES (TRADE, NOT INSURANCE)

The CHF 0.5m difference between statutory and SST balance sheet results from the amount (fees) the company will receive in 2020 for the administration support delivered to American Security Life in Liechtenstein. In the statutory approach future fees resulting from that third party agreement are already considered within the statutory reserves. As under SST such that approach is not allowed only the fees outstanding for 2020 are recognised within the market consistent balance sheet as an asset.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises deposits with banks and cash.

Cash and deposits at banks are reported at par.

B.2.2 TECHNICAL PROVISIONS

The below technical provisions table has been extracted from the Market Consistent Balance Sheet which summarises the calculation of Technical Provisions using statutory reserves as the starting point.

Technical Provisions - Market Consistent Balance Sheet	Statutory Accounts Value	SST Adjustment	SST Value
	In CHF	In CHF	In CHF
Technical provisions - life (excluding index-linked and unit-linked)	126'037'017.9	(7'262'992.5)	118'774'025.4
Technical provisions – index-linked and unit-linked	248'300.0	74'215.4	322'515.4
Total Technical Provisions	126'285'317.87	(7'188'777.06)	119'096'540.81

Table 4: Market and statutory values of the technical provisions as at 1st January 2020

The significant difference in the Technical Provisions is due to the following:

- Statutory amounts are calculated using conservative approaches as required by FINMA and the Swiss Association of Actuaries and thus contain large prudence margins.
- Technical provisions under SST are calculated as best estimates and hence without risk margins.
- Equalization reserves are considered as part of the shareholder equity within the SST valuation whether in the statutory balance sheet are part of the technical provisions. Thus CHF 6.4m are moved into the RBC when moving from the statutory balance sheet into the SST MCBS.



The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. The cash flow projection used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime. Policy cashflows are modelled at a granular level (per policy basis in monthly or annual increments).

BEST ESTIMATE LIABILITY

In line with FINMA circular 2008/44, the best estimate liability ("BEL") is determined as a present value of the probability weighted future cash flows using the relevant risk-free interest rate term structure.

AIG Life does not perform a scenario based calculation (i.e. simulation techniques are not used). The calculation of BEL is based on deterministic techniques. This involves determining a fixed set of assumptions (i.e. best estimate assumptions) which are used to project cash flows and calculate the BEL. The uncertainty in the cash flows is embedded within the best estimate assumptions.

The above approach has been considered appropriate because of the size and complexity of the insured portfolio.

The projected cash flows are associated with existing contracts and obligations with uncertainty incorporated through an expected lapse rate. Lapse rates have been estimated based on company experience. Expected cash flows are also influenced by mortality, morbidity and expense assumptions (including expense overruns related to the company's run-off). These are updated each year based on company experience combined with industry data and reviewed and approved by the AIG Life management.

Assumptions are considered to be best estimate when they represent the "mean" or probability weighted average of possible outcomes to an uncertain event, i.e. actual experience could be equally likely to be better or worse than the assumption.

The calculation does not explicitly consider any other future management actions that may be taken to reduce the Company's risk exposure following certain events.

Furthermore best estimate liabilities are calculated gross, without deduction of the amounts recoverable from reinsurance contracts. The cash flows are therefore calculated gross of reinsurance recoveries expected from the reinsurance arrangement.

Market Value Margin

The Market Value Margin ("MVM") amounts to CHF 4.6m at 1st January 2020. Within the Solvency 2 valuations the MVM would correspond to the risk margin used to increase the Best Estimate Liabilities and get the technical provisions. Within the SST valuation the MVM is not part of the technical provisions and thus of the MCBS. However, the MVM is used to reduce the RBC when calculating the SST coverage ratio.

The risk capital components are projected for MVM purposes on the following drivers as stated in the SST Standard Model:

- Mortality: expected sum at risk
- Longevity: expected annuity outgoes
- Invalidity: expected invalidity risk premiums
- Reactivation: expected invalidity annuity outgoes
- Costs: expected costs (split BVG / non-BVG)
- Surrenders: expected surrender outgoes (split BVG / non-BVG)
- Capital option: expected cash-outs at retirement



Market risk

The impact on the non-hedgeable market risk is calculated directly within the new SST tool. No further inputs were required.

Credit risk

The credit risk calculation within the market value margin calculation is done directly within the new SST tool. No further inputs were required.

Scenarios

The impact of the scenarios within the market value margin calculation is done directly within the new SST tool. No further inputs were required.

B.2.3 OTHER LIABILITIES

The below liabilities table has been extracted from the Market Consistent Balance Sheet which details the calculation of SST values from statutory to SST. The below table should be viewed in conjunction with the explanatory notes.

Liabilities - Market Consistent Balance Sheet	Notes	Statutory Accounts Value	SST Adjustment	SST Value
		In CHF	In CHF	In CHF
Total Technical Provisions		126'285'318	(7'188'777)	119'096'541
Provisions other than technical provisions		500'000	-	500'000
Pension benefit obligations		-	-	-
Deposits from reinsurers		-	-	-
Deferred tax liabilities		-	-	-
Derivatives		-	-	-
Debts owed to credit institutions		-	-	-
Financial liabilities other than debts owed to credit institutions		-	-	-
Insurance & intermediaries payables	1	3'431'816	-	3'431'816
Reinsurance payables		-	-	-
Payables (trade, not insurance)		189'572	-	189'572
Subordinated liabilities		-	-	-
Any other liabilities, not elsewhere shown	2	352'826	(38'580)	314'246
Total liabilities		130'759'532	(7'227'357)	123'532'175

Table 5: Market and statutory values of the liabilities as at 1st January 2020

The valuation of liabilities other than technical provisions is recognised at face value.

1. INSURANCE & INTERMEDIARIES PAYABLE

Insurance and Intermediaries payables include the following:

- Payables to brokers	CHF	73'734
- Payables to policyholders:	CHF	2'093'944
- Prepaid premiums and premium deposits:	CHF	659'180
- Payables to reinsurers (third party):	CHF	604'958

Most of the amount results from pending benefit payments to policyholders due to pending claims and from premium deposits.



2. ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

The difference between the statutory and the market consistent balance sheet corresponds to the statutory differed tax liabilities which are set to 0 for SST purposes following the rule set in the SST Standard Model.

B.3 TARGET CAPITAL

The Target Capital is measured at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

The Target Capital is composed by the following risk items:

- Insurance Risk
- Market Risk
- Credit Risk
- Market Value Margin

The table below highlights the capital requirements for each risk module with the comparison to the prior year amounts as submitted to FINMA:

In CHF m	SST 2020	SST 2019
Insurance Risk		
Mortality	0.1	1.2
Longevity	1.7	1.5
Disability	0.1	0.2
Recovery rate	0.2	0.3
Cost	7.9	7.6
Lapse rate	0.1	0.2
Diversification	-1.9	-3.0
Insurance Risk (diversified)	8.2	8.0
Market Risk		
Interest rate	1.4	1.0
Spread	5.5	6.2
Currency	1.9	2.1
Real estate	5.2	5.2
Diversification	-4.6	-4.9
Market Risk (diversified)	9.4	9.7
Diversification	-4.4	-4.2
Insurance & Market (diversified)	13.2	13.4
Scenarios	3.9	3.8
Credit Risk	2.9	2.9
Expected financial result	-1.2	-1.2
SCR	18.8	19.0
Market Value Margin	4.6	4.7
Target Capital	23.4	23.6

Table 6: Target Capital amounts as at 1st January 2020 and 2019



The table shows that Company's target capital is mainly dominated by the following risk elements:

- The cost risk related to the fix expenses resulting from the administration of the running off portfolio.
- Real estate risk on the properties hold in the invested assets.
- The spread risk the bonds portfolio is exposed to. Similarly to the real estate risk there is indeed no offsetting impact from the market value of the liabilities.

Insurance Risk

AIG Life's Insurance risk is dominated by the risk related to the run-off costs. As this exposure reduces slowly over the years the capital amount on the insurance risk remained stable compared to the prior year. The changes in both mortality and longevity risk are namely linked to a change in the approach of measuring both risks. In the prior year the whole portfolio was considering in stressing the insured portfolio for the two risks. In the SST 2020 valuation only the annuity portfolio was considered in the longevity risk valuation whereas it was excluded in the mortality risk valuation. This approach is consistent with the rules set within the SST Standard Model.

The cost risk increased as result of the run-off costs revised to consider the run-off strategy the Company submitted to FINMA in autumn 2019.

Market Risk

AIG Life's market risk is dominated by spread risk and real estate risk. The overall market risk based on the delta-gamma approach has decreased by CHF 0.3 m compared to last year. The main changes in values with respect to last year are the following:

- The increase in the interest rate risk which resulted from the increase of the difference between liabilities' and assets' duration
- The decrease in the spread risk which resulted from the decrease in the assets duration and market value.

Credit Risk

AIG Life's Credit Risk Model is based on the FINMA standard model and parameterization. Credit risk results mainly from the bond portfolio and bank deposits. The total credit risk amounts to CHF 2.9m similarly to the prior year amount.



B.4 QUANTITATIVE REPORTS

This section contains the two quantitative reports required by FINMA Circular 2016/02 marginal 102:

Financial situation report: quantitative template
"Market-consistent Balance Sheet Solo"

Currency: CHF or
currency for SST
reporting
Amounts stated in
CHF

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
Market-consistent value of investments	Real estate	29'838'000		29'838'000
	Participations			
	Fixed-income securities	124'970'555		120'731'082
	Loans	527'217		418'557
	Mortgages			
	Equities			
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Structured products			
Market-consistent value of other assets	Other investments			
	Total investments	155'335'772		150'987'639
	Financial investments from unit-linked life insurance	218'357		248'300
	Receivables from derivative financial instruments			
	Deposits made under assumed reinsurance contracts			
	Cash and cash equivalents	3'407'209		3'121'999
	Reinsurers' share of best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding unit linked life insurance)			
	Reinsurance: life insurance business (excluding unit linked life insurance)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Reinsurance: non-life insurance business			
	Reinsurance: health insurance business			
	Direct insurance: other business			
	Reinsurance: other business			
	Direct insurance: unit-linked life insurance business			
	Reinsurance: unit-linked life insurance business			
	Fixed assets	9'287		6'814
	Deferred acquisition costs			
	Intangible assets	178'432		111'411
	Receivables from insurance business	406'216		398'136
	Other receivables	1'089'152		1'075'268
	Other assets			
	Unpaid share capital			
	Accrued assets	908'901		628'208
	Total other assets	6'217'554		5'790'136
Total market-consistent value of assets	Total market-consistent value of assets	161'553'326		156'777'775
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance liabilities	118'211'385		118'774'025
	Direct insurance: life insurance business (excluding unit linked life insurance)	117'599'369		118'223'461
	Reinsurance: life insurance business (excluding unit linked life insurance)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business	612'016		550'564
	Reinsurance: non-life insurance business			
	Reinsurance: health insurance business			
	Direct insurance: other business			
	Reinsurance: other business			
	Best estimate of provisions for unit-linked life insurance liabilities	274'714		322'515
Market-consistent value of other liabilities	Direct insurance: unit-linked life insurance business	274'714		322'515
	Reinsurance: unit-linked life insurance business			
	Non-technical provisions	500'000		500'000
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business	3'934'497		3'431'816
Total BEL plus market- consistent value of other liabilities	Other liabilities	176'505		189'572
	Accrued liabilities	363'418		314'246
	Subordinated debts			
Total BEL plus market-consistent value of other liabilities		123'460'521		123'532'175
Market-consistent value of assets minus total from BEL plus market- consistent value of other liabilities		38'092'806		33'245'600

**Financial situation report: quantitative template
"Solvency Solo"**

Currency: CHF or
currency for SST
reporting
Amounts stated in
CHF

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market- consistent value of other liabilities	38'092'806		33'245'600
	Deductions	-178'432		-111'411
	Core capital	37'914'373		33'134'189
	Supplementary capital			
	RBC	37'914'373		33'134'189

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of target capital	Underwriting risk	8'011'105		8156237.852
	Market risk	9'651'278		9388645.456
	Diversification effects	-4'218'874		-4202155.812
	Scenarios effects	3'818'956		3775158.484
	Credit risk	2'905'464		2864149.337
	Expected financial result	1'201'605		1190904.928
	Capital for Insurance & Market & Credit risk	18'966'325		18'791'130
	Risk margin and other effects on target capital	4'674'490		4'614'618
	Target capital	23'640'815		23'405'749

	Ref. date previous period	Adjustments previous period	Ref. date reporting year
	in %	in %	in %
SST ratio	175.3%		151.8%

27 MAR 2018



finma

Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

DÉCISION

de l'Autorité fédérale de surveillance des marchés financiers FINMA

du 26 Mars 2018

dans l'affaire

AIG Life Insurance Company (Switzerland) Ltd.

concernant

Obligation de publication alléguée selon l'art. 111a al. 5 OS



1 Sur la forme

La FINMA se prononce par la présente décision sur un allègement de l'obligation de publication, en application de l'art. 111a al. 5 de l'ordonnance sur la surveillance (OS; RS 961.011) en relation avec les art. 1 al. 1 let. g et 56 de la loi sur la surveillance des marchés financiers (LFINMA, RS 956.1).

2 Exposé des faits

En date du 22 février 2018, AIG Life Insurance Company (Switzerland) Ltd. (requérante) a déposé une demande d'allègement de l'obligation de publication selon l'art. 111a al. 5 OS.

La destinataire a reçu le projet de la présente décision en date du 6 mars 2018 pour garantir son droit à être entendue. Un délai lui a été imparti jusqu'au 13 mars 2018 pour une éventuelle prise de position. Elle a répondu par courriel du 12 mars 2018 et n'a pas exprimé d'objections.

3 Sur le fond (aspects juridiques)

Selon l'art. 111a al. 5 OS en relation avec les Cm 109 ss de la circulaire FINMA 2016/2 « Publication – assureurs », la FINMA peut, sous certaines conditions, exempter des entreprises d'assurance de l'obligation de publication.

Sur la base du Cm 115 de la circulaire précitée, la FINMA peut en principe libérer de l'obligation de publication des entreprises d'assurance qui ont renoncé à l'agrément pour exercer leur activité conformément art. 60 al. 1 de la loi sur la surveillance des assurances (LSA; RS 961.01), ne peuvent conclure de nouveaux contrats d'assurance (art. 60 al. 4 LSA) et liquident leur portefeuille conformément à un plan de liquidation approuvé (sociétés dites en « run off »). Une obligation de publication alléguée peut également être décidée au lieu d'une exemption totale.

Dans le cas d'assureurs-vie en liquidation, la pratique de la FINMA ne prévoit certes aucune exemption totale de l'obligation de publication, mais un allègement de cette obligation est possible. La FINMA tient compte du fait que les preneurs d'assurance pourraient avoir un intérêt à connaître ses indicateurs financiers. Le preneur d'assurance d'un contrat d'assurance-vie confie généralement des moyens financiers conséquents à l'assureur et reste de surcroît fréquemment tenu, dans le cadre de contrats à long terme, de continuer à payer régulièrement des primes à l'assureur. De ce fait, il a la possibilité d'être informé des principaux indicateurs et, au besoin, de réagir en réduisant ou en rachetant le contrat.

Avec l'obligation de publication alléguée, la FINMA tient compte du principe de proportionnalité en imposant à la requérante de publier uniquement les informations considérées dans ce cas comme pertinentes pour les preneurs d'assurance. Une publication réduite de la sorte paraît justifiée, non seule-

ment en raison du principe de proportionnalité, mais aussi des formulations très générales concernant les exceptions dans l'ordonnance et la circulaire (art. 111a al. 5 phrase 2 OS et Cm 115 de la circulaire FINMA 2016/02 « Publication - Assureurs »).

La requérante est un assureur-vie en liquidation et peut donc bénéficier d'une telle obligation de publication allégée. Cette obligation prévoit la publication des informations suivantes :

- I. Indications sur la libération de l'obligation de publier certaines informations (circulaire FINMA 2016/2, chiffre marginal 16)
- II. Rapport annuel (art. 961c al. 1 CO)
- III. Solvabilité (chiffres marginaux 73 à 82)
- IV. Modèle quantitatif « Bilan proche du marché » et « Solva indiv. » (chiffre marginal 102 et annexe 1, chiffre marginal 104)
- V. Approbation par le conseil d'administration (chiffre marginal 105)

Si la requérante devait envisager, par la suite, de reprendre son activité (c'est-à-dire de conclure de nouveaux contrats), elle devrait alors obtenir un agrément au sens des art. 3 et 6 LSA et serait en principe soumise à l'obligation de publication intégrale.

La présente décision se fonde sur les prescriptions prudentielles en vigueur au moment où elle est rendue et sur la pratique de la FINMA en matière de surveillance. Une adaptation de cette décision reste réservée si ces bases devaient changer.

4 Frais

Conformément à l'art. 15 al. 1 LFINMA, la FINMA perçoit des émoluments pour chaque procédure de surveillance et pour les prestations qu'elle fournit. Est notamment tenue de payer des émoluments toute personne qui provoque une décision (art. 5 al. 1 let. a de l'ordonnance sur les émoluments et les taxes de la FINMA [Oém-FINMA; RS 956.122]). L'art. 8 Oém-FINMA règle les tarifs des émoluments. Sur la base de ces dispositions, la FINMA prélève pour la présente décision un émolument de 787,50 CHF.

L'Autorité fédérale de surveillance des marchés financiers FINMA décide :

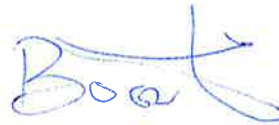
1. AIG Life Insurance Company (Switzerland) Ltd. est tenue de publier un rapport sur sa situation financière contenant les informations suivantes :
 - I Indications sur la libération de l'obligation de publier certaines informations (circulaire FINMA 2016/2, chiffre marginal 16)
 - II Rapport annuel (art. 961 c al. 1 CO)
 - III Solvabilité (chiffres marginaux 73 à 82)
 - IV Modèle quantitatif « Bilan proche du marché » et « Solva indiv. » (chiffre marginal 102 et annexe 1, chiffre marginal 104)
 - V Approbation par le conseil d'administration (chiffre marginal 105)
2. AIG Life Insurance Company (Switzerland) Ltd. doit s'acquitter d'émoluments d'un montant de 787,50 CHF pour la présente décision.

Autorité fédérale de surveillance des marchés financiers FINMA

Division Assurances



Peter Giger



Urs Bögli

Voies de droit :

La présente décision peut faire l'objet d'un recours auprès du Tribunal administratif fédéral (case postale, CH-9023 St-Gall) dans un délai de 30 jours. Le recours doit être motivé et déposé en deux exemplaires signés. La décision ainsi que les pièces invoquées comme moyens de preuve doivent être jointes au recours.

Notification à :

- AIG Life Insurance Company (Switzerland) Ltd., M. Claudio Maffucci, Via Camara 19, 6932 Breganzona (recommandé)

AIG Life Insurance Company (Switzerland) Ltd.

Breganzona

Report of the statutory auditor
to the General Meeting

on the financial statements 2019



Report of the statutory auditor

to the General Meeting of AIG Life Insurance Company (Switzerland) Ltd.

Breganzona

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of AIG Life Insurance Company (Switzerland) Ltd., which comprise the balance sheet, profit and loss statement and notes, for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity'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 entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Enrico Strozzi
Audit expert
Auditor in charge



Urs W. Hunziker
Audit expert

Zürich, 30 April 2020

Enclosures:

- Financial statements (balance sheet, profit and loss statement and notes)
- Proposed appropriation of the available earnings

AIG Life Insurance Company (Switzerland) Ltd., Breganzona

BALANCE SHEET 31.12.2019 AND 31.12.2018

	Notes	31.12.2019 CHF	31.12.2018 CHF
ASSETS			
Investments	4.1	140'733'106	148'685'304
<i>Real Estate properties</i>		26'354'944	26'638'423
<i>Bonds</i>		113'959'605	121'519'664
<i>Policy loans</i>		418'557	527'217
Investments for benefit and risk of policy holders	4.2	248'300	218'357
Cash and banks		3'121'999	3'407'209
Reinsurer's part in actuarial reserves	4.3	5'924'621	6'680'841
Fixed Assets	4.4	6'814	9'287
Intangible assets	4.5	111'411	178'432
Receivable from insurance business third parties	4.6	398'136	406'216
Other receivables third parties		555'408	548'392
Accrued income and prepaid expenses	4.7	828'208	908'901
<i>Third parties</i>		827'719	908'394
<i>Group companies</i>		489	507
Total assets		151'928'003	161'042'939
LIABILITIES			
Technical reserves	4.8	124'043'907	131'596'622
Technical reserves for benefit and risk of policyholders		248'300	218'357
Non-technical reserves	4.9	500'000	500'000
Policyholders' funds on deposit (interest bearing liabilities)		1'993'111	2'270'677
Reinsurance deposit		5'924'621	6'680'841
Liabilities insurance business third parties	4.10	3'431'816	3'934'497
Other liabilities		189'572	176'505
<i>Third parties</i>		169'508	157'220
<i>Group companies</i>		20'064	19'285
Tax provision		38'580	28'080
Deferred income and accrued expenses		314'246	335'339
Total current liabilities		136'684'153	145'740'918
Registered share capital		15'000'000	15'000'000
Statutory retained earnings		3'435'580	3'423'580

Carry-over from previous year
Loss/Profit of the year

-3'133'559
-58'171

-3'239'098
117'539

Shareholders' Equity

4.11

15'243'850

15'302'021

Total liabilities

151'928'003

161'042'939

Three handwritten signatures in blue ink. The first signature on the left is cursive and appears to be 'Adi'. The middle signature is a stylized, circular mark with a horizontal line through it. The signature on the right is also cursive and appears to be 'H. G. H.'.

AIG Life Insurance Company (Switzerland) Ltd., Breganzona

PROFIT AND LOSS STATEMENT YEAR 2019 AND YEAR 2018

		2019	2018
		CHF	CHF
Gross written premiums	5.1	2'111'554	2'490'141
Premiums ceded to reinsurers		-238'691	-281'748
Net premiums		1'872'863	2'208'393
Change in unwritten premium reserve (UPR) gross		67'531	58'158
Net premiums earned		1'940'394	2'266'551
Other income from the insurance business	5.2	697'770	611'375
Total income from underwriting business		2'638'164	2'877'926
Gross claims and benefits paid		-9'626'174	-16'506'374
Claims and benefits recovered from reinsurers		1'426'470	1'468'910
Total claims and benefits paid net		-8'199'704	-15'037'464
Change in technical reserves	5.3	7'296'941	11'553'692
Change in reinsurance reserves	5.4	-811'730	-1'369'318
Change in technical reserves for benefit and risk of policyholders	5.5	-36'385	2'981'493
Total expenses on insurance cases for own business		-1'750'878	-1'871'597
Commission and administrative expenses		-2'157'165	-2'166'280
Total expenses on underwriting business		-3'908'043	-4'037'877
Investment Income	5.7	3'307'779	3'669'310
Investment Expenses	5.8	-2'047'703	-2'319'067
Investment result		1'260'076	1'350'243
Investment result for benefit and risk of policyholders		39'170	9'676
Other financial income	5.9	190'160	225'780
Other financial expenses	5.10	-212'628	-270'878
Operating result		6'899	154'870
Other income	5.11	5'975	31'959
Other expense		-2'886	-4'438
Loss/Profit before taxes		9'988	182'391
Direct taxes	5.12	-68'159	-64'852
Profit/ Loss of the year		-58'171	117'539



NOTES TO THE FINANCIAL STATEMENTS 2019 AND 2018

1 General information

1.1 Company

Under the name of AIG Life Insurance Company (Switzerland) Ltd. exists a life insurance company in Lugano-Breganzona which was founded in 1962. The purpose is to carry out all transactions in relation to life insurance, complementary insurance, health and disability insurance and life annuity in different forms and applications: both in a direct way or through reinsurance. The Company can take part to other companies having similar purposes. The Company is registered under the number CHE-105.752.852. AIG Life Insurance Company (Switzerland) Ltd. is 100% under the supervision of AIG Group New York, that consolidates under U.S. GAAP.

1.2 Organization

Board members	Winslow, Adam Charles, British citizen, in London (UK), chairman Bintinger, Mark, USA citizen, in New York (US), member Cavadini, Roberto, from Mendrisio, in Pura, member
Appointed actuary	Ernst&Young, Zurich
Appointed auditors	PricewaterhouseCoopers AG, Zurich

1.3 Regulatory Authority

Eidgenössische Finanzmarktaufsicht (FINMA), Bern

1.4 Number of staff

AIG Life Insurance Company (Switzerland) Ltd. counts less than 10 employees in the annual average, full-time equivalents.

2 Basis for the preparation of the financial statement

The company is officially in a run-off status since October 30, 2019. FINMA accepted the corresponding change in the business plan in his decision of November 28, 2019.

The run-off status is a characteristic of the insurance business, which terminates with the liquidation of the company in the future. This process may last several years.

The financial statements 2019 of AIG Life Insurance Company (Switzerland) Ltd. have been prepared on a going concern base although the company is in a run-off status.



3 Recognized financial reporting principles

3.1 Financial reporting principles

These financial statements 2019 are prepared in accordance with the regulations of the Swiss Code of Obligations (32. Part of the Swiss Code of Obligations) and the Swiss Insurance Regulations. In accordance to art. 961 and ff. of the Swiss Code of Obligations, AIG Life Insurance Company (Switzerland) Ltd. renounced to the presentation of a Cash flow statement.

3.2 Reporting period

The annual financial reporting period starts on January 1 and ends the financial year on December 31.

3.3 Basic principles

The financial statements are expressed in Swiss Francs (CHF). Generally zero values and negative messages are not contained in these financial statements.

3.4 Principles of accounting

Our most important accounting principles are:

3.4.1 Real Estates

All real estates are valued at the purchase price, net of any provisions for impairment based on a lower close to the market price.

3.4.2 Bonds

All fixed income securities are valued at amortized cost value. Further credit risks are taken into account by means of impairments on bonds.

3.4.3 Policy loans

All policy loans are reported at nominal value.

3.4.4 Investments for benefit and risk of policyholders

Investments for benefit and risk of policyholders are valued at market value.

3.4.5 Technical reserves

Technical reserves are calculated by the appointed actuary in accordance with the FINMA approved business plan to cover the future obligations of the company sufficiently.

3.5 Currency translation

Balance sheet items requiring translation are measured at closing rates at balance sheet date. Transactions in the income statement are recorded at current exchange rates. Foreign exchange rate impacts are recognized in the income statement.



4 Explanations to the balance sheet

4.1	INVESTMENTS	Real Estates CHF	Bonds CHF	Policy Loans CHF	Total CHF
	01.01.2018	26'927'687	131'003'677	781'990	158'713'354
	Purchases		10'131'246		10'131'246
	Sales		-18'572'492	-254'661	-18'827'153
	Amortization	-289'264	-556'968		-846'232
	Impairment amortization				0
	Exchange difference		-485'799	-112	-485'911
	31.12.2018	26'638'423	121'519'664	527'217	148'685'304
	01.01.2019	26'638'423	121'519'664	527'217	148'685'304
	Purchases		2'497'108		2'497'108
	Sales		-8'997'425	-108'657	-9'106'082
	Amortization	-283'479	-594'966		-878'445
	Impairment amortization				0
	Exchange difference		-464'776	-3	-464'779
	31.12.2019	26'354'944	113'959'605	418'557	140'733'106

4.2 INVESTMENTS FOR THE BENEFIT AND RISK OF THE POLICYHOLDERS

The investments for benefit and risk of the policyholders are underlying with fund products "universe", which are valued at market prices.

4.3	REINSURER'S PART IN ACTUARIAL RESERVES	31.12.2019 CHF	31.12.2018 CHF
	Reinsurance case reserves	5'453'233	6'109'995
	Reinsurance disability reserves	471'388	570'846
	Total reinsurer's part in actuarial reserves (see note 4.8)	5'924'621	6'680'841

4.4	FIXED ASSETS	Office equipment CHF	Hardware CHF	Total CHF
	01.01.2018	7'127	5'275	12'402
	Purchases			0
	Sales			0
	Depreciation	-1'430	-1'685	-3'115
	31.12.2018	5'697	3'590	9'287
	01.01.2019	5'697	3'590	9'287
	Purchases			0
	Sales			0
	Depreciation	-1'251	-1'222	-2'473
	31.12.2019	4'446	2'368	6'814

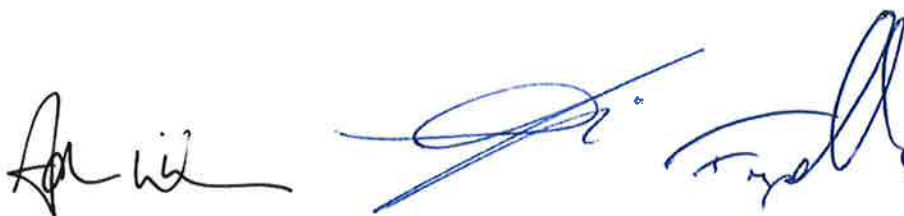
AIG Life Insurance Company (Switzerland) Ltd., Breganzona

4.5 INTANGIBLE ASSETS

	BCM Project	Software	Total
	CHF	CHF	CHF
01.01.2018	169'208	14'271	183'479
Purchases		91'040	91'040
Sales			0
Depreciation	-86'692	-9'395	-96'087
31.12.2018	82'516	95'916	178'432
01.01.2019	82'516	95'916	178'432
Purchases		37'270	37'270
Sales			0
Depreciation	-77'421	-26'870	-104'291
31.12.2019	5'095	106'316	111'411

4.6 RECEIVABLES FROM INSURANCE BUSINESS THIRD PARTIES	31.12.2019	31.12.2018
	CHF	CHF
Receivables from policyholders (premium due)	114'274	120'338
Receivables from policyholders (prepaid annuities)	171'554	199'031
Receivables from reinsurers	112'308	86'847
Total receivables from insurance business third parties	398'136	406'216

4.7 ACCRUED INCOME AND PREPAID EXPENSES	31.12.2019	31.12.2018
	CHF	CHF
Prepaid expenses	59'606	80'877
Coupons	768'113	827'517
Accrued income and prepaid expenses, third parties	827'719	908'394
Prepaid expenses, group companies	489	507
Total accrued income and prepaid expenses	828'208	908'901



AIG Life Insurance Company (Switzerland) Ltd., Breganzona

4.8 TECHNICAL RESERVES

	31.12.2018		
	Brut	Reinsurance ceded	Technical reserves for own account
	CHF	CHF	CHF
Case reserves	64'757'369	6'109'995	58'647'374
Disability reserves	3'756'997	570'846	3'186'151
Unearned premiums	397'977	0	397'977
IBNR Reserves	764'679	0	764'679
Reinforcement and Longevity fund	17'733'470	0	17'733'470
Reserves for fluctuation	9'533'676	0	9'533'676
Reserves for costs	34'069'386	0	34'069'386
Reserves for benefits to be liquidated	583'068	0	583'068
Total technical reserves	131'596'622	6'680'841	124'915'781

	31.12.2019		
	Brut	Reinsurance ceded	Technical reserves for own account
	CHF	CHF	CHF
Case reserves	59'203'369	5'453'233	53'750'136
Disability reserves	3'348'303	471'388	2'876'915
Unearned premiums	349'363	0	349'363
IBNR Reserves	574'418	0	574'418
Reinforcement and Longevity fund	16'096'903	0	16'096'903
Reserves for fluctuation	6'433'676	0	6'433'676
Reserves for costs	31'780'206	0	31'780'206
Reserve for buyout	5'782'599	0	5'782'599
Reserves for benefits to be liquidated	475'070	0	475'070
Total technical reserves	124'043'907	5'924'621	118'119'286

4.9 NON-TECHNICAL RESERVES

	31.12.2019	31.12.2018
	CHF	CHF
Reserve for potential litigations	500'000	500'000
Total non-technical reserves	500'000	500'000

4.10 LIABILITIES FOR INSURANCE BUSINESS THIRD PARTIES

	31.12.2019	31.12.2018
	CHF	CHF
Liabilities against policyholders	2'644'119	2'741'397
Liabilities against brokers	73'734	74'762
Liabilities against reinsurers	604'958	975'901
Deposit Manor	109'005	142'437
Total liabilities insurance business third parties	3'431'816	3'934'497

AIG Life Insurance Company (Switzerland) Ltd., Breganzona

4.11 SHAREHOLDERS EQUITY	01.01.2018	Shareholders meeting decisions	Profit of the year	31.12.2018
	CHF	CHF	CHF	CHF
Registered share capital	15'000'000			15'000'000
Statutory retained earnings	3'423'580			3'423'580
Carry-forward from previous year	-3'088'834	-150'264		-3'239'098
Profit of the year	-150'264	150'264	117'539	117'539
Total shareholders equity	15'184'482	0	117'539	15'302'021

	01.01.2019	Shareholders meeting decisions	Loss of the year	31.12.2019
	CHF	CHF	CHF	CHF
Registered share capital	15'000'000			15'000'000
Statutory retained earnings	3'423'580	12'000		3'435'580
Carry-forward from previous year	-3'239'098	105'539		-3'133'559
Loss of the year	117'539	-117'539	-58'171	-58'171
Total shareholders equity	15'302'021	0	-58'171	15'243'850

5 Explanations to the profit and loss statement

5.1 GROSS WRITTEN PREMIUM	2019	2018
	CHF	CHF
Ordinary	2'063'107	2'353'012
Independent disability	660	1'031
Hospital	18'516	19'318
Manor BdL	12'499	42'055
Unit Linked	0	35'019
Credit Life	16'772	39'706
Total gross written premium	2'111'554	2'490'141

5.2 OTHER INCOME FROM THE INSURANCE BUSINESS	2019	2018
	CHF	CHF
Income from outsourcing (TPA ASL Liechtenstein)	548'037	571'225
Income from forfeited irrecoverable	149'733	40'150
Total other income from the insurance business	697'770	611'375



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5.3	CHANGE IN TECHNICAL RESERVES	2019	2018
		CHF	CHF
	Case reserves	5'554'000	8'428'584
	Disability reserves	408'694	776'579
	Unearned premium reserves	48'614	58'813
	IBNR Reserves	190'261	49'104
	Reinforcement and Longevity fund	1'636'567	1'462'418
	Reserves for fluctuation	3'100'000	0
	Reserves for costs	2'289'180	985'361
	Reserve for buyout	-5'782'599	0
	Reserves for benefits to be liquidated	107'998	62'931
	Change in technical reserves (from balance sheet position)	7'552'715	11'823'790
	Change in unwritten premium reserve, gross *	-67'531	-58'158
	Exchange difference (included in other financial expense (+)/ income (-))	-188'243	-211'940
	Change in technical reserves (income statement position)	7'296'941	11'553'692

*presented separately in the income statement

5.4	CHANGE IN REINSURANCE RESERVES	2019	2018
		CHF	CHF
	Change in reinsurance reserves (from balance sheet position)	-756'220	-1'316'169
	Change in reinsurance claims reserves	-58'396	-56'790
	Exchange difference (included in other financial expense (+)/ income (-))	2'886	3'641
	Total Change in reinsurance reserves	-811'730	-1'369'318

5.5	CHANGE IN TECHNICAL RESERVES FOR BENEFIT AND RISK OF POLICYHOLDERS	2019	2018
		CHF	CHF
	Technical reserves for benefit and risk of policy holders	-29'943	2'989'461
	Exchange difference (included in other financial expense (+)/ income (-))	-6'442	-7'968
	Total Technical reserves for benefit and risk of policy holders	-36'385	2'981'493

5.6 PERSONNEL EXPENSES
 Personnel expenses for fiscal year 2019 amount to CHF 942'610 (2018: CHF 915'270) and are included in the line item "Commissions and administrative expenses".

5.7	INVESTMENT INCOME	2019	2018
		CHF	CHF
	Income from real estate properties (rent)	1'433'533	1'538'611
	Income from coupon bonds	1'803'227	2'005'666
	Variation of bonds' amortized cost	21'486	28'061
	Realized gain on bonds	22'322	0
	Interest income on policy loans	27'211	32'100
	Foreign currencies gains on investment	0	64'872
	Total Investment Income	3'307'779	3'669'310



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5.8	INVESTMENT EXPENSES	2019	2018
		CHF	CHF
	Amortization on real estate properties	-283'479	-289'264
	Amortized cost on bonds	-610'852	-569'940
	Charges for real estate properties	-495'887	-776'596
	Charges for bank investments and bonds	-163'960	-170'111
	Foreign currencies loss on investments	-493'525	-513'156
	Total investment expenses	-2'047'703	-2'319'067
5.9	OTHER FINANCIAL INCOME	2019	2018
		CHF	CHF
	Foreign currencies gains	188'095	215'926
	Other financial income	2'065	9'854
	Total other financial income	190'160	225'780
5.10	OTHER FINANCIAL EXPENSES	2019	2018
		CHF	CHF
	Interest expense included interest on reinsurance reserves	-207'133	-247'975
	Charges for other investment	-5'495	-7'721
	Foreign currencies loss	0	-15'182
	Total other financial expenses	-212'628	-270'878
5.11	OTHER INCOME	2019	2018
		CHF	CHF
	Release profit share accrued	0	3'248
	Release of other previous year's accruals	4'695	21'125
	Others	1'280	7'586
	Total other income	5'975	31'959
5.12	DIRECT TAXES	2019	2018
		CHF	CHF
	Municipal and cantonal taxes (current year)	-68'159	-64'852
	Total direct taxes	-68'159	-64'852

6 Other information

6.1 No derivative trading

Within the meaning of the Financial Market Infrastructure Ordinance (FMIO) Article 113 lit. 2, AIG Life Insurance Company (Switzerland) Ltd. does not currently deal in derivatives, and does not intend to deal in derivatives in the future. On this basis, the Company is exempted from the duty to regulate in writing the processes with which it ensures fulfilment of the duties with respect to the trading of derivatives pursuant to FMIO Article 113 para. 1.

6.2 Audit Fees

	2019	2018
	CHF	CHF
Statutory Audit Fees of PricewaterhouseCoopers AG	84'000	87'000
Regulatory Audit Fees of PricewaterhouseCoopers AG	46'000	67'000
Non-Audit fees of PricewaterhouseCoopers AG	0	0
Total audit fees	130'000	154'000

6.3 Significant events after the balance sheet date

No events which could have a significant impact on the financial statements of AIG Life Insurance Company (Switzerland) Ltd. were identified after the balance sheet date.

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PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

	31.12.2019
	CHF
Available earnings	
Carry-over from previous year	-3'133'559
Result of the year	-58'171
	-3'191'730
 Proposal of the Board of Directors	
Allocation of 10% of the profit of the year to the statutory retained earnings in accordance with FINMA rules	0
Carry-forward to next year	-3'191'730

Three handwritten signatures in blue ink, likely representing the Board of Directors, are written across the bottom of the page.

Minutes of the 177th Meeting of the Board of Directors of the AIG Life Insurance Company (Switzerland) Ltd. **held on April 30th, 2020 at 01:00 a.m.** at the offices of AIG Life, London, United Kingdom.

The Financial Condition Report has been finalized and is annexed as **Enclosure no. 5**.

The Board of Directors has taken vision of the FCR and approves it.