



Malbun Insurance AG

Financial Condition Report 2020

30 April 2021

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EXECUTIVE SUMMARY

Malbun Insurance AG ("Malbun" or the "Company") is incorporated in Switzerland and was a wholly owned subsidiary, under the name of AIG Life Insurance Company (Switzerland) Ltd., 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. On 31 December 2020, Skandia Leben AG, Pfäffikon, Switzerland, acquired AIG Life Insurance Company (Switzerland) Ltd. from its previous owner, AIG Inc., based in New York. The Swiss Financial Market Supervisory Authority ("FINMA") has approved this acquisition on 17 December 2020. Skandia Leben AG is held by SWISS INSUREVOLUTION PARTNERS Holding (CH) AG, a holding company of the life insurance group SWISS INSUREVOLUTION PARTNERS. As result of the transaction Company's name changed from AIG Life Insurance Company (Switzerland) Ltd. to Malbun Insurance AG.

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 Malbun Insurance AG from the obligation of publishing some information ("light reporting") as foreseen by FINMA's circular 2016/02 marginal 16. Based on FINMA's decision Malbun Insurance AG 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)

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 2021, the SCR is CHF 16.3m covered by CHF 30.2m of capital resources thus providing a 185.7% 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 2021 are still subject to regulatory audit.

The Company was fully compliant with SST during 2020.

This report was approved by the Board of Directors as per 23th April 2021 and signed by the Chairman of the Board at that date.

A handwritten signature in blue ink, appearing to read "Claudio Maffucci", is written over a faint, circular blue stamp.

Malbun Insurance AG 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 Malbun Insurance AG ("Malbun" or the "Company").

A.1 COMPANY INFORMATION

Malbun Insurance AG ("Malbun" or the "Company") is incorporated in Switzerland and was a wholly owned subsidiary, under the name of AIG Life Insurance Company (Switzerland) Ltd., 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. On 31 December 2020, Skandia Leben AG, Pfäffikon, Switzerland, acquired AIG Life Insurance Company (Switzerland) Ltd from its previous owner, AIG Inc., based in New York. The Swiss Financial Market Supervisory Authority ("FINMA") has approved this acquisition on 17 December 2020. Skandia Leben AG is held by SWISS INSUREVOLUTION PARTNERS Holding (CH) AG, a holding company of the life insurance group SWISS INSUREVOLUTION PARTNERS. As result of the transaction Company's name changed from AIG Life Insurance Company (Switzerland) Ltd. to Malbun Insurance AG.

Malbun Insurance AG 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 the Company. 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 Company's customers were located, AIG Inc. slowed the growth of the company. In July 2002, the Board of Directors of the Company and AIG Inc. decided to stop new business directly written by the Company. At 30th October 2019 the Company 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 the Company, Malbun maintains only necessary operational structures to support the administration of the running off insured portfolio. In particular, in order to optimize costs, Malbun 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
Malbun Insurance AG

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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 Skandia Leben AG and is thus directly owned by Skandia Leben AG. 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, Malbun is a 100% subsidiary of Skandia Leben AG.

The portfolio of Malbun Insurance AG 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.

Malbun Insurance AG 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 2020:

Product class	Number of covers	Statutory technical provisions
Ordinary	2945	57'435'225
Annuities	226	25'969'992
Saving	31	7'383'769
Unit Linked	6	334'573
Disabilities	1'522	11'641'815
Hospitalization	38	58'018

Table 1: Summary of the insured portfolio as at 31st December 2020

A.5 MATERIAL GEOGRAPHICAL LOCATIONS

Malbun Insurance AG 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 Malbun Insurance AG.
- 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 2021 was CHF 20.4m for a SST ratio of 185.7% (151.8% 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 Malbun Insurance AG applies the SST Standard Model for calculating the target capital. FINMA SST tool was used by Malbun Insurance AG to produce the Target Capital components and amounts since the SST 2019. For the SST 2021 the credit risk was still calculated using the Basel III approach instead of applying the Merton model as part of the opt-in option FINMA gave to the companies in calculating the credit risk.

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" (ΔRBC) approach is used for capturing the impact of the underlying risk module. Note that the expression ΔRBC 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 2020 and as at 1st January 2021:

Risk Bearing Capital Components	1 st January 2021	1 st January 2020
Subscribed shareholder equity	18'435'580	18'435'580
Statutory accumulated losses	-3'191'730	-3'191'730
Unrealized gains on transition to the MCBS	19'232'451	18'001'750
Reduction	-76'539	-111'411
RBC	34'399'762	33'134'189

Table 2: Risk Bering Capital as at 1st January 2021 and 2020

The RBC increased in 2020 by CHF 1.3m. Most of the increase can be explained as follows:

- The unrealized gains on the real estate decreased by CHF 0.1m as result of the reduction in the market value due to the properties valuations performed in 2020. The loss in market value was partly offset by the annual amortization of the properties book values.
- The market yields further dropped in 2020 increasing the market values of the bonds and thus the unrealized gains. However, the stressed economic condition increased the spreads on the bonds and thus eventually unrealized gains on the bonds decreased by CHF 0.4m
- The unrealized gains on transition to the best estimate liabilities increased by CHF 1.7m mainly due to the reduction in the cost components of the best estimate liabilities as the SST inflation curve used in projecting the cost significantly decreased in 2020. Furthermore, the statutory reinforcements were increased in 2020 as the result of a reduction in the valuation discount rate that was partly offset by the release of the equalization reserve. Eventually the margins within the statutory reserve slightly increased in 2020 generating additional unrealized gains within the RBC.

- 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		76'539	-	76'539
Deferred tax assets		-	-	-
Pension benefit surplus		-	-	-
Property, plant & equipment held for own use		4'514	-	4'514
Investments (other than assets held for index-linked and unit-linked contracts)	1	130'526'731	9'725'888	140'252'618
Property (other than for own use)		26'077'135	3'356'365	29'433'500
Holdings in related undertakings, including participations		-	-	-
Equities		-	-	-
Government Bonds		15'285'744	1'419'796	16'705'540
Corporate Bonds		89'163'852	4'949'726	94'113'578
Derivatives		-	-	-
Deposits other than cash equivalents		-	-	-
Other investments		-	-	-
Assets held for index-linked and unit-linked contracts		252'881	-	252'881
Loans and mortgages		362'043	-	362'043
Reinsurance recoverables		-	-	-
Deposits to cedants		-	-	-
Insurance and intermediaries receivables		249'997	-	249'997
Reinsurance receivables		22'920	-	22'920
Receivables (trade, not insurance)	2	488'266	507'980	996'246
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	4'385'872	-	4'385'872
Any other assets, not elsewhere shown		778'633	-	778'633
Total assets		137'148'395	10'233'868	147'382'263

Table 3: Market Values and statutory amounts of the assets as at 1st January 2021

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 9.7m 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 2021 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 2021 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)	117'294'081	(8'987'218)	108'306'863
Technical provisions - index-linked and unit-linked	252'881	46'379	299'260
Total Technical Provisions	117'546'961	(8'940'839)	108'606'123

Table 4: Market and statutory values of the technical provisions as at 1st January 2021

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 6.3m 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.

Malbun Insurance AG 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 Malbun Insurance AG 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 4.2m at 1st January 2021. 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		117'546'961	(8'940'839)	108'606'123
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	3'272'031	-	3'272'031
Reinsurance payables		-	-	-
Payables (trade, not insurance)		214'669	-	214'669
Subordinated liabilities		-	-	-
Any other liabilities, not elsewhere shown	2	370'883	(57'744)	313'139
Total liabilities		121'904'545	(8'998'583)	112'905'962

Table 5: Market and statutory values of the liabilities as at 1st January 2021

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	71'752
- Payables to policyholders:	CHF	2'163'355
- Prepaid premiums and premium deposits:	CHF	536'587
- Payables to reinsurers (third party):	CHF	500'337

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 2021	SST 2020
Insurance Risk		
Mortality	0.0	0.1
Longevity	1.9	1.7
Disability	0.1	0.1
Recovery rate	0.2	0.2
Cost	7.2	7.9
Lapse rate	0.1	0.1
Diversification	-2.0	-1.9
Insurance Risk (diversified)	7.5	8.2
Market Risk		
Interest rate	1.4	1.4
Spread	5.8	5.6
Currency	1.1	1.9
Real estate	5.4	5.2
Diversification	-4.2	-4.6
Market Risk (diversified)	9.6	9.4
Diversification	-4.1	-4.2
Insurance & Market (diversified)	13.0	13.3
Scenarios	1.5	3.8
Credit Risk	2.9	2.9
Expected financial result	1.1	1.2
SCR	16.3	18.8
Market Value Margin	4.2	4.6
Target Capital	20.4	23.4

Table 6: Target Capital amounts as at 1st January 2021 and 2020

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

Malbun Insurance AG's Insurance risk is dominated by the risk related to the run-off costs. As this exposure is exposed to inflation, the drop in the inflation rates observed in 2020 significantly reduced the capital amount on the insurance risk. The impact of the run-off costs also reduced for the amounts expensed in 2020.

All remaining insurance risk items remained stable with the longevity slightly increasing due to the increase in duration as result of the further drop in the yield curves.

Market Risk

Malbun Insurance AG's market risk is dominated by spread risk and real estate risk. The overall market risk based on the delta-gamma approach has increased by CHF 0.2 m compared to last year. The market risk is supposed to decrease over the years being the portfolio in run-off. In the SST 2021 valuation the volatilities generally increased. In particular the revised volatilities significantly impacted both spread and real estate risk components which increased instead.

Credit Risk

Malbun Insurance AG's Credit Risk Model is based on the FINMA Basel III standard model and parameterization. The Company decided to still apply the Basel III approach instead of the Merton model as foreseen by FINMA. 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		29'433'500
	Participations			
	Fixed-income securities	120'731'082		110'819'118
	Loans	418'557		362'043
	Mortgages			
	Equities			
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Structured products			
Market-consistent value of other assets	Other investments			
	Total investments	150'987'639		140'814'661
	Financial investments from unit-linked life insurance	248'300		252'881
	Receivables from derivative financial instruments			
	Deposits made under assumed reinsurance contracts			
	Cash and cash equivalents	3'121'989		4'385'872
	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	6'814		4'514
	Deferred acquisition costs			
	Intangible assets	111'411		76'539
	Receivables from insurance business	398'136		272'917
	Other receivables	1'075'268		996'246
	Other assets			
	Unpaid share capital			
	Accrued assets	828'208		778'633
	Total other assets	5'790'136		6'767'602
Total market-consistent value of assets		156'777'775		147'382'263
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance liabilities	118'774'025		108'306'863
	Direct insurance: life insurance business (excluding unit linked life insurance)			
	Reinsurance: life insurance business (excluding unit linked life insurance)	118'223'461		108'041'008
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Reinsurance: non-life insurance business	550'584		265'855
	Reinsurance: health insurance business			
	Direct insurance: other business			
	Reinsurance: other business			
	Best estimate of provisions for unit-linked life insurance liabilities	322'515		289'260
	Direct insurance: unit-linked life insurance business	322'515		289'260
	Reinsurance: unit-linked life insurance business			
Market-consistent value of other liabilities	Non-technical provisions	500'000		500'000
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business	3'431'816		3'272'031
	Other liabilities	188'572		214'669
	Accrued liabilities	314'246		313'139
Total BEL plus market- consistent value of other liabilities	Subordinated debts			
	Total BEL plus market-consistent value of other liabilities	123'532'175		112'905'962
Market-consistent value of assets minus total from BEL plus market- consistent value of other liabilities		33'245'600		34'476'301

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	33'245'600		34'476'301
	Deductions	-111'411		-76'539
	Core capital	33'134'189		34'399'762
	Supplementary capital			
	RBC	33'134'189		34'399'762

		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	8'156'238		7'509'198
	Market risk	9'388'645		9'578'924
	Diversification effects	-4'202'156		-4'050'723
	Scenarios effects	3'775'158		1'453'363
	Credit risk	2'864'149		2'925'661
	Expected financial result	1'190'905		1'131'724
	Capital for Insurance & Market & Credit risk	18'791'130		16'284'699
	Risk margin and other effects on target capital	4'614'618		4'156'988
	Target capital	23'405'749		20'441'687

	Ref. date previous period	Adjustments previous period	Ref. date reporting year
	in %	in %	in %
SST ratio	151.8%		185.7%



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 allégée 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 allégée 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. 111 a 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. 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)

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. 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)
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

A blue ink signature, appearing to be "PG", written in a stylized, cursive manner.

Peter Giger

A blue ink signature, appearing to be "Bögli", written in a stylized, cursive manner.

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)

Malbun Insurance AG

Breganzona

Report of the statutory auditor to General Meeting
on the financial statements 2020

Report of the statutory auditor

to the General Meeting of Malbun Insurance AG

Breganzona

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Malbun Insurance AG, which comprise the balance sheet, profit and loss statement, cash flow statement and notes, for the year ended 31 December 2020.

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 2020 comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG ist Mitglied eines globalen Netzwerks von rechtlich selbständigen und voneinander unabhängigen Gesellschaften.

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



Michael Stämpfli

Audit expert

Auditor in charge



Urs W. Frunziker

Audit expert

Zurich, 30 April 2021

Enclosures

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

Malbun Insurance Ltd., Breganzona
BALANCE SHEET 31.12.2020 AND 31.12.2019

	Notes	31.12.2020	31.12.2019
		CHF	CHF
ASSETS			
Investments	4.1	130'888'773	140'733'106
<i>Real Estate properties</i>		26'077'135	26'354'944
<i>Bonds</i>		104'449'595	113'959'605
<i>Policy loans</i>		362'043	418'557
Investments for benefit and risk of policy holders	4.2	252'881	248'300
Cash and banks		4'385'872	3'121'999
Reinsurer's part in actuarial reserves	4.3	4'843'687	5'924'621
Fixed Assets	4.4	4'514	6'814
Intangible assets	4.5	76'539	111'411
Receivable from insurance business third parties	4.6	272'917	398'136
Other receivables third parties		488'266	555'408
Accrued income and prepaid expenses	4.7	778'633	828'208
<i>Third parties</i>		778'633	827'719
<i>Group companies</i>		0	489
Total assets		141'992'082	151'928'003
LIABILITIES			
Technical reserves	4.8	115'595'778	124'043'907
Technical reserves for benefit and risk of policyholders		252'881	248'300
Non-technical reserves	4.9	500'000	500'000
Policyholders' funds on deposit (interest bearing liabilities)		1'698'303	1'993'111
Reinsurance deposit		4'843'687	5'924'621
Liabilities insurance business third parties	4.10	3'272'031	3'431'816
Other liabilities		214'669	189'572
<i>Third parties</i>		214'669	169'508
<i>Group companies</i>		0	20'064
Tax provision		57'744	38'580
Deferred income and accrued expenses		313'139	314'246
Total current liabilities		126'748'232	136'684'153
Registered share capital		15'000'000	15'000'000
Statutory retained earnings		3'435'580	3'435'580
Carry-over from previous year		-3'191'730	-3'133'559
Loss/Profit of the year		0	-58'171
Shareholders' Equity	4.11	15'243'850	15'243'850
Total liabilities		141'992'082	151'928'003




Malbun Insurance Ltd., Breganzona

PROFIT AND LOSS STATEMENT YEAR 2020 AND YEAR 2019

		2020	2019
		CHF	CHF
Gross written premiums	5.1	1'810'506	2'111'554
Premiums ceded to reinsurers		-200'605	-238'691
Net premiums		1'609'901	1'872'863
Change in unwritten premium reserve (UPR) gross		66'053	67'531
Net premiums earned		1'675'954	1'940'394
Other income from the insurance business	5.2	526'198	697'770
Total income from underwriting business		2'202'152	2'638'164
Gross claims and benefits paid		-10'017'572	-9'626'174
Claims and benefits recovered from reinsurers		1'478'442	1'426'470
Total claims and benefits paid net		-8'539'130	-8'199'704
Change in technical reserves	5.3	8'399'194	7'296'941
Change in reinsurance reserves	5.4	-1'086'044	-811'730
Change in technical reserves for benefit and risk of policyholders	5.5	-5'708	-36'385
Total expenses on insurance cases for own business		-1'231'688	-1'750'878
Commission and administrative expenses		-2'274'829	-2'157'165
Total expenses on underwriting business		-3'506'517	-3'908'043
Investment Income	5.7	3'250'174	3'307'779
Investment Expenses	5.8	-1'742'431	-2'047'703
Investment result		1'507'743	1'260'076
Investment result for benefit and risk of policyholders		8'467	39'170
Other financial income	5.9	25'074	190'160
Other financial expenses	5.10	-194'418	-212'628
Operating result		42'501	6'899
Other income	5.11	27'770	5'975
Other expense		-1'765	-2'886
Loss/Profit before taxes		68'506	9'988
Direct taxes	5.12	-68'506	-68'159
Loss/ Profit of the year		0	-58'171

Malbun Insurance Ltd., Breganzona

CASH FLOW STATEMENT	2020	2019
	CHF	CHF
Fund Cash		
Cash and banks	3'121'999	3'407'209
Total Fund Cash as per January, 1st	3'121'999	3'407'209
 Cash flow from operations		
<i>Profit / Loss of the year</i>	<i>0</i>	<i>-58'171</i>
<i>Depreciations (+) and appreciations (-)</i>	<i>1'048'198</i>	<i>1'449'985</i>
Depreciation bonds and policy loans (realized/unrealized losses)	733'218	1'059'742
Depreciation real estate properties	277'809	283'479
Depreciation fixed assets	2'300	2'473
Depreciation intangible assets	34'871	104'291
<i>Increase (+) and decrease (-) of reserves</i>	<i>-9'819'290</i>	<i>-8'556'559</i>
Technical reserves	-8'448'129	-7'552'714
Technical reserves for benefit and risk of policy holders	4'581	29'943
Policyholders' funds on deposit	-294'808	-277'567
Reinsurance deposit	-1'080'933	-756'220
<i>Other increases and decreases in assets and liabilities</i>	<i>1'206'240</i>	<i>337'769</i>
Decrease (+) and increase (-) receivable from insurance business third parties	125'219	8'080
Decrease (+) and increase (-) other receivables third parties	67'142	-7'015
Decrease (+) and increase (-) accrued income and prepaid expenses third parties	49'087	80'674
Decrease (+) and increase (-) accrued income and prepaid expenses group companies	489	18
Decrease (+) and increase (-) reinsurer's part in actuarial reserves	1'080'933	756'220
Increase (+) and decrease (-) liabilities insurance business third parties	-159'785	-502'681
Increase (+) and decrease (-) other liabilities third parties	45'162	12'288
Increase (+) and decrease (-) other liabilities group companies	-20'064	779
Increase (+) and decrease (-) deferred income and accrued expenses third parties	-1'107	-21'092
Increase (+) and decrease (-) tax provision	19'164	10'500
Total cash flow from operations	-7'564'852	-6'826'975
 Cash flow from investments		
Investments in bonds	-1'622'216	-2'497'108
Desinvestments in bonds	10'399'008	8'997'426
Investments in investments for benefit and risk of policyholder's	-4'581	-29'943
Investments in intangible assets	0	-37'270
Total cash flow from investments	8'772'211	6'433'105
 Cash flow from financing		
Desinvestments in policy loans	56'514	108'660
Total cash flow from financing	56'514	108'660
 Fund cash as per December, 31st	4'385'872	3'121'999
Cash and banks	4'385'872	3'121'999
Total Fund Cash as per December, 31st	4'385'872	3'121'999

NOTES TO THE FINANCIAL STATEMENTS 2020 AND 2019

1 General information

1.1 Company

Under the name of Malbun Insurance Ltd. (previously: 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.

On 31 December 2020, Skandia Leben AG, Pfäffikon, Switzerland, acquired AIG Life Insurance Company (Switzerland) Ltd. from its previous owner, AIG Inc., based in New York.

The Swiss Financial Market Supervisory Authority ("FINMA") has approved this acquisition on 17 December 2020. Skandia Leben AG is held by SWISS INSUREVOLUTION PARTNERS Holding (CH) AG, a holding company of the life insurance group SWISS INSUREVOLUTION PARTNERS.

1.2 Organization

Board members	Martin Vogl, German citizen, in Altendorf Eckhard Mihr, from Winterthur, in Lachen Jens Blohm, German citizen, in Gehrden (DE) Gerhard Frieg, German citizen, in Heidelberg (DE)
Appointed actuary	Ernst&Young, Zurich
Appointed auditors	PricewaterhouseCoopers AG, Zurich

1.3 Regulatory Authority

Eidgenössische Finanzmarktaufsicht (FINMA), Bern

1.4 Number of staff

Malbun Insurance 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 2020 of Malbun Insurance Ltd. have been prepared on a going concern base although the company is in a run-off status.

A handwritten signature in blue ink is visible on the right side of the page. To its right is a circular stamp containing the number '3' and some illegible text.

3 Recognized financial reporting principles

3.1 Financial reporting principles

These financial statements 2020 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, Malbun Insurance 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.

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4 Explanations to the balance sheet

4.1	INVESTMENTS	Real Estates CHF	Bonds CHF	Policy Loans CHF	Total CHF
	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
	Exchange difference		-464'776	-3	-464'779
	31.12.2019	26'354'944	113'959'605	418'557	140'733'106
	01.01.2020	26'354'944	113'959'605	418'557	140'733'106
	Purchases		1'622'216		1'622'216
	Sales		-10'399'007	-56'514	-10'455'521
	Amortization	-277'809	-616'859		-894'668
	Exchange difference		-116'360		-116'360
	31.12.2020	26'077'135	104'449'595	362'043	130'888'773

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	31.12.2020 CHF	31.12.2019 CHF
	Reinsurance case reserves	4'403'549	5'453'233
	Reinsurance disability reserves	440'138	471'388
	Total reinsurer's part in actuarial reserves (see note 4.8)	4'843'687	5'924'621

4.4	FIXED ASSETS	Office equipment CHF	Hardware CHF	Total CHF
	01.01.2019	5'697	3'590	9'287
	Purchases			
	Sales			
	Depreciation	-1'251	-1'222	-2'473
	31.12.2019	4'446	2'368	6'814
	01.01.2020	4'446	2'368	6'814
	Purchases			
	Sales			
	Depreciation	-1'138	-1'162	-2'300
	31.12.2020	3'308	1'206	4'514

  5

4.5 INTANGIBLE ASSETS

	BCM Project	Software	Total
	CHF	CHF	CHF
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
01.01.2019	5'095	106'316	111'411
Purchases			0
Sales			0
Depreciation	-5'095	-29'777	-34'872
31.12.2019	0	76'539	76'539

4.6 RECEIVABLES FROM INSURANCE BUSINESS THIRD PARTIES	31.12.2020	31.12.2019
	CHF	CHF
Receivables from policyholders (premium due)	93'064	114'274
Receivables from policyholders (prepaid annuities)	156'933	171'554
Receivables from reinsurers	22'920	112'308
Total receivables from insurance business third parties	272'917	398'136

4.7 ACCRUED INCOME AND PREPAID EXPENSES	31.12.2020	31.12.2019
	CHF	CHF
Prepaid expenses	61'974	59'606
Coupons	716'659	768'113
Accrued income and prepaid expenses, third parties	778'633	827'719
Prepaid expenses, group companies	0	489
Total accrued income and prepaid expenses	778'633	828'208

4.8 TECHNICAL RESERVES

	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

	31.12.2020		
	Brut	Reinsurance ceded	Technical reserves for own account
	CHF	CHF	CHF
Case reserves	53'242'662	4'403'549	48'839'113
Disability reserves	3'044'070	440'138	2'603'932
Unearned premiums	283'307	0	283'307
IBNR Reserves	578'247	0	578'247
Reinforcement and Longevity fund	16'205'037	0	16'205'037
Reserves for fluctuation	6'300'035	0	6'300'035
Reserves for costs	29'795'437	0	29'795'437
Reserve for buyout	5'782'599	0	5'782'599
Reserves for benefits to be liquidated	364'384	0	364'384
Total technical reserves	115'595'778	4'843'687	110'752'091

4.9 NON-TECHNICAL RESERVES

	31.12.2020	31.12.2019
	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

	31.12.2020	31.12.2019
	CHF	CHF
Liabilities against policyholders	2'618'772	2'644'119
Liabilities against brokers	71'753	73'734
Liabilities against reinsurers	500'337	604'958
Deposit Manor	81'169	109'005
Total liabilities insurance business third parties	3'272'031	3'431'816

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4.11 SHAREHOLDERS EQUITY

	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

	01.01.2020	Shareholders meeting decisions	Result of the year	31.12.2020
	CHF	CHF	CHF	CHF
Registered share capital	15'000'000			15'000'000
Statutory retained earnings	3'435'580			3'435'580
Carry-forward from previous year	-3'133'559	-58'171		-3'191'730
Result of the year	-58'171	58'171	0	0
Total shareholders equity	15'243'850	0	0	15'243'850

5 Explanations to the profit and loss statement

5.1 GROSS WRITTEN PREMIUM

	2020	2019
	CHF	CHF
Ordinary	1'779'280	2'063'107
Independent disability	660	660
Hospital	18'240	18'516
Manor BdL	7'612	12'499
Credit Life	4'714	16'772
Total gross written premium	1'810'506	2'111'554

5.2 OTHER INCOME FROM THE INSURANCE BUSINESS

	2020	2019
	CHF	CHF
Income from outsourcing (TPA ASL Liechtenstein)	525'964	548'037
Income from forfeited irrecoverable	0	149'733
Others	234	0
Total other income from the insurance business	526'198	697'770

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5.3	CHANGE IN TECHNICAL RESERVES	2020	2019
		CHF	CHF
	Case reserves	5'960'707	5'554'000
	Disability reserves	304'233	408'694
	Unearned premium reserves	66'056	48'614
	IBNR Reserves	-3'829	190'261
	Reinforcement and Longevity fund	-108'134	1'636'567
	Reserves for fluctuation	133'641	3'100'000
	Reserves for costs	1'984'769	2'289'180
	Reserve for buyout	0	-5'782'599
	Reserves for benefits to be liquidated	110'686	107'998
	Change in technical reserves (from balance sheet position)	8'448'129	7'552'715
	Change in unwritten premium reserve, gross *	-66'053	-67'531
	Exchange difference (included in other financial expense (+)/ income (-))	17'118	-188'243
	Change in technical reserves (income statement position)	8'399'194	7'296'941

*presented separately in the income statement

5.4	CHANGE IN REINSURANCE RESERVES	2020	2019
		CHF	CHF
	Change in reinsurance reserves (from balance sheet position)	-1'080'934	-756'220
	Change in reinsurance claims reserves	-5'482	-58'396
	Exchange difference (included in other financial expense (+)/ income (-))	372	2'886
	Total Change in reinsurance reserves	-1'086'044	-811'730

5.5	CHANGE IN TECHNICAL RESERVES FOR BENEFIT AND RISK OF POLICYHOLDERS	2020	2019
		CHF	CHF
	Technical reserves for benefit and risk of policy holders	-4'581	-29'943
	Exchange difference (included in other financial expense (+)/ income (-))	-1'127	-6'442
	Total Technical reserves for benefit and risk of policy holders	-5'708	-36'385



5.6 PERSONNEL EXPENSES

Personnel expenses for fiscal year 2020 amount to CHF 984'230 (2019: CHF 942'610) and are included in the line item "Commissions and administrative expenses".

5.7	INVESTMENT INCOME	2020	2019
		CHF	CHF
	Income from real estate properties (rent)	1'551'856	1'433'533
	Income from coupon bonds	1'663'974	1'803'227
	Variation of bonds' amortized cost	0	21'486
	Realized gain on bonds	12'047	22'322
	Interest income on policy loans	22'164	27'211
	Interest on cash and banks	133	0
	Foreign currencies gains on investment	0	0
	Total Investment Income	3'250'174	3'307'779

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5.8	INVESTMENT EXPENSES	2020	2019
		CHF	CHF
	Amortization on real estate properties	-277'809	-283'479
	Amortized cost on bonds	-612'148	-610'852
	Charges for real estate properties	-537'261	-495'887
	Charges for bank investments and bonds	-153'323	-163'960
	Foreign currencies loss on investments	-161'890	-493'525
	Total investment expenses	-1'742'431	-2'047'703
5.9	OTHER FINANCIAL INCOME	2020	2019
		CHF	CHF
	Foreign currencies gains	24'295	188'095
	Other financial income	779	2'065
	Total other financial income	25'074	190'160
5.10	OTHER FINANCIAL EXPENSES	2020	2019
		CHF	CHF
	Interest expense included interest on reinsurance reserves	-181'801	-207'133
	Charges for other investment	-5'316	-5'495
	Foreign currencies loss	-7'301	0
	Total other financial expenses	-194'418	-212'628
5.11	OTHER INCOME	2020	2019
		CHF	CHF
	Release of other previous year's accruals	21'530	4'695
	Others	6'240	1'280
	Total other income	27'770	5'975
5.12	DIRECT TAXES	2020	2019
		CHF	CHF
	Municipal and cantonal taxes (current year)	-68'506	-68'159
	Total direct taxes	-68'506	-68'159


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6 Other information

6.1 No derivative trading

Within the meaning of the Financial Market Infrastructure Ordinance (FMIO) Article 113 lit. 2, Malbun Insurance 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

	2020	2019
	CHF	CHF
Statutory Audit Fees of PricewaterhouseCoopers AG	82'000	84'000
Regulatory Audit Fees of PricewaterhouseCoopers AG	43'000	46'000
Non-Audit fees of PricewaterhouseCoopers AG	0	0
Total audit fees	125'000	130'000

6.3 Significant events after the balance sheet date

On February 16, 2021 the new Shareholder of AIG Life Insurance Company (Switzerland) Ltd., Skandia Leben AG, resolved to change the company name of AIG Life into Malbun Insurance Ltd. This change was entered into the Commercial Register on March 1, 2021.

Moreover, the company and its sole shareholder Skandia Leben AG, Pfäffikon, announced to the employees the plan to merge. The merger shall be performed upon formal decision of the Board of directors of the involved companies and upon approval by FINMA. Accordingly, the merger is expected to take place before end of June 2021.

In the context of the merger, Skandia Leben AG shall take over Malbun Insurance Ltd. with all assets and liabilities. Furthermore, as a result of the merger, all employment relationships of Malbun Insurance Ltd. will be transferred to Skandia Leben AG.

Handwritten signature and initials in blue ink. The initials 'M. L.' are on the left, and a stylized signature is on the right.

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PROPOSED APPROPRIATION OF THE AVAILABLE EARNINGS

	31.12.2020
	CHF
Available earnings	
Carry-over from previous year	-3'191'730
Result of the year	0
	-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

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