Echo Rückversicherungs-AG

Public Disclosure
Financial Condition Report 2024

Echo Reinsurance Ltd.

Echo Rückversicherungs-AG

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I. Management summary

Echo Reinsurance Ltd. (Echo Re) was established in November 2008 in Zurich as a public-limited company and received its reinsurance license from the Swiss Financial Market Supervisory Authority (FINMA). The company is a wholly owned subsidiary of DEVK Deutsche Eisenbahn Versicherung Sach- u. HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn with its headquarter in Cologne, Germany.

From a macroeconomic and geopolitical perspective, 2024 again posed challenges. The ongoing war in Ukraine and the escalating conflict in the Middle East added uncertainty. Inflationary pressures persisted, albeit at a slower pace compared to previous years. Despite this volatile environment, Echo Re remained resilient, unaffected by reinsurance losses stemming from war, credit events, or inflationary shocks. Additionally, the company's investment portfolio benefitted from increased interest rates, contributing positively to the overall performance.

As a continuation of the significant shifts in risk appetite introduced in 2023, the global retrocession and reinsurance market has experienced a year of transition throughout 2024. While renewals remained challenging at the beginning of the year 2024, available capacity and risk appetite for property catastrophe reinsurance and other lines of business increased as the year progressed. As a result, the retrocession and reinsurance market has reached a plateau which is reflected in a stabilisation of pricing and attachment levels, with some greater flexibility and consistency in the coverage offered.

Despite another year of insured losses from natural catastrophes exceeding USD 140 billion, the significant restructuring of reinsurance programs in recent years has resulted in a comparatively lower share of these losses being borne by the reinsurance and retrocession market. Given the continued risk awareness and pricing discipline of the reinsurance industry, the increased cost of reinsurance to cover losses from natural catastrophes has remained a challenge for direct insurance markets, which have not been able to pass these costs on to their underlying clients.

Echo Re has only experienced three large losses in 2024, namely floods in UAE in February and April 2024 with a combined claims burden slightly above CHF of CHF 10.0m, and typhoon "Yagi" with a claim amount of CHF 7.0m and the Hualien-EQ with a mid-single-digit CHF million claim. Besides this, no other major Cat-event or single large loss in 2024 represents more than 1% of our total premium volume. The total amount of claims from all major loss events (claims burden ⩾ CHF 250,000 for our share) amounted to approx. CHF 38.5m, which means that losses from Cat-events or single large losses represent just under 9.6% of our total premium volume.

Despite the global political and economic instability, the year 2024 proved to be profitable for the global reinsurance industry, primarily due to the absence of significant catastrophe losses in key insurance markets. As we enter 2025, it is evident that the shortage of catastrophe capacity observed in 2023 and to a lesser extent in 2024 has been further reduced. This improved the balance in the supply and demand for reinsurance capacity. In addition, more proactive renewal discussions have reduced the pressure on reinsurance placements while not eroding pricing discipline of the reinsurance and retrocession markets. However, upward pricing trend has been flattened during the January renewals with a stable to slightly reducing pricing environment.

Echo Re's strategic plan for 2025 revolves around further developing its portfolio in a profitable manner. The focus will be on the meticulous execution of our strategy, emphasizing the maximization of diversification in terms of both geography and product lines. This strategic approach aims to optimize the utilization of our capital, enhance the technical margin of our portfolio, and bolster our ability to absorb losses effectively.

II. Financial report of Echo Re

A. Business activities

A.1 Strategy

The DEVK Group pursues additional geographical diversification through its subsidiary Echo Re to enable it to participate in the high growth markets outside Europe and North America. Echo Re has built up and grown the international treaty reinsurance business since its founding, with the territorial scope being broadened successively, particularly in the Middle East, in Asia, in Africa (since 2012), in Latin America and in the Caribbean (since 2015), and in Australia/New Zeeland since 2022.

Echo Re focuses on non-life reinsurance through proportional and non-proportional treaties. Since its establishment, Echo Re has aimed to operate mainly outside Europe and North America.

Due to its current size, Echo Re has only rarely acted as a leading reinsurer to date and usually underwrites subsequent shares in the reinsurance segments it engages in. Alongside the focus on a regionally diversified expansion in the property segment, the company is focusing on further expanding the portfolio in specialty lines like Agriculture, Engineering, Marine & Energy, Credit & Bond and Affinity. The portfolio expansion aims to diversify business lines and regions, increasing the profit potential and resilience of technical results. Echo Re is also adding fronting business as opportunities arise.

Alongside the steps to make the reinsurance portfolio more resilient, Echo Re continues to invest in building up the organisation with a focus on steadily expanding the business as well as staff numbers. An important focus lays on the digitization and automation of the core business processes.

Echo Re does not have any branches outside Switzerland and does not underwrite any risks through managing general agents to ensure maximum control of its underwritten exposures.

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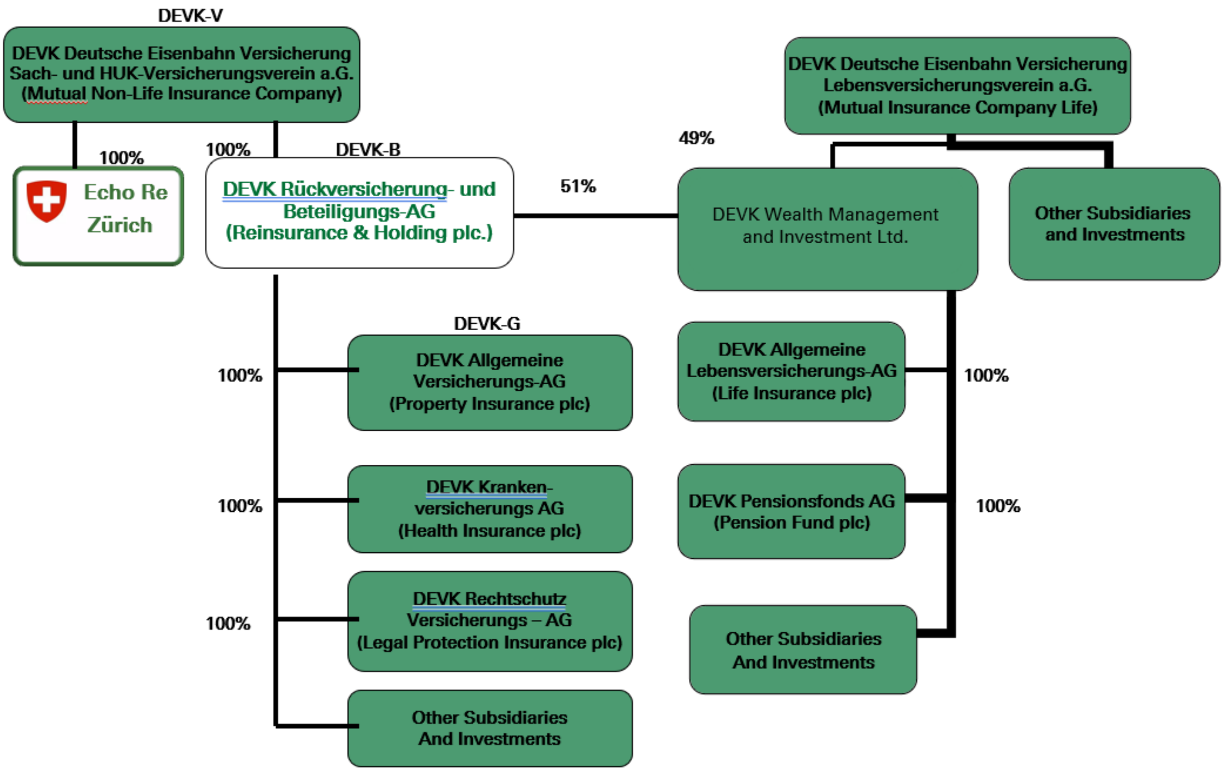
A.2 Group affiliation

The DEVK Group is a uniformly controlled group with two mutual insurance companies as parent companies. The DEVK Group has a history stretching back over 135 years and is mainly active in the primary life and non-life insurance segments. Within the Group, Echo Re is a wholly owned subsidiary of DEVK Deutsche Eisenbahn Versicherung Sach- u. HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn. Echo Re is one of two reinsurers within the DEVK Group alongside DEVK Re. The company has a strategic mandate to diversify the reinsurance portfolio in markets outside Europe (including Turkey and Israel) and North America.

A.3 Organisational chart of DEVK-group



A.4 External auditor

KPMG AG (Badenerstrasse 172, Zurich) has audited the financial statements 2024 of Echo Re in its function as the appointed external audit company. The responsible licensed audit expert was Mr. Nicolas Baumann.

B. Company performance

B.1 Technical result

Technical income	2024	2023
Gross premiums written	399'963'587,10	372'667'209,26
Reinsurance premiums ceded	-48'805'598,78	-73'963'667,85
Premiums written for own account	**351'157'988,32**	**298'703'541,41**
Change in unearned premiums, gross	-78'045'440,50	-41'218'265,54
Change in unearned premiums ceded	-418'021,46	386'505,87
Premiums earned for own account	**272'694'526,36**	**257'871'781,74**
Technical interest income	295'843,50	273'026,28
Other technical income for own account	7'104'167,38	8'680'693,25
Total technical income	**280'094'537,24**	**266'825'501,27**
Technical expenses		
Claims payments, gross	-119'696'414,83	-162'473'852,42
Claims payments ceded	23'971'001,95	43'455'082,62
Change in claims reserves, gross	-68'274'785,31	-24'794'728,51
Change in claims reserves ceded	-4'176'667,63	-20'039'119,31
~~Changes~~ in equalization reserves	-13'000'000,00	-2'500'000,00
Expenditures for claims incurred for own account	**-181'176'865,82**	**-166'352'617,62**
Acquisition costs, gross	-73'575'895,10	-76'044'550,00
General administrative expenses	-18'699'154,64	-14'787'400,54
Acquisition costs ceded	10'195'914,53	10'741'407,73
Acquisition and administration costs for own account	**-82'079'135,21**	**-80'090'542,81**
Other technical expenses for own account	-1'360'024,77	-1'807'066,72
Total technical expenses	**-264'616'025,80**	**-248'250'227,15**
Technical result	**15'478'511,44**	**18'575'274,12**

In 2024, gross premiums written (GWP) grew by 7.3% to CHF 400.0m mainly driven by business expansion and rate increases of the underlying portfolio. The GWP stem from external business (CHF 377.9m) and from fronting business (CHF 22.1m). The group-internal business was not renewed in 2024.

Property remains the largest line of business at 40.2%, followed by Affinity at 11.5% and Motor at 10.9%. Marine/Energy accounts for 9.1%, Agriculture for 8.2%, and Credit & Surety for 7.9%, enhancing portfolio diversification. Reinsurance premiums ceded decreased to CHF 48.8m due to reduced retroceded Fronting business (CHF 22.0m) and higher retentions in proportional retrocession with ceded premium reducing to CHF 26.8m. These factors led to a 5.7% increase in premiums earned for own account, totalling CHF 272.7m.

Other technical income for own account results from SLA fees for business originated for our sister company DEVK Re.

In 2024, gross claims payments decreased to 2023 by 26.3% to a total of CHF 119.7m due to cancellation of the group-internal business and reduced impact from fronting business.

The claims provisions (incl. IBNR) increased by CHF 68.3m, which is due to the reduced claims payments and underlying business growth. The largest individual losses (incl. actuarial IBNR calculation) in 2024 were the flood losses in the UAE (slightly above CHF 10.0m), typhoon “Yagi” in Vietnam and China (CHF 7.0m) and the “Hualien” earthquake in Taiwan (mid-single-digit CHF million claim). The major losses of the previous year were mainly settled as planned. The total gross claims burden from major losses amounted to CHF 38.5m, which corresponds to approx. 11.9% (previous year: 12.9%) of gross premiums earned. The equalisation reserve was increased by CHF 13.0m to CHF 23.0m.

Despite the growth in business, gross acquisition costs fell by 3.2% in absolute terms, while the share of acquisition costs attributable to retrocessionaires (CHF 10.2m) was almost at the previous year's level (CHF 10.7m). This development is also reflected in the gross (22.9%) and net (23.2%) acquisition cost ratios in 2024, which are below the level of 2023. General administrative expenses of CHF 18.7m (2023: CHF 14.8m) increased due to additional recruitments mainly in the Underwriting department, the one-time expenses for the office refurbishment and higher IT expenses because of launched digitisation and automation projects.

B. 2 Investments

Investments (CHF)		
Fixed income securities	366’043’059,52	281’544’517,54
Equities	11’844’162,70	12’678’020,73
Investment funds	2’351’663,10	0,00
Other investments	25’579’534,62	23’401’211,76
Fixed deposits	1’882’400,00	24’745’900,00
	407’700’819,94	**342’369’650,03**

Considering the book value in the balance sheet, the company’s investment portfolio consists mainly (89.3%) of fixed income securities with high ratings. The equities share decreased to 2.9% (2022: 3.7%) due to some portfolio restructuring. Investments in real estate and infrastructure participation (shown as “Other investments”) slightly increased, so that they still account for 6.8% of total investments. 0.6% of the portfolio was invested in investment funds and 0.4% short-term fixed deposits.

Investment income (CHF)	**10’505’533,38**	**9’307’086,92**
of which		
Income from fixed income securities	8’815’122,77	5’913’801,64
Income from equities	444’827,99	521’791,23
Income from investment funds	17’091,96	0,00
Income from participations	359’976,50	470’878,51
Income of Fixed Deposit	301’982,66	388’242,38
Other investment income	129,47	0,00
Write-ups on equities	478’521,85	1’738’553,47
Write-ups on investment funds	47’615,80	0,00
Realized gains on fixed income securities	0,00	5’369,40
Realized gains on equities	40’264,38	268’450,29
Realized gains on investment funds	0,00	0,00
Realized gains on participations	0,00	0,00
Investment expense	**1’712’113,85**	**1’460’187,57**
of which		
Bank und Asset Management	591’661,72	474’340,75
Expenses on fixed income securities	358’843,56	298’704,49
Expenses on equities	10’957,45	8’432,86
Amortization and impairment of fixed income securities	0,00	0,00
Amortization and impairment of equities	619’535,08	424’703,00
Amortization and impairment of investment funds	48’664,57	0,00
Realized losses on equities	82’451,47	254’006,47
Investment result	**8’793’419,53**	**7’846’899,35**

Investment income was composed of regular income from fixed securities which increased due to the higher volumes invested in a still favourable interest rate environment, dividends and income from participations. In total, investment income increased by CHF 1.2m compared to 2023 due to the higher income from fixed income securities while the write-ups on shares went down to CHF 0.5m (PY CHF1.7m). The realised gains on equities were relatively low (CHF 0.4m). Investment expenses consist of administration expenses (bank and asset management fees) and expenses related to portfolio movements or revaluations. Due to the positive stock market development, the impairments on equities remained low with CHF 0.6m (PY CHF 0.4m).

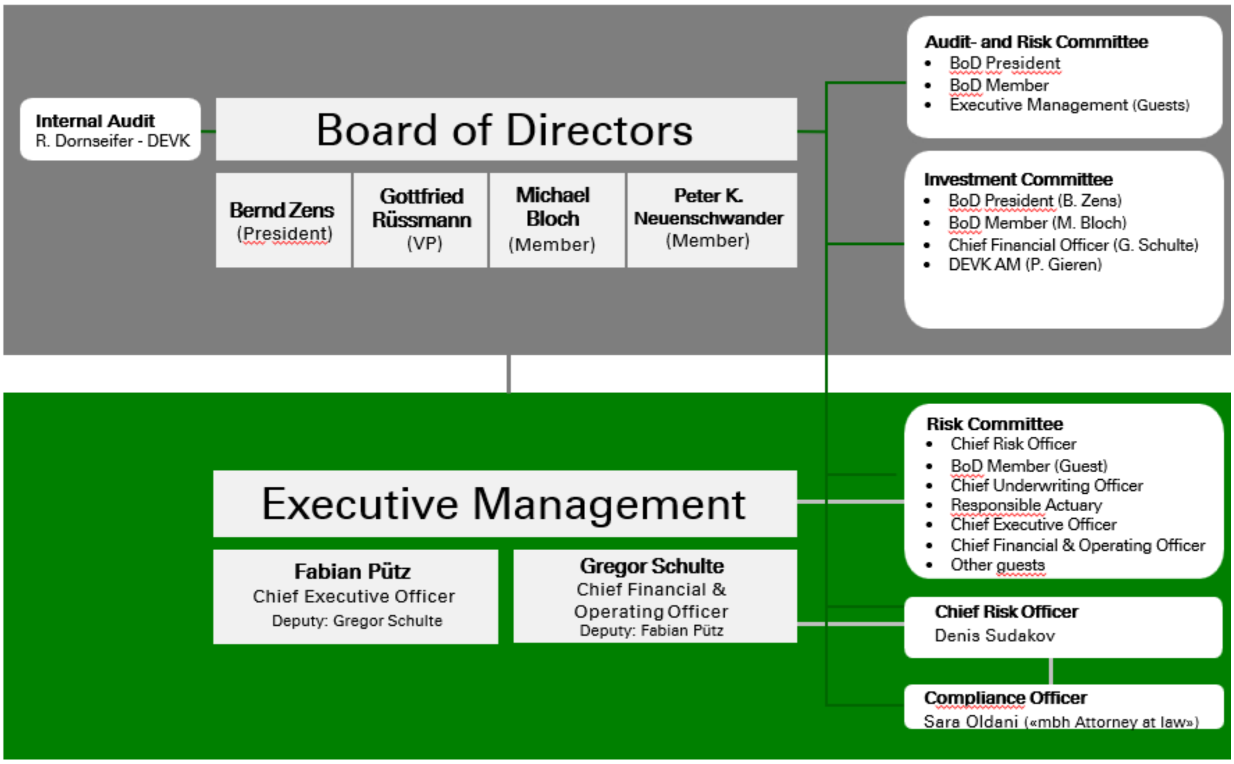
Non-technical result (CHF)	**2024**	**2023**
Investment income	10’505’533,38	9’307’086,92
Investment income	-1’712’113,85	-1’460’187,55
Investment result	**8’793’419,53**	**7’846’899,37**
Operating result	**24’271’930,97**	**26’422’173,49**
Other income	871’123,67	436’944,30
Other expenses	-25’642,17	-631’125,58
Foreign currency exchange gains	31’408’293,60	24’638’441,15
Foreign currency exchange losses	-31’315’068,22	-25’461’245,19
Result before taxes	**25’210’637,85**	**25’405’188,17**
Taxes	-5’158’077,19	-324’967,02
Result for the year	**20’052’560,66**	**25’080’221,15**

The foreign currency exchange gain of CHF 0.1m in total is caused by the slight revaluation of the USD and EUR against the CHF.

The result for the year of CHF 20.1m significantly outperformed the Plan 2024 (CHF 16.7m). The result will be carried forward.

C. Corporate governance and risk management

C.1 Organisational structure of Echo Re



The Board of Directors of Echo Re is composed of four members, of whom two are Board members of the parent company (Mr. Bernd Zens and Mr. Gottfried Rüssmann) and two members were appointed to the Board as independent outside parties (Mr. Michael Bloch and Mr. Peter K. Neuenschwander).

Since January 2023, the compliance function is outsourced to Ms. Sara Oldani, a lawyer at "mbh Attorney at law".

C.2 Risk management Framework of Echo Re

Echo Re's risk management framework consists of six elements: risk policy, risk management principles, risk management organisation (including the responsibilities at Board and management level), risk appetite framework, risk control framework (including risk management processes) and risk culture.

The **risk policy** describes and defines the organisational structure of risk management and how relevant risks are categorised, monitored, managed and reported.

The **risk appetite framework** sets out the overarching approach under which Echo Re assumes risks on a controlled basis and describes the risk types Echo Re either deliberately assumes or avoids. This framework establishes an appropriate balance between the risks assumed, the required risk capital and the return on capital. It is an integral component of the strategic planning process by setting out risk appetite for all material risks and describing a limit system and escalation processes in the event of limit breaches.

The **internal control system (ICS)** consists of the internal control measures used to monitor the core business processes and to reduce operating risks.

The retrocession strategy is essential to the company's business and risk management, aligning net earnings volatility with risk appetite.

C.3 Relevant lines of defence

Echo Re has built a "three lines of defence" model to ensure an appropriate governance structure:

- The first line of defence is the daily risk management by the business and support functions (including the design and implementation of controls).
- The second line of defence comprises the functions of risk management, compliance and appointed actuary. Its role is to independently supervise and monitor the assumption of risk, create transparency for the overall risk profile, ensure compliance with rules and guidelines and verify that the technical provisions are adequate.
- The internal audit outsourced within the DEVK Group is the third line of defence and enables an independent review of the company's organisational structure and processes (including risk management).

Echo Re's risk management works at several different levels:

- The Board of Directors (BoD) is the ultimate decision-making body at Echo Re assuming the ultimate responsibility for the establishment of an effective risk management framework. The BoD lays down the strategy and approves the risk management and ICS frameworks (including the relevant standards). The Board also approves the risk appetite framework including the limit system, the retrocession strategy and the SST and ORSA reports every year. It is also responsible for monitoring and managing all material risks. The Board of Directors is assisted by the Audit and Risk Committee (ARC), which Mr. Zens and Mr. Bloch are members of as delegates of the Board. The ARC deals primarily with technical issues (e.g. reserving) in greater detail.
- The Executive Board is responsible for developing a short- and medium-term business strategy, business plan and for implementing an appropriate risk strategy. The Executive Board has operational responsibility for the annual review of the risk appetite framework and limit system. It also ensures that FINMA's requirements are complied with and bears overall responsibility for the appropriateness and accuracy of the regulatory reports and public disclosure.
- The Risk Committee (RC) is a committee of the Executive Board. It assists the BoD and ARC in carrying out their activities in risk management. Unless they are urgent, all material risks are reported to the RC before being communicated to the ARC

and the Board of Directors. The RC meets quarterly and is chaired by the Chief Risk Officer (CRO).
- The CRO works closely with the technical and actuarial functions and with the Claims, Finance and Operations departments to ensure that risks are identified, evaluated and monitored appropriately and that appropriate control and risk reporting tools are in place.

The Compliance Officer monitors compliance with all statutory, regulatory and internal requirements. This involves providing advice, carrying out evaluations and controls and reporting regularly to the BoD. This function was outsourced at the beginning of 2023.

Internal Audit conducts two audits each year, focusing on different areas, and reports the actions and results to the BoD. This process is crucial to the company's corporate governance.

C.4 Internal control system

The internal control system at Echo Re is based on the following elements:
- Individual risk register
- Standardised and documented controls
- Risk and Control Self-Assessments (RCSA)
- Independent controls and risk evaluation by risk management
- An annual ICS report to the BoD on the effectiveness of controls and possible improvements

The framework for evaluating operational risks comprises both quantitative and qualitative assessments. The potential consequences of these evaluations are described in detail in the ICS guidelines.

D. Risk profile

Echo Re classifies risks into solvency, liquidity, profitability, market and credit risks, technical and operational risks, and emerging risks. For quantifiable risks, we set a risk appetite with measurable figures to monitor exposure, provide management information, and escalate breaches to the BoD.

At Echo Re risk is assessed on three levels:
- Through the standard model in accordance with the requirements of the Swiss Solvency Test (SST).
- Through internal accumulation controls of natural catastrophe (NatCat) risks, plus additional external analysis as part of the annual renewal process of the retrocession programme.
- During the ORSA process which consists of a comprehensive review of the company risk profile including modelled and non-modelled risks and an assessment of the evolution of the risk profile over a three-year period.

Overall risk

For the purposes of calculating solvency, insurance risk, market risk and credit risk are quantified in the SST standard model. Target capital is based on the centred 99% expected shortfall and represents the average expected loss occurring over a time horizon of one year with an expected frequency of less than once in 100 years. As can be seen in the table below, the main driver of target capital is insurance risk (CHF 124.3m), followed by market risk (CHF 26.8m) and credit risk (CHF 14.2m). For further details please refer to chapter G.

In CHF m	99% Shortfall SST 2025	99% Shortfall SST 2024	Change from SST 2024
Insurance risk	124.3	93.8	+30.6 (+32.6%)
Market risk	26.8	29.1	-2.2 (-7.6%)
Credit risk	14.2	10.5	+3.7 (+35.8%)
Target capital	**104.1**	**86.2**	**+17.8 (+20.7%)**

Insurance risk

The most significant insurance risk stems from potential accumulations of natural catastrophes. The table below outlines the four largest gross Probable Maximum Loss (PML) scenarios in the property segment, each with a return period of 250 years. These figures are derived from the modelling results using vendor-modelling software. The retrocession strategy is formulated based on internal PML computations.

Top4 Scenarios In CHF m	Gross PML 1/250 RP per 31.12.2024	Gross PML 1/250 RP per 31.12.2023	Change from 2023
Taiwan EQ	60.8	50.6	+10.2 (+20.2%)
Japan EQ	57.1	53.0	+4.0 (+7.6%)
China EQ	55.1	40.4	+14.7 (+36.5%)
Japan WS	47.8	39.7	+8.0 (+20.2%)

The EQ exposure in China, Taiwan, and Japan WS as well as other regions and perils experienced significant growth between 2023 and 2024.

Market and credit risk

Echo Re follows a conservative investment policy. The portfolio composition remained largely unchanged from the previous year. As of 31 December 2024, the investments at market value included 89.0% government and corporate bonds, 4.5% equities, and approximately 6.5% holdings in real estate and infrastructure companies. Nearly all fixed-income securities held have investment grade ratings.

Operational risks

Apart from the risks quantified in the SST, Echo Re undertakes a semi-quantitative assessment of operational risks. This evaluation is conducted using the Swiss GRC Toolbox, a web-based application that allows the integration of risks, controls, operational incidents, and risk mitigation measures. The control environment is continuously enhanced and deemed adequate. In July 2021, FINMA confirmed that Echo Re's ICS meets the regulatory and supervisory requirements. Furthermore, annual audits conducted by Internal Audit re-confirm the appropriateness of the ICS in all the business areas tested.

To mitigate potential cyber risks, regular penetration tests are conducted in close partnership with the IT service provider to evaluate the stability of the IT infrastructure. Additionally, measures have been implemented to enhance staff awareness regarding phishing attacks. With our new IT provider we are revising our whole IT landscape to implement a holistic concept protecting the company against cyber-attacks.

Other material risks

A qualitative assessment is undertaken for risks that are challenging to quantify, such as political risks or emerging risks. The results of this assessment are discussed in the Risk Committee.

Twice a year, Echo Re follows a structured approach to evaluate the political risk in its portfolio, considering the different lines and types of business, historical events and recent developments resulting in political risk exposure. The results of this evaluation and any necessary mitigation measures are presented to the Board of Directors.

Material risk clusters

The principal source of risk concentration at Echo Re is the exposure of the property portfolio to natural disasters and the agriculture portfolio to weather-related loss events. Both portfolios are closely monitored by mapping exposure accumulation per exposure zones, complemented by a probability-based analysis of the property portfolio for peak concentrations, as detailed in the "Top 4 scenarios" table above.

Credit risk concentration is managed at the counterparty level in accordance with the thresholds stipulated in the retrocession and investment guidelines.

Risk reduction

The company manages and controls its primary risks through the establishment of risk tolerance thresholds and an effective limit system. Retrocession strategy plays a crucial role in Echo Re's business and risk management framework. The Board of Directors annually reviews and approves the net risk appetite. The company purchases retrocession protection to cover modelled losses with a minimum return period of 100 years.

E. Market value vs. statutory valuation

E.1 Market-based valuation used for solvency purposes

This chapter details the major valuation differences between the statutory balance sheet and the SST balance sheet.

Assets 31.12.2024 CHF m	Statutory value	Differences between the statutory and the market conform value	Market conform value resp. best estimate
Fixed-income securities	**366.0**	**-9.9**	**356.1**
Government and central banks bonds	23.5	0.1	23.6
of which Swiss cantons and municipalities	17.9	0.0	0.0
of which other public-sector entities	5.6	0.0	0.0
Corporate bonds	321.6	-9.6	312.0
of which banks and securities dealers	111.2	0.0	0.0
Mortgage bonds / Covered bonds	7.5	0.4	8.0
Other bonds (incl. warrant bonds, supranational bonds)	13.4	-0.9	12.5
Equities	**14.2**	**3.9**	**18.1**
Equities and similar securities	14.2	3.9	18.1
Other investments	**25.6**	**0.2**	**25.8**
Investment funds: real estate	11.8	-0.6	11.2
Investment funds: other	13.8	0.8	14.6
Total investments	**405.8**	**-5.8**	**400.0**
Deposits made under assumed reinsurance contracts	34.8	0.0	34.8
Cash and cash equivalents	63.8	0.0	63.8
Share of technical provisions from reinsurance	38.5	-4.0	34.5
Fixed assets	0.2	0.0	0.2
Deferred acquisition costs	49.2	-49.2	0.0
Receivables from insurance business	31.8	0.0	31.8
Other receivables	0.6	0.0	0.6
Accrued assets	266.6	0.0	266.6
Total other assets	**485.6**	**-53.2**	**432.4**
Total Assets	**891.4**	**-59.0**	**832.4**

The investment portfolio primarily consists of fixed-income securities and equities. Equities are valued in the statutory balance sheet at the lower of cost or market value, while bonds are valued at amortised cost. The statutory valuation of the investment portfolio is CHF 405.8m, which is CHF 5.8m higher than the market-based valuation.

For other assets, there are essentially no differences between the valuation basis and methods used for solvency purposes and those used in the annual report. However, there are two notable exceptions:

The item “Deferred acquisition costs” is neutralised in the SST balance sheet (statutory value: CHF 49.2m). This is reflected in the figure for the unexpired risk reserve (URR) in the liabilities, the equivalent of the unearned premium reserve (UPR) in the statutory accounts.

The item “Share of technical provisions from reinsurance” is computed from actuarial estimates which were carried out on an ultimate view. The modelling of the entire SST is based on an underwriting year basis, so it also takes account of future losses on the premiums that have not been earned yet. The actuarial valuation produces a discounted value of CHF 34.5m (statutory value: CHF 38.5m).

The cumulative impact of these valuation discrepancies results in a valuation difference of CHF -53.2m between the statutory and market-based valuations of other assets.

Therefore, the total valuation differential for investments and other assets amounts to CHF -59m. Consequently, the total assets of CHF 891.4m on a statutory basis are reduced to CHF 832.4m when assessed using a market-oriented valuation approach.

The following table shows a comparison of the best-estimate liabilities and the statutory liabilities (in CHF million).

Liabilities 31.12.2024 CHF m	Statutory value	Differences between the statutory and the market conform value	Market conform value resp. best estimate
Best estimate of insurance liabilities	**585.7**	**-108.1**	**477.6**
Active reinsurance: non-life insurance business	585.7	-108.1	477.6
Market Value Margin		**9.4**	**9.4**
Non-technical provisions	**5.7**	**0.0**	**5.7**
Deposits retained on ceded reinsurance	**5.1**	**0.0**	**5.1**
Liabilities from insurance business	**9.5**	**0.0**	**9.5**
Other liabilities	**1.1**	**0.0**	**1.1**
Accrued liabilities	**76.7**	**0.0**	**76.7**
Total liabilities	**683.8**	**-98.6**	**585.1**

Within the SST framework, technical provisions represent an estimate of all future payments and associated costs to be incurred post-reporting date for both incurred and anticipated future losses corresponding to the unearned portion of premiums. These future losses are reflected in the unexpired risk reserve, which serves as the risk-based equivalent of the statutory unearned premium reserve. The discounted gross best estimate is utilized for the loss reserves in the SST balance sheet. The net value of the loss reserves is determined by deducting the technical provisions from reinsurance from this gross value.

Within the market value balance sheet, the fluctuation and safety reserves are excluded as these are additional security reserves. The financial reserves are also disregarded in the market value balance sheet. These discrepancies result in total liabilities amounting to CHF 585.1m in the market value balance sheet, which is CHF 98.6m lower than the corresponding figure in the statutory balance sheet.

The difference between assets and liabilities in the SST balance sheet amounts to CHF 247.3m. After accounting for intangible assets, which stand at CHF 0.0m, the risk-bearing capital (RBC) is CHF 247.3m. It is important to note that the market value margin

(MVM) of CHF 9.4m, as per the revised Insurance Supervision Ordinance (ISO) effective from January 1, 2024, is included in the liabilities. Consequently, the target capital is reported excluding this amount. This adjustment does not affect the calculation of the SST ratio.

Compared to SST 2024, the RBC increased by CHF 49.9m mainly due to favourable financial results which have been fully retained.

E.2 Market value margin

The market value margin stands at CHF 9.4m. It was calculated in accordance with the standard method provided by FINMA.

F. Capital management

F.1 Overall Goal

Echo Re focuses on preserving capital, maintaining portfolio quality, and achieving satisfactory returns to meet financial obligations. In general, Echo Re's investment strategy follows the Group's investment policy and guidelines with adjustments to specific local requirements.

Echo Re mainly underwrites the reinsurance business in Asia, Latin America and MENA. A significant portion of this business is transacted in USD or currencies that are linked to it. The currency structure of the underlying portfolio is reflected in the investment portfolio to ensure an adequate currency matching between assets and liabilities.

To minimise effects from currency fluctuations, Echo Re maintains various currency accounts (EUR, USD, GBP, AED, JPY, INR, ZAR and CNY), which are used to make and receive payments in original currencies.

F.2 Strategy and time horizon

In accordance with the internal investment guidelines the following framework is defined for the asset structure:

- Fixed-interest bonds should constitute at least 65% of the investment portfolio. These bonds should primarily be high-quality liquid securities with a maximum maturity of 10 years at the time of purchase.
- Equities, ETFs, and funds should account for up to 15% of total investments. This portion should include a global selection of defensive and high-dividend stocks from major equity indices (SMI, DAX, Euro Stoxx, Euro Stoxx50, Dow Jones), along with a smaller holding of growth titles.
- Investments in real estate funds and vehicles are limited to a maximum of 10% of the portfolio.
- A maximum of 10% of the portfolio may be invested in infrastructure investments.

To ensure sufficient diversification and reduce counterparty risk, investment in any one issuer or borrower group is limited to a maximum of 15% of the overall portfolio. In addition, the investment guidelines limit investments in bonds with a BB- rating to a maximum of 5% of the portfolio. If an investment falls below this rating, the relevant investments will be presented to the investment committee for review.

F.3 Equity

Equity (CHF)	2024	2023
Share capital	120'000'000,00	120'000'000,00
Legal capital reserves		
Reserves (unrecognized capital contribution reserves)	498'399,00	498'399,00
Capital contribution reserves (recognized capital contribution reserves)	73'370'181,91	73'370'181,91
	73'868'580,91	**73'868'580,91**
Retained earnings		
Loss brought forward	-6'301'110,03	-31'381'331,18
Result for the year	20'052'560,66	25'080'221,15
	13'751'450,63	-6'301'110,03
Total shareholders' equity	207'620'031,54	187'567'470,88

As in the previous year, the share capital of Echo Re amounts to CHF 120.0m. Including the legal capital reserves of around CHF 73.9m and the retained earnings of CHF 13.7m, total shareholders' equity is CHF 207.6m. The increase is due to the 2023 annual result of CHF 20.1m.

G. Solvency

The standard models provided by FINMA are used for all modelling except for natural catastrophes where a partial internal model for natural catastrophes is available.

FINMA's reserve risks tool is used to model the reserve risk for all segments and determine the results for the individual reserve segments. These results are aggregated within StandRe to determines the overall reserve risk.

When modelling premium risk, significant and minor losses, excluding those from natural catastrophes, are processed within the various modules of StandRe.

A partial internal model, approved by FINMA, is used to model losses arising from natural catastrophes.

There were no changes to the StandRe model compared to the previous year. The standard models continue to be used for assessing market and credit risk. Beginning with the SST 2022, FINMA has replaced the former credit risk model based on Basel III with a stochastic model.

The results of the SST 2025, which are shown in the tables below, are still subject to a supervisory review.

G.1 Available capital, target capital and SST ratio

The table below compares the results of the SST 2025 and 2024. The results are centred expected shortfalls at a 99% confidence level.

(In CHF m)	SST 2025	SST 2024	Change from SST 2024
Insurance risk	124.3	93.8	+30.6 (+32.6%)
Market risk	26.8	29.1	-2.2 (-7.6%)
Credit risk	14.2	10.5	+3.7 (+35.8%)
Expected insurance result	25.1	13.5	+11.6 (+86.0%)
Expected investments result above risk free	3.8	3.8	-0.1 (-1.4%)
Market value margin (MVM)	9.4	7.0	+2.4 (+33.7%)
Target capital	**104.1**	**86.2**	**+17.8 (+20.7%)**
Risk bearing capital (RBC)	**247.3**	**197.4**	**+49.9 (+25.3%)**
SST-Quotient	**237.6%**	**228.8%**	**8.7%points**

Table 1: Results of the SST 2025 vs. SST 2024

The increase in insurance risk was primarily driven by portfolio growth. Additionally, due to the remapping of certain Asian liability cash flows to a different SST currency, market risk experienced a slight reduction compared to the previous year despite the expanded asset and liability portfolio. The rise in credit risk is largely attributable to the expansion of the bond portfolio, increased receivables from insurance business, and deposits made under assumed reinsurance contracts. The growth and improved composition of the portfolio led to an increase in the expected insurance result.

G.2 Insurance risks

In the table below, insurance risk is broken down into its individual components, with a comparison with the previous year's results. All figures are on a net basis.

(In CHF m)	SST 2025	SST 2024	Change from SST 2024
NatCat risk (NE)	87.1	62.4	+24.7 (+39.6%)
Individual Events 1 (IE1)	70.6	56.9	+13.7 (+24.1%)
Reserve risk (AER)	45.1	36.4	+8.7 (+23.9%)
Individual Events 2 (IE2)	41.4	34.3	+7.1 (+20.7%)
Premium risk (AEP)	48.2	32.9	+15.3 (+46.5%)
Total Insurance risk	**124.3**	**93.8**	**+30.5 (+32.6%)**
Diversification	**-57.5%**	**-57.9%**	**0.4%**

Table 2: The individual components of insurance risk

Echo Re’s NatCat internal model, which was approved by FINMA in March 2024, not only covers Property, Engineering, and Energy On-Shore but also other NatCat exposed lines such as Agriculture and Marine. Both SST 2024 and SST 2025 were calculated based on that model.

The "Individual Events 1" (IE1) module encompasses both historically observed and portfolio-based non-NatCat-driven events. The increase in this area is primarily due to the expansion of the portfolio.

The "Individual Events 2" risk (IE2) models macroeconomic events that may affect all underwriting years, such as loss inflation and legislative changes in motor liability. While the individual risk is substantial, its contribution to the overall technical risk is relatively smaller.

The rise in premium risk (AEP) and reserve risk (AER) is also consistent with the growth of the portfolio.

G.3 Market risks

Market risk is broken down here into its individual components, with a comparison with the results of the previous year.

(in CHF m)	SST 2025	SST 2024	Change from SST 2024
Spread risk	19.2	14.5	+4.7 (+32.7%)
FX risk	11.0	18.2	-7.2 (-39.5%)
Shares	5.6	4.9	+0.7 (+14.8%)
Real Estate + Infrastructure	5.0	4.1	+0.9 (+22.4%)
Interest rates risk	16.3	13.8	+2.5 (+18.3%)
Market risk	26.8	29.1	-2.3 (-7.8%)
Diversification	**-53.1%**	**-47.6%**	**-5.5%**

Table 3: Breakdown of market risk into individual risks

The standard model is used to assess market risk, utilizing the parameters such as volatilities and correlations between individual risk factors as stipulated by FINMA. Notably, there were no significant changes in these parameters compared to the SST 2024.

The Public Disclosure Financial Condition Report 2024 was approved by the Board of Directors in its meeting on 25 April 2025.

Attachments:

- Annual report of Echo Rückversicherungs-AG as at 31 December 2024
- Solo reinsurer with P&L, market-consistent balance sheet and solvency as at 31 December 2024