LIBERTY MUTUAL INSURANCE EUROPE SOCIETAS EUROPAEA, ZURICH BRANCH

FINANCIAL CONDITION REPORT

As at 31st December 2022

Contents

GENERAL MANAGER’S STATEMENT

The General Manager acknowledges their responsibility for ensuring that this Financial Condition Report has been properly prepared in all material respects in accordance with Swiss Financial Market Supervisory Authority regulations (‘FINMA’ regulations). The General Manager is satisfied that:

a) Throughout the financial year disclosed in this report, the Branch has complied in all material respects with the requirements of the FINMA regulations as applicable to the Branch; and

b) It is reasonable to believe that, at the date of the publication of this report, the Branch has continued to comply, and will continue to comply in the future.

This report was reviewed and approved by Markus Hefel, General Manager Switzerland, on 28th April 2023.

Markus Hefel

General Manager Switzerland

28th April 2023

MANAGER'S SUMMARY

Introduction

This report addresses the disclosure requirements set out in the FINMA regulations, set out in circular '2016/2 – Disclosures – insurers', that are applicable to Swiss branches of foreign insurance companies.

This report should be read in conjunction with the following documents:

- Liberty Mutual Insurance Europe Societas Europaea, Zurich Branch ('the Branch' or 'LMIE Zurich') audited financial statements for the year ended 31 December 2022 disclosed in Appendix C.

- The Solvency Financial Condition Report (SFCR) published by the head office**,** Liberty Mutual Insurance Europe Societas Europaea ('LMIE' or 'Company'). A copy of the full document will be forwarded to FINMA and will be published on the firm's website in accordance with the European Insurance and Occupational Pensions Authority (EIOPA) regulation.

The current SFCR can be accessed through this link to the LMIE website:

https://www.libertyspecialtymarkets.com/gb-en/investor-relations

Unless otherwise stated, all amounts in this report are presented in Swiss Francs (CHF), which is the reporting currency of the Branch.

Business activities

LMIE Zurich is a branch of LMIE. Its principal place of business is Lintheschergasse 19, 8001 Zürich, Switzerland.

LMIE Zurich is a key part of LMIE's European region's operations and is a key growth market, expressed by the European Growth Strategy. The Branch's key products include financial lines, commercial liability lines, fine art and specie, and commercial crime. Our product range is supplemented by insurance products from the areas of cyber, group personal accident, contingency, etc.

Business performance

The following table sets out the key elements of LMIE Zurich's financial performance in 2022.

CHF'000	2022	2021	Variance	%
Gross written premiums	94,201	72,241	21,960	30%
Net earned premiums	24,756	21,141	3,515	17%
Net claims incurred	(4,740)	(15,494)	10,754	(69%)
Change in equalisation reserve	(8,219)	1,556	(9,775)	(628%)
Net acquisition and administration expenses	(7,978)	(10,735)	2,757	(26%)
Underwriting result	**3,819**	**(3,432)**	**7,251**	**211%**
Net claims ratio (excluding equalisation reserve)	19%	73%		(54%)
Net expense ratio	32%	51%		(18%)
Net combined ratio	51%	123%		(72%)

LMIE Zurich continued to grow business during the year ended 31 December 2022 despite the challenges of the market environment.

Please refer to Section B of this report and the LMIE Zurich Annual Report for further details of the branch's performance.

Systems of Governance

The Corporate Governance Framework detailed in the SFCR for LMIE applies to the operations of LMIE Zurich, notably the Board of Directors, and the activities of the key Board and Management Committees. An appointed individual, the General Manager, based in Zurich has lead responsibility for the day to day management of LMIE Zurich with reporting lines to the LMIE General Manager.

In addition, LMIE Zurich has a local branch management committee to assist the General Manager to fulfil his responsibilities in relation to running the business. The duties of the Committee are as set out below:

- Implementing the LMIE risk management and internal controls framework to meet the requirements both of LMIE Zurich and LMIE;
- Monitoring the financial, operational and underwriting performance of the branch against targets, objectives and key performance indicators set by the boards;
- Monitoring the performance of processes and controls operating both at the branch level, and at the LMIE level on behalf of the branch;
- Where functions are performed by LMIE on behalf of the branch, ensuring that sufficient and appropriate Management Information (MI) is provided to allow monitoring of these, and that agreed actions are monitored and resolved;
- Reviewing and approving the section of the LMIE ORSA (Own Risk and Solvency Assessment) that applies to the branch;
- Reviewing compliance with applicable legal and regulatory requirements and LMIE protocols; and
- Approving and monitoring policies and procedures applicable to the branch.

Risk Management

LMIE Zurich has implemented the LMIE Risk Management Framework (RMF) & and the LMIE Internal Control Framework (ICF) (referred to in the LMIE SFCR), which is applicable to all LMIE operations. We consider these frameworks to have general application across all branches, although specific branch Risk Management considerations are noted where relevant.

As part of the annual LMIE ORSA report, a specific section is also prepared in respect of LMIE Zurich. This covers Zurich-specific considerations including risks and controls to the extent that they differ from the overall LMIE profile – captured by a separate branch controls register – the activities of the LMIE Zurich Management Committee, risk quantification and the level of tied assets.

The Board does not foresee a significant impact on the risk profile of LMIE from the operations of LMIE Zurich. As described above, a separate control register is in place to monitor and oversee the control framework of LMIE Zurich.

Principal risks and uncertainties

A fully defined risk taxonomy allows the Company to identify, assess, mitigate, monitor and report the risks that may have an adverse impact on the achievement of business objectives. Managing risk effectively enables both opportunities for upside gains and limiting downside losses.

The Company has divided its risk exposures into high-level risk categories to enable the Risk Management Framework (RMF) to be focused on the most significant risks that impact on business objectives. These categories also help to provide an aggregated and holistic view of the Company risk profile.

Insurance risk

Insurance risk is defined as the risk of a change in value caused by ultimate costs for full contractual obligations varying from those assumed when the obligations were estimated. Insurance risk is split for the legal entity into underwriting risk and reserve risk.

Underwriting risk is mitigated through the use of a diversified business plan operating within Board risk appetites and supported through the Company's control environment, including underwriting controls. Reinsurance is utilised to mitigate against exposure to individual events.

Reserve risk is mitigated through the use of detailed analysis performed by the Actuarial team and overseen by the Chief Financial Officer (CFO) Committee, including regular assessment of the results of actuarial studies, claims analysis, underwriting reviews and benchmarking exercises. In addition, business plans are developed to ensure that the long-term reserve profile of the Company remains stable.

Market Risk

Market risk is the risk of fluctuations to the net asset value (NAV) due to the volatility or level of financial variables impacting primarily the value of fixed income securities and private equity funds and the discounted value of net liabilities. Market risk includes interest rate risk, credit and spread risk, alternative asset risk, and exchange rate risk.

Market risk exposures are managed through the market risk appetite and the market climate risk appetite, which is detailed in the Company's Board Risk Appetite Statements. In addition to this there are a number of preventative, detective and directive controls. Asset-liability management is reviewed in conjunction with investment management in order to optimise the overall performance of assets relative to the liabilities.

Liquidity Risk

Liquidity risk is the potential for loss arising from situations where the Company either has insufficient cash or liquid funds to meet its financial obligations as they fall due or is required to sell assets below their fair value to meet cash flow demands.

Liquidity risk exposures are managed through the liquidity risk appetite, which is detailed in the Company's Risk Appetite Statements. In addition to this there are a number of preventative, detective and directive controls. The Company manages its cash and invested assets to ensure that cash is available to pay claims as they fall due.

Credit risk

Credit risk is the risk of financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations to the Company. The principal source of credit risk arises from the inability of reinsurers and intermediaries to meet their contractual obligations if they become due.

Credit risk is mitigated through controls encompassing due diligence and continued monitoring to ensure the appropriate selection of counterparties and Board risk appetites to prevent inappropriate credit risk concentrations.

Operational risk

Operational risk is the risk of loss to the Company resulting from the inadequate or failed internal processes, people and systems, or from external events. This includes cyber and security issues, and risks arising from outsourced functions as well as legal and non-dispute risks.

Operational risk is managed within the Board risk appetite and mitigated through the use of the three lines of defence model in conjunction with a system of documented, monitored and tested internal controls. The model aims to provide clarity over roles and responsibilities within the Company, ensuring that all key risk activities are managed effectively.

In the normal course of business, the Company may receive legal claims against it in different jurisdictions and may be subject to regulatory investigations and proceedings from time to time. The Company currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Company's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period. Where the Company can look to another party to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

Group risk

Group risk is the risk of loss to the Company arising from its membership of Liberty Specialty Markets (LSM) and Liberty Mutual Reinsurance (LMRe), Global Risk Solutions (GRS) and the Liberty Mutual Group (LMG).

Group risk is mitigated through the monitoring of LMG's financial strength and business strategy developments. In addition, the chairman of any Committee reviewing risk information ensures that due attention is given to each legal entity within LSM, particularly in times of stress to one entity.

Strategic risk

Strategic risk is the risk of loss to the Company arising from key business and strategic decisions, improper implementation of decisions or lack of responsiveness to industry changes.

Strategic risk is mitigated through the development and implementation of the Company's strategy, business plan and through controls relating to the development of new business opportunities.

Climate change risk

Climate change risk arises from the impacts associated with an increase in global average temperatures, measured against pre-industrial levels, and has the potential to manifest in three distinctive forms: physical risks, transitional risks and litigation risks.

- Physical risks result from the impacts of increasingly frequent and severe extreme weather events, and longer-term shifts in climatic conditions.

- Transitional risks arise from economic transitions to carbon neutrality, which are likely to include large-scale market, technological and policy changes.

Climate change risk (continued)

- Litigation risks stem from parties seeking legal redress against those deemed to be responsible for the impacts of physical and transitional risks.

Climate change is classified as a cross-cutting risk, impacting a number of the different risk areas outlined above, as such it is being mitigated through the existing RMF. Insurers have a pivotal role in supporting the economic transition through their products, asset holdings and disclosures. The LMG have set thermal coal thresholds within underwriting and investments to support this shift.

Since 2020, LSM / LMRe continues to be a member of the voluntary initiative ClimateWise, a global insurance industry network focused on climate-related issues. The LSM / LMRe ClimateWise score improved significantly for 2022 in comparison to 2021. In 2022, the first LSM / LMRe ClimateWise report is due to be published, demonstrating the Company's response to the ClimateWise Principles that are aligned with the Task Force on Climate-related Financial Disclosures (TCFD). This provides our policyholders and counterparties with additional climate change-specific information.

ClimateWise Principles	**Overview of the Company's response**
1. Be accountable	Embedding climate change into all relevant management/governance structures and responsibilities
2. Incorporate climate-related issues into our strategies and investments	Assessing our portfolio against different climate change pathways, applying a Responsible Investment Policy and establishing a Responsible Business Framework
3. Lead in the identification, understanding and management of climate risk	Making significant advancements in our climate risk capabilities through utilisation of data, stress and scenario testing, and undertaking a climate risk appetite and materiality assessment
4. Reduce the environmental impact of our business	In 2022, LSM committed to an operational net zero target by 2050 which includes measuring, reducing and disclosing our Scope 1-2 and material Scope 3 emissions. LSM also works to reduce other environmental impacts; working with our suppliers and engaging our colleagues on environmental impact
5. Inform public policy making	Engaging with global regulators and actively contributing to several collaborative industry initiatives and working groups
6. Support climate awareness amongst our customers/clients	Providing products and services to support a responsible energy transition and build resilience, communicating our climate strategy through Liberty Mutual TCFD report
7. Enhance reporting	Publishing an annual summary of our climate approach and key activities in our ClimateWise report

Environmental, Social & Governance (ESG) risk

Responsible business encompasses many business areas as well as interactions with the Company's external stakeholders on ESG factors. Failure to address ESG factors may lead to reputational damage, loss of trust with customers, and regulatory and financial interventions.

LSM / LMRe's vision is to act as a responsible business. LSM / LMRe's Responsible Business Policy outlines how ESG is incorporated into decision making processes to mitigate risk, and LSM / LMRe's Responsible Business Strategy ensures a holistic approach is taken to the management of these risks. Risk management is aligned with LSM / LMRe's ESG priorities to identify, monitor and report different types of ESG risk. ESG risk is classified as a cross-cutting risk, meaning it impacts a number of risk register risks, as such it is being mitigated through the existing RMF. Governance structures, including dedicated working groups, are in place to discuss, escalate and respond to ESG topics the Company continues to comply with evolving European and EIOPA ESG sustainability requirements. As a member of the Liberty International European Holdings, S.L.U. (hereinafter referred to as LIEH). Solvency Reporting Group, the Company has met the product disclosure requirements set out in Article 8 of the European Taxonomy Regulation (EU Taxonomy Regulation) on how, and to what extent, our insurance activities are associated with environmentally sustainable economic activities across defined product classes.

The Company disclosure is reported in the LIEH non-financial statements as required by the EU Taxonomy Regulation.

The Company has also met requirements established in EIOPA Amendments to Delegated Regulation (EU) 2015/35 - Sustainability risk, to include the identification and assessment of sustainability risks and the integration into relevant policies sustainability risks.

Other significant events during the reporting period and up to the date of the report

Macroeconomic and geopolitical challenges

Many observers predict that the conflict between Russia and Ukraine will continue for some time. Sanctions continue to be applied and are actively monitored. The backdrop of this “long war” along with the aftereffects of the pandemic, the resulting impact of the energy crisis and sustained high levels of inflation have required a shift in monetary policy. The notable rise in economic inflation above Central Banks' targets was originally caused by factors including the post-Covid-19 stimulus, supply chain restrictions, rising energy prices and labour shortages. This in turn is impacting debt servicing for governments, companies, and individuals, leading to global concerns regarding recession, the cost-of-living crisis and civil unrest. Additionally, the current volatility in the banking sector has increased market uncertainty which will be managed through our approach to counter market risk. We continue to monitor the situation with regards to these systemic risk environment factors in accordance with our RMF.

Risk mitigation techniques

LMIE's management believes its business model is sustainable and the Company is therefore a going concern. This includes the management of financial risks, ensuring LMIE is able to withstand an extreme event and trade forward; and that the risk of operational and other events is managed to ensure LMIE maintains its strong reputation.

Various risk mitigation techniques are used to manage the exposure to these risks by setting and monitoring a risk appetite framework which includes:

- **Exchange rate risk** - LMIE's administrative expense payments and technical provisions are denominated in Euro, Swiss Francs, and US Dollars. Therefore the Company is exposed to fluctuations in the relevant exchange rates. In order to minimise this foreign exchange risk, cash assets are held in the aforementioned currencies with appropriate asset liability matching in place;

- **Tied Asset Coverage and Technical Provisions** – The Zurich Branch tied assets (as defined by Insurance Supervision Ordinance Articles 74 and 79 and in line with Circular 2016/05 have been covered at all times during 2022.

The Directors regularly monitor credit risk, interest rate risk and currency risk in respect of debtors and other assets. Management committee meetings are also carried out regularly to review the tied asset solvency ratio and currency coverages.

In addition to the above, the Zurich Branch benefits from LMIE wide significant reinsurance coverage.

Valuation for solvency purposes

The assets and liabilities of the Branch are valued in accordance with the accounting and valuation principles, specified by the Code of Obligations. Valuation principles not specified in the Code of Obligations are listed in the Liberty Mutual Insurance Europe Limited Zurich Branch Annual Report and Financial Statements.

Capital position

Throughout 2022, the Zurich Branch Management Committee has monitored the tied assets of LMIE Zurich. As at 31st December 2022 the solvency position of LMIE Zurich is:

CHF'000	**2022**	**2021**
Total available capital	243,466	186,458
Total required capital	199,523	152,724
Capital surplus	43,943	33,734
Capital Coverage Ratio	**122%**	**122%**

Due to higher-than-planned premium performance in 2022, LMIE Zurich had capital injections totalling CHF 59.1m during the year, maintaining a solvency coverage ratio above 122%. In addition, a portion of the cash balances were converted to money market time deposits to benefit from higher interest rates in the current economic conditions.

At the level of LMIE, the company has a solvency capital ratio of 171% from a Solvency II perspective. Given the above actions taken over the course of 2022, there is appropriate headroom in capital to support the business across the next 12 months.

SECTION A - BUSINESS ACTIVITIES

SECTION A. 1 – Strategy, objectives and key business segments

LMIE Zurich is a key part of LMIE's European region's operations and is a key growth market, expressed by the European Growth Strategy. LMIE Zurich key products include financial lines, commercial liability lines, fine art and specie, and commercial crime. Our product range is supplemented by insurance products from the areas of cyber, group personal accident, contingency, etc.

LMIE Zurich's objective is to grow market presence through strong technical underwriting, disciplined growth in target lines, and maintaining a combined ratio that is within the Branch's risk appetite.

SECTION A. 2 – Group information and group related transactions

A.2.1 Group information

LMIE is a regulated insurance company incorporated in Luxembourg (Registration number B232280 (Registre de Commerce et des Sociétés).

The immediate parent Company is Liberty Specialty Markets Holdco S.L.U (LSMH).

The ultimate parent Company is Liberty Mutual Holding Company Inc. (LMHC) of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A., a company incorporated in the United States of America.

The smallest higher group of companies for which group accounts are drawn up and of which this Company is a member is LIEH, domiciled in Spain.

LMIE consolidates into the LIEH for Solvency II purposes and therefore is subject to Group supervision by the 'Direccion General de Seguros' (DGS), which is located in Paseo de la Castellana, 44, Madrid, Spain, and is assisted by Subgroup Colleges of Supervisors for the coordination of supervisory activities.

The LIEH College of Supervisors includes the DGS (as Chair), Commissariat Aux Assurances (CaA) (as LMIE's home state regulator), Central Bank of Ireland (CBI) and the 'Autoridade de Supervisao de Seguros e Fundos et Pensiones' (ASF, Portuguese Supervisor).

At the global level, the Group supervision is undertaken by the Division of Insurance of the Commonwealth of Massachusetts, located in 1000 Washington Street, 8th Floor, Boston, MA 02118, US.

The Commissariat Aux Assurances is responsible for the prudential supervision of LMIE.

Commissariat Aux Assurances
11, rue Robert Stumper,
L-2557 Luxembourg

A.2.2 Group related transactions

The Branch actively monitors all related party transactions. Transactions with related parties are recorded at arm's length.

The head office provides services to the Zurich Branch for a variety of support functions, which are governed through an Insourcing Memorandum of Understanding (MOU). Service performance and compliance with MOU requirements is monitored by the LMIE Zurich Branch Management Committee.

Liberty Specialty Markets Sarl (LSME) is the in-house coverholder and continue underwriting on behalf of LMIE from its branches throughout Europe. LSME employs all the European employees and it charges commission to LMIE Zurich for insurance intermediary services which is recognised through the income statement for the current year in line with LMIE Zurich accounting policies.

SECTION A. 3 – Shareholder information

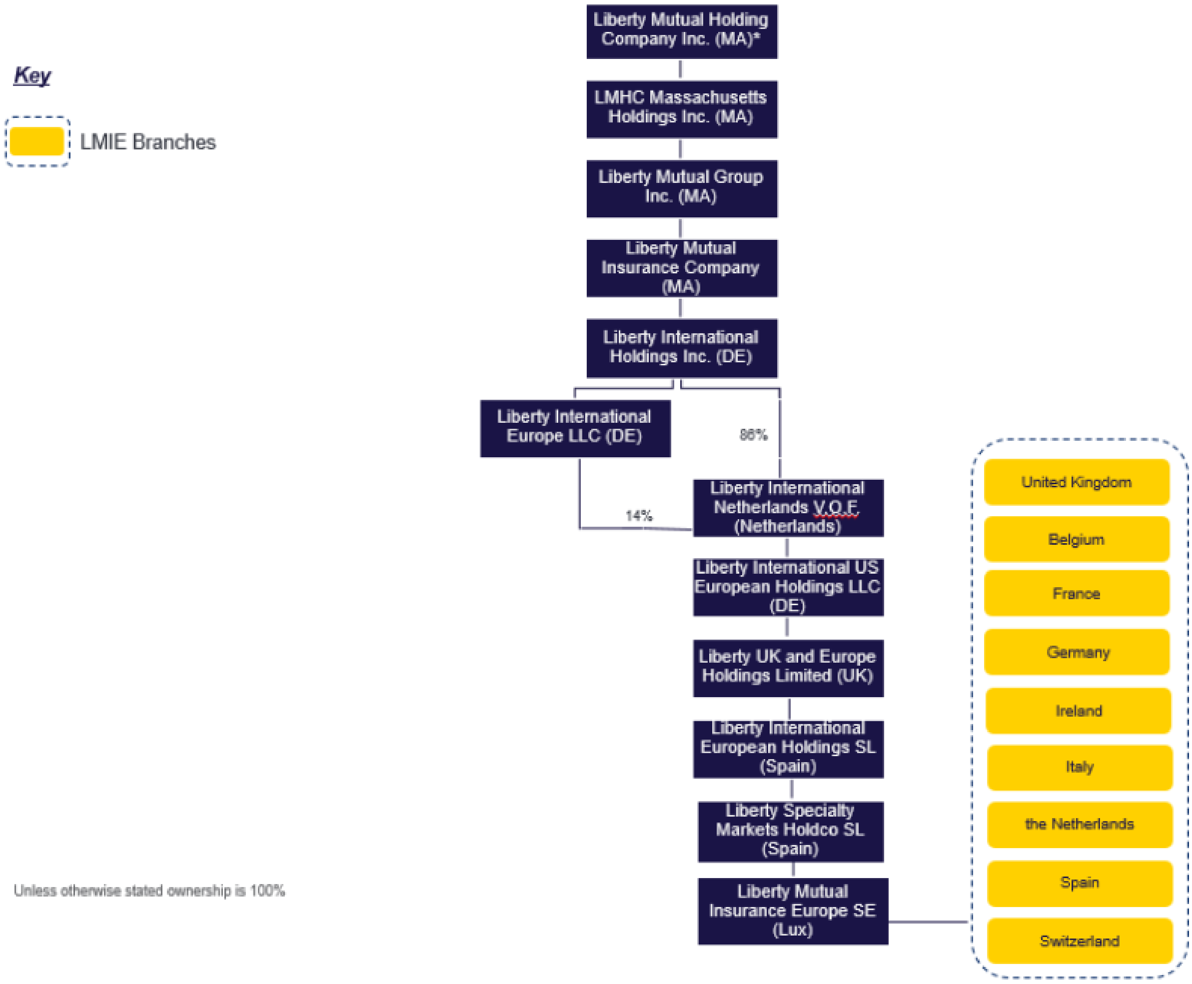
LMIE Zurich is a branch of LMIE and as such, LMIE owns all capital rights of LMIE Zurich. LMIE is wholly owned by Liberty Mutual Group Incorporated, a diversified global insurer.

SECTION A. 4 – Major Branches

LMIE Zurich belongs to the international branch network of LMIE. From 1 March 2019, LMIE operates from Luxembourg and through a branch structure in the UK and in mainland Europe. In addition to the Zurich branch, LMIE also has branches in the United Kingdom, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain.

The following is a summarised organisation structure showing LMIE's positioning* within the overall Liberty group structure.

LMIE sits within the international holding structure of LMHC. The organisation chart shown is a summarised view of the overall Liberty structure and there are a number of companies within the hierarchy.



*Unless otherwise stated ownership is 100%.

SECTION A. 5 – External auditor

In accordance with Article 28 of the Insurance Supervision Act, the Branch has appointed Ernst & Young Ltd (‘EY’) as statutory auditor. The main auditor in charge is Armin Imoberdorf.

Ernst & Young Ltd
Maagplatz 1
8005 Zurich
Switzerland

SECTION A. 6 – Significant unusual events

There have been no significant events that have an impact on LMIE Zurich specifically.

SECTION B – BUSINESS PERFORMANCE

SECTION B. 1 – Underwriting performance

The table below provides key performance indicators for the Branch:

CHF'000	2022	2021	Variance	%
Gross written premiums	94,201	72,241	21,960	30%
Net earned premiums	24,756	21,141	3,515	17%
Net claims incurred	(4,740)	(15,494)	10,754	(69%)
Change in equalisation reserve	(8,219)	1,556	(9,775)	(628%)
Net acquisition and administration expenses	(7,978)	(10,735)	2,757	(26%)
Underwriting result	**3,819**	**(3,432)**	**7,251**	**211%**

Net claims ratio (excluding equalisation reserve)	19%	73%		(54%)
Net expense ratio	32%	51%		(18%)
Net combined ratio	51%	123%		(72%)

LMIE Zurich generated CHF 94,201k of gross written premium compared to CHF 72,241k in 2021, as it continued to grow its business in line with LMIE's strategy.

Net earned premiums amounted to CHF 24,756k compared to CHF 21,141k in 2021. The reinsurer' share of written premiums have increased by 24% in line with the overall increase in gross written premiums. As 27% of the total gross written premiums were underwritten in the last quarter of 2022, this contributes to a level of net earned premium moderately higher compared to 2021.

Net claims incurred (excluding movements in the equalisation reserve) decreased from CHF 15,494k in 2021 to CHF 4,740k in 2022. This is primarily driven by a significant increase in the reinsurer's share of claims reserves and lower claims activity in 2022 compared to 2021.

Net acquisition costs and administrative expenses decreased from CHF 10,735k in 2021 to CHF 7,978k in 2022. Gross commissions have risen in line with increased written premium but are more than offset by an increase in ceded commissions and a drop in administrative expenses following a revised expense allocation methodology.

LSME is the in-house coverholder and continue underwriting on behalf of LMIE from its branches throughout Europe. LSME employs all the European employees, and it charges commission to LMIE Zurich for insurance intermediary services which is recognised through the income statement for the current year in line with LMIE Zurich accounting policies.

The following table provides performance of the Branch by statutory lines of business.

Year Ended 31 December 2022

CHF'000	Accident	Transport	Fire, natural hazards, property damage	General third-party liability	Other branches	Total
Gross premiums	1,223	2,803	11,011	68,376	10,789	94,201
Net Earned Premiums	**462**	**1,845**	**5,921**	**15,812**	**716**	**24,756**
Payments for insurance claims (gross)	(474)	(2,852)	(1,421)	(5,823)	(1,021)	(11,591)
Reinsurers' share of payments for insurance claims	368	486	112	7,612	3,032	11,609
Change in technical provisions	(8)	(84)	(1,937)	(30,052)	(8,415)	(40,496)
Reinsurers' share of change in technical provisions	110	796	625	29,994	(4,005)	27,519
Net Claims Incurred	**(4)**	**(1,654)**	**(2,621)**	**1,731**	**(10,410)**	**(12,959)**
Net Acquisition and administration expenses	**83**	**(530)**	**(1,844)**	**(5,119)**	**(569)**	**(7,978)**
Underwriting result	**541**	**(339)**	**1,455**	**12,425**	**(10,263)**	**3,819**

Year ended 31 December 2021

CHF'000	Accident	Transport	Fire, natural hazards, property damage	General third-party liability	Other branches	Total
Gross premiums	1,075	3,057	10,746	52,296	5,066	72,241
Net earned premiums	**422**	**1,040**	**3,779**	**14,402**	**1,598**	**21,241**
Payments for insurance claims (gross)	(336)	(1,333)	(6,198)	(6,092)	(1,068)	(15,026)
Reinsurers' share of payments for insurance claims	220	813	4,472	3,976	737	10,219
Change in technical provisions	229	(494)	2,575	(24,685)	(3,944)	(26,319)
Reinsurers share of change in technical provisions	(245)	115	(3,655)	21,261	(289)	17,188
Net claims incurred	**(131)**	**(898)**	**(2,806)**	**(5,539)**	**(4,564)**	**(13,938)**
Net acquisition and administration expenses	**(225)**	**(490)**	**(1,994)**	**(7,261)**	**(764)**	**(10,735)**
Underwriting result	**66**	**(347)**	**(1,021)**	**1,602**	**(3,731)**	**(3,432)**

SECTION B. 2 – Financial performance

The Branch had CHF 528k of financial expenses during the year ended 31 December 2022, comprising negative interest charges on bank deposits held in Swiss Francs. (2021: CHF 629k).

For 2022, LMIE received an allocation of LMIE investment return of CHF 843k (2021: CHF 1,219k) in accordance with the Company's transfer pricing policy. The income is classified as Other Income in the Branch Income Statement.

The Branch's primary financial assets consist of cash and bank deposits of CHF 242,454 (2021: CHF181,218k).

SECTION B. 3 – Other income and expenses

The Company had CHF 6,431k of foreign exchange gains (2021: CHF 380k). The increase in foreign exchange gain this year is driven by the allocation of foreign exchange gains coming from the revaluation of financial investments held by the head office.

GLOSSARY OF TERMS

Reference	Description
ASF	Autoridade de Supervisao de Seguros e Fundos et Pensiones
CBI	Central Bank of Ireland
CFO	Chief Financial Officer
CaA	Commissariat Aux Assurances
DGS	Direccion General de Seguros
D&O	Directors & Officers
ESG	Environmental, Social and Governance
EIOPA	European Insurance and Occupational Pensions Authority
GRS	Global Risk Solutions
LIEH	Liberty International European Holdings, S.L.U.
LMHC	Liberty Mutual Holding Company Inc.
'LMIE' or 'Company'	Liberty Mutual Insurance Europe Societas Europaea
'LMIE Zurich' or 'the Branch'	Liberty Mutual Insurance Europe Societas Europaea, Zurich Branch
LMRe	Liberty Mutual Reinsurance
LSM	Liberty Specialty Markets
LSMH	Liberty Specialty Markets Holdco S.L.U
LSME	Liberty Specialty Markets Sarl
LMG	Liberty Mutual Group
ICF	LMIE Internal Control Framework
MOU	Memorandum of Understanding
NAV	Net Asset Value
Own Risk and Solvency Assessment	ORSA
RMF	Risk Management Framework
FINMA	Swiss Financial Market Supervisory Authority
CHF	Swiss Francs
TCFD	Task Force on Climate-related Financial Disclosures
SFCR	The Solvency Financial Condition Report

APPENDIX A - QUANTITATIVE TEMPLATE

Financial situation report: quantitative template "Performance Solo NL"

Currency: CHF or annual report currency
Amounts stated in millions

		Total		Direct Swiss business															
				Accident		Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches	
		Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year	Previous year	Reporting year
1	Gross premiums	72	94	1	1					3	3	11	11	52	68	5	11
2	Reinsurers' share of gross premiums	-50	-62	-1	-1					-2	-1	-6	-4	-38	-47	-4	-9
3	Premiums for own account (1 + 2)	22	32	0	0					2	2	5	7	14	21	2	2
4	Change in unearned premium reserves	-1	-8	0	0					-0	0	-1	-1	-0	-7	0	-1
5	Reinsurers' share of change in unearned premium reserves	0	1	-0	0					-0	-0	-0	0	1	1	0	-0
6	Premiums earned for own account (3 + 4 + 5)	21	25	0	0					1	2	4	6	14	16	2	1
7	Other income from insurance business	-	-	-	-					-	-	-	-	-	-	-	-
8	**Total income from underwriting business (6 + 7)**	**21**	**25**	**0**	**0**					**1**	**2**	**4**	**6**	**14**	**16**	**2**	**1**
9	Payments for insurance claims (gross)	-15	-12	-0	-0					-1	-3	-6	-1	-6	-6	-1	-1
10	Reinsurers' share of payments for insurance claims	10	12	0	0					1	0	4	0	4	8	1	3
11	Change in technical provisions	-26	-40	0	-0					-0	-0	3	-2	-25	-30	-4	-8
12	Reinsurers' share of change in technical provisions	17	28	-0	0					0	1	-4	1	21	30	-0	-4
13	Change in technical provisions for unit-linked life insurance																
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**-14**	**-13**	**-0**	**-0**					**-1**	**-2**	**-3**	**-3**	**-6**	**2**	**-5**	**-10**
15	Acquisition and administration expenses	-25	-28	-0	-0					-1	-1	-4	-4	-18	-20	-1	-3
16	Reinsurers' share of acquisition and administration expenses	14	20	0	0					1	0	2	2	11	15	1	2
17	Acquisition and administration expenses for own account (15 + 16)	-11	-8	-0	0					-0	-1	-2	-2	-7	-5	-1	-1
18	Other underwriting expenses for own account	-	-	-						-		-	-	-	-	-	-
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**-25**	**-21**	**-0**	**0**					**-1**	**-2**	**-5**	**-4**	**-13**	**-3**	**-5**	**-11**
20	Investment income	-	-														
21	Investment expenses	-	-														
22	**Net investment income (20 + 21)**	**-**	**-**														
23	Capital and interest income from unit-linked life insurance	-	-														
24	Other financial income	-	-														
25	Other financial expenses	-1	-1														
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**-4**	**3**														
27	Interest expenses for interest-bearing liabilities	-	-														
28	Other income	2	8														
29	Other expenses	-	-														
30	Extraordinary income/expenses	-	-														
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**-2**	**11**														
32	Direct taxes	-2	-2														
33	**Profit / loss (31 + 32)**	**-5**	**9**														

APPENDIX B – Auditor's report

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

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To the General Manager of
Liberty Mutual Insurance Europe SE, Leudelange, Zurich branch, Zurich

Zurich, 28 April 2023

Report of the independent auditor

Opinion

As an audit firm under state supervision, we have audited the financial statements of Liberty Mutual Insurance Europe SE, Leudelange, Zurich Branch, which comprise the balance sheet as at 31 December 2022, the income statement then ended, and the notes to the financial statements, including a summary of significant accounting policies, pursuant to Art. 28 (2) of the Insurance Supervision Act (ISA) and with reference to the supplementary information for audit reporting of insurance companies in Annex 19 to FINMA Circular 13/3 concerning the “Preparation and audit of the financial statements of branches of foreign insurance companies” of 4 November 2020 (Annex 19 to FINMA Circular 13/3).

In our opinion, the accompanying financial statements of Liberty Mutual Insurance Europe SE, Leudelange, Zurich branche comply in all material respects with the financial reporting provisions of Annex 19 to FINMA Circular 13/3.

Basis for opinion

We conducted our audit in accordance with the Swiss Standards on Auditing (SA-CH) as well as the framework for the audit of the financial statements as set out in section 3.2 of Annex 19 to FINMA Circular 13/3. Our responsibilities under those provisions and standards are further described in the “Independent Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The General Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

General Manager’s responsibilities for the financial statements

The General Manager is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Annex 19 to FINMA Circular 13/3 and for such internal control as the General Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Manager is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern, and using the going concern basis of accounting unless the General Manager either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's responsibilities for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA-CH and Annex 19 to FINMA Circular 13/3 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd

Armin Imoberdorf (Qualified Signature)	Pascal Nikles (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Enclosure

- Financial statements (balance sheet, income statement and notes)

APPENDIX C – Branch annual report

Liberty Mutual Insurance Europe Societas Europaea

Zurich Branch

Annual Report and Financial Statements
31 December 2022

Contents

Directors and Administration

Directors

Dirk Billemon	Authorised General Manager and Executive Director
Nigel Davenport	Non-Executive Director
Pierre-Edouard Fraigneau	Executive Director (appointed 18 January 2023)
Fernand Grulms	Chairman and Independent Non-Executive Director
Christopher Hanks	Independent Non-Executive Director (resigned 18 January 2023)
Pit Hentgen	Independent Non-Executive Director
Philip Hobbs	Executive Director (resigned 31 January 2022)
Virginie Lagrange	Independent Non-Executive Director
Christian Rola	Executive Director
Mark Winlow	Independent Non-Executive Director (appointed 18 January 2023)

Registered Office
Lintheschergasse 19, Zürich 8001

Branch Manager
Markus Hefel

Registered Auditor
Ernst & Young LLP

Management Report
For the year ended 31 December 2022

Overview:

Liberty Mutual Insurance Europe Societas Europaea, Zurich Branch (‘the Branch’ or ‘LMIE Zurich’) is a branch of Liberty Mutual Insurance Europe Societas Europaea (‘LMIE’ or “Company”), who operates as part of the Liberty Specialty Markets (LSM) and Liberty Mutual Reinsurance (LMRe) segments within the GRS business unit. LMIE Zurich’s principal place of business is Lintheschergasse 19, 8001 Zürich.

LMIE SE’s Zurich Branch (LMIE Zurich) is a key part of LMIE’s European region’s operations and is a key growth market, expressed by the European Growth Strategy. LMIE Zurich key products include financial lines, commercial liability lines, fine art and specie, and commercial crime. Our product range is supplemented by insurance products from the areas of cyber, group personal accident, contingency, etc.

LMIE Zurich’s objective is to grow market presence through strong technical underwriting, disciplined growth in target lines, and maintaining a combined ratio that is within the Branch’s risk appetite.

Business performance:

LMIE Zurich continued to grow business during the year ended 31 December 2022 despite the challenges of the market environment. The table below provides key performance indicators for the Branch:

CHF'000	2022	2021	Variance	%
Gross Written Premiums	94,201	72,241	21,960	30%
Net Earned Premiums	24,756	21,141	3,515	17%
Net Claims Incurred	(4,740)	(15,494)	10,754	(69%)
Change in equalisation reserve	(8,219)	1,556	(9,775)	(628%)
Net Acquisition and administration expenses	(7,978)	(10,735)	2,757	(26%)
Underwriting result	**3,819**	**(3,432)**	**7,251**	**211%**
Net Claims ratio (excluding equalisation reserve)	19%	73%		(54%)
Net Expense ratio	32%	51%		(18%)
Net Combined ratio	51%	123%		(72%)

LMIE Zurich generated CHF 94,201k of gross written premium compared to CHF 72,241k in 2021, as it continued to grow its business in line with LMIE’s strategy.

Net earned premiums amounted to CHF 24,756k compared to CHF 21,141k in 2021. The reinsurer’ share of written premiums have increased by 24% in line with the overall increase in gross written premiums. As 27% of the total gross written premiums were underwritten in the last quarter of 2022, this contributes to a level of net earned premium moderately higher compared to 2021.

Net claims incurred (excluding movements in the equalisation reserve) decreased from CHF 15,494k in 2021 to CHF 4,740k in 2022. This is primarily driven by a significant increase in the reinsurer’s share of claims reserves and lower claims activity in 2022 compared to 2021.

Net acquisition costs and administrative expenses decreased from CHF 10,735k in 2021 to CHF 7,978k in 2022. Gross commissions have risen in line with increased written premium but are more than offset by an increase in ceded commissions and a drop in in administrative expenses following a revised expense allocation methodology.

Liberty Specialty Markets Sarl (LSME) is the in-house coverholder and continue underwriting on behalf of LMIE from its branches throughout Europe. LSME employs all the European employees and it charges commission to LMIE Zurich for insurance intermediary services which is recognised through the income statement for the current year in line with LMIE Zurich accounting policies.

The average annual number of full-time positions:

The Branch had no employees in 2022 (2021: nil). All Zurich staff are employed by LSME.

Principal risks and uncertainties

A fully defined risk taxonomy allows the Company to identify, assess, mitigate, monitor and report the risks that may have an adverse impact on the achievement of business objectives. Managing risk effectively enables both opportunities for upside gains and limiting downside losses.

The Company has divided its risk exposures into high-level risk categories to enable the Risk Management Framework (RMF) to be focused on the most significant risks that impact on business objectives. These categories also help to provide an aggregated and holistic view of the Company risk profile.

Insurance risk

Insurance risk is defined as the risk of a change in value caused by ultimate costs for full contractual obligations varying from those assumed when the obligations were estimated. Insurance risk is split for the legal entity into underwriting risk and reserve risk.

Underwriting risk is mitigated through the use of a diversified business plan operating within Board risk appetites and supported through the Company's control environment, including underwriting controls. Reinsurance is utilised to mitigate against exposure to individual events.

Reserve risk is mitigated through the use of detailed analysis performed by the Actuarial team and overseen by the Chief Financial Officer (CFO) Committee, including regular assessment of the results of actuarial studies, claims analysis, underwriting reviews and benchmarking exercises. In addition, business plans are developed to ensure that the long-term reserve profile of the Company remains stable.

Market Risk

Market risk is the risk of fluctuations to the net asset value (NAV) due to the volatility or level of financial variables impacting primarily the value of fixed income securities and private equity funds and the discounted value of net liabilities. Market risk includes interest rate risk, credit and spread risk, alternative asset risk, and exchange rate risk.

Market risk exposures are managed through the market risk appetite and the market climate risk appetite, which is detailed in the Company's Board Risk Appetite Statements. In addition to this there are a number of preventative, detective and directive controls. Asset-liability management is reviewed in conjunction with investment management in order to optimise the overall performance of assets relative to the liabilities.

Liquidity Risk

Liquidity risk is the potential for loss arising from situations where the Company either has insufficient cash or liquid funds to meet its financial obligations as they fall due or is required to sell assets below their fair value to meet cash flow demands.

Liquidity risk exposures are managed through the liquidity risk appetite, which is detailed in the Company's Risk Appetite Statements. In addition to this there are a number of preventative, detective and directive controls. The Company manages its cash and invested assets to ensure that cash is available to pay claims as they fall due.

Credit risk

Credit risk is the risk of financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations to the Company.

Credit risk (continued)

The principal source of credit risk arises from the inability of reinsurers and intermediaries to meet their contractual obligations if they become due.

Credit risk is mitigated through controls encompassing due diligence and continued monitoring to ensure the appropriate selection of counterparties and Board risk appetites to prevent inappropriate credit risk concentrations.

Operational risk

Operational risk is the risk of loss to the Company resulting from the inadequate or failed internal processes, people and systems, or from external events. This includes cyber and security issues, and risks arising from outsourced functions as well as legal and non-dispute risks.

Operational risk is managed within the Board risk appetite and mitigated through the use of the three lines of defence model in conjunction with a system of documented, monitored and tested internal controls. The model aims to provide clarity over roles and responsibilities within the Company, ensuring that all key risk activities are managed effectively.

In the normal course of business, the Company may receive legal claims against it in different jurisdictions and may be subject to regulatory investigations and proceedings from time to time. The Company currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Company’s results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period. Where the Company can look to another party to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

Group risk

Group risk is the risk of loss to the Company arising from its membership of Liberty Specialty Markets (LSM) and Liberty Mutual Reinsurance (LMRe), Global Risk Solutions (GRS) and the Liberty Mutual Group (LMG).

Group risk is mitigated through the monitoring of LMG’s financial strength and business strategy developments. In addition, the chairman of any Committee reviewing risk information ensures that due attention is given to each legal entity within LSM, particularly in times of stress to one entity.

Strategic risk

Strategic risk is the risk of loss to the Company arising from key business and strategic decisions, improper implementation of decisions or lack of responsiveness to industry changes.

Strategic risk is mitigated through the development and implementation of the Company’s strategy, business plan and through controls relating to the development of new business opportunities.

Climate change risk

Climate change risk arises from the impacts associated with an increase in global average temperatures, measured against pre-industrial levels, and has the potential to manifest in three distinctive forms: physical risks, transitional risks and litigation risks.

- Physical risks result from the impacts of increasingly frequent and severe extreme weather events, and longer-term shifts in climatic conditions.
- Transitional risks arise from economic transitions to carbon neutrality, which are likely to include large-scale market, technological and policy changes.

Climate change risk (continued)

- Litigation risks stem from parties seeking legal redress against those deemed to be responsible for the impacts of physical and transitional risks.

Climate change is classified as a cross-cutting risk, impacting a number of the different risk areas outlined above, as such it is being mitigated through the existing RMF. Insurers have a pivotal role in supporting the economic transition through their products, asset holdings and disclosures. The Liberty Mutual Group have set thermal coal thresholds within underwriting and investments to support this shift.

Since 2020, LSM / LMRe continues to be a member of the voluntary initiative ClimateWise, a global insurance industry network focused on climate-related issues. The LSM / LMRe ClimateWise score improved significantly for 2022 in comparison to 2021. In 2022, the first LSM / LMRe ClimateWise report is due to be published, demonstrating the Company's response to the ClimateWise Principles that are aligned with the Task Force on Climate-related Financial Disclosures (TCFD). This provides our policyholders and counterparties with additional climate change-specific information

ClimateWise Principles	Overview of the Company's response
1. Be accountable	Embedding climate change into all relevant management/governance structures and responsibilities
2. Incorporate climate-related issues into our strategies and investments	Assessing our portfolio against different climate change pathways, applying a Responsible Investment Policy and establishing a Responsible Business Framework
3. Lead in the identification, understanding and management of climate risk	Making significant advancements in our climate risk capabilities through utilisation of data, stress and scenario testing, and undertaking a climate risk appetite and materiality assessment
4. Reduce the environmental impact of our business	In 2022, LSM committed to an operational net zero target by 2050 which includes measuring, reducing and disclosing our Scope 1-2 and material Scope 3 emissions. LSM also works to reduce other environmental impacts; working with our suppliers and engaging our colleagues on environmental impact
5. Inform public policy making	Engaging with global regulators and actively contributing to several collaborative industry initiatives and working groups
6. Support climate awareness amongst our customers/clients	Providing products and services to support a responsible energy transition and build resilience, communicating our climate strategy through Liberty Mutual TCFD report
7. Enhance reporting	Publishing an annual summary of our climate approach and key activities in our ClimateWise report

Environmental, Social & Governance (ESG) risk

Responsible business encompasses many business areas as well as interactions with the Company's external stakeholders on ESG factors. Failure to address ESG factors may lead to reputational damage, loss of trust with customers, and regulatory and financial interventions.

LSM / LMRe's vision is to act as a responsible business. LSM / LMRe's Responsible Business Policy outlines how ESG is incorporated into decision making processes to mitigate risk, and LSM / LMRe's Responsible Business Strategy ensures a holistic approach is taken to the management of these risks. Risk management is aligned with LSM / LMRe's ESG priorities to identify, monitor and report different types of ESG risk. ESG risk is classified as a cross-cutting risk, meaning it impacts a number of risk

Environmental, Social & Governance (ESG) risk (continued)

register risks, as such it is being mitigated through the existing RMF. Governance structures, including dedicated working groups, are in place to discuss, escalate and respond to ESG topics the Company continues to comply with evolving European and the European Insurance and Occupational Pensions Authority (EIOPA) ESG sustainability requirements. As a member of the Liberty International European Holdings, S.L.U. (hereinafter referred to as LIEH). Solvency Reporting Group, the Company has met the product disclosure requirements set out in Article 8 of the European Taxonomy Regulation (EU Taxonomy Regulation) on how, and to what extent, our insurance activities are associated with environmentally sustainable economic activities across defined product classes.

The Company disclosure is reported in the LIEH non-financial statements as required by the EU Taxonomy Regulation.

The Company has also met requirements established in EIOPA Amendments to Delegated Regulation (EU) 2015/35 - Sustainability risk, to include the identification and assessment of sustainability risks and the integration into relevant policies sustainability risks.

Other significant events during the reporting period and up to the date of the report

Macroeconomic and geopolitical challenges

Many observers predict that the conflict between Russia and Ukraine will continue for some time. Sanctions continue to be applied and are actively monitored. The backdrop of this “long war” along with the aftereffects of the pandemic, the resulting impact of the energy crisis and sustained high levels of inflation have required a shift in monetary policy. The notable rise in economic inflation above Central Banks’ targets was originally caused by factors including the post-Covid-19 stimulus, supply chain restrictions, rising energy prices and labour shortages. This in turn is impacting debt servicing for governments, companies and individuals, leading to global concerns regarding recession, the cost of living crisis and civil unrest. Additionally, the current volatility in the banking sector has increased market uncertainty which will be managed through our approach to counter market risk. We continue to monitor the situation with regards to these systemic risk environment factors in accordance with our RMF.

Going concern

The Financial Statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the Directors have considered the information contained in the Financial Statements, the Company’s latest business plan, and the Company’s current solvency calculations. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements

Zurich, 28th April 2023

Markus Hefel – General Manager Switzerland

Income Statement

For the year ended 31 December 2022

CHF'000	Notes	2022	2021
Gross Written Premiums		94,201	72,241
Reinsurers’ share of written premiums		(62,163)	(49,961)
Net Written Premiums		**32,038**	**22,280**
Gross change in unearned premiums	7	(8,337)	(1,401)
Reinsurers’ share of change in unearned premiums	7	1,055	362
Net Earned Premiums		**24,756**	**21,241**
Total Income from insurance business		**24,756**	**21,241**
Gross claims paid		(11,591)	(15,026)
Reinsurers’ share of claims paid		11,609	10,219
Gross change in claims and equalisation reserve	7	(40,496)	(26,319)
Reinsurers’ share of changes in claims reserves	7	27,519	17,188
Net Claims Incurred		**(12,959)**	**(13,938)**
Acquisition costs		(24,385)	(19,613)
Reinsurers’ share of acquisition costs		19,722	14,486
Net Acquisition costs		**(4,663)**	**(5,127)**
Administrative expenses	8	(3,315)	(5,608)
Total expenses from insurance business		**(20,937)**	**(24,673)**
Other financial expenses		(528)	(629)
Operating result		**3,291**	**(4,061)**
Other income/(expenses)	9	7,779	1,599
Result before taxes		**11,070**	**(2,463)**
Direct Taxes		(1,853)	(2,309)
Result after Taxes		**9,217**	**(4,772)**

Balance Sheet
As at 31 December 2022

CHF'000	Notes	2022	2021
Assets			
Cash and Cash Equivalents	2	242,454	181,218
Reinsurers’ share in technical reserves	5	52,583	48,757
Accrued Interest		491	-
Receivables in respect of insurance business	3	17,968	19,142
Other receivables		-	920
Total Assets		**313,496**	**250,037**
Liabilities and Equity			
Gross technical reserves	5	191,848	146,850
Payables in respect of insurance business	4	310	471
Other Liabilities		8,024	2,528
Total Liabilities		**200,182**	**149,849**
Revaluation Reserve		(7,033)	-
Liaison account with head office		118,429	107,487
Retained profits brought forward		(7,299)	(2,527)
Profit / (Loss) for the period		9,217	(4,772)
Total Equity	6	**113,314**	**100,188**
Total Liabilities and Equity		**313,496**	**250,037**

The notes on pages 9 to 13 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2022

1. Accounting Policies

1.1. General Information

LMIE Zurich, is the Swiss branch of LMIE, a company located in Duchy of Luxembourg (prior to 1 March 2019, the registered address of LMIE was in London, UK).

LMIE underwrites insurance and reinsurance business from its head office in Luxembourg (prior to 1 March 2019 the head office was located in the UK) and its branches across Europe.

The main activity of the Branch is to provide insurance coverage for clients and risks located in Switzerland.

The Branch is a key part of LMIE's European region's operations and underwrites mainly general liability focusing on financial lines, commercial liability lines, fine art and specie, and commercial crime.

1.2. Legal Form

The Branch is domiciled in Zurich, Switzerland and was established as a branch of the head office located in the Duchy of Luxembourg (prior to 1 March 2019, the registered address of LMIE was in London, UK). Further information on the head office can be obtained in the LMIE financial statements.

1.3. Financial reporting standards

The annual accounts for the Branch have been prepared in accordance with Swiss law. The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.

1.4. Foreign currency translation

The currency in which the Branch operates is US Dollars (USD) (functional currency). Expenses and Income in foreign currencies are converted to CHF at the average rate. Balance sheet items are translated at the exchange rate ruling on the reporting date. Exchange differences are reported through the Income Statement.

The main exchange rates used are presented below:

USD to CHF	Average	Closing
2022	0.9527	0.9252
2021	0.9139	0.9112

1.5. Related parties

Related parties include all companies with the Liberty Mutual Group. Transactions with related parties are recorded at arm's length.

1.6. Cash and cash equivalents

The cash and cash equivalents includes cash holdings & bank deposits and are recorded at their nominal value.

Notes to the Financial Statements
for the year ended 31 December 2022

1. Accounting policies (continued)

1.7. Technical reserves

Case reserves

Case reserves represent the best estimate of the ultimate payment for claims reported and open as of the Balance Sheet date.

Incurred But Not Reported (IBNR) reserves

IBNR reserves are estimates of the amounts required to settle claims that have been incurred but not reported. These reserves are calculated by the appointed actuary and are in line with the Branch's reserving policy as submitted to the Swiss Financial Market Supervisory Authority (FINMA).

Provisions for unearned premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Equalisation provisions

Equalisation reserves are calculated by the appointed actuary and are in line with the Branch's reserving policy as submitted to FINMA.

1.8. Revenue recognition

Premiums are recorded at inception of a contract and earned over the contract period.

Realised investment gains/losses and other income are recognised when the transactions occur.

1.9. Leases

Rentals under operating leases are charged to the income statement in equal annual instalments over the period of the lease.

1.10. Revaluation Reserve

Financial investments are held by the head office on behalf of the Branch. Fair value movements on these financial investments are allocated by the head office to the Branch. These movements are recorded in the revaluation reserve.

2. Cash and cash equivalents

CHF'000	2022	2021
Bank Accounts	11,276	9,515
Bank Deposits	231,178	171,703
Total cash and cash equivalents	**242,454**	**181,218**

3. Receivables in respect of insurance business

CHF'000	2022	2021
Due from policyholders	17,219	18,312
Due from reinsurance companies	749	830
Total receivables	**17,968**	**19,142**

Notes to the Financial Statements
for the year ended 31 December 2022

4. Payables in respect of insurance business

CHF'000	2022	2021
Due to reinsurance companies	310	471
Total payables	**310**	**471**

5. Technical reserves

CHF'000	2022	2021
Gross unearned premium reserves	28,291	20,531
Reinsurers' share of unearned premium reserves	(9,050)	(7,953)
Net unearned premium reserves	**19,241**	**12,578**
Gross Claims reserves	142,587	113,528
Reinsurers' share of claims reserves	(43,533)	(40,804)
Net claims reserves	**99,054**	**72,724**
Equalisation reserves	20,970	12,791
Total gross technical reserves	**191,848**	**146,850**
Total reinsurers share of technical reserves	**(52,583)**	**(48,757)**
Total net technical reserves	**139,265**	**98,093**

6. Statement of changes in equity

CHF'000	2022	2021
Liaison account with head office as at 1 January	**107,487**	**60,514**
Net transfers to and from Head Office	10,942	46,973
Liaison account with head office as at 31 December	**118,429**	**107,487**
Revaluation Reserve	(7,033)	-
Prior period result brought forward	(7,299)	(2,527)
Result for the period	9,217	(4,772)
Balance as at 31 December	**113,314**	**100,188**

The financial statements for the year ended 31 December 2022 are prepared on a consistent basis with the regulatory return on a prospective basis.

7. Changes in technical reserves

CHF'000	2022	2021
Change in gross unearned premium reserves	8,337	1,401
Change in reinsurer's share of unearned premium reserves	(1,055)	(362)
Change in net unearned premium reserves	**7,282**	**1,039**
Change in gross claims reserves	32,277	27,875
Change in reinsurer's share of claims reserves	(27,519)	(17,188)
Change in net claims reserves	**4,758**	**10,687**
Change in equalisation reserves	**8,219**	**(1,556)**

Notes to the Financial Statements
for the year ended 31 December 2022

8. Administrative expenses

CHF'000	2022	2021
Other operating expenses	3,315	5,608
Total administrative expenses	**3,315**	**5,608**
Total net acquisition costs	4,663	5,127
Total net acquisition costs and administrative expenses	**7,978**	**10,735**

The Branch had no employees in 2022 (2021: nil). All Zurich staff are employed by LSME.

9. Other Income

CHF'000	2022	2021
Foreign exchange gains	6,431	380
Allocated investment return	843	1,219
Accrued interest from Time Deposits	506	-
Total Other Income	**7,779**	**1,599**

The increase in foreign exchange gain this year is driven by the allocation of foreign exchange gains coming from the revaluation of financial investments held by the head office.

Financial investments are held by the head office on behalf of the Branch. Earnings from these investments are allocated to the Branch based on net technical reserves.

10. Audit fees

CHF'000	2022	2021
Audit services	75	85
Total fees for audit services and other services	**75**	**85**

Audit fees are included within Administration expenses.

11. Residual amount of leasing liabilities

The maturity profile of lease obligations that do not expire or cannot be cancelled within 12 months is presented below:

CHF'000	2022	2021
1 to 5 years	179	178
Total	**179**	**178**

12. Related Parties

During the year, the Branch entered into transactions in the ordinary course of business with other related parties. Trading balances outstanding at 31 December are as follows:

CHF'000	2022	2021
Inter-Company payable	5,540	-
Inter-Company receivable	-	920
Reinsurance recoverable	50,218	35,551
Allocated investment return	843	1,219

Inter-Company payable/receivable balances with related parties are included within Other Liabilities/Receivables.

12. Related Parties (continued)

Reinsurance recoverable balances with related parties form part of the Reinsurers’ share in technical provisions.

Allocated investment return balance with related parties is included within Other Income.

13. Ultimate parent company

The ultimate parent Company is Liberty Mutual Holding Company Inc. (LMHC) of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A., a company incorporated in the United States of America.

The smallest higher group of companies for which group accounts are drawn up and of which this Company is a member is LIEH, domiciled in Spain.

LMIE consolidates into the LIEH for Solvency II purposes and therefore is subject to Group supervision by the ‘Direccion General de Seguros’ (DGS), which is located in Paseo de la Castellana, 44, Madrid, Spain, and is assisted by Subgroup Colleges of Supervisors for the coordination of supervisory activities.