

Baloise Gruppe – Swiss Solvency Test as at 1 January 2020

Results for the Baloise Group

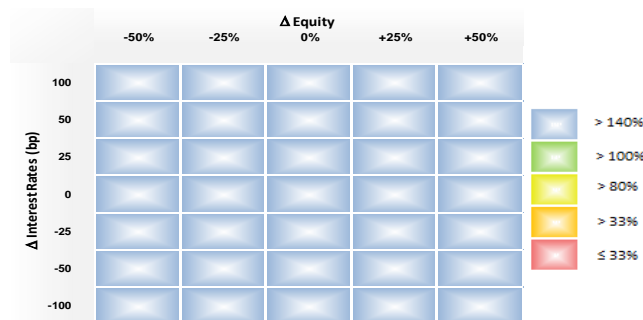
In CHF mn	1 January 2019	1 January 2020
Risk-bearing capital (RBC)	10'954	11'473
Target capital (TC)	4'993	6'226
Solvency ratio	242%	201%

- › **Risk-bearing capital** increased year on year. The change is mainly attributable to the positive economic environment in 2019.
- › **Target capital** also rose year on year. This was mostly due to adjustments on the SST-model for European subsidiaries, higher market risks which mainly increased as a result of the positive economic environment and portfolio growth, especially the acquisition of Fidea NV.
- › Because target capital grew at a stronger rate than risk-bearing capital, the **solvency ratio** reduced to 201%.
- › The solvency ratios of the two Swiss companies Baloise Life Ltd and Baloise Insurance Ltd stood at 204% and 270% respectively as at 1 January 2020.

Sensitivities of the solvency ratio

(as at 1 January 2020)

- › Even in an economic stress scenario, such as a reduction in interest rates of 100 bp and a stock market fall of 50%, the solvency ratio would still be above 140%.



General remarks

- › The **Swiss Solvency Test (SST)** is a modern measure of the solvency of insurance companies, documenting the economic risk situation of insurance companies. This regulatory instrument is aimed at protecting policyholders against the consequences of an insurance company becoming insolvent.
- › The Swiss Financial Market Supervisory Authority (FINMA) sets the capital requirement at a level that ensures an insurance company will be able to maintain an adequate level of capital even if a negative event materialises that only occurs every 100 years. The capital calculated in this way is called **target capital (TC)**. The available capital is known as **risk-bearing capital (RBC)**.
- › The **solvency ratio** is the ratio of available to required capital, after deduction of the market value margin (MVM) in both cases. To meet the solvency requirements, this ratio must be above 100%.

$$\text{solvency ratio} = \frac{\text{RBC} - \text{MVM}}{\text{TC} - \text{MVM}}$$

- › The Baloise Group uses an **adjusted standard model** to calculate the SST. Because of adjustments to the standard model, the SST model changed year on year. Also in future years, further model changes and model volatility in the results can not be excluded.