

ANNUAL REPORT | 2020



Squarelife Insurance AG FL-000.2.197.226-9

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1 Board of directors, management and auditors

As of 31 December 2020

1.1 Board of directors

Hansueli Edelmann - President

Fabio Doninelli

Alberto De Lorenzi

Oliver Ohl

1.2 Management

Dr Elias Vicari - CEO

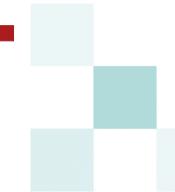
Jörg Dreisow

1.3 Auditors

Grant Thornton AG

Bahnhofstrasse 15

FL-9494 Schaan



2 Board of directors report

Squarelife Insurance AG (formerly Squarelife Lebensversicherungsgesellschaft AG) concluded almost 23 thousand policies in the year under review. This is slightly less than in the previous year, but the number of policies increased by 36%. Premium income grew by 38%. A profit of approximately 600'000 CHF was generated (compared to almost 780'000 CHF in the previous year). As in previous years, the profit will be fully allocated to equity in order to further strengthen it. The solvency ratio, a measure of an insurer's solvency, was a high 223% at the end of 2020. Overall, Squarelife achieved a solid result in a turbulent year, even if it partially missed the targets set at the end of 2019. It was aiming for a portfolio growth of at least 50% and a profit of around 1'000'000 CHF. COVID-19 was not on the equation at the time.

What impact does the pandemic have on the global insurance industry? First, and obvious, the increase in insurance claims of all kinds; second, the reluctance of private and institutional customers to take out insurance cover, mainly for financial reasons. Third, insurance requirements become less important when rigorous measures force companies to reduce or cease operations, or when events are no longer allowed to take place. Fifth, social security systems must face declining wage-based contributions. Sixth, insurance sales through sales force and brokers suffer from the ban on face-to-face meetings with customers. There are certainly other negative influences, but in summary, the effects are manifold, but from our point of view, they do not endanger the existence of the insurance industry.

A first reaction of insurance companies in the face of a threatening risk is usually to exclude it without further ado. Some insurers have already taken this radical measure. In doing so, they call into question their *raison d'être*, which is to cover risks. Excluding a risk is short-sighted, upsets customers, and cements the insurer's reputation of gladly collecting premiums but denying benefits whenever possible. It is preferable to adequately reflect the new risk in the premium. Price increases are not popular either, but the majority of customers will be willing to pay a higher price for the additional coverage.

How long will the pandemic affect us? Longer than expected, and perhaps forever, the way people have long learned to live with the flu virus. Will we return to pre-pandemic normalcy and, for example, be able to travel freely and cheaply as we did two years ago? Doubts are reasonable. COVID-19 and its mutations appear to be more persistent and dangerous than the flu virus. We will have to make do with restrictions in society, in the world of work and in leisure time. People and their governments contribute to the prolongation. Many people disregard necessary measures and indulge in conspiracy theories. Some countries rigorously confined their populations, others glossed over the virus. Countries closed borders, while neighboring countries left them open. Some countries test and vaccinate consistently, many waver and hesitate. Internally, the measures taken are contradictory and incomprehensible. Unfortunately, science does not offer much help so far. The very quickly available vaccines are undoubtedly a terrific achievement, but scientists often disagree on the consequences and how to fight the virus.

Back to Squarelife. COVID-19 gives no reason to change its business model. Own insurance products are only launched if they offer real benefits to the insured, are inexpensive, transparent and can be managed automatically. Squarelife deliberately does not have its own sales force. It does not offer endowment insurance with interest rate guarantees, and therefore does not need its own asset management. Since the start of Squarelife, equity has been invested in a capital-preserving manner, which proved very successful in March 2020.

The business model explicitly includes cooperations with other insurers, banks, sales organizations or asset managers. Squarelife, together with its sister company Lifeware, is able to develop insurance products according to the needs of its partners within a few days and present them in the form of prototypes. If a partner decides to follow this path, the product is provided with the corporate identity of the partner, integrated into their offer systems and managed by Squarelife. Even today, product development in most insurance companies takes many months, if not years. With Squarelife, our partners reach their goal much faster and at a lower cost.

There is hardly an insurer that is not committed to digitalization. It is primarily used to reduce costs and offer products online. Squarelife has long been a fully digitally operating insurance company and is therefore well equipped in the age of COVID-19. Digitalization also offers new and unimagined opportunities to further improve products and service and to interact with customers. Squarelife will consistently follow this path.

The board of directors sincerely thanks all employees for their enormous commitment and great dedication.

3 Annual report

Introduction

Squarelife's fifth year of new business was overshadowed by the Covid pandemic, as was the case with almost every issue in both the business and private spheres. Even if the effects were fundamentally less dramatic for the insurance industry, it left at least minor traces for a relatively young company like Squarelife. The encouraging increase in new business in 2019 could not be maintained in 2020, which is primarily due from the fact that the expansion of the network of potential business partners in "Covid times" could not take place as planned. Nevertheless, substantial growth in new and existing business was also achieved in 2020.

Review 2020

The portfolio of active policies grew from 27,792 as of December 31, 2019 to 37,661 as of December 31, 2020. Premiums written increased again by approx. 20% compared to the previous year, amounting to TCHF 7,233.

Even more important to us than portfolio growth are the developments in customer contacts and the feedback from our customers. Customers primarily purchase insurance from Squarelife because they are convinced of the ease with which they can conclude a policy and the benefits offered by the products. However, the real "acid test" often comes when a claim is filed. In 2020, well over a thousand new claims were reported; almost exclusively through digital means. Our customers' expectations of the management of their policies and rapid claims settlement are, justifiably, very high. There is a lot of praise, but there are also critical comments from our customers every now and then. Squarelife continuously takes this as an opportunity to make tariffs and insurance conditions even clearer, as well as to improve the service for customers. The goal of exceeding customer expectations remains our most important objective.

Furthermore, the consistent focus on digitalized processes leads to the very pleasing effect of Squarelife's internal administrative costs remaining stably low. This means that as the portfolio grows, Squarelife's administration cost ratio is constantly falling.

The efficient management of Squarelife has also made it possible to expand to the "health insurance" line of business in 2020. The first policies were concluded in December 2020.

The positive development of Squarelife will also be complemented and confirmed by the very good solvency situation in 2020. The solvency ratios and further information on the solvency situation can be found in the annual solvency report ("SFCR"). The latest report is published on the Squarelife homepage www.squarelife.eu.

Prospect for 2021

Prospects for business development in general and for Squarelife remain difficult as a consequence of the ongoing Corona pandemic. However, the development at the beginning of 2021 allows for positive expectations. This is attributable both to Squarelife's increasingly affirmed business model of a 100% digital orientation and thus the "contactless" sale of insurance, and to its broad setup offering partners both life and health insurance products. This as both a "classic" primary insurer and, in selected cases, as a reinsurer.

Nevertheless, the uncertainties in 2021 mean that neither a reliable nor an overly optimistic forecast can be made for the development of inventories and sales. Squarelife is optimistic that both growth and profit will increase in 2021 compared to 2020.

Squarelife would like to thank all customers and partners for the trust they have placed in us.

4 Balance sheet and income statement

4.1 Balance sheet

4.1.1 Assets

Balance sheet	Appendix	31.12.2020	31.12.2019
		CHF	CHF
B Investments	5.2.1		
III. Other investments			
1) Equity, other variable-income securities and shares in investment funds		5,609,675	1,266,059
2) Debt securities and other fixed-income securities		4,382,571	2,324,286
		9,992,246	3,590,345
C Capital investments for the account and risk of life insurance policyholders	5.2.2		
Capital investments for the account and risk of life insurance policyholders		64,847,641	76,941,702
		64,847,641	76,941,702
D Additional receivables			
I. Receivables from self-concluded business C) from insurance policyholders		193,501	162,126
II. Receivables from reinsurance business			
3) from other debtors		943,403	16,998
III. Other receivables 3) from other debtors		410,340	396,179
		1,547,244	575,304
E Other assets			
I. Property, plant and equipment (apart from plots of land and buildings) and inventory stocks		0	0
II. Current credits with banks, giro cheque credits, cheques and cash-in-hand		4,656,689	10,106,651
		4,656,689	10,106,651
F Prepaid expenses			
I. Prepaid interest payments and rents		14,185	17,632
III. Other prepaid expenses		0	0
		14,185	17,632
Total assets		81,058,004	91,231,635

4.1.2 Liabilities

Balance sheet	Appendix	31.12.2020	31.12.2019
		CHF	CHF
A Shareholders' equity			
I. Subscribed capital		7,000,000	7,000,000
II. Organisation funds		7,800,000	7,800,000
V. Profit/loss carried forward		-3,677,943	-4,450,502
VI. Annual profit/loss		616,892	772,559
		11,738,950	11,122,057
D Technical provisions			
I. Prepayments of insurance premiums		159,658	59,454
II. Insurance provision			
1) Gross amount		1,906,787	482,193
2) Reinsurers' share		-1,580,267	-388,386
III. Provision for unsettled insurance claims		1,665,249	1,153,358
V. Equalisation reserve		1,415,461	1,115,167
		3,566,889	2,421,786
E Technical provisions for life insurance contracts, insofar as the investment risk is borne by the insurance policyholders	5.2.2		
Technical provisions for life insurance contracts, insofar as the investment risk is borne by the insurance policyholders		64,847,641	76,941,699
		64,847,641	76,941,699
F Other provisions			
II. Tax provisions		38,307	45,080
		38,307	45,080
H Other liabilities			
I. Accounts payable arising out of direct insurance business			
3. to other creditors		494,728	459,699
V. Other liabilities			
1. Liabilities from taxes		11,550	18,912
2. Liabilities within the framework of social security		15,460	8,859
3. Other liabilities to affiliated companies		52,506	30,860
5. Other liabilities to other creditors		213,746	85,112
		787,991	603,442

I **Deferred charges**

Deferred charges	78,227	97,569
	78,227	97,569
Total liabilities	81,058,004	91,231,634

4.2 Income statement

	I. Actuarial accounting for life insurance	Appendix	31.12.2020	31.12.2019
			CHF	CHF
1 Premiums earned for own account		5.3.1/2		
a) Gross premiums booked			7,233,853	5,244,339
b) Reinsurance premiums ceded			-2,979,125	-1,164,647
c) Change in gross unearned premiums			-100,204	-52,088
			4,154,524	4,027,604
2 Income from investments		5.3.3		
c) Current income from other capital investments			81,147	93,422
e) Gains on the disposal of capital investments			42,505	0
			123,652	93,422
3 Unrealised gains from capital investments				
Unrealised gains from capital investments			9,864,327	9,827,478
			9,864,327	9,827,478
4 Other underwriting income for own account		5.3.4		
Other underwriting income for own account			299,030	135,494
			299,030	135,494
5 Claims expenses for expenditures for insurance claims				
a) Claims paid - aa) Gross amount			-14,246,939	-12,927,610
a) Claims paid - bb) Reinsurers' share			1,511,241	244,755
b) Change in the provision for unsettled claims			-111,655	212,018
			-12,847,353	-12,470,837
6 Change in the remaining actuarial net provisions				
a) Change in insurance provision - aa) Gross amount			10,331,965	4,440,801
a) Change in insurance provision - bb) Reinsurers' share			1,604,035	0
b) Change in other technical provisions			-294,873	-536,520
			11,641,127	3,904,281

8 Operating expenses for own account		
a) Acquisition costs	-764,007	-834,109
b) Administration expenses	-1,193,484	-699,136
	-1,957,491	-1,533,245
9 Expenses for capital investments		
a) Expenses for the administration of capital investments and interest expenses	-31,284	-5,812
b) Amortization on investments	-195,931	-35,059
c) Losses on the realisation of investments	-69	-3,677
	-227,284	-44,548
10 Unrealised losses from capital investment		
Unrealised losses from capital investment	-10,469,549	-3,462,240
	-10,469,549	-3,462,240
11 Other technical expenses for own account		
Other technical expenses for own account	-3	-24,829
	-3	-24,829
Results of the actuarial account for life insurance	580,980	452,580

II. Non-actuarial account	Appendix	31.12.2020	31.12.2019
		CHF	CHF
14 Results of the actuarial account for life insurance			
Results of the actuarial account for life insurance		580,980	452,580
		580,980	452,580
7 Other income from usual business activity	5.3.4		
Other income from usual business activity		316,301	368,007
		316,301	368,007
8 Other expenses from usual business activity	5.3.4		
Other expenses from usual business activity		-271,750	0
		-271,750	0
13 Taxes on income and on earnings			
Taxes on income and on earnings		-8,639	-48,028
		-8,639	-48,028
Annual profit/loss		616,892	772,559

5 Appendix to the balance sheet and income statement

5.1 Basic accounting principles

5.1.1 Accounting principles

The Financial Statement is based on the basic principles of the Liechtenstein Law on Persons and Companies (PGR). It also meets the following legal requirements: Law of December 6, 1995 regarding supervision of insurance companies (Insurance Supervision Law; VersAG) and the Ordinance issued to accompany it (Insurance Supervision Ordinance; VersAV) in the respectively valid versions.

5.1.2 Reporting date

The insurance companies in the Principality of Liechtenstein are legally required to prepare the balance sheet for December 31.

5.1.3 Conversion of foreign currencies

Credits, receivables, proportional interest payments, liabilities and actuarial provisions etc. issued in foreign currencies are, as a basic principle, converted at the rate on the exchange rate table below. The same also applies to securities issued in a foreign currency. Any possible currency differences are recorded so as to book their effect on net income.

The following reporting date exchange rates were applied in the reporting year:

Exchange rate on reporting date	
US Dollar (USD)	0.8839 CHF/USD
Euro (EUR)	1.0817 CHF/EUR
Swedish Krona (SEK)	0.1077 CHF/SEK
Czech Koruna (CZK)	0.0412 CHF/CZK
British Pound (GBP)	1.2083 CHF/GBP
Polish Zloty (PLN)	0.2372 CHF/PLN
Danish Krone (DKK)	0.1454 CHF/DKK
Japanese yen (JPY)	0.0086 CHF/JPY

5.1.4 Debt securities and other fixed-income securities

Debt securities and other fixed-income securities are valued at the lower of cost or fair value in the event of permanent impairment. If the acquisition costs exceed the repayment amount, the difference is depreciated. The corresponding valuation correction is shown under the item "Investment expenses".

5.1.5 Equity, other variable-income securities, shares in investment funds

The shares and units in investment funds in Swiss and foreign portfolios are valued according to the lowest value principle (acquisition costs or lower fair value).

5.1.6 Capital investments for the account and risk of life insurance policyholders

Capital investments for the account and risk of insurance policyholders are valued at their market value on the reporting date or, if the reporting date is not a trading day, at the exchange rate on the last trading day preceding the reporting date.

5.1.7 Technical provisions

The actuarial provision comprises the actuarial value of the insurance company's obligations. The actuarial reserve was calculated in accordance with the applicable regulations and actuarial principles. For insurance policies that are linked to investment funds (the risk is borne by the policyholder), the policy reserve corresponds to the value of the investments for the account and risk of the policyholder (item 5.1.6) on the reporting date.

The reserves contain an equalization reserve to stabilize the risk compensation for smaller sub-portfolios or innovative product portfolios with little historical calculation basis.

5.2 Notes to the balance sheet

5.2.1 Investments

Equity, variable-income securities, shares in investment funds	31.12.2020	31.12.2019
Opening balance	1,266,059	950,087
Additions	5,039,362	378,556
Disposals	-637,721	-40,344
Interest on zero-coupon bonds	0	0
Amortisation and impairment	0	0
Realised		
Rate differences	33,882	-3,677
Exchange rate differences	0	0
Unrealised		
Rate differences	-45,857	-8,905
Exchange rate differences	-46,051	-9,660
Total	5,609,675	1,266,059

The fair value of stocks, other variable income securities and investment fund shares on December 31, 2020 amounts to CHF 6,201,045.

With regard to its own investments, Squarelife pursues a conservative "capital preservation strategy". In 2020, this will be associated with an increasing equity quota due to diversification.

Debt securities, fixed-income securities	31.12.2020	31.12.2019
Opening balance	2,324,286	2,225,233
Additions	2,544,554	503,751
Disposals	-530,144	-400,000
Interest on zero-coupon bonds	0	0
Amortisation and impairment	0	0
Realised		
Rate differences	8,554	0
Exchange rate differences	0	0
Unrealised		
Rate differences	36,216	-3,123
Exchange rate differences	-895	-1,575
Total	4,382,571	2,324,286

The fair value of bonds and fixed income securities on December 31, 2020 amounts to CHF 4,436,914.

5.2.2 Technical provisions, policyholder's investment risk

Technical provisions, policyholders' investment risk	31.12.2020	31.12.2019
Capital investments for the account and risk of life insurance policyholders	64,847,641	76,941,702
Total technical provisions, policyholders' investment risk	64,847,641	76,941,702

5.2.3 Liabilities to affiliated companies

As of December 31, 2020, there was a liability of CHF 52,506 and deferred income in the amount of CHF 67,869 for services rendered to affiliated companies (Lifeware SA). In 2020, expenses of CHF 491,275 were due to affiliated companies.

Essentially, it concerns IT services and administrative support.

5.3 Disclosures to the income statement

5.3.1 Allocation by premiums

Allocation by premiums	31.12.2020	31.12.2019
Single premium	2,616,871	3,563,930
Current premiums	4,616,983	1,680,410
Total premiums	7,233,853	5,244,339

5.3.2 Allocation of the gross premiums booked according to countries

Allocation of the gross premiums booked according to countries	31.12.2020	31.12.2019
Austria	177,504	53,702
Czech Republic	148,362	106,077
Denmark	65,788	4,393
France	0	650
Germany	5,064,652	3,755,264
Italy	303,254	263,127
Netherlands	1,082,709	395,188
Poland	252,658	17,109
Spain	64,647	43,615
Sweden	0	0
Switzerland	74,279	605,214
United Kingdom	0	0
Total premiums	7,233,853	5,244,339

5.3.3 Income from investments

Income from investments	31.12.2020	31.12.2019
Debt securities interest	81,147	93,422
Allocated sales taxes	0	0
Gains on the disposal of capital investments	42,505	0
Total	123,652	93,422

5.3.4 Active reinsurance with an associated service contract

Within the framework of active reinsurance, there is an associated service contract that is inseparably linked to the reinsurance contract. Income related to reinsurance business is reported in the technical account (section "Other underwriting income for own account"). The income and expenses associated with the service contract are reported in the non-technical account (sections "Other income from usual business activity" / "Other expenses from usual business activity"). In 2019, the disclosure was made exclusively in the non-technical account.

5.4 Other disclosures

5.4.1 Employees

An average of 1.50 employees were employed in the reporting year (previous year: 1.50 employees).

5.4.2 Fixed remuneration of the administrative and managerial organs

Members of the Administrative Board were granted total remuneration totaling CHF 20,000 in the year under review.

Members of the Executive Board were granted total remuneration totaling CHF 155,000 in the year under review.

5.4.3 Share capital

As of December 31, 2020, the share capital totaled CHF 7 Millionen.. It consists of 7,000 registered shares with a nominal value of CHF 1,000 each.

5.4.4 Name and registered office of the parent company

The shares of Squarelife Insurance AG, Ruggell are 100% owned by Squarelife Holding SA, 6934 Bioggio, Switzerland.

5.4.5 Auditor's fees

The auditing services provided for the 2020 business year amount to CHF 71,014.

5.4.6 Proposal by the board of directors

The board of directors proposes to the Annual General Meeting that the profit of CHF 616,892 be carried forward to a new account.

5.4.7 New Class of Insurance

On September 7, 2020, Squarelife received approval for the insurance class "health insurance". Due to the sales preparation, no substantially significant new business could be achieved in 2020. The first 37 health insurance contracts were signed in December. The total annual premium for the 37 contracts is around CHF 5,000. In the 2020 business year, this premium income was shown in the underwriting account for life insurance due to its very small size. From the 2021 business year, there will be a separate statement between the technical statement for life insurance and the technical statement for non-life insurance.

5.4.8 Events after the reporting date

There were no significant events.

6 Actuarial confirmation

Actuarial confirmation of Squarelife Insurance AG as of December 31, 2020.

As the responsible actuary according to Art. 41 Para. 1) VersAG, and within the meaning of Art. 41 Para. 2) b) first sentence VersAG I confirm that the technical provisions listed below specifically in accordance with the applicable statutory provisions of the Liechtenstein Insurance Supervision Act and the associated ordinance Art. 36 VersAV life insurance and recognized actuarial principles are correctly calculated and adequately endowed:

D I. Prepayments of unearned premiums	159,658.21 CHF
D II. Insurance provision	326,520.46 CHF
D III. Provision for unsettled insurance claims	1,665,249.40 CHF
D V. Equalisation reserve	1,415,460.72 CHF
E Technical provisions for life insurance contracts, insofar as the investment risk is borne by the insurance policyholders	64,847,641.23 CHF

A minimal part of business in reinsurance was written (5% quota participation). The gross premium received was 1,783.55 CHF.

The capital requirements for the insurance company were met as of December 31, 2020.

Ruggell, April 06, 2021



Jörg Dreisow
Responsible actuary
Actuary (German Actuarial Society), statistics graduate