Solvency and Financial Condition Report 2018

ERGO Insurance N.V.

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TABLE OF CONTENT

EXECUTIVE SUMMARY

Introduction

ERGO Insurance N.V. (hereafter the 'company') is part of the ERGO Group that in turn is part of the Munich Re Group. The company provides life insurance products with a focus on pension savings and long term savings.

This document is the Solvency & Financial Condition Report ("SFCR") of ERGO Insurance N.V.. Munich Re prepares a consolidated SFCR at Group level. The published report for the 2018 financial year can be found at www.munichre.com/en/ir/result-center/index.html.

For the purpose of this report, the reporting period is 1 January 2018 to 31 December 2018. The aim of this report is to assist policyholders and other stakeholders to understand the solvency and financial position of ERGO Insurance N.V. as at 31 December 2018.

Data contained in this report are subject to data quality monitoring performed in accordance with requirements expressed in the company's Data Quality Policy.

Business model and strategy

The company's mission is to take good care of the savings our customers have entrusted us with and to protect their pension savings and financial health for the full duration of their contracts. This is constantly our focus. After announcing our New Strategic Plan (also referred to as the 'New Strategy') to close the book to new policies and focus on fully serving existing customers from 1 July 2017, our customers can expect a reliable and efficient service by empowered and risk aware employees working in a financially stable company.

In 2018, the company continued its implementation of the New Strategy which involves an operational transformation into direct insurer scheduled to continue until the end of 2020. Decisions taken in 2017 on capital management and investment strategy are delivering expected results in 2018, benefitting the solvency position. The solvency ratio further increased to 273% at year-end 2018 compared to 217% at year-end 2017. The Management of the company continues to closely monitor the progress it is making to implement the New Strategy and the effect the New Strategy has on its portfolio and its financial strength.

Underwriting performance

The underwriting performance is based on the premiums received by the company, the claims it has to pay-out and the different expenses it incurs in order to administer and commercialize policies.

During 2018, the following key developments occurred:

- **Gross Written Premium**: Overall, there was a 14% (57,90 Mn €) decline in the Gross Written Premiums for 2018 across all lines of business (from 411,60 Mn € in 2017 to 353,70 Mn € in 2018). This is predominantly due to market conditions and low interest rates experienced in 2018, as well as the implementation of the New Strategy as a result of which no new business was underwritten from 1 July 2017 and leading in particular to a reduction in single premiums.
- **Claims:** Overall, claims incurred decreased by 6% (-17,46 Mn €). The main drivers of this decrease were Insurance with Profit Participation policies and other life insurance and health insurance policies, where claims decreased.
- **Expenses:** Total expenses before cost allocation, excluding paid restructuring expenses provisioned for, were 18,70 Mn € lower compared to 2017. In addition, commissions reduced significantly in 2018 due to implementation of the New Strategy.

Investment performance

The net income from investments (in BEGAAP values) decreased from 167 Mn € in 2017 to 127 Mn € in 2018, as less fixed income investments were realized in 2018 (the 2017 investment income consisted significantly of extraordinary investment income).

Governance

The most important governing bodies in the System of Governance include: the Board of Directors; Audit and Risk Committee; the Nomination and Remuneration Committee, and the Management Committee. During 2018, the company's management was subject to change both at Board of Directors and Management Committee levels. The management of Independent Control Functions remained unchanged, providing stability in actuarial controlling, risk and compliance controlling and audit oversight.

The company's Risk Management System is built to identify, assess and measure, steer as well as monitor and report risks. Continued focus remained on ensuring effective governance and further embedding an appropriate risk culture across the company, in line with the risk appetite set by the Board of Directors.

Risk Profile

The Risk Profile of the company provides at a given point in time a view on all the risks to which the company is exposed to, for instance:

- Underwriting risk: As is typical for an insurance company, underwriting risk represents the potential loss arising from entering into or underwriting insurance policies. Because of ERGO insurance N.V.'s business model and activities, its main underwriting risks are life risk and to a lesser extent health risk.
- Market risk: As is typical for a life insurance company, market risk is the major risk contributor to the company's Risk Profile. Market risk is the risk of a loss that may be caused by fluctuations in the prices of the financial instruments in a portfolio. The various risk factors are the interest rate, credit spreads, exchanges rates, share prices or property prices. Movements in these various elements form the foundation of market risk.
- Operational risk: The company has defined operational risk as the risk of loss caused by failed systems, processes, people or external events. It is broken down into the following components: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management.
- Counterparty default risk: Counterparty default risk is created by the uncertainly regarding the ability of a debtor to meet its obligations, including risks resulting from default or partial default of receivables by reinsurance partners.

During 2018 the New Strategy and its implementation continued to have a significant effect on the company's Risk Profile. In particular, the company had less exposure to (i) market risk (interest rate risk) as a result of a revised Strategic Asset Allocation introduced in 2017, and (ii) expense risk as the projected expenses decreased in 2018 since the expense volume has steadily shrunk over the year as a natural effect of the run-off.

In order to successfully implement the New Strategic Plan, operational risks continue to be actively identified and closely monitored. Mitigation actions initiated in reaction to emerging risks as part of the New Strategic Plan and in business as usual are beginning to be effective to counter the effect of operational risks on the position of ERGO Insurance. For example, initiatives have been taken to mitigate the fragmented system landscape and simplify the IT architecture, including an e-customer project, a robotics project and a process streamlining project.

Besides the implementation of the New Strategic Plan, like other insurers, the company has to absorb all incoming legal and regulatory requirements. To ensure an effective absorption of new requirements, a number of dedicated projects are underway next to the strategic plan initiatives.

Valuation for solvency purposes

The company's balance sheet, like that of other insurers, comprises assets, Technical Provisions and other liabilities. Technical Provisions are reserves for claims and premiums plus a risk margin. Assets, Technical Provisions and other liabilities are valued on a 'fair value' basis according to Solvency II requirements, meaning that the company's financial strength is sensitive to movements in their value. Moreover, due to a difference in valuation methodologies, differences between Solvency II and BEGAAP exist. These are explained in this report.

Capital management

Under Solvency II, every insurer is required to identify its key risks and to hold sufficient capital to withstand adverse outcomes from these risks. The capital required to withstand such adverse outcomes is called the "Solvency Capital Requirement" (SCR). The absolute minimum capital required below which the regulator would intervene is called the "Minimum Capital Requirement" (MCR). The capital resources available to meet the requirements are called 'Own Funds' and these can be categorized by three tiers of capital with differing qualifications.

The current capital management plan primarily aims to maintain the company's strong solvency position and aims to assure that, at all times, the company can respect regulatory requirements and capital requirements. The primary focus in 2018 has been to maintain the attained position since year end 2017.

Nevertheless, where possible, measures have been taken for further improvement. The main achievement of 2018 was delivering clearer model governance and further reviews of model and assumption changes to calculate the solvency requirements, thus providing a more stable model and better insight into changes to the model from the environment.

These measures, together with favorable market developments, have mainly resulted in a further strengthening of the solvency position. Additionally, it should be noted that the company is not applying any Transitional Arrangements.

The company's Solvency II coverage ratios

The year-end Solvency II coverage ratios were higher in 2018 compared to 2017. The measures and decisions taken by the company were the main drivers to improve the financial stability of the company:

Solvency II coverage ratios at year end 2018: **273% of the SCR and 773% of the MCR** (with volatility adjustment)
Solvency II coverage ratios at year end 2017: **217% of the SCR and 688% of the MCR** (with volatility adjustment)

Solvency II coverage ratios at year end 2018: **225% of the SCR and 586% of the MCR** (without volatility adjustment)
Solvency II coverage ratios at year end 2017: **211% of the SCR and 663% of the MCR** (without volatility adjustment)

This means that in 2018 the company owned nearly three times what is needed to cover its capital needs, and just under eight times what is required as absolute minimum in term of capital needs, meaning the level of capital is appropriate to cover risks faced by the company.

From Q4 2017, the company began to apply the Volatility Adjustment (VA) to its Solvency II coverage ratios. This continued during 2018. This VA measures the spreads on the asset side and counters it on the liability side, and is determined by EIOPA based on data from insurance companies in the Euro Zone. Taking the VA into account has a stabilizing effect on the capital resources.

In addition, the higher Solvency II coverage ratio also allowed the company to continue to obtain exemption from the requirement to set up special reserves, the so-called 'flashing light reserves' (also known as Knipperlichten Reserves/Provisions) for 2018. Flashing light reserves are extra provisions that the NBB requires life insurers in Belgium to set up in order to assure that sufficient funds are available at all times to fulfill guarantees given to clients within their contracts. If the Solvency position of the insurer as determined under the Solvency II regime is sufficiently high, then the NBB can grant exemption from this requirement. This was the case for the company. The solvency position was confirmed strong enough to sustain the promises made to customers - even without further reserve requirements.

The objective is to retain a strong solvency position in future years as well, in order to continue to have the possibility to obtain the exemption from having to accrue additional the flashing light reserves. This testifies to the company's commitment to take good care of the pension savings and financial health of existing customers.

The amount of the **Solvency Capital Requirement (SCR)** and the eligible amount of own funds to cover the SCR are classified by Tiers as illustrated in the Table 1 below:

Item	With VA	Without VA
Eligible own funds to meet SCR	753	630
Tier 1	*615*	*490*
Tier 2 (capped)	*138*	*140*
Tier 3	-	-
SCR	276	280

Table 1: SCR and eligible own funds by tiers in Mn €

The amount of the **Minimum Capital Requirement (MCR)** and the eligible amount of basic own funds to cover the MCR are also classified by tiers as illustrated in the Table 2 below:

Item	With VA	Without VA
Eligible basic own funds to meet MCR	631	508
Tier 1	615	490
Tier 2 (capped)	*16*	*17*
Tier 3	-	-
MCR	82	87

Table 2: MCR and basic own funds by tiers in Mn €

BUSINESS AND PERFORMANCE

A.1 Business of ERGO Insurance N.V.

A.1.1 Ownership structure

Munich Re has organized its direct insurance structure under ERGO Group AG and ERGO International AG. ERGO Insurance N.V. is fully owned (99,9999%) by ERGO International AG.

ERGO Insurance N.V.'s capital is represented by 2.058.129 no-par value registered shares. These shares are held by ERGO Group AG, a German company, with registered office at ERGO Platz 1, 40198 Düsseldorf, Germany, which holds one share (0,0001%) and ERGO International AG, a German company, with registered office at ERGO Platz 2, 40198 Düsseldorf, Germany, which holds 2.058.128 shares (99,9999%) of ERGO Insurance N.V..

The ownership structure of ERGO Insurance N.V. is illustrated as follows:

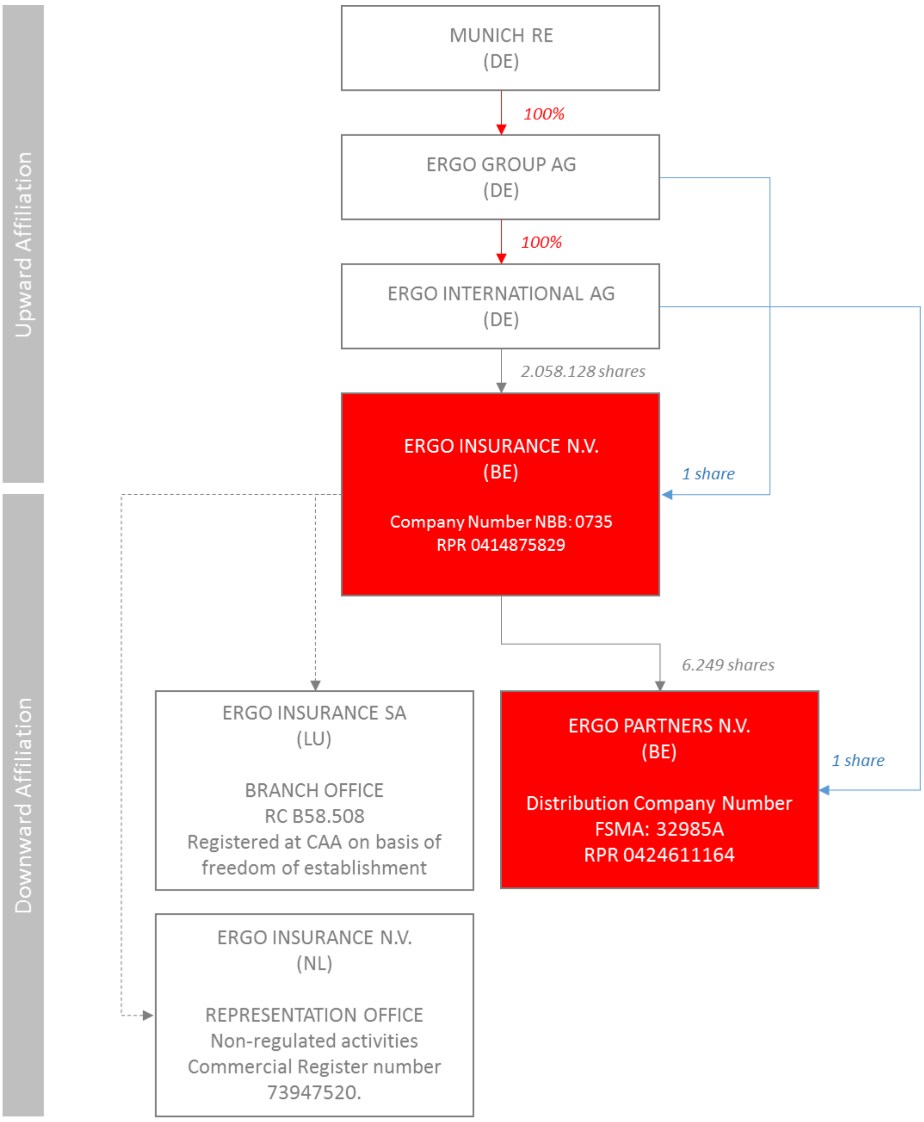


Chart 1: Ownership Structure

For the distribution of its insurance products until 30 June 2017, ERGO Insurance N.V. collaborated with (i) a network of independent brokers generally referred to as “ERGO Life” and (ii) its exclusive insurance agent ERGO Partners N.V. generally referred to as “ERGO Pro”.

ERGO Partners N.V. is a limited liability company registered under the laws of Belgium, with its registered office at 1000 Brussels Loksumstraat 25, with a company number RPR 0424.611.164 and authorized by the Financial Services and Markets Authority (FSMA) under number 32985.

After announcing ERGO Insurance N.V.’s New Strategic Plan (also referred to as the ‘New Strategy’) to close the book to new policies and focus on fully serving existing customers from 1 July 2017, ERGO Insurance N.V. terminated the agency agreement with its exclusive insurance agent ERGO Partners N.V. and manages the existing ERGO Pro portfolio as a direct insurer, whilst the existing (closed book) portfolio of ERGO Life is still being serviced by the network of independent brokers.

ERGO Insurance N.V. also still manages its existing closed book portfolio in other countries:

- In Luxembourg, ERGO Insurance N.V. operates through a branch office constituted on the basis of freedom of establishment and through freedom of services. The Luxembourg branch office of ERGO Insurance N.V. is located at 55, Allée de la Poudrerie, L-1899 Kockerlscheuer and is registered with the Luxembourg Commercial Register under the number B58.508.
- In the Netherlands, ERGO Insurance N.V. operates through freedom of services. On 1 November 2018, ERGO Insurance N.V. constituted a representation office in the Netherlands providing back-up services. This representation office used to be a representation office of ERGO Partners N.V.. Following the termination of the agency agreement with ERGO Partners N.V., this representation office was transferred to ERGO Insurance N.V. as from 1 November 2018. The activities of the Representation Office of ERGO Insurance N.V. mainly consist in the provision of back-office activities with respect to its Dutch run-off portfolio. These back-office activities are non-regulated activities under Dutch or Belgian law, i.e. the activities have a mere administrative nature and do not cover the distribution or actual management of the insurance contracts. The Representation Office of ERGO Insurance N.V. is located at Eemweg 7, 5215HM 's-Hertogenbosch and is registered with the Commercial Register (“*Kamer van Koophandel*”) under the number 73947520.

The number of employees (FTEs) of the relevant entities is as follows:

- ERGO Insurance N.V.: 180,8.
- ERGO Partners N.V.: 0 (employees have been transferred to ERGO Insurance N.V. following the New Strategy).

Supervisory Authority: National Bank of Belgium, de Berlaimontlaan, 14. B-1000 Brussels, Belgium.

External Auditor: KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, Represented by Mr. Kenneth Vermeire. Luchthaven Brussels National 1K, 1930 Zaventem, Belgium.

A.1.2 Business activities and performance

Business activities

The core activity of ERGO Insurance N.V. is life insurance with a focus on pension savings and long term savings with fiscal advantage (so-called 2nd Pillar for employees and self-employed and 3rd Pillar for private individuals). In addition to pension savings, the product range of ERGO Insurance N.V. also includes products without fiscal advantage (so-called 4th Pillar).

Until 30 June 2017, the aim was to commercialize a complete product range that allowed customers to build up a supplementary income at retirement age. The coverage of biometric risks was integrated in these savings and within investment product solutions, thereby offering financial protection during the savings and investment period.

As stated in section A.1.1, after announcing ERGO Insurance N.V.’s New Strategy, the company now manages the existing ERGO Pro portfolio as a direct insurer, whilst the existing portfolio of ERGO Life is still being serviced by the network of independent brokers. ERGO Insurance N.V. also still manages its existing closed book portfolio in other countries (in Luxembourg and in The Netherlands).

Business performance

For 2018, the total Gross Written Premiums (GWP) is 353,70 Mn €, decreasing from 411,70 Mn € in 2017, following a decrease of contracts with recurrent premiums of -42,80 Mn € and contracts with single premiums of -15,10 Mn €.

GWP by Sales Channel	2018	2017	% Change
ERGO Pro	297,10	343,50	-14%
ERGO Life	56,60	68,20	-17%
Total	353,70	411,70	-14%

Table 3: GWP by Sales Channel in Mn €

A.1.3 Strategy and objectives

The strategy of ERGO Insurance N.V. remained unchanged in 2018 and its mission statement is expressed as follows: “Take good care of the savings our existing customers have entrusted us with and to protect the pension savings and financial health of existing customers for the full duration of their contracts. This is constantly our focus. ERGO Insurance N.V.’s customers can expect a reliable and efficient service by empowered and risk aware employees working in a financially stable company”.

Next to the mission statement, core values defined during the New Strategic Program are embedded within the company:

- **Customer Orientation:** Servicing existing customers is the core of ERGO Insurance N.V.'s activities, with a strong focus on customer satisfaction.
- **Trust & Transparency:** ERGO Insurance N.V. will take care of its customers and employees, offering a stable environment in which open and transparent communication is encouraged.
- **Continuous Improvement:** Permanent focus on continuous improvement and efficiency of operations.

A.1.4 External Trends and Competitive Position

Insurance market structure

The Belgian pension system rests on four pillars:

- 1st Pillar: The statutory pension;
- 2nd Pillar: Supplementary employment related pensions;
- 3rd Pillar: Individual pension savings with tax incentives; and
- 4th Pillar: Non-fiscal individual savings plan.

However, the ageing population, the upcoming pension wave, and Belgian budget deficit require a reassessment of the role of each pillar in order to retain a sustainable State-supported pension system. The Belgian life insurance industry may consequently benefit from the increasing importance of Pillars 2, 3 and 4. This is expected to remain the case for the near future.

ERGO Insurance N.V.’s competitive position

In 2018, the Belgian market for Individual Life insurance increased by 8% compared to 2017 with a total GWP of 16,3 Bn €. At the level of ERGO Insurance N.V., the implementation of the New Strategic Plan decreased its market share from 2.7% in 2017 to 2.1% in 2018.

Legal trends

Ergo Insurance N.V. has a regulatory watch process in place to systematically monitor and analyze changes in the regulatory environment. A number of regulatory and legislative initiatives have impacted ERGO Insurance N.V.. The most significant recent initiatives that came into force in 2018 or that were updated in 2018 include (non-exhaustive list):

- The Act of 30 July 2018 on the protection of individuals with regard to the processing of personal data (transposition of Regulation 2016/679);
- Delegated Acts and Guidelines implementing the General Data Protection Regulation 2016/679 (GDPR), which came into force on 25 May 2018 and the Act of 3 December 2017 creating the reshaped Privacy Commission "*Gegevensbeschermingsautoriteit*";
- The Act of 6 December 2018 transposing the Directive (EU) 2016/97 on insurance distribution;
- The NBB Circular 2016-31 on the prudential expectations concerning the governance system in the insurance and reinsurance sector (updated in September 2018);
- The NBB Circular 2018-25 on the suitability of directors, members of the management committee, responsible persons of independent control functions and senior managers of financial institutions;
- The NBB Circular 2018-29 on the investment infrastructure under the Solvability II regime;
- The NBB Circular 2018-16 on the reporting of the interest rate risk; and
- The NBB Circular 2018-08 on the procedure to be followed in the case of transfers of portfolios of insurance or reinsurance contracts.

In addition, the introduction of IFRS 17 standard on insurance contracts will also have an impact on the company.

Litigation

For all significant litigation matters, ERGO Insurance N.V. considers the likelihood of a negative outcome. If the likelihood of a negative outcome is deemed probable, and the loss amount can be reasonably estimated, ERGO Insurance N.V. establishes a reserve for the estimated loss, in accordance with IAS-37 accounting standard. However, it is often difficult to predict the outcome or estimate of a possible loss or range of losses because the litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope.

A.1.5 Events of Material Significance for ERGO Insurance N.V.

In 2018, there were no new business events that had a material significance for the company.

The decision to pursue the New Strategy remains the most material event that has continued to impact ERGO Insurance N.V., with significant impact on the market position, the organisation of the company, and the company’s risk profile.

On the risk profile, the company continued to be less exposed to market risk and (Life) expense risk. The operational risk profile continued to be closely monitored, in particular risks related to Human Resources, business processes, and the fragmented system landscape.

A.2 Underwriting performance

Since 1 July 2017, all product portolio’s are closed for new business, as the underwriting cycle has been terminated.

A.2.1 Underwriting result

The underwriting performance is based on the premiums ERGO Insurance N.V. receives, the claims it has to pay-out and the different expenses it has in order to administer the policies.

For 2018, the net underwriting result was 171,84 Mn € (compared to -93,43 Mn € in 2017), mainly as the result of decreased equity markets at year end 2018, decreasing also the value of the unit linked positions (and increasing the change in the technical provisions).

Net underwriting results Q4 2018 comparison to Q4 2017 (BEGAAP)			
	Q4 2018	Q4 2017	Difference
Net Premiums	**231,70**	**278,85**	**-47,15**
Paid claims excl. claims handling costs	-199,44	-184,03	-15,41
Change in provision for outstanding claims	3,84	-5,22	9,06
For information only: Thereof UL disability reserve	*5,31*	*-4,16*	*9,47*
Change in provision future policy benefits	131,25	-182,56	313,81
Change in provision for profit participation	1,32	1,54	-0,29
Change in other technical provisions	3,16	-2,02	5,18
Benefits to clients	**-59,86**	**-372,28**	**312,42**
Underwriting result net	**171,84**	**-93,43**	**265,27**
Underwriting result net w/o unrealized gains/losses unit-linked	**6,95**	**-7,70**	**14,65**

Table 4: Net underwriting results Q4 2018 comparison to Q4 2017 (BEGAAP) in Mn €

Gross Written Premium

Overall, there was a 14% (57,90 Mn €) decline in the total Gross Written Premiums for 2018 (from 411,6 Mn € in 2017 to 353,7 Mn € in 2018). This is predominantly due to market conditions and low interest rates experienced in 2018, as well as the implementation of the New Strategy as a result of which no new business was underwritten since 1 July 2017 and leading in particular to a reduction in single premiums.

The table below summarises the premium performance per line of business in 2018 compared to 2017:

Premium written - Gross	2018			2017				
Line of business	Home Country	Other EEA Countries	Total	Home Country	Other EEA Countries	Total	Difference	
Income protection insurance	3,44	0,64	**4,08**	3,80	0,70	**4,50**	**-0,42**	-9%
Health insurance	11,01	0,22	**11,24**	13,40	0,20	**13,60**	**-2,36**	-17%
Insurance with profit participation	217,34	11,66	**229,00**	245,30	12,50	**257,80**	**-28,80**	-11%
Index-linked and unit-linked insurance	88,96	3,33	**92,30**	112,70	3,80	**116,50**	**-24,20**	-21%
Other life insurance	16,17	0,93	**17,10**	18,30	1,00	**19,30**	**-2,20**	-11%
Total	**336,93**	**16,78**	**353,71**	**393,50**	**18,20**	**411,70**	**-57,99**	**-14%**

Table 5: Premiums Gross of Reinsurance (source: QRT S.04.01) in Mn €

It should be noted that 95% of the portfolio of ERGO Insurance N.V. is underwritten in Belgium, while the remaining 5% is underwritten in EEA countries (mainly in the Netherlands and Luxemburg).

Further information on the underwriting performance expressed as gross premiums and expenses for 2018 are provided in the table below:

Line of business	Income protection insurance	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Premiums written - gross	4,08	11,24	229,00	92,30	17,10	**353,71**
Premiums earned - gross	4,08	11,24	229,00	92,30	17,10	**353,71**
Claims incurred -gross	-0,25	1,51	186,60	58,69	21,19	**267,74**
Changes in other technical provisions- gross	0,03	-0,76	-36,22	129,45	23,54	**116,05**
Expenses incurred	1,20	1,93	21,50	14,13	2,83	**41,59**
Administrative expenses- gross	0,75	1,05	21,06	8,03	1,57	**32,47**
Investment management expenses- gross	0,01	0,21	4,28	1,25	0,32	**6,07**
Claims management expenses- gross	0,07	0,06	1,36	0,09	0,14	**1,72**
Acquisition expenses- gross	0,00	0,11	2,15	0,99	0,36	**3,62**
Overhead expenses- gross	0,37	0,50	10,01	3,77	0,75	**15,40**
Other expenses - gross	0,00	0,00	0,00	0,00	0,00	**0**

Table 6: Premiums, Claims and Expenses gross of reinsurance (source: QRT S.05.01) in Mn €

Claims

The table below summarises the claims performance per line of business in 2018 compared to 2017:

Claims incurred - Gross	2018			2017				
Line of business	**Home Country**	**Other EEA Countries**	**Total**	**Home Country**	**Other EEA Countries**	**Total**	**Difference**	
Income protection insurance	-0,19	-0,06	-0,25	0,20	0,00	0,20	**-0,45**	-227%
Health insurance	1,44	0,07	1,51	5,80	0,00	5,80	**-4,29**	-74%
Insurance with profit participation	178,41	8,16	186,60	193,90	8,00	201,90	**-15,30**	-8%
Index-linked and unit-linked insurance	56,12	2,57	58,70	46,30	1,60	47,90	**10,80**	23%
Other life insurance	20,26	0,93	21,19	29,60	0,30	29,90	**-8,71**	-29%
Total	**256,04**	**11,66**	**267,75**	**275,80**	**9,90**	**285,70**	**-17,95**	**-6,28%**

Table 7: Claims performance per Line of Business (source: QRT S.05.01) in Mn €

Key highlights of the claims performance are explained as follows:

- The overall claims incurred decreased by 6% (-17,96 Mn €).
- The main drivers of this decrease were Insurance with Profit Participation policies, where claims decreased by 8% (-15,30 Mn €), and other life insurance and health insurance claims decreased by 29% (-8,71 Mn €) and by 74% (-4,29 Mn €) respectively.
- In contrast to what was experienced for Insurance with Profit Participation policies, claims increased in Index and Unit Linked products by 23% (10,79 Mn €) and in income protection insurance policies by -227% (-0,45 Mn €).

Commissions

The table below summarises the commissions per line of business in 2018 compared to 2017*:*

Commissions	2018			2017				
Line of business	**Home Country**	**Other EEA Countries**	**Total**	**Home Country**	**Other EEA Countries**	**Total**	**Difference**	
Income protection insurance	0,00	0,00	0,00	1,00	0,20	1,20	**-1,20**	-100%
Health insurance	0,10	0,00	0,10	1,10	0,00	1,10	**-1,00**	-91%
Insurance with profit participation	2,15	0,00	2,15	19,70	0,20	19,90	**-17,75**	-89%
Index-linked and unit-linked insurance	0,99	0,00	0,99	1,50	2,30	3,80	**-2,81**	-74%
Other life insurance	0,37	0,00	0,37	2,50	0,00	2,50	**-2,13**	-85%
Total	**3,61**	**0,00**	**3,61**	**25,80**	**2,70**	**28,50**	**-24,89**	**-87,33%**

Table 8: Commissions per line of Business (source: QRT S.05.01) in Mn €

Commissions reduced by a significant 87% in 2018 due to implementation of the New Strategy (in 2017 until June new business was underwritten with related commission). The commission payments of ERGO Insurance N.V. now only contain the brokerage fees (2,7 Mn € renewal commission) and the commission payments to Korfina/Korfiné (0,9 Mn €). The comparison with last year shows the following evolution:

- Commission payments ERGO Partners: 0 €, compared to 22,5 Mn € in 2017.
- Commission payments to brokers: 2,7 Mn €, compared to 5,0 Mn € in 2017.
- Commission payments to Korfina/Korfiné: 0,9 Mn €, compared to 1,1 Mn € in 2017.

Expenses

Expenses are an important aspect of the underwriting performance of ERGO Insurance N.V..

The highlights from 2018 are explained as follows:

- Personnel and general expenses for ERGO Insurance N.V. and ERGO Partners N.V. amounted to 51,5 Mn € in 2018 compared to 70,2 Mn € in 2017).
- The total expenses before cost allocation, excluding paid restructuring expenses provisioned in 2016, were 18,7 Mn € lower compared to 2017.

A.2.2 Reinsurance Results (key risk mitigation technique)

As stated in the Reinsurance Policy, the goal of the reinsurance program is to guarantee the security and stability of the insurance portfolio of ERGO Insurance N.V. and mitigate underwriting risks. To achieve this, a combination of a quota share (financing), surplus (risk mitigation) and excess of loss (accumulation) reinsurance has been chosen.

The total reinsurance share in 2018 was 122 Mn € which consists 34,5% of the gross premiums.

A.3 Investment performance

The investment result amounted to 126,6 Mn € in 2018. The investment results are of importance, amongst others to be able to meet the liabilities to policy holders. The details of the investment performance on all investments is explained in this section.

A.3.1 Investment performance

The BEGAAP investment result developed as follows compared to last year:

Figures in Mn €	2018	2017	2018 vs 2017 (% change)
Investment result according to BEGAAP	126,6	167,3	-40,7 (-24%)
Ordinary result	*96,7*	*96,3*	*0,5*
Extraordinary result	*29,9*	*71,0*	*-41,1 (-58%)*
Book value of assets	4.528,1	4.506,3	
Average yield	2,1%	2,2%	
Net yield	2,8%	3,9%	

Table 9: Investment results under BEGAAP in Mn €

The investment performance is driven by following items:

- The net income from investments decreased from 167 Mn € in 2017 to 127 Mn € in 2018.
- The ordinary investment income increased by 0,5 Mn € to 97 Mn € in 2018.
    - This increase was due to 0,7 Mn € higher income from the unit-linked retrocessions received for the funds and due to 0,7 Mn € higher income on fixed-interest securities.
    - However this increase was offset by a lower dividend payment from the special fund MEAG ERGO Belgium Equities amounting to 0,7 Mn € less (4,5 Mn € in 2018 vs. 5,2 Mn € in 2017).
    - It is also noted that the fees for the management of the investments were 0.3 Mn € higher.
- The average yield in 2018 amounted to 2,1%.

The extraordinary investment result decreased from 71 Mn € in 2017 to 30 Mn € in 2018, mainly due to less realizations on fixed income investments.

A.3.2 Investment results by Asset categories

Income/gains and losses in the period per asset category (based on the IFRS investment result)

Asset category	2018				2017			
	Dividends	Interest	Net gains and losses	Unrealized gains and losses	Dividends	Interest	Net gains and losses	Unrealized gains and losses
Government bonds	0,0	55,1	7,0	91,3	0,0	51,6	29,0	81,4
Corporate bonds	0,0	39,0	31,2	105,5	0,0	32,8	1,9	118,2
Equity	0,3	0,0	0,0	0,0	0,3	0,0	0,0	0,0
Collective Investment Undertakings	12,0	0,0	1,5	-14,3	12,2	0,0	9,1	1,9
Structured notes	0,0	0,0	0,0	0,0	0,0	13,5	13,7	0,0
Cash and deposits	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Mortgages and loans	0,0	0,6	0,0	-0,2	0,0	0,4	0,0	0,5
Total	12,3	94,7	39,7	182,3	12,5	98,3	53,7	202,0

Table 10: Investment results of 2018 (source: QRT S.09.01) in Mn €

Ordinary income (dividends and interests)

According to their qualification in the EBS, the total investments (other than assets held for index-linked and unit-linked contracts, including cash and cash equivalents, loans and mortgages) consist for 93% of bonds, with 74% of sovereign debt and 26% of corporate bonds and covered bonds. The structure of the portfolio also explains the structure of the investment income, mainly consisting of interest payments.

The ordinary income on bearer bonds decreased compared to the prior year, as a result of the realizations / reinvestments of sales executed in 2017. That decrease was mitigated by the income on the swaption notes which in 2018 have been reclassified from structured notes to the type of underlying assets, i.e. covered bonds (in the section of Corporate bonds) and promissory note bonds issued by Governments (in the section of Government bonds).

The ordinary income of 12,5 Mn € shown in the columns “Dividends” on Collective Investment Undertakings” mainly consists of a dividend payment amounting to 4,4 Mn € from the special fund “MEAG ERGO Belgium Equities”, in which the direct equity investments are administrated together with the index futures contracts for the hedging of the market risk of these investments. The fund is managed by MEAG (i.e. the asset management company of the Munich Re and ERGO Group). ERGO Insurance N.V. is the owner of the share certificates of the special fund. Furthermore it consists of 7,1 Mn € of the retrocessions received from the external fund providers. A dividend payment of 0,3 Mn € was received from a participation.

It has to be emphasized that in the income positions as mentioned in QRT S.09.01.01, no investment expenses are included.

Extraordinary result (net gains and losses)

Except for the net gains and losses recorded under asset category “Collective Investment Undertakings” amounting to 9,1 Mn € as a result on the self-managed equity fund positions for unit linked life insurances, the remaining 38 Mn € were subject to the realization of valuation reserves on fixed income investments.

It has to be emphasized that in the income positions as mentioned in QRT S.09.01.01, no write-ups/write-downs are included.

A.3.3 Additional Information on Securitized Products

The company has no securitized products in its asset portfolio. According to the Investment Management Mandate, Asset Backed Securities could be purchased after coordination with the Strategic Asset Allocation department of ERGO Group. Mortgage Backed Securities, Collateralized Bond Obligations and Collateralized Debt Obligations are not allowed.

A.4 Performance of Other Activities

This section provides a description of the material income and expenses (not related to underwriting or investment). Under this position the company recognized the interest received from intragroup loans or the interest paid on intragroup loans.

A.4 Performance of other activities

	31/12/2018	31/12/2017
Income from other activities		
1) Intragroup loans[1]	-0,5	-0,7
2) Release restructuring provisions	-2,3	-33,3[2]
Total income :	**-2,8**	**-40,0**
Expenses from other activities		
1) Intragroup loans[3]	2,9	2,9
2) Restructuring provision due to the company's new strategic plan	0,2	0,0
Total expenses :	**3,1**	**2,9**

Table 11: Income and expenses from other activities in Mn €

A.5 Any Other Information

No other relevant information is available.

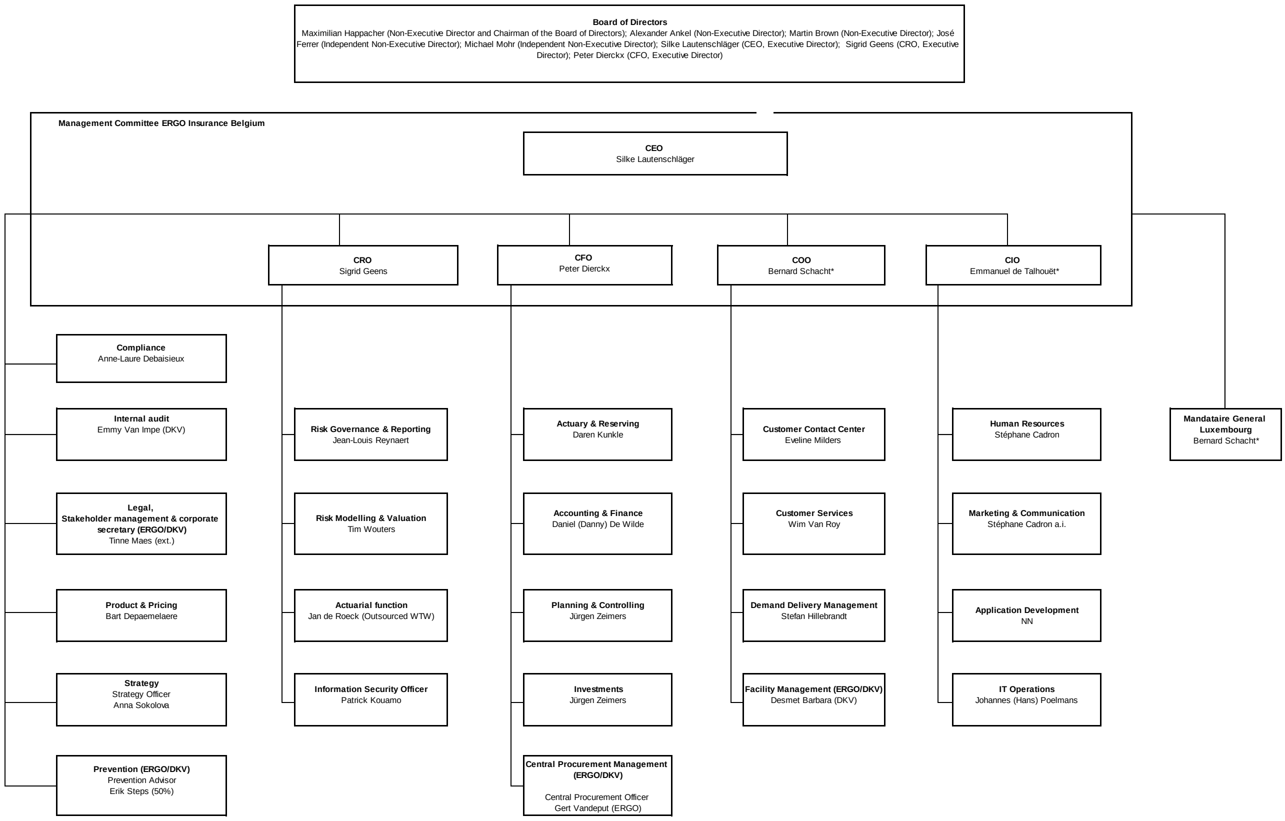
[1] Loan to ERGO International AG for an amount of 31 Mn €, which was repaid in August 2018
[2] The figure has been updated to include releases.
[3] Loan from ERGO International Aktiengesellschaft for an amount of 80 Mn €

SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

B.1.1 Organizational Structure

The organizational structure (as of 31/12/2018) can be visualized as follows:



* Fit and Proper Files were approved by the NBB on 19 March 2019.

Chart 2: Organizational chart ERGO Insurance N.V.

A number of changes in key positions on the Board of Directors occurred in 2018, notably:

- Dr. Clemens Muth, Non-Executive Director and Chairman of the Board of Directors was replaced by Dr. Maximilian Happacher, Non-Executive Director and Chairman of the Board of Directors on 28/06/2018;
- Thomas Schöllkopf, Non-Executive Director was replaced by Mr. Alexander Ankel, Non-Executive Director on 28/06/2018;
- Mark Lammerskitten, CEO, Executive Director, Chairman of the Management Committee was replaced by Silke Lautenschläger, CEO, Executive Director, Chairman of the Management Committee on 28/06/2018;
- Philippe Lison's, CCO, Executive Director, Member of the Management Committee tenure ended on 31/07/2018 and was not replaced considering the New Strategy.

The organization is divided in separate core organizational entities, each under the leadership of one of the Management Committee members, all reporting to the CEO and functionally to their respective Group mirroring functions.

As per 30 October 2018, the tenure of Johan Camp (COO) ended. The former "COO" Department shall now be split in a CIO and COO Department, whereby:

- The CIO shall be responsible for the following (CIO) Departments: Application Development, IT Operations, Human Resources, Marketing and Communication.
- The COO shall be responsible for the following (COO) Departments: Customer Contact Center, Customer Services, Demand Delivery Management and Facility Management.

The mandates of Mark Lammerskitten (former CEO) and Phillippe Lison (CCO) ended respectively on 28 June 2018 and 1 August 2018. Mark Lammerskitten was replaced by Silke Lautenschläger and the function of CCO was no longer filled considering the New Strategy.

In addition to the aforementioned changes, the Information Security Officer reports to the CRO and the Data Protection Officer to Legal as from 1 November 2018.

B.1.2 **Management Bodies**

The System of Governance is determined by the Board of Directors and its specialized committees. The most important committees in the System of Governance include: Board of Directors including its subcommittees (Nomination and Remuneration Committee and Audit and Risk Committee); and the Management Committee.

Board of Directors

Composition

As per 31 December 2018, the Board of Directors of ERGO Insurance N.V. is composed of 8 members[4]: i.e. 3 executive directors (CEO, CRO and CFO) and 5 non-executive directors, of which 2 directors meet the independence criteria defined in article 526ter of the Company Code and specified in article 48 of the Solvency II Act.

The Chairman of the Board of Directors is appointed by the members of the Board of Directors amongst the non-executive directors and is not the same person as the Chairman of the Management Committee or the Chairman of the Audit and Risk Committee. If the Chairman is unable to attend a meeting, he will appoint a non-executive director to chair the meeting.

Organization

The decisions are taken by majority of the votes if voting would be necessary. In case of equality of votes, the Chairman of the Board of Directors has the casting vote.

Meetings of the Board of Directors will be held not less than four times a year and should correspond with ERGO Insurance N.V.'s financial reporting cycle.

ERGO Insurance N.V. ensures that the Board of Directors is organized in such a way as to promote dynamic discussion by (i) the proportioned size of the Board of Directors and (ii) avoiding permanent guests sitting on the Board of Directors, with the exception of the COO.

Roles and Responsibilities

The Board of Directors is authorized to undertake all actions necessary to achieve the objectives of ERGO Insurance N.V., except for those acts for which by law only the General Assembly of Shareholders is competent. Besides exercising the powers prescribed by law or by the Articles of Association, the Board of Directors is in charge of (i)

[4] The mandate of CCO ended per 31 July 2018. There was no replacement as this function became obsolete following the run-off.

setting the general company strategy (including the implementation of the Risk Management System) and (ii) the supervision of the Management Committee.

The **general company strategy** includes:

- The definition of the objectives and strategy of ERGO Insurance N.V. (commercial strategy and structures);
- The approval and validation of important policies, such as the integrity policy, which establishes the company's fundamental ethical principles and includes rules on conflicts of interest, rules on whistleblowing, rules on the prevention of money laundering and terrorist financing, the code of conduct, etc.;
- The approval of important projects, reporting, budgets, structural reforms, etc.,; and
- The organizational structure and definition of the relationships between ERGO Insurance N.V. and its stakeholders.

In relation to the **Risk Profile**, policy and effectiveness of the Risk Management System responsibilities include:

- Setting ERGO Insurance N.V.'s level of risk appetite and related risk tolerance levels for all areas of business (risk appetite policy);
- Approving the main principles of risk management, including (non-exhaustive list) Risk Management Policy, the policy on operational risk management (as part of the Internal Control System Policy), the policy on asset-and-liability management, the Investment Risk Policy, the Liquidity Risk Management Policy, and the Capital Management Policy;
- Taking front-line strategic risk decisions and being closely involved with the ongoing monitoring of ERGO Insurance N.V.'s Risk Profile (the Board of Directors, where appropriate via the Audit and Risk Committee, will have relevant and complete information at hand at all times about the risks incurred);
- Approving the Regular Supervisory Report (RSR) and the Own Risk and Solvency Assessment (ORSA).

In relation to the **Supervisory function**:

In accordance with article 42, § 1 1° of the Solvency Act, there is a clear separation between the actual management of ERGO Insurance N.V. ("management function"), which is entrusted to the executive directors, and the supervision and monitoring of the management ("supervisory function"), which is entrusted to the non-executive directors and the independent non-executive directors.

The supervisory function is carried out through (i) the reporting of the independent Control Functions, (ii) the effective use of the enquiry powers of the members of the Board of Directors, and (iii) the reporting of the Management Committee and (iv) the minutes of the meetings of the Management Committee.

In addition to the aforementioned, the Board of Directors of ERGO Insurance N.V. will, in accordance with article 77 of the Solvency II Act:

- Assess and report on, at least once a year, the effectiveness of the System of Governance and ensure that the Management Committee takes the necessary measures to remedy any shortcomings;
- Verify periodically, and at least once a year, the proper execution of the four independent Control Functions, through direct interactions and periodic reporting of the independent Control Functions, but also through periodic reporting of the Management Committee;
- Determine which actions need to be taken following Internal Audit findings and ensure that such actions are executed properly;
- Regularly, and at least once a year, assess the general principles of the Remuneration Policy and assess its implementation;
- Assume the ultimate responsibility for reporting and disclosing information, and more in particular approve a policy that guarantees an adequate and correct reporting to the NBB, the approval and updating of the Solvency and Financial Conditions Report (SFCR) and the Regulatory Supervisory Report (RSR);
- Assume responsibility for the integrity of the financial accounting and reporting systems, including the systems for operational and financial controls;

- Assess the functioning of the Internal Control System at least once a year and ensure that it provides a reasonable degree of certainty regarding the reliability of the information reporting process;
- Monitor the activities of the Management Committee on important projects and change processes; and
- Supervise the Management Committee on the achievement of the objectives of ERGO Insurance N.V., the implementation of the general company strategy, the internal risk mitigation and control systems, the financial reporting process and integrity therein, compliance with laws, regulations, internal policies and industry standards, and in general the overall functioning of the Management Committee.

To enable the Board of Directors to fulfil its duty, both with regard to the general company strategy (including the risk management) and the supervisory function, the Management Committee will regularly report back to the Board of Directors. The Board of Directors may also at any time, demand reports of the Management Committee or the statutory auditor on all aspects of the insurance business that could have a significant impact on ERGO Insurance N.V.. In general, the Board of Directors and its Chairman may request any relevant information or documents and carry out any inspection.

Specialized Sub-Committees of the Board of Directors

In order to strengthen the effectiveness of the supervisory function of the Board of Directors, an Audit and Risk Committee and a Nomination and Remuneration Committee were established. These committees are responsible for preparing the decisions of the Board of Directors in the respective areas, without removing its powers.

ERGO Insurance N.V. ensures that the Sub-Committees are organized in such a way as to promote dynamic discussion by (i) the proportioned size of the relevant committee and (ii) avoiding permanent guests sitting on the relevant committees, except in duly justified situations.

Audit and Risk Committee

Composition

The Board of Directors nominates the Audit and Risk Committee members and the chairman of the Audit and Risk Committee.

ERGO Insurance N.V. combined the tasks of the Audit Committee and the Risk Committee in one single Audit and Risk Committee in compliance with the conditions of the Solvency II Act and the NBB Circular 2016_31.

Currently, the Audit & Risk Committee comprises 3 members. All members of the Audit and Risk Committee are non-executive directors and the majority (2) of these non-executive directors fulfil the independence criteria in the meaning of article 526 ter of the Company Code and specified in article 48 of the Solvency II Act. At least one member of the Audit and Risk Committee is a director with an individual skill in accountancy and/or auditing.

The chairman of the Audit and Risk Committee is not the same person as the chairman of the Board of Directors.

Organization

The quorum of any meeting of the Audit and Risk Committee will be 3 members present or represented, it being understood that an independent director can only be represented by another independent director [5] . The advices and recommendations are taken by majority of the votes if voting should be necessary. In case of equality of votes, the Chairman has the casting vote. The advices and recommendations will, in any event, be subject to ratification by the Board of Directors.

Meetings are held four times a year and should correspond with ERGO Insurance N.V.'s financial reporting cycle.

[5] This has been implemented within Ergo Insurance N.V. from October 2018 following the 2018 update of the NBB Circular on Governance

Roles and Responsibilities

As specified in its Charter, the roles and responsibilities of the Audit and Risk Committee cover the following domains:

- Corporate-Financial reporting;
- Risk management;
- Internal control and actuarial;
- Compliance with laws, regulations, internal policies and industry standards;
- Internal Audit; and;
- External audit.

These roles and responsibilities imply that the Audit and Risk Committee has, amongst others, the following tasks:

In relation to Audit:

- Monitor the financial reporting process and formulate recommendations or proposals to guarantee its integrity;
- Monitor the effectiveness of the Internal Control System and risk management system;
- Monitor the Internal Audit Function and its respective activities;
- Monitor the statutory audit of the annual accounts and consolidated annual accounts, including the follow-up of the recommendations by the statutory auditor and where appropriate, by the external auditor responsible for the statutory audit of the consolidated annual accounts;
- Assess and monitor the statutory auditors' independence, including in relation to the provision of non-audit services;
- Make recommendations to the Board of Directors with regard to the appointment of the statutory auditor and, where appropriate, of the external auditor responsible for the statutory audit of the consolidated annual accounts;
- Report regularly to the Board of Directors on the performance of its tasks, at least when the Board of Directors is establishing annual accounts, consolidated annual accounts and, where appropriate, summarized financial statements for publication purposes.

In relation to Risk Strategy:

- Give its opinion to the Board of Directors regarding the appropriate nature on the risk management measures put in place and the processes to monitor and report about risk (such as regarding the separation of the executive and controlling functions);
- Advise the Board of Directors on the current and future risk strategy and risk tolerance;
- Assists the Board of Directors when it is supervising the implementation of this strategy by the Management Committee;
- Ensure that the strategic decisions taken by the Board of Directors in the areas of the set-up of technical provisioning, the determination of transfers on the basis of reinsurance, the investment policy, the asset and liability management and the liquidity management, take into account the risks borne by ERGO Insurance N.V. given its business model and its risk strategy, in particular reputational risks likely to result from the types of products proposed to customers. The Audit and Risk Committee presents a plan of action to the Board of Directors when this is not the case;
- Determine the nature, volume, form and frequency of information on risks to pass on to the Board of Directors (Quarterly Risk Dashboard);
- In collaboration with the Nomination and Remuneration committee, verify that the total amount of variable remuneration and performance objectives, provided for by the Remuneration Policy, is in line with the risk profile of ERGO Insurance N.V. and is according to the principles in the Remuneration Policy;
- Ensure that Management has appropriate processes in place for identifying, assessing and responding to risks in a manner that is in accordance with the risk appetite of ERGO Insurance N.V. and that those processes are operating effectively.

In relation to Risk Management:

- Examine the procedures by which ERGO Insurance N.V. organizes the hedging of risks with respect to its assets, its operations and its liabilities as a consequence of amended insurance policies;
- Gather all information necessary (at least the annual report) from the Risk Management Function and stay informed about risk mitigation plans and the follow-up of this plan by the Risk Management Function;
- Hear the Chief Risk Officer, give advice to the Board of Directors about the organization of the Risk Management Function and stay informed about its work programme;
- Request the Board of Directors, where appropriate, that the risk management function carries out specific assignments.

The aforementioned tasks are further elaborated on in the Charter of the Audit and Risk Committee.

In performing its role, the Audit and Risk Committee is responsible for assisting the Board of Directors in overseeing the implementation of the Three Lines of Defense, and in monitoring the statutory audit. In this context, the Audit and Risk Committee interacts with the independent Control Functions and with the Management Committee, and regularly reports to the Board of Directors.

Nomination and Remuneration Committee

Composition

The Nomination and Remuneration Committee is comprised of four members. The members of the Nomination and Remuneration Committee are appointed by the Board of Directors and may be replaced at any time. All members shall be non-executive Directors and two meet the independence criteria of article 526 ter of the Company Code.

Organization

The Nomination and Remuneration Committee shall meet as often as needed in order to fulfil its functions. Meetings will be scheduled at least twice a year.

The advices and recommendations are taken by majority of the votes if voting should be necessary. In case of equality of votes, the Chairman has the casting vote.

Roles and Responsibilities

The main task of the Nomination and Remuneration Committee is to act as an independent control and advice committee to the Board of Directors.

The Nomination and Remuneration Committee is responsible for:

- Making recommendations to the Board of Directors on individual appropriate Compensation and Benefit programs (in respect of both amounts and composition), and more in particular
    - Advising the Board of Directors on the Remuneration Policy of ERGO Insurance N.V. as a whole. This includes, the members of the Board of Directors (executive and non-executive directors), the heads of the departments, the members of the company whose professional activities could have a material impact on the company's risk profile (‘Risk Takers’), and the Independent Control Functions;
    - Ensuring that the remuneration levels take into account the risks involved, demands and time requirements of each role, and relevant industry benchmarks;
    - Preparing the remuneration reporting to the stakeholders.
- Preparing decisions on remuneration, in particular decisions on remunerations that have an impact on the risk management of ERGO Insurance N.V.;
- Ensuring that the nomination of the members of the Board of Directors, Management Committee and the independent Control Functions, is professional and objective;

- Assessing frequently the level of knowledge, involvement, availability and independence of future and existing directors;
- Overseeing the search for appropriate candidates for appointment to the Board of Directors, including identifying the needs and appropriate profiles for the Management Committee and the Board of Directors, by taking into account, in addition to “fit & proper ”, certain other aspects such as the number of directors, their age, gender, combined number of mandates, the period and rotation of mandates, rules on conflicts of interest;
- Making recommendations to the Board of Directors in respect of the recruitment or succession planning;
- Scheduling exit interviews with departing members of the Management Committee (to the extent appropriate and necessary);
- Reviewing the Annual Goals/Objectives for the Board of Directors in order to finalize and approve the final Goals and Objectives of the Board of Directors;
- Advising the Board of Directors on the accomplishment of the targets set and consequently initiating a discussion in the Board of Directors, which eventually adjusts and/or approves the recommendations.

In performing its tasks, the Nomination and Remuneration Committee interacts with the Management Committee, the Audit and Risk Committee and reports to the Board of Directors. The Board of Directors can, in the interest of ERGO Insurance N.V. in general and the performance of the Committee in particular, amend the Charter of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall evaluate its performance on a regular basis and shall, if needed, take the necessary steps to improve its effectiveness.

Management Committee

Composition

As per 31 December 2018, the Management Committee of ERGO Insurance N.V. is composed of the following members: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO); the Chief Risk Officer (CRO); a Chief Operating Officer (COO); and a Chief Integration Officer (CIO) [6].

Currently the CEO, the CRO and the CFO are members of both the Management Committee and the Board of Directors. The proposed COO and CIO shall only be members of the Management Committee and not be members of the Board of Directors.

All the members of the Management Committee are recommended by the Nomination and Remuneration Committee to the Board of Directors. They are appointed by the Board of Directors.

Organization

The Management Committee forms a college and strives to decide by consensus.

Meetings will generally be held twice a month. A quorum of any meeting will be 2 members. The decisions are taken by majority of the votes if voting should be necessary. In case of equality of votes, the Chairman has the casting vote.

A Management Committee Charter sets out all organizational aspects in detail, covering frequency of meetings, also representation, preparation and due circulation of agenda and minutes.

Roles and Responsibilities

The Management Committee enhances the effectiveness of the four-eye supervision and the collegiality in decision-making on managing the business activity and operations. The management of ERGO Insurance N.V. falls under the

[6] Tenure CCO (Philippe Lison) ended per 31 July 2018. There was no replacement, considering that the CCO function became obsolete following the run-off scenario. Tenure of the COO (Johan Camp) ended per 1 November 2018. The Fit and Proper File for the replacement of the COO (Bernard Schacht) was approved by the NBB on 19 March 2019. In addition, the Fit and Proper File for a Chief Integration Officer (CIO – Mr. Emmanuel de Talhouët) was approved by the NBB on 19 March 2019.

exclusive responsibility of the Management Committee. This management is done without any outside interference, within the framework of the general company strategy set by the Board of Directors.
In particular, the Management Committee:

- Implements the strategy defined by the Board of Directors and ensures the actual and day-to-day management of ERGO Insurance N.V.'s business activities;
  - The implementation of the strategy defined by, and the Policy Framework approved by, the Board of Directors by incorporating them into processes and procedures;
  - The management of ERGO Insurance N.V.'s activities in accordance with the strategic objectives determined by the Board of Directors and in line with the risk tolerance limits defined by the Board of Directors;
  - The supervision of line management and of compliance with the allocated competences and responsibilities;
  - The submission of proposals and opinions, and giving advice, to the Board of Directors with a view to shaping ERGO Insurance N.V.'s general company strategy.
- Implements the risk management system, including (without limitation):
  - The incorporation of the framework for risk appetite and the Risk Management Policy approved by the Board of Directors into processes and procedures;
  - The implementation of the necessary measures to manage the risks;
  - Ascertain, based on the reports of the independent Control Functions, that all of the relevant risks to which ERGO Insurance N.V. is exposed (including financial risks, insurance risks, operational risks and other risks) are identified, measured, managed, controlled and reported in an appropriate manner;
  - Supervise the development of ERGO Insurance N.V.'s Risk Profile and monitor the effectiveness of the risk management system.
- Implements, monitors and evaluates ERGO Insurance N.V.'s organizational and operational structure, including (without limitation):
  - The implementation of an organizational and operational structure designed to support the strategic objectives and ensure conformity with the framework for risk appetite defined by the Board of Directors, in particular by specifying the powers and responsibilities of each department within ERGO Insurance N.V. and by detailing reporting procedures and lines of reporting;
  - The implementation, steering and assessment (without prejudice to the supervision carried out by the Board of Directors) of appropriate internal control mechanisms and procedures at every level of the company and assess the appropriateness of these mechanisms;
  - The implementation of the framework necessary for the organization and proper functioning of the independent Control Functions and evaluate, based on the activities of these Control Functions, the efficiency and effectiveness of the processes determined by ERGO Insurance N.V. in the area of risk management, internal control and governance;
  - The implementation of the Policy Framework defined and approved by the Board of Directors (outsourcing policy, integrity policy, etc.);
  - Supervise the proper implementation of ERGO Insurance N.V.'s Remuneration Policy;
  - Organize an internal control system that makes it possible to establish with reasonable certainty the reliability of internal reporting and financial disclosure in order to ensure that the annual accounts are in compliance with the applicable regulations.
- Implements all applicable policies, guidelines and procedures;
- Reports to the Board of Directors and the National Bank of Belgium including:
  - Quarterly reporting to the Board of Directors (and as the case may be to one of the subcommittees of the Board of Directors) on relevant matters that are necessary to enable the Board of Directors to fulfil its tasks correctly, monitor ERGO Insurance's activities and take informed decisions;
  - Informing the regulators and the statutory auditor about the financial position and the governance structure, organization, internal controls and independent Control Functions, as well as regarding any other relevant matters;
  - The Management Committee must also once a year provide to the Board of Directors, the statutory auditor and the National Bank of Belgium a report regarding the effectiveness of the System of Governance.

- The Management Committee's own performance, of individual members and collectively, has to be evaluated on a regular basis, at least once a year. Compliance with the rules specified in the charter of the Management Committee has to be assessed and the findings have to be reported to the Board of Directors.[7]

B.1.3 Remuneration

Overall remuneration policy

Improving and maintaining the integrity and robustness of ERGO Insurance N.V. is key to the company's Remuneration Policy. The focus is on the long-term interests of all stakeholders. The aim of the Remuneration Policy is to motivate employees to work for ERGO Insurance N.V. and in the best interests of, and duty of care towards, customers and shareholders.

The policy seeks to support and align the overall business and risk strategy, risk profile, objectives, values and sustainable long term business interests and performance of the Company.
The Nomination and Remuneration Committee regularly monitors the compensation programs to ensure that they align with sound risk management practices.

Practice of remuneration which is applicable to members of the Board of Directors

The Board of Directors is composed of executive members with regular executive remunerations and non-executive members with limited fixed remunerations aligned with market practices.

The Annual General Assembly of shareholders (AGM) has decision-making powers relating to the remuneration of the Non-Executive Directors.

The Board of Directors informs the AGM of the individual remuneration of the Executive Directors. The Board of Directors is responsible for and has decision-making powers relating to setting the individual remuneration of the members of the Management Committee.

Remuneration practice applicable to members of the Management Committee

The Management Committee only has remunerated members.

Remuneration includes a fixed component and a variable component whose achievement is determined by the Nomination and Remuneration Committee. The fixed component is aligned with market practice and represents more than half of the total remuneration, unless exceptional circumstances that are vetted by the Board of Directors.

The variable part of the remuneration of the members of the Management Committee evolves between 20% and 40% of the total remuneration, and is composed with an annual part and a differed part over a 3 years period. The success rates of the annual or tri-annual objectives generally waves between 50% and 150%. Each year, they are set by the Nomination and Remuneration Committee on the recommendation of Management and Group HR.

Remuneration practice applicable to those in charge of Independent Control Functions

For the Independent Control Functions, the principles of remuneration stated above are similar. However, it should be noted that:

- The objectives cannot include specific financial objectives of the bodies they are supposed to control. A transversal performance objective, on which these functions have no material impact, is however admitted by the local regulator and by Group with a maximum of 20% of the variable part.

[7] Evaluation planned in 2019.

- The variable component of the remuneration (annual plus deferred) represents maximum 25% of the total remuneration for a 100% achievement rate.

B.2 Fit and Proper Requirements

B.2.1 Fit and Proper Scope

Fit and Proper definition and application

The Fit and Proper Policy and the implementation framework of ERGO Insurance N.V. sets out the criteria and procedures that must be applied in order to ensure that all persons who conduct the management of ERGO Insurance N.V, or who occupy Independent Control Functions, comply with the statutory and regulatory expertise and reliability requirements (in accordance with the Solvency II Act, the NBB Circular 2018_25 Fit and proper[8], the Manual on assessment of fitness and propriety of September 2018 and the NBB Circular NBB 2016_31 on the System of Governance (updated in 2018)).

The framework ensures that the fit and proper requirements are applied when nominating members of the Board of Directors, members of the Management Committee, Branch Managers, as well as the Independent Control Functions.

The persons who occupy Independent Control Functions within ERGO Insurance N.V. are:
- Risk Management Function - CRO: Sigrid Geens;
- Compliance Function (Head of): Anne-Laure Debaisieux;
- Internal Audit Function (Head of): Emmy Van Impe;
- Actuarial Function (Head of): Jan De Roeck (WTW).

The Fit and proper consists of four parts:
- Fit and Proper requirements;
- Fit and Proper Policy and Procedure;
- Procedure, application and control framework;
- Conduct and behavioral guidelines.

Fit and Proper Requirements

The following fit and proper requirements are applied at ERGO Insurance N.V.:

Expertise requirements (fitness): A person will be considered "fit" if he or she has the necessary professional and formal qualifications, knowledge and expertise in the insurance sector, other financial sectors that enable him or her to conduct a business as prudently and as healthily as possible. A person must also be able to demonstrate professional conduct.

As part of this assessment, the qualities attributed to the position in question, as well as other relevant insurance-related, financial, accounting, actuarial and management qualities will be taken into account.

As a group, directors, Management Committee members, branch managers and representatives of independent control functions must cover a sufficient diversity of qualifications, knowledge and relevant experience in order to ensure that ERGO Insurance N.V. is managed and controlled in a professional manner.

Reliability requirements (propriety): A person will be considered to be reliable or "proper" if he or she has a good reputation and integrity. However, this cannot be the case if the honesty and financial integrity of the person – based on that person's character, personal conduct and professional dealings, including any criminal, financial and/or other

[8] The NBB Circular 2018_25 on the suitability of directors, members of the management committee, responsible persons of independent control functions and senior managers of financial institutions.

aspects - gives rise to suspicion that such aspects might adversely affect the healthy, cautious execution or the independence of the function.

It is also assumed that the person in question, wherever possible, will avoid activities that might lead to conflicts of interest or that might arouse the appearance of conflicts of interest. Persons in Independent Control Functions are generally bound by the interests of ERGO Insurance N.V.. Consequently, they may not consider any personal interests in their decisions, nor may they make use of company opportunities based on their own interests. Each potential event is disclosed to the Compliance Function and a specific file is prepared by the Compliance Function and presented to the Management Committee for decision.

Fit and Proper Policy and Procedure

ERGO Insurance N.V. implements a Fit and Proper Policy and a Fit and Proper Procedure that includes the following elements:

- a description of the procedure designed to identify the functions that require notification to the NBB, as well as the actual procedure;
- a procedure for assessing the fitness and propriety of the members of the Board of Directors, the Management Committee, branch managers and the Independent Control Functions during their selection and, afterwards, on an ongoing basis;
- the possibility for *ad hoc* cases that give rise to a re-assessment of the requirements on fitness and propriety.

Executive and Non-Executive Directors and members of the Management Committee

The directors of ERGO Insurance N.V. will at least collectively possess knowledge and expertise in the areas of:

- insurance and financial markets;
- the company's strategy and business model;
- the system of Governance;
- financial and actuarial analysis;
- the regulatory context and requirements.

These criteria concern both the members of the Management Committee, who must make the appropriate decisions taking into account the business model, risk appetite and the markets in which ERGO Insurance N.V. operates, and the members of the Board of Directors, who must decide on strategy and be able to monitor the decisions taken by the Management Committee in a constructive manner.

The qualities that are attributed to individual directors / Management Committee members will ensure that there is appropriate diversity of qualifications, knowledge and relevant experience in place. This will contribute towards the company being managed and led in an appropriate manner.

Independent Control Functions

Persons who occupy Independent Control Functions must, at least, have the theoretical and practical knowledge required for the position in question (Risk Management Function, Compliance Function, Internal Audit Function and Actuarial Function). The knowledge required will vary according to the Independent Control Function. The technical knowledge is standard, based on regulatory requirements and most of the time on sectorial certification and mandatory continuous training. The experience is an additional mandatory requirement. It must be assessed in proportion to the nature, scope and complexity of the risks inherent to ERGO Insurance N.V..

In case an Independent Control Function is outsourced (both within and outside the group), as is currently the case with the Actuarial Function, the company ensures the outsourcing complies with the rules of Chapter 7 of the NBB Circular 2016_31 on outsourcing as revised on September 2018.

In addition, the company ensures that the responsible person for the Compliance Function meets the specific requirements of the NBB Regulation of 6 February 2018 on the fitness of the responsible persons for the compliance function, and more in particular:

- at least 3 years' relevant work experience;
- holding a master degree (unless exemption based on practical experience and knowledge);
- passing an examination recognized by the NBB and the FSMA with a minimum of 20 hours every 3 years.

In order to permanently comply with the knowledge requirement, the responsible person of the Compliance Function participates from her/his appointment in a training programme with a minimum duration of 40 hours every 3 years.
The Person responsible for the actuarial function should have knowledge of actuarial and financial mathematics.

B.2.2 Availability, External Functions and Incompatibilities

The members of the Board of Directors, members of the Management Committee, branch managers and Independent Control Functions of ERGO Insurance N.V. must devote the time required to carry out their duties within the company. If they exercise external functions, they must avoid conflicts of interest and respect certain incompatibilities. In accordance with article 83 of the Solvency II Act, ERGO Insurance N.V. ensures compliance with the internal rules governing external functions.

B.2.3 Loans, credits or guarantees and insurance policies

There are no material transactions to disclose.

B.3 Risk Management System, ORSA Process, and Risk Management Function

B.3.1 Risk Management System

Description of the Risk Management System

Risk Management is a cornerstone of the System of Governance of ERGO Insurance N.V. and is supported and overseen by the Risk Management Function. ERGO Insurance N.V.'s mission is to take care of the pension savings and financial health of our existing customers for the full duration of their contracts. ERGO Insurance N.V.'s customers can expect an adequate, reliable and efficient service by empowered and risk aware employees, working in a financially stable company.

The Risk Management System is designed with objectives to:

- Partner with the business to deliver on the business strategy while managing the related risks;
- Challenge the business by providing independent feedback and suggesting appropriate risk mitigation and ways forward;
- Drive the risk culture of the company;
- Successfully implement the Solvency II framework across its three Pillars.

The Risk Management organization and the Risk Management Function are detailed in the section B.3.3. below.

Risk Management cycle

Risk identification

The risk identification process is performed through the quarterly update of the Quarterly Risk Dashboard (QRD), the Operational Risk Events Database (ORED), the annual Internal Control System (ICS) assessment, as well as the annual Own Risk and Solvency Assessment (ORSA). In addition, risk identification is facilitated by the collection of other reports e.g. fraud case investigations, audit findings, regulatory findings, and ad-hoc risk assessments.

Risk assessment & measurement

Together with risk takers, the Risk Management Function assesses the impact of risks on the overall risk profile. During this phase, the Solvency Capital Requirement (SCR) is measured and calculated both locally under the Standard Formula and by ERGO Group IRM via its internal model.

Risk steering

Risk takers ensure that the chosen measures are in line with the risk strategy and underlying risk related policies. The Risk Management Function is actively involved in steering processes which affect the overall Risk Profile.

Risk monitoring and reporting

For each of the risks identified, ERGO Insurance N.V. has defined risk indicators and established reporting processes to monitor and report risks to senior management, as well as to the NBB. Specifically, risk limits and triggers are in place at Ergo Insurance N.V.. Escalation occurs when a risk is assessed to be outside of defined risk appetite limits. In such cases, remedial measures are taken to mitigate the risk back to the desired level of risk appetite.

A number of reports are required by European and national legislation including, for example:
- Quantitative Reporting Templates (QRTs);
- Own Risk and Solvency Assessment (ORSA) Report;
- Report on the Efficiency of the System of Governance (RESOG);
- Solvency and Financial Condition Report (SFCR);
- Regular Supervisory Report (RSR);
- KPI Dashboard monitoring.

In addition to these, the following reports are presented to governing bodies:
- The Quarterly update of Solvency II closing process: This reporting include the quarterly update of Solvency II coverage ratio reported by the Risk Management Function to governing bodies. The report also includes an update on all modelled risks calculated according to the Standard Formula. Data contained in this report are subject to data quality monitoring and are eventually used to populate quarterly QRT's.
- The Quarterly Risk Dashboard: This reporting focuses on qualitative risks (non-modelled risks) and their developments in the past quarter. The report is presented by the Risk Management Function to governing bodies. The report also include a view on the current state of identified risks based on evolution of their related mitigation actions.
- The Internal Control System (ICS) report: This annual report is the output from the annual ICS process in which the effectiveness of the design and performance of the Internal Control System is assessed. The ICS report is submitted to the Board of Directors on an annual basis or more often if appropriate (see also section B.4 on the Internal Control System).

Further information on each risk category and the specific processes and reporting procedures by risk type, as well as information on significant and material risks are provided in Chapter C.

Embedding of Risk Management

The Risk Management System is defined as an entity-wide activity, meaning that every person in the organization has a role to play in ensuring that risks are actively identified, assessed, mitigated and monitored. This is ensured by integrating risk policies and practices into specific steering and business processes and decision making including (non-exhaustive list):

- Strategic planning process;
- Capital management;
- Product review process ;
- Strategic Asset Liability Management (SALM);
- Profitability calculations;
- Solvency II closing and reporting;
- Regular AFR & ERC / SCR calculations;
- Reinsurance risk mitigation decisions;
- Project launch and execution; and
- New critical outsourcing arrangements.

The embedding of the Risk Management System within the organization relies on a network of decentralized employees appointed in a role of Second Line Correspondent (SLC) towards the 2nd line of defense. Their role consists in deploying 2nd line of defense activities including the Risk Management System in their respective departments within the 1st line of defense.

In 2018, the concept of SLCs (introduced a couple of years ago and emphasized during the NSP atelier workshop in September 2017) was subject to a lessons learned based on observations from past period and a survey was rolled out within the SLC's community. Outcomes of this exercise will be used in 2019 to further make the cooperation with SLCs more efficient and eventually improve the embedding of the Risk Management System within the 1st line of defense.

B.3.2 Own Risk and Solvency Assessment (ORSA)

Overview of the ORSA

The ORSA is a key element of the Risk Management System of ERGO Insurance N.V. and is a fundamental contributor to the embedding of risk and capital implications into key decisions. The ORSA is the process in which everything comes together. The ORSA spans all processes and procedures used to identify, assess, monitor, manage and report risks and provides a forward looking assessment on the Own Solvency Needs (OSN). It covers all pillars of Solvency II and brings the business strategy together with the risk strategy and capital management for current and future reporting dates, in line with the business planning horizon.

The basis of the ORSA process is the ORSA Policy, which stipulates the key elements of the ORSA itself.

Assessment of the Overall Solvency Needs (OSN) and Own Funds

The term "Own Funds" refers to the own funds eligible to cover the regulatory Solvency Capital Requirement under Solvency II. The Overall Solvency Needs (OSN) takes into account all risks, as well as the strategy and forward looking considerations. The OSN assessment considers the following steps:

- Identification of risks;
- Measurement of the Risk Profile;
- Link between the Business Strategy and the Risk Profile;
- Risk Strategy as the basis for OSN considerations; and
- Stress testing.

Frequency

The ORSA is performed on an annual basis. Under certain circumstances specified in the ORSA Policy and in case of significant changes impacting the risk profile of the company, a non-regular "ad-hoc" ORSA may be triggered.

Roles and responsibilities regarding the ORSA process

The overall responsibility for the ORSA within ERGO Insurance N.V. lies with the Board of Directors that assigns the role of ORSA Process Owner to the Risk Management Function, hence it is responsible for the coordination and implementation of the ORSA within ERGO Insurance N.V..

In addition, the Audit and Risk Committee ensures the effectiveness of the overall ORSA process as well as its underlying processes. The Management Committee reviews the ORSA report before it is submitted to the Audit and Risk Committee and the Board of Directors.

Other contributors to the ORSA report include Strategy Department, Product and Pricing Department, Planning and Controlling Department, and Actuarial Function.

Embedding of the ORSA

The ORSA process is embedded within ERGO Insurance N.V. with the aim is to ensure that there is sufficient discussion and deliberation on the available risk information to ensure that an adequate assessment of the Own Solvency Need (OSN) can be made, for the respective year and for the next four years.

The information and discussions forming a part of the ORSA are used to take business decisions on a number of key risk taking domains. They include among others, Strategic Asset Allocation (SAA) and capital decisions.

B.3.3 Risk Management Function

Description of the Risk Management Function

The Risk Management Function is led by the Chief Risk Officer (CRO). The CRO directly reports to the CEO and is a member of the Management Committee and the Board of Directors. The CRO has a functional reporting line to the ERGO Group CRO. Besides the aforementioned, the Risk Management Function has a direct and independent reporting line to the Audit and Risk Committee and the Board of Directors on a quarterly basis.

The Risk Management Function is composed of four sub departments including:
- Risk Modelling and Valuation
- Risk Governance and Reporting;
- Information Security Officer; and
- Actuarial Function.

The Actuarial Function reports hierarchically to the CRO, as well as the unit (Risk Modelling and Valuation) that carries out the calculations relating to Technical Provisions. The departments follow the principle of separating the tasks of “do”, “check” and “peer review” (separate people perform the tasks of “do”, “ check” and “peer review”). The Actuarial Function also reports directly to the Audit and Risk Committee (ARC). This approach with: separate departments; adopting a “do” “check” “review” principle by different people on all calculations and tasks; a direct report of the Actuarial Function to the ARC, justifies the fact that both the Actuarial Function and the Head of the Risk Modelling report hierarchically to the CRO and the CRO is at the same time also the internal liaison to the Actuarial Funtion.

B.4 Internal Control System

B.4.1 Overview of the Internal Control System

The ICS Policy of ERGO Insurance N.V. is an Entity Specific Appendix of the ICS Group Policy that takes into account both Group requirements and additional specific local regulatory requirements expressed by the National Bank of Belgium. The Policy defines the ICS objectives, principles, organization, reporting requirements, roles and responsibilities that apply within ERGO Insurance N.V..

The Risk Management Function (i.e. the Risk Governance and Reporting team), is owner of the ICS Policy and is responsible for its annual review. During the reporting period, the ICS Policy was updated to align with the latest available Group ICS Policy.

The Internal Control System is built around the Three Lines of Defense model that provides an effective method to define the essential roles and duties with regards to risk management and control processes. A distinction must be made between the three lines involved, as follows:

The first line of defense

The functions that 'own' and 'manage' risks are categorized within the first line of defense. Within this line, the model refers to the operational managers/directors/head of operational departments.
In case of issues, potential risks, violations against policies and/or regulations are identified by the first line of defense, it is their role and responsibility to report this at least to one of the "Independent Control Function" in the second lines of defense. Depending on the subject matter, even it involves a topic that is not directly within their own business activities. Second Line Correspondents play a key role in this regard.
The outcomes of the annual ICS assessment are discussed within the first line by the Policy and Process Owners and the next level in the hierarchy (typically the respective C-level).

The second line of defense

Independent Control Functions are in place to "oversee" risks. They have a supervisory and advisory role within the company with regards to their specific control domains.

In order to perform the role as a second line of defense function, the Independent Control Functions are clearly separated from the first line of defense. Therefore, a clear distinction is established between (i) the direct reporting lines of those functions (independency criteria based on the Solvency II Act) and (ii) the hierarchical reporting lines of those functions (internal reporting lines based on the organizational governance chart).

The Independent Control Functions according to the Solvency II Law are the Compliance Function, the Actuarial Function and the Risk Management Function (in the second line of defense) and the Internal Audit Function (in the third line of defense). The names of persons responsible for Independent Control Functions are listed in the reporting B.12, that will be uploaded separately in e-Corporate system of the NBB.

The ICS Manager (i.e. Head of Risk Governance and Reporting) checks the plausibility, aggregates and assesses the results. In addition, the ICS assessment is fully documented in pre-defined templates with appropriate filing and version controlling applied.

The ICS report is submitted to the Board of Directors on an annual basis or more often if appropriate (in case of events or escalations). ERGO Insurance N.V. also submits this annual reporting to the ERGO Group ICS Manager.

The third line of defense

An Independent Control Function is in place that 'provides independent assurance' and is carried out by the third line of defense / Internal Audit Function. The role of this function is to provide the Board of Directors and the senior management with assurance based on the highest level of independence and objectivity within ERGO Insurance N.V..
The Internal Audit Function operates independently from both the first and the second line of defense.

ICS assessment

The assessment of the risks and controls is performed on a periodic basis (annually at a minimum) and is based on three types of assessments:

- Process-level Risk and Control Assessments (RCA);
- Entity-level Control Assessment (ELCA);
- IT Generic Control Assessments (IT GCA).

As stated in the ICS Policy, the roles and responsibilities regarding these ICS assessments are:
- ICS Manager (i.e. Head of Risk Governance and Reporting) is responsible for the overall coordination of the ICS assessments, and reporting the ICS outcomes and deliverables to governing bodies;
- Policy Owners are responsible for policies within the business activity under their responsibilities, and to sign off the Entity Level Control Assessment;
- Process Owners are responsible for the execution and description of processes included within the business activity under their responsibilities, and to sign off the Risk and Control Assessments;
- Second Line Correspondents (SLC) are responsible for performing the Risk and Control Assessments by identifying and assessing the risks and controls related to their processes.

B.4.2 **Compliance Function**

Overview of the Compliance Function

The Compliance Function is an Independent Control Function within ERGO Insurance N.V., aiming to monitor and manage compliance with all relevant laws and regulations, promote integrity of activities, and to manage compliance risks.

The responsibility of ERGO Insurance N.V. to comply with laws and regulations cannot be outsourced.

Compliance Function Tasks

The core activities of the Compliance Function are systematic and determined at a regulatory level, including (non-exhaustive list):

(1) Design and execute an annual Compliance Action Plan;
(2) Oversight of legal & regulatory developments;
(3) Providing advice;
(4) Oversight of policies and procedures;
(5) Carry out Compliance Risk Assessments;
(6) Carry out Compliance monitoring (supervision and testing);
(7) Oversight of training that enhance staff awareness;
(8) Oversight of regulatory reporting.

The key domains within scope of the Compliance Function include the following:

(1) Ethics and Integrity;
(2) Good governance;
(3) Licenses and direct distribution;
(4) Anti-Money Laundering;
(5) AssurMiFID, customers' rights and information;
(6) Privacy and IT security;
(7) Fiscal-related;
(8) Anti-Fraud;
(9) Others: Anti-trust, Competition law.

Compliance Charter

A Compliance Charter is in place within Ergo Insurance N.V.. integrating Group standards and local requirements. The Compliance Charter outlines the key principles of the Compliance Function within ERGO Insurance N.V., its core domains, its objectives and responsibilities and the organization of its activities. It should be reviewed annually and approved by the Management Committee, as well as the Board of Directors (the latter is the case for material changes).

During 2018, the Compliance Charter was updated and approved by the Board of Directors (02/05/2018).

Independence

The Compliance Function is independent of the operational activities of ERGO Insurance N.V.. This is ensured based on the following key elements, rights and duties:

(1) The Compliance Function holds a formal status within the institution which is documented within the Compliance Charter ;
(2) The Head of the Compliance Function, approved by the Regulators, is certified and appointed as Compliance Officer;
(3) The Compliance Function and its staff should be preserved from possible conflicts of interests between their responsibilities concerning compliance and other responsibilities ;
(4) The employees of the Compliance Function have full access to all information, systems and employees when necessary for the execution of their tasks ;
(5) Right and duty to monitor, including request for assistance of (legal) experts ;
(6) The Compliance Functions reviews, validates, ensures and/or imposes minimum training and expertise requirements on the Board of Directors ;
(7) Freely express findings and assessments;
(8) Direct report to the Chairman of the Board of Directors.

Status and Organization

As one of the independent Control Functions, the Compliance function belongs to the second line of defense and is set-up and staffed as an integral part of the organization and governance system.

The Compliance Function falls under the responsibility of the Compliance Officer. The Compliance Officer reports to the CEO and to Group Compliance.

Competence, Staffing and Integrity

Personal competence, integrity and discretion of each employee involved in the Compliance Function is essential for its proper functioning. ERGO Insurance N.V. also ensures that the Head and the staff of the Compliance Function execute their tasks discretely and with integrity.

Skills, motivation, and permanent education are also crucial in order to allow the Compliance Function to operate effectively. The capabilities of each employee are assessed taking into account the increasing technical complexity and the variety of activities.

Reporting by the Compliance Function

The key reporting undertaken by the Compliance Function include the following:

- The Compliance Function updates the CEO regularly about the most important compliance risks, as well as the measures taken to improve controls and progress regarding implementation of the function's assignments.
- At least once a month the Compliance Officer should attend the Management Committee meeting to discuss compliance matters.
- At least twice a year the Board of Directors must be informed via the Management Committee about compliance activities.

Each year a compliance report should be drawn up giving an overview of any recommendations, major problems, shortcomings and/or breaches and serious incidents noted by the Compliance Function, together with an overview of important recommendations.

B.5 Internal Audit Function

Internal Audit is one of the four Solvency II Independent Control Functions. The Internal Audit Charter states the position of the Internal Audit Function within ERGO Insurance N.V. and defines its rights, duties and authorities. The Internal Audit Function for ERGO Insurance N.V. is being executed by an audit HUB (included in DKV Belgium), which is also providing services for DKV Belgium and DAS Belgium (outsourcing agreement). The Head of the Audit HUB is the official Internal Audit function of ERGO Insurance N.V. and DKV Belgium.

B.5.1 Mission, Tasks and Methodology

The Internal Audit Function of ERGO Insurance N.V. supports the Board of Directors in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. These include the Risk Management System (RMS), the Internal Control System (ICS) and the three Independent Control Functions, the Compliance, Risk Management and Actuarial Function.

The core tasks of Internal Audit include:

Audit Performance: the Internal Audit Function audits the Governance System, consequently the entire business organization, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of the Internal Audit Function must be carried out objectively, impartially and independently at all times. The audit area of the Internal Audit Function covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls,
- Adherence to external and internal standards, guidelines, rules of procedure and regulations,
- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system,
- Reliability of the IT systems,
- Nature and manner of performance of tasks by the employees.

Reporting tasks: A written report must be submitted promptly following each audit by the Internal Audit Function. At least once per year, the Internal Audit Function shall prepare a report compromising the main audit findings for the past financial year. Within the follow-up process, the Internal Audit Function is also responsible for monitoring the rectification of deficiencies.

Consulting tasks: the Internal Audit Function can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of the Internal Audit Function is ensured.

Internal Audit's work is based on a comprehensive risk-oriented audit plan updated annually. The audit plan must be developed by applying a uniform risk-based approach in the group. The planning is then reviewed on an ongoing basis during the year and, if necessary, adapted to the risk. As part of the planning discussions, the audit topics prioritized by Internal Audit are discussed with the responsible members of the Management Committee and selected executives. The Board of Directors may, at any time, request additional audits within the framework of existing statutory or supervisory regulations.

ERGO Group Audit may request additional audits, in particular topics that are to be audited by all the Group's key companies based on the Group's responsibility of the Management Board of Munich Re AG.

B.5.2 Independence and objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional standards of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organizational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of the Internal Audit Function is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of ERGO Insurance N.V.. She has direct and unrestricted access to the Board of Directors of ERGO Insurance N.V. and all subsidiaries. She is independent from all other functions of the company.

The Head of Internal Audit contributes to the independence and objectivity of the Internal Audit Function by her behavior.

In order to ensure independence, the employees of the Internal Audit department do not assume any non-audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, the performance of audits, the evaluation of the audit results and the reporting of the audit results. The right of the Board of Directors to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal audit, the department has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of the auditing function by her behavior.

During the reported period the independence and objectivity of the Internal Audit department was not impaired at any time.

B.5.3 **Organization**

The Internal Audit department is an independent division. However, it operates within the framework of the standards applicable throughout Munich Re Group. The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of ERGO Insurance N.V., and also has a "dotted reporting line" to the Head of ERGO Group Audit.

The audit mandate of Internal Audit covers all units of ERGO Insurance N.V..

The Head of Internal Audit fulfils the following fit and proper requirements:

- Her professional qualifications, knowledge and experience is adequate to enable sound and prudent management (fit); and
- She is of good repute and integrity (proper).

ERGO Insurance N.V. shall notify the NBB of any changes to the identity of the members of the internal audit, along with all information needed to assess whether any new persons appointed to manage the company are fit and proper.

ERGO Insurance N.V. shall notify the NBB if any of the persons referred to above have been replaced because they no longer fulfill the fit and proper requirements.

Regular meetings are held with other Independent Control Functions to ensure regular communication between the different Independent Control Functions of ERGO Insurance N.V.. The results of audits are also shared with the Risk Management Function and the Compliance Function. In addition, Internal Audit is a member of the Governance Committee, which is the formal forum where all Independent Control Functions interact and communicate.

As a whole, the staff of Internal Audit must have the requisite skills and knowledge for effective and efficient audit work. In terms of the staffing of the Audit HUB Belgium the diversity of knowledge as well as the professional experience was taken into account. The manager and staff of the Audit HUB have had training in insurance, economy, accounting and commercial science. Moreover, during the course of 2018, a new member of the Internal Audit team was recruited.

B.6 Actuarial Function

The Actuarial Function is one of the Independent Control Functions at ERGO Insurance N.V.. The Actuarial Function works in the second line of defense in close collaboration with the Risk Management Function. It is a legal requirement for insurance companies to have an Actuarial Function within their structure.

B.6.1 Mission of the Actuarial Function

The mission of the Actuarial Function is to ensure that methodology and processes to identify inconsistencies and weaknesses with respect to the calculation of technical provisions, the underwriting process, the reinsurance programs and quantitative components of the risk management framework are in place.

B.6.2 Principles applied

The following principles are followed when implementing the role of the Actuarial Function within ERGO Insurance N.V.:

- Principle 1: The tasks of Actuarial Function are performed independently (Independence).
- Principle 2: The Actuarial Function is embedded in daily business operations and validation processes within ERGO Insurance N.V. (Embedding).
- Principle 3: The Actuarial Function staff fulfils Fit and Proper requirements (Fit and Proper).
- Principle 4: Delegation of authority and escalation process is in place from the Board of Directors (Responsibility). The Actuarial Function receives its mandate from the Board of Directors.
- Principle 5: Recommendations are addressed and reported in a transparent manner (Transparency).
- Principle 6: The Actuarial Function is effective and adequate (Effectiveness and Adequacy).
- Principle 7: The Actuarial Function is in line with the proportionality principle (Proportionality).

B.6.3 Actuarial Function Organization

As already explained above, the Actuarial Function within ERGO Insurance N.V. is part of the Risk Management Function and is separated from the Actuary & Reserving Department, which is situated in the first line of defense. In order to guarantee full compliance with the Solvency II Directive and the NBB Circular on Governance, a clear distinction is made regarding the activities and role of the Actuarial Function and other teams within the Risk Management Function. The Actuarial Function reports hierarchically to the CRO and has a direct reporting line to the Audit and Risk Committee. Moreover, the departments follow the principle of separating the tasks of “do”, “check” and “peer review” and, at all times, separate people perform the tasks of “do”, “ check” and “peer review”.

Moreover, the Actuarial Function has a coordination, controlling and advisory role within the Risk Management Function towards first line of defense departments of ERGO Insurance N.V.. This guarantees the implementation of a four eyes principle and a sound segregation of duties. The cooperation within the Risk Management department ensures that relevant information channels are in place towards the Actuarial Function.

To fulfil its tasks and responsibilities, the Actuarial Function (or one of the team members) can at any time attend the following committees if relevant to formulate its opinion:
- Governance Committee;
- Local AL Team;
- Product/Pricing committee;
- Financial/planning & budget committee.

The Actuarial Function is a permanent member of the SVM committee.

B.6.4 Actuarial Function Charter and Tasks Performed

Ergo Insurance N.V. has a local Actuarial Function Policy in place which is equivalent to an Actuarial Function Charter. It outlines the Actuarial Function strategy, objectives, principles and governance within ERGO Insurance N.V. as well as defining the main tasks, reporting requirements, and roles and responsibilities in order to achieve these objectives.

The local Actuarial Function Policy is reviewed annually and approved by the Management Committee, as well as the Board of Directors (the latter is the case for material changes to the policy).

During 2018, the local Actuarial Function Policy was updated and approved by the Management Committee (11/09/2018). Triggered by an update of the equivalent Group policy, this local policy was reviewed as well. While the update of the Group policy had no direct impact on the local policy, the local Actuarial Function Policy was updated nonetheless with the following main change :

- The objectives of the Actuarial Function were reviewed and updated against the Solvency II legislation and the updated 2018 NBB Circular on the System of Governance.

B.7 Outsourcing

ERGO Insurance N.V. has the objective to ensure that any outsourcing arrangement is properly managed and controlled. This means that all risks related to outsourcing, the outsourcing party and the offered service of the outsourced party need to be known, followed up and assessed on a regular basis. In this context, the Outsourcing Policy refer to the organizational requirements and processes in place to actively manage all outsourcing arrangements.

B.7.1 Outsourcing Policy

The Outsourcing Policy describes the objectives, principles and processes in place to ensure that outsourced activities are properly managed and that the risks are known and properly monitored.

The Outsourcing Policy is built on the following principles:

- Maintaining responsibility: At all times the final responsibility for any outsourcing contract is retained at ERGO Insurance N.V.. Even if processes are outsourced, the responsibility for the risks remains with ERGO Insurance N.V.. Furthermore, the business owner shall only consider outsourcing if the advantages outweigh the risks associated with the outsourcing. The business owner is responsible for managing the relationship with the service provider. He/She shall ensure compliance with the Outsourcing Policy within his/her area of business responsibility. The consequences of the outsourcing are examined by the Risk Management Function which will carry out a risk assessment of the proposal, indicating that the outsourcing is safe/problematic/unacceptable. The full outsourcing report should go to the Compliance Function, the Risk Management Function and the Procurement Department (second line of defense). The aforementioned departments have two weeks to voice any concerns or reservations they may have. The Compliance Function is moreover responsible for the ongoing monitoring of all outsourcings (second line of defense). In addition, the Internal Audit Function may monitor compliance with the Outsourcing Policy (third line of defense);

- Selection and evaluation: A process is in place to ensure a proper evaluation of the outsourced party has been made in due process at RFP stage, and through KPIs during the effective collaboration. Selection is done on an objective basis, such process further ensures that the selection of the outsourced party is done in compliance with applicable laws, guidelines and internal rules;

- Process: Outsourcing proposal and dossier is constituted, advice from independent Control Functions where required is included in the dossier, decision of the Management Committee on the outsourcing dossier and terms and conditions of the outsourcing, decision of the Board of Directors on the outsourcing dossier and terms and conditions of a critical outsourcing, notification to the NBB in case of a critical outsourcing or the outsourcing of an independent Control Function); regular evaluation by the business owner and annual assessment to ensure that all (technical) requirements are included and abided to;

- Written agreement: A written agreement is in place before any activities by the outsourced party can be started and a signed version of the agreement is retained by the Procurement Department;

- Business continuity: Business continuity requirements are included in the contractual arrangements and with the selection of the provider;

- Security: Security requirements are included in the contractual arrangements and with the selection of the provider.

- During every selection process, the above mentioned principles are applied. Additionally, ERGO Insurance N.V. has standard selection criteria that apply. These criteria include the financial strength of the provider, its reputation, its technical capabilities and the absence of conflict of interests among others.

- The Outsourcing Policy sets the criteria to ensure that the selection decision of a service-provider is duly documented. Supporting documentation including the “Outsourcing Proposal” and “Checklist” are processes that ensure that each outsourcing activity has a clear scope (i.e. a detailed description of the functions or activities to be outsourced is established), provide details on the expected consequences of the outsourcing, an estimation of the risks and on safeguards to ensure compliance with the applicable laws, guidelines and internal rules.

- In addition, the Outsourcing Policy implements processes to ensure that outsourcing activities are at all times duly lodged and monitored in accordance with applicable laws, guidelines and internal rules.

B.7.2 **Outsourcing of critical or important functions or activities**

Critical or important functions or activities are defined as functions which are of essential importance for ERGO Insurance N.V. to operate in the sense that without this function or activity, the company would not be able to provide its services to its customers.

To determine a critical function of activity, the Outsourcing Policy states that it is important to be aware of the potential financial risks in the case of a breach of contract, the level of disruption to key processes, a significant increase in operational risk, the impact on the trust of the customers and the reputation of ERGO Insurance N.V.. ERGO Insurance N.V. has defined a list of critical functions and activities.

Additionally, the outsourcing of Independent Control Functions is allowed under the guiding regulatory requirements. However, ERGO Insurance N.V. ensures that the outsourcing of Independent Control Functions is done in a controlled manner in which key responsibilities and accountabilities are retained by the company.

B.7.3 Outsourced Critical Functions and Activities

Hereunder, the list of Critical Functions outsourced, the companies outsourced to and the subject of outsourcing.

Outsource Provider	Address	Function or activity outsourced
Meag	Oskar von Miller Ring 18, 80222 München, Germany	Asset Management activities
Ergo international	ERGO-Platz 1, 40477 Düsseldorf, Germany	Datacenter - Project ANABEL platform
Ergo international	ERGO-Platz 1, 40477 Düsseldorf, Germany	Datacenter – relocation of data center to Ergo Germany
Ergo international	ERGO-Platz 1, 40477 Düsseldorf, Germany	Hosting of Prophet server Farm incl. licenses
Ergo international	ERGO-Platz 1, 40477 Düsseldorf, Germany	Cash management process using Corporate Payment Factory solution
Everaert Actuaries	Exterkenstraat 42, 9210 Moorsel, Belgium	Group Insurance (Pillar 2) management process
Vereycken en Vereycken	Veldkant 2, 2550 Kontich, Belgium	UL3 contract management system (software development and maintenance)
Ergo international	ERGO-Platz 1, 40477 Düsseldorf, Germany	Asset Management - Fund Management process using Fund Management Tool (FMT)

Table 12: List of critical outsourcing

List of outsourcing of independent control functions:

Outsource Provider	Address	Function or activity outsourced
Willis Towers Watson	A. Van Nieuwenhuyselaan 2, 1160 Brussels, Belgium	Actuarial Function
Internal Audit Hub (DKV Belgium)	Loksumstraat 25, 1000 Brussels	Head of Internal Audit – outsourced until 28 June 2018.

Table 13: List of outsourcing of Independent Control Functions

B.8 Any Other Information

There is no further information to disclose.

RISK PROFILE

The Risk Profile as defined in the Risk Management Policy is broken down in the following risk categories, aligned with the Solvency II Framework:

- Modelled Risks:
    - Underwriting Risks:
        - Life Underwriting Risks;
        - Health Underwriting Risks (SLT and CAT);
    - Financial Risks:
        - Market Risks;
        - Credit Risks, of which counterparty default risk; and
    - Operational Risks.

- Non Modelled Risks:
    - Liquidity Risks;
    - Strategic Risks; and
    - Reputational Risks.

Within ERGO Insurance N.V., identified risks are assessed and mitigated with the means the company has at its disposal. This includes reinsurance, hedging or other means where available. In order to ensure effective decision making, risks are made transparent through risk reporting and monitoring. Risk reporting provides management with a view on the levels of risks, comparing those to applicable risk appetite limits.

For the following risks, a risk capital was considered based on the Standard Formula under Solvency (referred to as “Solvency Capital Requirements” or “SCR”), amounting to 276 Mn € at year end 2018, compared to 361 Mn € at year end 2017. For the underlying reasons see E.2.

	Risk value	
	2017	**2018**
SCR as a risk measure		
Life underwriting risk	145	121
Health underwriting risk	36	28
Non-life underwriting risk	-	-
Market risk	255	183
Counterparty default risk	7	6
Diversification	-105	-82
Intangible asset risk	-	-
Operational risk	21	21
Solvency Capital Requirement	**361**	**276**

Table 14: Risk Profile: Identified risks per main risk type (source: QRT S.25.01) in Mn €

C.1 Underwriting Risk

Underwriting risk represents the potential loss arising from entering into or underwriting insurance policies. At ERGO Insurance N.V. the underwriting risk is divided into three modules, depending on the type of policy: Life, Non-Life, and Health. Each category is then subdivided into sub-modules according to the Solvency II Standard Formula:

- **Life Underwriting risk sub-modules**: Mortality, Longevity, Morbidity/ disability, Life expense risk, Lapse risk, Life catastrophe risk.
- **Health Underwriting risk (SLT) sub-modules**: Mortality, Longevity, Morbidity/ disability, Health expense risk, SLT Health Lapse risk.
- **Health Underwriting risk sub-modules**: Health CAT.

C.1.1 Management of underwriting risks

Underwriting risks are managed at the various stages of the insurance product life-cycle. This ensures that underwriting risks are recognized and managed early in the cycle.

Product characteristics and their terms and conditions are accepted during product approval and are assessed afterwards, through the embedded review process. This includes profit testing in accordance with the Actuarial Guidelines of ERGO Group. Profit testing results are reviewed by ERGO Insurance N.V.'s Risk Management Function and ERGO Group Integrated Risk Management. Acceptance of new business was monitored using pre-defined criteria (e.g. medical acceptance). At present new business is limited to extensions of existing clients/policies due to the implementation of the New Strategy.

Product performance and underwriting risk indicators are reviewed after contract issue (e.g. claim and lapse rates). The sufficiency of reserves and Technical Provisions is assessed by the Actuaries & Reserving department and independently monitored by the Actuarial Function.

C.1.2 Underwriting risk position

Because of ERGO insurance N.V.'s business model and activities, its main underwriting risks are life risks and to a lesser extent health risk.

The most material risk with respect to the quantification in the Standard Formula is (Life) expense risk. Expense risk is calculated by applying a 10% upward shock on the projected expenses and in addition a higher inflation rate. This risk decreased during 2018 as the projected expenses (and as a result also the shock on these) decreased in 2018 since the expense volume has steadily shrunk over the year, which is a natural effect from the company's run-off.

Lapse risk in Life business represents the second important underwriting risk, where the mass lapse risk is a relevant risk for the company. Therein, only the contracts which are generating a profit in the future are stressed. According to this scenario, the company is losing 40% of its profitable business.

C.1.3 Risk concentration

Risk concentration, mainly driven by the mortality risk exposure, is measured by the catastrophe risk module in the Standard Formula. This risk is assessed to be immaterial, also driven by mitigation through reinsurance agreements.

C.1.4 Risk mitigation

As a means of risk mitigation, reinsurance treaties are used by the company especially to mitigate the risk of mortality and morbidity.

C.2 Market Risk

As is typical for a life insurance company, ERGO Insurance N.V. considers market risk as one components of financial risk. Market risk is defined the risk of a loss that may be caused by fluctuations in the prices of the financial instruments in a portfolio. The various risk factors/ sub-modules according to the Solvency II Standard Formula include:

- **Equity risk** (Return / Volatility) exposure of the traditional portfolio is immaterial since the risk is mitigated by equity hedges. The main equity risk corresponds to the equity exposure of unit linked funds. Although the direct risk of a decrease in the equity value is borne by the policyholder, in case of an equity price decrease, the future fee income for ERGO Insurance N.V. will decrease as well. Also ERGO Insurance N.V. carries an equity risk on its buffer in unit linked funds in portfolio (which has reduced in 2018).

- **Interest rate risk** (Level, Volatility) mainly arises from past distribution of products offering high guaranteed interest rates at long durations. These products strongly impact the investment strategy since appropriate assets have to be selected to earn the guaranteed interest rates. As the asset portfolio backing this traditional product portfolio has a lower duration than the guaranteed liability cash flows, market movements in interest rates have a potential important impact on the Own Funds. However, since the introduction of the revised asset allocation strategy in 2017, the duration mismatch between assets and liabilities was significantly reduced (see section C.2.3.).

- **Spread risk** covers both the widening and narrowing of credit spreads as well as changes in the credit rating transition. The Standard Formula assumes no spread risk on government bonds (of EU member states in the currency of that member). The majority of the three portfolios backing traditional liabilities consists of government bonds. The remaining part is invested in highly rated corporate bonds (and a limited part in structured notes) being responsible for the spread risk exposure. Spread risk is consistently an important risk driver and in Q4 2018, it is the largest contributor within the market risk module (see section C.2.3.).

- **Currency risk and Real Estate risk** are limited contributor to the market risk module since ERGO Insurance N.V. has lower exposure to currencies and real estate assets. The currency risk exposure is situated within the unit-linked funds, similarly to equity risk.

- **Concentration risk** results from a high investment in only a few assets, for ERGO Insurance N.V. results predominantly from swaps.

C.2.1 Application of the prudent person principle

Within the context of market risks, investments play an important role. Within its investment management, the prudent person principle is applied as explained in Section B.3.4. In this case, the investment mandate as provided to MEAG, as the key provider of investment services, notes that the investment firm needs to stay within the given mandate and maximize return given the underlying risks. Moreover, it needs to constantly monitor and report on the exposures and the underlying risks and ensure that these are acceptable given the underlying return and the mandate given.

C.2.2 Market risk position

Market risk is the largest risk contributor to ERGO Insurance N.V.'s Risk Profile.

C.2.3 Market Risk developments

Following the de-risking strategy of ERGO Insurance N.V. initiated in 2017, the exposure to market risk has decreased significantly in 2018. The main drivers have been the revised asset allocation strategy which lowered the asset-liability duration gap and the reduction of the unit-linked buffer (i.e. equity fund units on the company's own accounts).

Additionally, given the run-off situation of the company, market risk is expected to gradually shrink further in future years. Nevertheless, equity risk is sensitive to developments on the equity markets: if these markets perform well, then equity risk typically will increase (reflecting the corresponding higher Own Funds in such case) and vice versa.

C.2.4 Risk mitigation

ERGO Insurance N.V.'s mitigation efforts with respect to interest rate risk are primarily focused on achieving an investment portfolio with diversified maturities that have a weighted average duration close to the duration of the liability cash flows. To mitigate equity risk from the classical Life portfolio, equity hedging is used.

C.2.5 Overview of sensitivity and scenario analysis

The company monitors risks via sensitivity and scenario analysis:

- The general conclusion in the 2018 ORSA report was that the company's solvency position is sufficiently positive to withstand all considered adverse developments. However, in terms of market risk in particular, it was concluded that the company remains vulnerable to spread increases, yet it has sufficient buffer to deal with quite severe spread scenarios (in which it benefits by the application of the VA).
- At each reporting date, several sensitivities are calculated, based on an approximated methods:
    - Interest rates +100bps/-50bps: (risk-free) interest rates directly impact both the market value of assets (at least bonds) and the valuation of the technical provisions.
    - Bond spreads +100bps (specifically Belgian and Italian bonds): spreads directly impact the asset market values, yet only indirectly impact the liabilities side.
    - Equity -10%/+10%: while the company has very limited direct equity exposure, the equity market performance impacts the liabilities side through the unit-linked technical provision.
    - Expense +5%: increase of the recurrent expenses for the company with 5% (reported here with market sensitivities while actually an underwriting risk).

The table below show the Solvency II coverage ratio at year-end 2018 for the sensitivities as described above.

	OF	Δ OF	SCR	Δ SCR	S2 coverage ratio	Δ S2 coverage ratio
Base case	753		276		273%	
IR + 100bps	746	-7	297	21	252%	-21%
IR - 50bps	756	3	267	-9	283%	10%
100bps increase in government bond spreads	706	-47	278	3	254%	-19%
100bps increase in corporate bond spreads	752	-1	276	0	273%	0%
Equity -10%	724	-29	262	-13	276%	3%
Equity +10%	784	31	294	18	267%	-6%
Expense +5%	737	-16	278	2	265%	-8%

Table 15: Sensitivity analysis for Own Funds, SCR and Solvency II coverage ratio in Mn €, %

The key observations on the results are as follows:

- In all sensitivities, the Solvency II coverage ratio remains substantially above the legal requirement of 100% and also above internal triggers (in particular above the internally defined trigger of 200% to aim at a continuous flashing light exemption) - see section E.2.1.
- Changes in interest rates have a limited impact on the Own Funds, which reflects the effective asset liability matching at ERGO Insurance N.V.. The impact on the SCR is somewhat larger, as is the impact on the corresponding ratio then. If interest rates increase, then both interest rates risk and lapse risk in the Standard Formula SCR are expected to increase.
- An increase in government bond spreads of 100bps for both Belgium and Italy (i.e. two of the highest exposures in the company's bond portfolio) would adversely impact the coverage ratio by -19%, which would have been significantly higher in case the company would not apply the VA.
- The performance of equity markets plays only a relatively limited role for the financial strength of ERGO Insurance N.V..
  Increase of expenses have a limited impact on the financial strength of ERGO Insurance.

C.3 Credit Risk

Counterparty default risk is created by the uncertainly regarding the ability of a debtor to meet its obligations. It is composed of the following sub-modules:

- The default risk: any failure or delay in paying the principal and/or interest that results in a loss for the financial institution;
- The uncertainty regarding the amount to be recovered in the event of default.

The worsening of the credit rating, and the subsequent increase of the spread, is included in spread risk, under market risk.

ERGO Insurance N.V. is exposed to counterparty default risk on a number of different levels:
- Cash at banks;
- Loans to individuals and companies (incl. ERGO International);
- Transactions with derivative products (none are currently in portfolio); and
- The non-collateralized share of reinsurance recoverables.

Investments to be considered and related counterparty default risk are in line with requirements expressed in the Counterparty Default Policy of ERGO Insurance N.V..

C.3.1 **Counterparty default risk position**

The counterparty default exposure of ERGO Insurance N.V. is mainly driven by the amount of cash at banks. The counterparty risk from reinsurers is negligible as the deposits generally exceed the reinsurance recoverables and serve as collateral.

The default risk of bond issuers is measured under spread risk.

C.3.2 **Risk mitigation**

ERGO Insurance N.V. uses a counterparty limit system that is applied throughout the Munich Re Group, to monitor and control credit risks for all balance-sheet positions. The limits for each counterparty are based on its financial situation as determined by the results of fundamental analyses, ratings and market data, and the risk appetite defined by the Board of Directors.

C.4 **Liquidity Risk**

The objective of ERGO Insurance N.V. in respect of managing liquidity risk is to ensure that the company is in a position to meet its payment obligations at all times. The Investments department is responsible for liquidity and cash-flow management. It carries out long-term cash flow projections of assets and liabilities that are simulated in normal circumstances or in stress situations to assess future liquidity needs. The liquidity needs are integrated into the liquidity plan, which is created on an annual basis.

C.4.1 **Liquidity risk position**

As specified in liquidity risk policy of ERGO Insurance N.V., the liquidity risk position is monitored by the Planning and Controlling department against budget and plans, based on monthly figures. Yearly forecasts are used to predict liquidity needs and plan inflows / outflows.

In the course of 2018, no specific liquidity events were identified.

The assets of ERGO Insurance N.V. are invested primarily in liquid government bonds. Thus, the liquidity position of the company is considered as very strong.

C.4.2 **Risk mitigation**

Liquidity risk is mitigated and managed throughout daily operations and a liquidity plan, as indicated above.

C.4.3 Information on the expected profits included in future premiums

The expected profits included in future premiums at year-end 2018 amounted to 193 Mn € (compared to 230 Mn € at year-end 2017).

C.5 Operational Risk

Within ERGO Insurance N.V., the operational risk is defined as the risk of loss caused by failed people, processes, systems, or external drivers. It includes supervisory & compliance risk (i.e. legal risk), but excludes strategic and reputational risks. ERGO Insurance N.V. identifies the following components of operational risk:

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Clients, Products and Business Practices
- Damage to Physical Assets
- Business disruption and system failures
- Execution, Delivery and Process Management

C.5.1 Operational risk processes and procedures

The framework for managing the operational risk is built on a strong governance with clearly defined tasks and responsibilities. Managing operational risk is an integral function of the Internal Control System. As such, the Management Committee performs an annual self-assessment of the effectiveness of the Internal Control System, which is the cornerstone of risk mitigations against the occurrence of operational risks. The responsibility to manage operational risks lies with business departments as first line of defense. Second Line Correspondents are appointed in each Department to assist in managing the risks for their area of activity. They coordinate the collection of operational risk data and implement their corrective actions, in cooperation with the Risk Management Function, as second line of defense.

A self-evaluation of the risks and associated controls is carried out each year for the various activities of ERGO Insurance N.V..

Ad hoc risk assessments are also performed on outsourced activities, or to investigate emerging risks (e.g. fraud cases) or risks within projects.

The quantification of operational risk is based on the Standard Formula methodology. This quantification is additionally underpinned by a qualitative assessment. In this respect, operational risk scenario analyses are performed annually to stress, assess and measure potential operational risks.

Operational risks are reported as part of the Quarterly Risk Dashboard prepared by the Risk Management Function. Specifically, the Management Committee regularly analyses developments to the Risk Profile of the various business areas of ERGO Insurance N.V. and takes the necessary decisions accordingly. The input is included in the Quarterly Risk Dashboard which highlights all operational incidents taking place and developments of the underlying risks.

Establishing an overview of operational risk events is crucial in reaching a better understanding of the operational risks associated with each activity and this provides a relevant source of information for management. Major operational incidents are thoroughly investigated and are allocated a specific action plan and appropriately followed up. Moreover, operational risks that cause an actual loss are collected with their respective losses in the Operational Risk Events Database (ORED), which documents operational risk events with losses of EUR 1K or more or with reputational impact.

With respect to the evolution of operational risk in the future, it is recognized that the New Strategy and its implementation are having and will have an impact on the operational risk profile of the company. It is, however, expected that operational risks will eventually decrease due to the run-off of the business.

C.5.2 Operational Risk developments

During 2018 the New Strategy and its implementation continued to have a significant effect on the company's Risk Profile. In order to successfully implement the New Strategic Plan and the Target Operating Model, operational risks continue to be actively identified and closely monitored.

Mitigation actions initiated in reaction to emerging risks as part of the New Strategic Plan and in business as usual are beginning to be effective to counter the effect of operational risks on the position of ERGO Insurance. For example, initiatives have been taken to mitigate the fragmented system landscape and simplify the IT architecture, including an e-customer project, a robotics project and a process streamlining project.

Besides the implementation of the New Strategic Plan, like other insurers, the company has to absorb all incoming legal and regulatory requirements. To ensure an effective absorption of new requirements, a number of dedicated projects are underway next to the strategic plan initiatives.

C.6 Other Material Risks

The monitoring and management of other non-modelled risks (the main risks being strategic risk and reputational risk) are included within the Risk Management System, ensuring that these types of risks are discussed and, if necessary, escalated to the relevant Committees. Reporting of these risks is carried out through the Quarterly Risk Dashboard and discussed and acted upon by the Management Committee.

C.6.1 Strategic risk

ERGO Insurance N.V. considers strategic risk via the following sub-categories:

- **External**: Products; Competitor; Customer; Insurance market and
- **Internal**: Achievement of strategic objectives; Business strategy, business model.

During 2018, risks relating to the implementation of the New Strategy continued to be identified and are being managed through the New Strategic Plan. The effective implementation of these mitigation actions will enable the company to execute the New Strategy. In 2018, management decided that a review of the New Strategic Plan implementation roadmap will take place in 2019, with primary focus on improving operations and strengthening the Contact Centre.

C.6.2 Reputational risk

ERGO Insurance N.V. considers reputational risk via the following sub-categories:

- Data and Information: Disclosure of confidential or incorrect information;
- Investment performance: Poor performance of investments attached to policyholder; and
- Image risks: Damage to company's reputation; Failure to fulfil insurance contract obligations; Damage to insurance market's reputation.

As a non-modelled risk, reputational risks are mainly identified during the elaboration of the Quarterly Risk Dashboard. As reputational risks may arise towards different stakeholders, their identification and mitigation depends on whether the risk is towards: Regulators, ERGO Group & Munich Re, Sales network, Employees, Customers or the general public.

Reputational risk towards regulators or investors is mitigated by regular contact and a transparent and sound communication. The Human Resources Department monitors the level of satisfaction of employees via KPIs such as employee surveys, monitoring of absenteeism, number of resignations and exit interviews. The Claims Department monitors and tracks customer complaint KPIs.

The reputational risk remains an important risk being assessed on an ongoing basis.

In 2018, the reputational risk position was driven by the stabilization of long term relationships with existing customers following the New Strategic Plan and the implementation of an action plan for the Contact Centre. A client retention specialist was on-boarded and a new Head of Contact Centre was also been appointed. Strengthening the Contact Centre remains a key focus for the company.

C.7 **Any Other Information**

There is no other relevant information that has not already been disclosed in Chapter C.

VALUATION FOR SOLVENCY PURPOSES

Valuation of both assets and liabilities is based on Solvency II guidelines. For the valuation of liabilities there is a Stochastic Valuation Methodology in place which details the valuation approach. The methodology defined includes references to the homogeneous risk groups, assumptions made, contract boundaries and other important elements influencing the overall valuation. It also includes the process and procedures in place to do the valuation and to have the valuation tested and approved (including the role of the Actuarial Function). The technical provisions as a means of valuating the liabilities is independently checked by the Actuarial Function. Additionally, the external auditor tests the process for additional comfort. The final outcomes are included in the Actuarial Report. These elements support the statement that the valuation of liabilities is under control.

For assets, the valuations are done on the basis of the financial statement requirements for either BEGAAP, IFRS or Solvency II. The valuation basis is clear, with documentation in place on the valuation methodology. ERGO Insurance N.V. uses BEGAAP for statutory "valuations" and IFRS for group reporting valuations. Finally, all Solvency II valuations are included in the QRTs, which are assessed and validated by the different stakeholders involved. The valuation is executed at a regular basis within the financial reporting processes (statutory and QRTs for example) and the underlying assumptions and results are shared with both the Management Committee and the Board of Directors, with appropriate variation analysis.

D.1 Assets

D.1.1 Methodology and Basic Principles Used

Under Solvency II, assets are in principle recognized at their fair value in contrast to BEGAAP where generally assets are recognized at cost.

Investments: Financial instruments carried at fair value

A fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Listed market prices are used to assess fair values when there is an active market (such as an official stock exchange). These market prices are basically the "best estimates" of the fair value of a financial instrument.

Financial instrument in an active market

These are financial instruments valued at fair value for which reliable market prices are available.

If the market is active this means that there are bid-ask prices representing effective transactions concluded under normal market conditions between parties. These market prices are the best evidence of fair value and will therefore be the ones used for valuation purposes.

Financial instrument in an inactive market

These are financial instruments valued at fair value for which there are no reliable market prices available. In other words these financial instruments are not listed on active markets, though are valued on the basis of valuation techniques.

Other assets:

- Property, plant and equipment held for own use are recognized at its cost less any accumulated depreciation and any accumulated impairment losses;
- Participations are based on the IFRS equity method;
- Deposits, cash and cash equivalents are recognized at their nominal value;

- Mortgage loans are recognized at fair value;
- Policy loans are recognized at nominal value;
- Assets held for unit-linked contracts are recognized at their fair value;
- Reinsurance recoverable- see section D.2.7;
- Receivables are recognized at amortized cost; and
- Any other assets: these typically include the deferred tax assets, which are recognized in accordance with IAS 12 using the prevailing tax rate at the end of the reporting period. They are also netted with the deferred tax liability position. If, however, the deferred tax asset exceeds the deferred tax liability, the deferred tax asset is capped at the level of the deferred tax liability.

D.1.2 Valuation of Assets and differences between Solvency II and BEGAAP

The asset valuations are as follows:

	Solvency II value	Statutory accounts value
Assets	**2018**	**2018**
Investments (other than assets held for unit-linked contracts)	4.780	4.477
Other assets: Property, plant & equipment held for own use, cash and cash equivalents, Loans on policies, Loans & mortgages to individuals and other loans & mortgages (other than index-linked and unit-linked contracts)	78	78
Assets held for index-linked and unit-linked contracts	1.021	1.021
Reinsurance recoverables	1.832	1.674
Deposits to cedants, insurance and intermediaries' receivables and reinsurance receivables	28	25
Any other assets	9	53
Total assets	**7.748**	**7.328**

Table 16: Assets (source: QRT S.02.01) in Mn €

Investments valuation

Under BEGAAP, bonds are carried at amortized cost and shares (equity instruments) at cost (acquisition value minus impairments). Under Solvency II valuation, all investments are carried at their fair value. Assets held for index-linked and unit-linked contracts are valued at fair value in both BEGAAP and Solvency II.

The table below summarizes the portfolio composition and corresponding Solvency II values of bonds (both Investments and Assets held for index-linked and unit-linked contracts) at year-end 2018 and 2017:

Portfolio composition	Total Solvency II amount		
	2018	**2017**	**% change**
Government bonds	3.333	3.316	1%
Corporate bonds	1.200	1.171	2%
Equity	12	11	9%
Investment funds Collective Investment Undertakings	1.256	1.439	-13%
Structured notes	0	0	0%
Cash and deposits	25	33	-24%
Mortgages and loans	51	68	-25%
Property	2	1	100%
Total	**5.880**	**6.038**	**-3%**

Table 17: Portfolio composition (source: QRT S.02.01) in Mn €

The largest part of the portfolio is invested in government bonds. In order to ensure a balanced portfolio and an adequate return, other investments are made in corporate bonds. This is done in line with the investment mandate approved by the respective internal committees. The main source of reduction between 2018 and 2017 is a lower position on Investment funds Collective Investment Undertakings. This position is composed of assets backing unit linked policies (1.021 Mn €) and a company own buffer of those funds (235 Mn €). A large part of the decrease is the result of lower equity markets at year end 2018 resulting in a lower valuation of those funds. For the part backing unit linked positions, this is largely mirrored on the liability side of the balance sheet. Next to this, also the company own buffer was decreased.

Other Assets valuations:

The differences in valuation between Solvency II and BEGAAP are outlined below:

- **Loans on policies:** these are valued at the moment at nominal value (both under BEGAAP and Solvency II).
- **Loans and mortgages:** The Solvency II values of the mortgage loans are computed using a cash flow valuation model, which leads to values that are different from BEGAAP where the loans are valued at amortized cost.
- **Other loans:** These are recognized in Solvency II at an internal fair value model while in BEGAAP these are recognized at nominal value.
- **Reinsurance recoverables:** The reinsurance recoverables are valued at their Best Estimate value, in line with all other Technical Provisions.
- **Any other assets:** The main difference for this category is because under Solvency II, deferred tax is recognized in accordance with IAS 12 using the prevailing tax rate at the end of the reporting period. If however the deferred tax asset would exceed the deferred tax liability, the deferred tax asset would be capped at the level of the deferred tax liability for prudency reasons. Under BEGAAP deferred taxes are not recognized. The deferred tax asset was set to zero, as at year-end 2018 the deferred tax positions were shown on a net basis (deferred tax assets net of deferred tax liabilities) and the potential deferred tax asset (pre netting) would exceed the potential deferred tax liability.

The following table provides an overview of the methods used to measure the value of investments.

Assets	1 - quoted market price in active markets for the same assets	2 - alternative valuation methods	3- Adjusted equity method	4 - IFRS equity methods (applicable for the valuation of participations)	Total
Government bonds	3.275	58	0	0	3.333
Corporate bonds	874	326	0	0	1.200
Equity	0	0	0	12	12
Investment funds Collective Investment Undertakings	1.256	0	0	0	1.256
Structured notes	0	1	0	0	1
Cash and deposits	0	25	0	0	25
Mortgages and loans	0	51	0	0	51
Property	0	2	0	0	2
Total	**4.314**	**1.344**	**209**	**12**	**5.880**

Table 18: Asset valuation methods in Mn €

D.2 Technical Provisions

D.2.1 Technical Provision Methodology and Assumptions

The Solvency II Technical Provision (TP) are defined as the sum of the Best Estimate Liabilities (BE) and the Risk Margin, which are described in detail below.

The following table gives an overview of the Technical Provisions for Solvency II split into the relevant lines of business as of year-end 2018 and 2017.

Line of business	2018	2017
Technical provisions – non-life	1	2
BE non-life	0.3	1
Risk Margin	0.7	1
Technical provisions – life (excl. unit linked)	**3.942**	**3.968**
BE life	3.864	3.867
Risk margin	78	100
Technical provisions – unit linked	**914**	**1.040**
BE Unit linked	891	1.007
Risk Margin	23	34
Technical provisions – Total	**4.857**	**5.010**
BE Total	4.756	4.875
Risk Margin	101	135

Table 19: Technical Provisions per Line of Business (source: QRT S.02.01) in Mn €

Except from a decrease from unit linked technical provisions (as result of lower equity markets), the best estimates stayed relatively unchanged. The decrease of the risk margin is the result of lower underwriting risk results for 2018 compared to 2017.

Best Estimate Liabilities

The best estimate liabilities correspond to the probability-weighted average of the present value of future cash-flows, taking into account the time value of money, using the relevant risk-free interest rate term structure.

Methodology

The company uses a stochastic cash-flow valuation model for the derivation of the best estimate liabilities under Solvency II. The model is regularly validated by the Actuarial Function.

For the derivation of the best estimate liabilities, expected future cash-flows are projected for the remaining lifetime of the contracts. The relevant projected cash-flows are the following:

- Future premiums from existing business;
- All expenses that will be incurred in servicing insurance obligations (with allowance for expense inflation);
- All payments to policy holders and beneficiaries, including future discretionary bonuses, which the company expects to make, whether or not those payments are contractually guaranteed.

An immaterial part of the liabilities is not modelled explicitly in the stochastic valuation model. For these liabilities, no cash flows are projected. In this case, BEGAAP mathematical reserves are used as an approximation of the best estimate liabilities and added to the discounted cash flows of the explicitly modelled liabilities. At year-end 2018, the liabilities approximated using BEGAAP mathematical reserves amounted to 2% of the total best estimate liabilities.

Assumptions

The following gives an overview of the relevant assumptions underlying the calculation of the Technical Provisions:

Economic assumptions

- Risk-free rate and expense inflation: With respect to the risk-free rate, the rates published by EIOPA are used with the volatility adjustment. The expense inflation is set in line with the expectations as defined by Munich Re.
- Interest rate and equity volatility: The volatility parameters for the stochastic valuation are calibrated to implied volatilities of respective market instruments at the valuation date.

These assumptions are used as input for an Economic Scenario Generator that derives scenarios for the stochastic valuation.

Non-economic assumptions

- **Mortality, Longevity, Disability:**
  The mortality/longevity and disability assumptions specify the portion of the insured population to die (or survive, in case of longevity) or experience disability in the course of the projection. The company determines its own prospective mortality tables and uses a loss ratio approach for its disability exposures.

- **Lapse:**
  Persistency assumptions determine probabilities of remaining in force and, for premium paying policies, the likelihood of the continuation of premiums being paid. The company determines the lapse assumptions for each product separately based on a GLM method that was introduced in 2017 and reviewed in 2018.

- **Expenses (incl. Investment expenses):**
  The expense assumption covers all future expenses that will be required to service the existing portfolio.

- **Future management actions**
  - The estimates of the future profit participation within the Technical Provisions are derived in the projection model on a basis of asset performance, i.e. with consideration of development of capital markets and the company's investment strategy.
  - Also a management rule with respect to changing the guaranteed interest rate of the universal life portfolio is included.

- **Policyholders' behavior:**
  Policyholders' behavior is, where material, taken into consideration in the calculation of technical provisions. When determining the likelihood that policyholders will exercise contractual options, including lapses and surrenders, an analysis of past policyholder behavior and a prospective assessment of expected policyholder behavior are conducted. With respect to a dynamic policyholder behavior, an analysis was performed if such effects could be observed in the past. Given that the policyholder did not seem to react sensitively to the changes of the capital markets, no dynamic policyholder behavior is currently implemented in the model.

The non-economic assumptions are "best estimate assumptions", i.e. they represent the expected outcome from a range of possible future experience, are realistic and do not include any margins for prudence. The non-economic assumptions are where possible derived from own past experience of the company and consider expected future experience. If no sufficient data history is available, external data or expert judgment is used to help deriving realistic assumptions.

Risk Margin

The risk margin under Solvency II ensures that the value of Technical Provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance obligations. The risk margin calculates the cost of providing an amount of eligible own funds necessary to support the insurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds (Cost-of-Capital rate) is the prescribed rate according to COMMISSION DELEGATED REGULATION (EU) 2015/35), while the required amount of eligible own funds is based on the Solvency Capital Requirement.

D.2.2 Uncertainty Associated with the amount of the Technical Provisions

The assessment of the best estimate liabilities under Solvency II is largely based on the actuarial models and assumptions derived from available data, when needed in conjunction with expert judgement.

For example, there is a risk that the actual pay-out of insured benefits is higher than expected. Of particular importance are the biometric and lapse risks.

Random annual fluctuations in insurance benefits or lapse behavior can lead to short-term falls in the value of the portfolio. This applies particularly to mortality claims, which can rise as a result of exceptional one-off events such as a pandemic. Changes in client biometrics or lapse behavior are risks that have a long-term effect on the value of the portfolio, making it necessary to adjust the actuarial assumptions. Monthly monitoring of the key relating metrics, regular reviews of the actuarial assumptions and the validation of the Technical Provisions ensure that risks and processes are effectively controlled.

The uncertainty in the Technical Provisions with respect to non-economic and economic assumptions is estimated in the respective risk capital and sensitivities. See Section C.1.2, C.1.3, and C.2 for details.

D.2.3 Comparison of BEGAAP to Solvency II

The following table gives an overview of the Technical Provisions under Solvency II in comparison to the liabilities under BEGAAP for year-end 2018:

Line of business	Solvency II	BEGAAP
Technical Provisions – non-life	1	0,764
Technical Provisions – life (excl. unit linked)	3.942	3.999
Technical Provisions – unit linked	914	1.016
Technical Provisions – Total	**4.857**	**5.016**

Table 20: Comparison of Technical Provisions for BEGAAP and Solvency II (source: QRT S.02.01) in Mn €

The different value between Solvency II and BEGAAP results mostly from the following items:

Technical Provisions non-life

- Under Solvency II, the company calculates the Technical Provisions based on a loss ratio model, while BEGAAP uses premium reserves.
- The claims reserve is also under Solvency II taken to be the BEGAAP reserve as an approximation and thus does not differ.

Technical Provisions life (excluding unit-linked)

- Under Solvency II, realistic assumptions without any safety margin are used for the derivation of the Technical Provisions. BEGAAP reserves are based on the tariff actuarial parameters which are generally more prudent than realistic (best estimate) assumptions.
- Interest rate: Under Solvency II, risk-free interest rates are used for discounting. The discount rate assumption for BEGAAP for the classical life portfolio refers to (guaranteed) interest rates used for the premium calculation. Under the current market environment, Solvency II interest rates are lower than guaranteed rates for a significant part of the classical life portfolio resulting in a more conservative Solvency II Technical Provisions compared to BEGAAP.
- No future profit participation is taken into account under BEGAAP, while it is under Solvency II – making Solvency II Technical Provisions more conservative.
- Additional reserves (Knipperlichten reserves) are set up explicitly under BEGAAP. Under Solvency II, any deficiency in earning the necessary return to finance the interest guarantee is implicitly captured in the economic assumptions underlying the calculation. This makes BEGAAP provisioning more conservative.

Technical Provisions for unit-linked business

- Under BEGAAP, the Technical Provisions are calculated as the amount of units multiplied with the unit price at the moment of the calculation.
- Under Solvency II, the BEGAAP reserve which represents the current market value of the fund is reduced/increased by the future profits/losses arising from expense profits.

Risk margin under Solvency II

- Under Solvency II, an explicit risk margin is calculated which is not required under BEGAAP, making Solvency II provisions more conservative.

D.2.4 Application of the Matching Adjustment

ERGO Insurance N.V. does not apply the matching adjustment as referred to in Article 77b of Directive 2009/138/EC.

D.2.5 Application of the Volatility Adjustment

Since Q4 2017, ERGO Insurance N.V. applies the Volatility Adjustment (VA) as referred to in Article 77d of Directive 2009/138/EC.

The table below summarizes the impact of the Volatility Adjustment on the Technical Provisions as well as other Solvency II measures (Basic own funds, SCR, MCR). Note that the impact on Own funds only details the impact on Technical Provisions (in accordance with the specifications for the related QRT). Next to this, there is a small impact on reinsurance positions, leading to a total impact on Eligible Own Funds to meet SCR of -123 Mn €.

Item	With VA	Without VA	Impact of VA
Technical Provisions	**4.857**	**4.977**	**120**
Basic own funds	695	575	-120
Excess of assets over liabilities	615	495	-120
Eligible own funds to meet SCR	753	635	-118
Tier 1	*615*	*495*	*-120*
Tier 2 (capped)	*138*	*140*	*2*
Tier 3	-	-	-
SCR	276	280	4
Eligible own funds to meet MCR	631	512	-119
Minimum Capital Requirement	82	87	5

Table 21: Impact of Volatility Adjustment (source: QRT S.22.01.01) in Mn €

D.2.6 Application of Transitional Measures

ERGO Insurance N.V. does not apply any transitional measures as referred to in Article 308c or 308d of Directive 2009/138/EC.

D.2.7 Reinsurance Recoverables

Item	2018	2017
Reinsurance recoverables Non-Life	0	0
Reinsurance recoverables Life excluding Unit-Linked	1.832	1.756
Reinsurance recoverables Unit Linked	0	0

Table 22: Reinsurance Recoverables (source: QRT S.02.01) in Mn €

The calculation of the reinsurance recoverables is performed under the same principles as the Technical Provisions. This means that they are calculated on a forward looking way considering the present value of future payments between ERGO Belgium and the reinsurers.

Future payments to the insurer include the ceded premiums and the claw-back on the commissions received from the reinsurer in case of lapse. The interests on deposits are not taken into account under the reinsurance recoverables (they are part of the deposits from reinsurers). The future payments by the reinsurer cover the payments for the claims, possible profit participation and increase in the ceded BEGAAP reserves.

As for gross Technical Provisions, these cash-flows are produced by the stochastic valuation model of the company in which also all reinsurance treaties are modelled. The discount curve is the same as used for the gross cash-flows and also includes the volatility adjustment. Further adjustment is made to take into account the default risk of the reinsurer. Note that a default adjustment is also applicable to intra-group reinsurance. Since the claims reserves are not explicitly modelled in the cash flow models, the ceded part thereof equals the BEGAAP results.

D.3 Other liabilities

This section is concerned with liabilities not included in the previous chapter. The values attributed to these liabilities are valued at fair value where possible and deemed appropriate. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

D.3.1 Deferred tax liabilities

The balance sheet item concerning deferred tax liabilities is discussed together with deferred tax assets in D.1 Assets. No allowance has been made for any excess deferred tax assets over liabilities. At year-end 2018, the value of the deferred tax liabilities was set to zero as deferred tax positions are shown on a netted basis (see the comments for deferred tax assets in section D.1.2).

D.3.2 Restructuring provision

A restructuring provision has been set up to cover the one-off cost which are related to the implementation of the reduction scenario. This provision reduced significantly at year-end 2017 and further decreased in 2018 (NSP runs over 2017-2018-2019).

D.3.3 Pension benefit obligations

ERGO Insurance N.V. entered into commitments to its staff in form of defined contribution plans or defined benefit plans. The type and the amount of the obligation are determined by the conditions of the respective pension plan. In general, they are based on the staff members' length of service and salary.

For Solvency II purposes, obligations for employee benefits are measured in accordance with IAS 19, using the projected unit credit method and the Traditional Unit Credit method and based on actuarial studies. The calculation not only includes the pension entitlements and current pensions known on the balance sheet date but also their expected future development.

The interest rate at which these obligations are discounted is based on the yields for high quality corporate bonds (commercial or government bonds). The currency and term of the bonds correspond to the currency and estimated term of the obligations.

Actuarial gains or losses from obligations for employee benefits result from the deviation of actual risk experience from estimations used. As ERGO Insurance N.V. recognizes actuarial gains and losses directly in the period in which they occur for the general purposes of IFRS financial statements, there is no difference to Solvency II.

Under BEGAAP the obligations in respect of pension benefits are not taking into account their expected future development, liabilities only reflect obligations accrued at the measurement date.

D.3.4 Deposits from reinsurers

Deposits retained on ceded business are collateral for Technical Provisions covering business ceded to reinsurers and retrocessions, and do not trigger any cash flows. As a rule, the changes in deposits retained on ceded business follow from the changes in the relevant Technical Provisions covering ceded business. As a result, deposits retained on ceded business thus do not have a fixed maturity date.

Currently under this item only the present value of interest paid on the deposit (equal to the ceded reserve under BEGAAP is reported in this item) whereas the present value of the change in the deposit is taken into account in the recoverables.

D.3.5 Off Balance Sheet Items

At year-end 2018 ERGO Insurance reported the following off-balance sheet items:
- Contingent liabilities of 159 Mn €; and
- Collateral pledged bond of 1,5 Mn €.

The contingent liabilities relates to the outstanding amount of reinsurance treaties that were used to finance acquisition commissions up to 2014. The amount received is being paid back and recognized on the balance sheet. The contingent liability represents the outstanding amount that potentially can be reclaimed at the end of the contract if the intermediate payments are not sufficient.

D.4 Alternative Methods for Valuation

There are currently no alternative measures used for the valuation of assets or liabilities.

D.5 Any Other Information

There is no additional material information not already covered in the other sections of Chapter D.

CAPITAL MANAGEMENT

Capital Management and deployment is defined in line with Solvency II requirements. Monitoring on the capital, quality of capital and the level of capital are in place and are executed on a continuous basis. A Capital Management Policy is in place to ensure that capital can be restated and guaranteeing that the elements of equity capital, both at the time of issue and afterwards, are classed appropriately. Moreover, the contractual elements of equity capital are checked in order to ensure that they are sufficient and up-to-date. A capital management plan is also in place to ensure the effective needs for capital over the planning period are identified and can be planned and provided for. The results of the ORSA are reflected in the overall Capital Management plan. Moreover, the capital management plan includes any dividends to the parent entities that might be given. There are clear limitations and controls in place that limit the dividends in case of extraordinary circumstances. Finally, Capital Management takes into account the overall position of Own Funds and the required capital under Solvency II. In case capital is below a certain level actions are predefined to ensure that capital measures can be taken.

E.1 Own Fund

E.1.1 Capital Management

The capital management plan for the company is defined in line with the strategic path that the company is on. In that sense, the plan has been significantly revised in 2017 in the context of the then-decided new strategy (cf. run-off) of the company. The current capital management plan primarily aims to stabilize the company's good solvency position and to assure that, at all times, the company can respect regulatory requirements and capital requirements expressed by ERGO Group. Next to this, the company aims to continue to retain a strong solvency position in future years as well, in order to continue to have the possibility to obtain the exemption from having to accrue additional flashing light reserves. Key elements of the plan are the Solvency II coverage ratio limits/triggers.

There are currently no capital outflows foreseen. No dividends are planned to be paid in the planning period (2019 - 2022) and where possible the capital position is further strengthened. Also, in 2018 no retributions in the form of dividends have taken place.

E.1.2 Tiering and Position of Own Funds

The table below details the capital position of ERGO insurance N.V. at year end 2018 and 2017. With respect to the capital position, Solvency II requires ERGO Insurance N.V. to categorize own funds into the following tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of ordinary share capital, the surplus fund and the reconciliation reserve; and
- Tier 2 capital consists of ancillary own funds and basic Tier 2 capital. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority and for ERGO concerns unpaid capital. The subordinated debt concerns a subordinated loan from ERGO International AG with maturity date 28/12/2026 and annually callable as of 21/12/2021).

ERGO Insurance N.V. does not have any Tier 3 capital. In particular, no allowance for an excess of deferred tax assets over liabilities is made as the excess amount is capped at the level of deferred tax liabilities.

The Eligible Own Funds to meet SCR/MCR are detailed below:

Own fund components and tiering	2017	2018	% Change (absolute)
Tier 1 capital - unrestricted	**602**	**615**	**2% (13)**
Ordinary share capital (gross of own shares)	337	337	0% (0)
Surplus fund	0	16	100% (16)
Reconciliation reserve	265	262	-1% (-3)
Tier 2 capital	**218**	**218**	**0**
Subordinated debt	80	80	0

Ancillary own funds (unpaid capital)	138	138	0
Total	**820**	**833**	**2% (13)**
Available to meet SCR	820	833	2% (13)
Available to meet MCR	682	695	2% (13)
Eligible to meet SCR	782	753	-4% (-29)
Eligible to meet MCR	620	631	2% (11)

Table 23: Own funds and its components (source: QRT S.23.01) in Mn €

The resulting Solvency II coverage ratios at year end 2018 are 273% of the SCR and 773% of the MCR.

At year-end 2017, these ratios were 217% and 688%, respectively.

Available Own Funds**:** Whereas all own funds (833 Mn € at year-end 2018) are available to meet the SCR, ancillary own funds (unpaid capital of 138 Mn €) cannot be used to cover the MCR.

Eligible Own Funds: The full amount of Tier 1 capital (i.e. 615 Mn € at year end 2018) is eligible to cover the SCR. Out of the 218 Mn € Tier 2 capital at year-end 2018, only 138 Mn € is eligible to cover the SCR (i.e. not more than 50% of SCR). Eligible own funds to cover the MCR of 631 Mn € are higher at year-end 2018 given the higher Tier 1 capital.

See the next section for comments on the comparison to 2017.

Note further that currently no transitional measures are in place.

Comparison between statutory capital and Solvency II Own Funds

To derive the Solvency II own funds, the subordinated debt and ancillary own funds (unpaid capital) are added as Tier 2 capital (see table above). Tier 1 capital is further adjusted by the reconciliation reserve, which mainly results from the revaluation of liabilities and unrealized asset reserves.

E.1.3 Position and Changes to Own Funds during 2018

Capital management plan

During 2017, ERGO Insurance N.V implemented its revised capital management plan to improve its capital strength. The capital position has indeed significantly improved since then and the primary focus by end of 2018 has been aimed at maintaining this position.

Measures to strengthen its capital position during 2018

The focus in 2018 has been on maintaining the attained position since year end 2017.

Nevertheless, where possible, (smaller) measures have been taken for further improvement. The main achievement of 2018 was delivering clearer model governance and further reviews of model and assumption changes to calculate the solvency requirements, thus providing a more stable model and better insight into changes to the model from the environment. Next to these, the own funds were impacted by changes in interest rates, spreads, and equity markets.

These measures, together with favorable market developments, have mainly resulted in a further strengthening of the solvency position; the Solvency II Available Own Funds to meet the SCR increased from 820 Mn € at year end 2017 to 833 Mn € at year end 2018 (i.e. by 14 Mn €). Because of regulatory tiering restrictions, the Eligible Own funds amounted to 753 Mn € in 2018 compared to 782 Mn € in 2017. Hence the Eligible Own Funds *decreased*, which is actually due the decrease of the SCR (because of which less Tier 2 capital is eligible). Despite this decrease, the solvency position is said to have improved because in particular the SCR has decreased strongly (see section E.2.1).

Exemption from flashing light reserves

In addition, during 2018 the company obtained exemption from the requirement to set up special reserves for 2018 (the so-called flashing light reserve and also known as Knipperlichten Provisions). Flashing light reserves are extra provisions that the NBB requires life insurers in Belgium to set up, in order to assure that sufficient funds are available at all times to fulfill guarantees given to clients within their contracts. If the solvency position of the insurer as determined under the Solvency II regime is sufficiently high, then the NBB can grant exemption from this requirement. This was the case for the company in 2018 (as well as 2017). ERGO Insurance N.V.'s solvency position was confirmed strong enough to sustain the promises we made to our customers - even without further reserve requirements.

E.2 Solvency Capital Requirements and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

SCR position and developments

SCR position and developments at year end 2018 compared to 2017 were as follows:

	Q4 2017	Q4 2018	% Change (absolute)
Market risk	255	183	-28% (-73)
Counterparty Default risk	7	6	-9% (-1)
Life Underwriting risk	145	121	-16% (-24)
Health Underwriting risk	36	28	-24% (-9)
Non-life Underwriting risk	-	-	-
Diversification	-105	-82	(22)
Operational risk	21	21	-4% (-1)
LAC[9] of Deferred taxes	-	-	-
SCR	**361**	276	**-23% (-85)**
MCR	**90**	82	**-9% (-9)**

Table 24: SCR Development in 2018 (source: QRT S.25.01) in Mn €

The total SCR decreased from 361 Mn € at year end 2017 to 276 Mn € in 2018 (i.e. by -85 Mn €), which is mainly related to lower market risk (see section C.2.3), and to a lesser extent to lower underwriting risk.

Solvency II coverage ratios

The Solvency II coverage ratio at year-end 2018 amounted to 273%. The following table shows the SCR/MCR coverage:

	2017	2018
Ratio of Eligible own funds to SCR	217%	273%
Ratio of Eligible own funds to MCR	688%	773%

Table 25: Coverage of SCR and MCR by Own Funds (source: QRT S.23.01.01) in Mn €

In fact, ERGO Insurance N.V. is targeting to stabilize its strong Solvency II coverage ratio in future years such that the company can continue its exemption from further accruing the flashing light reserves (with an internally defined trigger of 200%). This testifies to the company’s strong solvency and financial position and its commitment to take good care of the pension savings and financial health of existing customers.

[9] Loss Absorbing Capacity

The company is not applying any optional transitional measures.

E.2.2 Minimum Capital Requirement

Relevant input for the Minimum Capital Requirement is as follows:

- The Technical Provisions without risk margin for guaranteed benefits for life insurance obligations with profit participations;
- The Technical Provisions without risk margin for future discretionary benefits for life insurance obligations with profit participation;
- The Technical Provisions without risk margin for unit-linked life insurance obligations;
- The Technical Provisions without risk margin for all other life insurance obligations;
- The Technical Provisions without risk margin for income protection insurance; and
- The capital at risk of these contracts.

The MCR at year-end 2018 amounted to 82 Mn €, compared to 90 Mn € at year-end 2017. With respect to the final MCR, the floor of 25% of the SCR is relevant. The change in MCR over the reporting period can be partly explained because of the change in SCR over the reporting period. Given that the SCR has decreased strongly in 2018, though, the MCR formula based on the technical provisions is currently above the SCR-based floor. Hence, the MCR is currently driven mainly by the volumes of the technical provisions.

E.3 Use of Duration-based Equity Risk Sub-module in the Calculation of the SCR

Currently there is no use of duration based equity sub-module.

E.4 Differences between the Standard Formula and any Internal Model used

Currently there is no internal model used for reporting purposes of ERGO Insurance N.V..

E.5 Non-compliance with the MCR and SCR

There is a full compliance with the MCR and the SCR.

E.6 Any Other Information

All material information about capital management has been already been covered in the other sections of Chapter E.

ANNEX: QRTs

- S.02.01.02: Balance sheet information
- S.05.01.02: Premiums, claims and expenses by line of business
- S.05.02.01: Premiums, claims and expenses by country
- S.12.01.02: Life and Health SLT Technical Provisions
- S.17.01.02: Non-Life Technical Provisions
- S.19.01.21: Non-Life insurance claims
- S.22.01.21: Impact of the long term guarantees and transitional measure
- S.23.01.01: Own Funds, including basic own funds and ancillary own funds
- S.25.01.21: Solvency Capital Requirement calculated using the standard formula
- S.28.02.01: Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity

In the QRTs as disclosed on the following pages, all figures are in EUR thousands (in line with regulation). The figures in preceding sections are in EUR millions as detailed in the report itself.

Annex
S.02.01.02: Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1.757
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	4.780.290
Property (other than for own use)	R0080	71
Holdings in related undertakings, including participations	R0090	11.532
Equities	R0100	2
Equities - listed	R0110	0
Equities - unlisted	R0120	2
Bonds	R0130	4.533.325
Government Bonds	R0140	3.333.171
Corporate Bonds	R0150	1.200.133
Structured notes	R0160	21
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	235.284
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	77
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	1.021.026
Loans and mortgages	R0230	51.225
Loans on policies	R0240	43.844
Loans and mortgages to individuals	R0250	176
Other loans and mortgages	R0260	7.206
Reinsurance recoverables from:	R0270	1.831.628
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1.831.628
Health similar to life	R0320	33.008
Life excluding health and index-linked and unit-linked	R0330	1.798.621
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	22.748
Reinsurance receivables	R0370	5.379
Receivables (trade, not insurance)	R0380	7.977
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	25.277
Any other assets, not elsewhere shown	R0420	666
Total assets	R0500	7.747.974

Liabilities		
Technical provisions – non-life	**R0510**	1.031
Technical provisions – non-life (excluding health)	**R0520**	0
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	0
Risk margin	**R0550**	0
Technical provisions - health (similar to non-life)	**R0560**	1.031
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	294
Risk margin	**R0590**	737
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	3.941.877
Technical provisions - health (similar to life)	**R0610**	65.246
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	48.834
Risk margin	**R0640**	16.412
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	3.876.630
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	3.815.438
Risk margin	**R0680**	61.193
Technical provisions – index-linked and unit-linked	**R0690**	913.993
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	891.256
Risk margin	**R0720**	22.737
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	78.754
Pension benefit obligations	**R0760**	18.635
Deposits from reinsurers	**R0770**	2.055.983
Deferred tax liabilities	**R0780**	0
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	18.629
Reinsurance payables	**R0830**	3.567
Payables (trade, not insurance)	**R0840**	19.729
Subordinated liabilities	**R0850**	80.340
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	80.340
Any other liabilities, not elsewhere shown	**R0880**	437
Total liabilities	**R0900**	7.132.975
Excess of assets over liabilities	**R1000**	614.999

Annex
S.05.01.02: Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums written													
Gross - Direct Business	R0110	0	4.080	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0200	0	4.080	0	0	0	0	0	0	0	0	0	0
Premiums earned													
Gross - Direct Business	R0210	0	4.080	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0300	0	4.080	0	0	0	0	0	0	0	0	0	0
Claims incurred													
Gross - Direct Business	R0310	0	-254	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0400	0	-254	0	0	0	0	0	0	0	0	0	0
Changes in other technical provisions													
Gross - Direct Business	R0410	0	32	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	0	32	0	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	0	1.202	0	0	0	0	0	0	0	0	0	0
Other expenses	R1200												
Total expenses	R1300												

Annex
S.05.01.02: Premiums, claims and expenses by line of business (continued)

		Line of business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					4.080
Gross - Proportional reinsurance accepted	R0120					0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0
Reinsurers' share	R0140	0	0	0	0	0
Net	R0200	0	0	0	0	4.080
Premiums earned						
Gross - Direct Business	R0210					4.080
Gross - Proportional reinsurance accepted	R0220					0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0
Reinsurers' share	R0240	0	0	0	0	0
Net	R0300	0	0	0	0	4.080
Claims incurred						
Gross - Direct Business	R0310					-254
Gross - Proportional reinsurance accepted	R0320					0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0
Reinsurers' share	R0340	0	0	0	0	0
Net	R0400	0	0	0	0	-254
Changes in other Technical Provisions						
Gross - Direct Business	R0410					32
Gross - Proportional reinsurance accepted	R0420					0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0
Net	R0500	0	0	0	0	32
Expenses incurred	R0550	0	0	0	0	1.202
Other expenses	R1200					0
Total expenses	R1300					1.202

Annex
S.05.01.02: Premiums, claims and expenses by line of business (continued)

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	11.235	229.001	92.297	17.097	0	0	0	0	349.630
Reinsurers' share	**R1420**	3.924	117.452	0	632	0	0	0	0	122.008
Net	**R1500**	7.312	111.548	92.297	16.464	0	0	0	0	227.622
Premiums earned										
Gross	**R1510**	11.235	229.001	92.297	17.097	0	0	0	0	349.630
Reinsurers' share	**R1520**	3.924	117.452	0	632	0	0	0	0	122.008
Net	**R1600**	7.312	111.548	92.297	16.464	0	0	0	0	227.622
Claims incurred										
Gross	**R1610**	1.508	186.604	58.692	21.188	0	0	0	0	267.992
Reinsurers' share	**R1620**	-12.438	84.541	0	18	0	0	0	0	72.121
Net	**R1700**	13.946	102.063	58.692	21.170	0	0	0	0	195.871
Changes in other technical provisions										
Gross	**R1710**	-760	-36.216	129.448	23.541	0	0	0	0	116.013
Reinsurers' share	**R1720**	0	-19.691	0	0	0	0	0	0	-19.691
Net	**R1800**	-760	-16.525	129.448	23.541	0	0	0	0	135.705
Expenses incurred	**R1900**	1.928	21.497	14.130	2.832	0	0	0	0	40.387
Other expenses	**R2500**									0
Total expenses	**R2600**									40.387

Annex
S.05.02.01: Premiums, claims and expenses by country

Non-life obligations		Home country	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Country	**R0010**		LUXEMBOURG	NETHERLANDS				
Premiums written								
Gross - Direct Business	**R0110**	3.440	471	169				4.080
Gross - Proportional reinsurance accepted	**R0120**	0						0
Gross - Non-proportional reinsurance accepted	**R0130**	0						0
Reinsurers' share	**R0140**	0						0
Net	**R0200**	3.440	471	169				4.080
Premiums earned								
Gross - Direct Business	**R0210**	3.440	471	169				4.080
Gross - Proportional reinsurance accepted	**R0220**	0						0
Gross - Non-proportional reinsurance accepted	**R0230**	0						0
Reinsurers' share	**R0240**	0						0
Net	**R0300**	3.440	471	169				4.080
Claims incurred								
Gross - Direct Business	**R0310**	-193	-34	-27				-254
Gross - Proportional reinsurance accepted	**R0320**	0						0
Gross - Non-proportional reinsurance accepted	**R0330**	0						0
Reinsurers' share	**R0340**	0						0
Net	**R0400**	-193	-34	-27				-254
Changes in other technical provisions								
Gross - Direct Business	**R0410**	27	5	0				32
Gross - Proportional reinsurance accepted	**R0420**	0						0
Gross - Non-proportional reinsurance accepted	**R0430**	0						0
Reinsurers' share	**R0440**	0						0
Net	**R0500**	27	5	0				32
Expenses incurred	**R0550**	1.174	20	9				1.202
Other expenses	**R1200**							0
Total expenses	**R1300**							1.202

Annex
S.05.02.01: Premiums, claims and expenses by country (continued)

Life Obligations		Home country	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0220	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**
Country	**R0010**		LUXEMBOURG	NETHERLANDS				
Premiums written								
Gross	**R1410**	333.488	10.746	5.396				349.630
Reinsurers' share	**R1420**	115.826	3.321	2.861				122.008
Net	**R1500**	217.662	7.425	2.535				227.622
Premiums earned								
Gross	**R1510**	333.488	10.746	5.396				349.630
Reinsurers' share	**R1520**	115.826	3.321	2.861				122.008
Net	**R1600**	217.662	7.425	2.535				227.622
Claims incurred								
Gross	**R1610**	256.225	7.803	3.963				267.992
Reinsurers' share	**R1620**	68.409	1.184	2.528				72.121
Net	**R1700**	187.817	6.619	1.435				195.871
Changes in other technical provisions								
Gross	**R1710**	115.428	1.789	-1.204				116.013
Reinsurers' share	**R1720**	-18.502	-595	-594				-19.691
Net	**R1800**	133.930	2.384	-609				135.705
Expenses incurred	**R1900**	39.923	454	11				40.387
Other expenses	**R2500**							0
Total expenses	**R2600**							40.387

Annex
S.12.01.02: Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**	0	0			0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	3.730.027		0	891.256		0	85.410	0	0	4.706.694
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	1.792.930		0	0		0	5.691	0	0	1.798.621
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	1.937.098		0	891.256		0	79.720	0	0	2.908.073
Risk Margin	**R0100**	49.051	22.737			12.142			0	0	83.930
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0	0
Best estimate	**R0120**	0		0	0		0	0	0	0	0
Risk margin	**R0130**	0	0			0			0	0	0
Technical provisions - total	**R0200**	3.779.078	913.993			97.552			0	0	4.790.624

Annex
S.12.01.02: Life and Health SLT Technical Provisions (continued)

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical Provisions calculated as a whole	**R0010**	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0			0	0	0
Technical Provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		0	48.834	0	0	48.834
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		0	33.008	0	0	33.008
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		0	15.827	0	0	15.827
Risk Margin	**R0100**	16.412			0	0	16.412
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**	0			0	0	0
Best estimate	**R0120**		0	0	0	0	0
Risk margin	**R0130**	0			0	0	0
Technical Provisions - total	**R0200**	65.246			0	0	65.246

Annex

S.17.01.02: Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**
Technical Provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	**R0060**	0	-589	0	0	0	0	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0	0	0	0	0	0	0	0
Net Best Estimate of Premium Provisions	**R0150**	0	-589	0	0	0	0	0	0	0	0	0	0
Claims provisions													
Gross	**R0160**	0	883	0	0	0	0	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0	0	0	0	0	0	0	0
Net Best Estimate of Claims Provisions	**R0250**	0	883	0	0	0	0	0	0	0	0	0	0
Total Best estimate - gross	**R0260**	0	294	0	0	0	0	0	0	0	0	0	0
Total Best estimate - net	**R0270**	0	294	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0280**	0	737	0	0	0	0	0	0	0	0	0	0
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0	0
Technical Provisions - total													
Technical Provisions - total	**R0320**	0	1.031	0	0	0	0	0	0	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0	0	0	0	0	0	0	0
Technical Provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	0	1.031	0	0	0	0	0	0	0	0	0	0

Annex
S.17.01.02: Non-Life Technical Provisions (continued)

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligation**
		C0140	**C0150**	**C0160**	**C0170**	**C0180**
Technical Provisions calculated as a whole	**R0010**	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	**R0060**	0	0	0	0	-589
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0
Net Best Estimate of Premium Provisions	**R0150**	0	0	0	0	-589
Claims provisions						
Gross	**R0160**	0	0	0	0	883
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0
Net Best Estimate of Claims Provisions	**R0250**	0	0	0	0	883
Total Best estimate - gross	**R0260**	0	0	0	0	294
Total Best estimate - net	**R0270**	0	0	0	0	294
Risk margin	**R0280**	0	0	0	0	737
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0
Technical Provisions - total						
Technical Provisions - total	**R0320**	0	0	0	0	1.031
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0
Technical Provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	0	0	0	0	1.031

Annex
S.19.01.21: Non-life insurance claims

		Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business												
		0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0170**	**C0180**
Prior	**R0100**											0	0	0
N-9	**R0160**	57	327	766	220	63	79	13	39	0	0		0	1.564
N-8	**R0170**	78	442	810	352	104	53	64	12	0			0	1.915
N-7	**R0180**	137	856	476	288	326	24	0	9				9	2.116
N-6	**R0190**	121	768	863	724	226	37	72					72	2.811
N-5	**R0200**	85	388	654	320	263	36						36	1.747
N-4	**R0210**	55	722	1.216	178	103							103	2.274
N-3	**R0220**	230	359	170	287								287	1.047
N-2	**R0230**	191	124	115									115	430
N-1	**R0240**	44	79										79	123
N	**R0250**	18											18	18
Total	**R0260**												719	14.045

Annex
S.19.01.21: Non-life insurance claims (continued)

		Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business											
		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**	**C0360**
Prior	**R0100**											12	12
N-9	**R0160**	0	0	0	0	0	0	0	20	21	26		26
N-8	**R0170**	0	0	0	0	0	0	16	5	10			10
N-7	**R0180**	0	0	0	0	0	18	17	14				14
N-6	**R0190**	0	0	0	0	96	84	22					22
N-5	**R0200**	0	0	0	184	62	44						44
N-4	**R0210**	0	0	320	173	75							75
N-3	**R0220**	0	524	415	86								86
N-2	**R0230**	233	294	172									172
N-1	**R0240**	267	356										356
N	**R0250**	113											113
Total	**R0260**												930

Annex

S.22.01.21: Impact of the long term guarantees and transitional measure

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on Technical Provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical Provisions	**R0010**	4.856.901	0	0	120.367	0
Basic own funds	**R0020**	695.339	0	0	-120.367	0
Eligible own funds to meet Solvency Capital Requirement	**R0050**	752.936	0	0	-118.377	0
Solvency Capital Requirement	**R0090**	275.874	0	0	3.979	0
Eligible own funds to meet Minimum Capital Requirement	**R0100**	631.325	0	0	-119.375	0
Minimum Capital Requirement	**R0110**	81.629	0	0	4.959	0

Annex S.23.01.01: Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	336.903	336.903		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	16.000	16.000			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	262.096	262.096			
Subordinated liabilities	R0140	80.340		0	80.340	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	695.339	614.999	0	80.340	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	138.142			138.142	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	138.142			138.142	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	833.481	614.999	0	218.482	0
Total available own funds to meet the MCR	R0510	695.339	614.999	0	80.340	
Total eligible own funds to meet the SCR	R0540	752.936	614.999	0	137.937	0
Total eligible own funds to meet the MCR	R0550	631.325	614.999	0	16.326	
SCR	R0580	275.874				
MCR	R0600	81.629				
Ratio of Eligible own funds to SCR	R0620	2,7293				
Ratio of Eligible own funds to MCR	R0640	7,7341				

Annex
S.23.01.01: Own funds (continued)

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	614.999.361,60
Own shares (held directly and indirectly)	**R0710**	-
Foreseeable dividends, distributions and charges	**R0720**	-
Other basic own fund items	**R0730**	352.903.284,15
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-
Reconciliation reserve	**R0760**	262.096.077,45
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	192.465
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	589
Total Expected profits included in future premiums (EPIFP)	**R0790**	193.054

Annex
S.25.01.21: Solvency Capital Requirement for undertakings on Standard Formula (Basic Solvency Capital Requirement)

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	190.587		
Counterparty default risk	**R0020**	5.963		
Life underwriting risk	**R0030**	125.137	None	
Health underwriting risk	**R0040**	27.564	None	
Non-life underwriting risk	**R0050**	0		
Diversification	**R0060**	-84.529		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	264.722		

Annex
S.25.01.21: Solvency Capital Requirement for undertakings on Standard Formula (Calculation of Solvency Capital Requirement)

		Value
		C0100
Operational risk	**R0130**	20.536
Loss-absorbing capacity of technical provisions	**R0140**	-9.384
Loss-absorbing capacity of deferred taxes	**R0150**	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	275.874
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	275.874
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF and SCR aggregation for article 304	**R0440**	0

Annex

S.28.02.01: Minimum capital Requirement - Both life and non-life insurance activity (continued)

MCR Components		MCR components	
		Non-life activities	Life activities
		$MCR_{(NL, NL)}$ Result	$MCR_{(NL, L)}$Result
		C0010	**C0020**
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	385	0

Background information		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	**C0040**	**C0050**	**C0060**
Medical expense insurance and proportional reinsurance	**R0020**	0	0	0	0
Income protection insurance and proportional reinsurance	**R0030**	294	4.080	0	0
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	0	0	0	0
Other motor insurance and proportional reinsurance	**R0060**	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	**R0080**	0	0	0	0
General liability insurance and proportional reinsurance	**R0090**	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	0	0	0	0
Assistance and proportional reinsurance	**R0120**	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	0	0	0
Non-proportional health reinsurance	**R0140**	0	0	0	0
Non-proportional casualty reinsurance	**R0150**	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0	0	0
Non-proportional property reinsurance	**R0170**	0	0	0	0

Annex

S.28.02.01: Minimum capital Requirement - Both life and non-life insurance activity (continued)

Linear formula components for life insurance and reinsurance obligations		Non-life activities	Life activities
		$MCR_{(L, NL)}$ Result	$MCR_{(L, L)}$ Result
		C0070	**C0080**
Linear formula component for life insurance and reinsurance obligations	**R0200**	0	81.244

Total capital at risk for all life (re)insurance obligations		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	**C0100**	**C0110**	**C0120**
Obligations with profit participation - guaranteed benefits	**R0210**	0		1.917.300	
Obligations with profit participation - future discretionary benefits	**R0220**	0		19.797	
Index-linked and unit-linked insurance obligations	**R0230**	0		891.256	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0		95.546	
Total capital at risk for all life (re)insurance obligations	**R0250**		0		4.411.054

Annex
S.28.02.01: Minimum capital Requirement - Both life and non-life insurance activity (continued)

Overall MCR calculation		**C0130**
Linear MCR	**R0300**	81.629
SCR	**R0310**	275.874
MCR cap	**R0320**	124.143
MCR floor	**R0330**	68.968
Combined MCR	**R0340**	81.629
Absolute floor of the MCR	**R0350**	6.200
Minimum Capital Requirement	**R0400**	81.629

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	**C0150**
Notional linear MCR	**R0500**	385	81.244
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	1.302	274.571
Notional MCR cap	**R0520**	586	123.557
Notional MCR floor	**R0530**	326	68.643
Notional Combined MCR	**R0540**	385	81.244
Absolute floor of the notional MCR	**R0550**	2.500	3.700
Notional MCR	**R0560**	2.500	81.244