Bâloise Vie Luxembourg S.A.

Solvency and Financial Condition Report

2019

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Legal Disclaimer

This report has been prepared solely to fulfil the obligations arising from the supervisory reporting (Solvency and Financial Condition Report under Articles 51 et seq. of the SII Directive 2009/138 / EC in conjunction with Articles 290 et seq. of Delegated Regulation (EU) 2015 / 35 of the Commission of 10 October 2014 and Articles 82 et seq. of the local Law of 7 December 2015 on the insurance sector). Unless otherwise indicated in this report, all statements and information contained herein are based on facts and knowledge as at the reference date of the report. The same applies to all forward-looking statements and information contained in this report, such as for example forecasts, expectations, developments, plans, intentions, assumptions, beliefs or outlooks. Forward-looking statements are subject to many factors, and no assurance, warranty or guarantee is given that the forward-looking statements will take place or be fulfilled as expected. Furthermore, new factors with a significant impact on forward-looking statements may arise at any time. It cannot be predicted what these factors are and what influence they have individually or in combination with other circumstances. It is not intended to update any of these forward-looking statements and information due to changed circumstances or new knowledge unless expressly required by applicable laws or regulations.

List of abbreviations

AEOI	Automatic Exchange of Information
AML	Anti-Money Laundering
ALM	Asset Liability Management
AOF	Ancillary Own Funds
ALCO-RICO	Asset Liability and Risk Committee
BOF	Basic Own Funds
CAA	Commissariat aux Assurances
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRF	Cellule de Renseignement Financier
DBO	Defined Benefit Obligation
DCF	Discounted Cash Flow
EIOPA	European Insurance and Occupational Pensions Authority
ELC	Entity Level Control
EPIFP	Expected profits included in future premiums
FATCA	Foreign Account Tax Compliance Act
GAAP	Generally Accepted Accounting Principles
ICRA	Investment Controlling and Risk Analysis
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ITGC	IT General Control
LOB	Line of Business
LPS	Libre Prestation de Service (Freedom to provide services)
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
SCR	Solvency Capital Requirement
SLT	Similar to Life Techniques
SST	Swiss Solvency Test

Undertaking/Company	Bâloise Vie Luxembourg S.A.
VAT	Value Added Tax

Glossary

Ancillary Own Funds

Ancillary Own Funds shall consist of items other than Basic Own Funds which can be called up to absorb losses. They require supervisory approval and cannot be used to cover the MCR.
(Solvency II Directive 2009/138/EC, Article 89)

Basic Own Funds

Basic Own Funds are composed of the excess of assets over liabilities, valued according to market-consistent principles, and subordinated liabilities.

Best Estimate

The Best Estimate is part of the Technical Provisions. It corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant Risk-free Interest Rate Term Structure. The calculation of the Best Estimate is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the Best Estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. It is calculated gross of reinsurance.

Minimum Capital Requirement

The Minimum Capital Requirement corresponds to an amount of eligible Basic Own Funds. Below this amount policy holders and beneficiaries are exposed to an unacceptable level of risk so that insurance and reinsurance undertakings are not allowed to continue their operations.
(Solvency II Directive 2009/138/EC, Article 129)

Own Risk and Solvency Assessment (ORSA)

Own Risk and Solvency Assessment is a risk management process which connects business strategy and capital planning and is an integral part of the business strategy. ORSA needs to be performed annually or whenever the risk profile changes significantly. The process is owned by the Board, and must be documented and reported internally and to the supervisor.

Own Funds

Own Funds are defined as the sum of Basic Own Funds and Ancillary Own Funds.
(Solvency II Directive 2009/138/EC, Article 77)

Reconciliation Reserve

The Reconciliation Reserve (revaluation reserve) is part of the Own Funds of the Solvency II balance sheet. It results from the surplus of assets over liabilities less items such as share capital, capital reserve or foundation funds, preference shares and Surplus Funds. In addition, adjustments must be made, such as for foreseeable dividend payments.

Risk Margin

The Risk Margin is part of the Technical Provisions and shall be such as to ensure that the value of the 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 and reinsurance obligations. The Risk Margin is determined by the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.
(Solvency II Directive 2009/138/EC, Article 77)

Risk-free Interest Rate

The Risk-free Interest Rate term structure is relevant for the calculation of liabilities by insurance and reinsurance undertakings. EIOPA is required to publish the Risk-free Interest Rate for Solvency II.
As a default approach, the Risk-free Interest Rate is primarily derived from the rates at which two parties are prepared to swap fixed and floating interest rate obligations. (EIOPA-BoS-15/035)

Solvency Capital Requirement (SCR)

The Solvency Capital Requirement should reflect a level of eligible Own Funds that enables insurance and reinsurance undertakings to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due. This amount is determined with reference to the risks assumed by the company.
(Solvency II Directive 2009/138/EC, Paragraph 62)

Solvency II Ratio

The Solvency II Ratio represents the company's Own Funds against its SCR. Insurance and reinsurance undertakings are required to maintain their Solvency II Ratio above 100%. If the ratios are lower, measures are initiated by the national supervisory authority, such as the need for an action plan to restore the ratios to required levels.

Surplus Funds

Surplus Funds shall be deemed to be accumulated profits which have not been made available for distribution to policy holders and beneficiaries.
In so far as authorised under national law, Surplus Funds shall not be considered as insurance and reinsurance liabilities to the extent that they fulfil the criteria set out in Article 94(1).
(Solvency II Directive 2009/138/EC, Article 91)

Technical Provisions

The value of the Technical Provisions under Solvency II corresponds to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations. They are calculated as the sum of the Best Estimate liabilities and the Risk Margin.

Volatility Adjustment

The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. (Re) insurers are allowed to adjust the risk-free-rate to mitigate the effect of short-term volatility of bond spreads on their solvency position. In that way, the Volatility Adjustment prevents pro-cyclical investment behaviour of (re)insurers.
(https://eiopa.europa.eu/Pages/News/EIOPA-updates-representative-portfolios-to-calculate-volatility-adjustments-to-the-Solvency-II-risk-free-interest-rate-term.aspx)

Executive Summary

Introduction

Bâloise Vie Luxembourg S.A. is a life insurance company. It operates under the legal form of a limited liability company (société anonyme). Bâloise Vie Luxembourg S.A. is part of, and strongly embedded in the Baloise Group (owned by Bâloise Holding Ltd, Switzerland). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions.

The purpose of this report is to satisfy the public disclosure requirements under the "Loi du 7 décembre 2015 sur le secteur des Assurances" including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure. The elements of the disclosure relate to business and performance, system of governance, risk profile, solvency valuation and capital management.

The European directive Solvency II serves to improve and harmonize EU insurance regulation to unify the European insurance market and strengthen consumer protection. This risk-based system is covering both quantitative and qualitative aspects to define the capital requirements of each company subject to the regulation. Solvency II is divided into three pillars representing financial requirements, governance and supervisory requirements and finally reporting and disclosure requirements.

Highlights

Bâloise Vie Luxembourg S.A. is ready for the future. We are relying on innovation, agility and an entrepreneurial culture – without neglecting our core insurance business. The Season 2 strategy sets out ambitious targets for Baloise to achieve by 2025.

The financial year 2019 was a crucial year in our transformation around a reinforced objective: placing our customers at the center of all our initiatives and supporting them throughout the key moments of their lives. We are talking about corporate culture, redesigning the customer journey, radical simplifications of our processes and of all our documentation, but also digitalization with the implementation of electronic signatures, customer portals and IT applications in order to better manage our business activity (CRM), to develop new products and services while forging and developing strong partnerships. We have set course for our modernization and digitalization in order to help our intermediaries to serve our customers optimally, whether during advice at contract subscription or during the term of their contracts.

In the context of digitalization, we also fixed the goal of saving paper, a topic that fits perfectly into our sustainability policy. In 2019, the Baloise Group Luxembourg created an internal network of specialists. Ten of the seventeen goals for sustainable development set by the member states of the United Nations were selected in order to set up a uniform value creation strategy for the employees, customers / partners, shareholders and investors, suppliers, but also for the environment and society as a whole.

The insurance market continues to be a sector that represents a very attractive and efficient employer market contributing to the reduction of the unemployment rate in Luxembourg. Actually the insurance

industry is facing major challenges. The requirements for the industry resulting from regulation and compliance, in particular from Solvency II and IFRS 17, entail considerable implementation and operating costs.

Bâloise Vie Luxembourg S.A. has a sound capital base. The company's capital strength in accordance with Solvency II was reported at a level of 173.8% at the end of 2019.

During the year 2020 we will continue to invest in the development of our product range and services with great passion, as well as the evolution of our employees. Digitalization and other technological advances are strong levers to constantly respond to our ambition to put our customers at the center of our concerns.

The following passage provides information on the impact of the recent CoViD-19 outbreak in Europe in 2020 on Bâloise Vie Luxembourg S.A. To make it easier for readers to find all information on this topic, it is provided in this one passage and not distributed among the different chapters later in the report.

While the CoViD-19 outbreak was already of larger scale in parts of China late 2019, Europe was mainly affected as of mid-February 2020. As numbers of infected significantly rose, governments started to take restrictive measures, such as lockdowns and curfews, in order to slow down the spread of the disease.

Financial markets were negatively affected as of the second half of February. While 2019 and the first one and a half months of 2020 revealed positive stock markets developments, late February and March 2020 were characterized by significant stock market losses and very high volatility. Further, interest rates plunged but recovered somewhat already. Different Central Banks intervened aggressively, providing liquidity to soften the impact on the real economy.

For the business operation of Bâloise Vie Luxembourg S.A. the situation translated into a strongly increased fraction of employees working from home office and a higher fraction of services being offered online and by phone. This transition, even though challenging, was mastered very well by employees and management. The management and Business Continuity Managers of Bâloise Vie Luxembourg S.A. orchestrated this transition in close collaboration with their counterparts at Group headquarters, such that the local and the group-wide systems necessary to continue providing services to our customers at any time were available and running. The continuity of business operation was and is successfully ensured without interruption.

When it comes to the impact of CoViD-19 on our business performance, we see this point as too early to make an estimation of the magnitude of the impact as it is currently unclear how the situation will further develop and how long it will take until the situation has normalized. It is clear that these developments affect Bâloise Vie Luxembourg S.A. on the asset as well as on the liability side. However, thanks to our Risk Management and risk mitigation measures in place, Bâloise Vie Luxembourg S.A. was able to limit losses and volatility of our positions.

Bâloise Vie Luxembourg S.A. will similarly continue navigating through these challenging market conditions, uphold business operation and provide the best possible service for our customers with utmost determination.

Business and Performance

Continuous profit has been achieved despite market turbulences

As disclosed in the annual report, Bâloise Vie Luxembourg S.A. generated a business profit amounting to EUR 6,474.9 thousand in 2019.

Furthermore, the company maintains its sound capital basis (as measured under the Solvency II based valuation principles) and the own funds amounting to EUR 168,699.2 thousand in 2019 comply with the Solvency II requirements with a Solvency ratio of 173.8% per year-end 2019.

In respect of revenue, the gross premium written decreased by 5.0% from EUR 860,184.1 thousand to EUR 817,450.4 thousand driven by a decrease in unit-linked business volume that corresponds to the general market trend.

System of Governance

We practice sound, responsible corporate governance

As a company that adds value, Bâloise Vie Luxembourg S.A. has always attached great importance to practicing sound, responsible corporate governance and continues this tradition today.

The system of governance in place at Bâloise Vie Luxembourg is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and Proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel such as the adequacy of key functions implemented according to Solvency II regulation.

Risk Profile

All material risks are identified, assessed and managed

All risks as defined under the Baloise Risk Map and the Solvency II regulatory framework are assessed on a regular basis by taking into account risk mitigating measures in place. Management of the different risks is organized at two levels. In a first step risks are assessed in a bottom-up process by the functional department responsible (risk owner and risk controller). In a second step the assessments are aggregated at company level.

Bâloise Vie Luxembourg S.A. regularly assesses whether the resulting risk profile is compliant with its risk strategic orientations.

The key components of the solvency capital requirement continue to be the market risk and the Life underwriting risk. The most prominent risk within the market risk is the equity risk while the Life underwriting risk is driven by the lapse risk and expense risk.

During the reporting period both the market and the Life underwriting risk increased.

Valuation for Solvency purposes

Material differences between Solvency II and Local GAAP have been analyzed and explained

Valuation principles and results are presented under both the Solvency II and local accounting guidelines (Local GAAP). Significant differences between these frameworks are documented. This not only comprises differences in valuation principles, but also differences in recognition and/or in classification of certain assets and liabilities.

Material changes linked to valuation for Solvency purposes during the year stands for financial assets valuation where bonds and equities are valued at the Lower of cost or market value method in the statutory accounts whereas they are valued at the market value according to Solvency II requirements. On the liabilities side, the main changes are reflected in the technical provisions, for which Solvency requirements highlight the need to base our calculation upon up-to-date and credible information, as well as realistic assumptions. This method is reflected in the Best Estimate of the technical provision under Solvency II.

Capital Management

Solvency II quota confirms solid capitalization

The company's Solvency II quota was reported at a level of 173.8% at the end of 2019 confirming the company's solid capitalization. The legal requirement to hold sufficient own funds to cover the solvency capital requirement has therefore been fulfilled. The own funds of Bâloise Vie Luxembourg S.A. entirely consist of unrestricted Tier 1 funds.

Solvency Position

	2018	2019
in '000 EUR		
Total available own funds to meet the MCR	145,324.1	168,699.2
Minimum Capital Requirement	35,348.6	43,667.0
Ratio of Eligible Own Funds to Minimum Capital Requirement	411.1%	386.3%
Total available own funds to meet the SCR	145,324.1	168,699.2
Solvency Capital Requirement	78,552.4	97,037.8
Ratio of Eligible Own Funds to Solvency Capital Requirement	185.0%	173.8%

The volatility adjustment is used to calculate the technical provisions and in this way has an impact on the company's Solvency Capital Requirement as well as its Solvency II quota. The Solvency II quota without volatility adjustment was reported at a level of 169% at the end of 2019. Transitional arrangements are not applied.

While the available own funds increased during the reporting period driven by market performance and increase in business volume, the significant changes impacting the Solvency Capital Requirement were already described above in the section Risk Profile.

A. Business and performance

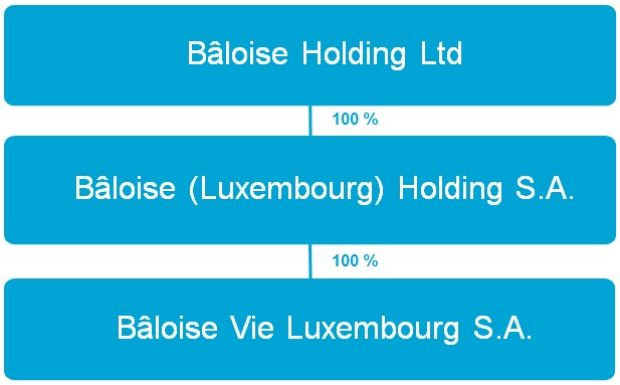
A.1. Business

A.1.1. General information

Bâloise Vie Luxembourg S.A. (hereafter "the company") is an insurance company incorporated in the Grand Duchy of Luxembourg as a limited liability company (société anonyme) on 6 May 1996 and published in the Memorial, special publication for companies and associations, under number B54686. The company is regulated by the Luxemburgish supervisory authority, the Commissariat aux Assurances, situated at 7, boulevard Joseph II, L-1840 Luxembourg.

The external auditor of Bâloise Vie Luxembourg S.A. is Ernst & Young S.A., whose registered office is at L-1855 Luxembourg, 35E, Avenue John F. Kennedy.

Bâloise (Luxembourg) Holding S.A. is the sole shareholder of the company and a hundred percent subsidiary of the ultimate parent company Bâloise Holding Ltd[1]. A simplified structure chart of the company is shown hereafter.



Bâloise Vie Luxembourg S.A. is included in the consolidated accounts of the Bâloise Holding Ltd headquartered in Basel, Switzerland, whose registered office is at CH-4002 Basel, Aeschengraben 21 (Switzerland). At the end of 2019, in addition to its Swiss and Luxemburgish activities, the Group had significant foreign operations in Belgium, Germany and Liechtenstein.

An active interaction exists between the Baloise Group and its Luxembourgish subsidiary, based among others on the presence of Group representatives in Bâloise Vie Luxembourg S.A.'s Board of Directors, and on the comprehensive management reporting procedures. Important synergies exist among others in Information and Communication Technology (ICT), Asset Management and in Risk Management.

[1] Baloise Group acts under the supervision of the Swiss Financial Market Supervisory Authority (FINMA), which can be contacted at Laupenstrasse 27 – CH-3003 Bern

A.1.2. Significant business and geographical coverage

Main business lines and geographical areas

The main business lines of the company are index-linked and unit-linked insurance obligations and insurance obligations with profit participations. In 2019, Bâloise Vie Luxembourg S.A. realized a gross premium volume of EUR 817,450.4 thousand, which represents a decrease of EUR 42,733.7 thousand compared to 2018, with the majority realized in unit-linked business, and more particularly in Freedom of Services business. With respect to gross premiums written, the most important geographical areas within the European Union and which drive the business of the company are France, Portugal, Belgium, Luxembourg, and Italy.

Contribution to the total premium written

Country	2018	2019
Belgium	20.3%	15.2%
France	20.9%	21.5%
Italy	6.0%	3.8%
Luxembourg	13.8%	16.0%
Portugal	20.5%	23.8%

Significant business or other events

Currently the insurance industry is facing major challenges. The requirements for the industry resulting from regulation and compliance, in particular from Solvency II and IFRS 17, entail considerable implementation and operating costs.

The "Commissariat aux Assurances", the competent insurance supervisory commission in Luxembourg ("CAA"), confirms a boosting impact of the Brexit on the market. Especially in the first half year of 2019 inflows from the insurance sector recorded a significant upward movement in all lines of business, an increase mainly due to the fallout from the approval of companies having chosen Luxembourg for settlement following the decision of the United Kingdom to leave the European Union. Luxembourgish insurance companies recorded a growth in inflows.

The financial year 2019 was a crucial year in our transformation around a reinforced objective: placing our customers at the center of all our initiatives and supporting them throughout the key moments of their lives. Bâloise focused on corporate culture, redesigning the customer journey, radical simplifications of the processes and of all the documentation, but also digitalization with the implementation of electronic signatures, customer portals and IT applications in order to better manage the business activity (CRM), to develop new products and services while forging and developing strong partnerships. We have set course for the modernization and digitalization in order to help our intermediaries to serve our customers optimally, whether during advice at contract subscription or during the term of their contracts.

A.2. Performance of underwriting activities

A.2.1. Underwriting performance against prior reporting period

In 2019, Bâloise Vie Luxembourg S.A. continued to follow its selective and prudent underwriting approach.

The table below shows an overview of the components of the life underwriting performance for the current and previous year:

Life Underwriting Performance

	2018	2019	Variation
in '000 EUR			
Gross written premiums	860,184.1	817,450.4	−5.0%
Gross earned premiums	860,407.8	817,649.3	−5.0%
Gross claims expenses	−432,267.3	−489,028.2	13.1%
Gross operating expenses	−42,608.1	−45,587.5	7.0%
Reinsurance balance	−2,589.7	−2,628.3	1.5%
Technical result life	6,213.2	5,198.8	−16.3%

In 2019, the underwriting result amounts to EUR 5,198.8 thousand.

Decreased gross written premiums are consistent with the trend in the market. They are mainly driven by a decrease in investment-type premiums. Gross written premium reached EUR 817,450.4 thousand, resulting in a decrease of 5.0% compared with 2019. Given the difficult economic situation, traditional products show a reasonable evolution, resulting in a slight increase amounting to 2.8%. Earned premiums on financial products linked to unit-linked funds all around European countries remains stable at around EUR 746,138.7 thousand, nonetheless resulting in a decrease of 5.5% compared to the previous reporting period.

The reinsurance balance is composed of net earned reinsurance premiums, effective reinsurance claims and reinsurance premiums.

The development of the gross premiums during the reporting period is presented in the following illustration.

The year's technical result is in line with the expectation as no main claim occurred.

Bâloise Vie Luxembourg S.A. delivered an overall business profit of EUR 6,474.9 thousand.

A.3. Performance from investment activities

A.3.1. Review of current and prior period investment income and expenses

Overview of the investment performance as per financial statements

The table below shows an overview of the investment performance as per financial statements of the current period.

Investment

	2018	2019						
	Total	Bonds	Equities	Property	Loans and mortgages	Parti-cipations	Cash and cash equivalents	Total
in '000 EUR								
Recurring income	12,876.2	11,118.9	527.2	476.4	249.4	168.4	−50.9	12,489.3
Realised gains	4,104.3	1,530.9	1,750.9	-	-	-	-	3,281.9
Realised losses	−1,183.7	−57.6	−476.7	−16.0	-	-	-	−550.4
Appreciation in value	39.7	-	-	-	-	-	-	-
Depreciation in value	−941.0	-	−247.2	-	-	-	-	−247.2
Cost of investment management	−1,000.9	−1,028.4	−117.4	-	-	-	-	−1,145.8
Operational profit	13,894.6	11,563.8	1,436.9	460.4	249.4	168.4	−50.9	13,827.9
Average investment portfolio	588,789.9	531,335.3	35,358.7	11,051.0	14,450.8	6,278.2	15,102.5	613,576.5
Investment performance1)	2.4%	2.2%	4.1%	4.2%	1.7%	2.7%	−0.3%	2.3%

[1)] Calculation of investment performance: Operational profit / average investment portfolio

During the reporting period, the change in asset allocation was mainly influenced by an increase in the equities exposure.

Current income (compared to previous period)

The split of the current income by asset class is presented in the previous paragraph.

Gains and losses recognized directly in equity

The following table shows the gains or losses recognized directly in equity.

Gains and losses recognized directly in equity

in '000 EUR	2018	2019	Variation
Unrealized gain and losses from bonds	61,535.0	97,935.0	59.2%
Unrealized gain and losses from equities	1,645.0	3,316.0	101.6%
Unrealized gain and losses from investment funds	84.0	238.0	183.6%
Unrealized gain and losses from alternative investments	-	127.0	
Total	63,264.0	101,616.0	60.6%

The main impact of the increase of the unrealized gain and losses from bonds and equities is linked to an decrease of the interest rates, which leads to an increase of the market value and the increase of the market values of the equities.

The equity evolution is related to the positive performance of the portfolio.

Investments in financial instruments based on repackaged loans

The company does not invest in any financial instruments based on repackaged loans.

A.4. Performance of other activities

A.4.1. Review of current period and prior period other income and expenses

For year-end 2019 the other technical income and expenses amounting to respectively EUR 7,793.3 thousand and EUR 1,533.6 thousand, respectively, mainly stem from Freedom of Service Business and remained at consistent levels compared with the previous reporting period.

A.5. Other relevant information

As part of its Simply Safe strategic phase, Baloise has decided to leverage synergies in the investment-linked life insurance business. Administrative and regulatory processes will be transferred from Baloise Life Liechtenstein AG to Bâloise Vie Luxembourg S.A. during 2020.

Th investment-linked life insurance portfolios will be transferred from Baloise Life Liechtenstein AG to Bâloise Vie Luxembourg S.A., although some will be transferred to Switzerland. The portfolios of Baloise Life Liechtenstein AG are to be integrated into a new branch of Bâloise Vie Luxembourg that will be established in the Principality of Liechtenstein.

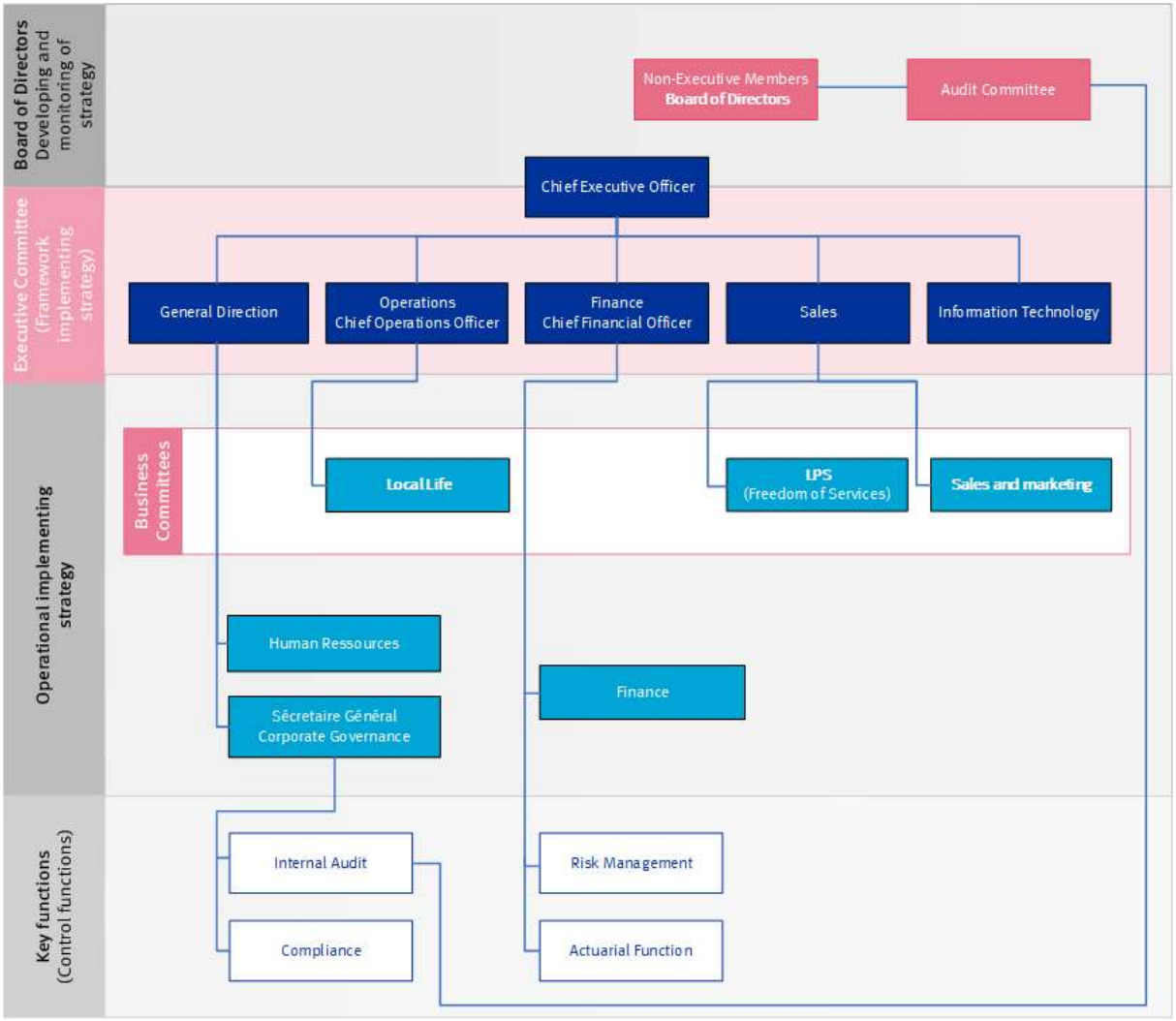
B. System of Governance

B.1. General information on the system of governance

B.1.1. Governance structure: overview and main changes

Good management is of great importance to the company. As a result the appropriateness of its corporate governance is continuously challenged.

The company's governance structure is illustrated in the chart below.



Bâloise Vie Luxembourg S.A. has a two-tier Board system with a clear division of responsibility between the two statutory governing bodies as defined in the "règlement d'organisation interne".

- The Board of Directors, which is responsible for defining general strategy and supervising the activities of the Executive Committee, as well as designating, amongst themselves, the members of that Committee and revoking them;
- The Executive Committee, which is responsible for managing the company's insurance activities and thereby implementing the strategy as laid out by the Board of Directors. The Executive Committee is responsible for the framework set up necessary for the implementation of the strategy;
- The effective implementation of the strategy is performed by the Business Committees whose tasks are concentrated on the integration of the strategy in every department throughout the company;
- As key functions, the risk management department, actuarial function, compliance function and internal audit department carry out the oversight responsibilities. The compliance and internal audit function are assigned to the Sécretaire Géneral assuring independency from the operational business through the direct access to the Executive Committee and Board of Directors. The risk management is assigned to the Finance department and functionally controlled by the Chief Financial Officer. Its independency is guaranteed via its direct access to the Board of Directors via the Audit Committee.

Board of Directors

Composition of the Board of Directors

The company is led by Non-Executive Directors and a Managing Director. The Managing Director is in charge of the company's activity under the supervision of the Non-Executive Directors.

Concerning sound management it is important to differentiate between the following responsibilities

- The lead of the company activity (= Management function): executed by the Managing Director who takes part in the Executive Committee;
- The supervision of the management (= Supervisory function): executed by the Non-Executive Directors attending the Board of Directors;
- The determination of global policy and strategy (= Policy function): executed by the Managing Director and Non-executive Directors.

The composition of the Board of Directors consists of Non-Executive directors and the Managing Director. Members of the Board of Directors are appointed for the duration of one year. Withdrawing managers are eligible for re-election.

The group of Non-Executive Directors should have collective knowledge of all important company activities. The Non-Executive Directors are required to be individually sufficiently qualified and as a group have the necessary knowledge to perform their supervisory task.

Functioning of the Board of Directors

As foreseen in the company's Articles of incorporation, the Board of Directors meets at least three times a year. Additional meetings can be requested by the chairman, Vice chairman or two directors at any time it is required in the interests of the company. The considerations are collected in the minutes.

In order to support the Board of Directors, dedicated committees were created. Their functioning and reporting is detailed below.

Main roles and responsibilities of the Board of Directors

The Board of Directors is responsible for the following tasks:

Determination of the general policy and strategy, goals and values of the company;

- The approval and regular evaluation of the policy structure, the organization, internal controls and independent control functions of the company;
- Regularly checking whether the company has effective internal controls with respect to the financial reporting;
- The approval and regular evaluation of the rights and obligations of general policy and strategy of the company with respect to
    - Commercial policy and structure;
    - Risk profile, policy and management;
    - Capital adequacy;
    - Outsourcing;
    - Business Continuity;
    - Integrity and acceptation policy;
    - Conflicts of interest.
- Supervision of management;
- Taking notice of the important findings of independent control functions of the company, of the Statutory Auditor, of the CAA, or of specialized committees set up by the Board, supervision on the Executive Committee to prevent short-comings.

Decisions are taken by absolute majority of all members.

Main changes related to the Board of Directors

During the reporting period no changes were to be reported regarding the composition of the Board of Directors.

Board level Committees

The Board of Directors can set up, when appropriate, specialized committees for advice. The introduction of these committees may not influence the responsibilities of the Board. The Board of Directors approves an internal prescription consisting of the role, composition and functioning for each committee.

The company’s Board of Directors put an Audit Committee in place.

The Board of Directors gave a mandate to a Non-Executive Director to determine the variable and fixed remuneration of the Managing Director in line with the approved rewarding system, but no local remuneration committee is set up.

Audit Committee

Composition of the Audit Committee

The Board of Directors appoints the members and the Chairman. The majority of the Audit Committee members are independent of the controlled company. The Chairman of the Audit Committee is appointed by the Board of Directors and is independent of the audited entity. The Chairman of the Audit Committee is not the Chairman of the Board of Directors.

The Committee is collectively expert in the area of finance, financial management and financial reporting, accounting and controlling. The members of the Audit Committee must have experience in the field of insurance and/or finance and accounting.

In exercising their assignment, the members have the required objectivity and independence in respect of the Management Committee.

Functioning of the Audit Committee

The functioning of the Audit Committee is determined in the Audit Committee Charter. The Audit Committee can decide to be assisted by expert parties and can invite third parties for discussing specific agenda items.

The Audit Committee meets at least two times a year and reports to the Board of Directors.

Roles and responsibilities of the Audit Committee

The Audit Committee has the following missions[2]:

- Communication of the audit results on annual accounts to the Board of Directors;
- Monitoring of the annual accounts elaboration process;
- Checking of the efficiency of internal controls related to the annual accounts;
- Monitoring of the implementation of any finding expressed by the regulator;
- Checking of the external auditor independence (i.e. supply of non-audit services);
- Responsibility of the external auditor selection process (rotation rule).

In addition, as part of the good governance practices of overseeing the organization and operation of internal and external control systems, the Audit Committee is also responsible for:

- checking that the company has effective internal control systems, risk management and independent control functions;
- monitoring the activities of the internal audit: approval of the audit plan, resources used, activity reports, audit reports issued and measures put in place to remedy any deficiencies discovered by the internal auditors.

[2] Law of 23 July 2016 on audit profession, Article 52 §6

The Audit Committee can be given specific assignments by the Board of Directors and will perform them fully autonomously, reporting regularly to the Board of Directors until those assignments are completed.

Executive Committee

Composition

Every member of the company's Executive Committee is in charge of a direction. The members are loyal to the decisions taken in the Executive Committee irrespective of their specific domains.

Every member of the Executive Committee has the necessary competences, knowledge and experience in all important activities of the company, specifically with respect to the subjects under their direct responsibility.

Functioning of the Executive Committee

The Executive Committee normally meets weekly. Minutes are taken. The Secrétaire Général is invited to attend the meetings on a permanent basis.

Roles and responsibilities of Executive Committees

The Executive Committee has the following tasks:

- Steering the entity with respect to local and group strategy;
- Taking the lead with respect to the activity of the company and the expansion of the management structure;
- Supervision of the reporting, the line management and the compliance towards dedicated tasks and responsibilities;
- Providing proposals and advice to the Board with respect to the general policy and strategy of the company. They supply the Board with all relevant information in order to assist the Board in taking decisions;
- Responsibility for the organization and lead of the internal control function and procedures, in particular the independent controls;
- Setting up an internal control system that secures with a sufficient level of confidence the reliability of internal reporting and the financial reporting process;
- Informing the Board of Directors about the financial position and all aspects necessary in order to perform its tasks appropriately;
- Reporting of the financial situation and structure, the internal control and independent control functions to the CAA;
- Transforming the risk appetite or strategy defined by the Board of Directors into operational policies and guidelines.

Business Committees are operating for the Local Life, Life International and for Sales and Marketing Directions. Each Business Committee consists out of management, customer, technical and operations voice. The Business Committees are the steering bodies for the operational parts of the business.

The Business Committees support the Executive Committee in performing particular tasks and missions assigned to it by the Executive Committee. The functions and missions are described by the Executive Committee.

Main changes related to the Executive Committee

During the reporting period a new member in charge of the newly created IT direction joined the Executive Committee.

Key Functions

The company has appropriate control functions.

- The board ensures their functioning and uses their conclusions and advices to create a stronger policy structure, organization and internal control system;
- They have an adapted statute with the necessary privileges, resources, expertise and access within the organization;
- They are independent of the operational activity that they control;
- They report to the Managing and Non-Executive Directors with respect to the prescribed procedures;
- Their remuneration related to the results of the company is not material.

The following key control functions are in place at Bâloise Vie Luxembourg S.A.:

- Internal Audit;
- Compliance;
- Risk Management;
- Actuarial function.

Composition key functions

Internal Audit

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyze, assess and report on the suitability and efficacy of the three processes of Risk Management, control and governance.

The internal audit policy describes the governance of Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control). All internal employees can consult the policy on the intranet.

Internal Audit works following the standards of the IIA (Institute of Internal Auditors) and the Baloise Group Internal Audit Manual. For the execution of specific tasks, cooperation with external and specialized auditors is required.

The Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

The domain of Internal Audit is the whole organization and its outsourced functions.

Internal Audit sets up a risk analysis over an annual basis, focused on global risks per domain.

The organizational set-up of Internal Audit at Bâloise Vie Luxembourg S.A. takes into account the company's size. Internal Audit is assigned to the Corporate Governance department.

Internal audits by Group Internal Audit are also authorized. The audit and compliance functions are also judged by the Statutory Auditor, who reports to the Audit Committee.

Compliance

Bâloise Vie Luxembourg S.A. has determined the rights and obligations of compliance in the compliance policy, and a code of conduct. The code of conduct is available for all employees on the Intranet.

The policy and code of conduct describe the independent statute, assignment, competences, audit domain and methodology of the compliance department. The Compliance Officer works for and is authorized by the Executive Committee and Group Compliance.

The AML Officer is the contact person with respect to information related to money laundering towards the CRF or CAA.

In order to underline independency, the Compliance Officer has direct access to the Executive Committee, Board of Directors or Group Compliance without justifying his actions.

The compliance function is firstly orientated to the compliance of the company with laws and regulations that are related to the integrity of the insurance business, including the code of conduct. The task of the Compliance Officer consists of checking, judging and encouraging these values.

Special attention is given to the prevention and proactive operating realized by advising, awareness, stimulating and facilitating. These objectives are realized by making available all important procedures, legal information of the companies and extracts from the law on the Intranet.

Cooperation with the Baloise Group is strong and based on the following cooperation.

- The Baloise Group Compliance Officer sets up standards;
- The Baloise Group Compliance Officer maintains a network in which Compliance Officers can exchange their knowledge and experience;
- The Compliance Officer delivers his reports to the Group Compliance Officer.

The main tasks of the Compliance Officer are

- The protection against the dissemination of the consumer's information with respect to insurance;
- Preventing fiscal fraud by clients;
- Inhibiting trading with insider knowledge;
- Averting value manipulation;
- Deontological code with respect to actions related to own staff and mandatory for the company;
- Checking compliance with the privacy law, anti-discrimination regulation and group directives;
- Follow-up of changes in the group code of conduct and local implementation;
- Setting up and follow-up of Compliance rules.

In addition to the Compliance Officer, an AML Officer is responsible for the application of the anti-money laundering regulation.

Risk Management

The Risk Manager supervises and monitors the different risks of the company and reports regularly to the ALCO (Asset and Liability Committee) and RICO (Risk Committee), the Executive Committee and the Board of Directors.

During the set-up of the Risk Management department the scale and size of the company is taken into account (proportionality principles). The Risk Manager reports directly to the Executive Committee and can address himself directly to the Audit Committee and the Board of Directors when required. These privileges must guarantee the independency of the Risk Management and should prevent possible operational conflicts of interest.

With respect to the Risk Management, the company applies the group-wide Risk Management Standards. These standards are related to organization, responsibilities, methodologies, rules, limits, controlling and reporting. The Risk Management is based upon these standards together with additional legal requirements requested by the supervisor.

The Risk Manager is responsible for the operational execution of the Risk Management policy. This includes:

- Advising the Executive Committee with respect to the strategic set up of the risk policy;
- Executing concretely and watching over a proactive risk policy;
- The implementation of an integrated Risk Management model;
- The practice of risk controls;
- Awareness and training of employees regarding Risk Management aspects;
- Reporting to ALCO, RICO, Executive Committee, Board of Directors, Audit Committee and Baloise Group Risk Management.

Actuarial Function

The Actuarial Function assists the management by

- Advising on the actuarial methods used for pricing, the set-up of the technical reserves and reinsurance for the launch of a new product or repricing that can influence the profitability of these products;
- Giving annual advice on the profitability of the products, the technical provisions, reinsurance and profit sharing;
- It informs the Executive Committee and the Board of Directors of the reliability and adequacy of the calculation of Solvency II technical provisions;
- The actuarial function produces a written report to be submitted to the Board of Directors on an annual basis. The report shall document all tasks that have been undertaken by the actuarial function and their results, and identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied.

The actuarial function requires good qualification and necessary knowledge and experience of the applicable standards.

The actuarial function also fulfils prudential tasks, for example it certifies the model and methods used in the company that are communicated to the CAA.

Main changes related to key functions

During the reporting period a new Compliance Officer was appointed while no changes were observed concerning the three other key functions.

B.1.2. Remuneration policy

Remuneration principles and objectives

Principles

The company's success is largely dependent on the skills, capabilities and performance of its workforce. It is therefore essential to recruit, develop and retain suitably qualified, highly capable and highly motivated professionals and executives. The level of remuneration offered by Baloise is in line with the going market rate, the rules defined in the Convention collective in force for all the insurance companies established in Luxembourg, and is performance-related. The Baloise Group has put in place a remuneration policy that is also implemented in the company.

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise and to strengthen employees' and executives' loyalty and commitment to the organization.

In addition to paying its staff in line with market rates and according to individual achievement, the company encourages its executives to focus on the longer term and on its shareholder's interests.

Remuneration components

Baloise views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other material and non-material benefits such as pension contributions, additional benefits, and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median. In compliance with its code of conduct Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Short-term variable remuneration

The key factors determining the amount of short-term variable remuneration paid are the company's profitability and economic value added, team-performance and the employee's individual contribution to it. Baloise attaches considerable importance to managing its business sustainably and ensuring a high

correlation between the interests of its shareholders and executives. For this reason, considerable proportions of the senior management's variable remuneration are paid in the form of shares, i.e. members of the Executive Committee can choose which proportion of the short-term variable remuneration they wish to receive in cash and which as shares. This choice is limited for the most senior management level; here a graduated obligation to subscribe to shares exists: the Chief Executive Officer must draw at least 40% of their short-term variable remuneration in the form of shares and other members of the Executive Committee must draw at least 30% of their short-term variable remuneration in the form of shares. These subscribed shares remain blocked for three years and are subject to market risks during this period. In particular, the mandatory emoluments ensure that as responsibility and total remuneration increase, a significant share of the remuneration is paid with a deferred effect. They also promote risk awareness and encourage an economical and sustainable work-ethic.

Performance pool

The performance pool takes account of the entire Baloise Group's performance; its amount is determined by the Remuneration Committee of Baloise Group after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis:

- Business performance;
- Capital-markets perspective compared with competitors;
- Risks taken;
- Strategy implementation.

The individual allocation for the members of the Executive Committee is set by the Remuneration Committee. In principle, the most senior management level of the whole Group as well as the respective functions abroad are considered for the performance pool.

Long-term variable remuneration

In addition, Baloise grants performance share units (PSUs) to the most senior managers as a form of long-term variable remuneration. The PSU programme enables the top management level to benefit even more from the company's performance and helps Baloise to retain high performers in the long run.

Pension schemes

The company offers its employees an attractive pension solution in form of defined contributions as part of the 2nd pillar, which fulfils the following objectives:

- It meets the requirements of the insured should the following risk events occur: old age, death or invalidity;
- It permits an appropriate maintenance of a lifestyle enjoyed to date with a sufficiently high substitution rate (1st and 2nd pillar benefits combined) to replace discontinued earnings;
- The employer makes an average contribution to financing of occupational pensions;
- It is forward-looking, sound, can be calculated and is reasonably priced;
- Defined contributions depending on age of insured as well as function within the organization.

Members of the Executive Committee are insured in the company's pension scheme. The same terms apply to them as to all other insured staff. The members of the Board of Directors are not insured in the Pension scheme.

B.1.3. Material transactions

Over the reporting period, there were no material transactions with shareholders, or with persons exercising a significant influence on the company or with members of the Board of Directors and the Executive Committee.

B.2. Fit and proper requirements

B.2.1. Fit and proper: Policy and process

Fit and proper principles and objectives

The company has a Fit and Proper Policy in place which defines the procedure for assessing the fitness and propriety of persons who are effectively running the company or have a key function.

The critical function holders which are in scope of the policy include the members of the administrative and supervisory body, i.e. the Board of Directors and the Executive Committee, as well as the heads of risk management and compliance, the actuarial function and internal audit.

Assessment process of key personnel

Fitness Check

Recruitment processes include application and assessment methodologies that ensure previous experience, qualifications, knowledge and skills are all taken into account, with specific references to the competences defined in the job description or role profile.

It is ensured that the management body has the breadth of expertise and experience to understand and continually challenge the company's business operations, strategic initiatives and major transactions.

The collective knowledge, competence and experience of the management body include awareness and understanding of:

- The wider business, economic and market environment in which the company operates;
- The company's business strategy and business model;
- The system of governance (risk management, oversight & controls);
- The financial and actuarial analysis;
- The regulatory framework, requirements and expectations relevant to it.

For external recruits and internal persons promoted to a position in scope of the Fit and Proper Policy, superiors and Human Resources assess their fitness according to the specific requirements set out in the job description. The superior makes the final decision on a person's required fitness.

Propriety Check

The company requires that a range of specific checks are undertaken, designed to verify that the candidate is honest, of integrity, financially sound and of good reputation.

The company imposes a range of requirements at the recruitment stage for new employees or in case of internal promotions. All documentation related to the above verifications is requested and reviewed by Human Resources prior to the employment offer to be made. Formal notes of face-to-face interviews, during which characteristics of propriety are also verified, are prepared by the personnel conducting the interview.

The principles applicable at original appointment, to ensure the key critical function holders are honest, financially sound and of good reputation, apply on an ongoing basis as well.

All critical function holders are required to undertake a code of conduct training on subjects such as regulatory awareness, insider trading, anti-money laundering, and others. The Compliance function organizes regular trainings on the Code of Conduct.

The Fit and Proper Policy requires an initial and yearly assessment. They include a self-declaration, a sample of the criminal record, a copy of the passport and a Curriculum Vitae.

Adequacy of Administrative and Supervisory Body

The appointment of Board of Directors members and Executive Committee members is based on a number of key requirements to ensure a sufficient mix of qualifications, competencies and relevant expertise is available to fulfil their responsibilities.

B.3. Risk management system including the ORSA

B.3.1. Risk management system overview

Risk Management is one of the core competences of the Baloise Group. The company has suitable processes, models and structures in place in order to fulfil the need to continuously develop the capabilities as the situation requires and to therefore achieve the optimal result for Baloise. Integrated risk management uses synergies across the group effectively.

Risk management is assigned to the Finance department and functionally controlled by the Chief Financial Officer. The independency of the risk management is guaranteed as it has direct access to the local Executive Committee and the local Board of Directors. It is amongst others responsible for

- Risk measurement under consideration of group guidelines and local constraints;
- Regular risk reporting and ad-hoc escalation in case of critical risk occurrence;
- Conformance with regulatory requirements and the according dialogue.

The decision-making body for all questions relating to Risk Management is the local Risk Committee.

Risk Strategy

The risk strategy is considered the cornerstone of the risk management organization. The aim of the risk strategy is to consciously steer the risks taken within defined ranges. Particularly, it aims to harmonize market based considerations on the one hand and strategic risk concerns on the other hand.

Central to the risk strategy is the term "Risk Appetite" which defines the extent to which the company is willing to take on risk in order to achieve strategic goals. Its main components are

- Compliance with regulatory requirements and capital protection;
- Protection of the Profit and Loss Statement of Income.

Risks considered as relevant for the company are classified along the so-called "Risk Map" of the Baloise Group. The categorization is performed on three levels:

- Risk category;
- Risk subcategory;
- Risk type.

RISK MAP

Business Risks

Actuarial Risks Life
- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life
- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance
- Premiums/Pricing
- Reinsurance Default
- Active Reinsurance

Investment Risks

Market Risks
- Interest rates
- Equities
- Currencies
- Real Estate
- Market Liquidity
- Derivatives
- Alternative investments

Credit Risks

Financial Structure Risks

Asset-Liability Risks
- Interest Rate Change Risk
- (Re)Financing, Liquidity

Risk Concentration
- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements
- Solvency
- Other Regulatory Requirements

Business Environment Risks

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

IT Risks
- IT Governance
- IT Architecture
- IT Operations
- Cyber Security

HR Risks
- Skills/Capacities
- Availability of Knowledge
- Incentive System

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

Business Processes
- Process Risks
- Project Risks
- In-/Outsourcing

Risk Analysis and Risk Reporting
- Risk Analysis and Risk Assessment
- Risk Reporting

Leadership and Information Risks

Organizational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering
- Sustainability

Merger and Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

In order to monitor and steer the risks listed in the Risk Map, Baloise has implemented an extensive group-wide risk management. A holistic approach of an integrated risk management in order to identify, administer and assess risks in the areas internal control, compliance and risk management as well as risk steering is pursued. In addition to purely financial risks, operational as well as strategic and reputational risks are captured and quantified. In this manner, risk management is consistently embedded in the decision making process. The effectiveness of the risk management becomes visible through amongst others the occurred risks and the effectiveness of the measures taken. The risk management and the respective systems and processes are further developed and revised on a continuous basis in order to guarantee long-term efficiency and continuous improvement.

B.3.2. ORSA process

ORSA compliance

The purpose of the company's Own Risk and Solvency Assessment (ORSA) is to provide a comprehensive overview of all risks the company is exposed to or could be exposed to in the future, show the way these risks are managed and assess the overall capital requirements needs resulting thereof.

ORSA Governance

In line with the risk management organization, the ORSA process is based on the following model:

Risk owners represent the first line of defense for the assessment and management of the identified risks.

Risk controllers represent the second line of defense for the setup of the whole controlling and reporting framework.

The executive management has the overall responsibility for the execution of the ORSA and has to ensure that results are taken into account in the management of the company. In addition, the Board of Directors is responsible to ensure and verify that the ORSA process is appropriately developed and implemented. After the approval of the ORSA by the Risk Committee, the Board of Directors receives and approves the ORSA report before it is submitted to the regulator.

ORSA process

The full ORSA reporting process is performed once a year resulting in the review and approval by the Board of Directors. Nonetheless, the ORSA as such is a continuous process in which risk management evaluates the impact of strategic decisions on the overall solvency needs. The process is tailored to fit into the company's organizational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs. It is proportionate to the size and complexity of the company. In addition to the annual ORSA report, an ad-hoc reassessment is performed whenever the risk profile changes significantly.

The risk controllers determine in collaboration with the risk owners the risk's probability of occurrence and the potential loss caused by a specific risk. The risk is then classified according to group-wide limits. The risk grid ("Heat map") maps the standalone risks in connection with the limit system. Should a

corresponding threat result, according measures are developed and put in place in order to reduce the risk exposure.

Documentation

The ORSA is documented in the ORSA report, which contains integral management information that is essential for the review and approval by management.

Review and approval

The results of the ORSA are discussed in the risk committee and could result in decisions and actions, for which the risk management function will have to ensure the corresponding follow-up.

If the ORSA identifies that the risk profile is not appropriate for the company, or the risk profile significantly deviates from the basic assumptions of the solvency capital requirements calculation, or the governance arrangements are inadequate, the risk committee has to set up appropriate action plans for remediation.

The submission of the ORSA supervisory report to the regulator is required within two weeks after the approval by the Board of Directors.

Interaction Capital management and Risk management system

On an annual basis a business plan is set up. The projection of the related Solvency Capital Requirements ("Forward Looking Solvency Position") is integrated in the business plan process. Risk increasing initiatives defined in the business plan process are reflected in the forward looking considerations. The company is in the position to judge if the risks can be accepted without endangering its Solvency position.

B.4. Internal control system

B.4.1. Internal control system overview

The company's internal control system is established as a key component of the integrated risk management framework. Effectiveness, traceability and efficiency of the implemented measures as well as concentration on the relevant risks are considered as important principles for the design and application of internal control. The company's internal control system covers the financial reporting as well as Compliance and Operational risks.

The company's internal control system pursues the objectives of compliance with laws and regulations, reliability of financial reporting and guaranteeing effective business processes in order to support obtaining company goals. With the implementation of the internal control system, the company aims to raise risk awareness on all company levels and to focus on the identification and steering of essential risks that could threaten proper operational processes and therefore the company's success.

Depending on the risk type to be considered, the company applies entity-wide controls (so-called entity level controls, ELC), general IT controls (so-called IT General Controls, ITGC) and process controls in

its internal control system. Measures are integrated in business processes and are performed on all levels of the company. The effectiveness is measured on a regular basis and appropriate measures are initiated in case of shortcomings identified.

The Baloise Group Board of Directors is responsible for an effective internal control system. It defines the objectives, the scope as well as the expansion level of the internal control system. Furthermore it has to assure an appropriate monitoring regarding the efficiency of the internal control system by the local Executive Committee and receives a regular reporting.

B.4.2. Compliance function

The company's essential compliance themes are displayed in the Compliance Standards as referred to in the Baloise Group Compliance Policy. The Compliance Standards include specifications and control objectives for twelve different key topics (data protection and data security, insider trading, prevention of money laundering, embargo/sanctions, anti-trust law/competition law, fraud (including code of conduct), advisory services, corruption/bribery, cross-border services, US persons and AEOI/FATCA, supervisory law, Invest rules) that constitute the basis for controlling and regular compliance reporting.

Objectives

The compliance function aims to ensure the company's compliance with the laws and rules relating to the integrity of company insurance including the Baloise Code of Conduct. It is the Compliance Officer's task to examine, assess and encourage this compliance.

Moreover, special attention is paid to prevention and acting proactively by amongst others providing advice and raising awareness.

Roles and responsibilities

The Board of Directors fosters honourable conduct. Within the framework of its supervisory duty, the Board of Directors regularly verifies whether the company has a suitable Compliance policy and corporate values, as well as an appropriate independent compliance function.

At least once a year, the Board of Directors verifies whether the compliance risks are identified and controlled adequately and that the Compliance policy is suitable for the company's activities.

The Executive Committee develops a Compliance policy and updates it regularly. This policy defines the company's objectives and identifies and analyses the risks that the company runs in this domain.

The Compliance Officer is responsible for implementing the Compliance policy. It is the Compliance Officer's duty to examine, assess and encourage the observance of the Compliance policy.

The Compliance Officer reports to the Executive Committee and provides a regular explanation about the implementation of the compliance policy to the Executive Committee. The Compliance Officer's tasks include proceeding from his expert and advice function, implementing the Compliance policy, reporting to third parties on compliance topics as well as reporting to the Executive Committee, as well as the Board of Directors and the Baloise Group Compliance Officer regularly.

The key aspects of the Compliance Policy are comprised, amongst others, of

- drawing up an annual action plan;
- assessing internal guidelines and procedures;
- raising awareness among all employees about the compliance policy and training them in this area;
- supervising and testing observance of the compliance rules; formulating compliance recommendations;
- investigating and following up infringements of laws, regulations and deontological codes; the observations are derived from random checks and when the occasion arises in collaboration with Internal Audit;
- fulfilling the duties to report to third parties on compliance topics;
- reporting to the Executive Committee, Board of Directors and Baloise Group Compliance Officer (at least once a year).

Main activities of compliance function

The Compliance Officer works under the instruction of and is authorized by the Management and Board of Directors (Audit Committee). In order to guarantee the function's independence, the Compliance Officer has direct access to the Executive Committee, the Chairman of the Board of Directors and the Statutory Auditor, without needing to give justification.

Functioning

Organization chart:

The compliance function is administratively accommodated in the Corporate Governance division which is overseen by the CEO.

The Compliance Officer has the possibility, on his or her own initiative, to inform the Chairman of the Board of Directors or the members of the Audit Committee directly.

Reporting:

The Compliance Officer reports to the Executive Committee at least once a year about compliance realizations, principal attention points and scheduled activities for the following period.

The Board of Directors is informed about the Compliance position every year through the Audit Committee.

B.5. Internal audit function

B.5.1. Internal audit: organization and governance

Internal audit objectives and policy

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyze, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

The internal audit policy describes the governance of the Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control). All internal employees can consult the policy on the intranet.

Internal audit organizational structure

Internal Audit is an element of Corporate Governance and an instrument of the Board of Directors. It supports the Board of Directors - the most senior corporate body - in performing its top-level management function. In this capacity, the Internal Audit performs its tasks on behalf of the Chairman of the Board of Directors and of the Audit Committee (an organ of the Board of Directors). Regular exchanges are held between internal auditors and Audit Committee.

Internal audit is administratively accommodated in the Corporate Governance division and is organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function.

Internal audit functioning, main roles and responsibilities

The Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

Internal audit possesses extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments.

Internal audit applies the standards of the Institute of Internal Auditors (IIA) and of the Baloise Group Internal Audit and is under the prudential supervision of the CAA.

B.5.2. Independence of internal audit

Independence principles/criteria

Primarily the “independence” of control functions means that:

- They have an appropriate constitution with the necessary powers, resources, expertise and access within the organization;
- They are hierarchically and organizationally independent from the operational activity to which they relate;
- They report both to executive and non-executive boards in accordance with the established procedures;
- The remuneration of the persons entrusted with these functions is not connected with the profitability of the activity involved.

Internal Audit function position within the organization

Internal audit is administratively accommodated in the Corporate Governance division and is organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function and is an independent assessor of the quality of the internal control system.

Reporting arrangements

Internal Audit has unrestricted access to the Chief Executive Officer and to the Audit Committee.

The internal audit department can escalate any conclusions to the Board of Directors via the Audit Committee.

B.6. Actuarial function

B.6.1. Organization and key responsibilities

Actuarial policy and objectives

Detailed regulatory guidance defines the role and responsibility of the Actuarial function. Bâloise Vie Luxembourg S.A. has implemented this model.

Key objectives of the Actuarial function are to

- ensure proper data, models and processes to calculate the technical provisions in accordance with Solvency II;
- comment on the appropriateness of an insurer’s underwriting and pricing policy;
- comment on the appropriateness of an insurer’s reinsurance program, and to
- contribute to risk management.

Organization structure

In 2019, the Actuarial function reported to the Managing and Non-Executive Directors with respect to the prescribed key objectives as stated above. The Actuarial function holder fulfils all fit and proper criteria including the internal criteria regarding necessary knowledge and experience of the applicable standards.

Roles and responsibilities

The Actuarial function is required to report in writing to management at least once per year on the function's key objectives as stated above. Any such report shall document all tasks that have been undertaken by the Actuarial function as well as their results, and shall clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied.

B.7. Outsourcing

B.7.1. Outsourcing policy and key aspects

Overview of the outsourcing policy

The outsourcing policy defines principles and procedures which have to be adhered to before and after the contract with an external service provider has been signed. It ensures that the interests of all relevant stakeholders are considered by prohibiting outsourcing in case one of the following occurs:

- Endangerment of the continuous and satisfactory provision of services to customers;
- Significant impairment of the quality of the company's processes;
- Unduly increase in risk;
- Endangerment of the governance system;
- Impairment of the ability to monitor compliance with the company's obligations.

The principles cover topics such as responsibility, requirements on the skills and resources of the provider and its continuous monitoring, compliance with laws and regulations and minimum contractual contents.

The policy further demands that several pre-defined stages have to be completed for any function to be outsourced. First, the current state has to be analysed on whether the function or process is legally and economically viable to be provided by a second party. After the decision has been made in favour of outsourcing, a formal tender begins. After the most suitable bidder is chosen and the contract signed, the outsourcing has to be integrated in the governance framework of the company. The business relationship has to be actively managed in line with its nature and scope. This includes the monitoring and control of the services provided, the data safety and the risk situation as well as the evaluation whether the external service provider has implemented adequate emergency plans.

Critical outsourced services

The company outsources no key functions. The following critical services are outsourced.

Outsourced Activity	Location of Service Provider	Internal / External?
Investment advice	Switzerland	Internal
Data center harmonization	Luxembourg, Switzerland	External and Internal
Printing and external Mail	Luxembourg	External
Scanning and archiving	Luxembourg	External
Physical data storage	Luxembourg	External

Investment advice and a part of data center harmonization concern intragroup outsourcing.

B.8. Adequacy of the system of governance

The system of governance in place at Bâloise Vie Luxembourg is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel.

B.9. Any other information

No supplementary information or risks in addition to the information previously disclosed is considered material.

C. Risk Profile

C.1. Underwriting risk

For Bâloise Vie Luxembourg S.A., life underwriting risk covers the risk from providing life insurance coverage, such as mortality, longevity and disability / morbidity risk, catastrophe risk representing the risk of an instantaneous increase of the mortality, the risk of higher or lower than expected termination of contracts by the policyholders (referred to as “lapse risk”) and the risk that the expenses for the ongoing management of the business exceed the expected amounts.

The underwriting risk refers to uncertainty as to the occurrence, amount and timing of insurance liabilities. In particular underwriting risk derives from the possibility that premiums are not sufficient to cover future claims, contracts expenses and extremely volatile events.

As of year-end 2019 Bâloise Vie Luxembourg S.A.'s capital requirements for life underwriting risk amount to EUR 73,455.2 thousand as measured by the Solvency II standard formula. It has increased by EUR 11,324.8 thousand during the reporting period mainly driven by new business, favourable market performance of unit-linked assets and updated expense assumptions.

C.1.1. Risk exposure

The underwriting risk exposure of Bâloise Vie Luxembourg S.A. is mainly driven by lapse risk and expense risk the company is exposed to. Other sub risks include mortality, longevity, catastrophe and disability/morbidity risk and are described in the following.

Life underwriting risk

Mortality risk

Mortality risk exposure may result from long-term deviation of expected and actual mortality. It also stems from so-called catastrophe risk, i.e. a one off event such as a pandemic that causes a temporary but significant increase in mortality.

The mortality risk exposure results from the contractual obligation to pay certain death benefits when the insured person passes away within the coverage period. The company charges a periodical fee to the policy holder in order to finance such a coverage, but bears the risk that the actual payments are higher than those anticipated and priced, e.g. because more individuals than expected died.

The main changes in the overall level of mortality risk result from changes in the business mix which is mostly driven by new business.

Mortality risk, also including Catastrophe risk, weights 11.1% of the underwriting solvency capital requirement before any diversification effect.

Longevity risk

Longevity risk stems from contracts where the company is exposed to paying higher amounts than expected due to a higher life expectancy. The main contracts concerned are lifelong annuity contracts. In addition, some longevity risk exposure is linked to contracts with deferred capital payouts. The longevity risk capital stems from deferred capital contracts. The company commits to pay a fixed amount if the assured person is alive at the time the contract matures.

The company thus bears the risk of a higher life expectancy of the assured persons.

Longevity risk weights 1.7% of the underwriting solvency capital requirement before any diversification effect.

Lapse risk

The company's lapse risk exposure stems from the policyholder's option to cancel the contract or to withdraw partial rights and obligations at any time during the contract's period. Lapses may have a favourable or adverse effect on the solvency position of a life insurer, depending on the nature of the business.

The Lapse risk stems from the difference between the expected lapse rate and the actual policyholder's lapse behaviour as experienced by the company.

Bâloise Vie Luxembourg S.A. analyses the effect of lapses to determine whether higher or lower than expected lapse rates pose a risk, or whether a shock lapse scenario – i.e. a scenario where a substantial amount of policyholders lapse their policies at almost the same point in time – is of most relevance from a solvency perspective.

Lapse risk weights 51.4% of the underwriting solvency capital requirement before any diversification effect.

Disability-morbidity risk

Disability-morbidity contracts are offered as option to traditional insurance products. The option can be selected by the policyholder at the inception of the contract. The option offers supplementary coverage in case of illness or accident.

The disability-morbidity risk exposure stems from the difference between the expected disability-morbidity rates and the actual policyholder's disability-morbidity costs as experienced by the company. The model used to determine the disability charges is updated on a yearly basis with more recent data.

Disability-morbidity risk weights 0.6% of the underwriting solvency capital requirement before any diversification effect.

Expense risk

Expense risk is inherent in any business and refers to the risk that actual expenses are higher than those estimated when determining the pricing of the business and ultimately the solvency position of the

company. Such cost overruns could be the result e.g. of extraordinary events, of ineffective processes or systems, or of higher than expected inflation.

Expense risk weights 35.2% of the underwriting solvency capital requirement before any diversification effect.

C.1.2. Risk concentration

The concentration risk in life business may arise due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

Even though the portfolio is dominated by unit-linked insurance business, the company's exposure to underwriting risk is well diversified across a multitude of countries. This diversification also extends to the lapse risk exposure as different legislation does not impact the company’s entire business at the same time and in the same direction.

C.1.3. Risk mitigation

In addition to the natural diversification effects between the different risk exposures (such as mortality and longevity risk) as well as diversification effects between the different lines of business underwritten, the company uses the following risk mitigation techniques.

Reinsurance is used as a key risk mitigation technique for underwriting risk: The company uses various reinsurance partners to transfer mortality and morbidity risks. The main goal of this risk transfer is to eliminate large individual risk exposures. As a result, the remaining coverage borne by the company is stable over the entire insurance portfolio, which substantially contributes to assuring a stable solvency position. In addition, the overall risk composition is closely monitored on an ongoing basis.

The management of insurance contracts with profit sharing allow for additional risk mitigation. A possible course of action upon a changed risk situation could for example be to adapt the profit sharing to the new conditions in line with the stipulations of local regulation. The breakdown of the surplus to the policy holder and the company considers not only local regulation but also market demands.

Lapse risk is borne by the company but mitigated through product design such as flexibility of the products and investment choices.

The company mitigates expense risk by clear and effective processes as well as ongoing expense analysis.

C.1.4. Risk sensitivity

Bâloise Vie Luxembourg S.A. applies various sensitivity and scenario analysis to those parameters that influence the underwriting risk. These analysis comprise the differing stress levels to each parameter according to Solvency II and the SST, respectively.

For each of the sensitivity investigated, one parameter is changed instantaneously in an unfavourable way (e.g. mortality rates are increased by 10% for business with mortality coverage) and this

unfavourable change is maintained throughout the remaining coverage period of all contracts affected. For the scenario analysis, typically a one-off adverse effect is assumed to occur, e.g. the simultaneous cancellation of 40% of all profitable contracts.

When considering the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the company's life underwriting risk exposure is driven by lapse and expense risk. Nonetheless, the stress tests considered did not result in a Solvency II ratio below 100%.

C.2. Market risk

Market Risk is reflected by losses that arise from changes or fluctuations in market prices that may result in a decrease of the value of assets held. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

As part of the company's life insurance business, investment-linked life insurance contracts for the account of and at the risk of policyholders are offered. The financial liabilities generated in this connection are backed by assets – generally investment fund units – arising from these policies.

In measuring our market risk, we consider the split of our assets:

- Assets held for index-linked and unit-linked funds : 89.9% of the total Solvency II value of our assets;
- Own assets : 10.1% of the total Solvency II value of our assets

For unit-linked contracts, assets are invested entirely at the risk of the policyholder who has the right to receive the value of the individual account value. Thus, the immediate beneficiary of an increase in e.g. stock prices is the policyholder. In turn, if market values decrease, the total value in the company's accounts decreases and thus the assets ultimately owned by the policyholder decrease. This would also lead to a decreasing fees income for the company as it is directly linked to the market value of the underlying assets. Under certain conditions, the policyholders may use options or other derivative instruments to protect their investments against losses, but the net performance is borne by the policyholder.

As of year-end 2019, the gross Solvency Capital Required to back the market risk amounts to EUR 83,312.8 thousand. It is mainly driven by the equity risk and the spread risk.

Gross SCR Market risk	2019
EUR '000	
Interest rate risk	1,904.6
Equity risk	48,929.6
Property risk	3,711.5
Spread risk	30,009.7
Currency risk	15,358.3
Diversification	–16,600.9
Risk-Module level values	83,312.8

As of year-end 2018, the capital requirement for life market risk was EUR 62,030.6 thousand. The increase during the reporting period is mainly due to higher equity risk which is the consequence of a

higher symmetric adjustment increasing the equity shock, higher equity exposures and an increasing volume of our unit-linked portfolio.

The following sections address the interest rate risk, foreign currency risk, equity risk, spread risk and property risk that are relevant for the company.

C.2.1. Risk exposure

Interest rate risk

Interest-rate risk is the risk that the company's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest- rate sensitive products may decline (asset-price effect).

As of year-end 2019 the interest rate sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 3,021,881.9 thousand under the Solvency II framework.

Interest rate risk weights 1.9% of the market solvency capital requirement before any diversification effect.

Foreign currency risk

The foreign currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- Net foreign currency exposure, i.e. the balance between currency assets and liabilities;
- The volatility of the respective currencies;
- The correlations of currencies with other risk parameters in the portfolio context.

As of year-end 2019 the currency sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 2,051,078.4 thousand.

Currency risk weights 15.4% of the market solvency capital requirement before any diversification effect.

Equity risk

The company is exposed to risks from price fluctuations on equity securities. Equity risk exposure includes common stocks, linked to equity unit trusts, private equity, common stocks portfolios backing participating-with-profit policyholder contracts and equities held for employee benefit plans.

It stems principally from:

- The company's assets exposed to equity risk;
- The exposure to equity risk of the policyholder's investments in unit-linked assets: an adverse movement on the equity of the underlying assets results in a drop in their market value, leading to lower fee income for the company. Furthermore, the decrease in market value influences directly the payment of benefits to the policyholder yielding to a decrease in liability that mitigates the assets drop.

As of year-end 2019 the equity risk exposure of our own assets as well as unit-linked assets amounts to EUR 4,079,107.6 thousand.

Equity risk weights 49.0% of the market solvency capital requirement before any diversification effect.

Spread risk

Spread risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

As of year-end 2019 the spread sensitive exposure of our own assets as well as unit-linked assets amounts to EUR 3,041,050.1thousand.

Spread risk weights 30.0% of the market solvency capital requirement before any diversification effect.

Property risk

The property risk arises from investments in real estate due to negative developments with respect to the level or the volatility of market prices. Investment property is valued at fair value by the company by using the Discounted Cash Flow (DCF) method. In addition, the real estate property is evaluated by external experts. The total exposure on the company's own assets and on unit-linked assets as of year-end 2019 amounts to EUR 165,906.5thousand.

Property risk weights 3.7% of the market solvency capital requirement before any diversification effect.

C.2.2. Risk concentration

Market risk concentration risks can stem either from lack of diversification in the asset portfolio or from large exposures to default risk by a single issuer of securities or a group of related issuers. When assessing the company's market risk concentration as of year-end 2019 according to the Solvency II standard formula, no relevant risk concentration is reported. All own assets from the equity, spread risk and property risk sub-modules are considered.

C.2.3. Risk mitigation

In order to limit and monitor the company's exposure to market risk, several mitigating measures are in place.

A conservative policy on asset allocation is applied. Regular reporting on the evolution of the company's assets allows for a close monitoring of the risk exposure.

As part of the Baloise Group-wide Risk Management Standards, investment planning and appropriate asset and liability management ensure that any divergence in maturities and the interest-rate risk incurred are managed within the risk capacity available. Stress tests are also designed and run for this purpose on a regular basis acting as an early warning system.

The currency risk is mitigated by matching assets and liabilities (natural hedge).

The company manages its equity risk as part of the overall investment risk management process, and applies limits as expressed in policies and guidelines. Specifically, the risk is mitigated by a meaningful diversification of risks across countries, industries and companies.

In order to limit the spread risk, the investment in a single issuer or debtor is restricted sufficiently. Rules are explicitly defined in the according Group Directive.

C.2.4. Risk sensitivity

Very similar to the processes for analyzing underwriting risk, the company applies various sensitivity and scenario analyses to those parameters that influence the market risk. These analyses comprise various stress levels to each parameter according to Solvency II and the SST, respectively.

In order to assess the market risk under Solvency II, following scenarios were used:

- Interest rate risk sensitivity is captured by using a relative shock to the basis EIOPA Risk free yield curve;
- Foreign currency risk scenario: Instantaneous decrease by 25% of the foreign currency exchange rates;
- Equity risk scenario: Instantaneous decline of the equity investments by around 40% or 50% depending of equity type;
- Spread risk scenario is determined based on the credit rating of the non-governmental issuers;
- Property risk scenario: Instantaneous decrease by 25% in real-estate investments.

Based on the analysis of the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the company's market risk sensitivity is mostly driven by equity and spread risk. The sensitivities considered do not result in a Solvency II ratio below 100%.

C.3. Counterparty default risk

C.3.1. Risk exposure

Counterparty default risk relating to assets held by insurance companies refers to the total potential downside risk arising from deterioration in the credit quality of a borrower or issuer. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

The risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardize an entire group of otherwise unrelated counterparties.

The counterparty default risk takes into account the following components:

Type 1: Counterparty default risk exposures where diversification is low and the counterparty is likely to be rated. For the company the exposure is driven by its reinsurance balance as well as the cash account balance.

Type 2: All remaining counterparty default risk exposures, such as insurance receivables arising from policyholders and intermediaries.

The default risk on counterparties for the unit-linked business is moderate for the company as the risk is borne by the policyholders; there remains only indirect exposure for Bâloise Vie Luxembourg S.A. via a reduction in fees (see Market Risk section for further details).

As of year-end 2019, the gross solvency capital requirements for counterparty default risk amount to EUR 13,601.5 thousand. The counterparty risk remains stable compared to the last reporting period.

C.3.2. Risk concentration

No significant risk concentration with regards to Counterparty default risk is observed. Although a concentration in bank deposits exists when considering the type of counterparties, the deposits are distributed across numerous counterparties with much less significant single exposures.

C.3.3. Risk mitigation

In order to account for the significance of credit risk stemming from spread and counterparty default risk, the company tracks counterparty exposure at all times and monitors credit risk from a global point of view.

To restrict the credit or accumulation risk in the company, the proportion that may be invested in a single issuer or borrower is strictly limited in the Group-wide Risk Management Standards. In addition, reinsurance contracts can only be concluded if they have been approved by Baloise Group Finance. In general, transactions may only be made with reinsurers that have a minimum rating of Standard & Poor's of "A". This rule excludes captives and pools as reinsurers which are usually not rated.

The relevant rules are explicitly defined in the Group investment policy.

To limit the counterparty default risk exposure stemming from intermediaries and policyholders, an adequate procedure for the recovery of receivables is in place.

C.3.4. Risk sensitivity

Overall, in terms of the capital position of Bâloise Vie Luxembourg S.A., measured according to the standard formula applicable according to Solvency II, the gross solvency capital requirements for counterparty default risk amounts to EUR 9,462.9 thousand for Type 1 exposure and EUR 4,978.6 thousand for Type 2 exposure. The sensitivities considered do not result in a Solvency II ratio below 100%.

C.4. Liquidity risk

Typically, liquidity risk is referred to as the risk that directly transferable funds, such as cash or bank account amounts, are not available or not available at acceptable cost to an entity when needed to make due payments.

C.4.1. Risk exposure

Liquidity risk is not considered as a key risk for a substantial part of the company's balance sheet due to nature of the unit-linked business. This is because the main payments to be made for this type of business stem from obligations from insurance contracts, such as endowment benefits, annuities or payments due on (partial) surrender which are directly covered by the account values held on behalf of the policyholder and payments equal the proceeds from the sale of any position in those accounts.

Nonetheless, the company is exposed to liquidity risk through the portfolio of traditional life insurance. A liquidity strain might not be sufficiently offset by the sale of assets or an alternative refinancing might not be in place sufficiently fast.

The company's liquidity risk remained stable during the reporting period.

As of year-end 2019 the expected profit included in the future premium amounts to EUR 30,605.0 thousand.

C.4.2. Risk concentration

The company is not exposed to significant liquidity risk concentration.

C.4.3. Risk mitigation

In addition to local regulation requirements, a central liquidity planning is required by the Group-wide Risk Management Standards. Adequate investment planning and appropriate asset and liability management ensure that the exposure is monitored and managed on a regular basis. Limits for acceptable liquidity risk are defined in the company's Liquidity policy and followed-up on a regular basis via the company's key risk indicator reporting.

C.4.4. Risk sensitivity

Because liquidity risk is already captured in its material parts by counterparty default risk and operational risk, no sensitivities for liquidity risk are calculated in addition.

C.5. Operational risk

C.5.1. Risk exposure

For Bâloise Vie Luxembourg S.A., operational risk covers the risk of financial losses arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also includes legal and compliance risks. Management and information risks (including strategy risks) as well as business and environment risks are considered as separate categories of risk.

The risks are regularly identified, assessed, controlled and steered via the "Own Risk and Solvency Assessment" process. Internal processes deal with a variety of tasks, including the writing of new insurance contracts, administering existing contracts and their underlying investments, preparing documents required by regulatory and tax authorities and preparing financial reporting for Bâloise Vie Luxembourg S.A.. Typically, IT systems support these processes, and such systems may not work or not work properly, causing stalled processes or e.g. wrong data or documents. Human error may affect the correct execution of business processes as well.

The change in operational risk exposure during the reporting period was driven by the change in unit-linked technical provisions, premiums and expenses.

C.5.2. Risk concentration

Bâloise Vie Luxembourg S.A. has not identified any risk concentration with respect to operational risk during the reporting period. Nonetheless, a large part of the business stems from the unit-linked business through the Freedom of Services provisions. Regulatory changes are closely monitored in the countries where the company operates.

C.5.3. Risk mitigation

Bâloise Vie Luxembourg S.A mitigates its operational risks by various techniques to make processes and systems as robust as possible. These includes information security procedures, business continuity planning, ongoing training for employees, clear process descriptions and responsibilities, back-up solutions and double signatures for all key decisions. Regular key risk indicator reporting ensures close monitoring and timely detection of operational risks gaining importance. These process related measures are accompanied by state of the art IT systems.

In addition, process risks resulting from lack of application of procedures or application of inadequate procedures are mitigated by the company's effective internal control system.

C.5.4. Risk sensitivity

The company bases its quantification of operational risk on the standard formula according to Solvency II. This approach assumes some flat-rate losses on premium volume and size of business portfolio.

As of year-end 2019 the capital requirements for operational risk amount to EUR 5,274.4 thousand as measured by the Solvency II standard formula. The considered sensitivity does not result in a Solvency II ratio below 100%.

C.6. Other relevant information (including other material risks)

Major other material risks include business and environment risks, management and information risks as well as emerging risks.

Business environment risks and management and information risks arise directly or indirectly through the business environment or the strategic activities of a company.

Emerging risks are new or foreseeable risks, which cannot or cannot easily be quantified (for example due to the lack of historical data), but which might have a major financial impact. Within Baloise, emerging risks are identified and analyzed according to an early warning system and assessed by grouping them along a risk radar. Identified emerging risks include for example cyber risks and environmental risk.

D. Valuation for solvency purposes

D.1. Assets

D.1.1. Basis, methods and assumptions for the valuation of each material class of assets

Solvency II incorporates the measurement approach for assets according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Bâloise Vie Luxembourg S.A. applies these principles already for its contribution to the group financial statements of its ultimate holding company, Baloise Group.

The comparison between Local GAAP and Solvency II Valuation for the assets is detailed below:

Assets under Local GAAP and Solvency II Valuation

			2019.12
Assets	**Local GAAP**	**Solvency II**	**Difference**
EUR '000			
Intangible assets	5,144.6	-	−5,144.6
Property, plant & equipment held for own use	163.4	163.4	0
Property (other than for own use)	1,074.6	11,043.0	9,968.4
Holdings in related untertakings incl. participations	6,278.2	13,447.7	7,169.5
Equities	13,656.4	16,972.6	3,316.2
Government Bonds	314,903.2	397,107.6	82,204.4
Corporate Bonds	167,116.9	182,847.6	15,730.7
Collective Investments Undertakings	156,254.4	156,619.6	365.2
Deposits other than cash equivalents	1.4	1.4	0
Assets held for index-linked and unit-linked contracts	7,937,728.1	7,937,728.1	0
Loans & mortgages	14,478.2	14,478.2	0
Reinsurance recoverables	2,782.9	−6,666.3	−9,449.2
Insurance & intermediaries receivables	11,083.9	11,083.9	0
Reinsurance receivables	127.3	127.3	0
Receivables (trade, not insurance)	14,864.1	14,487.6	−376.5
Cash and cash equivalents	79,312.3	79,312.3	0
Other	3,916.0	3,916.0	−0.0
Total assets	**8,728,885.7**	**8,832,669.9**	**103,784.1**

Intangible assets

The statutory value of intangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The position is composed of formation expenses, software and the goodwill of an externally acquired client portfolio.

In the Solvency II balance sheet the intangible assets are presented with a value of zero as none of the items listed above meet the strict Solvency II requirements for recognition as an asset.

Property, plant and equipment held for own use

The statutory value of tangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The position is composed of hardware, machines, furniture and installations.

The tangible assets consist of hardware, machines, furniture and installations. In Solvency II balance sheet as well as in statutory balance sheet values are acquisition values deducted by the accumulated regular amortizations. Hardware and machines are amortized over 4 years, furniture and installations are amortized over 10 years.

Property (other than for own use)

The statutory value of real estate consists of acquisition value minus depreciation. The depreciation rate of buildings amounts to 2%, the depreciation rate of installations amounts to 10%.

The real estate's market values have been recalculated on the basis of the discounted cash flow method, in the following referred to as DCF method, in December 2018 for the property "Bonnevoie" and in December 2019 for the property "St. Esprit".

Investment properties

No investment properties can be found in the portfolio.

Participations

The company is holding 66,7% of a participation of the company BALOISE LUXEMBOURG REAL ESTATE S.A.

The statutory value of the participation consists of the acquisition value amounting to EUR 6,278.2 thousand. In the Solvency II balance sheet the participation is valued with the equity method, using a Solvency II consistent recognition and measurement for the holding's balance sheet amounting to EUR 13,447.4 thousand.

The participation holds one property and a participation with a total exposure of EUR 36,945.9 thousand.

Participations

2019.12

	% of holding	Own funds	Result of the year	Seat	Solvency II value of participations
in '000 EUR					
BALOISE LUXEMBOURG REAL ESTATE S.A.	66.7%	9,826.9	582.2	Bertrange (Luxembourg)	13,447.4

Financial assets

The statutory value of equities and investment funds is the lower of cost or market value. The equities' and investment funds' market values are obtained by an external source. The prices are compared to the ones provided by custodians. All investment funds are held in EUR and most of the equities are held in EUR.

The statutory value of bonds consists of acquisition value and depreciations based on the „scientific amortized cost"-method. The bond's market values are obtained by an external source and compared to the ones provided by the custodians. The majority of the bond portfolio is held in EUR.

Bâloise Vie Luxembourg S.A. is holding granted loans amounting to EUR 14,478.2 thousand, split in policy loans for EUR 1,396.3 thousand and in a loan granted to the participation BALOISE LUXEMBOURG REAL ESTATE S.A. for EUR 13,081.9 thousand. All loans are held in EUR. For policy loans an initial calculation for each contract was performed at the beginning. Each following year just the transactions for the current year are considered. This procedure is confirmed by external audit.

As of year-end 2019 Bâloise Vie Luxembourg S.A. is holding term deposits amounting to EUR 1.4 thousand. All term deposits are exclusively held in EUR. Term deposits were not subject to revaluation.

Additionally it can be stated that no derivatives can be found in the company's own assets.

Assets held for index-linked and unit-linked funds

The investments for the benefit of life insurance policy-holders who bear the investment risk are presented with the market value.

Reinsurance recoverable and receivables

In the Solvency II balance sheet insurance receivables, reinsurance receivables as well as other receivables are not subject to revaluation, as depreciations for doubtful receivables are already booked in local GAAP, if we consider the accounting values to be not appropriate. In consequence we consider the receivables to be presented on the basis of our best knowledge.

The reinsurance recoverable is subject to revaluation as the best estimate of the liabilities has been recalculated too. It is determined as the difference between the gross and net cash flows coming from the current reinsurance contracts.

Deferred tax assets

No deferred tax asset can be found on the balance sheet.

Any other assets

The other accruals on the active side generally concern charges which have been paid in advance and unit-linked transitory accounts. The positions are determined for local closing and not subject to revaluation.

D.1.2. Reconciliation to financial reporting

The differences in methodology between the statutory balance sheet and the Solvency II values as well as their financial impacts are already explained in the previous section.

D.2. Technical provisions

D.2.1. Technical provisions valuation

Technical provisions by line of business: overview

Technical provisions are the largest item on an insurance company's balance sheet, meaning an company's financial strength is sensitive to movements in their value.

The tables below provide an overview of the composition of the company's technical provisions per line of business based on the valuation for solvency purposes:

Life technical provisions

Overview Life Technical Provisions

2019.12

	Life insurance with profit participation	Index-linked and Unit-linked insurance	Other life insurance	Reinsurance accepted	Total
in '000 EUR					
Total Best Estimate (Gross of Recoverables)	585,798.6	7,779,866.5	13,449.9	0	8,379,114.9
Risk Margin	7,336.5	40,589.7	8,365.1	0	56,291.4
Total Provisions incl. Risk Margin (Gross of Recoverables)	593,135.1	7,820,456.2	21,815.0	0	8,435,406.3
Recoverables	−45.1	−3,701.6	−2,919.6	0	−6,666.3
Total Provisions (Net of Recoverables)	**593,180.2**	**7,824,157.8**	**24,734.6**	**0**	**8,442,072.6**

Valuation of the best estimate and risk margin: methods and key assumptions

Best estimate

The methodology to calculate Best Estimate of technical provisions is defined according to the following documentation:

- Commission Delegated Regulation (EU) 2019/815
- Directive 2009/138/EC

The Best Estimate is determined as the expected future cash flows taking into account the time value of money. Most of the company's cash flows are modelled deterministically so that a single risk free yield curve is used combined with a set of deterministic assumptions to obtain the present value of the expected future cash flows. The technical provisions are calculated gross using a cash flow basis with a separate explicit calculation for reinsurance, also using a cash flow basis. Life insurance obligations are segmented according to minimum requirements.

The risk free yield curve used for determining the Best Estimate does contain a Volatility Adjustment. The impact of a change to zero of the volatility adjustment on the technical provisions amounts to EUR 4,047.3 thousand.

Non modelled business is taken into account with its statutory reserve. It is mainly composed of provisions for claims, additional guarantees, annuities and pension plan for Bâloise employees.

The cash flows include future cash in-flows. Provisions are therefore net of future premium receipts which can make them negative.

Recognition of contracts

The majority of the company's portfolio is recognized until the relevant maturity dates to determine the expected future cash flows. However, future premiums related to collective insurance business are out of the boundary of recognized contracts as only future cash-flows associated to recognized obligations should be included in the best estimate according to Solvency II regulation.

Reinsurance

All technical provisions are calculated on a gross basis. Where applicable, reinsurance ceded is calculated separately following the same principles. The measurement of reinsurance receivables makes allowance for expected non-payment whether caused by default by the reinsurer or by dispute with the reinsurer.

Expenses

Assumptions about future expenses are required in order to cover the full range of future cash flows stemming from the company's business portfolio. Since the company is an established enterprise operating with stable annual expenses, the starting point for expectations about future expenses is the costs incurred in the most recent period. These expenses are allocated to the lines of business and then run-off over the remaining term of individual contracts.

Risk Margin

The risk margin increases the overall value of the technical provisions from the discounted best estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance company.

The cost of capital approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the current obligations over their lifetime. The SCR over the lifetime of the actual obligations is modelled such that the proportion of the best estimate over the SCR remains constant.

Assumptions

Assumptions used within the calculation of Solvency II technical provisions must be consistent both with financial market information and "generally available" insurance risk data. They must be documented, justified and validated in line with the validation and back-testing requirements.

Uncertainty

The Best Estimate must correspond to the probability-weighted average of future cash-flows and will therefore allow for uncertainty in these future cash-flows. In this context, allowance for uncertainty refers

to the consideration of the variability of the cash-flows necessary to ensure that the best estimate represents the mean of the full distribution of those cash-flows. Allowance for uncertainty does not suggest that additional margins are included within the best estimate.

Causes of uncertainty in the cash-flows that shall be taken into consideration in the estimation of the Best Estimate and the application of the valuation technique, where relevant, may include the following:

- Fluctuations in the timing, frequency and severity of claim events;
- Fluctuations in the amount of expenses;
- Uncertainty in policyholder behavior;
- The exercise of discretionary future management actions;
- Path dependency, where the cash-flows depend not only on circumstances such as economic conditions on the cash-flow date, but also on those circumstances at previous dates;
- Interdependency between two or more causes of uncertainty.

Changes since last reporting period

During the reporting period the assumptions have been updated in the calculation of the Technical Provisions in order to reflect the last period's experience. When not considering other effects on the development of the Technical Provisions, the changes led to a decrease in Technical Provisions.

D.2.2. Reconciliation to financial reporting

Technical provisions for solvency purposes are EUR 28,882.0 thousand lower than the technical provision provided in the financial statements. The main difference between those valuation methods is the recognition from the Solvency II provision of the present value of future profit. The remaining differences stem from the other financial statements that need to be reported on market-value basis.

The reconciliation of the technical provision from the financial statements to the solvency position is done by deducting unrealized gains on own assets and undisclosed assets Solvency II positions from the own funds (see the table below).

	2019
In '000 EUR	
Technical Provisions (Financial Statement)	8,464,288.3
Own Funds (Financial Statement)	77,583.9
Basic Own Funds (Solvency II)	−174,178.2
Deferred Tax Liabilities	−36,071.9
URG on own assets	118,754.4
Profit on Reinsurance Recoverables	−9,449.2
Profit Non Insurance Receivables	−376.5
Not Disclosed assets under SII (Intangible Assets & Goodwill))	−5,144.6
Residual (*)	0
Technical Provisions (Solvency II)	8,435,406.3

D.3. Other liabilities

D.3.1. Basis, methods and assumptions used for valuing other liabilities

For the pension plan for Baloise employees the IFRS value is taken.

The statutory and Solvency II balances concerning other liabilities are composed of the following positions:

Other liabilities

in '000 EUR	Local GAAP	Solvency II	Delta
Other liabilities	187,013.4	223,085.4	36,071.9
Provisions other than technical provisions	5,813.5	5,813.5	-
Deferred tax liabilities	-	36,071.9	36,071.9
Debts owed to credit institutions	360.3	360.3	-
Insurance & intermediaries payables	168,897.3	168,897.3	-
Reinsurance payables	5,483.4	5,483.4	-
Payables (trade, not insurance)	5,927.6	5,927.6	-
Any other liabilities, not elsewhere shown	531.3	531.3	-

The provisions other than technical provision contain the provisions for pensions and similar obligations. They are determined annually by the actuary and recalculated with the DBO method for IFRS group reporting. In calculating its defined benefit obligations towards its employees, the company makes assumptions about the expected return on plan assets, the economic benefits embodied in assets, future increases in salaries and pension benefits, the discount rate applicable and other parameters. The most important assumptions are derived from past experience of making estimates.

The other provisions are determined in detail for each year-end. They are composed by all quantified risks, which are already known, and charges known but not yet invoiced. The measurement of provisions requires assumptions to be made about the probability, timing and amount of any outflows of resources embodying economic benefits. A provision is recognized if such an outflow of resources is probable and can be reliably estimated. The value of statutory accounts and Solvency II is identical. The deferred tax liabilities contain the total net deferred taxes on the differences between all statutory balance sheet positions and the Solvency II value. The new tax rate applicable for the calculation of deferred taxes in 2019 amounting to 27.2%.

The creditors arising out of insurance and reinsurance operations as well as the other creditors are not subject to revaluation, as they have no duration.

The amounts owed to credit institutions concern negative balances on current bank accounts and are presented with the actual value corresponding to external bank confirmations at year-end.

The other liabilities, not elsewhere shown, are principally composed by tax liabilities to the Italian tax authority. As the company is acting as an intermediary advancing the tax charges for the policy holders,

the position is also booked as debtor on the asset side. The position is determined for year-end and not subject to revaluation, as the booking entries on asset and liability side are neutral.

D.3.2. Reconciliation to financial reporting

The differences in methodology as well as the quantitative impacts between the statutory balance sheet and the Solvency II values are already explained in the previous section.

D.4. Other relevant information

No further relevant information is reported.

E. Capital Management

E.1. Own funds

E.1.1. Capital management: objectives, policy and processes

Capital is a scarce and strategic resource, which requires a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. This approach must balance the needs and requirements of stakeholders including shareholders, regulators, employees and customers.

Objectives

The Insurer's main objectives in capital management are the following:

- to fulfil the solvency requirements defined by the regulatory frameworks;
- to ensure business continuity and the capacity to develop its activity;
- to continue guaranteeing an adequate remuneration of shareholders' capital;
- to pursue the optimal ratio between equity and debt, by ensuring adequate remuneration of all capital and debt sources;
- to determine impact on pricing policies which are consistent with risk levels of each activity sector and,
- to create value to shareholders.

The company has to comply with local laws and regulations and/or local supervisory authorities requirements regarding a minimum capital. This minimum capital should be maintained as per local legislative framework in order to fulfil its insurance obligations. This minimum level of capital has been continuously maintained during the financial year.

Moreover, according to internal risk management guidelines, the solvency needs are also quantified based on the "Swiss Solvency Test", which is a modern, risk-based and market-consistent solvency regime in Switzerland.

Policy

The company has a Capital Management policy in place that sets forth the principles and guidelines applied within the own funds management context. It sets forth the overall definition of capital and capital adequacy ratios. The guidelines aim for an effective and optimized capital management. Moreover, the policy highlights the different activities within the capital management framework: capital planning, capital contingency and capital allocation.

In addition, the document displays the governance structure that supports capital management. This policy will cover the roles and responsibilities and reporting requirements needed to support the previously mentioned objectives.

For the specific situations when capital sufficiency levels could be breached, the company has a capital contingency plan in place. If such situation is reached, then recovery can come from retained profits or other actions.

Processes

The main goal of the capital management process is to optimize the capital structure, composition and allocation of capital within the company. Additionally, the company aims at a profitable growth and protecting its viability and profitability dividends of the company. The process also ensures continued eligibility of own fund items through close monitoring of the eligibility criteria.

Capital management planning takes into account the following:

- The required capital linked to expected level of risk and risk appetite, as well as risk assessments;
- Own funds projection over a time horizon of three years;
- The capital level the company wants to hold, taking into account:
    - Legal requirements and anticipated changes;
    - Growth ambitions and future capital commitments;
    - Security buffers to ensure that obligations according to the Risk Appetite Policy are met.
- Dividend policy (and future capital raising).

Capital allocation is performed based on the following principles:

- Capital (re)allocation based on business plans which meet strategic and performance objectives;
- Allocation takes into account optimizing expected value creation, risk and capital use.

E.1.2. Own funds analysis

Own funds overview

Under Solvency II, own funds represent those funds of the entity that are available to compensate the financial impact of adverse scenarios for the insurer. An insurer needs to hold certain amounts of own funds covering specific capital requirements (SCR and MCR).

Own funds are categorized into three different “Tiers”: Tier 1 is the highest class, typically characterized by unconditional availability of the funds in case of losses by the insurer. Funds in Tier 2 and Tier 3 respectively generally have limitations as to the amount of funds available, the conditions for availability or the period during which they are available. Accordingly, an insurer may only use Tier 1 own funds to cover capital requirements without restrictions, subject to certain limitations for specific instruments.

The own funds of Bâloise Vie Luxembourg S.A. entirely consist, as last year, of unrestricted Tier I funds.

Own funds structure and composition

Solvency II guidance further distinguishes own funds by the way they are funded: Generally speaking, “basic own funds” are fully paid in, whilst “ancillary own funds” are only available by an insurer on demand.

As of year-end 2019, no ancillary own funds are present and in this way a breakdown is obsolete. The basic own funds exclusively belong to the Tier 1 category.

Analysis of change for all tiers:

As the Basic Own Funds of the company only consist of Tier 1 capital, no further remarks are made.

Deductions and restrictions

As all capital is Tier 1, no deductions and restrictions are observed. No ring fenced funds are present.

Basic own funds (BOF)

As last year, the basic own funds are exclusively composed of reconciliation reserve and ordinary share capital.

Ordinary share capital

The subscribed capital of the company amounts to EUR 32,680 thousand divided into 54 790 shares without a designated nominal value.

There is no share that may be issued in connection with option plans.

Subordinated liabilities

As at 31 December 2019, the company has not issued subordinated liabilities.

Reconciliation reserve

The table below reconciles this amount with the own funds reporting for the figures year-end 2019.

Reconciliation reserve

	2019
in '000 EUR	
Excess of assets over liabilities	174,178.2
Own shares (included as assets on the balance sheet)	
Foreseeable dividends and distributions	5,479.0
Other basic own fund items	32,680.3
Restricted own fund items due to ring fencing	
Reconciliation reserve	136,018.9
ExpectedProfits	
Expected profits included in future premiums (EPIFP) - Life business	30,605.0
Expected profits included in future premiums (EPIFP) - Non- life business	0
Total EPIFP	30,605.0

The figures represent the difference between local and Solvency II balance sheets: local own funds are the sum of the subscribed capital, the reserves and the profit brought forward. The addition of the reconciliation reserves results in the Solvency II available capital. The own funds are obtained by deducting foreseeable dividends and any own shares held as items used to reduce the reconciliation reserve.

Ancillary own funds (AOF)

Structure ancillary own funds

No ancillary own funds are present.

Methods of valuation AOF

Not relevant.

E.1.3. Transitional arrangements

No own fund items are subject to transitional arrangements.

The volatility adjustment is used by the company to calculate the technical provisions and has an impact on the company's financial positions. It therefore impacts the Solvency Capital Requirement and the eligible own funds to cover the Solvency Capital Requirement.

The table below shows the impact of a change to zero of the volatility adjustment on the company's financial positions at 31.12.2019.

S.22.01.21. Impact of long term guarantees measures and transitionals

		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
EUR '000						
Technical provisions	R0010	8,435,406.3	-	-	4,047.3	-
Basic own funds	R0020	168,699.2	-	-	−3,375.0	-
Eligible own funds to meet Solvency Capital Requirement	R0050	168,699.2	-	-	−3,375.0	-
Solvency Capital Requirement	R0090	97,037.8	-	-	769.1	-
Eligible own funds to meet Minimum Capital Requirement	R0100	168,699.2	-	-	−3,375.0	-
Minimum Capital Requirement	R0110	43,667.0	-	-	346.1	-

E.1.4. Eligible amount of own funds to cover the SCR and MCR

Eligible Own funds

As already stated before, the capital structure of the company is very straightforward. The table below confirms that the company more than meets its requirements.

Own funds: eligible own funds and capital requirements

	2018	2019				
	Total	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
in '000 EUR						
Available and eligible own funds						
Total available own funds to meet the SCR	145,324.1	168,699.2	168,699.2	-	-	-
Total available own funds to meet the MCR	145,324.1	168,699.2	168,699.2	-	-	
Total eligible own funds to meet the SCR	145,324.1	168,699.2	168,699.2	-	-	-
Total eligible own funds to meet the MCR	145,324.1	168,699.2	168,699.2	-	-	
SCR	78,552.4	97,037.8				
MCR	35,348.6	43,667.0				
Ratio of Eligible own funds to SCR	185%	174%				
Ratio of Eligible own funds to MCR	411%	386%				

The available own funds increased during the reporting period mainly as a consequence of market performance and increase in business volume.

Reconciliation with Financial Statement equity

The difference between the local own funds and the Solvency II available capital is illustrated below.

Reconciliation with Financial Statement Equity

	Local GAAP	Solvency II	Delta
in '000 EUR			
Subscribed capital	32,680.3	32,680.3	-
Revaluation reserves	-	-	-
Reserves	6,268.0	6,268.0	-
Reconciliation to local results	-	96,594.2	96,594.2
Adjustment reinsurance	-	−9,449.2	−9,449.2
Adjustment other assets	-	113,233.3	113,233.3
Adjustment technical provisions	-	28,882.0	28,882.0
Adjustment other liabilities	-	−36,071.9	−36,071.9
Benefit brought forward	32,160.7	32,160.7	-
Result of the year	6,474.9	6,474.9	-
Own Funds	77,583.9	174,178.2	96,593.2

Notable differences in figures resulting from differences in measurement under the Solvency II regime and local accounts are explained by:

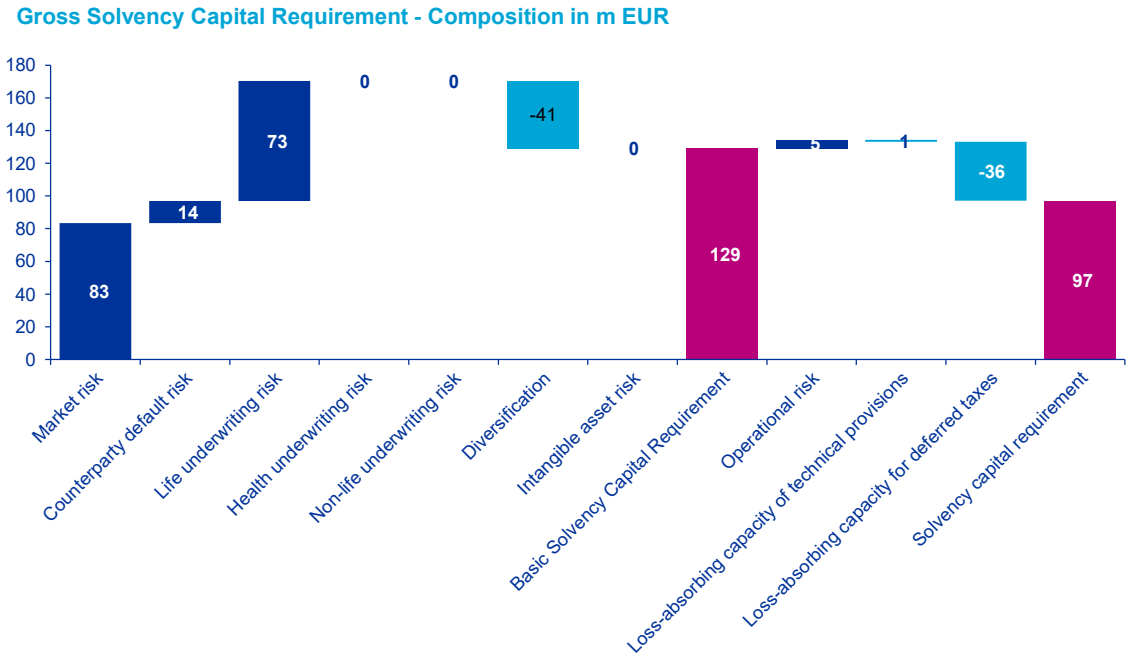
- The adjustment in reinsurance is linked to the transfer from local reserves to best estimate;
- The adjustment of other assets concern bonds, property and equities which are valued at a higher market value than the local book values;
- The technical provisions are revaluated on best estimate basis resulting in a gain for the company;
- The adjustments of the other liabilities concern the deferred tax liabilities.

E.2. SCR and MCR

E.2.1. SCR and MCR: overview and key changes

Solvency position

As of year-end 2019 the Solvency capital requirement of the company amounts to EUR 97,037.8 thousand. This amount is split over the different risk modules of the Solvency II standard formula as illustrated in the waterfall diagram below.



During the reporting period the company's Solvency Capital Requirements evolved as illustrated in the following table.

Solvency Capital Requirement for undertakings on Standard Formula

Gross	2018	2019
EUR '000		
Market risk	62,030.6	83,312.8
Counterparty default risk	13,466.1	13,601.5
Life underwriting risk	62,130.5	73,455.2
Health underwriting risk	-	-
Non-life underwriting risk	-	-
Diversification	−34,417.1	−41,343.5
Intangible asset risk	-	-
Basic Solvency Capital Requirement	103,210.0	129,025.9
Calculation of Solvency Capital Requirement		
Operational risk	5,185.3	5,274.4
Loss-absorbing capacity of technical provisions	−607.9	−1,190.6
Loss-absorbing capacity of deferred taxes	−29,235.0	−36,071.9
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-	-
Solvency capital requirement excluding capital add-on	78,552.4	97,037.8
Capital add-on already set	-	-
Solvency capital requirement	78,552.4	97,037.8
Minimum Capital Requirement	35,348.6	43,667.0

The Minimum Capital Requirement as of year-end 2019 is EUR 43,667.0 thousand. The inputs used to calculate it are:

- The Best Estimate per Line of Business, net of reinsurance as presented in the valuation chapter (D.2. technical provisions per LoB) and linearly combined along with the Capital at Risk of EUR 1,781,855.5 thousand. The linear coefficients used are defined in Article 251 of the Delegated Acts.
- The upper bound of the MCR is defined as 45% of the SCR above.
- The lower bound of the MCR is defined as 25% of the SCR above.

The volatility adjustment is applied in the calculation of the technical provisions. At year-end 2019 the impact of a change of the volatility adjustment to zero on the Solvency Capital Requirement amounts EUR 769.1 thousand and on the Minimum Capital Requirement amounts to EUR 346.1 thousand.

Material changes in SCR and MCR

The increase in SCR during the reporting period is mainly driven by the market risk and the underwriting risk. The increase in market risk stems from higher equity risk, driven by a higher equity shock as prescribed by the Solvency II Standard Formula, higher equity exposure and an increasing volume on our unit-linked portfolio compared to the previous reporting period. The increase in underwriting risk during the reporting period is driven by the new business, the favourable market performance of unit-linked assets and an updated expense assumptions.

E.2.2. Simplified calculations and entity specific parameters

No simplifications are used.

E.3. Use of the duration-based equity risk sub-module for SCR calculation

Use and Supervisor approval (Art. 304)

The duration-based equity risk approach is subject to prior supervisory approval once the Solvency II regime enters into force. The current application of the approach does not pre-empt any future decision by national supervisory authorities to approve or not to approve such approach.

The company does not apply the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirements.

E.4. Difference between the standard formula and any internal model used

Bâloise Vie Luxembourg S.A. makes full use of the standard formula. This section is therefore currently not applicable. Non-compliance with the MCR and the SCR

E.4.1. Amount of non-compliance

Bâloise Vie Luxembourg S.A. has been compliant with the Solvency II Minimum Capital Requirements and the Solvency Capital requirements during the entire reporting period.

E.4.2. Explanations of causes, effects and remedial actions

Not relevant.

E.5. Other relevant information

No supplementary information or risks in addition to the information previously disclosed is considered material.

F. Annex

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	163.4
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	778,039.5
Property (other than for own use)	R0080	11,043.0
Holdings in related undertakings, including participations	R0090	13,447.7
Equities	R0100	16,972.6
Equities - listed	R0110	16,972.6
Equities - unlisted	R0120	-
Bonds	R0130	579,955.2
Government Bonds	R0140	397,107.6
Corporate Bonds	R0150	182,847.6
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	156,619.6
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	1.4
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	7,937,728.1
Loans and mortgages	R0230	14,478.2
Loans on policies	R0240	1,396.3
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	13,081.9
Reinsurance recoverables from:	R0270	−6,666.3
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	−2,964.7
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	−2,964.7
Life index-linked and unit-linked	R0340	−3,701.6
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	11,083.9
Reinsurance receivables	R0370	127.3
Receivables (trade, not insurance)	R0380	14,487.6
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	79,312.3
Any other assets, not elsewhere shown	R0420	3,916.0
Total assets	R0500	**8,832,669.9**

S.02.01.02. Balance sheet: liabilities

EUR '000		Solvency II value C0010
Liabilities		
Technical provisions – non-life	R0510	-
Technical provisions – non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	614,950.1
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	614,950.1
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	599,248.4
Risk margin	R0680	15,701.7
Technical provisions – index-linked and unit-linked	R0690	7,820,456.2
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	7,779,866.5
Risk margin	R0720	40,589.7
Other technical provisions	R0730	0
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	5,813.5
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	36,071.9
Derivatives	R0790	-
Debts owed to credit institutions	R0800	360.3
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	168,897.3
Reinsurance payables	R0830	5,483.4
Payables (trade, not insurance)	R0840	5,927.6
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	531.3
Total liabilities	R0900	**8,658,491.7**
Excess of assets over liabilities	R1000	**174,178.2**

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

		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
EUR '000										
Premiums written										
Gross	R1410	-	54,330.7	746,138.7	16,980.9	-	-	-	-	817,450.4
Reinsurers' share	R1420	-	-	393.2	4,234.0	-	-	-	-	4,627.2
Net	R1500	-	54,330.7	745,745.5	12,746.9	-	-	-	-	812,823.2
Premiums earned										
Gross	R1510	-	54,486.7	746,138.7	17,023.8	-	-	-	-	817,649.3
Reinsurers' share	R1520	-	-	393.2	4,248.4	-	-	-	-	4,641.6
Net	R1600	-	54,486.7	745,745.5	12,775.5	-	-	-	-	813,007.7
Claims incurred										
Gross	R1610	-	33,950.0	449,423.9	3,785.1	-	-	-	-	487,159.0
Reinsurers' share	R1620	-	-	-	856.6	-	-	-	-	856.6
Net	R1700	-	33,950.0	449,423.9	2,928.5	-	-	-	-	486,302.4
Changes in other technical provisions										
Gross	R1710	-	25,708.6	1,109,756.8	2,476.6	-	-	-	-	1,137,942.0
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	-	25,708.6	1,109,756.8	2,476.6	-	-	-	-	1,137,942.0
Expenses incurred	R1900	-	9,940.0	35,565.9	2,041.4	-	-	-	-	47,547.3
Other expenses	R2500									1,106.6
Total expenses	R2600									48,653.9

S.05.02.01. Premiums, claims and expenses by country: life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		PORTUGAL	FRANCE	BELGIUM	MONACO	ITALY	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
EUR '000								
Premiums written								
Gross	R1410	130,461.5	194,273.6	175,704.7	124,194.4	44,917.6	31,285.3	700,837.1
Reinsurers' share	R1420	4,100.5	102.4	123.6	138.7	23.7	16.5	4,505.4
Net	R1500	126,360.9	194,171.2	175,581.1	124,055.7	44,893.9	31,268.8	696,331.7
Premiums earned								
Gross	R1510	130,489.0	194,273.6	175,704.5	124,193.9	44,917.6	31,285.3	700,863.9
Reinsurers' share	R1520	4,114.3	102.4	123.7	138.9	23.7	16.5	4,519.5
Net	R1600	126,374.6	194,171.2	175,580.8	124,055.0	44,893.9	31,268.8	696,344.4
Claims incurred								
Gross	R1610	51,638.8	183,318.9	88,822.3	68,024.9	48,617.4	22,068.0	462,490.2
Reinsurers' share	R1620	751.6	-	9.7	89.7	-	-	851.0
Net	R1700	50,887.2	183,318.9	88,812.6	67,935.2	48,617.4	22,068.0	461,639.2
Changes in other technical provisions								
Gross	R1710	162,518.9	304,797.8	256,189.6	130,813.6	41,910.2	56,564.7	952,794.6
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	162,518.9	304,797.8	256,189.6	130,813.6	41,910.2	56,564.7	952,794.6
Expenses incurred	R1900	29,528.9	195.7	5,568.5	10,906.1	2.2	52.1	46,253.4
Other expenses	R2500							1,491.9
Total expenses	R2600							47,745.3

S.12.01.02. Life and Health SLT Technical Provisions (part 1 of 4)

			Index-linked and unit-linked insurance			Other life insurance		
		Insurance with profit participation	All contracts Index-linked and unit-linked insurance	Contracts without options and guarantees	Contracts with options or guarantees	All contracts Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
EUR '000								
Technical provisions calculated as a whole	R0010	-	-			-		
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	-	-			-		
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030	585,798.6		7,776,461.2	3,405.3		-	13,449.9
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	−45.1		−3,701.6	-		-	−2,919.6
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	585,843.7		7,780,162.8	3,405.3		-	16,369.4
Risk Margin	R0100	7,336.5	40,589.7			8,365.1		
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110	-	-			-		
Best estimate	R0120	-		-	-		-	-
Risk margin	R0130	-	-			-		
Technical provisions - total	R0200	593,135.1	7,820,456.2			21,815.0		

S.12.01.02. Life and Health SLT Technical Provisions (part 2 of 4)

		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)
		C0090	C0100	C0150
EUR '000				
Technical provisions calculated as a whole	R0010	-	-	-
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	-	-	-
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	-	-	8,379,114.9
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	−6,666.3
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	8,385,781.2
Risk Margin	R0100	-	-	56,291.4
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-	-	-
Best estimate	R0120	-	-	-
Risk margin	R0130	-	-	-
Technical provisions - total	R0200	-	-	8,435,406.3

S.12.01.02. Life and Health SLT Technical Provisions (part 3 of 4)

		Health insurance (direct business)		
		All contracts Health insurance (direct business)	Contracts without options and guarantees	Contracts with options or guarantees
		C0160	C0170	C0180
EUR '000				
Technical provisions calculated as a whole	R0010	-		
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	-		
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	-
Risk Margin	R0100	-		
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-		
Best estimate	R0120	-	-	-
Risk margin	R0130	-		
Technical provisions - total	R0200	-		

S.12.01.02. Life and Health SLT Technical Provisions (part 4 of 4)

		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0190	C0200	C0210
EUR '000				
Technical provisions calculated as a whole	R0010	-	-	-
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	-	-	-
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-	-	-
Risk Margin	R0100	-	-	-
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110	-	-	-
Best estimate	R0120	-	-	-
Risk margin	R0130	-	-	-
Technical provisions - total	R0200	-	-	-

S.17.01.02.01 Non-Life Technical Provisions

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.19.01.21.01: Non-life insurance claims

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.22.01.21. Impact of long term guarantees measures and transitionals

		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
EUR '000						
Technical provisions	R0010	8,435,406.3	-	-	4,047.3	-
Basic own funds	R0020	168,699.2	-	-	−3,375.0	-
Eligible own funds to meet Solvency Capital Requirement	R0050	168,699.2	-	-	−3,375.0	-
Solvency Capital Requirement	R0090	97,037.8	-	-	769.1	-
Eligible own funds to meet Minimum Capital Requirement	R0100	168,699.2	-	-	−3,375.0	-
Minimum Capital Requirement	R0110	43,667.0	-	-	346.1	-

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
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	32,680.3	32,680.3		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	136,018.9	136,018.9			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	168,699.2	168,699.2	-	-	-

S.23.01.01. Own funds: ancillary own funds

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	168,699.2	168,699.2	-	-	-
Total available own funds to meet the MCR	R0510	168,699.2	168,699.2	-	-	
Total eligible own funds to meet the SCR	R0540	168,699.2	168,699.2	-	-	-
Total eligible own funds to meet the MCR	R0550	168,699.2	168,699.2	-	-	
SCR	R0580	97,037.8				
MCR	R0600	43,667.0				
Ratio of Eligible own funds to SCR	R0620	173.8%				
Ratio of Eligible own funds to MCR	R0640	386.3%				

S.23.01.01. Own funds: reconciliation reserve

		C0060
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	174,178.2
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	5,479.0
Other basic own fund items	R0730	32,680.3
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	136,018.9
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	30,605.0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	30,605.0

S.25.01.21. Solvency Capital Requirement for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
EUR '000				
Market risk	R0010	83,312.8		
Counterparty default risk	R0020	13,601.5		
Life underwriting risk	R0030	73,455.2		
Health underwriting risk	R0040	-		
Non-life underwriting risk	R0050	-		
Diversification	R0060	−41,343.5		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	129,025.9		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5,274.4
Loss-absorbing capacity of technical provisions	R0140	−1,190.6
Loss-absorbing capacity of deferred taxes	R0150	−36,071.9
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	97,037.8
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	97,037.8
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Approach to tax rate		
		C0109
Approach based on average tax rate	R0590	Yes

S.28.01.01. Minimum Capital Requirement: MCRL result

Linear formula component for life insurance and reinsurance obligations

		C0040
EUR '000		
MCRL Result	R0200	77,078.1

S.28.01.01. Minimum Capital Requirement: total capital at risk

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
EUR '000			
Obligations with profit participation - guaranteed benefits	R0210	578,268.6	
Obligations with profit participation - future discretionary benefits	R0220	7,575.1	
Index-linked and unit-linked insurance obligations	R0230	7,783,568.1	
Other life (re)insurance and health (re)insurance obligations	R0240	16,369.4	
Total capital at risk for all life (re)insurance obligations	R0250		1,781,855.5

S.28.01.01. Minimum Capital Requirement: Overall MCR calculation

Overall MCR calculation

		C0070
EUR '000		
Linear MCR	R0300	77,078.1
SCR	R0310	97,037.8
MCR cap	R0320	43,667.0
MCR floor	R0330	24,259.4
Combined MCR	R0340	43,667.0
Absolute floor of the MCR	R0350	3,700.0
Minimum Capital Requirement	R0400	**43,667.0**

S.28.02.01. Minimum Capital Requirement - Both life and non-life insurance activity

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.