Bâloise Assurances Luxembourg S.A.

Solvency and Financial Condition Report

2016

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List of abbreviations

ALCO-RICO	Asset Liability and Risk Committee
AOF	Ancillary Own Funds
BOF	Basic Own Funds
CAA	Commissariat aux Assurances
CFO	Chief Financial Officer
ELC	Entity Level Control
EPIFP	Expected profits included in future premiums
IIA	Institute of Internal Auditors
ITGC	IT General Control
LOB	Line of business
ORSA	Own Risk and Solvency Assessment
PPP	Prudent Person Principle
SCR	Solvency Capital Requirement
SST	Swiss Solvency Test
Undertaking	Bâloise Assurances Luxembourg S.A.
VAT	Value Added Tax

I. Executive Summary

I.1 Introduction

Bâloise Assurance Luxembourg S.A. is a non-life insurance company, part of, and strongly embedded in the Baloise Group (owned by Bâloise Holding Ltd, Switzerland, a Swiss based financial services provider, which offers insurance and pension 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 & performance, system of governance, risk profile, solvency valuation and capital management.

I.2 Highlights 2016

The year 2016 was characterized by a series of major events such as of new terrorist attacks in Europe, the migrant crisis, creating a general sentiment of insecurity across the entire European Union. The year was also shaped by economic policy uncertainties stemming from the vote for Brexit and the US election. In addition, the challenging, exceptional economic environment, such as the prolonged historically low interest rate environment, continues to persist.

In spite of all these factors, Bâloise Assurances Luxembourg S.A, generated healthy results in 2016.

Bâloise Assurances Luxembourg S.A is ready for the future. We are relying on innovation, agility and an entrepreneurial culture – without neglecting our core insurance business. Bâloise Assurances Luxembourg S.A. has a sound capital base. The undertaking's capital strength in accordance with Solvency II was reported at a level of 304.5% at the end of 2016.

During the year 2017, we will continue to develop our information technology and digital tools in the persuit of managing our portfolio optimally internally as well as through external networks. Furthermore, with the launch of Gooddrive, the first connective car insurance, Bâloise Assurance S.A. will show its innovative influence on the insurance market.

I.3 Business and Performance

Despite difficult conditions healthy profit has been achieved.

In 2016, Bâloise Assurances Luxembourg S.A. generated a healthy profit in its non-life business despite challenging economic conditions.

in '000 EUR, for the year ended December 31	2016
Gross premiums written	106,798.6
Profit of the year	8,661.6
Own assets	249,956.7

These solid foundations mean the undertaking is ideally placed to deal with current challenges.

I.4 System of Governance

We practice sound, responsible corporate governance

As a company that adds value, Bâloise Assurances 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 Assurances Luxembourg S.A. 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.

I.5 Risk Profile

All material risks are identified, assessed and managed.

All risks as defined in the Baloise risk map are assessed on a regular basis by taking into account risk mitigating measures in place. 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.

I.6 Valuation for Solvency purposes

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.

S.02.01 Balance Sheet - Local GAAP and Solvency II Valuation

			2016.12
	LocalGAAP	Solvency II	Difference
EUR '000			
Total assets	313,021.0	317,037.5	4,016.5
Total liabilities	237,517.6	213,313.1	−24,204.4
Excess of assets over liabilities	75,503.5	103,724.4	28,220.9

I.7 Capital Management

Despite of a difficult market environment Solvency II quotas are at a high level

Despite the difficult market environment the undertaking's Solvency II quota was reported at a level of 304.5% at the end of 2016. The legal requirement to hold sufficient own funds to cover the solvency capital requirement has therefore been fulfilled. One should mention that the SII quota is computed without the use of volatility adjustment.

Solvency position	2016.12
EUR '000	
Total available own funds to meet the SCR	96,031.3
Solvency Capital Requirement	31,536.2
Ratio of Eligible Own Funds to Solvency Capital Requirement	**304.5%**

II. Business and performance

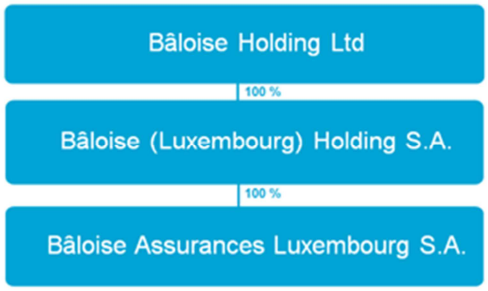
II.1 Business

II.1.1 General information

Bâloise Assurances Luxembourg S.A. ("the undertaking") is an insurance company incorporated in the Grand Duchy of Luxembourg on 30 December 1998, as a limited liability company (société anonyme) and published in the Memorial, special publication for companies and associations, under number B68065. The undertaking is regulated by the Commissariat aux Assurances the Luxemburgish supervisory authority situated at 7, boulevard Joseph II, L-1840 Luxembourg.

The external auditor of Bâloise Assurances 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 undertaking, which is a 100 per cent subsidiary of the ultimate parent company Bâloise Holding Ltd. A simplified structure chart of the undertaking is shown hereafter.



Bâloise Assurances 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).

II.1.2 Significant business and geographical coverage

Main business lines and geographical areas

The undertaking is exclusively active on the Luxembourg market and currently does not practice non-life insurance on the border markets.

The premiums written and insurance results of the non-life insurance business are broken down as follows among the business lines:

In '000 EUR	2016	%
Car liability	22,345.10	20,92%
All risk car	36,041.10	33,75%
Property damage	30,472.10	28,53%
General liability and legal protection	12,814.20	12,00%
Other business lines	5,126.00	4,80%
Total	**106,798.60**	**100,00%**

Significant business or other events

Following the integration of the non-life business of P & V Assurances S.C.R.L. Luxembourg as well as the harmonization of the undertaking's IT systems and products, Baloise has voluntarily embraced digitalization by launching digital systems as priority to accelerate the undertaking's efficiency. The digital revolution is stressed to be an opportunity to broaden the undertaking culture. Bâloise Luxembourg has then created in-house innovation labs and has hired a Chief Innovation Officer to manage internal change and adaptation.

The aim is to improve the quality of process outputs and achieve a higher level of operational excellence and service quality provided to the clients.

II.2 Performance of underwriting activities

II.2.1 Underwriting performance against prior reporting period

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

The principal results of the non-life insurance business may be broken down in the following manner:

Position	2016 Non-life insurance in '000 EUR
Gross written premiums	106,798.6
Gross earned premiums	105,506.0
Gross claims expenses	−59,473.9
Gross operating expenses	−39,879.3
Reinsurance balance	−3,906.8
Technical result non-life	8,145.5

Increased gross written premiums are mainly driven by growth in the lines of business car insurance and general liability insurance. Premium growth is amounting to 5.0 %.

An increase in the number of major claims could be observed in 2016, especially in the line of business liability insurance.

Bâloise Assurances Luxembourg S.A. delivered an overall business profit of EUR 8,661.6 thousand.

II.3 Performance from investment activities

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

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

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.

	2016						
in '000 EUR	**Bonds**	**Equities**	**Property**	**Loans and mortgages**	**Participations**	**Cash and cash equivalents**	**Total**
Recurring income	3,261.5	552.5	666.4	243.3	400.0	−2.7	5,120.8
Realised gains	385.0	550.1	1,486.0	0	0	0	2,421.2
Realised losses	−83.3	−12.5	0	0	0	0	−95.8
Appreciation in value	0	0	0	0	0	0	0
Depreciation in value	0	−352.8	0	0	0	0	−352.8
Cost of investment management	−319.2	−51.6	0	0	0	0	−370.8
Operational profit	**3,244.0**	**685.7**	**2,152.4**	**243.3**	**400.0**	**−2.7**	**6,722.6**
Average investment portfolio	175,843.0	19,597.6	11,636.6	8,492.0	2,348.8	21,515.6	239,433.5
Investment performance [1)]	1.8%	3.5%	18.5%	2.9%	17.0%	−0.0%	2.8%

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

Current income (compared to previous period)

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

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 of equities and bonds classified as “available for sale” are directly recognized in the undertaking’s equity accounts under IFRS rules.

in '000 EUR	**2016**
Gains and losses recognized directly in equity	
Unrealized gain and losses from bonds available for sale	12,484.5
Unrealized gain and losses from bonds held to maturity	2.5
Unrealized gain and losses from equities	3.7
Total	**12,490.7**

Investments in financial instruments based on repackage loans

The undertaking does not invest in any financial instruments based on repackage loans.

II.4 Performance of other activities

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

For year-end 2016 the other technical income and expenses amounting to EUR 2,550.1 thousand and to EUR 1,122.6 thousand respectively can be split as follows:

Other technical income:

- **Other gross technical revenues** consist mainly of gains on the adjustment of customer and agent balances, adjustments of other taxes and litigations, other operating income related to services rendered to group companies, adjustments of policy and claim values, fees for foreign claim's liquidation and capital gains on furniture.
- **Other technical reinsurance revenues** concern the adjustment of claims balances covered by the reinsurance.

Other technical expenses:

- **Other technical expenses** consist mainly of value adjustments, losses on claims and customer balances, purchases of agent portfolios and realized losses on fixed assets.
- **Other technical reinsurance expenses** concern the regularization of reinsurance balances.

II.5 Other relevant information

In Germany, Baloise is working on launching an independent start-up "FRI:DAY" that will start offering easy-to-understand and tailor-made mobile insurance solutions from 2017. Customers will be able to enjoy a fully mobile experience. Selecting and signing up for a product will take just a few minutes. With these quick and easy processes, Baloise is radically changing the user experience in the insurance sector. Its ambition is to become the most popular mobile insurer in Germany by 2021 and to achieve a leading market position in Europe in the long term.

The new entity will be set up as a subsidiary of Bâloise Assurances Luxembourg S.A. in 2017.

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

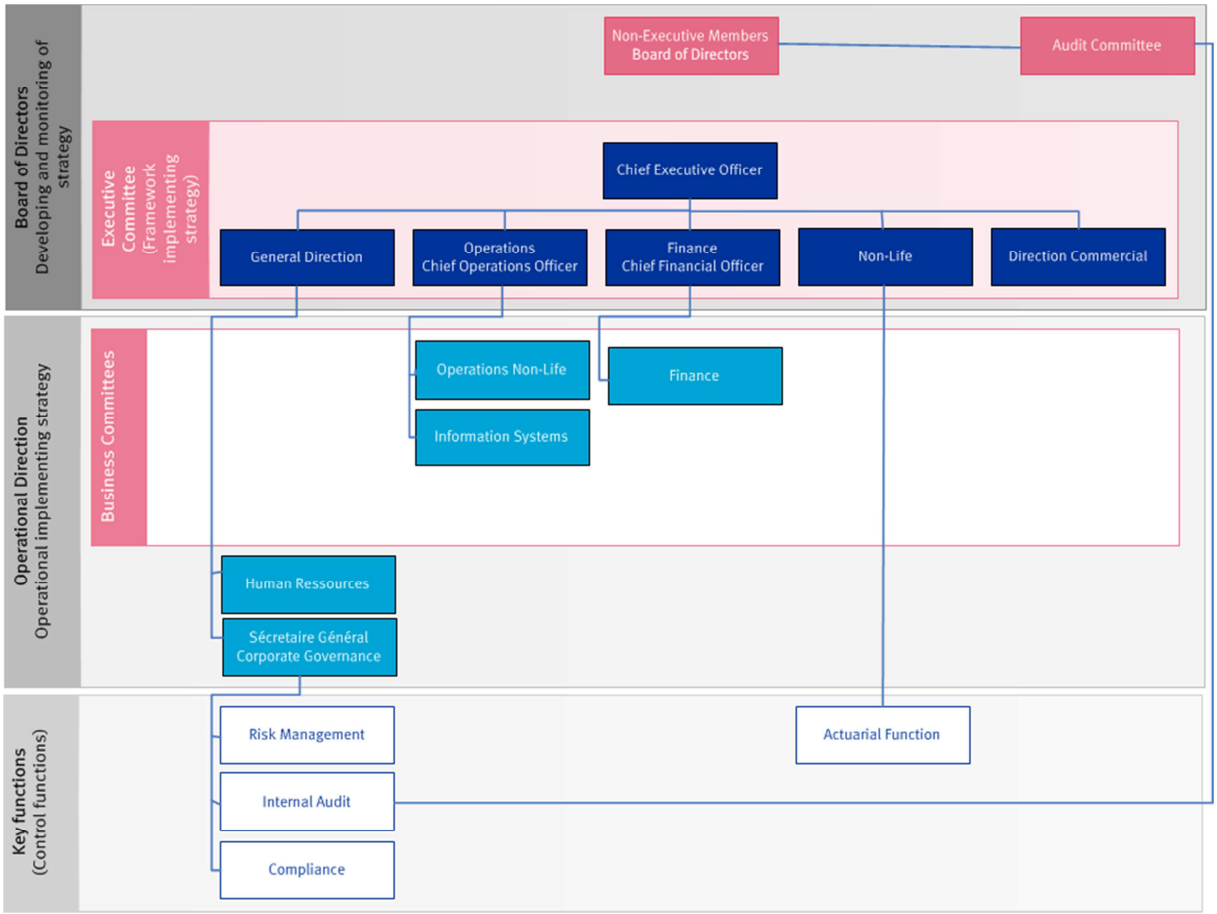
III. System of Governance

III.1 General information on the system of governance

III.1.1 Governance structure: overview and main changes

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

Operationally the Luxemburg subsidiaries are led by the same management team, therefore a common governance structure exists. The undertaking's governance structure is illustrated in the chart below.



Bâloise Assurances 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 lay 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 Operational Direction 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, risk management and internal audit function are assigned to the Sécretaire Géneral, who is the link between the Operational Direction and the Executive Committee, therefore assuring independency from the operational business through the direct access to the Executive Committee and Board of Directors.

Board of Directors

Composition of the Board of Directors

The undertaking is led by Managing Directors and Non-Executive Directors. The Managing Directors are in charge of the undertaking'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 Directors that take 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 Directors and Non-executive Directors

The composition of the Board of Directors consists of managing and non-executive directors. Members of the Board of Directors are appointed for the duration of one year.

Withdrawing managers are eligible for re-election. The Board of Directors consists of Managing and Non-Executive Directors that are selected for a renewable term of one year. The majority is Non-Executive.

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

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 undertaking;
- The approval and regular evaluation of the policy structure, the organization, internal controls and independent control functions of the undertaking;
- Regularly checking whether the undertaking 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 undertaking 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 undertaking, 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

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Board level Committees

Composition of the Board 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 undertaking'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 Directors in line with the approved rewarding system, but no remuneration committee is set up.

Functioning of the Board level committees

The constitution of the Audit Committee and its functioning guarantee the appropriateness of its role.

- The chair of the Audit Committee cannot be the Chair of the Board of Directors;
- The functioning of the Audit Committee is determined in the Internal Audit Policy;
- The members are exclusively Non-Executive members and at least one of them is independent; this cannot prevent that in order to improve its effectiveness, the chair or a member of the Executive Committee, member of the Internal Audit and the Statutory Auditor can participate to meetings, but without being member;
- The committee is collectively competent in relation to the activities of the financial undertaking, the financial treatment and reporting, accounting and audit;
- The members are objective;
- The Audit committee meets at least three times a year;
- The Audit committee reports to the Board of Directors.

Executive Committee

Composition

Every member of the undertaking'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 undertaking, 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 undertaking 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 undertaking. 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.

To ensure the undertaking's management as described above, the Executive Committee is assisted by a second level of management, the Operational Direction.

The Comité de Direction Opérationelle will support the Executive Committee in performing particular tasks and missions assigned to it by the Executive Management Committee. The functions and missions are described by the Executive Committee.

Main changes related to the Executive Committee

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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 Assurances 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.

This 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).

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 Assurances Luxembourg S.A. takes into account the undertaking's size. Internal Audit is part of the Governance department together with the CEO, Secrétaire Général, Compliance and Risk Management.

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.

The function is executed by one Internal Auditor.

Compliance

Bâloise Assurances 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 Compliance Officer is the contact person with respect to information related to money laundering and towards the “Parquet” of Luxembourg 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 undertaking 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;

- Application of the anti-money laundering regulation;
- 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 undertaking;
- Checking compliance with the privacy law, anti-discrimination regulation and data protection as well as group directives;
- Follow-up of changes in the group code of conduct and local implementation;
- Setting up and follow-up of Compliance rules.

The function is executed by one Compliance Officer.

Risk Management

The Risk Manager supervises and monitors the different risks of the undertaking 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 undertaking 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 undertaking 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

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

III.1.2 Remuneration policy

Remuneration principles and objectives

Principles

The success of the company is materially dependent on the skills, capabilities and the performance of its employees. Therefore, it is vital to attract and develop well-qualified, competent and highly motivated employees and executives and retain them within the company. Baloise's remuneration policy and system are derived from these superordinate principles. The Baloise Group has put in place a remuneration policy that is also implemented in the Luxemburg subsidiaries.

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 organisation.

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

Central factors that influence the amount of the short-term variable remuneration are individual performance and the overall result or, in other words, the economic value creation of the company. The connection thus created between the performance of the individual and the company's success is intended to motivate employees to achieve outstanding results. The short-term variable remuneration is always paid together with the March salary of the following year. Baloise places great importance on the sustainable management of the business and on a high correlation between the interest of shareholders and management. 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 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 shares exists: CEO must draw at least 40 % of their short-term variable remuneration in the form of shares and 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 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 Remunertion Committee. In principle, the most senior management level of the whole Group, the majority of executives in Switzerland as well as the respective functions abroad are considered for the performance pool.

Long-term variable remuneration

The company additionally provides performance share units (PSU) to the most senior executives as a long-term variable remuneration component. The PSU program permits the most senior executive level to participate more intensively in the value development of the company and promotes the long-term retention of high performers.

Pension schemes

The undertaking 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 undertaking'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.

III.1.3Material 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.

III.2 Fit and proper requirements

III.2.1 Fit and proper: Policy and process

Fit and proper principles and objectives

The undertaking 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 undertaking 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 undertaking operates;
- The undertaking’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 undertaking 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 undertaking 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.

III.3 Risk management system including the ORSA

III.3.1 Risk management system overview

Risk Management is one of the core competences of the Baloise Group. The undertaking 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 users synergies across the group effectively.

Risk management is assigned to the Corporate Governance department under the general direction and functionally controlled by the Sécretaire Géneral. 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 undertaking 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 undertaking 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	Investment risks	Financial structure risks	Business environment risks	Operational risks	Management/ information risks
Technical risks, Life → Parameter risks → Worst-case scenario	Market risks → Interest → Shares → Currencies → Real estate → Market liquidity → Derivatives → Alternative investments	Asset liability risks → Interest fluctuation risk → (Re) financing, liquidity	Changes to regulations	IT and data security → Data → Software / hardware / network → Physical reliability → End User Computing	Structure of organisation
Technical risks, Non-Life → Premiums → Claims → Worst-case scenario → Creation of provisions	Credit risks	Concentration of risks → Accumulation risks → Cluster risks	Competitive risk	Personnel risks → Skills / capacities → Knowledge availability → Incentive systems	Corporate culture
Reinsurance → Premiums / rating → Default → Active reinsurance		Requirements for balance-sheet structure and capital → Solvency ratio → Other regulatory requirements	External events	Legal risks → Contracts → Liability and litigation → Tax	Strategy → Business portfolio → Risk steering
			Investors	Compliance	Merger and acquisitions
				Business processes → Process risks → Project risks → In- / Outsourcing	External communication
				Risk analysis and risk reporting → Risk analysis and risk assessment → Risk reporting	Financial statement, forecast, plan
					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.

III.3.2 ORSA process

ORSA compliance

The purpose of the undertakings Own Risk and Solvency Assessment (ORSA) is to provide a comprehensive overview of all risks the undertaking 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 undertaking. 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 undertaking'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 undertaking, 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 undertaking is in the position to judge if the risks can be accepted without endangering its Solvency position.

III.4 Internal control system

III.4.1 Internal control system overview

The undertaking'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 undertaking's internal control system covers the financial reporting as well as Compliance and Operational risks.

The undertaking'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 undertaking 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 undertaking's success.

Depending on the risk type to be considered, the undertaking 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 undertaking. 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.

III.4.2 Compliance function

The undertaking'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, combating of money laundering, blacklisting, cartel law, fraud and code of conduct, archiving, duty of care in consulting, corruption, cross-border services, US persons and AEOI/FATCA) that constitute the basis for controlling and regular compliance reporting.

Objectives

The compliance function aims to ensure the undertaking's compliance with the laws and rules relating to the integrity of undertaking 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 honorable conduct. Within the framework of its supervisory duty, the Board of Directors regularly verifies whether the undertaking 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 undertaking's activities.

The Executive Committee develops a Compliance policy and updates it regularly. This policy defines the undertaking’s objectives and identifies and analyses the risks that the undertaking 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 (such as the Cellule de renseignements financiers);
- 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 assigned to the CEO and functionally controlled by the Sécretaire Géneral.

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.

III.5 Internal audit function

III.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.

III.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.

III.6 Actuarial function

III.6.1 Organization and key responsibilities

Actuarial policy and objectives

Detailed regulatory guidance defines the role and responsibility of the Actuarial Function. Bâloise Assurances 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 2,
- 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 2016, the actuarial function was embedded in the undertaking's actuarial department.

The actuarial function holder fulfills all fit and proper criteria including the internal criteria regading 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.

III.7 Outsourcing

III.7.1 Outsourcing policy and key aspects

Overview of the outsourcing policy

The outsourcing process defined in the undertaking's outsourcing policy consists of the following four steps:

- Strategic Assessment
- Evaluation, selection, contract
- Manage relationship and contract
- Termination and Exit

Once the Strategic Assessment has determined that a function or service is adequate for outsourcing a series of additional evaluations, which will involve various stakeholders and departments, must be conducted. As soon as the contract is signed the relationship management phase begins. The business relationship must be actively managed in line with its scope. This includes regular situation analyses in order to examine service quality and impairments. It must be evaluated whether the external service provider possesses adequate emergency plans. In addition, a regular review of goals and risk assessments has to be performed. In case the contract is terminated by either party, preparations for the transfer of work to another provider or for the return of these services to the undertaking have to commence immediately.

Critical outsourced services

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

Outsourced Activity	Location of Service Provider
Investment advice	Switzerland
Claim handling (call center)	Belgium
Datacenter harmonization	Luxembourg, Switzerland
Printing and external Mail	Luxembourg
Scanning and archiving	Luxembourg
Physical data storage	Luxembourg

Investment advice and a part of datacenter harmonization concern intragroup outsourcing.

III.8 Adequacy of the system of governance

The system of governance in place at Bâloise Assurances Luxembourg S.A. 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 undertaking's Code of Conduct ensures the adequacy of key personnel.

III.9 Any other information

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

IV. Risk Profile

IV.1Underwriting risk

For Bâloise Assurances Luxembourg S.A. non-life underwriting risk is the risk arising from non-life insurance obligations (other than health insurance obligations) and health insurance obligations. Hereafter, underwriting risk is referred to in relation to the perils covered and the processes used in the conduct of business. The non-life underwriting risk is related to the core business of the undertaking, namely the premium and reserve risk and the catastrophe risk.

This 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 2016 Bâloise Assurances Luxembourg S.A.'s capital requirements for non-life underwriting risk amount to EUR 27,290.0 thousand as measured by the Solvency II standard formula. The non-life underwriting risk is composed of premium and reserve risk as well as catastrophe risk which are described below in more detail.

IV.1.1 Risk exposure

The non-life business of the undertaking consists of the following lines of business (LOB) according to the definitions applied by Solvency II:

- **Income protection insurance** (LOB2): Income protection insurance obligations where the underlying business is not pursued on a similar technical basis to that of life insurance
- **Motor vehicle liability insurance** (LOB4): Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land
- **Other motor insurance** (LOB5): Insurance obligations which cover all damage to or loss of land vehicles
- **Marine, aviation and transport insurance** (LOB6): Insurance obligations which cover all damage or loss to sea, lake, river and canal vessels, aircraft, and damage to or loss of goods in transit or baggage irrespective of the form of transport. Insurance obligations which cover liabilities arising out of the use of aircraft, ships, vessels or boats on the sea, lakes, rivers or canals
- **Fire and other damage to property insurance** (LOB7): Insurance obligations which cover all damage to or loss of property other than those included in the lines of business 5 and 6 due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft.

- **General liability insurance** (LOB8): Insurance obligations which cover all liabilities other than those in the lines of business 4 and 6.

- **Legal expenses insurance** (LOB10): Insurance obligations which cover legal expenses and cost of litigation.

The non-life underwriting risk is primarily dominated by premium and reserve Risk. Premium risk only relates to future claims, and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected. Reserve risk only relates to incurred claims, i.e. existing claims. It originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.

Premium and reserve risk

Premium risk is the risk that calculated insurance premiums are based upon wrong assumptions resulting in insufficient premiums to cover the related small risks (frequency uncertainty). This risk is covered by the standard formula and the calculation is mainly based on the level of premiums by line of business.

The following table contains the gross written premiums by line of business during the year 2016.

S.05.01.02 Non-Life Written Premiums

	Written premiums
EUR '000	
Income protection insurance	4,524.6
Motor vehicle liability insurance	19,120.1
Other motor insurance	37,640.2
Marine, aviation and transport insurance	354.8
Fire and other damage to property insurance	23,601.7
General liability insurance	8,375.3
Legal expenses insurance	2,462.8
Total	96,079.4

The reserve risk results from fluctuations in timing and amount of claim settlements. This risk is covered by the Solvency II standard formula and the exposure is mainly driven by the volume of reserves by line of business.

The following table contains the gross best estimate reserves by line of business as of year-end 2016.

in '000 EUR	Gross Best Estimate OC
Icome protection insurance	1,357.1
Motor vehicle liability insurance	63,786.7
Other motor insurance	11,696.3
Marine, aviation and transport insurance	491.4
Fire and other damage to property insurance	20,751.8
General liability insurance	23,971.9
Legal expenses insurance	1,995.9

The reserve risk is also covered by the standard formula.

The main exposure of premium and reserve risk stems from the more material lines of business of the undertaking.

Catastrophe risk

The non-life catastrophe risk is the risk that a single event or series of events, of major magnitude, usually over a short period, leads to a significant deviation in actual claims from the total expected claims. The undertaking is exposed to the following risks:

- Natural Catastrophe risk
    - Windstorm
    - Hail
- Man-made catastrophe risk
    - Motor vehicle liability
    - Fire
    - Liability
- Health catastrophe risk
    - Mass accident
    - Accident concentration
- Other risks

This risk is covered by the standard formula and the calculation is mainly based on the level of sum insured or gross premiums by line of business. The undertaking is mainly subject to man-made catastrophe fire risk and natural catastrophe risk. The man-made catastrophe fire risk is defined as the maximum exposition (buildings) that are partly or fully located within a radius of 200 meters.

IV.1.2 Risk concentration

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

The underwriting activity of the undertaking is limited to the Luxembourg market, therefore no geographical diversification exists at the level of the undertaking.

The table above shows the concentration of direct gross written premiums split by line of business as of year-end 2015. Concentration risk is partially mitigated by reinsurance. For example, in order to avoid that claims exceed the reinsurer's capacity, the undertaking has facultative reinsurance treaties for selected risks. Additional details are described in the following section on risk mitigation.

IV.1.3 Risk mitigation

The insurance risk (and particularly the catastrophe risk) is mitigated by internal and external reinsurance. Most of the treaties subscribed by the undertaking are treaties by excess of loss, i.e. non-proportional reinsurance. The main part of the reinsurance program is setup and placed on the market by Baloise Group Reinsurance. Retention amounts are decided by the Local Executive Committee in collaboration with Baloise Group.

The sufficiency of premiums (premium risk) is mitigated by product management governance, close follow-up of claims ratios and regular profitability analysis on a product by product basis. In addition, the IFRS liability adequacy test ensures the sufficiency of premiums under the IFRS accounting standard.

In order to avoid attracting or retaining high risk profiles (anti-selection risk), several actions are taken:

- Tariff segmentation: Tariff segmentation is in place for the main products to attract the best segment and have a premium adapted to the higher risk.
- Bonus Malus: A bonus malus system is in place for the main products to adjust the premium in case of deviation of the risk.

IV.1.4 Risk sensitivity

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

The principal driver of the Underwriting Risk is the Premium and Reserve risk, wich is directly related to the volume of premiums and reserves.

IV.2Market risk

Market Risk is the risk associated with the balance sheet positions where the value or cash flow depends on financial markets. It is reflected by losses that arise from changes or fluctuations in market prices. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

Risk factors include:

- Equity market prices
- Property market prices
- Interest rate risk
- Credit spread changes
- Currency exchange rates

As of year-end 2016, the global market risk for the undertaking amounts to EUR 19,220.7 thousand. It is mainly driven by the interest rate risk, the equity risk and the spread risk.

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

IV.2.1 Risk exposure

Interest rate risk

Interest rate risk is the risk that the undertaking'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 2016 the interest rate sensitive exposure of our own assets amounts to EUR 181,475.6 thousand under the Solvency II framework.

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 2016 the undertaking holds a minor position in currency sensitive assets.

Equity risk

The undertaking is exposed to risks from price fluctuations on equity securities. Equity risk exposure includes common stocks, linked to equity unit trusts.

As of year-end 2016 the undertaking's total exposure on equity and investment funds is as follows:

	2016.12
Equity type	**Total exposure Solvency II**
EUR '000	
Equities – Type 1	19,945.0
Equities – Type 2	2,348.8

This equity risk is mainly concentrated on type 1 exposure. Type 2 exposure stems from a strategic participation in the related company Bâloise Luxembourg Real Estate S.A.

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 2016 the spread sensitive exposure of our own assets amounts to EUR 117,542 thousand.

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 undertaking by using the Discounted Cash Flow (DCF) method internally as well as the evaluation of external experts.

The undertaking's total exposure on our own assets as of year-end 2016 amounts to EUR 12,385.0 thousand.

IV.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 undertaking's market risk concentration as of year-end 2016 according to the Solvency II standard formula, we did not identify any market risk concentration. The risk is regularly identified and some positions are immediately sold in case of occurrence in order to reduce our risk concentration and optimize our portfolio.

IV.2.3 Risk mitigation

In order to limit and monitor the undertaking'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 undertaking'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 undertaking 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.

IV.2.4 Risk sensitivity

Very similar to the processes for analyzing underwriting risk, Bâloise Assurances Luxembourg S.A. applies various sensitivity and scenario analysis to those parameters that influence the market risk.

Based on the analysis of the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the undertaking's market risk exposure is driven by interest rate, equity and spread risk.

IV.3 Counterparty default risk

IV.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. Counterparty default 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 undertaking 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.

As of year-end 2016, the gross solvency capital requirements for counterparty default risk amount to EUR 6,333.8 thousand, mainly driven by type 2 exposure.

IV.3.2 Risk concentration

The split by type of counterparty default risk exposures is as follows:

in '000 EUR	Base amount
Type 1	32,982.8
Type 2	10,080.8
Less than 3 month	6,057.0
More than 3 month	4,023.8

We can see that almost two third of our exposure for type 2 is concentrated in the first three months, which reduce significantly our counterparty default risk. The type 2 exposure more than 3 months is due to the successive integration of societies. We are currently applying our internal process in order to reduce our risk concentration on counterparties.

IV.3.3 Risk mitigation

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

To restrict the counterparty default or accumulation risk in the undertaking, 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.

IV.3.4 Risk sensitivity

Overall, in terms of the capital position of Bâloise Assurances Luxembourg S.A. per year-end 2016, measured according to the standard formula applicable according to Solvency II, the exposure by type of counterparty risk amounts to EUR 2,182.8 thousand for Type 1 exposure and EUR 4,529.9 thousand for Type 2 exposure. The sensitivities considered do not result in a Solvency II ratio below 100%.

IV.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.

IV.4.1 Risk exposure

The undertaking is exposed to liquidity risk in the sense that a liquidity strain might not be sufficiently offset by the sale of assets or an alternative refinancing might not be in place sufficiently fast.

For the majority of its business underwritten, the undertaking provides insurance cover on an annual basis. The undertaking's assets are generally invested in liquid instruments such as government bonds taken into consideration their suitability to match these liabilities.

The most important liquidity risk may be caused by a catastrophic event which could trigger exceptionally large claims or a large number of claims to be received in a short period. Risk mitigating measures such as reinsurance cover limit the liquidity risk arising from such events as full claim amounts are not paid immediately after the event allowing for additional time to liquidate assets. In addition, restrictions on investments are in place in order to further reduce the risk as described in the previous section on counterparty default risk.

It should be noted that catastrophic events are rare and adequate solvency capital requirements for such an event are considered in the undertaking's underwriting risk exposure.

As of year-end 2016 no expected profit is included in the future premium amounts.

IV.4.2 Risk concentration

The undertaking is not exposed to significant liquidity risk concentration.

IV.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 undertaking's Liquidity policy and followed-up on a regular basis via the undertaking's key risk indicator reporting.

IV.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 needs to be calculated in addition.

IV.5 Operational risk

IV.5.1 Risk exposure

For Bâloise Assurances 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, managing existing contracts and their underlying investments, preparing documents required by regulatory and tax authorities and preparing financial reporting for Bâloise Assurances 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 as well affect the correct execution of business processes.

IV.5.2 Risk concentration

Bâloise Assurances Luxembourg S.A. has not identified any risk concentration with respect to operational risk during the reporting period.

IV.5.3 Risk mitigation

Bâloise Assurances Luxembourg S.A. mitigates its operational risks by various techniques to make processes and systems as robust as possible. These include 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 undertaking's effective internal control system.

IV.5.4 Risk sensitivity

The undertaking 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 2016 the capital requirements for operational risk amount to EUR 3,721.5 thousand as measured by the Solvency II standard formula which represents the negative impact for the

undertaking if all of the negative impacts described would happen at the same time. The considered sensitivity does not result in a Solvency II ratio below 100%.

IV.6Other 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 risk and digitalization.

V. Valuation for solvency purposes

V.1 Assets

V.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 Assurances Luxembourg S.A. applies these principles already for its contribution to the group financial statements of its ultimate holding company, Baloise Group.

S.02.01 Balance Sheet: Assets under Local GAAP and Solvency II Valuation

			2016.12
Assets	**LocalGAAP**	**Solvency II**	**Difference**
EUR '000			
Intangible assets	13,043.6	0	−13,043.6
Property, plant & equipement held for own use	2,096.4	2,096.4	0
Property (other than for own use)	9,723.0	12,385.0	2,662.0
Equities	16,227.3	19,945.0	3,717.7
Government Bonds	75,484.5	83,311.7	7,827.2
Corporate Bonds	93,184.8	100,316.6	7,131.8
Assets held for index-linked and unit-linked contracts	0	0	0
Loans & mortgages	8,435.8	8,435.8	0
Reinsurance recoverables from:	41,084.3	41,291.7	207.4
Insurance & intermediaries receivables	10,322.5	10,322.5	0
Cash and cash equivalents	23,227.1	23,227.1	0
Other	20,191.6	15,705.7	−4,485.9
Total assets	313,021.0	317,037.5	4,016.5

Intangible assets

The statutory value of intangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The amortization rate is set at 10% except for the concessions, brevets and licenses where the amortization rate is between 10% and 25%.

The position is composed of software and externally acquired client portfolio.

In Solvency II balance sheet the intangible assets are presented with a value of EUR 0.

Property, Plant and Equipment

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. The DCF-calculation of the property "St. Esprit" has been prepared internally in December 2016.

Investment properties

No investment properties can be found in the portfolio.

Participations

The undertaking is holding 100% of a participation of the company Bâloise Luxembourg Real Estate S.A. amounting to EUR 2,348.8 thousand. The participation value is mainly consisting of the property "Orange" amounting to EUR 10,667 thousand on the asset side and a loan granted by the mother company amounting to EUR 8,318 thousand on the liability side. The valuation of the building "Orange" was prepared externally before acquisition on October 2013.

	% of holding	Own funds as at 31.12.2016 '000 EUR	Result of the year 2016 '000 EUR	Seat	Book value of participations 31.12.2016 '000 EUR
Bâloise Luxembourg Real Estate S.A.	100.0%	472.2	150.9	Bertrange (Luxembourg)	2,348.8

Financial assets

The statutory value of tangible assets consists of the acquisition values reduced by the accumulated regular amortizations. The position is composed of hardware, machines, furniture and installations. For both the Solvency II balance sheet as well as the statutory balance sheet values are acquisition values reduced by the accumulated regular amortizations. Hardware and machines are amortized over 4 years, furniture and installations are amortized over 10 years.

The statutory value of equities and investment funds is the lower of cost or market value. In Solvency II the equities' and investment fund's market values are obtained by an external source "Bloomberg", which is feeding our investment administration system. Market values delivered by Bloomberg are "Xetra Bid" closing prices. As a control, the prices are compared to the ones provided by custodians. All investment funds are held in EUR. 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 "Bloomberg", which is feeding our investment administration system "Simcorp Dimension". Market values delivered by Bloomberg are "Bloomberg Generic Bid" prices (exception for Greek bonds, where market values are delivered by Baloise Asset Management. The whole bond portfolio is exclusively composed by EUR denominated bonds.

As of year-end 2016, Bâloise Assurances Luxembourg S.A. is holding term deposits amounting to EUR 30.9 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 portfolio.

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 assets, amounting to EUR 2,214.9 thousand, concern deposits for Rental agreements and other adjustments accounts. As the position presents a negligible part of the assets and the valuation impact does not justify the related calculation workload, we refrained from the valuation at best estimate.

The accrued interests are determined for local closing and not subject to revaluation.

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

V.1.2 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 paragraph and are not repeated. Nevertheless a comparison between the methodologies is presented below section.

V.2 Technical provisions

Technical provisions are the undertaking's allocation of capital to meet the obligations directly related to the insurance business. Following Solvency II principles they are composed of:

- Best Estimate
- Risk Margin

Best estimate

The Best estimate is the average of the outcomes stemming from insurance obligations of all possible scenarios, weighted according to their respective probabilities. It can be decomposed in premium provisions and claims provisions. The best estimate for premium provisions represents the expected

present value of future in- and out-going cash-flows originated from future claims, while the best estimate for claims provisions represents the expected present value of future in- and out-going cash-flows originated from outstanding claims.

Risk Margin

A 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 undertaking.

V.2.1 Technical provisions valuation

Technical provisions by line of business: overview

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

The tables below provide an overview of the composition of the technical provisions per line of business, separately for the lines business of the segment non-life:

Non-Life technical provisions

in '000 EUR	Premium provisions	Claims provision	Risk Margin	Recoverables from reinsurance	Total SII	Local
Medical expense insurance	0	0	0	0	0	0
Icome protection insurance	−142.6	1,499.7	67.3	553.8	1,424.4	4,763.9
Workers' compensation insurance	0	0	0	0	0	0
Motor vehicle liability insurance	5,763.3	58,023.5	2,625.4	22,328.4	66,412.1	72,258.6
Other motor insurance	5,698.2	5,998.0	1,786.2	59.9	13,482.5	20,806.2
Marine, aviation and transport insurance	59.7	431.7	70.1	0	561.5	498.2
Fire and other damage to property insurance	7,254.7	13,497.0	1,256.4	7,140.1	22,008.2	29,655.5
General liability insurance	2,254.0	21,717.9	1,218.0	10,320.7	25,190.0	39,174.5
Credit and suretyship insurance	0	0	0	0	0	0
Legal expenses insurance	197.4	1,798.5	168.9	26.1	2,164.8	3,465.0
Assistance	0	0	0	0	0	0
Miscellaneous financial loss	0	0	0	0	0	0
Non-proportional health reinsurance	0	0	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0	0	0
Non-proporational property reinsurance	0	0	0	0	0	0
Total	**21,084.8**	**102,966.3**	**7,192.3**	**40,429.1**	**131,243.4**	**170,622.0**

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

Best estimate

The Best estimate is calculated using a deterministic approach. It is calculated gross using a cash-flow basis with a separate explicit calculation for reinsurance, also using a cash-flow basis. Further to

the minimum segmentation noted above, the best estimate is also split between claims and premium provisions for non-life business.

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

The best estimates must not include margins for optimism or conservatism. Reserves held in excess of the best estimate must be excluded from the Best estimate calculation but may still be included for financial reporting purposes.

Cash flows must be discounted for the time value of money. The yield curves for major currencies to apply by currency are supplied by the supervisor and are fixed for each valuation date.

Reinsurance

The technical provisions are calculated gross, with reinsurance calculated separately under the same principles. Reinsurance recoveries will continue to allow for expected non-payment whether caused by default or dispute.

Expenses

Managing agents take into account all expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses e.g. professional fees. This share should be assessed on the basis that the syndicate continues writing new business. Expense provisions under Solvency II include items such as administrative expenses, investment manager's costs, claims expenses, acquisition expenses and overhead expenses.

Risk Margin

A 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 undertaking.

Where the best estimate and risk margins are calculated separately, which is the case for the vast majority of non-life business. Risk margins are calculated using a cost of capital approach.

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.

Assumptions

Assumptions used within the calculation of Solvency II technical provisions are consistent both with financial market information and "generally available" insurance risk data.

Uncertainty

The best estimate corresponds 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.

Gross and reinsurance cash flows adequately recognize the uncertainty inherent within them, though not through the use of implicit or explicit prudence.

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 period needed to settle claims;
- Fluctuations in the amount of expenses;
- Changes in the value of an index/market value used to determine claim amounts;
- Changes in both entity and portfolio specific factors such as legal, social, or economic factors, where relevant;
- 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;
- For the standards claims, uncertainty mostly comes from the evaluation methodology. This is considered in the reserve risk. Another uncertainty can come from the choice of the methodology. Different methodologies are compared and the more adequate one based on expert judgement is used.

For non-life reserves the amount of technical provisions is sensitive to changes in claims development.

Allowance for uncertainty does not suggest that additional margins should be included within the best estimate.

V.2.2 Reconciliation to financial reporting

Statutory lines of business are classified in line with Solvency II lines of business.

Below the difference between the technical provisions of the statutory balance sheet is compared to the Solvency II evaluation. The presented results are net of reinsurance. Statutory figures are the sum of the claims provision (provision for unallocated expenses included) and the unearned premiums provisions. Solvency II figures are the technical provision described above.

in '000 EUR	Total SII	Local
Medical expense insurance	0	0
Icome protection insurance	1,424.4	4,763.9
Workers' compensation insurance	0	0
Motor vehicle liability insurance	66,412.1	72,258.6
Other motor insurance	13,482.5	20,806.2
Marine, aviation and transport insurance	561.5	498.2
Fire and other damage to property insurance	22,008.2	29,655.5
General liability insurance	25,190.0	39,174.5
Credit and suretyship insurance	0	0
Legal expenses insurance	2,164.8	3,465.0
Assistance	0	0
Miscellaneous financial loss	0	0
Non-proportional health reinsurance	0	0
Non-proportional casualty reinsurance	0	0
Non-proportional marine, aviation and transport reinsurance	0	0
Non-proporational property reinsurance	0	0
Total	**131,243.4**	**170,622.0**

The Solvency II calculations are based on statistics of historic data according to line of business. Resulting cash-flows are then discounted using the risk free curve provided by the supervisor.

The statutory evaluation is described in the actuarial report. The evaluation is done case by case.

The statutory approach is more prudent than best estimate calculations and does not take into account discounting. Moreover, the evaluation of the premium provisions in Solvency II is not similar to the principle of the unearned premiums. A gain results when moving from the local accounting standard to the valuation according to the Solvency II regulation, as the total premium provisions are below the unearned premiums. The risk margin calculated under Solvency II is not part of the statutory figures.

V.3 Other liabilities

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

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

in '000 EUR	Statutory accounts value	Solvency II value	Delta
Other liabilities	60,500.5	75,674.6	15,174.2
Provisions other than technical provisions	4,552.7	4,552.7	0
Pension benefit obligations	1,629.5	1,179.6	−449.9
Deposits from reinsurers	35,681.7	35,681.7	0
Deferred tax liabilities	0	15,624.0	15,624.0
Insurance & intermediaries payables	6,342.9	6,342.9	0
Reinsurance payables	6,395.1	6,395.1	0
Payables (trade, not insurance)	6,704.5	6,704.5	0
Any other liabilities, not elsewhere shown	5,589.1	5,589.1	0

The provisions for pensions and similar obligations are determined annually by the actuary and recalculated with the DBO method for the IFRS group reporting. In calculating its defined benefit obligations towards its employees, the undertaking 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 ceding company requires the reinsurers to cover their reinsurance commitments either fully or partially through cash deposit as required in the signed contracts. The remuneration of these deposits is determined on a yearly basis. It varies based on the yield of linear bonds issued by the European member states, depending on the weighted portfolio duration.

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 tax rate applied for deferred taxes is the new income tax rate at 29.3% due to the decrease of the corporate income tax rate from 21% to 19% as of 01.01.2017 (part of Luxembourg's fiscal reform).

- 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 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 accruals and deferred income stands for the other liabilities, not elsewhere shown, and are principally composed by premiums received in advance. The position is determined for year-end and not subject to revaluation, as the accruals are neutralizing the basis booked on the asset side and profit account by the accrual booked on the liability side and charge account.

V.3.2 Reconciliation to financial reporting

In '000 EUR	Local	Solvency II	Delta
Contingent liabilities	0	0	0
Provisions other than technical provisions	4,552.7	4,552.7	0
Pension benefit obligations	1,629.5	1,179.6	−449.9
Deposits from reinsurers	35,681.7	35,681.7	0
Deferred tax liabilities	0	15,624.0	15,624.0
Derivatives	0	0	0
Debts owed to credit institutions	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0
Insurance & intermediaries payables	6,342.9	6,342.9	0
Reinsurance payables	6,395.1	6,395.1	0
Payables (trade, not insurance)	6,704.5	6,704.5	0
Subordinated liabilities not in Basic own funs	0	0	0
Subordinated liabilities in Basic own funds	0	0	0
Any other liabilities, not elsewhere shown	5,589.1	5,589.1	0
Total liabilities	**237,517.6**	**213,313.1**	**−24,204.4**

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.

V.4 Other relevant information

No further relevant information is reported.

VI. Capital Management

VI.1Own funds

VI.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

Bâloise Assurances Luxembourg S.A.'s main objectives in capital management are the following:

- to fulfil the solvency requirements defined by the regulatory frameworks of each operating segment (non-life segment and life segment);
- 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 undertaking 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 fulfill its insurance obligations. This minimum level of capital has been continuously maintained during the financial year.

Policy

The undertaking has in place a Capital Management policy 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 covers 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 undertaking has in place a capital contingency plan. 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 undertaking. In addition, the undertaking aims at a profitable fund growth and protecting the viability and profitability and fund dividends of the undertaking. 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 projected over a time horizon of three years;
- The capital level the undertaking 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 funding business plans which meet strategic and performance objectives;
- Allocation takes into account optimizing expected value creation, risk and capital use.

VI.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 Assurances Luxembourg S.A. entirely consist of 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. All own funds of the undertaking are basic own funds.

As of year-end 2016, no ancillary own funds are presents and in this way a breakdown is obsolete. The basis 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)

The basic own funds are exclusively composed of reconciliation reserve and ordinary share capital.

Ordinary share capital

The subscribed capital of the undertaking amounts to EUR 14,648.6 thousand divided into 36,634 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 2016, the undertaking has not issued subordinated liabilities.

Reconciliation reserve

The table below reconciles this amount with the own funds reporting for the figures year-end 2016.

S.23.01.01. Own funds: reconciliation reserve

		C0060
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	103,724.4
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	7,693.1
Other basic own fund items	R0730	14,648.6
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	81,382.7
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	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.

VI.1.3 Transitional arrangements

No own fund items are subject to transitional arrangements.

VI.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 undertaking is very straightforward. The table and graph below confirm that the undertaking more than meets its requirements.

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	96,031.3	96,031.3		0	0
Total available own funds to meet the MCR	R0510	96,031.3	96,031.3			
Total eligible own funds to meet the SCR	R0540	96,031.3	96,031.3	0	0	0
Total eligible own funds to meet the MCR	R0550	96,031.3	96,031.3	0	0	
SCR	R0580	31,536.2				
MCR	R0600	14,191.3				
Ratio of Eligible own funds to SCR	R0620	304.5%				
Ratio of Eligible own funds to MCR	R0640	676.7%				

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Reconciliation with Financial Statement equity

The delta between the local own funds and the Solvency II available capital can be analyzed as

In '000 EUR	Local	Solvency II	Delta
Own Funds	66,078.7	103,724.4	37,645.7
Subscribed capital	14,648.6	14,648.6	0
Revaluation reserves	0	0	0
Reserves	26,159.5	26,159.5	0
Reconciliation to local results	0	37,645.7	37,645.7
Adjustment reinsurance	0	207.4	207.4
Adjustment other assets	0	3,809.1	3,809.1
Adjustment technical provisions	0	39,378.6	39,378.6
Adjustement other liabilities	0	−5,749.3	−5,749.3
Benefit brought forward	16,608.9	16,608.9	0
Result of the year	8,661.6	8,661.6	0

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

- 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 representation. The technical provisions are revaluated on best estimate basis resulting in a gain for the company;

- The change in position of the other liabilities concerns the effect of the set-up of a deferred tax liability compensated by the "postes spéciaux" that were not considered in Solvency II context (revaluation to zero).

VI.2SCR and MCR

VI.2.1 SCR and MCR: overview and key changes

Solvency position

As of year-end 2016 the Solvency capital requirements of the undertaking amount to EUR 31,536.2 thousand. This amount is split over the different risk modules of the Solvency II standard formula as illustrated in the table below.

In '000 EUR	Gross solvency capital requirement
Market risk	19,220.7
Counterparty default risk	6,333.8
Life underwriting risk	0
Health underwriting risk	1,585.6
Non-life underwriting risk	27,290.0
Diversification	−13,527.1
Intangible asset risk	0
Basic Solvency Capital Requirement	**40,903.0**
Calculation of Solvency Capital Requirement	
Operational risk	3,721.5
Loss-absorbing capacity of technical ...	0
Loss-absorbing capacity of deferred taxes	−13,088.4
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement excluding capital add-on	31,536.2
Capital add-on already set	0
Solvency capital requirement	**31,536.2**

The risk modules contributing the most to the Basic Solvency Capital Requirement before diversification are the Non-life underwriting risk as well as the Market risk.

S.25.01 Solvency Capital Requirement — for undertakings on Standard Formula

	Gross solvency capital requirement
EUR '000	
Market risk	19,220.7
Counterparty default risk	6,333.8
Life underwriting risk	
Health underwriting risk	1,585.6
Non-life underwriting risk	27,290.0
Diversification	−13,527.1
Intangible asset risk	0
Basic Solvency Capital Requirement	40,903.0
Calculation of Solvency Capital Requirement	
Operational risk	3,721.5
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	−13,088.4
Solvency capital requirement excluding capital add-on	31,536.2

Material changes in SCR and MCR

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Information on the inputs used by the undertaking to calculate the MCR

The Minimum Capital Requirement (MCR) as of year-end 2016 is EUR 14,191.3 thousand.

The information used to calculate the MCR based on the standard formula are the following:

- Technical provisions without a risk margin by line of business after deduction of the amounts recoverable from reinsurance contracts with a floor equal to zero;
- Premiums written for insurance obligations by line of business during the last 12 months, after deduction of premiums for reinsurance contracts, with a floor equal to zero.

VI.2.2 Simplified calculations and entity specific parameters

No simplified calculations or specific parameters have been used by the undertaking for the MCR and SCR calculations.

VI.2.3 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 undertaking does not apply the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirements.

VI.3Non-compliance with the MCR and the SCR

VI.3.1 Amount of non-compliance

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

VI.3.2 Explanations of causes, effects and remedial actions

Not relevant.

VI.4 Other relevant information

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

Annex

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value C0010
Assets		
Intangible assets	R0030	0
Property, plant & equipement held for own use	R0060	2,096.4
Property (other than for own use)	R0080	12,385.0
Equities	R0100	19,945.0
Government Bonds	R0140	83,311.7
Corporate Bonds	R0150	100,316.6
Assets held for index-linked and unit-linked contracts	R0220	0
Loans & mortgages	R0230	8,435.8
Reinsurance recoverables from:	R0270	41,291.7
Insurance & intermediaries receivables	R0360	10,322.5
Cash and cash equivalents	R0410	23,227.1
Other		15,705.7
Total assets	R0500	**317,037.5**

S.02.01.02. Balance sheet: liabilities

EUR '000		Solvency II value C0010
Liabilities		
Technical provisions – non-life (excluding health)	R0520	129,819.0
Technical provisions - health (similar to non-life)	R0560	1,424.4
Technical provisions - health (similar to life)	R0610	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0600	0
Technical provisions – index-linked and unit-linked	R0690	0
Deposits from reinsurers	R0770	35,681.7
Insurance & intermediaries payables	R0820	6,342.9
Other		40,045.1
Total liabilities	R0900	**213,313.1**
Excess of assets over liabilities	R1000	**103,724.4**

S.05.01.02. Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 1 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0010	C0020	C0030	C0040	C0050	C0060
EUR '000							
Premiums written							
Gross - Direct Business	R0110	0	4,757.9	0	22,345.1	38,043.2	368.1
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	0	233.2	0	3,225.1	403.0	13.3
Net	R0200	0	4,524.6	0	19,120.1	37,640.2	354.8
Premiums earned							
Gross - Direct Business	R0210	0	4,754.0	0	22,150.6	37,726.0	371.7
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	0	238.9	0	3,227.2	403.0	13.3
Net	R0300	0	4,515.1	0	18,923.4	37,322.9	358.3
Claims incurred							
Gross - Direct Business	R0310	0	163.1	0	13,488.8	22,897.8	86.1
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	0	156.9	0	5,538.5	58.4	0
Net	R0400	0	6.2	0	7,950.3	22,839.4	86.1
Changes in other technical provisions							
Gross - Direct Business	R0410	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0
Expenses incurred	R0550	0	1,825.8	0	11,783.5	15,984.3	168.1
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02.Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 2 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0070	C0080	C0090	C0100	C0110	C0120
EUR '000							
Premiums written							
Gross - Direct Business	R0110	28,470.0	10,327.9	0	2,486.3	0	0
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	4,868.3	1,952.6	0	23.6	0	0
Net	R0200	23,601.7	8,375.3	0	2,462.8	0	0
Premiums earned							
Gross - Direct Business	R0210	28,733.8	9,310.0	0	2,460.0	0	0
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	4,902.6	2,015.9	0	23.6	0	0
Net	R0300	23,831.2	7,294.1	0	2,436.4	0	0
Claims incurred							
Gross - Direct Business	R0310	11,260.8	2,292.5	0	1,042.7	0	0
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	2,132.2	−1,193.3	0	0	0	0
Net	R0400	9,128.6	3,485.8	0	1,042.7	0	0
Changes in other technical provisions							
Gross - Direct Business	R0410	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0
Expenses incurred	R0550	12,700.5	4,577.0	0	1,032.7	0	0
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02.01 Premiums, claims and expenses by line of business: Non-Life & Accepted non-proportional reinsurance (part 3 of 3)

		Line of Business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
EUR '000						
Premiums written						
Gross - Direct Business	R0110	0				106,798.6
Gross - Proportional reinsurance accepted	R0120					0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0
Reinsurers' share	R0140	0	0	0	0	10,719.2
Net	R0200	0	0	0	0	96,079.4
Premiums earned						
Gross - Direct Business	R0210	0				105,506.0
Gross - Proportional reinsurance accepted	R0220					0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0
Reinsurers' share	R0240	0	0	0	0	10,824.5
Net	R0300	0	0	0	0	94,681.5
Claims incurred						
Gross - Direct Business	R0310	0				51,232.0
Gross - Proportional reinsurance accepted	R0320					0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0
Reinsurers' share	R0340	0	0	0	0	6,692.8
Net	R0400	0	0	0	0	44,539.2
Changes in other technical provisions						
Gross - Direct Business	R0410	0				0
Gross - Proportional reinsurance accepted	R0420					0
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0
Net	R0500	0	0	0	0	0
Expenses incurred	R0550	0	0	0	0	48,071.9
Other expenses	R1200					938.2
Total expenses	R1300					49,010.1

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

		Home country	Top 5 countries (by amount of gross premiums written) — non- life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
EUR '000								
Premiums written								
Gross - Direct Business	R0110	106,798.6						106,798.6
Gross - Proportional reinsurance accepted	R0120	0						0
Gross - Non-proportional reinsurance accepted	R0130	0						0
Reinsurers' share	R0140	10,719.2						10,719.2
Net	R0200	96,079.4						96,079.4
Premiums earned								
Gross - Direct Business	R0210	105,506.0						105,506.0
Gross - Proportional reinsurance accepted	R0220	0						0
Gross - Non-proportional reinsurance accepted	R0230	0						0
Reinsurers' share	R0240	10,824.5						10,824.5
Net	R0300	94,681.5						94,681.5
Claims incurred								
Gross - Direct Business	R0310	51,232.0						51,232.0
Gross - Proportional reinsurance accepted	R0320	0						0
Gross - Non-proportional reinsurance accepted	R0330	0						0
Reinsurers' share	R0340	6,692.8						6,692.8
Net	R0400	44,539.2						44,539.2
Changes in other technical provisions								
Gross - Direct Business	R0410	0						0
Gross - Proportional reinsurance accepted	R0420	0						0
Gross - Non-proportional reinsurance accepted	R0430	0						0
Reinsurers' share	R0440	0						0
Net	R0500	0						0
Expenses incurred	R0550	48,071.9						48,071.9
Other expenses	R1200							938.2
Total expenses	R1300							49,010.1

S.12.01.02.01 Life and Health SLT Technical Provisions

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

S.17.01.02. Non-Life Technical Provisions (part 1 of 3)

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
EUR '000							
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	0	−142.6	0	5,763.3	5,698.2	59.7
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	42.0	0	117.4	−201.2	−0.1
Net Best Estimate of Premium Provisions	R0150	0	−184.5	0	5,645.9	5,899.4	59.8
Claims provisions							
Gross	R0160	0	1,499.7	0	58,023.5	5,998.0	431.7
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	553.8	0	22,328.4	59.9	0
Net Best Estimate of Claims Provisions	R0250	0	945.9	0	35,695.1	5,938.1	431.7
Total Best estimate - gross	R0260	0	1,357.1	0	63,786.7	11,696.3	491.4
Total Best estimate - net	R0270	0	761.4	0	41,341.0	11,837.5	491.5
Risk margin	R0280	0	67.3	0	2,625.4	1,786.2	70.1
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical provisions - total							
Technical provisions - total	R0320	0	1,424.4	0	66,412.1	13,482.5	561.5
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	595.8	0	22,445.8	−141.3	−0.1
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	828.6	0	43,966.4	13,623.7	561.6

S.17.01.02. Non-Life Technical Provisions (part 2 of 3)

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
EUR '000							
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	7,254.7	2,254.0	0	197.4	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	777.4	132.5	0	−5.4	0	0
Net Best Estimate of Premium Provisions	R0150	6,477.3	2,121.5	0	202.7	0	0
Claims provisions							
Gross	R0160	13,497.0	21,717.9	0	1,798.5	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	7,140.1	10,320.7	0	26.1	0	0
Net Best Estimate of Claims Provisions	R0250	6,356.9	11,397.1	0	1,772.4	0	0
Total Best estimate - gross	R0260	20,751.8	23,971.9	0	1,995.9	0	0
Total Best estimate - net	R0270	12,834.3	13,518.6	0	1,975.2	0	0
Risk margin	R0280	1,256.4	1,218.0	0	168.9	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical provisions - total							
Technical provisions - total	R0320	22,008.2	25,190.0	0	2,164.8	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	7,917.5	10,453.3	0	20.7	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	14,090.7	14,736.7	0	2,144.1	0	0

S.17.01.02. Non-Life Technical Provisions (part 3 of 3)

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0140	C0150	C0160	C0170	C0180
EUR '000						
Technical provisions calculated as a whole	R0010	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	0	0	0	0	21,084.8
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	0	862.6
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	20,222.1
Claims provisions						
Gross	R0160	0	0	0	0	102,966.3
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	40,429.1
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	62,537.3
Total Best estimate - gross	R0260	0	0	0	0	124,051.1
Total Best estimate - net	R0270	0	0	0	0	82,759.4
Risk margin	R0280	0	0	0	0	7,192.3
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	131,243.4
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	41,291.7
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	89,951.7

S.19.01.21. Non-life insurance claims: gross claims paid by accident year

Total non-life business
Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												
		0	1	2	3	4	5	6	7	8	9	10 & +		In current year	Sum of years
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160		C0170	C0180
Prior	R0100											71,620.7	R0100	1,580.7	71,620.7
N-9	R0160	25,819.3	11,492.2	2,293.6	920.8	1,095.6	720.2	448.7	331.6	737.8	276.0		R0160	276.0	44,135.8
N-8	R0170	25,280.8	13,487.8	2,493.4	1,194.9	1,324.5	370.0	499.0	521.0	1,082.3			R0170	1,082.3	46,253.8
N-7	R0180	26,432.9	10,631.7	2,997.6	910.0	1,368.5	1,207.0	244.6	407.5				R0180	407.5	44,199.8
N-6	R0190	26,463.8	13,475.0	2,442.4	936.2	354.6	753.1	450.7					R0190	450.7	44,875.8
N-5	R0200	24,511.2	11,068.8	1,630.8	797.8	1,688.7	236.6						R0200	236.6	39,933.8
N-4	R0210	30,514.6	14,998.9	3,024.5	1,234.4	1,242.6							R0210	1,242.6	51,015.0
N-3	R0220	25,152.4	10,688.6	1,985.3	1,150.9								R0220	1,150.9	38,977.1
N-2	R0230	24,912.1	12,655.0	2,252.3									R0230	2,252.3	39,819.3
N-1	R0240	27,189.0	13,351.8										R0240	13,351.8	40,540.8
N	R0250	31,034.7											R0250	31,034.7	31,034.7
Total	R0260												R0260	**53,066.0**	**492,406.7**

S.19.01.21. Non-life insurance claims: gross claims paid by accident year

Total non-life business
Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												
		0	1	2	3	4	5	6	7	8	9	10 & +		In current year	Sum of years
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160		C0170	C0180
Prior	R0100											71,620.7	R0100	1,580.7	71,620.7
N-9	R0160	25,819.3	11,492.2	2,293.6	920.8	1,095.6	720.2	448.7	331.6	737.8	276.0		R0160	276.0	44,135.8
N-8	R0170	25,280.8	13,487.8	2,493.4	1,194.9	1,324.5	370.0	499.0	521.0	1,082.3			R0170	1,082.3	46,253.8
N-7	R0180	26,432.9	10,631.7	2,997.6	910.0	1,368.5	1,207.0	244.6	407.5				R0180	407.5	44,199.8
N-6	R0190	26,463.8	13,475.0	2,442.4	936.2	354.6	753.1	450.7					R0190	450.7	44,875.8
N-5	R0200	24,511.2	11,068.8	1,630.8	797.8	1,688.7	236.6						R0200	236.6	39,933.8
N-4	R0210	30,514.6	14,998.9	3,024.5	1,234.4	1,242.6							R0210	1,242.6	51,015.0
N-3	R0220	25,152.4	10,688.6	1,985.3	1,150.9								R0220	1,150.9	38,977.1
N-2	R0230	24,912.1	12,655.0	2,252.3									R0230	2,252.3	39,819.3
N-1	R0240	27,189.0	13,351.8										R0240	13,351.8	40,540.8
N	R0250	31,034.7											R0250	31,034.7	31,034.7
Total	R0260												R0260	**53,066.0**	**492,406.7**

S.22.01.21.01 Impact of long term guarantees measures and transitionals

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

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	14,648.6	14,648.6			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	0	0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	81,382.7	81,382.7			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0			
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	0	0			
Total basic own funds after deductions	R0290	96,031.3	96,031.3			0

S.23.01.01. Own funds: ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

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	96,031.3	96,031.3		0	0
Total available own funds to meet the MCR	R0510	96,031.3	96,031.3			
Total eligible own funds to meet the SCR	R0540	96,031.3	96,031.3	0	0	0
Total eligible own funds to meet the MCR	R0550	96,031.3	96,031.3	0	0	
SCR	R0580	31,536.2				
MCR	R0600	14,191.3				
Ratio of Eligible own funds to SCR	R0620	304.5%				
Ratio of Eligible own funds to MCR	R0640	676.7%				

S.23.01.01. Own funds: reconciliation reserve

EUR '000		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	103,724.4
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	7,693.1
Other basic own fund items	R0730	14,648.6
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	81,382.7
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	0

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
EUR '000				
Market risk	R0010	19,220.7		
Counterparty default risk	R0020	6,333.8		
Life underwriting risk	R0030		None	
Health underwriting risk	R0040	1,585.6	None	
Non-life underwriting risk	R0050	27,290.0	None	
Diversification	R0060	−13,527.1		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	40,903.0		
Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	3,721.5		
Loss-absorbing capacity of technical provisions	R0140	0		
Loss-absorbing capacity of deferred taxes	R0150	−13,088.4		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0		
Solvency capital requirement excluding capital add-on	R0200	31,536.2		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	31,536.2		
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			

S.28.01.01. Minimum Capital Requirement: MCRNL result

Linear formula component for non-life insurance and reinsurance obligations

		C0010
EUR '000		
MCRNL Result	R0010	15,458.6

S.28.01.01. Minimum Capital Requirement: background information

Background information

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
EUR '000			
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	761.4	4,524.6
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	41,341.0	19,120.1
Other motor insurance and proportional reinsurance	R0060	11,837.5	37,640.2
Marine, aviation and transport insurance and proportional reinsurance	R0070	491.5	354.8
Fire and other damage to property insurance and proportional	R0080	12,834.3	23,601.7
General liability insurance and proportional reinsurance	R0090	13,518.6	8,375.3
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	1,975.2	2,462.8
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

S.28.01.01. Minimum Capital Requirement: Overall MCR calculation

Overall MCR calculation

		C0070
EUR '000		
Linear MCR	R0300	15,458.6
SCR	R0310	31,536.2
MCR cap	R0320	14,191.3
MCR floor	R0330	7,884.0
Combined MCR	R0340	14,191.3
Absolute floor of the MCR	R0350	3,700.0
Minimum Capital Requirement	R0400	**14,191.3**