stadhold insurances (luxembourg) s.a.

# Solvency and Financial Condition Report

May 3, 2018

randstad

human forward.

# Solvency and Financial Condition Report

# 1. A. Business and Performance

## A.1 Business

- Stadhold Insurances (Luxembourg) S.A. (the Company) is a public limited company domiciled in Luxembourg.

- The Company is under the supervision of the Commissariat aux Assurances from Luxembourg:

  **Commissariat aux Assurances**
  7, boulevard Jospeh II
  L—1840 Luxembourg
  Grand-Duché de Luxembourg
  Téléphone : +352 22 69 11-1
  E-mail : caa@caa.lu

- The external auditor is Deloitte Audit S. à r.l. with the following address:

  560, rue de Neudorf
  L-2220 Luxembourg
  Grand-Duché de Luxembourg
  Téléphone : +352 451 451

- The Company is held directly by Randstad Group Luxembourg S. à r.l. with the following address:

  5, rue des Primeurs
  L-2361 Strassen
  Grand-Duché de Luxembourg

- The Company does not belong to an insurance Group.

- The important lines of business of the Company are as follows:
  - N° 1 Accident
  - N° 2 Sickness

- The important geographic areas in which it operates are:
  - The Netherlands

- No transaction or event in 2017 had a material impact on the Company, apart from being the first year of activity.

## A.2 Underwriting Performance

Gross Premiums written for 2017, the first underwriting year amounted to EUR 11.587.740, and all related to the one risk underwritten, the Dutch Disability risk written within The Netherlands, belonging to classes 1 and 2 of Non-Life insurance.

The technical result can be summarised as follows;

| **Technical Result** | EUR |
|---|---:|
| | |
| Gross Premium Written | **11.587.740** |
| | |
| Gross Claims Paid | -119.847 |
| Gross Movement in Claims Reserves | -11.048.910 |
| Acquisition Costs | -119.847 |
| Administration Expenses | -299.617 |
| Allocation from Non-Technical Account | -62.267 |
| Total | **-11.650.488** |
| | |
| **Technical Result** | **-62.748** |

In relation to the loss reserves created, it is important to note that the actual claims reserves will not be known until at least 2019, due to the nature of the risk. Therefore, the reserves reported are actuarially calculated IBNR's at this stage.

Furthermore, there are no actual claims paid or acquisition costs incurred during this underwriting year. These amounts result from the allocation of administration expenses, 20% for each category.

## A.3 Investment Performance

The Company holds all assets in cash, split between three banks. Assets representing Technical reserves, are deposited with ING, with which the Tripartite Agreement is signed. The Share Capital is invested with BMG bank, part of the ING Group. There are two other current bank accounts, used for the day to day management of the company.

There are no derivative instruments.

From the statutory accounts, it can be seen that the net investment result for period from November 14, 2016 (the incorporation date) to December 31, 2017 was a loss of EUR 62.267. However, this result is split between actual bank charges of EUR 2.344 and an allocation of 10% of the administrative expenses of EUR 59.923.

## A.4 Performance of other activities

There were no material income and expenses incurred over the reporting period compared to previous year.

## A.5 Any other information

There are no other important events if appropriate.

# B. System of Governance

**Board of Directors**

**Mr. Robert Bogaardt**, Chairman, supervises the Actuarial Function
**Mr. John van der Steen**, Director, supervises the Internal Audit Function
**Mr. Claude Weber**, Director, supervises the Compliance function

**Dirigeant Agréé**
**Captive Manager**

Brian Collins

**Underwriting Committee**

Claude Weber
Brian Collins
Samira Korterink

**Risk Management Function**

Brian Collins

**Compliance Function**

Claude Weber

**Actuarial Function**

Robert Bogaardt
Milliman Luxembourg

**Internal Audit**
John van der Steen

Randstad Group
Atwell

# B.1 General information on the system of governance

## B.1.1 Board of Directors

- Define and maintain an effective governance framework adapted to the Company's activities in order to ensure a sound and sustainable organization, in compliance with applicable laws and regulations;
- provide necessary resources to the various functions to ensure they can successfully fulfill their duties;
- define the overall strategy and communicate the instructions to operating functions;
- validate policies and procedures defined and documented by the various key functions;
- ensure the financial integrity of the Company and approve its accounts;
- validate the recommendations of the Risk Management Function and oversight their implementation;
- validate the internal audit plan;
- ensure that the recommendations of the Internal Audit function are followed by the key functions;
- adopt an outsourcing policy and the appropriate selection of persons required to perform key functions;
- ensure that the Company has an adequate and effective internal control system in place;
- appoint the « Licensed Manager ».

## B.1.2 Licenced Manager / General Manager

- Coordinate the implementation of decisions made by the Board of Directors;
- control the daily service provider teams (brokers, managers, consultants, actuaries and independent auditor) in accordance with the decisions made by the Board of Directors;
- ensure the effectiveness of the Internal Control System within the first line of defence.
- manage the Company's business activities and execute decisions from the Board of Directors;
- take decisions of legal matters in case of minor disputes where the Company is a party. In case of significant disputes, the decision is referred to the Board of Directors;
- employ and dismiss employees and set about salaries and other benefits;
- further, decide and take required actions for the Company´s going concern business activities;
- Present to the Board of Directors goals and guidelines for the Company's business activities;
- make decisions on issues that cannot be postponed, without material inconvenience for the Company, to the next meeting of the Board of Directors. If it is possible, the General Manager shall have a consultation with the Chairperson of the Board of Directors before any decision is taken. The Board of Directors shall as soon as possible be informed about the measure taken;
- ensure that the Company's accounting and reporting records are complying with Luxembourg law and regulations and that the management of the Company's funds is handled in line with the investment policy;
- ensure that the financial reporting is in accordance with current reporting regulations;

- keep the Board of Directors informed about the Company's status on regular basis. The information shall be submitted at board meetings and in special important circumstances between board meetings to the Chairperson of the board;
- in consultation with the Chairperson prepare board matters and present them at the Board of Directors meetings.
- be in regular contact with Commissariat aux Assurances

### B.1.3 Underwriting Committee

- Negotiate insurance contracts for the Company and submit them to the Board of Directors for approval;
- take care of renewal of contracts and of the respective follow-up;
- monitor the Company's exposures;
- advise the Company on its retrocession policy when applicable;
- analyse and study new opportunities;
- develop the insurance business of the Company and make any proposal to the Board of Directors regarding all (re)insurance matters;
- check and analyse all the technical statements received;

### B.1.4 Key Function Holders

#### Risk Management Function

The Company has established a risk management function to set up and manage a centralized, robust and suitable risk management system, adapted to the risk profile (short, medium and long-term) of the organization. Brian Collins has been nominated to undertake this role.

#### Compliance Function

The Company has implemented a Compliance function to ensure the compliance of the company with applicable laws and regulations, and with group policies. Claude Weber has been nominated to undertake this role

#### Actuarial Function

The Company has implemented an Actuarial function to oversee all actuarial calculations needed for the Company's management, and to contribute to the risk management process with a mathematical and actuarial approach. Robert Bogaardt has been nominated to undertake this role.

#### Internal Audit Function

The Company has implemented an internal audit function in order to independently verify the adequacy of the organisation, its policies and governance procedures, and their application in daily management. John van der Steen has been nominated to undertake this role.

### B.1.5 Remuneration Policy

Introduction

This Remuneration Policy outlines the terms and conditions for the remuneration of members of the Board, responsible person for key Function, service providers and other categories of staff whose professional activities have a material impact on the Company's risk profile.

The remuneration policy sets out to preclude the possibility of manipulation, negative incentives and undesired risk taking.

Principles

Remuneration practices should be aligned with the Company Strategy, Risk Management Strategy and Risk Appetite Framework, objectives, values and long-term interests of the Company;

The company has one or more employees. The remuneration is in line with the services and independent from the financial result of the company. There can be no incentive to risk-taking.

Any remuneration must:

- appropriately compensate service providers and employees for the services they provide to the Company.
- be competitive with appropriate reference to comparable industry positions.
- not promote actions which would result in deviations from the Company's Overall Business Strategy or result in assuming risks in excess of the Company's risk tolerance as dictated by the Company's Risk Appetite Framework.

## B.2 Fit and proper requirements

### B.2.1 Introduction

The purpose of this policy is to set out the Company's approach to the assessment of the Fitness and Propriety of the members of the Board, the Licensed Manager and of the persons who are responsible for key Functions internally or externally. Furthermore, this policy shall set out the notification procedures to the regulator of the identified key positions mentioned above.

### B.2.2 Principles

Any member of the Board, Licensed Manager or person who is responsible for a key Function should, at all times, possesses professional and formal qualifications, knowledge and relevant experience to enable sound and prudent management (fit);

Any member of the Board, Licensed Manager or person who is responsible for a key Function should, at all times, be of good repute and integrity (proper);

The assessment shall be documented in a board resolution or in minutes of a board meeting.
Board members under scrutiny are excluded from the voting

### B.2.3 Criteria for Fitness and Propriety assessments

In addition to what is stated for each function on the "Fit and Proper requirements" column of the Roles and Responsibilities section any person should:

- not have a conflict of interest in performing its duties;
- should adhere to Randstad Code of Conduct;

- not have been reprimanded, or disqualified, or removed, by a professional or regulatory body in relation to matters regarding its honesty, integrity, or business conduct;
- not have been the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, and which reflected adversely on its competence, diligence or judgment;
- not have been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management;
- have sufficient time to devote to the role and associated responsibilities;
- declared financially sound;

### B.2.4 Frequency

Assessments of a person's Fitness and Propriety for a responsible person position must be made:

- before the person is appointed;
- on at least a five-year basis following appointment;
- at material change of the business strategy

### B.2.5 Approach

#### B.2.5.1 Initial assessment

The Board will obtain the necessary information for each initial fit and proper assessment of a candidate for a responsible person position which will allow the Board to adequately assess whether the candidate satisfies the criteria previously outlined.

#### B.2.5.2 Periodic Assessment

The Board will assess the person’s performance and obtain a declaration by the responsible person that the criteria previously outlined continue to be satisfied.

The Board may require the information it obtained when conducting the initial fit and proper assessment, updated as required, of the person if deemed necessary.

This process applies also in case of changes in the Fit and proper requirements.

#### B.2.5.3 Adverse finding on assessment

If an adverse finding is made such that a person is assessed to be not fit and proper to hold responsible person position:

- a person, whose appointment to the relevant position is subject to a fit and proper assessment, must not be appointed to the position.
- a person, who is currently acting in a responsible person position must vacate its position within a reasonable timeframe.

#### B.2.5.4 Notification to the Regulator

The Board must ensure that the Company provides appropriate notification to the supervisory authority of all appointments, replacements and changes, including all information required to assess whether any relevant persons are fit and proper. This includes at least a CV, judicial record not older than 3 months and a copy of a passport/identity card.

## B.3 Risk management system including the own risk and solvency assessment

The overreaching goal of the Company's risk management strategy is to achieve and to control as much as possible a reduction in the Company's risk exposure as a means of minimizing the impact of undesired and/or unexpected events, this to increase the likelihood of achieving the Company's strategic and business objectives.

Consequently, the risk management objectives of the Company are to:

- set out the level of risk acceptable by the Company (Risk Appetite and risk tolerance);
- identify all kind of risks which represent a threat to the achievement of its strategic objectives;
- identify, define and regularly measure key risk indicators enabling an efficient monitoring of risks;
- define and take appropriate actions to reduce the Company's risk exposure;
- ensure the risk management framework implementation in day-to-day business processes;
- regularly review controls and mitigation actions to ensure that they remain relevant and effective.
- the preservation or timely recovery of essential data and functions
- the maintenance or timely resumption of insurance and reinsurance activities

In order to achieve these Risk Management objectives, the Risk Management System of the Company has been clearly documented and specified through risk management policies to each key risk category.

The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

- **Underwriting/Reserving**
- **Asset Liability Management ("ALM")**
- **Investment**
- **Liquidity and concentration**
- **Operational**
- **Reinsurance and other risk mitigation techniques**

In addition to these policies, an outsourcing policy defining the key rules and criteria to be respected by a service provider has been determined.

These policies detailing all key components of the Company's Risk Management System ensure that it:

- contains clearly assigned overall risk management responsibilities;
- is defined to be consistent with the strategic objectives of the Company;
- operates across all the activities of the Company;
- is a continuous approach which is referred to in all major decision-taking processes of the Company.

### B.3.1 Underwriting and Reserving

#### B.3.1.1 Underwriting

Definition

Underwriting risk refers to the random occurrences of claims leading to an insufficiency of collected premium to cover the said claims. It can be broken down into:

- Premium risk: risk of inadequacy of premiums income to cover expected claims and expenses;

- Catastrophic risk: risk resulting from extreme (severity) or irregular events (frequency).

**B.3.1.2 Assessment**

The assessment of the underwriting risk is based on the metrics stated in the Risk Appetite framework and as defined below:

Combined Loss Ratio
Total incurred losses (paid out plus changes in claims reserves) divided by the total earned premiums

**B.3.1.3 Control and Monitoring**

Using the metrics described above, the Risk Management Function verifies the adequacy of results obtained with the limits defined in the Risk Appetite framework.

The control and monitoring actions/principles underlying the underwriting risk management of the Company are as described hereafter.

- The Company only accepts lines of business that have been approved in the first place to the Luxembourg Regulator.
- The Company may accept both short and long tail risks.
- When considering any proposed or renewed risks, the Risk Management Function will take into account the limits mentioned in the Risk Appetite framework to perform its technical analysis per line of business.
- The Risk Management Function performs at least once a year and/or as often as necessary an analysis of claims and technical profitability based on various metrics such as nature of risk, country, claims importance and underwriting year for each line of business separately. This analysis is submitted to the Board of Directors for consideration.
- The Actuarial Opinion includes an analysis on the underwriting policy.

**B.3.1.3 Mitigation**

As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- a risk of reduced profitability appears;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

The Risk Management Function defines appropriate measures to reduce the risk within the limits acceptable by the Company.

These measures include corrective actions to be undertaken in respect of technical items and/or of a total or partial transfer of the risk to a third party. In respect of this last point, the measures and guidelines defined in the reinsurance policy apply.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

**B.3.1.4 Reserving**

Definition
Reserving risk refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate reserving assumptions.

This mainly concerns the risk of loss from inadequate reserving to cover reported and/or expected claims.

Assessment

The key metric to assess this risk is the amount of technical provisions booked in the accounts of the Company

Technical provisions

The prudent evaluation of the total amount of reserves to be booked within the Financial Statements is composed of:

- unearned premium reserves (UPR);
- identified case reserves for each outstanding loss that occurred or was notified in the current and previous fiscal years and which are still unpaid at the year-end;
- Incurred But Not Reported (IBNR) reserves where appropriate.

Best Estimate of technical provisions

The Best Estimate of reserves corresponds to the present value of expected future cash-flows (outgoing less incoming). The discounting is performed with the risk-free rates curve provided by EIOPA at valuation date.

#### B.3.1.5 Control and Monitoring

The Actuarial Function provides at least once a year a measure of the adequacy of technical provisions and ensures that the provisions recorded in the balance sheet are consistent with those obtained by the actuarial models. This measure includes an analysis on the source and the degree of uncertainty of the estimate of the technical provisions.

The control and monitoring actions/principles underlying the reserving risk management of the Company are as described hereafter.

#### B.3.1.6 Unearned Premium Reserve (UPR)

Written premiums are booked at inception and earned over time to represent the variation of risk exposure in the respect of the various policies. Accordingly, at each closing, provisions will be set to represent the unearned portion of booked premiums.

Unearned Premiums Reserves are booked gross and net of retrocession.

#### B.3.1.7 Outstanding claims reserve

A loss register detailing each claim notification coming from the policyholder is held by the Operations. Individual claims paid and corresponding reserves are listed.

The Risk Management Function reviews at least once a year this loss register.

The Risk Management Function ensures that the incurred losses are in line with the net retention of the Company.

When calculating the provisions, the final payments to the policyholder and external claims handling costs are estimated separately.

When possible, the provisions are estimated for each individual claim and calculated gross before outward reinsurance and be on an undiscounted basis. That is, the estimated provisions shall correspond to what the Company actually expects to pay out in the future and without taking into account potential investment income.

#### B.3.1.8 Incurred But Not yet Reported (IBNR)

Because of the specificities of the (re)insurance business, there is often a delay between the time a loss occurs and the time it is reported and booked by the Company.

For long-term Line of Business, the Company records a provision for IBNR.

the Company follows a prudent reserving policy and recognizes the necessary IBNR based on the particularities of each risk involved.

#### B.3.1.9 Best Estimate Assessment

The Company ensures the assessment of reserves at their fair value (Best Estimate) as defined by the Regulator.

#### B.3.1.10Mitigation

As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- any risk of insufficient or inadequate provisions appears;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function, in close co-operation with the Actuarial Function, defines appropriate corrective measures to reduce the risk within the limits acceptable by the Company.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.2 Asset Liability Management

Definition

Asset-Liability Management (hereafter referred to as "ALM" is the practice of managing financial investments in a way so that actions taken with respect to assets and liabilities are coordinated.

The ALM risk is defined as the risk of loss arising from the Company's assets and liabilities interaction, i.e. from a gap in monetary value or in time between asset and liability flows.

It may be summarized as a failure to hold sufficient investments of an appropriate nature, term, currency and liquidity to meet the insurance obligations as they fall due.

Assessment

The metrics used to assess risk related to the ALM are determined in the Risk Appetite framework:

- Duration of Assets
  Calculation of the average maturity at present value of all future financial inflows (interest and capital) generated by the Company's assets.
- Duration of Liabilities
  Calculation of the average maturity at present value of all future financial outflows generated by the Company's claims commitments recorded within its liabilities.
- Currency Exposure
  Assessment of the difference between the liabilities in a given currency and the related assets in the same currency. Give a percentage of assets and liabilities in EUR versus assets and liabilities in foreign currency.

Control and Monitoring

The control and monitoring actions/principles underlying the ALM of the Company are as described hereafter.

- The Actuarial Function performs the calculation of assets and liabilities durations at least once a year.
- Using the metrics described above, the Risk Management Function checks the adequacy of the results obtained with the limits defined in the Risk Appetite framework.
- Based on the recommendations of the Risk Management Function, the investment portfolio is structured so that securities have adequate maturity to meet cash requirements.

Mitigation
As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- a risk of inadequacy between the Company's assets and liabilities appears;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function defines appropriate corrective measures to reduce the risk within the limits acceptable by the Company.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.3 Investment

Definition
The investment risk is the risk of loss arising from adverse change and volatility of market prices of investments and assets.

The above risk encompasses but is not limited to:

- Interest rate risk: losses arising due to adverse change in interest rates.
- Equity risk: losses arising due to drop in equity prices.
- Currency risk: losses arising due to adverse movements in exchange rates.
- Credit risk: losses due to the failure of the security issuer or a lender.

the Company invests its assets following the prudent person principle as stated in the article 132 of the Solvency II Directive.

Assessment
The assessment of investments is based on metrics determined in the Risk Appetite framework, measured on a quarterly basis and reported to the Board of Directors with the balance sheet statement.

At least once a year, the Operations shall obtain the rating of each financial asset held, where appropriate.

At the end of each year, an analysis and reconciliation of the investment portfolio is made by the Operations to determine:

- Nature of the investments
  The allocation of assets of the investment portfolio

- Rating of the bank (where cash and deposits are)
  The financial rating of the bank provided by the rating agencies

Control and Monitoring
The control and monitoring actions/principles underlying the investment risk management of the Company are as described hereafter.

- The assets covering at least the SCR are invested in securities in such a manner as to ensure their quality, liquidity and profitability.
- Investments in derivatives are not authorized.
- The Risk Management Function reconciles the results obtained using the rules of allocation of assets mentioned in the Risk Appetite framework and verifies that the relative share of each asset class and / or currencies held.
- Using the metrics described in the Risk Appetite framework, the Risk Management Function checks the adequacy of the results obtained with the limits defined.
- At each closing, a reconciliation of accounting records and bank statements is performed.

Mitigation
As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- a risk of significant depreciation of the investments appears;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function defines appropriate corrective measures to reduce the risk within the limits acceptable by the Company.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.4 Liquidity and Concentration

Definition
Liquidity Risk is the risk that the Company, although solvent, is unable to realize investments and/or to make available sufficient resources to meet its financial obligations as they fall due.

Concentration risk includes the risk of additional losses incurred by the Company due either to a lack of diversification in its portfolio of assets (e.g. concentration of investments in a geographical area or industry) or from a large exposure to the risk of default of a single issuer of securities or a group of related issuers.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio in a way so that investments meet anticipated cash needs.

Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of assets with active secondary or resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposed.

Assessment
The metrics used to assess this risk as mentioned in the Risk Appetite framework are:

- Liquidity of the investments
  Ability to quickly convert the assets representing the technical provisions into cash

- Concentration risk
  The number of custodian banks

Control and Monitoring
The control and monitoring actions/principles underlying the liquidity and concentration risk management of the Company are as described hereafter.

- Using the metrics described above, the Risk Management Function checks the adequacy of the results obtained with the limits defined in the Risk Appetite framework quarterly.
- The Risk Management Function ensures that the investment portfolio is made at any time in liquid assets (securities traded on a daily basis, short-term deposit, etc.).

Mitigation
As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function defines appropriate corrective measures to reduce the risk within the limits acceptable by the Company.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.5 Operational Risk

Definition
Operational risk refers to the risk of loss arising from inadequate or failed internal processes and/or systems, from employees and/or from external events.

Assessment
The metrics used to assess and monitor the Company operational risk as mentioned in the Risk Appetite framework are:

- Business interruption delay
  Period during which services and operations cannot be performed due to the occurrence of any significant event (e.g. computer failure, loss of key person, fire, natural disaster, etc.).

- Number of non-compliance events
  A non-compliance event is defined as follows:
  - a formal notification is sent to the Company and intermediate sanctions are taken by the Regulator;
  - penalties that may lead to loss of license.

- Number of frauds on financial transactions
  Annual number of acts of embezzlement or fraud committed against the Company during operations of payment and causing pecuniary losses to the Company.

- Number of events involving money laundering
  Number of fraudulent transactions / events and/or the number of transactions / events involving money laundering

- Overdue days paid premium
  Calculates the number of days overdue of the insured' premium obligation (difference between date when premium should be paid and date when premium is actually paid)

<u>Control and Monitoring</u>
The control and monitoring actions/principles underlying the operational risk management of the Company are as described hereafter.

The Compliance Function is responsible for
- ensuring compliance of all systems, processes and activities with laws and regulations as well as with all rules and principles contained in this Governance Manual.
- appropriate control mechanisms within the Company;
- ensuring compliance with rules regarding the powers of signatures approved by the Board of Directors;
- ensuring that any report submitted to any supervisory authority is issued on time where needed;
- appropriate quarterly interim financial statements are delivered to the Actuarial Function to assess the capital requirements according to the standard formula of Solvency II, if required otherwise yearly;
- ensuring that a documented and efficient Business Continuity Plan is in place. This Business Continuity Plan aims at ensuring, in case of an interruption of the systems and procedures, the preservation of essential data and functions and the maintenance of the Company's activities.
- ensuring that an effective and efficient backup of data is made;
- ensuring an effective monitoring of premium and information collection is in place
- ensuring that the tax authorities receive the required documents and information on time

In order to allow a high level of confidence with the data that are the basis for any decision process level, the Risk Management Function is responsible for ensuring that data quality requirements are met, meaning that data must be:

- <u>Comprehensive</u>: all relevant data has been received and used;
- <u>Valid</u>: the data should be in a format which conforms to the Company requirements;
- <u>Accurate</u>: the calculation, statistical estimations and assumptions underlying the data are correct. The data must be free from material mistakes and omissions;
- <u>Relevant</u>: the data is suitable for the intended purpose and appropriate to the process being performed;
- <u>Timely</u>: The data should be available when needed and up to date.

Data is considered as any quantitative or qualitative information used by the Company in its processes whether financial or non-financial, external or internal.

When legally requested, security, integrity and confidentiality of information, retention and archiving rules must be respected.

This requires work at all levels of the organization to ensure the quality of data that are used to manage the entity and demonstrate its performance. All staff members involved in data collection, monitoring and utilisation need to know what is expected in terms of

Company’s standards. Specific control activities are embedded in the Internal Control System by the Risk Management Function to ensure the highest possible data quality.

Mitigation
As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function defines appropriate corrective measures to reduce the risk within the limits acceptable the Company.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.6 Reinsurance and other risk-mitigation techniques

Definition
This category refers to financial loss arising from the failure of a reinsurer and/or of another counterparty to which the Company has fully or partially transferred its risks.

Assessment
The metric used to assess and monitor this risk category are as mentioned in the Risk Appetite framework:

- Rating of the reinsurer
  It is the financial rating of the reinsurer provided by the rating agencies.

At least once a year, the Risk Management Function shall obtain the rating of each reinsurance company with whom the Company has contracted a retrocession agreement

Control and Monitoring
The control and monitoring actions/principles underlying the management of this risk category are as described hereafter.

- Reinsurance strategy is defined annually by the Risk Management Function and approved by the Board of Directors, along with the renewal of programmes and the review of the Risk Appetite framework.
- The adequacy between the actual situation and the tolerance levels set in the Risk Appetite framework is analysed by the Risk Management Function.
- The Actuarial Opinion includes an analysis on the adequacy of the reinsurer(s) taking into account their credit rating and the amount recoverable from reinsurance contracts.
- A detailed reinsurer register is held for all retrocession agreements. The said register is reported to the Board of Directors on demand and at least once a year.

Mitigation
As soon as:

- the tolerance levels defined in the Risk Appetite framework are exceeded;
- any event that the Risk Management Function may consider as an increase of the risk(s) the Company can be exposed to occur,

the Risk Management Function defines appropriate corrective measures to reduce the risk within the limits acceptable by the Company.

Those measures include corrective actions to be undertaken in respect of replacing a retrocessionaire or of changing the retrocession structure in place.

The said corrective measures and their related implementation plan are submitted to the Board of Directors for approval.

### B.3.7 ORSA Policy

#### B.3.7.1 Introduction

the Company regularly performs an ORSA (Own Risk Solvency Assessment) process to provide its Board of Directors with a forward looking risk and capital assessment. The adequacy of the available capital, the Risk Appetite and the appropriateness of the risk limits is assessed for the business planning period, considering the evolving risk profile.

To this end, risks and scenarios to which the Company is exposed during the business planning period and which may affect the capacity to meet its (re)insurance obligations or pose a threat to the achievement of its business objectives are taken into account.

#### B.3.7.2 Objectives

The ORSA process supports the Board of Directors in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

Within this context, the prime purposes of the ORSA processes are to:

- provide the Board and Senior Management with an assessment of whether risk management and solvency position are currently and prospectively adequate;
- provide the shareholders with a plan for capital needs over the time horizon of the financial planning;
- serve as an essential insight for any strategic decision to be made;
- serve as a supervisory tool by providing a detailed understanding of the evolving risk exposure, solvency position and capital planning of the Company to the Supervisory Authority.

#### B.3.7.3 Frequency

The ORSA process is performed within the Company at least once a year or when any of the following triggers occurs and the Risk Management Function thinks it’s necessary:

- exceeding the risk tolerances defined in the Risk Appetite statement;
- material change of the applied risk limits;
- net premium increase or decrease of 20% or more;
- introduction of new lines of business or extension of existing lines;
- material change in the Company’s risk profile, due to internal or external evolutions;
- change in strategy.

Depending on the trigger and on initial assessment of the impact it will be decided whether a full or a partial ORSA will be conducted, focused on the triggering event while keeping other variables constant.

#### B.3.7.4 Principles

Following underlying principles must be respected whilst conducting the Company's ORSA process:

- time horizon of the ORSA is over three years, following the financial planning timeframe;
- the ORSA focuses on material risks that may threaten the accomplishment of the Company's strategic objectives or might have a substantial impact on the available qualifying own funds, these risks could result from either internal or external events;
- it is based on adequate measurement and assessment processes;
- the Financial Plan, Risk Appetite framework and the Risk Register will be updated and documented beforehand;
- consideration is given to the risks included in the calculation of the SCR, as well as to the risks which are not or not fully captured in the SCR calculation and identified in the risk profile;
- it is a forward-looking process, combining the Company's strategic objectives, financial planning and its risk profile;
- stress and reverse stress-testing as well as scenario analysis are based on adequate assumptions in accordance with the Company's risk profile;
- the ORSA process and outcome are appropriately evidenced and documented by issuing an ORSA report;
- the said report is circulated to whom the ORSA is relevant.

#### B.3.7.5 Governance

The ORSA process is carried out under the ultimate responsibility of the Board of Directors by the Risk Management Function, in close cooperation with the Actuarial Function.

It is the responsibility of the Board to ensure the ORSA is performed in accordance with this policy.

The final ORSA Report to be issued is validated by the Board of Directors.

#### B.3.7.6 Approach

The Company's ORSA approach is formalized through the four work processes detailed in the Architecture of Controls and processes hereafter.

The approach may be summarized as follows:

B.3.7.6.1 Define the Stress Scenarios

- Stress testing and scenario analysis are used to assess whether the available and future capital are sufficient in expected and stressed situations. The appropriateness of the risk limits is also assessed by stress testing. Reverse-stress testing is used to provide a sensitivity analysis.
- Stress Scenarios and Reverse Stress Test Scenarios are designed by the Risk Management Function, reviewed by the Actuarial Function.

B.3.7.6.2 Stress the Financial Plan

- Stress and reverse stress test scenarios are embedded into the projected financial plan under Solvency II GAAP.
- Related SCR/MCR and solvency ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of validated scenarios.
- The tasks of this process are conducted by the Actuarial Function and validated by the Risk Management Function.

B.3.7.6.3 Assess prospective solvency needs

- On the basis of the Stressed Financial Plan, the Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the Stress Scenarios.
- The main purpose of this stage is to identify and assess any relevant complementary control, mitigation actions or review of the Risk Appetite in order to match prospective solvency needs with capital position.
- Any remaining solvency gap will be covered through a relevant capital plan, i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

**B.3.7.7 Produce the ORSA Report**

The ORSA report resulting from this approach will bring clarity about projected risk profile and solvency needs to 3 different stakeholders through dedicated sets of information in line with their expectations, as summarized in the table below:

| Stakeholder | Expectation | ORSA Report |
|---|---|---|
| Board of Directors | Matching between risks to which the Company is or can be exposed and the Risk Appetite framework. | Will provide a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries. |
| Shareholders | Detailed and prospective understanding about the risk of bankruptcy and potential need for future additional capital. | Will provide a plan for capital needs on the time horizon of the financial planning. |
| Supervisory Authority | Detailed and prospective understanding of potential ORSA deviations compared to the SCR under Pillar I. | Will gather information about:<br>• calculation of Pillar I SCR for each year included within the financial planning;<br>• related projected Solvency ratios;<br>• explanations about deviations due to specific critical risks exposures. |

Within this context, the ORSA report of the Company is mainly structured as follows:

- Executive Summary
- Description of the Company
- Governance
- Risk Management System (Strategy, Risk Appetite, Policies, Processes and Internal Control)
- Financial Plan
- Risk Profile
- Stress Scenarios
- Prospective Solvency Assessment
- Additional Mitigation Actions
- Capital Planning
- Deviations from Pillar I
- Data Quality
- ORSA Conclusions
- Appendices and References

The Risk Management Function is in charge of preparing the ORSA Report to be ultimately validated by the Board of Directors.

## B.4 Internal control system

The Internal Control System embedded in the Company's operations is a mix of actions and processes undertaken by all stakeholders within the Company to provide reasonable assurance that the strategic objectives will be achieved.

The objectives of the Company's Internal Control System are therefore to ensure:

- an ordered execution of ethical, economical, efficient and effective operations;
- accountability obligations are fulfilled;
- availability and reliability of financial and non-financial information;
- compliance with applicable laws, regulations and administrative provisions;
- resources are protected against losses, misuses and damages.

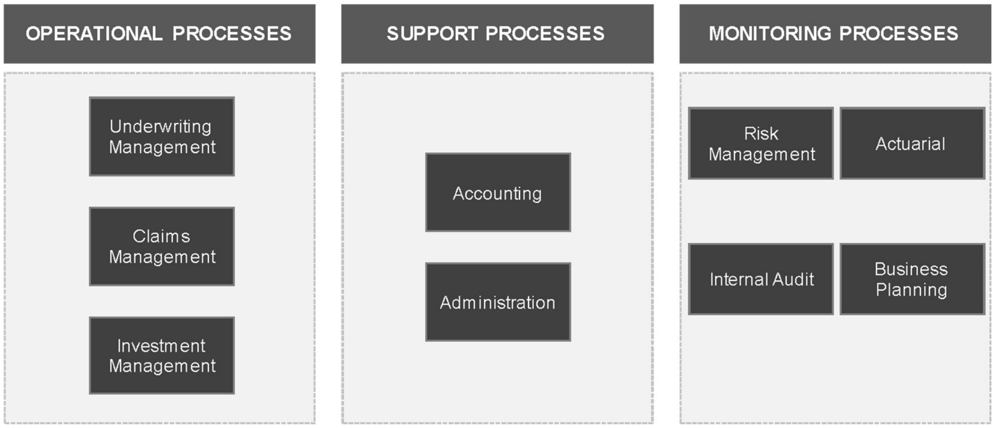
In order to achieve the aforementioned objectives, the Internal Control framework of the Company is structured around five complementary components.

| Component | Contents |
|---|---|
| **1. Control environment** | A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight of the Board of Directors and the communication to all internal stakeholders of all governance and risk principles through the present manual. |
| **2. Risk assessment** | Procedures and policies are detailed and formalized in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category. |
| **3. Reporting channels** | Clear and structured reporting processes are in place enabling the Board of Directors to have access to relevant, complete, reliable, correct and timely communication related to internal as well as external events. |
| **4. Monitoring process** | The appropriate escalation of significant issues to the Board of Directors, the ongoing involvement of all internal stakeholders as well as the Internal Audit process enables to Company to continuously monitor and adapt when necessary its Internal Control System. |
| **5. Control activities** | the Company developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations, as formalized hereafter. |

### B.4.1 Process Architecture

The purpose of the processes detailed hereafter is to define and formalize the key processes needed to manage the Company's activities and operations in accordance with the specified governance framework, policies, roles and responsibilities.

The global Process Architecture of the Company is divided in three categories of macro-processes specified as follows:




Each of these macro-processes are then broken down in several key processes detailing the operational flow and embedding the relevant control activities formalizing the functioning of the Internal Control System of the Company

### B.4.2 Detailed Processes and Embedded Control Activities

#### B.4.2.1 Introduction

In order to set out how the Internal Control System is implemented, the Company's processes and related control activities are documented, monitored and reviewed on a regular basis.

These items are designed by the Risk Management Function, approved by the Board of Directors and evaluated by the Internal Audit Function. They are reviewed as often as necessary but at least once a year.

As described each of the aforementioned macro-process is detailed in key processes and workflow processes aimed at describing how the tasks and actions composing the given process are shared between the key functions of the Company and at clarifying related roles, responsibilities and embedded control activities.

#### B.4.2.2 Definition

- **Layout**

The processes hereafter are structured in Macro-Processes, Processes and Work Processes within the table as illustrated below:
Each work process is then allocated a set of key control activities

- **Column "Control Action"**
  - Ticking off: To mark off in a list or a register the items that are available or missing, identified or unknown, etc… so as to indicate comprehensiveness or correctness.
  - Sign off: Official approval, confirmation, ratification, in the appropriate format, to something that was done, written, or agreed as a result of a process.

- Checklist: A documented list of items, control points, conditions, or questions to be confirmed, verified, answered, in a given order before, during, or after the execution of a process.
- Reconciliation: An action of ensuring the exact similarity of data from different sources by comparing them.
- Comparison: An action of comparing two or more items in order to ensure the validity, completeness and accuracy of the information.

- **Column "Related Governance Policy"**

This column shows the Governance and/or Risk Policy to which the given control activity is linked. It enables to select any Policies and list the related controls thus the bottom-up process is emphasised.

- **Column "Controlled dimension"**

This column mentions the purpose or the related control activity.

The Internal Control System of the Company encompasses a consistent set of mechanisms designed to secure at least the following:

- **Risk**: effectiveness of the undertaking's operations in view of it risks and objectives;
- **Data**: availability and reliability of financial and non-financial information; and
- **Compliance**: with applicable laws, regulations and administrative duties.

## B.5 Internal audit function

### B.5.1 Purpose and Objective

The purpose of the Internal Audit Function is to serve as a Board oversight function that objectively evaluates and recommends improvements to the Company's Internal Control System by facilitating an objective and independent assessment.

The main objective of the Internal Audit Function is to ensure governance, risk management and control systems are effective, efficient and correctly designed.

The Internal Audit Function must ensure that all aspects and processes of the Company are assessed at least once over a three to five-year period. The internal Audit function takes a risk-based approach in deciding its priorities.

### B.5.2 Independence and objectivity

- The Internal Audit Function is independent and reports directly to the Board of Directors, i.e. is free from interference in determining the scope of internal auditing, performing work, and communicating results.
- Shall not audit activities or functions they performed during the last year
- the person(s) in charge of the Internal Audit Function is (are) appointed by the Board of Directors;
- no member or representative of the Internal Audit Function may be responsible or involved in the operational activities of the Company, nor in Risk Management, Actuarial or Compliance activities;
- members or representatives of the Internal Audit Function are free from conflict of interest and in line with the ethical values of the Company;
- the Board of Directors must ensure that the Internal Audit Function has sufficient skills, resources and all necessary personal and IT accesses to perform its duties.

### B.5.3 Scope and Responsibilities

The scope of the Internal Audit Function includes the review of risk management, internal control, information and governance systems.

To fulfil its responsibilities, the Internal Audit Function must:

- review the adequacy of control activities to ensure compliance with policies, plans, procedures, and business objectives;
- assess the reliability and security of financial and management information and the systems and operations (in-house or outsourced) that produce this information;
- review established procedures and systems and propose improvements;
- evaluate controls and monitor the ORSA process design, effectiveness and control actions;
- follow up recommendations to make sure that effective remedial actions are undertaken;
- carry out adequate investigations, appraisals or reviews requested by the Board of Directors.

In due course, the Internal Audit Function submits a three to five years audit plan to the Board of Directors for review and approval.

The said audit plan contains at least the proposed work schedule and related resources and budgets requirements.

It provides information about the systems and processes to be assessed, the current order of priority of audit projects and how they are to be carried out.

The Internal Audit Function is responsible for planning, conducting, reporting audits and special assignments and monitoring the following up of findings reported from audit projects.

### B.5.4 Authority

The Internal Audit Function, with strict accountability for confidentiality and safeguarding records and information, has a full and unrestricted access to any and all of the Company's records, physical properties and/or members of staff needed for carrying out any engagement.

With regard to outsourced activities or functions, the Internal Audit Function must have effective access to data, information and external service providers' premises.

All employees and external services providers' staff members are requested to assist the Internal Audit Function in fulfilling its roles and responsibilities.

### B.5.5 Reporting

The Internal Audit Function submits at least annually an audit report to the Board of Directors, the said report contains conclusions about each audit engagement, significant findings and proper recommendations. The report includes the envisaged period of time to remedy the shortcomings and information on the achievement of previous audit recommendations. The board of Directors evaluates the internal audit function annually and provides feedback on the improvement of the function.

The first internal audit report was received and approved by the Board of Directors on February 1, 2018.

## B.6 Actuarial function

- Coordinate the calculation of technical provisions;
- ensure the appropriateness of the methods, underlying models and assumptions used to calculate technical provisions;
- assess the sufficiency and quality of data used in the calculation of technical provisions;
- compare best estimate against experience;
- inform the Risk Management Function and the Board of Directors of the reliability and adequacy of the calculation of technical provisions;
- issue an opinion on the overall underwriting policy;
- issue an opinion on the adequacy of reinsurance arrangements;
- contribute to the effective implementation of Risk Management System and provide support to the Risk Management Function to calculate the ORSA.
- ensure the appropriateness of the methods, underlying models and assumptions used to calculate the premium; (article 4)
- calculate the premium in accordance with the overall underwriting policy. (article 4)

## B.7 Outsourcing

### B.7.1 Introduction

The purpose of this policy is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for any function or activity within the Company, this in order to ensure that the outsourcing activities are carried out appropriately.

The Company remains fully responsible for discharging all of its obligations when it outsources functions or activities.

It is a requirement that outsourcing of critical or important operational functions or activities shall not be undertaken in such a way as to lead to any of the following:

- materially impairing the quality of the system of governance of the Company;
- unduly increasing the operational risk;
- impairing the ability of the supervisory authorities to monitor the compliance of the Company with its obligations;
- undermining continuous and satisfactory service to reinsured counterparties.

### B.7.2 Definitions

For the purpose of this policy:

"**outsourcing**" is understood as an arrangement of any form between the Company and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the Company by itself;

"**service provider**" may be a supervised entity or not. It may be an entity belonging to the Company's group, parent or sister company ("internal" outsourcing) or not and it may be located inside the EU as well as outside.

### B.7.3 Policy

#### B.7.3.1 Responsibility

The Board of Directors is responsible for arranging and validating outsourcing agreements.

No service, function and/or activity may be outsourced without the prior formal and written confirmation of the Board of Directors.

#### B.7.3.2 Written agreements

Written agreements shall always be drawn up, and these shall contain at least information about:

- Description, cost and time of the assignment;
- Termination of the contract:
- It must include a notice period of at least three months for the termination of the contract by the service provider which is long enough to enable the Company to find an alternative solution;
- the Company must be able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services;
- Assumption of responsibility and reporting requirements;
- The respective rights and obligations of the Company and the service provider;
- Crisis management and back-up plan description;
- Confidentiality clause. The service provider must protect any confidential information relating to the Company and its policyholders, beneficiaries, employees, contracting parties and all other persons;
- Compliance of the service provider to law and regulation;
- Access to information for the Company, its external auditor and its supervisory authority including carrying out on-site inspections of the business premises of the service provider;
- Potential sub-outsourcing: the terms and conditions, where applicable, under which the service provider may or may not sub-outsource any of the outsourced functions and activities;
- Regular reporting of the performance of the service provider;
- The right to issue general guidelines and individual instructions at the address of the service provider.

Those agreements must be signed by two Directors or by a person it has duly authorised.

### B.7.4 Risks

Generally speaking, the Board of Directors is responsible for ensuring that the provider has effective processes to identify, assess, mitigate, manage, monitor and report risks that may impact the operations of the Company and that the said processes meet the Company's quality standards.

In order to ensure against an undue increase in operational risk, when outsourcing critical or important functions or activities the Board of Directors must, in case it's not pre-approved by the supervisory authorities or a group Company:

- verify that the service provider has adequate financial resources to take on the additional tasks the Company plans to transfer and to properly and reliably discharge its duties towards the Company;
- verify that the staff of the service provider is chosen on the basis of criteria that give reasonable assurance that they are sufficiently qualified and reliable. A detailed examination is performed to ensure that the service provider has the ability, the capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the Company's objectives and needs;
- ensure that the service provider has adopted all means to ensure that no explicit or potential conflict of interests jeopardizes the fulfilment of the needs of the outsourcing undertaking;


stadhold fraud policy – claims reporting, investigation and settlement procedure – 20 April 2018 – v1 29 stadhold – regulatory

- verify that the service provider properly isolates and identifies the information, documentation and assets belonging to the Company and its clients in order to protect their confidentiality;
- ensure that the outsourcing does not entail the breaching of any law in particular with regard to rules on data protection;
- make sure the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and has periodic testing of backup facilities where that is necessary having regard to the function, service or activity outsourced.
- takes into account the extent to which it controls the service provider.

In order to ensure that the outsourcing of critical or important functions or activities does not impair the ability of the supervisory authorities to monitor the compliance of the Company with its obligations, it must ensure:

- the service provider's cooperation with the supervisory authorities of the Company in connection with the outsourced functions or activities;
- the Company, the Group, its external auditors and the relevant supervisory authorities have effective access to data related to the outsourced functions or activities;
- the supervisory authorities have effective access to the business premises of the service provider and are able to exercise this right.

### **B.7.5 Business Continuity Management (BCM)**

Where a material business activity or function is outsourced, the Company must ensure that the BCM documentation of the service provider outlines the procedures to be followed in the event that the service provider is unable to fulfil its obligations under the outsourcing agreement for any reason.

### **B.7.6 Internal Outsourcing**

In case of internal outsourcing, i.e. where the service provider is the parent or a sister company of the Company, some of the requirements may be applied more flexibly.

The examination of the service provider and the corresponding written agreement may be less detailed provided the Board of Directors has greater familiarity with the service provider.

### **B.7.7 Reporting**

All outsourcing arrangements must be organized in a way so that appropriate reporting capabilities are in place and meet the Company qualitative (contents, periodicity, etc.) requirements and needs.

Reporting capabilities must equally enable effective management and control of outsourcing arrangements and to identify potential problems at an early stage.

### **B.7.8 Notification to the supervisory authority**

The Company shall, in a timely manner, usually upon a Board decision, notify the supervisory authorities about the outsourcing of critical or important functions or activities as well as of any subsequent material developments with respect to those functions or activities.

The written notification shall include the following:

- A description of the scope and the rationale for the outsourcing
- The service provider's name and address
- Whether the service provider is part of the Group
- The name of the person in charge of the outsourced function or activities at the service provider

#### B.7.9 Governance

The Risk Management Function performs the qualitative assessment of the capabilities, risk and control processes of any service provider and informs the Board of Directors.

## B.8 Any other information

The governance system of the Company is in line with the complexity of the risks inherent in its business.

# C. Risk Profile

## C.1 Underwriting risk

### I. Health Risk

Home

**Total Life Risk**

| | Gross | Net |
|---|---|---|
| Total Health SLT risk | 8,795,401 | 8,795,401 |
| Diversification effect | -2,329,784 | -2,329,784 |
| Total sum of risk components | 11,125,186 | 11,125,186 |
| Health SLT | 5,517,933 | 5,517,933 |
| Health NSLT | 0 | 0 |
| CAT Health | 5,607,252 | 5,607,252 |
| Total Health SLT risk | 5,517,933 | 5,517,933 |
| Diversification effect | -286,891 | -286,891 |
| Total sum of risk components | 5,804,824 | 5,804,824 |
| Mortality Risk | 0 | 0 |
| Longevity Risk | 41,859 | 41,859 |
| Disability & Morbidity Risk | 5,449,876 | 5,449,876 |
| Lapse Risk | 0 | 0 |
| Expense Risk | 121,729 | 121,729 |
| Revision Risk | 191,360 | 191,360 |

### Non-Life risk

Home

**Total Non-Life Underwriting risk**

| | |
|---|---|
| Capital Requirements for Non-life Underwriting risk | 827,094 |
| Diversification effect | -200,272 |
| Total sum of risk components | 1,027,366 |
| Premium and reserve risk | 386,117 |
| Lapse Risk | 0 |
| Catastrophe Risk | 641,249 |

## C.2 Market risk

### I. Market Risk

Home

**Total Market Risk**

| | Gross | Net |
|---|---|---|
| Total market risk | 174,737 | 174,737 |
| Diversification effect | 0 | 0 |
| Total sum of risk components | 174,737 | 174,737 |
| Interest rate risk | 174,737 | 174,737 |
| Equity risk | 0 | 0 |
| Property risk | 0 | 0 |
| Spread risk | 0 | 0 |
| Currency risk | 0 | 0 |
| Concentration risk | 0 | 0 |

## C.3 Credit risk and C.4 Liquidity risk

**Type 1: Counterparty Default**

*Reinsurance:*

Home

| Counterparty | Type exposure | Recoverable | Type of counterparty | Rating | Risk mitigating effect |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

*Financial instututions:*

| Counterparty | Type exposure | Recoverable | Type of counterparty | Rating |
|---|---|---|---|---|
| ING | Deposits other than cash equivalents | 35,488,189 | Rated | 2 |
| BNP PARIBAS SA | Deposits other than cash equivalents | 30,335 | Rated | 2 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

**Type 2: Counterparty Default**

| | |
|---|---|
| Insurance and intermediaries receivables | 3,522,444 |
| Reinsurance receivables | 0 |
| Receivables (trade, not insurance) | 0 |
| Policy Loans | 0 |
| Other credit exposures | 34,027 |
| Total receivables | **3,556,471** |
| Percentage due > 3 months | 0% |
| Type 2 exposure due < 3 months | **3,556,471** |
| Type 2 exposure due > 3 months | **0** |

## C.5 Operational risk

**I. Solvency Capital Requirement - Operational Risk**

Home

**Operational Risk**

| | | | Net Capital Requirement |
|---|---|---|---|
| Technical Provisions Life | | | 11,077,593 |
| Technical Provisions Unit-Linked | | | 0 |
| Technical Provisions Non-Life | | | 0 |
| **Capital requirement for operational risks based on technical provisions.** | | | **49,849** |
| Premiums earned during the last 12 months for Life insurance | | | 11,587,740 |
| Premiums earned during the last 12 months for Unit Linked | | | 0 |
| Premiums earned during the last 12 months for Non-Life insurance | | | 0 |
| Premiums earned during the 12 months prior to the last 12 months for Life insurance | | | 0 |
| Premiums earned during the 12 months prior to the last 12 months for Unit-Linked | | | 0 |
| Premiums earned during the 12 months prior to the last 12 months for Non-Life insurance | | | 0 |
| **Capital requirement for operational risks based on earned premiums** | | | 927,019 |
| Expenses incurred during the previous 12 months Unit-Linked | | | 0 |
| Basic capital requirement for operational risk | | | 927,019 |
| Basic capital requirement for operational risk | Basic SCR | 10,082,848 | 3,024,854 |
| Basic capital requirement for operational risk | | | 927,019 |
| **SCR Operational Risk** | | | 927,019 |

## C.6 Other material risks

- Not applicable

## C.7 Any Other information

### C.7.1. Stress Tests

| Scenario | Year 2018 | 2018 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Premiums - Losses - Costs | SII provision | SCR | Eligible Capital | Solvency ratio | SII provision | SCR | Eligible Capital | Solvency ratio |
| Base Scenario | 517 | 19,548 | 11,714 | 26,905 | 230% | 31,254 | 13,631 | 27,311 | 200% |
| WGA –ERD: Increase in Disability rate / Average duration | (1,718) | 27,519 | 12,266 | 19,052 | 155% | 43,560 | 14,272 | 14,687 | 103% |
| Liability: Extreme claim of EUR 5 million | (4,436) | 23,961 | 11,997 | 21,999 | 183% | 34,375 | 13,789 | 22,437 | 163% |
| Crime: Extreme claim of EUR 5 million | (4,436) | 24,018 | 12,378 | 21,942 | 177% | 34,409 | 14,011 | 22,397 | 160% |
| Investment: Credit rating taken from largest exposure | 517 | 19,548 | 20,229 | 26,666 | 132% | 31,254 | 24,663 | 27,075 | 110% |
| WGA-ERD: 50% growth | 1,313 | 29,507 | 18,804 | 27,172 | 144% | 61,370 | 24,648 | 28,313 | 115% |

### C.7.2 Off Balance sheet

- Not applicable

### C.7.3 Cash Pooling

- A Cash Pooling Agreement exists with BMG, part of the ING Group, where the cash, not invested to cover the technical reserves, is invested.

### C.7.4 Reinsurance Scheme

- Not applicable

### C.7.5 Currency Policy

- The currency policy takes into account the congruence principle.

# D. Valuation for Solvency Purposes

## D.1 Assets

- The details of the assets are included in the QRT S.02.01.01.01 and shown below;

**Annex 1**
**S.02.01.01**
**Balance sheet**

| | | Solvency II value | Statutory accounts value |
|---|---|---|---|
| **Assets** | | **C0010** | **C0020** |
| Goodwill | **R0010** | | 0 |
| Deferred acquisition costs | **R0020** | | 0 |
| Intangible assets | **R0030** | 0 | 0 |
| Deferred tax assets | **R0040** | 301,255 | 0 |
| Pension benefit surplus | **R0050** | 0 | 0 |
| Property, plant & equipment held for own use | **R0060** | 0 | 0 |
| Investments (other than assets held for index-linked and unit-linked c | **R0070** | 0 | 0 |
| Property (other than for own use) | **R0080** | 0 | 0 |
| Holdings in related undertakings, including participations | **R0090** | 0 | 0 |
| Equities | **R0100** | 0 | 0 |
| Equities - listed | **R0110** | 0 | 0 |
| Equities - unlisted | **R0120** | 0 | 0 |
| Bonds | **R0130** | 0 | 0 |
| Government Bonds | **R0140** | 0 | 0 |
| Corporate Bonds | **R0150** | 0 | 0 |
| Structured notes | **R0160** | 0 | 0 |
| Collateralised securities | **R0170** | 0 | 0 |
| Collective Investments Undertakings | **R0180** | 0 | 0 |
| Derivatives | **R0190** | 0 | 0 |
| Deposits other than cash equivalents | **R0200** | 0 | 0 |
| Other investments | **R0210** | 0 | 0 |
| Assets held for index-linked and unit-linked contracts | **R0220** | 0 | 0 |
| Loans and mortgages | **R0230** | 0 | 0 |
| Loans on policies | **R0240** | 0 | 0 |
| Loans and mortgages to individuals | **R0250** | 0 | 0 |
| Other loans and mortgages | **R0260** | 0 | 0 |
| Reinsurance recoverables from: | **R0270** | 0 | 0 |
| Non-life and health similar to non-life | **R0280** | 0 | 0 |
| Non-life excluding health | **R0290** | 0 | 0 |
| Health similar to non-life | **R0300** | 0 | 0 |
| Life and health similar to life, excluding health and index-linked and | **R0310** | 0 | 0 |
| Health similar to life | **R0320** | 0 | 0 |
| Life excluding health and index-linked and unit-linked | **R0330** | 0 | 0 |
| Life index-linked and unit-linked | **R0340** | 0 | 0 |
| Deposits to cedants | **R0350** | 0 | 0 |
| Insurance and intermediaries receivables | **R0360** | 3,522,444 | 3,522,444 |
| Reinsurance receivables | **R0370** | 0 | 0 |
| Receivables (trade, not insurance) | **R0380** | 0 | 0 |
| Own shares (held directly) | **R0390** | 0 | 0 |
| Amounts due in respect of own fund items or initial fund called up bu | **R0400** | 0 | 0 |
| Cash and cash equivalents | **R0410** | 35,518,524 | 35,518,524 |
| Any other assets, not elsewhere shown | **R0420** | 34,027 | 12,034,027 |
| Total assets | **R0500** | 39,376,250 | 51,074,995 |

- The most important asset is the Cash at bank, and insurance debtors.

- According to Solvency II, the balance sheet is valued according to the fair value method :
  -Assets: fair value corresponds to the market value
  -Liabilities: in the absence of a liquid market, fair value is determined by reference to the value "Best estimate" plus a risk margin "Risk Margin"
- The main difference between the LuxGAAP and Solvency II Assets is the treatment of the unpaid capital of EUR 12.000.000 which is not included under Solvency II.
- The difference between the assets and the liabilities corresponds to the capital available to cover the required solvency margin.

## D.2 Technical provisions

- The details of the liabilities are included in the QRT S.02.01.01.01 and shown below;

**Annex 1**
**S.02.01.01**
**Balance sheet**

| **Liabilities** | | **C0010** | **C0020** |
|---|---|---|---|
| Technical provisions – non-life | **R0510** | 0 | 0 |
| Technical provisions – non-life (excluding health) | **R0520** | 0 | 0 |
| Technical provisions calculated as a whole | **R0530** | 0 | |
| Best Estimate | **R0540** | 0 | |
| Risk margin | **R0550** | 0 | |
| Technical provisions - health (similar to non-life) | **R0560** | 0 | 0 |
| Technical provisions calculated as a whole | **R0570** | 0 | |
| Best Estimate | **R0580** | 0 | |
| Risk margin | **R0590** | 0 | |
| Technical provisions - life (excluding index-linked and unit-linked) | **R0600** | 12,280,373 | 11,048,910 |
| Technical provisions - health (similar to life) | **R0610** | 12,280,373 | 11,048,910 |
| Technical provisions calculated as a whole | **R0620** | 0 | |
| Best Estimate | **R0630** | 11,077,593 | |
| Risk margin | **R0640** | 1,202,780 | |
| Technical provisions – life (excluding health and index-linked and ur | **R0650** | 0 | 0 |
| Technical provisions calculated as a whole | **R0660** | 0 | |
| Best Estimate | **R0670** | 0 | |
| Risk margin | **R0680** | 0 | |
| Technical provisions – index-linked and unit-linked | **R0690** | 0 | 0 |
| Technical provisions calculated as a whole | **R0700** | 0 | |
| Best Estimate | **R0710** | 0 | |
| Risk margin | **R0720** | 0 | |
| Other technical provisions | **R0730** | | 0 |
| Contingent liabilities | **R0740** | 0 | 0 |
| Provisions other than technical provisions | **R0750** | 0 | 0 |
| Pension benefit obligations | **R0760** | 0 | 0 |
| Deposits from reinsurers | **R0770** | 0 | 0 |
| Deferred tax liabilities | **R0780** | 0 | 25,358 |
| Derivatives | **R0790** | 0 | 0 |
| Debts owed to credit institutions | **R0800** | 0 | 0 |
| Financial liabilities other than debts owed to credit institutions | **R0810** | 0 | 0 |
| Insurance & intermediaries payables | **R0820** | 0 | 0 |
| Reinsurance payables | **R0830** | 0 | 0 |
| Payables (trade, not insurance) | **R0840** | 203,365 | 203,365 |
| Subordinated liabilities | **R0850** | 0 | 0 |
| Subordinated liabilities not in Basic Own Funds | **R0860** | 0 | 0 |
| Subordinated liabilities in Basic Own Funds | **R0870** | 0 | 0 |
| Any other liabilities, not elsewhere shown | **R0880** | 0 | 0 |
| Total liabilities | **R0900** | 12,483,738 | 11,277,633 |
| Excess of assets over liabilities | **R1000** | 26,892,512 | 39,797,362 |

- Technical provisions are determined under Solvency II as the sum of the "Best Estimate" value of the actuarial liabilities and the risk margin.
- The "Best Estimate" of Provisions for claims and unearned premiums is calculated by business line.
- The "Best Estimate" value of actuarial liabilities corresponds to the discounted valuation of estimated future cash flows. This implies a number of interpretations and assumptions, such as the duration of commitments, the discount rate, the pace of settlement, etc.
- Risk Margin can be understood as the amount of equity capital that a potential purchaser must hold until the extinguishment of the liabilities assumed.
- The main difference between the LuxGAAP and Solvency II Balance Sheets is the calculation of the Technical Provisions as detailed above.

## D.3 Other liabilities

- The other liabilities are considered by the actuary as sufficiently representative of the economic value. Therefore, there is no adjustment and this is due to the short term natures of these positions (maturity of less than 1 year).

## D.4 Alternative methods for valuation

- Not applicable

## D.5 Any other information

- No other significant information to be disclosed.

# E. Capital Management

## E.1 Own funds

### E.1.1 Introduction

The Capital Management policy is established to ensure a sound and prudent solvency position and strives to achieve a good balance between the available capital and the risks of the Company.

### E.1.2 Principles

Only the Company's own funds classified as Tier 1 are permitted to cover SCR and MCR. They consist of the following items:

- Issued Share Capital;
- Non-refundable capital contribution;
- Retained earnings;

The possible payment of dividends is considered on an annual basis by the Board.

When Company's own funds classified as Tier 1 don't cover SCR and MCR, a demand for Tier 2 to cover SCR and MCR will be done to the regulator.

The SCR target as stated in the overall risk appetite must be considered when deciding upon dividend payments.

### E.1.3 Governance

The Board is responsible for suggesting the amount and date for issuing ordinary share capital and payments of dividends. Results of the SCR, MCR and ORSA are to be considered when formulating the capital management plan.

In addition, any change to the share capital or capital contribution requires the approval of the Board.

It's the AGM who decides finally upon the issuance of ordinary shares, allocation of the net income, respectively dividend payments.

### E.1.4 Approach

Once a year or prior any decision deemed to increase/decrease significantly the own funds the Function Operations - Finance and Accounting reviews the adherence to the policy.

Once a year the Board reviews the Capital Management Policy.

### E.1.5 Reporting

Any deviation from the rules and limitations has to be reported to the Board and the Compliance and Risk Management Function has to be informed.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

**Annex 1**
**S.23.01.01**
**Own funds**

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 28,000,000 | 28,000,000 | | 0 | |
| Share premium account related to ordinary share capital | R0030 | 0 | 0 | | 0 | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | 0 | 0 | | 0 | |
| Subordinated mutual member accounts | R0050 | 0 | | 0 | 0 | 0 |
| Surplus funds | R0070 | 0 | 0 | | | |
| Preference shares | R0090 | 0 | | 0 | 0 | 0 |
| Share premium account related to preference shares | R0110 | 0 | | 0 | 0 | 0 |
| Reconciliation reserve | R0130 | -1,408,743 | -1,408,743 | | | |
| Subordinated liabilities | R0140 | 0 | | 0 | 0 | 0 |
| An amount equal to the value of net deferred tax assets | R0160 | 301,255 | | | | 301,255 |
| Other items approved by supervisory authority as basic own funds not specified above | R0180 | 0 | 0 | 0 | 0 | 0 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | 0 | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | 0 | 0 | 0 | 0 | |
| **Total basic own funds after deductions** | R0290 | 26,892,512 | 26,591,257 | 0 | 0 | 301,255 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | 0 | | | 0 | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | 0 | | | 0 | |
| Unpaid and uncalled preference shares callable on demand | R0320 | 0 | | | 0 | 0 |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | 0 | | | 0 | 0 |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | 0 | | | 0 | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | 0 | | | 0 | 0 |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | 0 | | | 0 | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | 0 | | | 0 | 0 |
| Other ancillary own funds | R0390 | 0 | | | 0 | 0 |
| | | **Total** | **Tier 1 - unrestricted** | **Tier 1 - restricted** | **Tier 2** | **Tier 3** |
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Total ancillary own funds** | R0400 | 0 | | | 0 | 0 |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 26,892,512 | 26,591,257 | 0 | 0 | 301,255 |
| Total available own funds to meet the MCR | R0510 | 26,591,257 | 26,591,257 | 0 | 0 | |
| Total eligible own funds to meet the SCR | R0540 | 26,892,512 | 26,591,257 | 0 | 0 | 301,255 |
| Total eligible own funds to meet the MCR | R0550 | 26,591,257 | 26,591,257 | 0 | 0 | |
| **SCR** | R0580 | 11,009,868 | | | | |
| **MCR** | R0600 | 3,700,000 | | | | |
| **Ratio of Eligible own funds to SCR** | R0620 | 244.3% | | | | |
| **Ratio of Eligible own funds to MCR** | R0640 | 718.7% | | | | |

**S.25.01.01**
**Solvency Capital Requirement - for undertakings on Standard Formula**

| | | |
|---|---|---|
| Article 112 | Z0010 | 2 - Regular reporting |

| | | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments |
|---|---|---|---|---|
| | | **C0030** | **C0040** | **C0050** |
| Market risk | **R0010** | 174,738 | 174,738 | 0 |
| Counterparty default risk | **R0020** | 2,803,239 | 2,803,239 | 0 |
| Life underwriting risk | **R0030** | 0 | 0 | 0 |
| Health underwriting risk | **R0040** | 8,795,402 | 8,795,402 | 0 |
| Non-life underwriting risk | **R0050** | 827,094 | 827,094 | 0 |
| Diversification | **R0060** | -2,517,625 | -2,517,625 | |
| Intangible asset risk | **R0070** | 0 | 0 | |
| **Basic Solvency Capital Requirement** | **R0100** | 10,082,848 | 10,082,848 | |

| **Calculation of Solvency Capital Requirement** | | **C0100** |
|---|---|---|
| Adjustment due to RFF/MAP nSCR aggregation | **R0120** | 0 |
| Operational risk | **R0130** | 927,019 |
| Loss-absorbing capacity of technical provisions | **R0140** | 0 |
| Loss-absorbing capacity of deferred taxes | **R0150** | 0 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | **R0160** | 0 |
| **Solvency Capital Requirement excluding capital add-on** | **R0200** | 11,009,868 |
| Capital add-on already set | **R0210** | 0 |
| **Solvency capital requirement for undertakings under consolidated method** | **R0220** | 11,009,868 |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | **R0400** | 0 |
| Total amount of Notional Solvency Capital Requirements for remaining part | **R0410** | 0 |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | **R0420** | 0 |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | **R0430** | 0 |
| Diversification effects due to RFF nSCR aggregation for article 304 | **R0440** | 0 |
| Method used to calculate the adjustment due to RFF/MAP nSCR aggregation | **R0450** | 0 |
| Net future discretionary benefits | **R0460** | 0 |

## Overall MCR calculation

| | | **C0070** |
|---|---|---|
| Linear MCR | **R0300** | 2,041,014 |
| SCR | **R0310** | 11,001,186 |
| MCR cap | **R0320** | 4,950,534 |
| MCR floor | **R0330** | 2,750,297 |
| Combined MCR | **R0340** | 2,750,297 |
| Absolute floor of the MCR | **R0350** | 3,700,000 |
| | | **C0070** |
| Minimum Capital Requirement | **R0400** | 3,700,000 |

## E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

- Not applicable

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

- Not applicable

## E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

- The Company is compliant with the Minimum Capital Requirement and is compliant with the Solvency Capital Requirement, please refer to E.2.

## E.6 Any other information

- No other information to be disclosed.