SwissLife

Solvency and Financial Condition Report 2020

Swiss Life (Luxembourg) S.A.

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Summary

The present report is published in accordance to the law on the insurance sector of 7 December 2015. This law introduced a new Supervisory framework (referred to as Solvency II) with effective date on 1 January 2016.

Over 2020, Swiss Life (Luxembourg) S.A. (the Company) continued to develop its key business lines in the area of Employee Benefits and Private Wealth Solutions with a gross written premium of EUR 1 105 million and a net profit of EUR 31.5 million. Details on the business performance can be found in section A of this report.

As an affiliated company of the Swiss Life Group, the governance system in place plays a central role in the day-to-day activities of the Company. The Company is integrated in a comprehensive system of directives within the Swiss Life Group comprising legal requirements from Solvency II. In section B, descriptions and details on the system of governance are provided with a particular attention to the key roles and functions within the Company (the Board of Directors and the related committees, the risk management, compliance and actuarial functions) as well as the policies in place with regards to remuneration and outsourcing of critical activities.

As a result of a regular Own Risk and Solvency Assessment (ORSA) led by the Board of Directors, the risk profile of the Company is established. The risk profile provides key information on the nature and the materiality of the risks the Company is exposed to and plays an important role in managing these risks. The risk profile of the Company is described under section C and has not changed in comparison to last year. The main risks are market risk, underwriting risk and strategic risk entailed by the Company's growth strategy.

Under Solvency II, the balance sheet of the Company is valued from an economic perspective. The balance sheet as presented in the Financial Statements (statutory figures) is therefore restated to reflect adequately the principles provided by the law. The statutory balance sheet on 31 December 2020 valued at EUR 15 255 million is valued at EUR 15 416 million according to the Solvency II principles. Section D provides a description of the main valuation principles applied as well as the deviations to the statutory values for the relevant items of the balance sheet.

With a level of eligible own funds of EUR 295.6 million and a Solvency Capital Requirement of EUR 196.4 million, the Company shows a strong solvency coverage of 151%. This level of Solvency coverage illustrates the Company's capital adequacy with regards to its risk exposures. In section E on capital management, more insights on the solvency situation and the available Own Funds are available.

A Business and Performance

A.1 Business

Swiss Life (Luxembourg) S.A. (the Company) is an insurance company incorporated in the Grand Duchy of Luxembourg on 27 March 1985, as a limited liability company (société anonyme).

The Company is under the supervision of the Luxembourg Supervisor, the Commissariat aux Assurances (CAA)[1]. The statutory accounts are audited by PricewaterhouseCoopers (PwC)[2]. The Solvency II results published in this report have not been audited.

The Company belongs to the Swiss Life Group and is ultimately fully owned by Swiss Life Holding AG as shown in Annex Holding structure. The Swiss Life Group is under the supervision of the Swiss Financial Market Supervisory Authority FINMA[3].

The Company's activities consist of life insurance business with a focus on two main client segments: group life business and private wealth individual life insurance.

The first activity consists in providing comprehensive group benefits solutions for local and mobile employees of multinational corporations. The local and cross-border solutions offered from Luxembourg include life insurance, disability and retirement covers. These are designed as flexible modular programmes, tailored to each client's needs. This activity also includes:

– the administration of the Swiss Life Network which offers pooling solutions for multinational corporations employee benefits schemes. The Swiss Life Network is a global association of more than 90 local insurers and business partners covering 75 countries and territories;
– the administration of the Swiss Life International Pension Fund Asbl, a pension fund under the supervision of the Commissariat aux Assurances.

The second main activity consists in providing high-end life insurance solutions to wealthy individuals as target clients investing mainly in dedicated funds. The Company designs tailored and sophisticated solutions to accommodate clients' wealth management and succession planning needs. Together with selected partners from renowned financial institutions and advisors, life insurance is combined with a wide range of investment opportunities to accommodate the requirements of the Company's clients and their trusted advisors. The main distribution partners are private banks, asset managers, brokers and family offices. Under this segment, the Company offers unit-linked, mainly dedicated funds solutions.

In September 2016, Swiss Life Group launched the new sub-brand Swiss Life Global Solutions. Swiss Life Global Solutions in Luxembourg includes the activities presented above:

– Global Employee Benefits Solutions,
– Global Private Wealth Solutions.

Swiss Life (Luxembourg) S.A. operates internationally for both activities following the freedom to provide services. The main markets where dedicated products exist for the freedom to provide services are Finland, France, Germany, Portugal and Spain. The Company also offers solutions for other countries without active prospecting if requested.

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[3] FINMA, Laupenstrasse 27, CH-3003 Berne, (+41) 313279100, info@finma.ch, www.finma.ch

A.2 Underwriting Performance

The following table provides a summarised technical profit and loss account for the year 2020, split by material lines of business. The detailed figures are available in the Financial Statements 2020 of the Company.

Swiss Life (Luxembourg) S.A. presents the result of the financial year 2020, with another record net profit of EUR 31.5 million (EUR 29.7 million in 2019). This confirms the Company's robustness and stability in a challenging economic environment.

A stable asset base increasing the Employee Benefits client basis and a good cost management led to this result. The low-interest environment still affects the evolution of the investment margin. However, the Company successfully preserved a strong net margin after policyholders' participation.

In terms of lines of business, regarding the risk inherent to the different products, usually the Company differentiates between unit-linked business and non unit-linked business. This defines the level of detail shown in this table and which will be used for the residual part of the report, unless stated differently.

Technical Result

In EUR thousand			**31.12.2020**	31.12.2019
	Unit-linked	Other life insurance (with and without profit sharing)	**Total**	Total
TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS				
Earned premiums, net of reinsurance	842 722	171 034	**1 013 756**	943 909
Net investment income (including investment charges)	46 728	23 487	**70 215**	1 443 789
Net other technical income, net of reinsurance	1 832	4 367	**6 199**	6 385
Claims incurred, net of reinsurance	–970 217	–98 754	**–1 068 971**	–923 016
Changes in other technical provisions, net of reinsurance	115 021	–52 287	**62 734**	–1 387 862
Net operating expenses	–31 933	–12 766	**–44 699**	–44 338
Balance on the technical Account – Life Insurance Business	**4 152**	**35 082**	**39 234**	**38 867**

The following table provides information on the main geographical areas in terms of premiums. The countries that are represented are the five ones with the largest premium income in 2020.

Premiums, claims and expenses by Country

In EUR thousand

	Luxembourg	France	Spain	Portugal	Switzerland	United Kingdom
TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS						
Earned premiums, net of reinsurance	157 820	290 331	223 453	55 055	40 641	49 454
Claims incurred, net of reinsurance	–118 709	–111 172	–28 448	–152 739	–99 957	–51 683
Net operating expenses	–11 392	–9 758	–1 580	–2 912	1 562	–1 380

In 2020, Switzerland represented the fifth largest country outside Luxembourg following the business written by the Swiss Life International Pension Fund Asbl and reinsured by the Company.

The United Kingdom represented the sixth largest premium volume in 2020, following recurring or additional premiums on existing contracts, a very small of number of contracts has been written in 2020. No new contracts are going to be subscribed starting from 2021 because of the Brexit.

A.3 Investment Performance

In this section, the investment result shown is only in relation with the general assets of the Company (i.e. excluding the ones covering unit-linked business).

In 2020 as in 2019, focus has been set on a prudent but constant diversification of the investments held in the portfolio, compensating for the low interest rate environment. Since 2015, new investments in corporate loan funds were initiated; in 2016 the diversification was continued by increasing the exposure to real estate funds and by introducing a small exposure to infrastructure funds. Since 2017, the investments in real estate funds and infrastructure funds were increased further.

The following table provides the investment result 2020 by asset class.

Investment Performance

In EUR thousand

	31.12.2020	31.12.2019
Bonds		
Investment income	**25 911**	27 140
Net realised gains / losses	**5 623**	726
Net realised gains / losses at fair value through profit or loss	**–990**	
Collective Investment Undertakings		
Investment income	**3 162**	3 938
Net realised gains / losses	**–275**	–1 133
Net realised gains / losses at fair value through profit or loss	**–791**	–259
Cash		
Investment income	**287**	–19
Investment expenses	**–3 219**	–1 284
Investment result	**30 499**	29 368

Swiss Life (Luxembourg) S.A. has no investments in securitisation.

The investment income on bonds is lower in comparison to 2019, this is due to lower yields on new investments. Additional profit came in 2020 from realised gains.

The investment income paid by investment funds decreased despite the higher exposure in this asset class.

The investment income of cash consists mainly in asset management and back office fees, banking fees and interests.

Investment expenses are larger than in comparison to 2019.

A.4 Performance of other activities

The profit before tax increased by 12.6% to EUR 42.0 million (EUR 37.3 million in 2019) while the net profit increased at EUR 31.5 million (+6.1% in comparison to EUR 29.7 million in 2019).

Other Results

In EUR thousand

	31.12.2020	31.12.2019
NON-TECHNICAL ACCOUNT		
Balance on the technical account – life insurance business	**39 234**	35 489
Allocated investment return tranferred from the life insurance technical account	**2 794**	1 836
Other net charges, including value adjustments	**0**	0
Tax on profit or loss on ordinary activities	**–10 507**	–7 619
Profit on Ordinary Activities after Tax	**31 521**	29 706
Other taxes, not shown under the preceding items	**11**	2
Profit for the Financial year	**31 531**	29 707

B System of Governance

Swiss Life Group complies with accepted standards of corporate governance and, in the interests of its shareholders, policyholders and staff, attaches great importance to the requirements entailed in terms of its management and organisation.

As part of the corporate governance, Swiss Life operates a directives system to regulate the functional management throughout the Group and to define the content-related and organisational principles, standards and topics. Swiss Life (Luxembourg) S.A. implemented the principles, standards and topics in its own local directives system, taking into account local law and regulations as well as local business specifications. Specific adjustments are examined on an on-going basis in order to adapt the management and control tools and disclosure to current circumstances and to implement further improvements.

Finally, each local entity ensures a full and permanent application of the Group framework and is responsible to implement specific processes and controls for compliance with local law and regulations such as CAA circular letters for example.

Within each business line in Luxembourg, a responsible having specific management functions and supervisory powers is appointed.

B.1 General information on the system of governance

The Board of Directors is the body in charge of administration, supervisory and management of the Company. The Board of Directors is vested with the broadest powers to perform all acts of administration and disposal in compliance with the Company's corporate objects.

All powers not expressly reserved by the applicable laws or by the Articles of Association to the general meeting of shareholders fall within the competence of the Board of Directors, as for example any acts relating and/or instrumental to the extraordinary disposal of the Company's own assets and/or the establishment of liens, encumbrances or security thereon.

In particular, the Board of Directors will monitor the compliance of the Company's operations with applicable laws, EIOPA[4] Guidelines on the System of Governance and the Articles of Association and provide in this respect relevant directives and instructions regarding risk control and risk management. Furthermore, the Board of Directors will ensure the establishment of adequate audit functions with respect to the Company's operations.

[4] The European Insurance and Occupational Pensions Authority, EIOPA, is the European Supervisor for the insurance and occupational pensions sector. www.eiopa.europa.eu

The Board of Directors has delegated powers to the following organisms:

- to *the Comité de Direction:* the definition of the Company's strategic objectives and the responsibility for the implementation of the relevant strategy as well as the performance monitoring of the Global Private Wealth Solutions and Global Employee Benefits Solutions business lines in Luxembourg;
- to *the Chief Executive Officer:* the manager delegated by the Board of Directors for representing the Company vis-à-vis third parties within the limits of the daily management of the Company's business;
- to *the Dirigeants agréés:* within the respective areas of responsibilities, the Head of Global Private Wealth Solutions and the Head of Global Employee Benefits Solutions, in their additional function as Insurance Undertaking Executives – within the meaning of article 272 ff. of the Luxembourg law on the insurance sector of 7 December 2015 – are entrusted to represent the Company towards the Commissariat aux Assurances as well as other public authorities and third parties;
- to *the Délégués à la Gestion Journalière:* all powers to act in the name of the Company and to carry out and approve all acts and operations pertaining to the Company's daily management and consistent with the Company's corporate object in accordance with the terms of the Articles of Association.

Other committees are operating within the Company, and notably:

- *Audit Committee* reporting directly to the Board of Directors, established in accordance with the law of the Grand Duchy of Luxembourg of 23 July 2016. Its functions and responsibilities are outlined by Article 52 (6) of the precited law, and include the following:
  - communication to the Company's Board of Directors of the results of the statutory audit and explanations of the role played by the Audit Committee in this process;
  - monitoring of the financial reporting process and making recommendations or proposals to ensure its integrity;
  - monitoring of the effectiveness of the Company's internal quality control and risk management systems and, where applicable, the Company's internal audit, with respect to the financial information of the audited entity;
  - monitoring of the statutory audits of the annual and consolidated financial statements, in particular their execution;
  - review and monitoring of the independence of external auditors or approved audit firms or, where applicable, audit firms, in particular as regards the merits of the provision of non-audit services to the audited entity;
  - responsibility for the selection procedure of the external auditor(s) or audit firm(s).
- *Global Private Wealth Management Team:* this committee is an ultimate decision making body responsible for the business matters in relation to individual insurance activities for the Global Private Wealth Solutions segment.
- *Global Employee Benefits Management Team:* this committee is an ultimate decision making body responsible for the business matters related to the Global Employee Benefits Solutions business.
- *Clients and Business Acceptance Committee (CBAC)*, granted with powers to make decisions relating to the client/business on-boarding issues within the Global Employee Benefits Solutions and Global Private Wealth Solutions business lines of the Company.

Remuneration policy
The Company's compensation policy is derived from the one of Swiss Life Group. The Board of Directors is responsible for its establishment, and its main principles are summarised in a guideline communicated and made available to all employees on the Company Intranet.

The compensation policy underpins the performance culture required by the corporate strategy and forms part of the Human Resources policy. The aim is to retain qualified employees and recruit new, highly skilled staff.

The compensation system is to be in line with the market environment and must be competitive.

The individual overall compensation takes into account the employee's professional skills, engagement and personal performance and is independent of age, years of service or gender. It is made up of a basic salary, a variable bonus based on achievement of the annual objectives, which is generally paid in cash and, in restricted cases, a deferred variable mid- to long-term compensation in the form of an equity compensation plan (RSU-Plan or a Deferred Cash Plan). The form and financing of fringe benefits and occupational pension solutions are market consistent and in line with demand.

In 2020, no fee or remuneration of any kind was paid to the members of the Board of Directors.

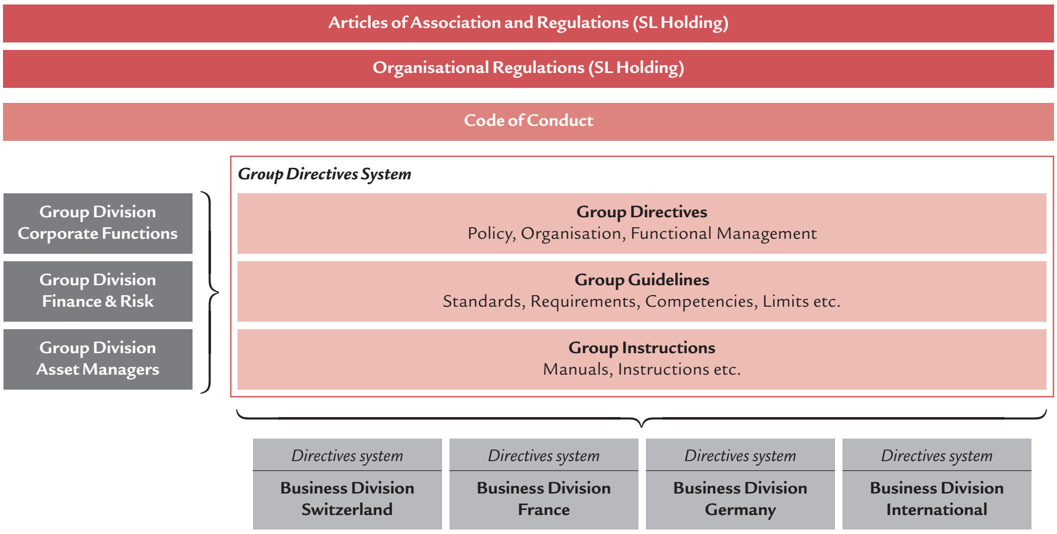
Group directives system
An integral part of Swiss Life's system of governance is the Group Directives System. It regulates the functional management throughout Swiss Life Group and defines the content-related and organisational principles, standards and topics.

The Group Directives System is arranged into Group topics and contains Group Directives, Group Guidelines and Group Instructions:
- Group Directives set out the content-related principles (policy) and requirements as well as organisational and functional management aspects (including authorities' framework).
- Group Guidelines follow on from the Group Directive and set out more detailed content-based requirements and topics, as well as the minimum standards.
- Group Instructions are based on the Group Directives and Group Guidelines and set out concrete instructions in the form of manuals for example.

Following a standardised consultation process, involving management, functional stakeholders and responsible persons within the different units of Swiss Life Group, the Group Directives and Group Guidelines are put into effect by the Group Executive Board.

Swiss Life (Luxembourg) S.A. is responsible for the transposition of the internal regulations and the completion of the existing panel with specific local ones.

The following graph depicts the hierarchy of regulations and the Directives system within Swiss Life Group. The Company is included in the Business Division International; from a management perspective, Business Division International groups the insurance entities in Luxembourg, Liechtenstein and Singapore as well as the distribution units in the United Kingdom, Austria, the Czech Republic and Slovakia.



This system of governance is reviewed internally on a quarterly basis.

B.2 Fit and proper requirements

Swiss Life (Luxembourg) S.A. places great importance on ensuring that all persons who effectively run the undertaking and fulfil key functions are fit and proper for their position (Key Persons). Fitness and propriety are assessed on the basis of the principles set forth under the Luxembourg law on the insurance sector of 7 December 2015, as amended, notably by making reliance on the following elements:

- the professional qualifications, knowledge and experience of the Key Persons must be adequate to enable sound and prudent management (also referred to as Fit Requirements) and
- they are of good repute and integrity (also referred to as Proper Requirements).

Both elements together form the Fit and Proper Requirements.

The Key Persons have to comply with the Fit and Proper Requirements upon their appointment and throughout the duration of their office. To this end, a specific assessment will be performed prior to their appointment and, on an ongoing basis, in accordance with the terms described below.

For a Candidate, a person applying for a Key Person's position, the initial Fit Requirements assessment consists in:

- Interviews organised by the Head of the Human Resources to assess that the Candidate possesses sufficient qualification, experience and knowledge. The assessment will mostly focus on the skills relevant to the function being held by the Candidate. Without having expert knowledge

in all the fields listed below, the Candidate must at least have a global understanding of the following matters:
  - Insurance and finance markets;
  - Business strategy and business model;
  - System of governance;
  - Financial and actuarial analysis and
  - Regulatory framework requirements.
- The Curriculum Vitae of the Candidate.
- A copy of the relevant degrees in connection with the function concerned.
- Additional third parties references can be requested.

Once in office, regular training and development plans are provided to maintain the required level of fitness.

The initial Proper Requirements assessment for a Candidate consists in:
- Obtaining the criminal record of the Candidate that is not older than three months after the date of issue.
- A declaration made by the Candidate confirming that:
  - The Candidate is not subject to any judicial investigation and measures or coming from a regulatory or professional body in particular in relation to the financial sector. This also includes disciplinary and administrative offences and sanctions.
  - The Candidate avoids performing activities that could create a conflict of interest or the appearance of a conflict of interest.
- Assessment of the honesty and financial soundness of the Candidate based on evidence regarding her/his character, personal behaviour and business conduct.

It is possible to perform a re-assessment of the Fit and Proper Requirements in the following situations:
- when the Key Person discourages to perform the business in a way that is consistent with applicable legislation;
- when the Key Person presents a risk to perform activities that would constitute financial crimes such as money laundering or financing of terrorism; or
- when there are reasons to believe that the sound and prudent management of the business is at risk.

B.3 Risk management system

Swiss Life (Luxembourg) S.A. pursues an integrated, value-oriented risk management approach, involving both quantitative and qualitative elements. The goal is to protect customers' funds and ensure the best possible investment of risk capital, while complying with the regulatory requirements and taking into account the challenging economic conditions.

Risk management is a key component of Swiss Life's management process. The respective committees of the Corporate Executive Board and the Board of Directors monitor and take decisions in the area of risk management; these are then incorporated into the annual planning process of Swiss Life. On the one hand, they comprise qualitative assessments relating to the strategy, to operational risks and to the Internal Control System. On the other hand, quantitative elements, such as risk budgeting and investment strategy, are included in the asset and liability management. Based on risk capacity and risk appetite, while taking account of regulatory provisions, limits are set in Swiss Life Group for the financial risks incurred, according to which the investment targets are set.

Risk management tasks are performed at all levels within Swiss Life Group by corresponding bodies, such as the Investment and Risk Committee at the level of the Board of Directors of the Swiss Life Group and the Group Risk Committee at the level of the Corporate Executive Board.

Analogously, the Company performs these tasks on a local level.

Risk strategy
Swiss Life's risk strategy supports the business strategy and enables the Company to grow in its businesses and markets in a sustainable and profitable way.

Swiss Life seeks to take on those risks inherent to the insurance and pension business, that are well understood and for which the expected return compensates the shareholder adequately, i.e. to assume those risks with which the associated cost of capital can be earned.

Other risks inherent to the business that cannot be avoided, as operational risks for example, must be actively monitored and mitigated applying various techniques.

As a matter of principle, Swiss Life sets its risk appetite, i.e. how much risk it is willing to assume, in consideration of its risk capacity. The risk appetite shall not exceed the risk capacity, i.e. the amount of risk that can be taken in order to run the business in a sustainable way.

Risk management objectives
Key components of risk management are the systematic identification, analysis, assessment, monitoring and management of risks as well as their reporting.

Risk strategy techniques
For the management of risks, the following techniques are applied at Swiss Life:
- Risk avoidance is the systematic avoidance of undesired risks (those expected not to compensate the shareholder adequately). Since some of them are connected with desired risks, the below mentioned techniques are applied subsequently;
- Risk mitigation is the systematic reduction of existing risks. This can be achieved for example by hedging undesired exposures through the purchase of financial instruments or by the implementation of controls;
- Risk diversification reduces risks by accepting risks, which are similar but not fully correlated. The overall risk is then lower than the sum of the individual risks;
- Risks are limited by setting thresholds so that the potential loss is limited, for example by limiting the equity exposure or by limiting the size of insurance coverage granted;
- Risk transformation is changing the character of an existing risk as through the purchase of reinsurance cover;
- Risk acceptance is the conscious decision to accept a risk, if necessary after application of the above risk techniques.

The application of these techniques varies by risk type and combinations of them may be required in addressing specific risks.

Risk governance – Guiding principles

Responsibility for managing risks is an integral element of all roles and activities throughout Swiss Life. Key principles are:

- *Ownership and accountability:* roles and responsibilities and minimum control standards for risk takers and risk controllers are clearly defined and communicated;
- *Compliance with regulatory requirements:* external legal and regulatory requirements must be met at all times and in an efficient manner;
- *Coordination and reliance* among different assurance functions, such as ongoing exchange between Risk, Compliance and Audit;
- *Independence:* clear separation between risk taking and risk controlling/assurance functions while maintaining strong links to the business.

Risk governance – lines of defence

Swiss Life's organisational structure can be viewed as three "lines of defence" ensuring independent risk monitoring and control activities.

The first line of defence is the responsibility of the business (risk takers) and includes (but is not limited to):

- Senior management
- Process owners
- Control owners

The second line of defence concerns those responsible for risk oversight and risk guidance (risk controller i.e. risk measurement / monitoring) including the corresponding reporting:

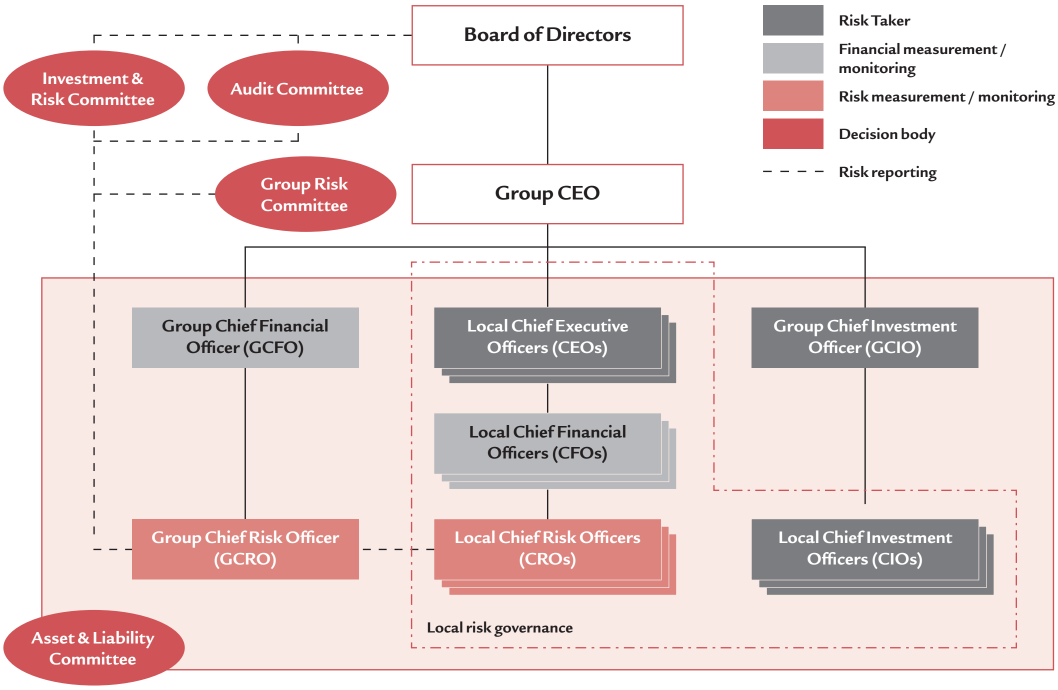
- Risk management functions
- Compliance
- Other control functions

The third line of defence is independent assurance of the effectiveness and efficiency of risk management processes (among others). This assurance is the responsibility of:

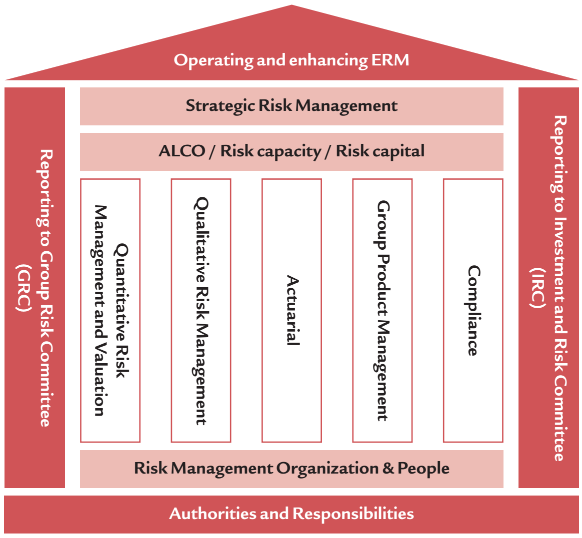
- Internal audit
- External audit

Boards and Committees

Risk management tasks are performed at all levels within Swiss Life Group by corresponding bodies, such as the Investment & Risk Committee at the level of the Board of Directors of the Swiss Life Group and the Group Risk Committee at the level of the Corporate Executive Board as shown below. In the local entities, respective risk governance is in place.



Risk management framework
The risk management framework as depicted below serves to operate and enhance the Group's Enterprise Risk Management (ERM) and to achieve the stated goals. The authorities and responsibilities are defined in the Articles of Association and Regulations, in the Organisational Regulations of Swiss Life Holding and in the Directives systems. They provide the foundation to operate the Group's Enterprise Risk Management.



Quantitative risk management and valuation
The emphasis in the framework for the quantitative risks is put on the insurance businesses and relies on economic principles.

If possible and meaningful, risks are measured and quantified (quantitative risk management). Otherwise a qualitative assessment for the identified risks has to take place (qualitative risk management).

Risks should be quantified as far as possible, based on generally accepted methods. Risk valuation models are not static and have to be continuously improved.

Different forms of financial terms may occur:
– Preferably risk is measured according to probabilities and the corresponding extent of negative drawdowns;
– Possibly risk is measured as the impact of specific scenarios with an assigned probability that is subject to experience and judgement.

The methods to assess the individual quantitative risks are outlined in the guidelines on quantitative risk management:
– *Market risk:* Interest rate risk (covering also Asset and Liability Management (ALM) risk and interest rate spread risk), equity risk, currency risk, real estate and alternative investment risk;
– *Credit risk:* Migration risk (covering also default risk), concentration risk (with respect to counterparty, industry and geography);
– *Insurance risk:* Mortality, longevity, disability, recovery, surrender, costs, capital option risks;

– *Liquidity risk* (especially funding risk) is covered within the ALM process by stress scenarios. Liquidity is continuously monitored.

Risk management framework – ALM process

The trade-off between risk and return in the insurance business (where the asset risk is borne by the shareholder) is steered and controlled in the Asset and Liability Management process.

Qualitative risk management

Qualitative risk management covers strategic risks, emerging risks and operational risks. In these areas, the risks are difficult to quantify or a general quantification approach is not established yet in the insurance sector. Where appropriate, the identified risks are addressed by the Internal Control System.

Strategic Risk

Swiss Life uses analytical methods to ensure that strategic risks are dealt with adequately in what continues to be a very challenging economic environment. In its strategic risk management process, Swiss Life incorporates all the information on risks and the risk/return characteristics in its strategic decisions. A thorough understanding of the interplay of individual risks is essential to take into account the factors influencing risks during strategy development so that these factors can be steered appropriately.

Emerging Risk

With emerging risk management, newly developing or changing risks and their influence on the existing risk environment are monitored and analysed. Emerging risk is a dedicated risk category, which has strong interaction with other risk types as insurance risks such as mortality, longevity and disability. Often, consequences of emerging risks are influencing triggers of other risk types in both ways, positive or negative. From a risk management perspective, those consequences, which have an impact on the business have to be analysed, understood and monitored over time. The result of the analysis is considered in the strategic risk management process.

Operational Risk

Operational risk is an inevitable consequence of being in business. The aim is not to eliminate every source of operational risk but to provide a framework that supports the identification and assessment of all material operational risks and potential concentrations in order to achieve an appropriate balance between risk and return. Sound operational risk management (which includes information security and IT risk management as well as business continuity management) and an effective Internal Control System are an integral part of creating sustainable value for shareholders.

The Swiss Life's Internal Control System framework is described in section B.4.

Risk steering and Swiss Life's comprehensive system of limits

Swiss Life has set up a comprehensive system of limits to capture and reflect the nature of the underlying risks.

Quantitative Risk

– The risk appetite is set on Board of Directors level by the Investment & Risk Committee and is expressed as Swiss Solvency Test (SST) ratio limit for Swiss Life Group and for Swiss Life AG;

- This risk appetite is cascaded down through unit specific SST ratio limits (which ensure in aggregate adherence to the SST ratio limit for Swiss Life AG) set by the Group Risk Committee and specific risk capital and exposure limits for units set by the Asset & Liability Committee (ALCO);
- In 2018, the Board of Directors of the Company set the risk appetite on local level by introducing a Solvency II ratio limit;
- For credit risk, rating-dependent exposure limits avoid concentration risk of counterparties;
- Monitoring is performed through two key reports on both unit and consolidated level. As part of the ALCO process, additional local constraints (such as Solvency II, tied asset coverage, etc.) are monitored and managed locally;
- Within the asset managers division, additional limits (including monitoring) are established to operationalise ALCO limits and to therefore ensure adherence to the ALCO and – ultimately – SST limits.

Qualitative Risk
- Strategic and operational risks have quantitative risk tolerance levels and thresholds.

Actuarial
- Insurance risk is managed through an underwriting process with limits and thresholds.

Product Management
- Profitability hurdle rates on unit and product level trough pricing policy;
- Local product developments exceeding certain thresholds are subject to a Group approval process.

Risk Management function
The Risk Management function is not isolated but an integral part of the overall management activities of Swiss Life (Luxembourg) S.A. as it is within Swiss Life Group.

The Risk Management function should not only analyse the developments of the past but should also provide the senior management with the analysis of future risk aspects.

The local Chief Risk Officer (CRO) is heading the Company’s Risk Management function.

The responsibilities of the local Chief Risk Officer are the coordination of tasks, standards, processes and insuring consistency across the Company.

The responsibilities of the local Chief Risk Officer in the context of quantitative risk management are:
- ensuring the establishment of an appropriate risk management in the relevant unit;
- processing and solving risk management issues within the relevant unit;
- representing the relevant unit in risk management issues within and outside the Company in consultation with Group Risk;
- reporting according to the instructions outlined in the group guideline on risk reporting;
- implementing the respective requirements of the Group directives and guidelines into their directives system by taking into consideration local law, local specifications and business activities;
- ensuring that the necessary human resources are available in terms of numbers, skills, knowledge and experience.

The final functional management is in the responsibility of the Group Chief Risk Officer. The Risk Management functions are established at all levels with the respective responsibilities. The Group and local Risk Management functions support the risk management bodies (Group Risk Committee and Investment & Risk Committee) and ensure the adherence to and the compliance with the respective Group and local directives.

As part of the global documentation presented to the Board of Directors, the Company's Chief Risk Officer presents a CRO report including either mandatory and spontaneous communications in relation with Risk management topics or on specific Board of Directors requests.

Own Risk and Solvency Assessment

Pursuant to Article 75 of the law on the insurance sector of 7 December 2015, the Company performs an Own Risk and Solvency Assessment (ORSA) which is embedded Company's decision-making and risk management process.

The ORSA consists in a forward-looking assessment of the Company's risk and solvency position over the planning period, comprising:

- an assessment of the continuous compliance with the Solvency Capital Requirement and Technical Provisions;
- an assessment of the significance of the deviations between the Company's own risk profile and the assumptions underlying the Solvency II Standard Formula;
- an assessment of the Overall Solvency Needs taking into account the Company's risk profile and risk tolerance limits.

The quantitative assessment of the Overall Solvency Needs is performed by taking the results of scenarios and stress-tests into account and is supplemented by a qualitative description of the Company's risk profile. The Overall Solvency Needs assessment covers all material risks the Company is exposed to and is performed considering a number of scenarios. Those are selected by the Board of Directors consistently with the Company's risk profile taking into account a range of developments relevant for the business such as changes in the economic environment, the resulting evolvement of the risk profile and projected management decisions in accordance with the business strategy.

The ORSA is an integral part of the risk and capital management of the Company and is embedded in its decision-making process. The results of the ORSA are an input to the strategic planning process, which sets strategic orientation of the Company over a three year time horizon.

The ORSA is performed at least on an annual basis in accordance with the schedule of the mid-term planning process. In addition, a non-regular ORSA might be required in case of specific internal or external events (e.g. the start-up of a new line of business, portfolio transfers or major changes in the asset structure or financial market conditions). The results of the ORSA are included in the ORSA report.

In 2020, the Company produced its fifth official ORSA report duly approved by the Board of Directors and submitted to the CAA.

B.4 Internal control system

Swiss Life's Internal Control System (ICS) consists of the entirety of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the Company's assets.

Swiss Life Group established an effective Internal Control System as part of the overall qualitative risk management to mitigate financial reporting risks, compliance risks and operational risks. Swiss Life's Internal Control System essentially comprises the following parts as outlined in the Internal Control System Group Guideline: the Internal Control System framework, the internal control management process and the associated roles and responsibilities.

The Company implemented and operates the Internal Control System locally within the standards of Swiss Life Group.

The Internal Control System framework contains the description and documentation of:
- process-level control measures (measures implemented in business processes to mitigate financial reporting, operations and compliance risk),
- entity-level control measures (measures implemented to control compliance with external and internal laws, regulations and standards),
- the IT control framework (framework to ensure the completeness, accuracy and integrity of business transactions which are performed or supported by applications) and
- minimum requirements for end-user computing tools.

Key procedures

In order to be able to efficiently maintain and manage the Internal Control System, the internal control management process has been defined. It consists of four steps (scoping, documentation, control assessments and definition and tracking of measures) and is performed on an annual basis.

To ensure a complete implementation of the Internal Control System framework and the internal control management process, the respective roles have been defined to support management on Internal Control System related questions. The roles include the Group Qualitative Risk Management on the level of Swiss Life Group and, on a local level, the Internal Control Officer, the Compliance Officer and the IT Security Officer.

Material units and business processes are identified in a structured scoping approach on a yearly basis. During scoping, the materiality of accounts in the financial statements, external and internal laws, regulations and standards and the operational process landscape are reflected.

Relevant business processes as well as respective Internal Control System key controls are documented and regularly reviewed regarding their actuality. Local risk controlling and group risk functions (second line of defence) support the process owners in documenting processes and conducting yearly risk and control self-assessments as well as in tracking improvement measures and mitigating activities. Internal Control System key controls are assessed once a year regarding control design (control concept and documentation) and control performance (effectiveness of controls in daily operations). Where control weaknesses are identified, improvement measures and mitigating activities have to be defined. The implementation of these measures and activities is tracked.

Reporting procedures regarding the Internal Control System are established. Local management committees as well as the Group Risk Committee and the Audit Committee are regularly informed on the state of the control environment, on high operational risks and relating measures and activities.

Corporate Internal Audit and the external auditor (third line of defence) regularly perform audits for selected parts of the Company's effectiveness of the Internal Control System.

Local reports to Swiss Life Group include the scoping results, the results of the control assessments and on Internal Control System measures as well as on the status of the tasks of the Internal Control System cycle.

Group Qualitative Risk Management reports a consolidated view on Internal Control System measures and assessment results to the Group Risk Committee and to the Audit Committee. Frequency and content of those reports are defined in the respective instructions.

Compliance Function

The objective of the Compliance function in Swiss Life (Luxembourg) S.A. is:

- a conduct in line with compliance with legal and regulatory requirements and other external or internal regulations;
- the identification and avoidance of compliance risks, and thus of respective consequences, above all potential impacts on Swiss Life's reputation;
- a prudent over-all management at all times

by defining the necessary compliance standards and respective processes for all areas of the Company, supporting both employees and management in the implementation and enforcement thereof. Moreover, the role of the local Compliance function is prescribed to encompass the local regulatory requirements of Solvency II.

Compliance standards have been developed to implement and enforce material compliance topics, in accordance with the locally applicable legal and regulatory requirements. The Compliance function works at every functional level for adherence to the Group Directives System described in section B.1.

The Business Divisions define the reporting line between the Division Head of Compliance and the local Management while taking into consideration the independence of the function as second line of defence. In addition, the Division Head of Compliance has a functional reporting line to the Group Head of Compliance.

In application of the aforementioned principle, the Company's Compliance function is owned by the Head of Compliance. The local Head of Compliance is at the same time the Head of Compliance of the Business Division. This function, since its creation on 1 May 2015, is geared towards five different pillars for which the department is responsible for performing following tasks:

- Compliance with the regulation against money laundering and the financing of terrorism,
- Qualitative risk management (including the management of the Internal Control System),
- Compliance Audits & Controls,
- Regulatory Compliance including tax reporting activities (FATCA/CRS),
- Special Investments in the context of the Global Private Wealth Solutions business (private equity investments).

B.5 Internal audit function

The Internal audit function of the Company is performed by the Corporate Internal Audit of the Swiss Life Group in conjunction with the Audit Committee of the Company. By doing so, the Company ensures that:
- appropriate resources are allocated to the task,
- recognised internal audit standards are applied and fulfill the requirements of the law such as audit plan definition, adequate reporting of audit findings and recommendations,
- a follow-up process is in place through effective tracking tools,
- decisions of the Board of Directors of the Company comply with previous recommendations.

It is the responsibility of the Corporate Internal Audit function to plan and perform the audit. The processes include a planning phase where the relevant topics are identified, how the audit has to be performed and documented as well as the manner in which the results have to be reported.

B.6 Actuarial function

The local Head of Actuarial Services ensures at all time that the Actuarial function is carried out by persons who have an adequate knowledge and understanding of the written insurance business, stochastic nature of insurance, the risk inherent in assets and liabilities, as well as an understanding of the use of statistical models commensurate with the sophistication of the methodologies and models applied by Swiss Life Group. The deepness of the knowledge required depends on the organisational level they belong to.

The Local Chief Actuary represents the Actuarial Function.

The Actuarial function at Swiss Life is defined in the following organisational levels:
- Group Actuarial Services
- Appointed Actuary
- Actuarial Board
- Actuarial Organisation and local Actuarial Services

Actuarial Board

The Actuarial Board consists of the Group Chief Actuary (Chairman), the local Chief Actuaries and the local Appointed Actuaries. The Board approves Actuarial Directives, Guidelines and Instructions from a functional point of view according to the Group Directives system.

Local Chief Actuary

The local Chief Actuary is responsible for performing all actuarial functions of the Company without any statutory duties in contrast to the Appointed Actuary.

Within the Company, the Head of Actuarial Services covers both roles.

The local Chief Actuary has to ensure the appropriateness of the Company's Actuarial function Guideline and the alignment with all local specific legal and regulatory requirements. As representing the Actuarial function, the local Chief Actuary is responsible for the assessment of the technical provisions according to Solvency II principles and the assessment of reinsurance and underwriting policies regarding their appropriateness. An adequate segregation of responsibilities established within the organisational structure ensures that the people performing actuarial tasks are not simultaneously responsible for the execution and for providing an opinion on the adequacy of the executed item.

B.7 Outsourcing

A Group Outsourcing Guideline defines outsourcing requirements throughout the Swiss Life Group. It regulates the outsourcing to external service providers and describes the outsourcing process at Swiss Life.

Prior to 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 outsourcing Swiss Life entity has to notify Group Qualitative Risk Management.

In case of outsourcing of critical or important functions such as risk management, compliance, internal audit or actuarial, the Company has to ensure the fitness and propriety of all persons working on that function. The outsourcing has to be approved by the Group Executive Committee or the Divisional Executive Committee.

The Company maintains an inventory about all outsourcings (internal and external) which contains information about the classification ("critical and / or important activity or function"), the performance evaluation of the outsourcing and the impact on Swiss Life, in case the service is not delivered as agreed (risk assessment).

The Company has a few critical outsourcings which all have the appropriate formal agreements and are monitored closely.

Outsourcing

Outsourcing	Country of the outsourcing	Intra-group or external
IT infrastructure management	Luxembourg	External
HR payroll administration	Luxembourg	External
Asset management for general assets not covering unit-linked liabilities	France	Intra-group
Accounting and reporting of the general assets	France	Intra-group
Internal Audit Function	Switzerland	Intra-group
Digital archiving	Luxembourg	External
Specific fund valuation	Luxembourg	External

B.8 Any other information

All relevant information is provided for in the previous sections. No additional information is deemed necessary.

C Risk Profile

Risk is defined as the potential danger of an actual result deviating adversely from the expected result. If meaningful, material risks must be measured and quantified. If a risk cannot be quantified, a qualitative assessment needs to be done.

When measured, the risks are assessed by their contribution to the Solvency Capital Requirement (SCR) applying the standard formula from the Directive 2009/138/EC, called Solvency II directive. In other cases, when this is not possible, the risks are identified, assessed and managed through the Company's qualitative risk management framework including the Internal Control System.

The detailed results from the Solvency II standard formula are given in section E.2. As a summary, the main risks for the Company are the market risk, more specifically equity and spread risk, and the life underwriting risk due to lapse risk. The risk profile of the Company has not changed in comparison to last year's evaluation.

The Company invests its assets according to the 'prudent person principle' as presented in Article 132 of Directive 2009/138/EC:

The general assets (i.e. not covering unit-linked contracts) are invested in regulated financial markets and no use of derivatives was made over 2020. A limit system by single counterparty and credit rating is in place to control single counterparty exposures and is included in the asset management mandate. The latter also integrates the management of the duration matching between assets and liabilities as well as regular reporting. At least once a year, the strategic asset allocation is defined in the ALCO process presented in section B.3, formally approved by the management.

The unit-linked investments follow the investment strategy provided in the contract conditions chosen by the policyholder. Moreover, the valuation processes in place aim at limiting any discrepancy in value between the technical provisions and the covering assets.

C.1 Underwriting Risk

Underwriting risk is mostly made of lapse risk linked to the policyholder behaviour, representing a risk capital of EUR 67.0 million with regards to an overall Life underwriting risk of EUR 88.3 million.

Expense risk exists in all insurance company and arises when the loadings are not sufficient to cover the administration expense basis. Expense risk is the second largest underwriting risk (capital of EUR 23.4 million). A close expense monitoring allows keeping the expense risk on an acceptable level.

Biometric risks such as mortality, longevity and disability have a limited risk contribution due to the reinsurance program in place and to the application of the contract boundaries as defined in the Solvency II framework (boundary of one year on the main part of the portfolio supporting these risks).

C.2 Market Risk

Market risk is mainly explained by equity and spread risk with risk capitals of EUR 100.8 million and EUR 65.0 million respectively in relation to EUR 190.4 million of overall market risk capital. These risks are the largest ones given the high level of dedicated funds mainly invested in equity funds and the high share of bond investments to cover non unit-linked products.

Real estate risk increased significantly over 2020 following additional investments, representing in 2020 the third largest risk capital of EUR 40.4 million.

Interest rate risk is not material as the durations of the liabilities and their covering assets are almost matched. The duration gap is monitored on a regular basis in the risk management system.

The currency risk resulting from the international framework the Company is working in amounts to EUR 13.7 million. The currency risk capital is kept at a low level given the asset/liability currency matching in the Company's investment policy, limiting the net exposure in non EUR currencies for non unit-linked contracts. Unit-linked contracts also contribute to the currency risk.

For the general assets and non unit-linked products, monthly reports allow for an adequate monitoring of the market risk situation and ensure that corrective measures are put in place when necessary. In stressed market situation, ad-hoc validation can be triggered.

The concept of concentration risk is generic and can occur on different levels. The concentration risk measured by the Solvency II standard formula is the exposure to single ultimate counterparties. Monthly risk management reports exist monitoring among others the concentration risk in governmental exposures (excluded from the Solvency II definition). Concentration risk is not material for the Company.

Concentration risk can also occur on the liabilities when a specific type of industries is covered through contracts for multinational corporations or when a specific clientele in a particular country is targeted by the business strategy for example. Even if this concentration risk should be part of the life underwriting risk, it is addressed in the market risk together with the asset counterparty default risk in order to present a complete picture.

The different business activities need to be analysed separately. For Global Employee Benefits Solutions, group contracts are diversified and cover all types of industries in different parts of the world. For countries considered as riskier by the Swiss Life reinsurance department, contracts are either refused or specifically priced. Global Private Wealth Solutions has by definition an inherent concentration risk. The risk is mitigated by a close monitoring of the key partners and the markets/countries where the business is written. The concentration risk arising from the liabilities is assessed as not material.

C.3 Credit Risk

Credit risk in the Solvency II framework is counterparty default risk with respect to cash positions, reinsurance treaties and amounts due from policyholders, including cash positions in the unit-linked assets.

Reinsurance treaties are in place with seven different counterparties: biometric risk is reinsured by Swiss Life AG as well as four external reinsurers without any deposit foreseen, the other treaties are financial reinsurance treaties both secured by collaterals (pledged securities). These collaterals are at least equal to the receivables at all times, so that reinsurance receivables do present a negligible counterparty default risk.

Regarding cash exposures, counterparty risk is primarily managed by the aforementioned counterparty exposure limits.

Counterparty default risk represents a risk capital of EUR 11.5 million.

C.4 Liquidity Risk

Liquidity risk is not covered explicitly in the market risk as defined in the Solvency II standard formula. It is assessed as not material.

The Company earns per year over EUR 180.0 million of written premiums from the Global Employee Benefits Solutions business. With such amounts of cash per year, liquidity problems are not likely to arise. In terms of investment policy, a certain minimum level of cash is always available in the accounts, also allowing facing liquidity risk. Finally, a weekly monitoring has been put in place to manage closely future liquidity needs. Repurchase agreements can be used to ensure short-term refinancing for unexpected liquidity shortfalls.

The expected profit included in future premiums as defined by the Solvency II framework is equal to EUR 12.2 million.

C.5 Operational Risk

Operational risk is included in the Solvency II standard formula and accounts for EUR 12.2 million.

Operational risk is inherent to insurance business. The management of operational risk is thus very important and is an integrated part of the qualitative risk management framework in Swiss Life. Operational risk is addressed more precisely by the Internal Control System in place.

C.6 Other Material Risks

Besides the risk categories described above, other risks are monitored in the Swiss Life risk management system.

As a result of the risk management process in the Swiss Life group, Strategic and Reputational risks are material for the Company as they could endanger the business ambitions of the Company. Mitigation actions are defined and monitored in the ORSA process.

Emerging risk is deemed non material for the Company.

C.7 Any other information

A number of economic sensitivities has been performed as of 31.12.2020.

The Solvency Capital Requirement has been estimated for stressed interest rate yield curves, initial equity and real estate shocks and spread shocks.

In all the analysed sensitivities, the Own Funds are sufficient to cover the Solvency Capital Requirement.

D Valuation for Solvency Purposes

In this chapter, the Solvency II balance sheet as of 31.12.2020 is presented. It is compared to the statutory balance sheet as published in the Financial Statements. In this chapter, only the main items form the balance sheet are shown.

D.1 Assets

According to Article 75(1)(a) of Directive 2009/138/EC, all assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, that means with their fair values.

The table hereunder provides a summary of the assets side of the balance sheet as of 31.12.2020. Solvency II accounting values are compared to local accounting values. In the following, the main asset categories in accordance to the view from the Financial Statements are presented in detail.

Assets

In EUR thousand

	Local accounting bases	SII accounting bases	Difference
Subscribed capital unpaid	6 000		–6 000
Intangible assets	11 093		–11 093
Investments	1 511 594	1 681 425	169 831
Investments for the benefit of life insurance policyholders who bear the investment risk	13 176 731	13 176 731	
Reinsurer's share of technical provisions	384 646	393 466	8 820
Deposits to cedants	6 021	6 021	
Debtors	90 396	90 396	
Other assets	61 279	61 279	
Prepayments and accrued income	6 940	6 665	–275
Total assets	**15 254 699**	**15 415 983**	

Unpaid capital

The unpaid not called-up capital is not considered in the Solvency II balance sheet. Given the approval of the local Supervisor, unpaid not called-up capital is added as ancillary own funds.

Intangible assets

Intangible assets are valued at zero unless they can be sold separately and they possess a market value as defined by Article 10(2) of the Commission Delegated Regulation (EU) 2015/35.

In the case of Swiss Life (Luxembourg) S.A., they are not accounted for in the Solvency II balance sheet.

Investments

Besides the investments in bonds and Collective Investment Undertakings, in this table investments also include deposits and other loans.

In the Solvency II balance sheet, investments are considered at market value following the Directive 2009/138/EC.

Investments in bonds and the different investment funds are valued using quoted market prices from active markets. Investment funds as of 31.12.2020 include money market, real estate, corporate loan and infrastructure funds.

Differences between Solvency II and local accounting values represent unrealised gains and losses on the investments at closing date (the difference between market values and accounting values).

Deposits and short-term other loans are valued at accounting value, there is no difference in between Solvency II and statutory values. Longer other loans are taken at their nominal value. Under Solvency II, they are valued by discounting the future interest and reimbursement cash flows consistently with the market conditions.

Assets held for unit-linked assets
Assets held for unit-linked assets are taken at market value following the Directive 2009/138/EC.

There is no difference between local and Solvency II accounting bases as the market value for assets held for unit-linked funds is also used in the local accounting basis.

The ‘private equity’ positions included in the unit-linked contracts are valued using market valorisation models and techniques, resulting in no difference between statutory and Solvency II values. The approach is detailed in section D.4.

Reinsurer’s share of Technical Provisions
The share of reinsurers in the Technical Provisions in Solvency II accounting basis is given by the best estimate of reinsurance contracts. The evaluation methodology will be described in the next section and is similar to the one used for the valuation of insurance best estimates.

The difference shows the valuation difference between local accounting values and Solvency II best estimates.

Debtors
In the Solvency II balance sheet, debts are considered at accounting value. The main part of recoverables arises from policyholders which are considered as short term. No market values are available; the valuation methodology used consists in using the accounting value which is known at closing date, the short-term aspect justifying this choice.

Other assets
In the Solvency II balance sheet, other assets are considered at accounting value. Mainly cash positions compose the other assets items, for these positions market values equal accounting values.

Prepayments and accrued income
In the Solvency II balance sheet, intangibles such as deferred acquisition costs are not considered. The accrued interests are directly shown under the investments. The residual positions are kept at statutory level representing short term prepayments.

D.2 Technical Provisions

The valuation of Technical Provisions is set out in the Commission Delegated Regulation (EU) 2015/35, Articles 17 to 61. Technical provisions are calculated as the sum of the best estimate and the risk margin per line of business.

The calculation of Technical Provisions uses and is consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). They are calculated in prudent, reliable and objective manner.

The projection model complies with the following requirements:
- it generates asset prices that are consistent with asset prices observed in financial markets;
- it assumes no arbitrage opportunity.

The calculation of technical provisions takes into account the value of financial guarantees and contractual options included in insurance policies. Any assumptions made with respect to the likelihood that policyholders will exercise contractual options, including lapses and surrenders, or realise the value the financial guarantee are realistic and based on current and credible information. Financial market developments are considered in the valuation.

Best estimate

The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The calculation of the best estimate is based upon up-to-date and reliable information and realistic assumptions and performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the best estimate takes account of all the cash in–and out-flows required to settle the insurance obligations over the lifetime thereof.

Requirements regarding future management actions and policyholder behaviour are set out by Articles 23 and 26 of the Commission Delegated Regulation (EU) 2015/35. In particular, those assumptions should be realistic, consistent with past experience and future expectations, and based on credible information.

The basic risk free interest rate term structure used for the discounting of cash flows in the calculation of technical provisions, is delivered by EIOPA.

In the Solvency II framework, liabilities are valuated using models. Two valuation approaches are used:
- a projection model for the calculation of the best estimate as defined above,
- the statutory provision for a limited part of the liabilities, according to the Solvency II proportionality principle.

99.7% of statutory technical provisions are valued using the projection model. Stochastic calculations are used for the valuation of significant options and guarantees (policyholder profit sharing for example).

Projections take into account contract boundaries as defined in the Technical Specifications for the preparatory phase and CAA recommendations.

The projection model uses the following assumptions:
- Economic scenarios introduce economic assumptions in the stochastic part of the projection model. Based on EIOPA assumptions, yield curves, inflation rates and actualization rates are given for 2 000 simulations. Scenarios integrate four currencies: EUR, USD, CHF and GBP.
- Expense assumptions are fixed on a yearly basis. Starting point are the observed expenses for the last year, which are allocated in different expense classes and to the different product lines using keys. The best estimate only takes into account recurring expenses which are linked to the existing contracts.
- Mortality assumptions are fixed depending on the product type (death, survivor or annuity).
- Morbidity and disability assumptions are established based on the experience of the Company and of its reinsurer.
- Lapse rate assumptions are reviewed on a yearly basis based on historic observations. These rates are fixed per product line.

Assumptions used in the calculation of Technical Provisions are reasonable, justifiable, consistent over time and based on the risk characteristics of the underlying portfolio (Article 22 of Commission Delegated Regulation (EU) 2015/35).

The same model described above is used to determine the Solvency II value for reinsurance.

Risk margin
The aim of the risk margin is to ensure that the value of the Technical Provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

The following requirements regarding the risk margin calculation are met:
- The calculations are performed net of loss absorbing capacity of technical provisions, and gross of the loss absorbing capacity of deferred taxes.
- The risk margin is allocated to the relevant lines of business in a way that reflects their contribution to the Solvency Capital Requirement.

The risk margin is calculated using a proportional approach as suggested by EIOPA as simplified method 3. The proportionality factors are different for unit-linked and non unit-linked products.

Level of uncertainty in the amount of technical provisions
Random annual fluctuations of the insurance benefits, the lapse behaviour of policyholders and the profit sharing rules could lead to portfolio variation. Changes in policyholder biometrics or lapse risks lead to high level of uncertainty in Technical Provisions. Therefore, the assumptions used for the projection model are reviewed regularly.

Most assumptions are reviewed on a yearly basis.

Technical Provisions

In EUR thousand

	Unit-linked	Other life insurance (with and without profit sharing)	**Total**
Statutory technical provision	13 176 731	1 699 764	**14 876 495**
Reinsurer part in technical provisions	0	384 646	**384 646**
Net statutory technical provisions	13 176 731	1 315 118	**14 491 849**
Best estimate of gross technical provisions	12 975 393	1 826 296	**14 801 688**
Risk margin	32 654	25 563	**58 217**
Gross technical provisions including risk margin	13 008 046	1 851 859	**14 859 905**
Best estimate of reinsurers part in technical provisions	482	392 984	**393 466**
Net technical provisions including risk margin	13 007 564	1 458 875	**14 466 439**

Differences between Solvency II and accounting values come from the different valuation models.

For unit-linked business, the difference arises from the recognition of future margins in the best estimate, in opposition to the simple counter value of the unit-linked assets in the local accounting balance sheet.

For the other life insurance provisions, the Solvency II value is higher than the statutory technical provision, reflecting the use of a reference yield curve for calculating actual values and also the impact of certain assumptions such as observed expenses.

Impact of transitional measures
Only the volatility adjustment is used in the official Solvency II calculations. Quantitative impact of its use is given in Annex QRT S.22.01.21.

No matching adjustment or transitional measure has been used.

D.3 Other Liabilities

The following table provides the values of other liabilities as at 31.12.2020.

Other Liabilities

In EUR thousand

	Local accounting bases	SII accounting bases	Difference
Subordinated liabilities	9 000	10 988	1 988
Provisions for other risks and charges	772	49 465	48 693
Creditors	137 405	137 405	
Accruals and deferred income	1 032	1 032	

Subordinated liabilities

Subordinated liabilities have been issued in 2019. In the statutory accounts, subordinated liabilities are taken at their nominal value. Under Solvency II, they are valued by discounting future interest and reimbursement cash flows consistently with the market conditions.

Provisions for other risks and charges

Provisions for other risks and charges include deferred tax liabilities. This is an additional item compared to the balance sheet in the local accounting bases. Deferred tax liabilities arise due to the recognition of future results namely through unrealised gains and losses on assets and through the recognition of liability best estimates. These future results will have to face tax payments when materialising and need to be recognised in the Solvency II balance sheet. Deferred tax liabilities are equal to EUR 48.7 million.

Provisions for other risks and charges excluding deferred tax liabilities are taken at accounting value. No market values are available; the valuation methodology used consisted in using the accounting value which is known at closing date.

Deferred tax liabilities are introduced in the balance sheet, the value is defined through the valuation methodologies on assets and liabilities.

Creditors

Creditors are taken at accounting value. The main part of debts arises from short-term debts towards policyholders. The used valuation methodology consists in using the accounting value known at closing date.

Accruals and deferred income

In the Solvency II balance sheet, accruals are taken at accounting value. The used valuation methodology consists in using the accounting value which is known at closing date.

D.4 Alternative methods for valuation

Alternative methods for valuation are used for unquoted investments.

International Private Equity and Venture Capital Valuation guidelines are the basis for the fair valuation of holding companies, representing the major part of the Company's unquoted investments. Private bonds / debts instruments are measured using the amortized cost approach as defined by the International Accounting Standards Board.

E Capital Management

E.1 Own Funds

Composition of Own Funds

The following table details the Own Funds as of the end of the reporting year.

Own Funds by Tier

In EUR thousand				31.12.2020	31.12.2019
	Tier 1 (illimited)	Tier 1 (limited)	Tier 2	**Total**	**Total**
BASIC OWN FUND ITEMS					
Ordinary share capital	17 000			**17 000**	17 000
Subordinated liabilities			10 988	**10 988**	10 659
Reconciliation reserves	261 632			**261 632**	294 301
Reserves	119 007			**119 007**	110 000
SII reconciliation reserve	133 193			**133 193**	175 294
Retained earnings					
Profit from the year	31 531			**31 531**	29 707
Deductions	22 100			**22 100**	20 700
Basic own funds	**278 632**		**10 988**	**289 619**	321 960
ANCILLARY OWN FUND ITEMS					
Unpaid not called-up capital			6 000	**6 000**	6 000
Basic own funds			**6 000**	**6 000**	6 000

Basic own funds

Basic own funds items are equal to the own funds determined as excess of assets over liabilities. They also include subordinated liabilities, if any. Deductions to be considered represent the expected dividend payment based on the result from year-end 2020.

Ordinary share capital is taken at accounting value. The unpaid not called-up capital is not considered in the Solvency II framework, it is re-integrated as ancillary own funds.

The Reconciliation reserves include Reserves and the Profit from the year which are also included in the statutory accounts. The Solvency II reconciliation reserve aims at presenting balanced accounts and arises from the market valuation of the balance sheet.

Deductions represent the expected dividend payment based on the yearly result.

In comparison to last year, own funds are lower due to different effects:
- The New Business written in 2020 and the changes in the stock impacted the own funds positively, following the high volumes written in both business lines.
- The economic environment influenced negatively the own funds, mainly driven by negative spread impact on the bonds portfolio and lower interest rates counterbalanced by positive equity market effects over the last quarter 2020.
- The own funds are influenced negatively by the higher real estate investments.
- The own funds are influenced negatively by the increased pressure on the margins for new unit-linked business.

Ancillary own funds

Ancillary own funds are composed by the unpaid not called-up capital as approved by the local Supervisor.

Ancillary own funds have not changed versus 2019.

Quality of Own Funds

For Solvency II purposes, own funds are categorised following their level of quality as shown above.

Except from the ancillary own funds and the new subordinated liabilities, in terms of classification, all own fund items are classified with the highest quality, in Tier 1. The ancillary own funds, representing the unpaid not called-up capital, and the subordinated liabilities are classified in Tier 2.

Eligible Own Funds

Regarding the solvency, the Own Funds are fully eligible to cover the Solvency Capital Requirement.

For the Minimum Capital Requirement, ancillary own funds are not eligible.

Eligible Own Funds

In EUR thousand			**31.12.2020**	31.12.2019
	Tier 1	Tier 2	**Total**	Total
Available Own Funds	278 632	16 988	**295 619**	327 960
MCR				
Eligible Own Funds to cover MCR	278 632	10 988	**289 619**	321 960
SCR				
Eligible Own Funds to cover SCR	278 632	16 988	**295 619**	327 960

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement is calculated based on the Solvency II standard formula. Operational risk is determined based on premiums, reserves and expenses for unit-linked business.

SCR

In EUR thousand	**31.12.2020**	31.12.2019
BASIC SCR	**238 518**	248 087
Adjustment for the loss absorbing capacity of technical provisions	–5 661	–2 259
Adjustment for the loss absorbing capacity of deferred taxes	–48 693	–62 275
SCR for operational risk	12 238	14 879
SCR	**196 403**	198 432
MCR	**88 381**	89 294

The following table details the different components of the Solvency Capital Requirement, split by risk module.

SCR Detail

In EUR thousand

	31.12.2020	31.12.2019
SCR for market risk	**196 591**	195 912
SCR for counterparty default risk	**11 518**	10 485
SCR for life underwriting risk	**88 275**	105 534
Basic SCR	**238 518**	248 087

The highest risks are coming from market risk, equity risk representing the highest capital needs. This is explained by the high volume of dedicated funds. Spread risk is high given the high exposure of the Company in bonds.

The impact of higher lapses for unit linked business is the driver for the life underwriting risk.

Some simplifications are used in the calculation of the different risk modules, namely for interest rate risk and spread risk.

The Solvency Capital Requirement decreased in comparison to last year, mainly in relation with the slight decrease in average administration fees for unit-linked business. Increased real estate investments in the Global Employee Benefits Solutions portfolio explain the higher capital requirement mainly for real estate risk. Life risk and operational risk evolved following the volume over 2020.

The Minimum Capital Requirement is calculated based on the standard model. In the end, the cap from the Solvency Capital Requirement is defining the required level of the Minimum Capital Requirement (45% of the Solvency Capital Requirement). The linear Minimum Capital Requirement is determined based on capitals at risk and technical provisions.

MCR

In EUR thousand

	31.12.2020	31.12.2019
Linear MCR	**170 930**	144 125
Floor	**49 101**	49 608
Cap	**88 381**	89 294
Combined MCR	**88 381**	89 294
Minimum guarantee fund	**3 700**	3 700
MCR	**88 381**	89 294

The Minimum Capital Requirement follows the evolution of the Solvency Capital Requirement.

The following table indicates the solvency level given the Solvency Capital Requirement and the Minimum Capital Requirement as represented above. Both solvency ratios exceed the requirements.

In EUR thousand			31.12.2020	31.12.2019
	Capital requirement	Eligible capital	**Solvency ratio**	Solvency ratio
SCR	196 403	295 619	**151%**	165%
MCR	88 381	289 619	**328%**	361%

The amounts of the Solvency Capital Requirement and the Minimum Capital Requirement as of 31.12.2020 are still subject to supervisory assessment.

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

Swiss Life (Luxembourg) S.A. does not use the duration based equity risk sub-module.

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

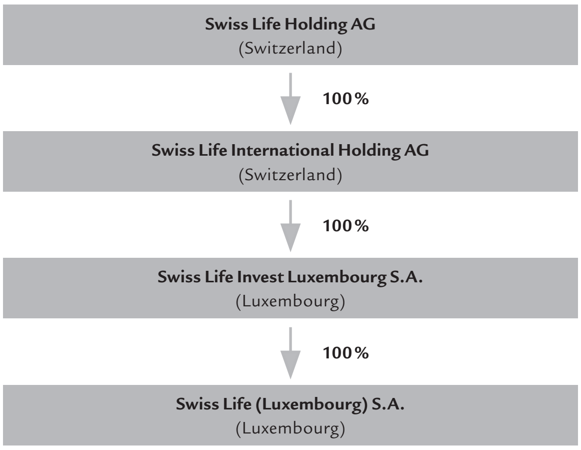
Swiss Life (Luxembourg) S.A. applies the standard formula.

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

The precedent figures show that Swiss Life (Luxembourg) S.A. is compliant with the regulatory requirements in terms of available solvency capital.

Annex

Holding structure



S.02.01.02 Balance sheet

in thousand EUR		Solvency II value
		C0010
ASSETS AS OF 31 DECEMBER 2020		
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1 536
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1 657 684
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities – listed	R0110	0
Equities – unlisted	R0120	0
Bonds	R0130	1 429 329
Government Bonds	R0140	838 097
Corporate Bonds	R0150	590 195
Structured notes	R0160	0
Collateralised securities	R0170	1 037
Collective Investments Undertakings	R0180	227 194
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	1 161
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	13 176 731
Loans and mortgages	R0230	23 741
Loans on policies	R0240	67
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	23 674
Reinsurance recoverables from:	R0270	393 466
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	392 984
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	392 984
Life index-linked and unit-linked	R0340	482
Deposits to cedants	R0350	6 021
Insurance and intermediaries receivables	R0360	20 314
Reinsurance receivables	R0370	4 655
Receivables (trade, not insurance)	R0380	65 427
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	61 279
Any other assets, not elsewhere shown	R0420	5 129
TOTAL ASSETS	R0500	**15 415 983**

S.02.01.02 Balance sheet (continued)

in thousand EUR		Solvency II value
		C0010
LIABILITIES AS OF 31 DECEMBER 2020		
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions – health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions – life (excluding index-linked and unit-linked)	R0600	1 851 859
Technical provisions – health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	1 851 859
TP calculated as a whole	R0660	0
Best Estimate	R0670	1 826 296
Risk margin	R0680	25 563
Technical provisions – index-linked and unit-linked	R0690	13 008 046
TP calculated as a whole	R0700	0
Best Estimate	R0710	12 975 393
Risk margin	R0720	32 654
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	772
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	48 693
Derivatives	R0790	0
Debts owed to credit institutions	R0800	56 455
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	11 426
Reinsurance payables	R0830	12 336
Payables (trade, not insurance)	R0840	113 644
Subordinated liabilities	R0850	10 988
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	10 988
Any other liabilities, not elsewhere shown	R0880	1 032
TOTAL LIABILITIES	R0900	**15 115 251**
Excess of assets over liabilities	R1000	**300 732**

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

as of 31 December 2020		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
in thousand EUR		**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
PREMIUMS WRITTEN										
Gross	**R1410**		175 121	862 820	62 100				5 370	1 105 410
Reinsurers' share	**R1420**		56 751	20 299	12 874				0	89 924
Net	**R1500**		118 369	842 520	49 226				5 370	1 015 486
PREMIUMS EARNED										
Gross	**R1510**		175 830	862 820	59 660				5 156	1 103 465
Reinsurers' share	**R1520**		56 751	20 299	12 874				0	89 924
Net	**R1600**		119 079	842 520	46 786				5 156	1 013 541
CLAIMS INCURRED										
Gross	**R1610**		133 344	1 073 115	23 163				1 477	1 231 099
Reinsurers' share	**R1620**		56 712	102 898	2 518				0	162 128
Net	**R1700**		76 632	970 217	20 645				1 477	1 068 971
CHANGES IN OTHER TECHNICAL PROVISIONS										
Gross	**R1710**		39 397	-196 894	8 267				0	-149 231
Reinsurers' share	**R1720**		5 099	-91 272	-109				0	-86 282
Net	**R1800**		34 297	-105 621	8 376				0	-62 948
Expenses incurred	**R1900**		7 690	31 933	5 158				368	45 150
Other expenses	**R2500**									**0**
TOTAL EXPENSES	**R2600**									**45 150**

S.05.02.01 Premiums, claims and expenses by country

as of 31 December 2020		Home Country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
in thousand EUR		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		FR	ES	PT	CH	GB	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
PREMIUMS WRITTEN								
Gross	R1410	158 186	367 183	223 540	55 055	52 478	50 196	906 639
Reinsurers' share	R1420	0	76 849	89	0	11 840	1 027	89 805
Net	R1500	158 186	290 334	223 451	55 055	40 638	49 169	816 834
PREMIUMS EARNED								
Gross	R1510	157 820	367 181	223 543	55 055	52 481	50 481	906 560
Reinsurers' share	R1520	0	76 849	89	0	11 840	1 027	89 805
Net	R1600	157 820	290 331	223 453	55 055	40 641	49 454	816 755
CLAIMS INCURRED								
Gross	R1610	118 709	270 738	28 448	152 739	101 918	52 284	724 836
Reinsurers' share	R1620	0	159 566	0	0	1 961	601	162 128
Net	R1700	118 709	111 172	28 448	152 739	99 957	51 683	562 707
CHANGES IN OTHER TECHNICAL PROVISIONS								
Gross	R1710	19 504	185 816	203 422	-88 104	-41 044	-5 376	274 219
Reinsurers' share	R1720	0	-85 824	0	0	-458	0	-86 282
Net	R1800	19 504	271 640	203 422	-88 104	-40 586	-5 376	360 501
Expenses incurred	R1900	11 392	11 943	1 580	2 912	610	1 426	**29 863**
Other expenses	R2500							**0**
TOTAL EXPENSES	R2600							**29 863**

S.12.01.02 Life and Health SLT Technical Provisions

as of 31 December 2020			Index-linked and unit-linked insurance			Other life insurance					
		Insurance with profit participation	Index-linked and unit-linked insurance	Contracts without options and guarantees	Contracts with options or guarantees	Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
in thousand EUR		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
TECHNICAL PROVISIONS CALCULATED AS A SUM OF BE AND RM											
BEST ESTIMATE											
Gross Best Estimate	R0030	1 771 559			12 975 393		25 756	23 362		5 618	14 801 688
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	393 614			482		2 371	-3 002		0	393 466
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	1 377 945			12 974 910		23 385	26 364		5 618	14 408 222
Risk Margin	R0100	24 803	32 654			683				78	58 217
AMOUNT OF THE TRANSITIONAL ON TECHNICAL PROVISIONS											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
TECHNICAL PROVISIONS – TOTAL	R0200	**1 796 362**	**13 008 046**			**49 801**				**5 696**	**14 859 905**

S.22.01.21 Impact of long term guarantees and transitional measures

as of 31 December 2020

in thousand EUR		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	14 859 905	0	0	10 723	0
Basic own funds	**R0020**	289 619	0	0	-6 589	0
Eligible own funds to meet Solvency Capital Requirement	**R0050**	295 619	0	0	-6 654	0
Solvency Capital Requirement	**R0090**	196 403	0	0	2 860	0
Eligible own funds to meet Minimum Capital Requirement	**R0100**	289 619	0	0	-6 589	0
Minimum Capital Requirement	**R0110**	88 381	0	0	1 287	0

S.23.01.01 Own funds

as of 31 December 2020

in thousand EUR		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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	17 000	17 000			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	261 632	261 632			
Subordinated liabilities	R0140	10 988		0	10 988	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0			0	
OWN FUNDS FROM THE FINANCIAL STATEMENTS THAT SHOULD NOT BE REPRESENTED BY THE RECONCILIATION RESERVE AND DO NOT MEET THE CRITERIA TO BE CLASSIFIED AS SOLVENCY II OWN FUNDS						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
DEDUCTIONS						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	**289 619**	**278 632**	**0**	**10 988**	
ANCILLARY OWN FUNDS						
Unpaid and uncalled ordinary share capital callable on demand	R0300	6 000			6 000	
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	**6 000**			**6 000**	
AVAILABLE AND ELIGIBLE OWN FUNDS						
Total available own funds to meet the SCR	R0500	295 619	278 632	0	16 988	
Total available own funds to meet the MCR	R0510	289 619	278 632	0	10 988	
Total eligible own funds to meet the SCR	R0540	295 619	278 632	0	16 988	
Total eligible own funds to meet the MCR	R0550	289 619	278 632	0	10 988	
SCR	R0580	**196 403**				
MCR	R0600	**88 381**				
Ratio of Eligible own funds to SCR	R0620	**150.52%**				
Ratio of Eligible own funds to MCR	R0640	**327.69%**				

		C0060
RECONCILIATION RESERVE		
Excess of assets over liabilities	R0700	300 732
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	22 100
Other basic own fund items	R0730	17 000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	**261 632**
EXPECTED PROFITS		
Expected profits included in future premiums (EPIFP) – Life business	R0770	12 214
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	**12 214**

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

as of 31 December 2020

in thousand EUR		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	196 591		
Counterparty default risk	R0020	11 518		
Life underwriting risk	R0030	88 282		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-57 873		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	**238 518**		

CALCULATION OF SOLVENCY CAPITAL REQUIREMENT		C0100
Operational risk	R0130	12 238
Loss-absorbing capacity of technical provisions	R0140	-5 661
Loss-absorbing capacity of deferred taxes	R0150	-48 693
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	**196 403**
Capital add-on already set	R0210	
Solvency capital requirement	R0220	**196 403**
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 – Only life or only non-life insurance or reinsurance activity

as of 31 December 2020		C0040
MCR_L Result	R0200	**27 512 406**

in thousand EUR		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/SPV) total capital at risk C0060
Obligations with profit participation – guaranteed benefits	R0210	1 752 840	
Obligations with profit participation – future discretionary benefits	R0220	18 719	
Index-linked and unit-linked insurance obligations	R0230	12 974 910	
Other life (re)insurance and health (re)insurance obligations	R0240	55 367	
Total capital at risk for all life (re)insurance obligations	R0250		21 515 506

S.28.01.01 Overall MCR calculation

as of 31 December 2020

in thousand EUR		C0070
Linear MCR	R0300	170 930
SCR	R0310	196 403
MCR cap	R0320	88 381
MCR floor	R0330	49 101
Combined MCR	R0340	88 381
Absolute floor of the MCR	R0350	3 700
		C0070
Minimum Capital Requirement	R0400	**88 381**

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