Solvency & Financial Condition Report

2020

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Summary

The Solvency & Financial Condition Report (SFCR) has to be published on a yearly basis by all insurance undertakings and groups. It provides qualitative and quantitative information on the business and performance, the system of governance, the risk profile, the valuation for solvency purposes and capital management of the undertaking.

The report has a harmonized structure that is defined by Annex XX to the Solvency II Delegated Acts Regulation and includes templates defined by Implementing Regulation containing quantitative information (Quantitative Reporting Templates (QRTs)).

All amounts quoted in this report and in the tables are in millions of euros, unless otherwise stated.

Highlights

- KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities.
- KBC Group Re has a low risk profile in line with the Risk Appetite Statement.
- KBC Group Re is strongly capitalized both in terms of level and quality of capital. The Solvency II ratio at 31 December 2020 is 443% (including volatility adjustment), far above the minimum requirement of 100%.
- The LuxGaap result for 2020 amounted to 26,5 million EUR.
- Net earned premiums increased by 6% totalling 25,3 million EUR.
- Combined ratio for 2020 was excellent (57,7%)
- A continued implementation of the KBC Group ‘Three Lines of Defence’ model is operated.

Forward looking statements

The expectations, forecasts and statements regarding future developments that are contained in this SFCR report are based on assumptions and assessments made when drawing up this report end-March 2021. By their nature, forward looking statements involve uncertainty. Various factors could cause actual results and developments to differ from the initial statements.

Remarks

The information provided in this document has not been subject to an external audit. Disclosures have however been checked for consistency with other existing reports and were subjected to a screening of authorized management representatives to ensure quality.

The 2020 Solvency & Financial Condition Report was distributed to the Board of Directors to ensure appropriate approval xas obtained from the management body, as requested under Solvency II.

The Solvency and Financial Condition Report is available in English on the website of KBC Group Re and is updated on a yearly basis. Next update is scheduled in April 2022.

A. Business & performance

A.1 Business

Area of operation	
KBC Group Re SA is the Luxembourg reinsurance subsidiary belonging to the KBC Group. The company was incorporated on 20 March 1989. The company specializes in protecting the group's bank and insurance entities.	
Shareholders	
KBC Group Re is wholly owned by KBC Insurance NV, which is in turn wholly owned (directly and indirectly) by KBC Group NV. KBC Group NV is a listed company.	

Long-term credit ratings (As of March 1st, 2021)	
	Standard & Poor's
KBC Group Re SA	A (negative outlook)

Management	
Day-to-day management	Ivo Bauwens
Chairman of the Board of Directors	Hans Verstraete
Address	
KBC Group Re SA 4 rue du Fort Wallis L-2714 Luxembourg	
Supervisory authorities	
KBC Group Re SA	KBC Group NV
Commissariat aux Assurances 7, boulevard Joseph II, L-1840 Luxembourg	Nationale Bank van België de Berlaimontlaan 14 1000 Brussel

External auditor
PwC Luxembourg 2 Rue Gerhard Mercator L-1014 Luxembourg
Number of FTEs
As at 31 December 2020 the company employed 8,95 persons (Full time equivalent)

The strategy of the company is embedded in the strategy of the KBC Group. For more detailed information, please see the KBC Group annual report for 2020.

KBC Group is an integrated bank-insurance group whose core markets are Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia for a total of more than 12 million clients. Its network is organized around ca. 1300 bank branches, insurance sales via own agents and other channels, as well as various electronic channels. The group employs some 41 000 persons.

KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities. The underwriting activities of KBC Group Re consist in the 2 following segments:

1. The reinsurance of KBC insurance risks
2. The reinsurance of KBC operational risks

The KBC Insurance risks segment comprises acceptances that are made for optimization of the group’s insurance retention and increasing capital flexibility within the KBC Insurance Group by deploying currently redundant capital of the company. For implementing this optimization, KBC Group Re has been chosen as centralizing placement vehicle for group wide reinsurance programs.

The KBC Operational risks segment includes classical operational risks for a bank-insurer which are typically placed on facultative “program” basis, as covers for professional liability, fraud, cybersecurity and the various property belonging to KBC Group. It comprises also some specialty covers as safe deposit covers for clients of the bank. KBC Group Re supports the placement of those KBC programs by filling the gap between the deductibles/risk retentions of the individual KBC companies (original insureds) and the group deductible, by retaining - on behalf of KBC - the result volatile priority layers where capacity in the market is hardly available, and by facilitating access to the international price-worthy (re-)insurance capacity.

The income statement (LuxGaap) of KBC Group Re is shown in Table 1.

(X 1.000 EUR)	2020	2019	Change in amount	Change in %
Net earned premiums Non-Life	**25 259**	**23 738**	**1 521**	**6%**
Gross Earned premiums	43 379	40 622	2 757	7%
Ceded reinsurance premiums	-18 120	-16 884	-1 237	7%
Net claims incurred	**-10 687**	**-18 198**	**7 512**	**-41%**
Gross claims incurred	-13 867	-16 855	2 988	-18%
Reinsurers' share in claims incurred	3 180	-1 344	4 524	-337%
Net operating expenses	**-3 881**	**-3 724**	**-158**	**4%**
Net acquisition costs	-1 902	-1 809	-94	5%
Administrative expenses	-1 979	-1 915	-64	3%
Investments Incomes	**6 401**	**21 494**	**-15 093**	**-70%**
Interest income	5 648	7 096	-1 448	-20%
Dividend income	3 713	3 789	-77	-2%
Net realized result from investments	6 812	4 868	1 944	40%
Value adjustments	-8 819	6 141	-14 960	-244%
Other investments related incomes/costs	-952	-400	-553	138%
Net other income	**217**	**357**	**-140**	**-39%**
Change in the equalization provision	**10 871**	**-6 566**	**17 437**	**-266%**
Extraordinary gain/loss	**0**	**0**	**0**	
Taxes	**-1 644**	**-4 198**	**2 554**	**-61%**
Result after tax	**26 536**	**12 904**	**13 632**	**106%**

Table 1 Income statement, using LuxGAAP rules

The LuxGaap result of KBC Group Re amounted to 26,5 million EUR in 2020 (+106%), after a reversal from the equalization provision for an amount of 10,9 million EUR. More details on the underwriting and investment performance are given in the following two sections.

A.2 Underwriting performance

Earned premiums totalled 25,3 million EUR in 2020, showing an increase of 6% when compared to 23,7 million EUR in 2019.

	2020	2019
Net claims ratio	42.3%	76.7%
Net expense ratio	15.4%	15.7%
Combined ratio	57.7%	92.3%

Table 2 Non-life ratios

Volatility in earnings and ratios is unavoidable for KBC Group Re, which is in line with the mission of being the internal reinsurer of the KBC Group and due to the small size of the portfolio.

In 2020, the net claims ratio stood at 42,3% and net claims incurred totalled 10,7 million EUR. Single large claims significantly influenced the claims ratio:

- 3 large property events (fire) for a total amount of 6,3 million EUR
- 4 motor liability claims for a total amount of 2,3 million EUR
- 1 rainstorm in Bulgaria for an amount of 0,7 million EUR

The expense ratio decreased from 15,7% to 15,4% due to the combined effect of:

- A slight reduction of acquisition cost from 7,6% to 7,5%
- A reduction of administrative expenses from 8,1% to 7,8%

The combined ratio decreased from 92,3% in 2019 to an excellent 57,7% in 2020 (2019 was heavily influenced by the Eberhard windstorm).

More information about the underwriting performance can be found in the Quantitative Reporting Templates (QRT) S.05.01.02 – Premiums, claims and expenses by line of business.

A.3 Investment performance

Investment performance was significantly down in 2020: investment incomes totalled 6,4 million EUR compared to 21,5 million EUR at year-end 2019 (-70%). This results from the excellent performance of the equity market in 2019, and its bad performance in 2020 as a result of the Covid crisis: value adjustments (unrealized gains/losses) amounted to -8,8 million EUR, compared to +6,1 million EUR in 2019. Interest income were also down from 7,1 million EUR in 2019 to 5,6 million EUR due to a declining portfolio volume and to a decrease in the return on the bonds portfolio caused by lower reinvestment yields.

In the LuxGaap financial statements:

- investments in bonds are measured at amortized cost, minus impairments when it is expected that such impairments are permanent.
- investments in equities are measured using the 'lower of cost or market' method.

Table 3 shows the detailed valuation of those portfolios.

(X 1.000 EUR)	31/12/2020	31/12/2019	Change in amount	Change in %
BONDS				
Solvency 2 value	332 506	352 936	-20 431	-6%
Book value	311 934	332 310	-20 377	-6%
Unrealized gains/losses	20 572	20 626	-54	0%
EQUITIES				
Solvency 2 value	108 060	100 151	7 909	8%
Book value	91 846	85 446	6 399	7%
Unrealized gains/losses	16 214	14 704	1 510	10%

Table 3 Investment portfolio values

The volume of the bonds portfolio reduced with 6% because of the distribution of a dividend for an amount of 13,61 million EUR for the year 2019, lower yield environment and small transfer to the equity portfolio.

KBC Group Re does not have any investments in securitized products.

A.4 Performance of other activities

No other activities are material enough to be included in this SFCR report.

A.5 Any other information

No other information to report.

B. System of governance

B.1 General information on the system of governance

Management structure of KBC Group Re

According to the Articles of Association, the Company is managed by a Board of Directors. The Board of Directors is responsible for developing and approving the strategy and general policy for the company, including a risk, compliance and audit framework, and monitoring their implementation. The Board is also responsible for the appointment of the Managing Director.

The Managing Director's responsibilities include implementing and monitoring (together with the Board) the strategic plans, appointing all staff members, being the primary contact point between staff members and the Board, providing strong leadership to, and effective management of, the Company and otherwise carrying out the day-to-day management of the Company. This Managing Director does also assume the responsibilities and role of 'Dirigeant agréé' as defined in the Luxembourg regulation 'Loi du 7 décembre 2015 sur le secteur des assurances'.

The Board also acts as Audit, Risk and Compliance Committee (see infra).

The Board is composed of at least 3 members (currently 4) appointed by the General Meeting. Directors of KBC Group Re are not remunerated. The Managing Director is the sole Executive Director.

Audit, Risk and Compliance Committee

Within KBC Group Re, the Audit, Risk and Compliance Committee is not set up as a separate committee and the Board directly exercises its responsibilities regarding those topics within the audit, risk and compliance domains, i.e. the integrity of the financial reporting, the effectiveness of the internal control measures and risk management processes, and the implementation of the compliance rules.

Following persons, or their representative, participate as permanent guests during these Audit, Risk and Compliance Committee meetings:

- On behalf of KBC Group:
    - The Internal auditor;
    - The Chief Risk Officer (CRO);
    - The Compliance Officer.
- And on behalf of KBC Group Re:
    - The General Manager of the company;
    - The Actuarial Function Holder ;
    - The Risk Management Function Holder;
    - The Compliance Function Holder.

The external auditors are invited at least once a year.

Reporting of the control functions

The local Risk function, the Compliance function and Actuarial function, and the group Audit function report on their findings to the Board of Directors when acting as Audit, Risk and Compliance Committee.

Group Risk, Group Compliance and the Group Actuarial Function Holder will, at the level of the KBC Insurance Group and KBC Group, report on their findings to:

- The Executive Committee of KBC Insurance NV.
- The Audit Committee, the Risk & Compliance Committee and the Board of Directors of KBC Insurance NV and KBC Group NV.

B.2 Fit and proper requirement

Fit and proper requirements for the members of the Board of Directors are part of the company's Corporate Governance Charter which indicates the conditions of appointment of new board members, as well as the training requirements. Appointment requirements aim at a balanced composition of the Board, ensuring that the board members have adequate insurance and reinsurance expertise, general corporate management expertise and broader societal experience.

For the persons having a key function, propriety and fitness checks are part of the human resources management policy. This policy includes the request of showing the criminal record. Fitness checks are part of the recruitment process: formal qualification is checked as well as previous experience. Human resources procedures also include training requirements aiming at maintaining the qualification of employees.

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

Risk management framework

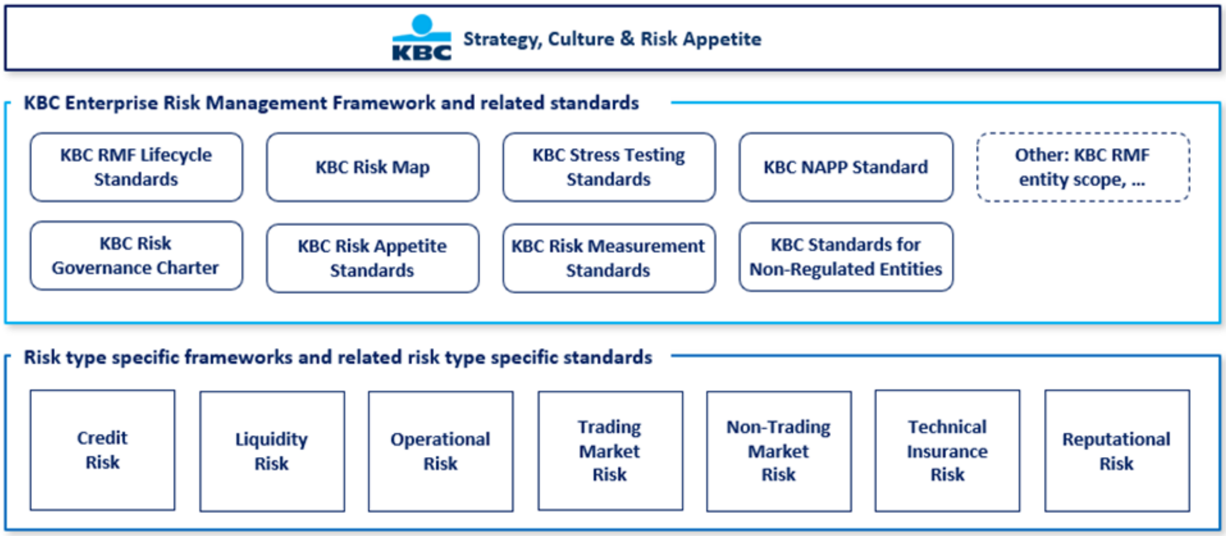
Risk management is a key component of the strategic management of KBC Group. It aims to improve both KBC's risk resiliency and agility in a changing environment and refers to the coordinated set of activities to manage the many risks that can affect KBC group in its ability to achieve its objectives.

The KBC Risk Management Framework (KBC RMF) defines the standards for risk management, making sure that the risk management process is uniformly and qualitatively implemented throughout the whole KBC Group. As such, it is also the single point of entry for all documentation on the risk management process within KBC Group.

The KBC RMF finds it origin in KBC's overall risk strategy, as defined by the KBC Risk Appetite, which effectively sets the bar for risk management throughout KBC and is formally approved by the Board of Directors.

As KBC is a Financial Conglomerate covering multiple financial sectors and active in a wide range of activities, the KBC RMF combines a holistic, integrated and enterprise-wide view on risk in the Enterprise RMF (ERMF) and a more detailed risk-type specific view in the risk-type specific RMFs.

This is reflected in the structure of the KBC RMF diagram below:



The KBC RMF defines minimum standards that all entities within the group must adhere to. Group frameworks must therefore be endorsed by local entities, including KBC Group Re. At the same time the implementation of each framework can be adjusted on the basis of local conditions/regulations.

As the risk management landscape is in a state of constant flux due to changes in internal and external contextual elements (industry trends, regulatory requirements, expectations of key stakeholders, organisational structure, etc.), the components of the KBC RMF are reviewed on a regular basis to ensure their ongoing effectiveness.

Risk governance

Main components of the risk governance model for KBC Group Re are:

- The Board of Directors which decides on and supervises the risk appetite and risk strategy each year.
- The 'three lines of defence' model that is further described in section B.4.
- The 'Investment Committee' that assists the Board of Directors in the domain of investments and balance sheet management.

Own risk and solvency assessment

The KBC Insurance Group and its insurance and reinsurance subsidiaries conduct an Own Risk and Solvency Assessment (ORSA) to monitor and ensure that business is managed in a sound and prudent way.

KBC's ORSA policy, which is reviewed on an annual basis, describes the general KBC approach to the ORSA-process and its outcome. The ORSA policy describes the objectives and implementation of the ORSA within KBC, highlights its key underlying processes and the roles and responsibilities of the different stakeholders involved. KBC Group Re has locally endorsed the Group ORSA Policy.

The ORSA is an integral part of the business strategy and is taken into account on an ongoing basis in the strategic decisions of the KBC Insurance Group and KBC Group Re. The KBC Insurance Group has decided to undertake the ORSA assessments at the level of the KBC Insurance Group and at the level of the individual material subsidiaries pertaining to the Insurance Group.

The main processes underlying the regular ORSA are executed on an annual basis and are closely linked to the Strategic Planning Process (Alignment of Planning Cycles or APC) which also follows an annual cycle. The APC streamlines the processes of financial planning, strategy review, risk appetite setting and internal solvency and capital adequacy assessment. Taking into account the fact that KBC's insurance business is sufficiently mature, this annual periodicity is deemed adequate.

On a quarterly basis, insurance integrated risk reporting reports on risk signals, the development of the risk profile and results of deep dives, stress & scenario testing. Local reports are distributed to the managing director and discussed during the meetings of the Board of Directors. At Group Level, the reports are discussed up to the level of the Executive Committee and the Board of Directors of KBC Group, and allow them to manage stress & scenario testing, request (ad-hoc) mid- and long-term risk assessments and review the underpinning ambition and approach.

The annual ORSA process assesses the situation at 31 December and is submitted to the Supervisory authority before 30 June of the following year. KBC does not differentiate between the internal and the supervisory ORSA report. Each ORSA report is complemented with an ORSA record which contains all documents that have been used in the different steps of the ORSA.

Based on the outcome of the above processes and assessments a conclusion is included in the ORSA report that will indicate to what extent the available capital is sufficient to cover the capital requirements. It will link this conclusion to the:

- Changes in the amount and composition of available regulatory capital over the planning horizon and under different economic circumstances.
- Changes in required regulatory capital over the planning horizon, taking into account expected changes to the risk profile.
- Impact of scenario analyses and sensitivities on required and available regulatory capital.

KBC Group Re relies on the Solvency II standard formula to assess its overall solvency needs. On an annual basis an assessment is performed to check whether the standard formula is appropriate in relation to the risk profile of the company.

B.4. Internal control system

Three lines of defence concept

To further improve the Internal Control System within the KBC Group, the three lines of defence concept is implemented.

The roles and responsibilities of the different actors within the three lines of defence are highlighted in this chapter.

- ✓ **First line of defence: business entities**

  The first line of defence (business) has full ownership of its risks. It needs to deal with these risks and put the necessary controls in place. This involves allocating sufficient priority and capacity to risk topics, making sure the business self-assessments are of a sufficient quality, and performing the right controls in the right manner.

  The table below summarises the roles and responsibilities of the first line of defence.

Function	Description
Strategy and governance	- Create a local business strategy within the defined risk appetite

	- Locally implement the KBC Risk Management Framework ('KBC RMF') for each risk type within their activity, the Group Compliance Rules and the Group Compliance Monitoring Program
Execution	- Take risk-minded decisions within the playing field for their areas of business - Manage their risks (including for outsourced activities and outstanding contractual liabilities) in accordance with the guidelines of the KBC RMF, including o identifying the risks within their business o qualitative and quantitative measurement of these risks o reporting (including analysis, evaluation and presentation) o responding to the risk according to the accountability rules ✓ risk mitigation ✓ risk transfer ✓ risk acceptance - Manage the Compliance risk as per the Group Compliance Framework: Group Compliance Charter & Integrity Policy, Group Compliance Risk Appetite as well as the Group Compliance Rules and the Group Compliance Monitoring Program and recommendations
Oversight	- Have an overview via reporting lines of o the actual risk environment and compliance with the playing field o the control environment and compliance with local regulations

Table 4 Roles and responsibilities of the first line of defence

✓ **Second line of defence**: **risk, compliance, the actuarial function, tax, the legal function, Group Finance, data quality management**

Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting KBC. In this way, they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line.

The Risk function formulates independent opinions on the risks KBC faces and on the way they are mitigated. To do this consistently and based on high standards, the Risk function develops, imposes and monitors consistent implementation of frameworks and tools to identify, measure and report on risks. To make sure that its voice is heard, the Risk function also has a veto right, which can be used in the decision bodies.

The compliance function has as prime objective to prevent KBC from running a compliance risk or from incurring loss/damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the Compliance function or within the areas assigned to it. Hence, the Compliance function devotes particular attention to adherence to the integrity policy. It performs this second line role by:

• The identification, assessment and analysis of the risks linked to the Compliance domains, together with the business;

• An advisory role to support the business entities in implementing and applying requirements, setting up internal procedures and providing necessary training and awareness communication;
• A monitoring role by performing second-line controls on compliance with requirements

How the Actuarial function is set-up and play its role within the organisation is explained further below in section B6.

Due to the specific tasks of each specific function, each second line can also assume first-line accountability (e.g. calculations of risk metrics or own risk and solvency self-assessment by the risk function).

By doing this, the second-line function is accountable for the risks related to the activity in question and therefore must define internal controls to guarantee the quality of the result.

✓ **The third line of defence : internal Audit.**

Internal audit gives assurance to the Boards of Directors that the overall internal control environment is effective and that policies and processes are in place, effective and consistently applied throughout the group. How the internal Audit function is set-up and plays its role within the organisation is explained under section B.5.

Function holders

For KBC Group Re, the compliance function is locally grouped with the Risk Management function due to the size of the entity and the nature of its risks. The local risk officer is the key function holder for both functions.

B.5 Internal audit function

The internal audit function of KBC Group Re is exercised by KBC Group Corporate Audit. The responsibilities of Internal Audit are:

- To provide independent reasonable assurance to the Board of Directors and management on the quality, effectiveness and efficiency of the processes of risk management, internal control and corporate governance that are in place.
- To support the Board of Directors and management in taking up their responsibilities in these processes.
- To report any serious issues or risks which it becomes aware of and to undertake any required investigations into high-risk situations.
- To make clear and actionable recommendations which address weaknesses noted during its work and to follow up on the implementation status of these recommendations.
- To carry out any assignment or projects entrusted to it by the Board of Directors or management.

To safeguard its independence and objectivity:

- Internal Audit reports and is accountable to the Board of Directors (acting as Audit, Risk and Compliance Committee).

- The internal audit activity remains free from interference by any part of the organisation, including matters of audit selection, procedures, frequency, timing or report content.
- The appointment and dismissal of the Head of Internal Audit comes under the authority of the Audit Committee of KBC Group.
- Internal auditors are, during the exercise of their professional duties, authorised to have direct communication with any member of staff, as well as to access all premises and any records, files or data that are relevant to the performance of an assignment, subject to compliance with local regulations. All members of staff are requested to assist Internal Audit in fulfilling its roles and responsibilities.
- Internal Audit has the authority to perform assignments at its own initiative, subject to proper reporting to the Board of Directors.
- Internal Audit has the authority to inform directly, and at its own initiative, the Chairman of the Board of Directors, the Managing Director, the Statutory Auditors or the local Supervisory Authorities.
- Internal auditors must always be objective and impartial and seek to avoid any conflict of interest.
- Internal auditors are not directly involved in the operational organisation of an entity, nor in deciding, developing, introducing or implementing risk management and internal control measures.
- Internally recruited auditors respect a “cooling-off” period.
- Whenever practicable and without jeopardising competence and expertise, internal audit staff will periodically rotate within the internal audit function to boost independence.

Internal Audit periodically examines and evaluates the areas within its scope. The audit plan is defined applying a risk-based approach while ensuring adequate coverage of matters of legal or regulatory interest. The audit plan is approved by the Board of Directors when acting as Audit, Risk and Compliance Committee.

The approach followed in performing the audit assignments is described in resulting audit reports so that their readers can consider the findings against the approach followed. A risk-based approach is used as the primary auditing method. The level of assurance, which may be gained from Internal Audit’s work, is relative to the nature and extent of work carried out. It is therefore essential that the auditor involved, when giving a reasoned opinion, documents the nature and the extent of the work undertaken.

The implementation of the audit recommendations is the responsibility of the management that will communicate the status of this follow-up regularly to Internal Audit, for monitoring purposes.

The independence and objectivity of Internal Audit is assured by the Internal Audit Charter approved by the Board of Directors. The Charter also describes the functioning and organization of the Internal Audit function.

B.6 Actuarial function

The Actuarial function is one of the key control functions that are defined in the Solvency II regulatory framework. Basically, the task of this function is to provide independent assurance to the Board of Directors on actuarial matters related to Solvency II. This is done, inter alia, by:

- Advising on the calculation of the technical provisions (including appropriateness of methodologies, appropriateness and quality of data used, experience analysis)
- Expressing an opinion on the overall underwriting policy
- Expressing an opinion on the adequacy of reinsurance arrangements

- Contributing to the effective implementation of the Risk Management system
- Reporting and giving recommendations.

Within the KBC Insurance Group, the Actuarial Function is implemented as follows:

- The Actuarial Function operates under the ultimate accountability of the Board of Directors.
- An 'Actuarial Function Holder' is appointed for every local entity and also on KBC Insurance Group level. The Actuarial Function Holder is to be registered on the pay-roll of the entity he/she is representing. Her/his responsibility cannot be outsourced to a party outside the entity.
- The Actuarial Function Holder coordinates the activities of the Actuarial Function. In general, 'a function' is the administrative capacity to undertake particular governance tasks and is – as such - not limited to one specific person or one organizational unit but can be assigned to several persons or departments subject to an adequate segregation of duties.
- The Actuarial Function's basic task is to provide the independent 'second pair of eyes', required for the Actuarial Function Holder to meet all of the assigned obligations. The Actuarial Function provides input to the Actuarial Function Holder, including forming opinions, proposing recommendations and assisting in writing the Actuarial Function Report.

B.7 Outsourcing

Outsourcing principles

KBC Group Re outsources some of its activities.

In order to manage the risks relating to outsourcing, KBC Group Re has drafted an Outsourcing policy. This policy is applicable on intragroup and external outsourcing, and ensures that the company remains fully responsible of the outsourced activities and that the risks relating to these activities are well managed. The policy sets out:

- the definition of outsourcing as applied within KBC Group
- the restrictions, roles and responsibilities relating to outsourcing
- a high level process description, including the monitoring requirements
- principles and necessary clauses for the outsourcing agreements

Intragroup outsourcing

As already stated in the previous sections, part of the control activities are exercised on group level with a view to fostering centralisation, independence, consistency and synergy. This includes parts of the Solvency II requirements: Solvency capital requirements calculation, elements of the Best Estimate of technical provisions (e.g. Risk Margin), automated compilation of part of pillar 3 quantitative reports …

The Internal audit function is fully outsourced to KBC Group.

Asset management is outsourced to KBC Asset Management NV.

External outsourcing

KBC Group Re outsources parts of its ICT to a certified Luxembourg 'Professionnel du Secteur Financier'.

B.8 Any other information

No other information to report.

C. Risk profile

KBC Group Re is exposed to a number of typical industry-specific risks such as movements in interest rates and exchange rates, insurance underwriting risks, credit risks, operational risks. In this section, we focus on the most material sector-specific risks KBC Group Re faces.

The Risk Appetite Statement of KBC Group Re reflects the view of the Board of Directors and management on risk-taking in general and on the acceptable level and composition of risks in coherence with the desired return, in particular. This statement includes a specification of the risk profile and the risk appetite for each risk type into Low risk, Medium risk and High risk. This leads to a risk appetite and risk profile as depicted in Figure 1.

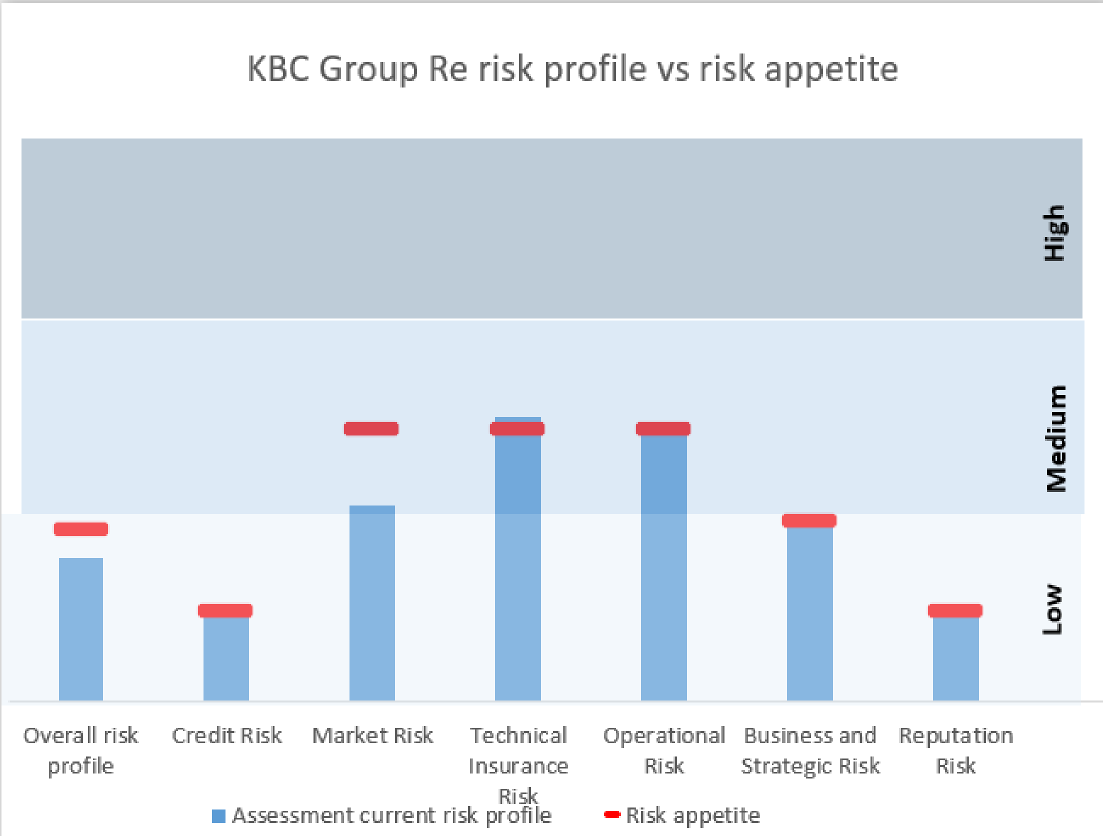


Figure 1 2021 Risk profile and Risk appetite of KBC Group Re

The next paragraphs describe the assessment of the risk profile per risk type. To come to an overall appreciation of the risk profile, the management has aggregated the risk profile per risk type and concluded that KBC Group Re has a low overall risk profile.

Figure 2 shows the amount of capital requirement based on the standard model as prescribed by the Solvency II regime which is in place since 01/01/2016. The required capital stood at 73,08 million EUR at year-end 2020, compared to an amount of available capital of 323,37 million EUR: the solvency ratio consequently amounts to 443%.

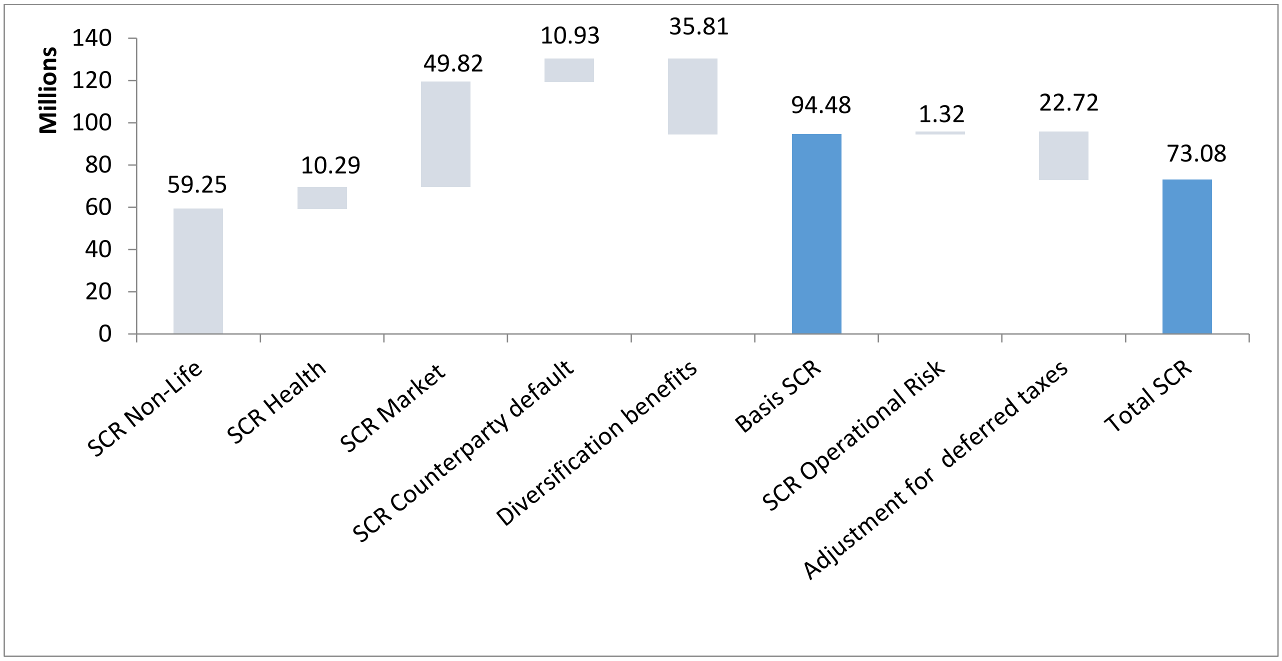


Figure 2 KBC Group Re Solvency II capital requirement as at 31/12/2020

C.1 Underwriting risk

'Underwriting risks' or 'Technical Insurance risks' stem from uncertainty regarding the frequency and severity of insured losses. As KBC Group Re is not active in life reinsurance, underwriting risk manifests itself in the non-life portfolio only (including health).

Underwriting risks can be divided into the following main types:

- Premium and reserve risks, which result from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements
- Catastrophe risks, which result from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events

All these risks are kept under control through appropriate underwriting, claims reserving and reinsurance policies, and through independent insurance risk management.

As described in section A.1, KBC Group Re is the reinsurance subsidiary of KBC Group, specializing in protecting the group's bank and insurance entities. In line with this role of internal reinsurer, some volatility in earnings is allowed as risks are not diversified over a large number of clients or products as for traditional (re)insurance companies. This explains why the risk profile of underwriting risk is predominant in Figure 2.

Adequate procedures are in place to ensure sound, quality underwriting, provided with good overall profitability over a complete underwriting cycle and within the prescribed retention limits, ensuring adherence to the group and local risk appetite:

- The Risk Appetite Statement describes the level of risk that can be accepted for each risk type, defines the risk limits and how this is to be translated into business operations;
- A limits framework defines the maximum exposures that can be borne by the group and, based on those limits, more detailed ones are specified for the local entities, including KBC

Group Re. This limits framework is reviewed on a yearly basis. Compliance checks are conducted annually to see whether these retention limits are adhered to;

- The performance indicators and adequacy of the technical provisions are constantly monitored.

The following risk aspects have an important impact on the underwriting risk profile of an insurance company:

Concentration risk:

Main concentration risk that can be observed for the underwriting risk:

- Natural catastrophe risks (storms, floods, earthquakes, etc.);
- Non-natural catastrophe risks or ‘man-made’ catastrophe risks (e.g. pandemic events, big losses, etc.);
- Concentration risks linked to specific activities (e.g. nuclear risk, terrorism risks).

KBC Group risk management has developed a model for assessing the group-wide exposure to all Non-Life insurance risks, including natural hazards. This model measures the most material Non-Life insurance risks (catastrophe and premium & reserve risk) for all group entities, with account being taken of outward reinsurance. The resulting concentration risk exposures are used to check compliance with the limit frameworks (group and local level) based upon which adequate reinsurance coverage can be bought.

Risk mitigation

Besides strict underwriting guidelines that should guarantee sound underwriting, reinsurance is bought to support the strategic objectives as formulated in the Risk Appetite Statement. In order to achieve the objectives, the reinsurance policy stipulates that the company has to acquire reinsurance protection to ensure that its net exposure remains within the bounds of the risk retention limit framework. Reinsurance programmes are re-evaluated and renegotiated every year. Most of the reinsurance contracts are concluded on a non-proportional basis, which provides cover against the impact of large claims or loss events.

As seen in Figure 2, SCR for underwriting all together represents 69,5 million EUR accounting for 52,8% of the undiversified Solvency II pillar 1 capital requirement before adjustment for deferred taxes. Table 5 highlights a predominance of ‘catastrophe’ risks in line with the company’s role within the KBC Group.

mln EUR	31/12/2019	31/12/2020	Change
SCR Non-Life	58.0	59.3	2.1%
Premium and reserve risk	24.5	26.8	9.4%
Catastrophe	46.8	46.6	-0.5%
Diversification benefit	-13.3	-14.1	6.1%
SCR Health	12.4	10.3	-17.1%
Premium and reserve risk	1.8	1.7	-5.6%
Catastrophe	11.8	9.7	-17.9%
Diversification benefit	-1.2	-1.2	-7.0%
Total SCR Insurance Risks before diversification	**70.4**	**69.5**	**-1.3%**

Table 5 SCR Underwriting Risk of KBC Group Re (31/12/2020)

Overall, the total capital charge for insurance risks decreased with 1,3% in 2020. This is due to a decrease of SCR Health Cat risk (-17,9%).

C.2 Market risk

Market risk is the risk of potential losses resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The various types of market risk which are discussed in this section are:

- Interest rate risk
- Spread risk
- Equity risk
- Currency risk
- Concentration risk

KBC Group Re is not exposed to 'Property risk'.

As seen in Figure 2, SCR for market risk represents 49,8 million EUR accounting for 37,9% of the undiversified Solvency II pillar 1 capital requirement before adjustment for deferred taxes. Table 6 shows the predominance of equity risk.

mln EUR	31/12/2019	31/12/2020	Change
Interest rate risk	11.4	10.5	-7.7%
Equity risk	38.9	41.8	7.4%
Spread risk	8.1	8.0	-1.4%
Currency risk	2.2	1.8	-16.4%
Concentration risk	1.4	1.4	-3.4%
Total SCR market risk before diversification	**62.0**	**63.5**	**2.4%**
Diversification benefits	-14.6	-13.7	-6.0%
Total SCR after diversification and adjustments	**47.5**	**49.8**	**4.9%**

Table 6 SCR Market Risk of KBC Group Re (31/12/2020)

Asset and liability management

The process of managing our exposure to market risks is known as Asset/Liability Management (ALM). This exposure can be described as a combination of:

- Mismatches in the reinsurance activities between liabilities and the corresponding assets
- The risks associated with holding an investment portfolio for the purpose of investing the shareholders' equity and the equalization provision
- The currency exposure stemming from investments and reinsurance activities in foreign currency.

The treasury function measures and manages the market risks within the playing field defined by the risk appetite. ALM limits are approved by the Board of Directors for interest rate risk, equity risk, real estate risk and foreign exchange risk.

The second line of defence is the responsibility of Group Risk and the local risk function. Their main task is to measure ALM risks and flag up current and future risk positions. The main building blocks of KBC's ALM Risk Management Framework that are implemented within KBC Group Re are:

- A broad range of risk measurement methods such as Basis-Point-Value (BPV) and economic sensitivities
- Capital sensitivities arising from investment book that impact regulatory capital
- Stress testing and sensitivity analysis

Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities and financial instruments will change due to fluctuations in interest rates.

The main technique used to measure and monitor interest rate risk is the 10 BPV method, which measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire rate term structure. Other techniques such as duration approach and stress testing are also used.

(X 1.000 EUR)	31/12/2019	31/12/2020	Absolute change
Interest (Swap +10 BPV) limit	-1 136	-1 041	95

Table 7 Impact of a parallel 10 BPV increase in risk-free IR curve

The required capital for interest risk is determined by calculating the impact on the available capital due to changes in the yield curve, and is the maximum loss resulting from (i) an upward shock or (ii) a downward shock according to the prescribed methodology. Due to its high capital buffer and to the low duration of its liabilities, it is the 'upward' shock that applies for KBC Group Re.

Spread risk

Spread risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of credit spreads over the risk-free interest rates.

This risk is managed via a strategic asset allocation that ensures a well-diversified high-quality investment grade portfolio. Where relevant, credit ratings provided by the external rating agencies are used to select assets and set and monitor limits. Although diminishing, a predominant part of the portfolio relates to sovereign exposures as shown in Table 8.

mln EUR	31/12/2019 Amount	in %	31/12/2020 Amount	in %
Bonds	**352.9**	**76.2%**	**332.5**	**72.8%**
of which Government bonds	229.0	49.4%	221.3	48.5%
of which Corporate bonds	124.0	26.8%	111.2	24.4%
Equity	**100.2**	**21.6%**	**108.1**	**23.7%**
of which Equity type 1	93.7	20.2%	103.9	22.8%
of which Equity type 2 (incl. Collective investment undertakings)	6.4	1.4%	4.2	0.9%
Cash	**10.3**	**2.2%**	**16.0**	**3.5%**
of which term deposits	*0.0*	*0.0%*	*0.0*	*0.0%*
of which cash at bank	*10.3*	*2.2%*	*16.0*	*3.5%*
Total	**463.4**	**100.0%**	**456.5**	**100.0%**

Table 8 Asset Mix KBC Group Re

As shown in Table 9, the part of the corporate bonds portfolio which is not externally rated rose from 1,3% to 6,6%. This exposure nevertheless relates to an high quality issuer with the guarantee of the Belgian state.

CORPORATE BONDS - RATING DISTRIBUTION				
Rating	31/12/2019		31/12/2020	
Market value - mln EUR	amount	in %	amount	in %
AAA	0.0	10.3%	0.0	0.0%
AA	40.9	27.6%	27.3	24.5%
A	66.9	46.3%	51.5	46.3%
BBB	14.3	12.9%	25.0	22.5%
BB	0.0	1.6%	0.0	0.0%
B	0.0	0.0%	0.0	0.0%
CCC-C	0.0	0.0%	0.0	0.0%
Non rated	2.0	1.3%	7.4	6.6%
Total	**124.0**	**100%**	**111.2**	**100%**

Table 9 Rating distribution of the Corporate bonds portfolio

Evolution in country diversification of government bonds is shown in Table 10. KBC Group Re is most exposed to Luxemburg and France.

Geographic distribution	31/12/2019		31/12/2020	
Market value - mln EUR	amount	in %	amount	in %
Belgium	24.0	10.8%	18.6	8.4%
France	21.5	9.7%	27.1	12.2%
Ireland	15.3	6.9%	11.6	5.3%
Israel	3.1	1.4%	0.0	0.0%
Italy	14.7	6.6%	14.1	6.4%
Latvia	17.8	8.1%	17.4	7.9%
Lithuania	6.9	3.1%	6.9	3.1%
Luxemburg	37.9	17.1%	37.7	17.0%
Malta	1.1	0.5%	3.2	1.4%
Mexico	7.4	3.4%	2.2	1.0%
Poland	20.3	9.2%	19.8	8.9%
Portugal	11.5	5.2%	21.0	9.5%
Roumania	5.6	2.5%	3.4	1.5%
Slovakia	5.2	2.4%	5.4	2.4%
Slovenia	13.5	6.1%	13.6	6.1%
Spain	22.9	10.3%	19.4	8.8%
Total	**229.0**	**100%**	**221.3**	**100%**

Table 10 Country distribution of the Sovereign bonds portfolio

Within the standard formula of the Solvency II regime, required capital for spread risk is equal to the sum of capital requirement for bonds, structured products and credit derivatives. Of those only the capital requirement for bonds is relevant for KBC Group Re in the absence of structured products or derivatives in the portfolio. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

Equity risk

Equity risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of market prices of equities.

The ALM strategies for the insurance business are based on a risk-return evaluation, account taken of the market risk attached to open equity positions.

Table 11 shows the geographic distribution of the equity portfolio.

Geographic distribution	31/12/2019		31/12/2020	
mln EUR	amount	in %	amount	in %
Belgium	1.9	2.5%	1.5	1.5%
Finland	0.9	2.1%	0.8	0.8%
France	35.1	37.6%	39.0	37.5%
Germany	33.7	28.9%	33.3	32.0%
Ireland	2.9	2.0%	3.2	3.1%
Italy	2.1	5.9%	4.9	4.7%
Netherlands	12.2	10.9%	15.0	14.5%
Spain	4.8	10.1%	6.2	5.9%
Total	**93.7**		**103.9**	

Table 11 Geographic distribution of the equity portfolio

Currency risk

Currency risk is the risk that the value of assets, liabilities and financial instruments will change due to changes in the level or in the volatility of currency exchange rates.

A risk budget is determined and followed up.

Concentration risk

Concentration risk is the risk of an accumulation of exposures with the same counterparty.

To mitigate concentration risk, limits per (non-sovereign) issuer are foreseen in the investment strategy.

C.3 Credit risk

Credit risk or counterparty default risk reflects in the Solvency II standard formula possible losses due to unexpected default or deterioration in the credit standing of the counterparties and debtors. Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk, and vice versa.

For KBC Group Re, this affects the following types of exposures or assets:

- Reinsurance
- Cash and deposits
- Deposits with ceding undertakings
- Receivables

In the Solvency II standard formula a distinction is made between two types of exposures:

- Type 1: Exposures that are low diversified but usually have a rating
- Type 2: Exposures that are generally diversified with unrated counterparties

The total requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking a 75% correlation.

As seen in Figure 2, SCR for counterparty default risk represents 10,93 million EUR accounting for 8,3% of the undiversified Solvency II pillar 1 capital requirement before adjustment for deferred taxes. Further details can be found in Table 12. The increase of SCR for counterparty default risk results from an increase of receivables and deposits with ceding companies.

mln EUR	31/12/2019	31/12/2020	Change
Type 1 counterparty	0.9	1.1	29.9%
Type 2 counterparty	7.5	10.1	33.5%
Total SCR counterparty risk before diversification	**8.4**	**11.2**	**33.2%**
Diversification benefits	-0.2	-0.3	30.3%
Total SCR counterparty risk after diversification	**8.2**	**10.9**	**33.2%**

Table 12 SCR Counterparty Risk (31/12/2020)

To mitigate the risk in respect of reinsurance, minimum target Financial Strength Ratings are required when entering into a reinsurance contract. More stringent requirements apply for long-tail business (like liability).

On top of that, from a KBC Group perspective, entities are limited in taking credit concentration risk in their portfolios by the Portfolio Limit System (PLS). Limits are monitored per asset class, where ceded reinsurance is one class (note that this system also mitigates credit risk in respect of investments). This particular type of credit risk is measured by means of a nominal approach (the maximum loss under reinsurance contracts) and expected loss, among other techniques. Name concentration limits apply, using internal or external ratings.

C.4 Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. Liquidity risk is not quantified in the Solvency Capital Requirement under the Solvency II regime.

Currently, the liquidity risk is managed through monitoring of the Investment Policy. This policy ensures that the investment portfolio consists mainly of highly liquid positions. Recourse to ‘repo’ transactions is also allowed up to 25 million EUR. Liquidity risk is on top of that mitigated by the possibility figuring in retrocession contracts to request cash claim payments from reinsurers once contractually determined thresholds have been exceeded.

Table 13 illustrates that 52% of the total assets is considered as having a high liquidity value (percentage is unchanged compared to last year).

mln EUR	31/12/2019	31/12/2020
Cash & Bank Deposits	10.3	16.0
Sovereign	229.0	221.3
Covered bonds	-	-
Total liquid assets	**239.3**	**237.2**
Total invested assets	**463.4**	**456.5**
Liquid assets as a % of total assets	**52%**	**52%**

Table 13 Liquidity of the assets of KBC Group Re

Table 14 shows the maturity profile of assets and liabilities. Assets are generally much larger then liabilities, which demonstrates that the company is not exposed to cash shortfall risk even in case of severe deterioration of the liabilities. This is due to the highly comfortable capital situation of KBC Group Re (large amount of surplus in comparison to liabilities).

mln EUR	2 021	2 022	2 023	2 024	2 025	2 026	2 027	2 028	2 029	2 030	> 2030
Assets	64.0	36.7	40.8	51.6	33.3	24.7	19.6	30.5	29.5	8.2	6.6
Liabilities	1.2	6.3	9.7	6.0	4.2	2.6	2.0	1.6	1.3	1.1	11.2
GAP	**62.8**	**30.5**	**31.1**	**45.7**	**29.1**	**22.1**	**17.7**	**29.0**	**28.2**	**7.1**	**-4.5**

Table 14 Assets and liabilities gap (31/12/2020)

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error or sudden external events, whether man-made or natural. Operational risks include non-financial risks such as information and compliance risks, but exclude business, strategic and reputational risks.

As seen in Figure 2, the SCR operational risk represents 1,2 million EUR accounting for 1% of the undiversified Solvency II pillar 1 capital requirement before adjustment for deferred taxes.

A single, global framework for managing operational risk applies across the entire KBC Group, defined by the Group risk function. In accordance with this framework, operational risk is measured via inter alia:

- Evaluation of the status of internal control for each processes
- Evaluation of the individual risk profile for each specific risk within each process
- Evaluation of the control effectiveness for the controls mitigating those specific risks
- Estimation of the potential impact of the effective operational loss events

Operational risk is mitigated by:

- Controls (group-wide and locally defined)
- Risk transfer via insurance

Operational Risk Management in the specific context of the Covid-19 pandemic

The Covid-19 pandemic triggered heightened attention for operational risks, mainly with regard to ensuring operational continuity and safety of staff at all times. In response to the Covid-19 pandemic situation, several business continuity measures were taken, including a switch to homeworking.

KBC Group Re closely monitors operational risks in the context of the Covid-19 crisis going forward. As of the date of this report, no major issues or incidents have been reported.

C.6 Other material risks

Business & strategic risk

Business risk is the risk arising from changes in external factors (the macroeconomic environment, regulations, client behaviour, competitive landscape, socio-demographic environment, etc.) that impact the demand for and/or profitability of products and services.

Strategic risk is the risk due to not taking a strategic decision, to taking a strategic decision that does not have the intended effect or to not adequately implementing strategic decisions.

Business and strategic risks are assessed as part of the strategic planning process via a risk scan that identifies the top financial and non-financial risks. Besides the risk scan, business and strategic risks are continually monitored by means of risk signals being reported to management.

Reputational risk

Reputational risk is the risk arising from the negative perception on the part of clients, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a financial institution's ability to maintain existing, or establish new business relationships and to have continued access to sources of funding.

Reputational risk is mostly a secondary or derivative risk since it is usually connected to and will materialise together with another risk. In the KBC Group it is governed by a Reputational Risk Management Framework. The pro-active and re-active management of reputational risk is the responsibility of the business. Under the pillar 2 approach to capital, the impact of reputational risk on the current business is covered in the first place by the capital charge for primary risks.

C.7 Any other information

Sensitivity analyses and stress testing

Risk sensitivity and stress testing exercises are set up to uncover risks that would otherwise remain unidentified and also allow observing how risk measurements change under stressed conditions. These sensitivity exercises are performed on a regular basis.

Stress testing is an important risk management tool that adds value both to strategic processes and to day-to-day risk management (risk identification, risk appetite and limit setting, etc.). As such, stress testing is an integral part of the risk management framework, and an important building block of ORSA (the Own Risk and Solvency Assessment).

Stress tests can be initiated by the regulators (EIOPA, group regulator or local regulator), or be performed internally (within the insurance group or locally).

D. Valuation for solvency purposes

This chapter contains information regarding the valuation of the balance sheet items. A detailed situation as per end 2020 is shown in Table 15. A more detailed composition of the Solvency II values can be found in the QRT S.02.01.02 regarding the “Balance Sheet”.

For each material class of assets or liabilities:

- The bases, methods and main assumptions used for valuation for solvency purposes are described
- A quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and the valuation in the financial statements is given.

31/12/2020 (X 1.000 EUR)	LuxGaap Value	Solvency II Value	Delta
Intangible assets	214	0	-214
Investments	403 779	440 565	36 786
Equities	*91 846*	*108 060*	*16 214*
Bonds	*311 934*	*332 506*	*20 572*
Deposits to cedants	33 343	33 343	0
Technical provisions - part of reinsurance	7 399	-2 229	-9 628
(Re)insurance receivables	6 113	6 114	0
Cash	15 968	15 968	0
Tangible assets	147	147	0
Other assets	27 627	27 627	0
TOTAL ASSETS	**494 591**	**521 536**	**26 945**
Technical provisions	389 030	73 385	-315 645
TP representing liabilities	*63 341*	*44 029*	*-19 312*
Risk Margin		*29 356*	*29 356*
Equalization Provision	*325 689*	*0*	*-325 689*
Other provisions	14 148	14 148	0
Deposits from reinsurers	3 548	3 548	0
Payables	2 512	2 512	0
Deferred taxes	0	78 640	78 640
Other liabilities	0	0	0
TOTAL LIABILITIES	**409 237**	**172 233**	**-237 005**
Excess of Assets over liabilities	**85 354**	**349 303**	**263 950**

Table 15 Valuation of assets and liabilities in the financial statements and within Solvency II

D.1 Assets

D.1.1 FAIR VALUE MEASUREMENT

In line with the Delegated regulation, valuation of financial assets for solvency purposes is based on 'fair value'. The following three hierarchical levels are used to determine the fair value:

Level 1: Fair value based on quoted prices in active markets

The fair value hierarchy gives the highest priority to 'level 1 inputs'. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. They represent actual and regularly occurring market transactions on an arm's length basis. No valuation technique (model) is in this case involved.

Level 2: Fair value based on observable market data

Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Observable inputs reflect an active market. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cash flow analysis, reference to the current or recent fair value of a similar instrument, or third-party pricing, provided that the third-party price is in line with alternative observable market data.

Level 3: Fair value not based on observable market data

Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability including assumptions regarding the risks involved. Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.

D.1.2 MAIN ASSETS CATEGORY

Intangible assets

Intangible assets cannot be sold separately and are not recognized in the Solvency II framework: valuation for solvency purposes is set to nil.

In the LuxGaap financial statements, those assets (mostly software licenses) are valued at acquisition costs, and depreciated on a straight-line basis over their estimated useful lives.

Investments

Investments of KBC Group Re are mostly composed of bonds (75,5%).

Valuation for solvency purposes is based on 'fair value' as defined in section D.1.1.

In the LuxGaap financial statements:

- investments in bonds are measured at amortised cost, minus impairments when it is expected that the impairment in value is permanent
- investments in equities are measured using the 'lower of cost or market' method

Technical provisions – part of reinsurance

See section D.2.

Deposits to cedants

Deposits to cedants are valued at their nominal value, both in LuxGaap and for solvency purposes. Value adjustments are made when the realisable value is uncertain.

Receivables

Receivables are valued at their nominal value, both in LuxGaap and for solvency purposes. Value adjustments are made when the realisable value is uncertain.

Cash

Cash is valued at fair value, both in LuxGaap and in Solvency II.

D.2 Technical provisions

KBC Group Re is exclusively active in non-life reinsurance (including health which is underwritten according to non-life principles). Technical Provisions of pure non-life and health policies are measured in a common process with identical methods and main assumptions. As such, both can be considered as a single business activity.

D.2.1 TECHNICAL PROVISIONS – VALUATION FOR SOLVENCY PURPOSES

In general, the technical provisions on the Solvency II economical balance sheet have to be calculated as the sum of a Best Estimate and a risk margin:

- The ***Best Estimate*** corresponds to the probability-weighted average of future cash flows, taking into account the time value of money, using the relevant risk-free interest rate term structure.
- The ***Risk Margin*** is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the (re)insurance obligations over their lifetime. The cost of capital is defined by the regulator and is set at 6%.

When calculating the Best Estimate, a projection of the estimated future cash flows is consequently made. Those cash flows are subsequently discounted using the risk free interest rate term structure, prescribed by the regulator.

The calculation of the Best Estimate requires the contracts to be split up in homogeneous risk groups. These are groups with similar characteristics and dynamics, for which the same assumptions are then used when projecting the cash flows in the future. The company therefore makes a distinction between ‘short-tail’ and ‘long-tail’ lines of business.

Solvency II requires calculations to be performed separately for ‘premium provisions’ and ‘provisions for claims outstanding’. Both types of provisions are calculated according to different (standard) actuarial techniques.

Part of the reinsurers in both types of provisions is determined as the difference between the gross and the net of reinsurance provisions, less an adjustment for expected reinsurers’ default.

Premium provision

The premium provision relates to claim events occurring after the valuation date and during the remaining in-force period (coverage period) of existing policies held by the undertaking.

The calculation of the gross Best Estimate of the premium provisions relates to:

- All expected future premiums for existing policies
- All future claim payments for existing policies, arising from future events past the valuation date.
- All expenses related to the above: allocated or unallocated claims expenses, ongoing administration of these policies, future acquisition costs, overhead expenses, …

The premium provision is calculated on the assumption that the portfolio of policies in the risk group is stable enough, such that claims experience from the past can be used to make predictions of claims that will occur in the future. Also the assumptions regarding the timing of future cash flows are based upon past claims experience.

Provisions for claims outstanding

The provisions for claims outstanding relate to claim events that have already occurred but are not settled yet, regardless of whether the claims arising from these events have been reported or not.

Different techniques are used, depending on the claim size: attritional claims are valued using actuarial techniques while large claims are valued on an individual claim level. An estimate is also made for those claims that have already occurred but have not yet been reported at valuation date. The Best Estimate for claims outstanding also includes provisions for claim handling costs, both internal and external.

Impact of volatility adjustment

KBC Group Re applies the volatility adjustment for discounting cash flows to determine the Best Estimate. The volatility adjustment is added to the risk free interest rate term structure used for discounting in order to compensate the spread movements of the assets. It is designed to protect insurers with long-term liabilities from the impact of volatility on the solvency position. The volatility adjustment is defined as the spread between the interest rate applying to the assets in a reference portfolio and the corresponding risk-free rate, minus the fundamental spread (which represents default or downgrade risk). The volatility adjustment is provided and updated by the EIOPA and can differ for each major currency and country.

Table 16 shows the moderate impact of this volatility adjustment.

31/12/2020 (X 1.000 EUR)	Amount with Volatility adjustment	Impact of volatility adjustment set to zero
Technical provisions	73 385	237
Basic own funds	323 374	-145
Eligible own funds to meet Solvency Capital Requirement	323 374	-145
Solvency Capital Requirement	73 078	0
Eligible own funds to meet Minimum Capital Requirement	323 374	-145
Minimum Capital Requirement	18 269	0

Table 16 Impact of the volatility adjustment (31/12/2020)

Level of uncertainty

In line with the Solvency II requirements, the uncertainty on the Technical Provisions is assessed. Within the KBC Group this is done via a 'Measurement risk assessment' process.

Due to its role of internal reinsurer of KBC Group, gross results of KBC Group Re are very volatile and single large claims dominate the technical provisions. For KBC Group Re, the 'Measurement risk assessment' consequently reveals that uncertainty around the final amount of Technical provisions is high. The Best Estimate calculation process is to an important extent based on expert judgement for the large claims and a large amount of uncertainty cannot be avoided.

KBC Group Re compensates this phenomenon with a sound capital and reinsurance policy.

D.2.2 TECHNICAL PROVISIONS – LUXGAAP VALUATION

In LuxGaap a distinction is made between the following types of provisions:

- Provision for unearned premiums
- Provision for claims outstanding
- Equalization provision

Those provisions are not discounted.

Provision for unearned premiums

The provision for unearned premiums comprises the amount representing the part of premiums written which is to be allocated to subsequent financial years. It is computed separately for each contract.

This applies to gross premiums and premiums ceded to reinsurers.

Provision for claims outstanding

The provision for claims is established on the basis of reports and individual estimates received from the ceding companies, where necessary supplemented with other information available. The amount of provision ceded to reinsurers is then calculated based on contractual agreements.

For 'claims incurred but not reported' at balance sheet date, an IBNR (Incurred But not Reported) provision is set aside. This IBNR provision is calculated using actuarial techniques.

A provision for the internal costs of settling claims is calculated at a percentage that is based on past experience.

Equalization provision

In accordance with the rules applicable for reinsurance companies in Luxembourg, an equalization provision must be established by KBC Group Re. Based on the grand ducal regulation relating to the supervision of reinsurance companies, the annual allocation to this provision equals the sum of the technical results and a share of the financial result until the provision reaches a ceiling. This ceiling is determined by applying to the net reinsurance premiums a multiple based on actuarial methods and approved by the local supervisor (multiples depend on the risk bucket).

In the event of a loss in a subsequent accounting period, a share of the equalization provision must be reintegrated into the result of the year in order to compensate for the loss.

This provision is not recognized under the Solvency II regime and set to nil. This complies with the fair value valuation principle.

D.3 Other liabilities

Other liabilities mainly relate to tax provisions and deferred taxes:

- Current tax provisions: the estimated amount of taxes payable until valuation date serves as valuation amount both for solvency purposes and in the LuxGaap financial statements.
- Deferred taxes result from the netting of deferred tax liabilities over deferred tax assets. Those deferred taxes are not recognized in the LuxGaap statements and arise from:
    - Carry forwards of unused tax losses (deferred tax asset)
    - Temporary differences between the SII value of assets and liabilities and their value as recognized for tax purposes

  Deferred tax liability amounts as per 31/12/2020 to 78,6 million EUR, mainly due to a difference in the valuation of technical provisions (non-recognition of the equalization provision in Solvency II).

D.4 Alternative methods for valuation

Not applicable for KBC Group Re.

D.5 Any other information

Other material information about valuation does not apply.

E. Capital Management

The solvency of KBC Group Re is calculated on the basis of the Solvency II regime.

The minimum solvency ratio required by the regulator amounts to 100% of the Solvency Capital Requirement (SCR). Within KBC Group, the capital management process aims at reaching an optimal balance between regulatory requirements, rating agencies views, market expectations and management ambitions. It is a key management process relating to all decisions on the level and composition of the capital, both at group level and locally.

An important process in this context is the Alignment of Planning Cycles (APC). As explained in Chapter B, this yearly process aims to create an integrated three-year plan in which the strategy, finance, treasury and risk perspectives are collectively taken into account. In this process, the risk appetite of the group is set and cascaded by setting risk limits at entity level. The APC is not only about planning: it is also about closely monitoring the execution of the plan in all its aspects.

In addition to APC, an Own Risk and Solvency Assessment (ORSA) is conducted on a regular basis, in accordance with Solvency II requirements. The aim of the ORSA is to monitor and ensure that business is managed in a sound and prudent way and that the company is adequately capitalised in view of its risk profile and the quality of its risk management and control environment. The ORSA process includes APC, risk appetite setting and ongoing business, risk and capital management processes.

E.1 Own funds

Solvency II regulations require the (re)insurance companies to classify own-fund items in accordance with quality criteria into three tiers. Classification depends upon whether they are basic own fund or ancillary own-fund items, and the extent to which they possess the following characteristics:

- the item is available, or can be called up on demand, to fully absorb losses on a going-concern basis, as well as in the case of winding-up (permanent availability).

- in the case of winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

Tier 1 capital consists of basic own funds that present both the permanent availability and subordination characteristics

Tier 2 capital consists of ancillary own funds and of basic own funds that present only the subordination characteristics

Tier 3 capital consists of any basic or ancillary own funds that are not classified as tier 1 and tier 2.

Table 17 details the capital position of KBC Group Re, which is exclusively composed of Tier 1 items.

(X 1.000 EUR)	31/12/2019	31/12/2020
Own funds - Tier 1	**328 200**	**323 374**
LuxGaap shareholders equity	72 634	85 354
Dividend payout (-)	-14 270	-25 929
Difference in the valuation of assets	20 483	26 945
Difference in the valuation of technical provisions	333 554	315 645
of which equalization provision	*336 560*	*325 689*
Difference in the valuation of other liabilities	-84 201	-78 640
of which deferred taxes	*86 880*	*-78 640*

Table 17 Capital position of KBC Group Re

An extensive explanation of the reconciliation from the LuxGaap equity to the Solvency II eligible own funds is presented in Chapter D.

By the end of 2020, Tier 1 Own funds amounted to 323,4 million EUR, eligible to cover both the Minimum Capital Requirement and Solvency Capital Requirement. The decrease (-4,8 mln EUR, or -1,5%) compared to year-end 2019 is due to:

- A decrease of the equalization provision (-10,9 mln EUR), partially compensated by
- An increase of valuation differences on investments

More information about the “Own funds” can be found in the QRT S.23.01.22.

E.2 Solvency Capital Requirement & Minimum Capital Requirement

The Solvency Capital Requirement and Minimum Capital requirement are calculated based on the standard model. No (partial or full) internal model is used. KBC Group Re does not use simplifications or undertaking specific parameters when applying the standard formula.

A detailed split of the Solvency Capital Requirement by risk modules can be found in Figure 2 in Chapter C, where individual risk profiles are also extensively discussed.

KBC Group Re met the solvency requirements. As can be seen in Table 18, the solvency ratio stood at 443% at 31/12/2020.

(X 1.000 EUR)	31/12/2019	31/12/2020
Own funds - Tier 1	328 200	323 374
Solvency capital requirement (SCR)	70 141	73 078
Ratio of Eligible own funds to SCR	468%	443%
Minimum capital requirement (MCR)	17 535	18 269
Ratio of Eligible own funds to MCR	1872%	1770%

Table 18 Solvency ratios of KBC Group Re (31/12/2020)

More information can be found in the Quantitative Reporting Template (QRT) S.25.01.22.

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

Not applicable for KBC Group Re.

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

Not applicable for KBC Group Re.

E.5 Non-compliance with the MCR and non-compliance with the SCR

KBC Group Re is compliant with the Minimal Capital Requirement as well as with the Solvency Capital Requirement.

E.6 Any other information

No other information to report.

ANNEXES

S.02.01.02 – Balance sheet (x 1.000 EUR)

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	147
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	440565
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	103896
Equities - listed	**R0110**	103896
Equities - unlisted	**R0120**	0
Bonds	**R0130**	332506
Government Bonds	**R0140**	221264
Corporate Bonds	**R0150**	111242
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	4164
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	-2229
Non-life and health similar to non-life	**R0280**	-2229
Non-life excluding health	**R0290**	-2656
Health similar to non-life	**R0300**	427
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	33343
Insurance and intermediaries receivables	**R0360**	2881
Reinsurance receivables	**R0370**	3233
Receivables (trade, not insurance)	**R0380**	0
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**	15968
Any other assets, not elsewhere shown	**R0420**	27627
Total assets	**R0500**	521536

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	73385
Technical provisions – non-life (excluding health)	**R0520**	67179
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	40847
Risk margin	**R0550**	26332
Technical provisions - health (similar to non-life)	**R0560**	6206
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	3182
Risk margin	**R0590**	3024
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
Technical provisions 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**	0
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	14148
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	3548
Deferred tax liabilities	**R0780**	78640
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	0
Reinsurance payables	**R0830**	100
Payables (trade, not insurance)	**R0840**	2413
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	172233
Excess of assets over liabilities	**R1000**	349303

S.05.01.02 – Premiums, claims and expenses by line of business (non-life insurance and reinsurance obligations) (x 1.000 EUR)

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	263	2331	8535	0	0	0	4855					15983
Gross - Non-proportional reinsurance accepted	**R0130**													1441	6203	25	19727	27397
Reinsurers' share	**R0140**	0	0	0	0	0	0	1122	2573	0	0	0	1110	699	3303	0	9314	18120
Net	**R0200**	0	0	0	0	0	263	1208	5962	0	0	0	3745	742	2900	25	10413	25259
Premiums earned																		
Gross - Direct Business	**R0210**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	263	2331	8535	0	0	0	4855					15983
Gross - Non-proportional reinsurance accepted	**R0230**													1441	6203	25	19727	27397
Reinsurers' share	**R0240**	0	0	0	0	0	0	1122	2573	0	0	0	1110	699	3303	0	9314	18120
Net	**R0300**	0	0	0	0	0	263	1208	5962	0	0	0	3745	742	2900	25	10413	25259
Claims incurred																		
Gross - Direct Business	**R0310**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	**R0320**	0	-1	0	0	0	54	485	-666	-17	0	-3	61					-87
Gross - Non-proportional reinsurance accepted	**R0330**													3749	6302	-1	3905	13954
Reinsurers' share	**R0340**	0	14	0	25	0	-17	-197	-507	-8	0	-1	-309	2991	2137	-7	-940	3180
Net	**R0400**	0	-15	0	-25	0	71	682	-160	-9	0	-2	370	757	4165	6	4845	10687
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**													0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	**0**	**0**	**0**	**0**	**0**	**80**	**424**	**752**	**-17**	**0**	**0**	**344**	**80**	**686**	**1**	**1532**	**3881**
Other expenses	**R1200**																	**0**
Total expenses	**R1300**																	**0**

S.17.01.02 Non-Life Technical Provisions (x1.000 EUR)

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	0	0	0	0	0	-84	-991	-3401	0	0	0	-1837	-558	-2383	-15	-7405	-16675
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0	0	-348	-1066	0	0	0	-477	-346	-1918	0	-4839	-8993
Net Best Estimate of Premium Provisions	**R0150**	0	0	0	0	0	-84	-643	-2335	0	0	0	-1360	-213	-465	-15	-2567	-7681
Claims provisions																		
Gross	**R0160**	0	0	0	0	0	225	569	5044	40	0	0	1630	3741	29668	183	19604	60704
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0	0	2	292	-1	0	0	156	773	3860	0	1683	6765
Net Best Estimate of Claims Provisions	**R0250**	0	0	0	0	0	225	566	4752	42	0	0	1473	2968	25808	183	17922	53939
Total Best estimate - gross	**R0260**	0	0	0	0	0	141	-423	1643	40	0	0	-208	3182	27285	168	12199	44029
Total Best estimate - net	**R0270**	0	0	0	0	0	141	-77	2417	42	0	0	113	2755	25343	168	15355	46258
Risk margin	**R0280**	0	0	0	0	0	627	11179	2809	6	0	0	854	3024	4754	48	6056	29356
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																		
Technical provisions - total	**R0320**	0	0	0	0	0	768	10756	4451	46	0	0	646	6206	32040	216	18255	73385
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0	0	-346	-775	-1	0	0	-321	427	1942	0	-3156	-2229
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	0	0	0	0	0	768	11102	5226	47	0	0	967	5779	30098	216	21411	75614

S.19.01.21 Non-Life Insurance Claims Information (x1.000 EUR)

Total Non-Life Business

Accident year / Underwriting year	Z0020	2

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +			In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											436		R0100	436	436
N-9	R0160	547	1 067	746	568	75	7	9	1	2	1			R0160	1	3 023
N-8	R0170	474	911	215	32	102	94	-33	11	-168				R0170	-168	1 638
N-7	R0180	1 977	2 054	325	99	126	13	6	-14					R0180	-14	4 587
N-6	R0190	756	3 521	1 992	322	16	1 717	20						R0190	20	8 343
N-5	R0200	201	4 544	3 370	164	66	1							R0200	1	8 346
N-4	R0210	61	1 351	1 855	10 180	1 210								R0210	1 210	14 658
N-3	R0220	147	368	850	67									R0220	67	1 433
N-2	R0230	83	4 357	528										R0230	528	4 968
N-1	R0240	176	6 486											R0240	6 486	6 663
N	R0250	3 091												R0250	3 091	3 091
													Total	R0260	11 657	57 185

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +			Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											12 415		R0100	11 828
N-9	R0160						244	205	237	234	238			R0160	240
N-8	R0170					1 553	1 049	1 628	1 345	1 453				R0170	1 477
N-7	R0180				400	170	152	141	141					R0180	142
N-6	R0190			3 517	2 098	2 209	316	309						R0190	304
N-5	R0200		4 942	760	186	80	82							R0200	79
N-4	R0210	26 746	26 712	23 896	13 745	12 317								R0210	12 032
N-3	R0220	5 577	3 004	1 569	1 502									R0220	1 478
N-2	R0230	10 767	3 957	6 109										R0230	6 145
N-1	R0240	18 382	10 463											R0240	10 429
N	R0250	14 723												R0250	14 772
													Total	R0260	58 926

S.22.01.22 – Impact of long term guarantees and transitional measures (X1.000 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	73385			237	
Basic own funds	R0020	323374			-145	
Eligible own funds to meet Solvency Capital Requirement	R0050	323374			-145	
Solvency Capital Requirement	R0090	73078			0	
Eligible own funds to meet Minimum Capital Requirement	R0100	323374			-145	
Minimum Capital Requirement	R0110	18269			0	

S.23.01.22 – Own funds (X1.000 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 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	41693	41693		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	281681	281681			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	323374	323374	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	323374	323374	0	0	0
Total available own funds to meet the MCR	**R0510**	323374	323374	0	0	
Total eligible own funds to meet the SCR	**R0540**	323374	323374	0	0	0
Total eligible own funds to meet the MCR	**R0550**	323374	323374	0	0	
SCR	**R0580**	73078				
MCR	**R0600**	18269				
Ratio of Eligible own funds to SCR	**R0620**	443%				
Ratio of Eligible own funds to MCR	**R0640**	1770%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	349303	
Own shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and charges	**R0720**	25929	
Other basic own fund items	**R0730**	41693	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	281681	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	16674	
Total Expected profits included in future premiums (EPIFP)	**R0790**	16674	

S.25.01.22 – Solvency capital requirement (for groups on Standard Formula) (X1.000 EUR)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	49 822		
Counterparty default risk	R0020	10 930		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	10 293		
Non-life underwriting risk	R0050	59 250		
Diversification	R0060	-35 814		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	94 482		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1 321
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-22 725
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	73 078
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	73 078
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	-22 725
LAC DT justified by reversion of deferred tax liabilities	R0650	-22 725
LAC DT justified by reference to probable future taxable profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	78 640

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (X1.000 EUR)

Linear formula component for non-life insurance and reinsurance obligations					
		C0010			
MCRNL Result	**R0010**	12010			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0020	**C0030**
Medical expense insurance and proportional reinsurance			**R0020**	0	0
Income protection insurance and proportional reinsurance			**R0030**	0	0
Workers' compensation insurance and proportional reinsurance			**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance			**R0050**	0	0
Other motor insurance and proportional reinsurance			**R0060**	0	0
Marine, aviation and transport insurance and proportional reinsurance			**R0070**	141	263
Fire and other damage to property insurance and proportional reinsurance			**R0080**	0	1208
General liability insurance and proportional reinsurance			**R0090**	2417	5962
Credit and suretyship insurance and proportional reinsurance			**R0100**	42	0
Legal expenses insurance and proportional reinsurance			**R0110**	0	0
Assistance and proportional reinsurance			**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance			**R0130**	113	3745
Non-proportional health reinsurance			**R0140**	2755	742
Non-proportional casualty reinsurance			**R0150**	25343	2900
Non-proportional marine, aviation and transport reinsurance			**R0160**	168	25
Non-proportional property reinsurance			**R0170**	15355	10413
Linear formula component for life insurance and reinsurance obligations					
		C0040			
MCRL Result	**R0200**	0			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
				C0050	**C0060**
Obligations with profit participation - guaranteed benefits			**R0210**	0	
Obligations with profit participation - future discretionary benefits			**R0220**	0	
Index-linked and unit-linked insurance obligations			**R0230**	0	
Other life (re)insurance and health (re)insurance obligations			**R0240**	0	
Total capital at risk for all life (re)insurance obligations			**R0250**		0
Overall MCR calculation					
		C0070			
Linear MCR	**R0300**	12010			
SCR	**R0310**	73078			
MCR cap	**R0320**	32885			
MCR floor	**R0330**	18269			
Combined MCR	**R0340**	18269			
Absolute floor of the MCR	**R0350**	1200			
		C0070			
Minimum Capital Requirement	**R0400**	18269			