Solvency and Financial Condition Report

Waard Schade N.V.

For the year ending 31 December 2023

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Summary

Background
This is the Solvency and Financial Condition Report ('SFCR') that has been prepared by Waard Schade N.V. (hereafter Waard Schade or the Company), which relates to the year ending 31 December 2023. The report has been prepared to comply with the reporting requirements of the EU-wide regulatory framework for insurance companies, known as Solvency II, which came into force 1 January 2016. This report has been prepared for the benefit of policyholders and other parties who have an interest in the solvency position and financial condition of the Company. In accordance with the Solvency II framework this report follows a standardised structure and includes specific content to meet the detailed reporting requirements of the framework.

Executive summary
An executive summary of this report is provided below. It focuses on key messages and highlights key changes that have been reported in the main body of this report. To aid the reader of this report, the executive summary has been prepared to follow the structure of the main body of this report.

Business and performance
Waard Schade is a Netherlands based closed book Income Protection insurance business. The Company was established in 1990 and is a limited company (Dutch: "Naamloze Vennootschap"). The principal activity of the Company consists of the servicing of a long-term income protection insurance business, which was put in run-off in 2009 and is closed to new business since then.

Due to its run-off nature, performance of the business is not only measured in net profit but also in the amount of capital that the Company can release periodically to its owners.

The operational results did not deviate significantly from expectations: the results on disability, morbidity and unemployment unfolded positively. In 2023 a relative high share of policies was eligible for surrender. This development is as expected. Expenses were higher than expected, because of an extension of the runoff period of the insurance portfolio. Investment income was above expectations due to decrease in interest rates and positive returns on the stock market. In chapter A we provide more detail on the results for the period.

System of governance
The Company is governed by a two-tier board structure with an executing board of directors (Management Board) and a supervising board of supervisory directors (Supervisory Board). The Company implemented the governance requirements of the Solvency II regime and has four key function holders as a consequence (actuarial, compliance, risk management, internal audit). As part of the Chesnara Group, the Company fulfils both the requirements posed by DNB and by Chesnara's group regulator, the PRA.

Risk profile
Following the acquisition of the Company by the Chesnara group (effectively implemented in the second half of 2015), the Company significantly changed (reduced) its risk profile. Investments in larger tranches were sold and replaced by smaller exposures. Instruments that could not be traded on a liquid market were sold. In 2016, the Company acquired a mortgage portfolio and expanded the number of its banking relations, to avoid unnecessary concentration risk.

The risk profile of the business did not change significantly during the year. The Company holds a diversified investment portfolio with small individual exposures to borrowers. The nominal size of risk exposures reduced overall due to a reducing portfolio (reducing both asset and liability related risks).

Due to the very solid capital position of the Company, substantial amounts of Own Funds are invested in fixed income instruments (government and corporate bonds). The Company is consequently exposed to future upward movements of the Euro-yield-curve and/or credit spreads and has set aside a significant capital buffer to be able to absorb that risk.

In chapter C we explain in detail what the Company's risk exposures are and how much capital we hold in reserve to deal with these exposures if they would emerge.

Valuation for solvency purposes
This SFCR provides insight in the Company's balance sheet and available capital in accordance with Solvency II guidelines. These guidelines strive for a market consistent valuation. In comparison to our Dutch GAAP (BW2 Titel 9) financial statements, Solvency II portrays a more realistic view on shareholder's value and liabilities to policyholders. Under Dutch GAAP many items, such as policyholder liabilities, are valued at historically set parameters, whereas Solvency II forces/allows us to take a current view at these parameters. Chapter D explains the differences in more detail.

Capital management
Managing capital, both in terms of dealing with risk and in terms of ensuring a steady flow of dividend for our shareholder, is explained in detail in chapter E. Waard Schade has a very robust capital position, effectively too robust from an optimisation perspective. Following the acquisition by the Chesnara group, the Company holds (excess) capital at levels exceeding the necessities of the current business. The year-end solvency ratio of 621% (177% of the AMCR) is far above the internal norm and DNB's requirements.

Wognum, April 2024

L. Kirchner	M. Simons	M. Dilweg-Visser
CEO	CFO	COO

A. Business and performance

A.1. Business

A.1.1 Name and legal form

Waard Schade is a Netherlands based closed book Income protection insurance business. The Company was established in 1990 and is a Naamloze Vennootschap.

A.1.2 Name and contact details of the responsible supervisory authority

Prudential supervision of the Company is the responsibility of:
De Nederlandsche Bank (DNB)
Spaklerweg 4
1096 BA Amsterdam, The Netherlands

Financial conduct supervision is regulated by the:
Autoriteit Financiële Markten (AFM)
Vijzelgracht 50
1017 HS Amsterdam, The Netherlands

The EU-group supervisor of the insurance group to which the Company belongs is the:
Prudential Regulation Authority (PRA)
20 Moorgate London
EC2R 6DA, United Kingdom

A.1.3 Name and contact details of external auditor

The Company's external auditor is:
Ernst & Young Accountants LLP
Wassenaarseweg 80
2596 CZ Den Haag, The Netherlands

A.1.4 Shareholders and position within the group

Waard Schade is a member of the group headed by Chesnara plc. The group organisational structure is shown below:

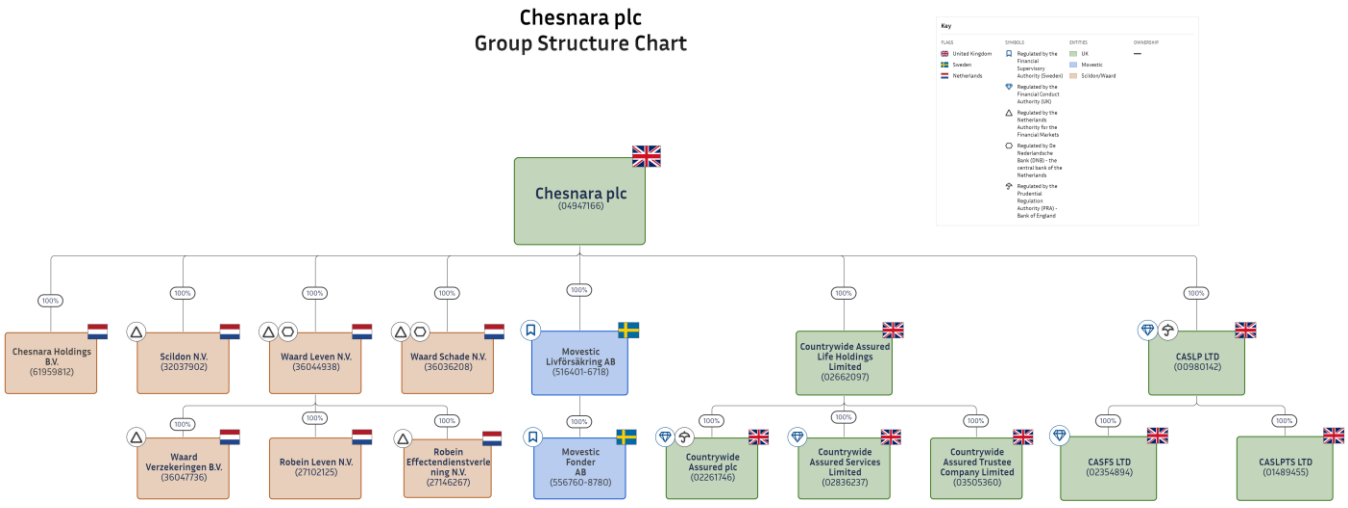

Figure 1 – Overview of Chesnara plc

Until 31 December 2023, Waard Schade was a 100% subsidiary of Chesnara Holdings BV. Underlying the change in legal structure from 1 January 2024 are efficiency considerations. Currently Chesnara Holdings BV still exists as an entity which is why this is still showing in Figure 1. Chesnara Holdings BV will be dissolved end of March 2024.

A.1.5 Material lines of business and material geographical areas where business is carried out

The principal activity of the Company consists of the servicing of a mid-term income protection insurance business, which is closed to new business. The existing policies were all sold in The Netherlands. As the Company is closed to new business; the primary focus of management is a well-governed and efficient run-off of the existing portfolio.

As of 31 December 2023, the Company holds the following (income protection) products in its portfolio:

- Disability annuity (maximum pay-out 120 months, always 100% pay-out, also in case of partial disability);
- Unemployment annuity (maximum pay-out 12/18 months);
- Permanent disability caused by an accident (indemnity) (variable lump sum payment);
- Critical illness (fixed lump sum payment);
- Hospital daily allowance (variable lump sum payment).

These covers have been classified in three homogenous risk groups:

- Disability annuity;
- Unemployment annuity;
- Other risks.

The nature of the covers is similar to that of temporary life insurances that pay out either a (single) lump sum or an annuity. The policies are multi-year contracts, financed by single premiums at time of writing the policies. For Solvency II purposes the Company's covers are (therefore) categorized as Similar to Life Techniques (SLT) Health insurance.

The level of provisions and premiums is shown in the table below, using financial information for the year ending 31 December 2023.

Line of Business	**Technical provisions (excluding Risk margin)**			**Premiums earned**		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Health insurance						
Income protection	1,707	491	1,216	3	-	3
Total Health insurance	**1,707**	**491**	**1,216**	**3**	**-**	**3**

Table 1 - Technical provisions and premiums earned for material line of business

A.1.6 Significant business or other events that have occurred over the reporting period

During 2023 no significant business events took place. The portfolio ran off in an ordinary fashion.

A.2 Underwriting performance

Introduction

Sections A.2, A.3 and A.4 of this report require qualitative and quantitative information to be provided on various different aspects of the performance of the Company. Whilst this report in general provides information that is based on valuation rules required by the Solvency II reporting regime, sections A.2, A.3 and A.4 are required to be reported in accordance with the measurements basis as shown in the Company's financial statements, which in Waard Schade's case, is Dutch GAAP (BW2, Titel 9). The disclosure rules of Solvency II do require the performance of the Company to be analysed using three distinct definitions, being:

- Underwriting performance;
- Investment performance;
- Performance of other activities.

Further information on what is included in each distinct section and how the performance has fared over the year, has been provided below.

The table below shows the high level performance of the Company's business, reconciling back to the Dutch GAAP profit before tax:

	2023	2022
	€'000	€'000
Underwriting performance (see below)	-136	13
Investment performance (section A.3)	375	-309
Performance of other activities (section A.4)	-	-
Total performance – Dutch GAAP pre-tax profit	**239**	**-296**

Table 2 - High level performance of the business

Each category is discussed in sections A.2 Underwriting Performance, A.3 Investment Performance and A.4 Performance of other activities.

As required by the Solvency II Delegated Acts, all information reported in sections A.2, A.3 and A.4 is measured using the same measurement basis as Waard Schade's financial statements, which are prepared in accordance with Dutch GAAP.

Underwriting performance

The underwriting performance, split by income and expenses, has been summarised in the below tables. The equivalent information has been provided for the prior year, with narrative commentary below for any key material changes year on year. The line of business in which the Company operates is Health - similar to life.

2023	**Line of Business: health – similar to life**	**Total**
	Income protection	
	€'000	**€'000**
Premiums earned	3	3
Claims incurred	-99	-99
Changes in other technical provisions	506	506
Expenses incurred	-546	-546
Other expenses	-	-
Underwriting performance	**-136**	**-136**

2022	**Line of Business: health – similar to life**	**Total**
	Income protection	
	€'000	**€'000**
Premiums earned	-34	-34
Claims incurred	-143	-143
Changes in other technical provisions	664	664
Expenses incurred	-474	-474
Other expenses	-	-
Underwriting performance	**13**	**13**

Table 3 – Comparison of the underwriting performance

Premiums earned: This represents the sum of premiums billed during the year, which is a small amount as very few policies are still premium paying and the sum of premiums reimbursed in case of early surrenders, minus the reinsurance impact of these are subtracted. The early surrenders have decreased leading to a positive premiums earned.

Claims incurred: Is the sum of the claims paid and the change in the provision for claims outstanding during the financial year, net of reinsurance. The amount of claims incurred decreased compared to the available premium.

Changes in other technical provisions: Due to run off the change in technical provision decreased.

Expenses incurred: This represents all technical expenses incurred by the Company during the year, on accrual basis.
Key reason for the observed movement (decrease) in the underwriting performance are the slightly higher expenses, due to a longer runoff period.

Geographical areas
All business is in The Netherlands.

A.3 Investment performance

A.3.1 Investment holdings

The tables below provide the composition of the investment portfolio that the Company holds. The investment strategy complies with the requirements of the 'prudent person principle' which can be read in Section C.2.5 Assets.

The Company's investment portfolio as of 31 December of the current and prior year:

2023	**Non-linked**		**Total**	
	€'000	**%**	**€'000**	**%**
Government Bonds	338	5%	338	5%
Corporate Bonds	2,524	35%	2,524	35%
Equity	-	-	-	-
Investment funds CIU	1,149	16%	1,149	16%
Collateralised securities	-	-	-	-
Loans and mortgages to individuals	1,958	27%	1,958	27%
Cash and deposits	1,174	16%	1,174	16%
Derivatives	-	-	-	-
Total	**7,143**	**100%**	**7,143**	**100%**

2022	**Non-linked**		**Total**	
	€'000	**%**	**€'000**	**%**
Government Bonds	331	4%	331	4%
Corporate Bonds	3,106	38%	3,106	38%
Equity	-	-	-	-
Investment funds CIU	1,016	12%	1,016	12%
Collateralised securities	-	-	-	-
Loans and mortgages to individuals	2,092	26%	2,092	26%
Cash and deposits	1,627	20%	1,627	20%
Derivatives	-	-	-	-
Total	**8,172**	**100%**	**8,172**	**100%**

Table 4 – Comparison of the investment portfolio between year 2023 and 2022

The following major movements have taken place in the asset portfolio during the year:

- Increase in interest rates ceased during Q4;
- Positive returns on the stock markets;
- Early redemptions and increased interest rates in Q4 led to a reduction in the value of the mortgages;
- The cash position changed due to financial cash flows such as redemptions, coupons, and reinvestments of those and Operational cash flows as well as pay-out of the dividend.

Collective investment undertakings
A proportion of the assets have been invested in investment funds CIUs (Collective Investment Undertakings). The table below illustrates the underlying investments from the various investment CIUs.

	2023		2022	
	€'000	%	€'000	%
Government Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Equity	1,145	100%	1,011	100%
Investment funds CIU	-	-	-	-
Cash and deposits	4	-	5	0%
	1,149	**100%**	**1,016**	**100%**

Table 5 - CIU's and underlying investments

A.3.2 Investment performance

The investment performance of the Company can be summarised in the below table:

	2023			2022		
	Indexed-linked & Unit-Linked	Non-Linked	Total	Indexed-linked & Unit-Linked	Non-Linked	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Government bonds	-	9	9	-	-46	-46
Corporate bonds	-	120	120	-	-204	-204
Equity	-	-	-	-	-	-
Investment funds CIU	-	163	163	-	-106	-106
Collateralised securities	-	-	-	-	-	-
Loans and mortgages	-	61	61	-	58	58
Cash and deposits	-	22	22	-	-11	-11
Other	-	-	-	-	-	-
Total	**-**	**375**	**375**	**-**	**-309**	**-309**

Table 6 - Comparison of the investment performance

The main market driven developments concern the decrease of interest rates and the positive development of the equity markets. Interest was received on the mortgage portfolio.

A.4 Performance of other activities

The Company's only activity is that of income protection insurance business. There are no other activities that take place in the Company.

A.5 Any other information

There is no other information required to be disclosed regarding the performance of the business.

B. System of Governance

B.1 General information on the system of governance

B.1.1 Governance structure

Overview
The Company's governance system sits within the overarching governance system of the Chesnara group. It consists of the Supervisory Board, the Management Board, the Audit & Risk Committee, and the delegation of responsibilities to key function holders. The Company maintains a governance map which documents the detailed implementation of the system of governance. This includes the terms of reference of committee meetings, and detailed roles and responsibilities of key functions.

The governance structure is summarised in the diagram below:

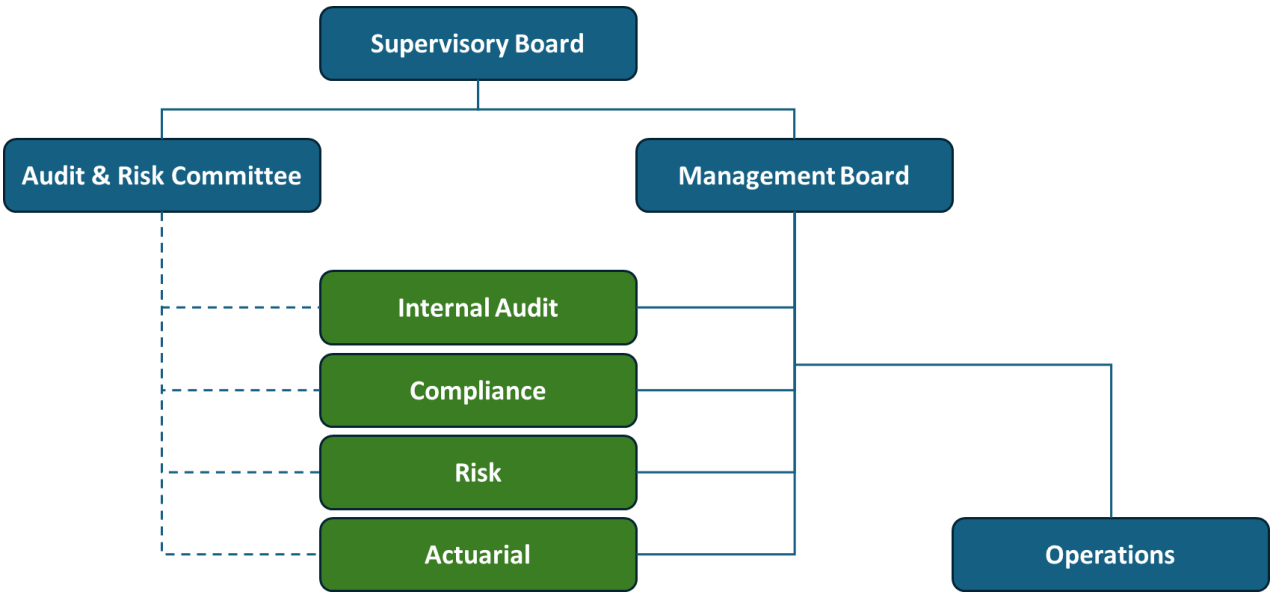

Figure 2 – Overview governance structure

Supervisory Board responsibilities
The Supervisory Board is made up of independent directors. It is collectively responsible for coaching and assisting the Management Board when necessary. The Supervisory Board supervises the Management Board and oversees that the Management Board acts in accordance with the Company's policies and objectives. Supervisory Board members are independent from the Management Board.

Sub-Committee Meetings
The Company's Supervisory Board has one sub-committee: the Audit & Risk Committee, which has the responsibility to include monitoring the integrity of the annual financial statements, reviewing the definition and application of the Company and group internal control and risk management systems, monitoring the use of capital within the Company, reviewing and challenging risk information and treatment, and reviewing the risk management responsibilities across the Company.

Management Board responsibilities
It is collectively responsible for promoting the success of the business. Its role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be assessed and managed. It will set the strategy and business plan within the overall context of the group's plans and ensure that the necessary financial and human resources are in place to meet its objectives and monitor management performance.

Key Function responsibilities
To assist the Management Board with its responsibilities, it has delegated the responsibility for key functions to senior management. These are functions that have a material effect on the internal control of the business and influence material decision making. The key functions have been defined taking into account the requirements of Solvency II regulations and guidance from regulators. Each key function is headed by a key function holder who has responsibility for that area. The key functions are as follows:

- Risk management;
- Actuarial;
- Compliance.

Third line key function:

- Internal audit.

Each Key Function Holder prepares a report to the board(s) on a quarterly basis. Each Key Function Holder prepares a report to the board(s) on a quarterly basis. The senior management is organized in a Management Team that has been expanded to include the management.

The detailed responsibilities for each Key Function Holder are documented in the Governance Map which is reviewed and approved by the Management Board on a regular basis. This ensures that each Key Function Holder has the necessary authority and operational independence to carry out their role. On an annual basis, as part of the Business Planning process, each Key Function Holder will ensure that they have the necessary resources to deliver their responsibilities. The Business Plan is reviewed by the Management Board and challenged by Chesnara's Group Finance.

The responsibilities of each of the Key Function Holders are summarised as follows:

- The Risk Manager attends the Management Team meetings and the Audit & Risk Committee and has responsibility for the development and review of the risk management system, governance system and internal control system, implementation of risk management processes and systems and reporting on the risk profile of the business;
- The Actuarial Function holder attends of the meetings of the Management Board. The Actuarial Function Holder has an extensive range of tasks: to oversee all actuarial aspects of strategy and financial management and to have an oversight of the appropriateness of methodologies, models, bases and calculation of technical provisions within the Company, to assess the sufficiency and quality of the data used in calculations of technical provisions, reporting on the reliability and adequacy of the calculation of technical provision and to advise any concerns regarding the sufficiency of financial assets to meet liabilities to policies, the modelling of risk capital for the ORSA, including advising on suitable stress and scenario testing, reinsurance arrangements and to oversee the investment strategy and asset-liability matching;
- The Head of Internal Audit attends the meetings of the Management Board and the Audit & Risk Committee at which the Internal Audit Report and/or the Internal Audit Plan is on the agenda. The Head of Internal Audit reports directly to the Chair of the Audit & Risk Committee and is responsible for providing reasonable, but not absolute, assurance to the Management Board and the Audit & Risk Committee about the adequacy and effectiveness of the internal control environment including procedures, controls, and policies and for the establishment of an annual audit plan;
- The Compliance Officer attends the meetings of the Management Board and the Audit & Risk Committee at which the Compliance Plan and/or the Compliance Report is on the agenda. The Compliance Officer is responsible for ensuring that the Company fulfils its regulatory, legislative, and corporate standards and obligations in a cost effective way, and for assessing the adequacy of measures taken to prevent noncompliance. The Compliance Officer is responsible for upholding anti Money Laundering measures.

B.1.2 Material changes in the system of governance

There were no material changes in the system of governance in 2023.

B.1.3 Information on the remuneration policy

Overview
The employees of Waard Schade, as well as Waard Leven, are all employed by Waard Verzekeringen B.V.
The remuneration policy is a Waard Group policy, applying to the employees of Waard Verzekeringen who are indirectly employees of Waard Schade and Waard Leven.

The remuneration policy is intended to set out rules and principles for remuneration, taking into account relevant regulatory requirements and guidance. In particular, it aims to ensure the:

- Implementation of appropriate remuneration practices and activities;
- Implementation of suitable reporting and monitoring routines, to ensure effective control of remuneration activities and manage the associated risks.

The remuneration package for staff is composed of fixed elements only. Fixed remuneration refers to remuneration, the amount and size of which is determined in advance. The fixed remuneration package consists of:

- Basic salary;
- Taxable benefits;
- Pension benefits.

Members of the Audit & Risk Committee and Supervisory Board members are paid a fixed fee.

Further details of the fixed remuneration are shown in Table 7 below:

Subject area	Subject description
Basic Salary Criteria	In setting salaries for new roles or reviewing the salaries for existing roles, some of the following factors are taken into account, when considered appropriate: - An assessment of the responsibilities of the role and the experience and skills of the job holder; - The Company's salary budgets and the financial results; - The jobholder's performance; - With the use of periodic benchmarking exercises, the external market for roles of a similar size and accountability; - Inflation and salaries across the Company and the market. Where a new appointment is made, pay may be initially below that applicable to the role and then may increase over time subject to satisfactory performance.
Basic Salary Review	Salaries are usually reviewed annually with consideration to the above factors. There may be reviews and changes during the year in exceptional circumstances (such as new appointments to executive positions, or material changes in the scope and/or responsibilities of an existing role).
Pension benefits limits	All staff are eligible to participate in a defined contribution pension scheme, or other approved scheme, with employer contributions.

Table 7 – Overview of renumerations

The remuneration policy is audited on bi-annual basis by the Internal Audit Function.

Business strategy consistency

Waard Group recognises that remuneration practices and principles influence the management of the business and desires that its practices promote sound, prudent and effective management of its business and does not encourage risk-taking that exceed the risk tolerance limits of the companies within Waard Group.

B.1.4 Material related party transactions

Waard Verzekeringen B.V. (Waard Verzekeringen), a 100% subsidiary of Waard Leven N.V., charges Waard Schade for servicing its policies under the Authorised agent agreement.

Waard Verzekeringen is the centralised employer and service provider of the Waard Group companies.
The following table shows the commissions, included in the premiums, paid to Waard Verzekeringen as reimbursement for servicing the policies, as well as the recharge of amounts which effectively comprise an arm's length recharge of expenses (including remuneration of the Management Board).

	2023	2022
	€'000	€'000
Commissions paid to Waard Verzekeringen B.V.	1	1
Recharge of expenses from Waard Verzekeringen B.V.	422	345

Table 8 – Transactions with affiliated parties

Other transactions
There were no transactions between the Company and any persons who exercise a significant influence on the Company, or who are members of the administrative, management or supervisory body. Supervisory directors are remunerated by the Company.

B.1.5 Assessment of the adequacy of the system of governance

The system of governance is set up in accordance with Solvency II guidelines and the design is assessed on an annual basis. Due to the business being in run-off, no major changes are expected to occur in the near future.

The Management Board reviews effectiveness of the system of governance on a periodical basis. These reviews comprise the following:

- An annual attestation by management of the Company with regard to the proper functioning of policies within the Company;
- Review of the quarterly reporting of the Key Function Holders (Risk Manager, Actuarial function, Compliance), which reporting provides insight into functioning of policies and guidelines, both in terms of adherence as in terms of breaches and incidents;
- Incidental reviews requested by regulators, which entail a detailed review of certain aspects of the governance framework;
- Obtaining feedback from the Internal and External audit functions with regard to their opinions on the functioning of the governance framework. During the year, this feedback was provided at various occasions during the Audit & Risk Committee meetings and the meetings of the Management Board.

Key Function Holders and Internal and external audit have direct access to the Audit & Risk Committee and the Supervisory Board to share any concerns they may have with regard to the governance framework.

In the reporting period, the Company was requested to attest adherence to governance policies to the Chesnara Audit & Risk Committee.

B.2 Fit and proper requirements

The Company has a fit and proper policy that has been signed off by the Management Board and it addresses that appropriate resources are in place to deliver effective and efficient management of the business. The Company takes appropriate steps to ensure that (senior) managers, individuals responsible for key functions and those working in key functions are fit and proper which is monitored and reported on by the Compliance officer.

The requirements are proportionate to the role and responsibilities of the various positions. Checks are made on initial appointment and are re-assessed when deemed required. The results of all assessments are reported to the Management Board. During 2023, all (managing) employees and key function holders were assessed against appropriate fit and proper requirements. For new employees, these tests included some or all of the following:

- Criminal record checks;
- Credit referencing;
- Curriculum Vitae detailing skills, qualifications, and experience;
- Continuous professional development / performance management framework;
- Membership of professional institutes;
- The recruitment and selection process in place at the time of appointment; and
- Permanent education requirements, which are reported on quarterly and monitored by the Compliance Officer.

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

B.3.1 Risk management system, objectives, processes and reporting procedures

Overview
Waard Schade has an established risk management system which incorporates:

- Risk management strategy;
- Risk management and internal control policies;
- Risk management processes;
- Control activities.

In addition, it includes:

- Risk management system review and development;
- Reporting and disclosure;
- Independent assurance; and
- Regulatory compliance monitoring.

The risk management system applies to all categories of risk, and unless stated otherwise, the following information applies to each separate risk category.

The risk management system can be summarised in the diagram below.

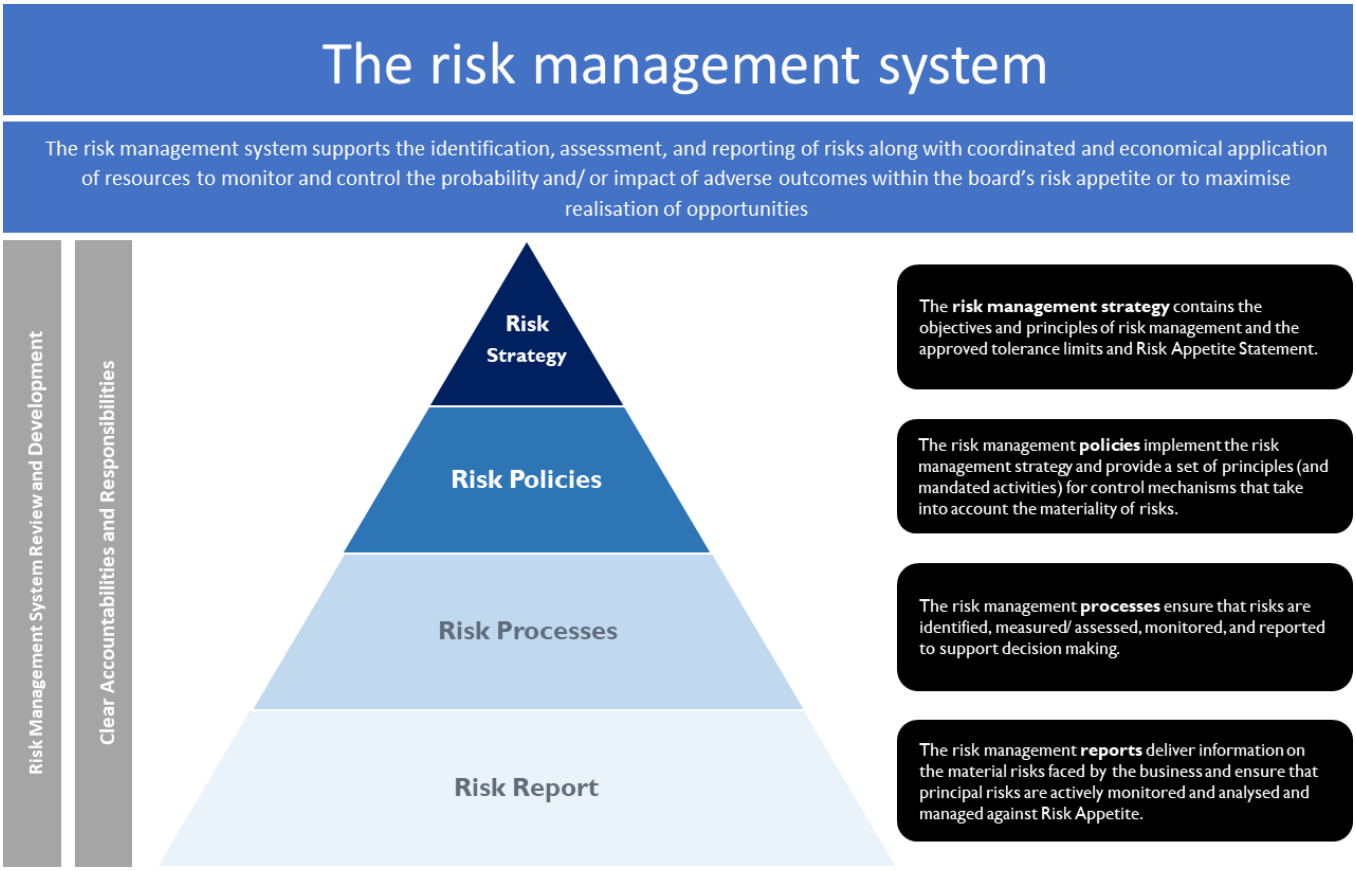

Figure 3 – The risk management system

Risk universe

The Company has a defined categorisation of risks that are relevant to its business model and strategic focus, as shown in the following diagram. The Company recognises that risks within each of these categories need to be identified, measured, monitored, managed, and reported upon on a continuous basis.

Level 1	Insurance	Market & Liquidity	Counterparty Default	Strategy	Strategic Acquisition	Operational	Information Systems
Level 2	Expense	Interest Rates	Reinsurer	Design	Capability	Conduct	Infrastructure Failure
	Mortality	Equity	Outsourcer	Execution	Execution	Regulatory Breach	Cyber Attack
	Morbidity	Property	Supplier	External Change	Benefits Realisation	People	Policyholder Data Security
	Longevity	Credit Spread	Bank Deposit	Internal Change		Execution/ Process	Corporate Data Security
	Income Protection	Market Concentration	Corporate			Financial Crime	
	Disability	Currency	Government (Domestic)			Physical Resources	
	Lapse	Liquidity	Government (Non-domestic)			Industry Standards Breach	
	Unemployment	Inter-dependency	Derivative			Business Continuity Plan Failure	
	Revision	Reinvestment	Counterparty Concentration				
	Catastrophe						

Figure 4 – Overview of the categorisation of risks

As part of the 2021 review of the System of Governance and the Risk Management System, the Risk Function facilitated a Climate Change risk embedding confirmation exercise and an elaboration on climate risks. In the Risk Universe Climate Change is included as a level 3 risk category under Strategic Risk (Level 1), External Change (Level 2).

Risk management strategy

The primary objective of the Company's risk management system is to:

- Maintain solvency and liquidity of Waard Schade whilst delivering continuity of business services;
- Fair customer outcomes; and
- A regulatory compliant service to customers and making dividend payments to Chesnara Plc in line with expectations.

The Company has a Management Board' approved risk appetite statement (part of the ORSA) and risk tolerance limits for each of the categories of risk. This is fully consistent with and aligned to the Chesnara group's risk appetite statement. The aim of the risk appetite statement and risk tolerances is to enable the Management Board to articulate the amount of risk the Company is willing to take and provide boundaries to when potentially too much, or too little, risk is being taken. This provides guidance to enable management to take on the "appropriate" risks, and the "appropriate" amount of risk as part of the pursuit of its strategic objectives.

Business decision making

In order that all business decisions are risk-informed on a forward looking basis, the Company has established processes so that:

- Forward looking risk analysis is an integral part of business planning;
- Risk assessment is made for all significant change proposals made to the board;
- Risk analysis, including ongoing identification and monitoring of implementation risks is an integral part of project governance; and
- Own Risk and Solvency Assessment is considered at least annually by the board, in order to ensure that the board is aware of the risk profile of the business prior to decision making, and to consider whether any of the matters, they discussed, or decisions they have taken, have a material impact on the ORSA.

Risk management policies

The Company has risk management policies that are reviewed at least annually and approved by the Management Board, which cover all the risks that the organisation is exposed to. These include:

- Reserving policy;
- Asset and liability management policy;
- Investment policy;
- Insurance risk policy;
- Reinsurance policy;
- Concentration risk policy (part of investment policy);

- Liquidity risk policy (part of investment policy);
- Operational risk policy;
- IT/ Data Security policy;
- Outsourcing policy
- Conduct risk policy;
- Business continuity policy;
- Capital management policy.

These policy documents clearly articulate the principles and practices for the management of risks including:

- An articulation of objectives;
- Reporting procedures;
- Roles and responsibilities; and
- Processes and key controls in a manner that is consistent with the business strategy.

Each policy document is owned by an allocated member of the Management Board who is responsible for attesting policy compliance on an annual basis.

Risk management processes

Waard Schade maintains a risk register which is a comprehensive list of risks which might create, enhance, accelerate, prevent, hinder, degrade, or delay the achievement of its objectives, along with documentation of the key mitigation measures in place to manage the risks. The continuous maintenance and update of the risk register is the responsibility of line-management (1st line). This is supported by a quarterly maintenance process and uses the risk universe to ensure completeness of capture. The risk register is considered at both Audit & Risk Committee and Management Board level.

In the identification of risks the Company considers:

- Those risks that management is aware of and understands;
- Those risks that management is aware of but does not yet fully understand because of their changing nature including new risks that emerge during the period and forward looking risks that may emerge in the future.

For each of the risks contained within the risk register, the risk owner makes an assessment of the risks both with and without controls applied. The assessment is undertaken both in terms of likelihood and consequences. Consequences of each risk are considered in terms of:

- Impact on customer;
- Impact on processes or outsourced service;
- Impact on capital;
- Impact on cash outflow;
- Impact on reputation; and
- Impact on regulatory relationship.

On an ongoing basis the Company scans the horizon and identifies potential risk events (including political; economic; sociocultural; technological; environmental and legislative) and assesses their proximity and their potential impact.

Waard Schade has established processes and procedures for the management of crystallised risks. Line management and Key-function-holders report all significant incidents. These incidents are logged along with any in-house incidents and an action plan for treating the risk is defined and agreed. At least annually, trend analysis is undertaken to establish whether there are any significant weaknesses in controls leading to systemic incidents.

Risk management information and communication

The Company produces regular reports to support the Management Board with its monitoring of the risk management of the business.

- On a quarterly basis, the Risk Manager produces a report which includes information on the principal risks, information on any emerging risks, tracking of the risk profile versus risk appetite, information on crystallised risk events and the tracking of key metrics to support the continuous solvency monitoring framework. The quarterly risk report is reported to the Management Board and the Audit & Risk Committee;
- On an annual basis, or more frequently if required, the Company produces an ORSA report, detailing the qualitative and quantitative results of the Own Risk and Solvency Assessment, including stress and scenario testing, and the conclusions drawn from those results. The ORSA is reviewed and approved by the Management Board and discussed with the Supervisory Board;

- On an annual basis, or more frequently if required, the risk management produces a report providing information on the adequacy and effectiveness of the risk management system;
- On an annual basis, risk policy owners provide an attestation of policy compliance, with supporting evidence where required. The results of this activity are summarised by the risk function and reported to the Chesnara group Audit & Risk Committee.

Risk management responsibilities
The Management Board is responsible for the adequacy of the design of the risk management system and ensuring it is consistent with the practices defined by the group. All significant decisions for the development of the risk management system are the board's responsibility. This includes developments in risk strategy, developments in risk management policies, and development in risk management tools, methodologies and processes.

The Risk Manager is responsible for providing management information to the Management Board regarding the effectiveness of the risk management system and reporting to the board regarding the risk profile of the Company. The Risk Manager has direct access to the Supervisory Board.

B.3.2 Process undertaken to conduct an Own Risk and Solvency Assessment

Overview
As part of its risk management framework, the Company conducts an Own Risk and Solvency Assessment (ORSA). This assessment considers the operating environment and wider risks to which the Company is exposed and provides a forward looking assessment of the potential risks and capital impacts, within the wider context of the Company's business strategy.

The aim of the ORSA is to support the board(s) in making risk based strategic and operational decisions, as well as understanding the impacts on capital, and potential dividend paying capacity to Chesnara plc, if more extreme scenarios were to occur.

The ORSA follows a defined ORSA process which is documented in the ORSA policy. This policy is reviewed on annual basis and approved by the board(s). The ORSA process is described in more detail below and incorporates several key processes to manage risk and capital.

The output from the ORSA process is an ORSA report, which is produced on an annual basis, or more frequently if there is a material change in the risk profile. The ORSA report is reviewed by the Key Function Holders, approved by the Management Board, assessed and discussed in the Audit & Risk Committee.

The below diagram provides a summary of the overall ORSA process. Key stages of the process have been further described below the diagram.

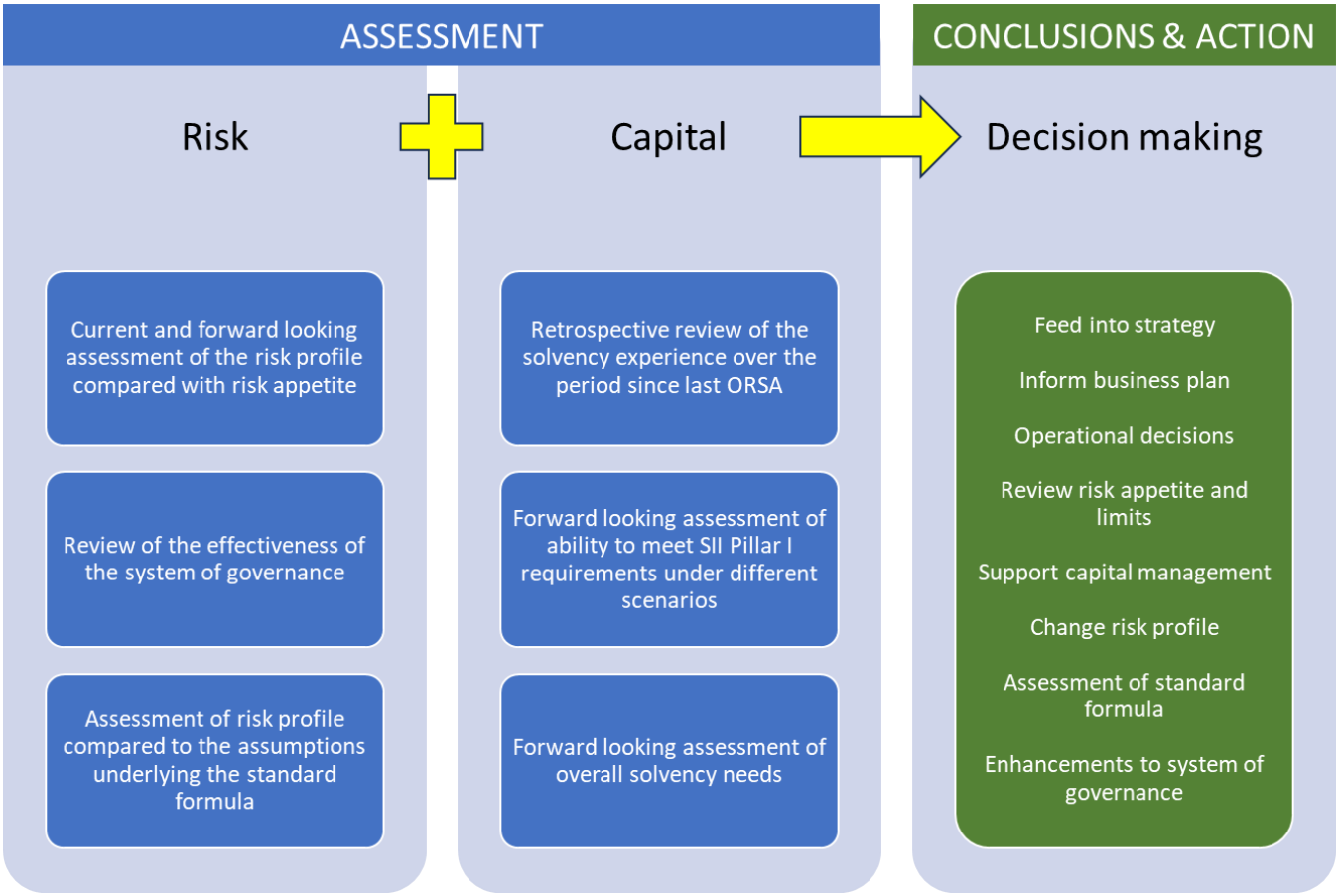

Figure 5 – Overview of the ORSA process

Assessment of risk profile compared with risk appetite
The ORSA report includes:

- A summary of the principal risks identified by risk owners and the controls in place to limit the potential impact or likelihood of occurrence;
- A current and forward looking review of the risk profile compared with the Management Board's approved risk appetite and tolerance limits;
- A summary of any material changes in the risk profile in the period since the last ORSA report;
- An illustration of the risk capital split by major risk;
- A summary of the emerging risks.

As part of the risk management process, the risk profile is regularly reviewed, updated, and monitored against risk appetite, and communicated to the Audit & Risk Committee at least quarterly.

Review of the effectiveness of the system of governance
The outcome of the review of the systems of governance is documented, together with any plans to further develop the governance framework. The scope of the review is approved in advance by the Management Board each year.

Assessment of risk profile compared to the standard formula
The Company currently applies the Standard Formula to calculate the SCR under Pillar 1 solvency requirements.

An annual assessment is performed to evaluate whether the Company's risk profile is significantly different to the risk profile assumed by EIOPA when deriving the standard formula approach. The results of the assessment are reviewed and approved by the Management Board. The assessment consists of a qualitative review, with any potentially significant differences further evaluated using quantitative approaches.

In the event of a material change to the risk profile, the appropriateness of the standard formula would need to be reassessed.

Retrospective review of solvency experience
The ORSA evidence continuous compliance with regulatory solvency requirements by reviewing the solvency position during the period since the last ORSA.

The Company formally monitors its regulatory solvency position at least quarterly and this is reported to the Audit & risk committee and the Supervisory Board by the CFO and summarised respectively in regular risk and ORSA reports. More frequent estimates may also be performed to identify any material interim movements in the solvency position if the need arises, for example in the event of any significant market movements, or if the solvency position materially weakens.

To provide continuous monitoring of the solvency position, a series of agreed risk indicators are monitored, against the trigger levels that have been agreed by the Management Board. Progress against these trigger levels is reported in the risk and ORSA reports. The risk indicators and trigger levels are reviewed by the Management Board annually.

Assessment of ability to meet regulatory solvency requirements
From a forward looking perspective, the ORSA evidence continuous compliance with regulatory solvency requirements by projecting the expected capital position, taking into account the business plan, dividend payments and the capital management policy. The projections also consider the impact of a range of pre-specified stress and scenario tests. The results are summarised in the ORSA report.

The business planning projection period, the principles of the projection methodology and material projection assumptions, will be approved in advance by the Management Board, and summarised in the ORSA report.

The ORSA also considers the results of the reverse stress testing analysis, identifying potential events that could cause the business model to fail. In the ORSA projection as at year-end 2023, Waard Schade has a surplus of € 1.9 mln above the AMCR of € 2.7 mln. The Actual surplus at year end 2023 amounts to € 2.1 mln given an AMCR of € 2.7 mln. That surplus would be lost for a considerable amount if the Company completely lost its reinsurance coverage (LGD 100%) and a significant part of the value of its investment portfolio, far beyond modelled stresses. Still, the solvency ratio would remain well above 100% of AMCR if the strongest scenario were to be combined with such total loss of reinsurance. Management did not identify operational scenarios under which it could no longer operate its business (in runoff).
The definition of business model failure is agreed in advance by the Management Board and reviewed on an annual basis.

In the Capital Management Policy of Waard Schade the solvency monitoring levels are described, including the management actions in case the mentioned solvency levels are breached. The effectiveness of the management actions in the Capital Management Policy is periodically assessed in the Preparatory Crisis Plan (in Dutch: “Voorbereidend Crisis Plan”) .

Forward looking assessment of overall solvency needs
This section of the ORSA reviews the overall solvency needs of the Company over the business planning horizon, taking into account factors such as:

- Risk Appetite: Whether the board wishes to hold capital over and above the regulatory risk capital requirement;
- Limitations within the regulatory calculation of Own Funds: There may be aspects of the calculation of Own Funds that the Company would wish to alter for an accurate internal assessment;
- Appropriateness of the standard formula to calculate capital requirements: Conclusions from the comparison of the risk profile with the assumptions underlying the standard formula;
- Future solvency needs taking account of the business plan: Whether the solvency projections or sensitivity analysis has resulted in any desire to hold additional capital, taking into account the future business plan, and expected dividend paying profile, as well as potential future changes in its risk profile due to the business strategy or as the economic and financial environment;
- Non-quantifiable risks: Whether the Management Board wishes to reserve any additional capital to allow for risks that are more difficult to quantify, and hence may not have resulted in explicit capital requirements;
- Nature and quality of Own Funds: The nature and quality of own fund items or other resources appropriate to cover the risks identified.

ORSA report – decision making
The output from the ORSA process is an ORSA report, which is produced on an annual basis, or more frequently if there is a material change in the risk profile. The ORSA report is based on outputs from a number of different sub-processes within the wider risk management framework, many of which have been reviewed and approved by the board.
These include:

- Quarterly reports on technical results from the Actuarial function holder;
- Quarterly risk reports from the Risk Manager;
- Quarterly risk reports from the Compliance Officer;
- Methodology and Assumptions paper;
- Stress and Scenario Testing Analysis and Results;
- Reverse Stress Testing Analysis;
- Business Planning Outputs including Capital Projections;
- Risk Appetite and Risk Tolerance Reviews;
- Continuous Solvency Monitoring;
- Standard Formula Assessment;
- Systems of Governance Review.

The ORSA report is mostly prepared by the Finance and Actuarial department, reviewed by Key Function Holders, and then approved by the Management Board and discussed with the Supervisory Board. As a minimum, the ORSA report covers all of the areas described in the ORSA process, and includes observations, conclusions and recommendations to assist senior management and the board in strategic and business planning, and to support risk based strategic and operational decisions.

Following approval by the Management Board, challenge by the Audit & Risk Committee and review by the Supervisory Board, the ORSA report is submitted to De Nederlandsche Bank.

B.4 Internal control system

B.4.1 Key procedures

Overview
The Company has an established internal control system. The internal control system provides additional assurance towards the achievement of its objectives in operational effectiveness, reliable financial reporting, and compliance with laws, regulations, and policies. It comprises defined policies, processes and control activities that are independently tested and reviewed by control functions according to the three lines of defence model.

In establishing the system of internal control, the Management Board has regard to the significance of relevant risks, the likelihood of the risks occurring and the costs of mitigating the risks. It is therefore designed to manage rather than to eliminate the risks which might prevent the Company meeting its objectives and accordingly, only provides reasonable but not absolute assurance against the risk of material loss.

The internal control system can be described using the diagram below.

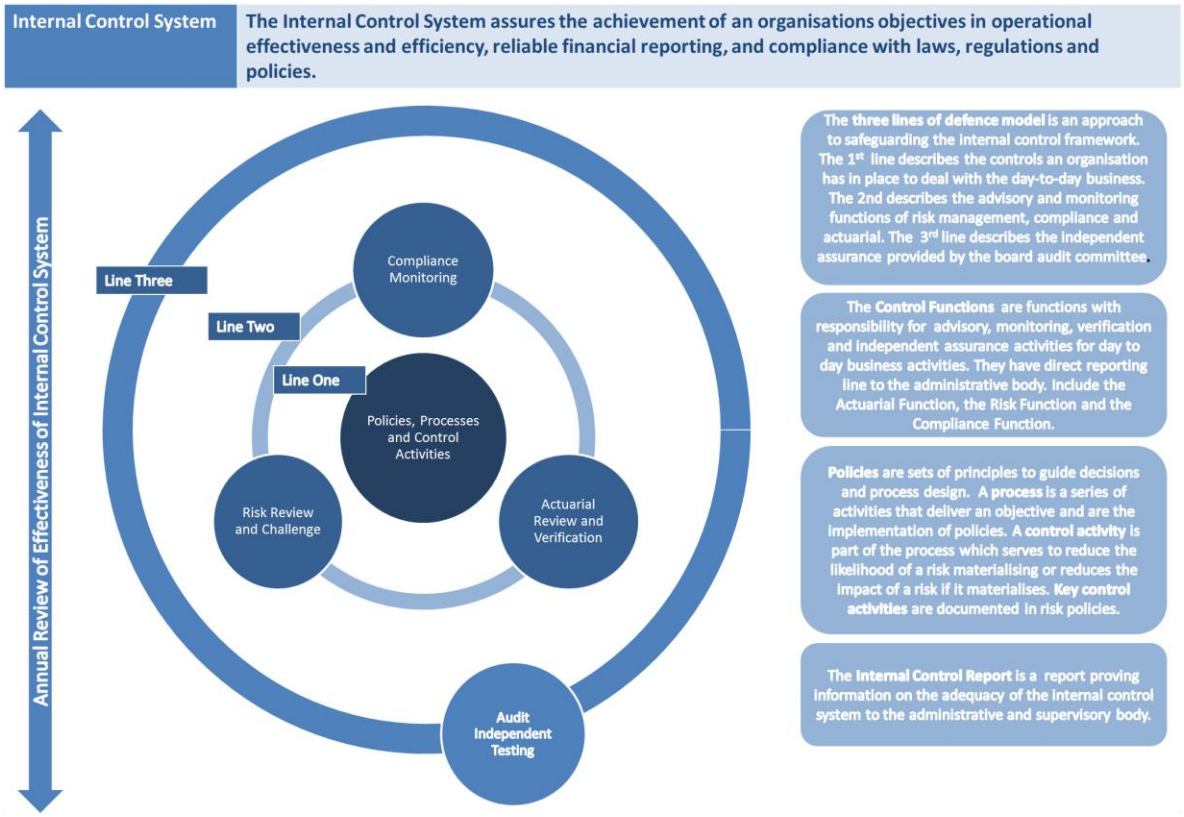

Figure 6 – Overview of the internal control system

Three lines of defence model for internal control

The Company operates a "three lines of defence model" for the management of risks and internal control which is adapted and applied to a company of the size and complexity of Waard Schade. This is illustrated in the diagram below. Broadly this means that the risk function is responsible for providing a framework for risk management and internal control, the business functions are responsible for implementing the framework and the internal audit function is responsible for independently validating the appropriateness of both the design and its implementation. The actuarial and compliance functions also provide second line challenge, oversight, and assurance.

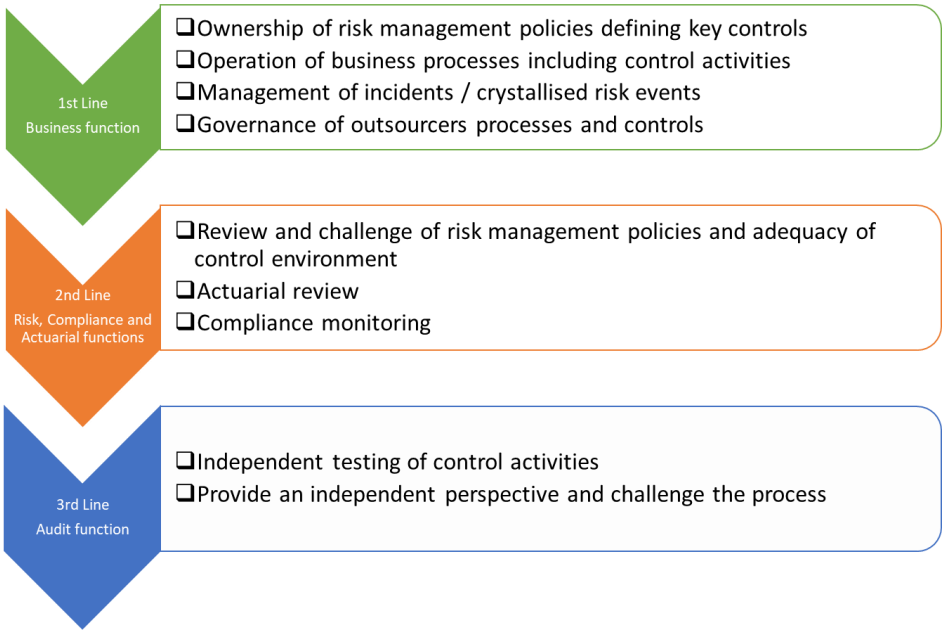

Figure 7 - Overview of the three lines of defence

Internal control system 1st line procedures
The Company has an established process for undertaking an annual review of the adequacy of its internal control system. A key component of this activity is the annual review of board policies and annual attestations regarding the adequacy of the risk management policies design and its operation. The risk management policies articulate the principles and practices for implementation of control within operational processes. Each policy document is owned by an allocated member of the Company's management (including Management Board), who is responsible for regular attestation of policy compliance. Each policy document is reviewed and approved by the Management Board on an annual basis.

This procedure enables:
- Board oversight of the key controls defined for the management of risks;
- Board oversight of the operation of the key controls defined for the management of risks;
- management to reflect upon the adequacy of the design of their key controls and the operation of their key controls;
- The risk and compliance Functions to challenge the adequacy of controls within the business and drive risk management and internal control developments;
- Audit testing.

Internal control system 2nd line procedures
Compliance monitoring
The Company has an established compliance monitoring procedure. The purpose of compliance monitoring activity is to assess the adequacy of implementation of regulations and legislation into business as usual activity. Material compliance breaches are reported to the Audit & Risk Committee.

Actuarial review and verification
The Company has an established actuarial review procedure. The purpose of the actuarial review activity is to assess the reliability of valuations and calculations of technical provisions. This includes consideration of the methodology and assumptions, an assessment of the information systems used for the valuations systems and an assessment of the quality of the data.

Financial reporting governance
The Company has installed an Audit & Risk Committee. The committee's responsibilities with regard to financial reporting governance are as follows:
- Prior to their approval by the Supervisory Board, monitor the integrity of:
    - The financial statements; and
    - Any regulatory return;
- To review:
    - The significant financial reporting issues and judgments contained in the financial statements, taking into account the views of the External Auditor;
    - All material information presented within the financial statements;
    - The clarity and completeness of disclosure in the financial statements and the context in which the statements are made;
    - Whether the accounting policies are in accordance with the statutory requirements and relevant accounting and financial reporting standards, and if any changes to them need to be made;
    - To report its views to the board(s) where the committee is not satisfied with any aspect of the proposed financial reporting;
- External auditor:
    - Review the external auditor's findings, including those contained in management letters, and management's response to them;
    - Ensure that an appropriate audit plan is in place at the start of each annual audit cycle;
    - Assess the effectiveness of the audit at the end of the annual audit cycle.

Risk review and challenge
The risk function is responsible for reviewing the completeness and appropriateness of risk and control policies (including the identification of risks and effectiveness of controls) and provides oversight to the adherence of the 1st line to the agreed standards in the board-approved policies.

Internal control system 3rd line procedures

Internal audit

The Company has an established an audit universe. The audit universe equates to a complete list of processes which are intrinsic to our operating model. The processes are prioritised on an annual basis with consideration to (a) strategic changes; (b) operational changes; (c) known risks intrinsic to business as usual process; (d) elapsed interval since last monitoring activity (a cyclical review of key controls is adopted to ensure that the interval is not excessive); and (e) availability of trustworthy, independent assurance reports from alternative sources.

Gaining an understanding of the process and its key controls involves observing and following the process flow and the controls applied. The understanding of the process is derived from enquiries of appropriate personnel and reference to policy and process documentation.

Tests of operating effectiveness of individual controls include tests that are considered necessary in the circumstances to evaluate whether those controls, and the extent to compliance with them, were sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the reporting period.

At the end of each audit assignment a formal report is issued which details all the issues identified and recommendations to address them, the report also details management response to the points and agreed actions to address deficiencies.

External Audit

Ernst & Young Accountants LLP is the external auditor of the Company. It is the responsibility of the Audit & Risk Committee to assess the effectiveness of the external audit process and it is responsible for overseeing the relationship with the external auditor.

The responsibility of the Audit & Risk Committee includes:

- Reviewing management's assessment of the performance of the external auditor for the previous financial year;
- Reviewing the re-appointment of the external auditor for the current financial year;
- Reviewing and approving audit and non-audit fees;
- Reviewing and challenging the external auditor's plan for the audit of the financial statements which includes an assessment of key risks and confirmation of auditor independence;
- Reviewing reports produced by the external auditor regarding matters arising from the external audit process;
- meeting the external auditor without the Management Board being present;
- Reviewing the nature and volume of non-audit services provided by the external auditor to ensure that a balance is maintained between objectivity and value added;
- Reviewing the policies and procedures relating to fraud, whistleblowing, and employment of ex-employees of the external auditor.

Independence is achieved by formal membership of Supervisory Board members, with attendance from the relevant executive team and risk management, compliance and internal audit and external audit representatives.

Internal Control System reporting

The Company's board is responsible for monitoring the Company's internal control system and carrying out a review of its effectiveness. To assist the board in its duties, the board commissions the risk function to produce an annual internal control report.

This report contains:

- Key Function Holders' statement of the adequacy of the risk management and internal controls system;
- Description of monitoring and reporting activity undertaken in the reporting period;
- Results of monitoring activity including audit findings and attestations;
- Description of any significant changes to the control environment over the reporting period.

B.4.2 Implementation of the Compliance function

The Compliance function is independent and objective in relation to the operational activities of the Company.

The Compliance Officer acts as the primary contact with DNB. The Compliance Officer ensures that all regular regulatory reporting and ad hoc requests are satisfied within the timescales set.

The Compliance function ensures that all employees have an adequate level of compliance knowledge, provide training where required, and advise management on compliance with applicable laws, regulations and administrative provisions that apply to financial services, including those adopted pursuant to the Solvency II Directive. The Compliance function also conducts assessments of the possible impact of any upcoming changes in the legal and regulatory environment on the Company.

The Compliance Officer ensures that the Compliance function carries out the monitoring of activities included within the Compliance Plan. The Compliance function ensures that there is an anti-money laundering policy and that this policy is being complied to. The duties of the Compliance function also include assessing the adequacy of the measures and controls adopted to prevent non-compliance and robust breach procedures to ensure appropriate reporting and action should a failure of compliance occur.

The Compliance Officer provides quarterly reports to the Management Board. These reports are also provided to the Supervisory Board.

The Compliance Officer is responsible for the identification, measurement and monitoring of the risks that can impact the business in respect of the specific areas of responsibility within the Compliance function for example regulatory risk. It ensures that an effective control environment is in place to manage those risks. The regular assessment and reporting of risks are carried out in line with the risk policy, and reported to the board(s) and the Audit & Risk Committee. The function maintains a Compliance Plan that provides detail of how the Compliance function shall achieve its responsibilities.

In particular it will include:

- Annual monitoring risk assessment and review of outsourcer monitoring plans;
- Annual input to and review of internal audit plans;
- Annual AML risk assessment, review of AML policy and MLRO report (Money Laundering);
- Quarterly reporting to the Board;
- Quarterly review of regulatory changes;
- Quarterly review of SIRA-risks;
- Quarterly review of complaints.

The Compliance Officer ensures that the function always has sufficient resources to be able to perform its duties mindful of the nature, scale, and complexity of the operation.

B.5 Internal Audit function

B.5.1 Implementation of the Internal Audit function

Waard Schade engages Mazars to perform the internal audit function. Internal Audit is an independent and objective assurance and consulting function and is guided by a philosophy of adding value to improve the operations of the Company. It assists both in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes.

The Internal Audit activity, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities. The Internal Audit activity will also have free and unrestricted access to the Audit & Risk Committee.

The Head of Internal Audit reports on findings, planning and risk-universe to the Audit & Risk Committee, at least annually.

B.5.2 Independence and objectivity of the Internal Audit function

Independence is obtained by virtue of the fact that the function does not have any operational responsibilities, so as to ensure no conflicts of interests arise. In addition, there is regular and direct access to the Audit & Risk Committee.

Whilst being cognisant of the views of operational management, the head of internal audit has the final say on the make-up of the draft internal audit plan that is submitted to the Audit & Risk Committee. Final approval lies with the Committee.

In terms of day to day activities, the department has unrestricted access to the organisation's records, physical properties, and personnel in order to carry out their work. The scope of all the audits is ultimately determined by the Head of Internal Audit and the contents of all reports is also ultimately decided upon by the department head.

The Internal audit function formally confirms its unencumbered independence to the Audit & Risk Committee, at least annually.

B.6 Actuarial Function

B.6.1 Overview

The Management Board is responsible for the appointment of the Actuarial function holder. The holder will need to meet the fit and proper requirements and hold an appropriate practicing certificate from the Actuarial Society (Actuarieel Genootschap).

The Actuarial function holder reports to the CEO for management purposes, but for a number of the regulated tasks, also to the Supervisory Board. The Actuarial function holder has direct access to the Audit & Risk Committee.

B.6.2 Responsibilities

The responsibilities of the Actuarial function holder are defined in a Charter. As part of ensuring responsibilities are carried out in an effective and efficient manner, the Actuarial function operates in close cooperation with the members of the Actuarial function team in the first line, with the appropriate skills and experience.

The Actuarial function annually prepares a detailed report (the Actuarial Function Report or "AFR") on its activities and its attestation of the adequacy of technical provisions.

The below provides an overview of responsibilities and the activities undertaken by the actuarial function during the year in the area of each of these responsibilities.

Responsibility	Description
Assumptions	The actuarial function has to "ensure the appropriateness of … the assumptions made in the calculation of technical provisions" and "compare best estimates against experience". The detailed work will be undertaken by the actuarial team under the guidance of the Actuarial function holder. A report will be presented by the Actuarial function holder to the Audit & Risk Committee and the board(s), at least annually, proposing the assumptions to be used for the calculation of the technical provisions. For all material items this will provide commentary on recent experience against existing assumptions. The Actuarial function holder will also propose those assumptions, where it is appropriate that they differ to those used for the solvency assessment under Solvency II, to be used in the assessment of reserves and insurance liabilities for Dutch GAAP reporting.
Data	The Actuarial function holder is responsible for adherence to the data policy. Where data is either insufficient or not reliable, the actuarial function will ensure suitable adjustments are made when assessing the technical provisions. Any such adjustments which materially impact the results will be reported to the Audit & Risk Committee and board(s) via the Actuarial function holder's report on the results of the solvency assessment.
Technical provisions	The Finance and Actuarial teams in the first line will coordinate such work, including proposing the methodologies and assumptions to be used. The Actuarial function holder is responsible for assessing and reviewing, ensuring it meets appropriate standards and regulations. Separate to the calculation of technical provisions, validation of the technical provisions is undertaken and overseen by the Actuarial function holder, who reports the results of the validation exercise. This includes considering all methodologies are consistent with the requirements.
Underwriting	The Actuarial function holder is responsible for adherence to the underwriting policy. The Actuarial function holder provides the board annually with an opinion on the underwriting policy, as required by the guidelines. This is proportionate for the business, reflecting the fact that the Company does not write new business. The opinion provided considers the interrelations between the underwriting policy, reinsurance and technical provisions. It includes, where the Actuarial function holder considers appropriate, proposed strategies to be followed, or changes in the existing underwriting or reinsurance policies. It also considers likely financial impact of any material planned changes in terms or conditions of contract.

Responsibility	Description
Reinsurance	The Actuarial function holder is responsible for adherence to the reinsurance policy for the Company. The Actuarial function holder provides the board annually with an opinion on the reinsurance policy, as required by the guidelines. The opinion provided considers the interrelations between the underwriting policy, reinsurance and technical provisions. It also includes how the reinsurance is likely to respond under stress situations, commentary on the consistency of the policy with the risk appetite and an indication of the effectiveness of the reinsurance in reducing volatility.
Risk management	The Actuarial function holder and the actuarial function in the first line support the Risk Manager with the risk management for the Company. Specific tasks reasonably expected to be undertaken by the actuarial function, include stress testing to support the delivery of Own Risk and Solvency Assessment (ORSA).
Investments	The Actuarial function holder advises the Asset & Liability Committee (ALCO) Committee in respect of asset-liability matching.

Table 9 – Overview of the responsibilities of the Actuarial Function

Procedures are in place for all of the above areas detailing the considerations taken when performing the tasks.

The Actuarial function holder reports to the Management Board and the Audit & Risk Committee on the results of each valuation of technical provisions, covering the results of the calculations, including commentary on any material changes in data, methodologies or assumptions. At least annually this includes coverage of the validation process and quality of data. The report also considers any deficiencies in the process or output and makes recommendations, in such cases, on how improvements can be introduced. Separate papers are also presented on assumptions and methodologies used, and, on the results of the annual review of the underwriting and reinsurance policy.

B.7 Outsourcing

B.7.1 Overview

Outsourcing is an arrangement of any form between a firm and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the firm itself. Outsourcing applies to the Internal Audit function, which is to Mazars.

The Company's operating model is to maintain capabilities on all of its core activities in-house and not to outsource, but to use external service providers where this makes economic sense or where it would be or would not be possible to build up sufficient scale. For the Company this mainly translates in using external parties for:

- IT services and information security;
- Asset management services;
- HR support and salary administration.

The Company also employs external (independent) workers and firms in IT-security and the actuarial area. These workers are however managed as employees who form an integral part of the Company, not as outsourcers that provide a service under a service level agreement.

B.7.2 Responsibilities

The Company's operating model is to maintain capabilities on all of its core activities, but to use external providers where this makes economic sense or where it would not be possible to build up sufficient scale.

For the Company this mainly translates to hiring external parties to provide the following services:

- IT services and Information security;
- Asset management services;
- HR support and payroll administration.

The Internal Audit key function is outsourced.

The Company recognises its accountability for critical service providers and has a defined governance model for hired critical services and functions and services which are outsourced. Critical services can be defined as “services that are vital for the ongoing operation of the business”. The Company has five external providers of critical services:

- Giant B.V. for IT services;
- ACC ICT B.V. for IT services;
- CCS B.V. for the provision of application management;
- Eurofins for information security;
- Coin B.V. for recovery management and fallback location;
- OHV B.V. for Asset Management services.

Overall accountability for externally hired services and outsourced services is retained within the Company. The maintenance of service and performance standards is governed through a strict regime of service level agreements and through continuous monitoring of performance. This includes responsibility to ensure that outsourced activities are carried out in accordance with laws, regulations and industry best practice standards and adhere to the principles and practices of treating our customers fairly by delivering fair customer outcomes. The Compliance function monitors expertise and fit and proper requirements of external personnel, external service providers and outsourced key function. All of the outsourcers’ activities are The Netherlands jurisdiction contracts. Outsourced activities take place in The Netherlands.

To ensure effective control of outsourced activities, a documented outsourcing policy is in place. The aim of this policy is to set out rules and principles for outsourcing of activities.

B.8 Any other information

There is no other material information regarding the system of governance of the Company that is deemed necessary to include.

C. Risk profile

The sections below provide a qualitative and quantitative summary of the risk profile for each category of risk. Where information is specific to each risk category it has been set out under the relevant heading. Where the information is common across all risk categories it has been included in Section C.7.

The Company is closed to new business and in run-off. Consequently, the risk profile is relatively stable and likely to remain stable over the business planning period. The risk profile is considered to be fairly standard for an income protection insurer that is exposed to disability, morbidity, and unemployment risks. The Company has negligible exposure to longevity risk. Also, exposure to the UFR is negligible, given the short duration of the portfolio. It is not considered that there are any particularly unusual risks or features in the Company.

The risks embedded in the Company's disability and unemployment covers, as well as in the critical illness cover are mitigated by a 60% quota share reinsurance arrangement.

The following two graphs display the current and the anticipated development of the risk profile of the Company. The graph for 2023 is based on the portfolio as existing on 31 December 2023. The graph for 2022 exhibits the equivalent results from the prior year.

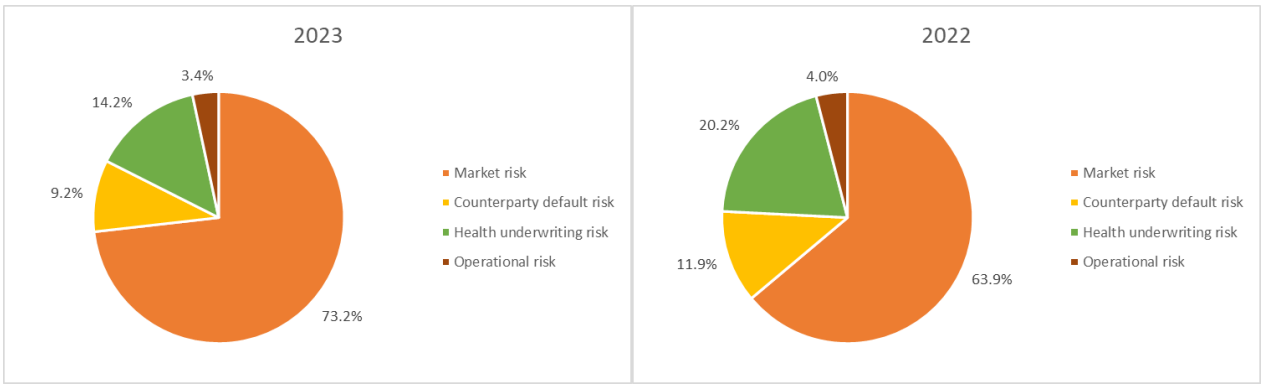

Figure 8 - Composition of risk profile of the Company

The risk profile, at a high level, is dominated by market risk. Given the short remaining duration of the portfolio, as well as the high Own Funds position, the risks associated with assets are relatively higher than the risks related to underwriting. Furthermore, excess cash was invested in bonds leading to an increase of the overall share of market risk in the risk profile. The development of the risk profile related to underwriting risks will follow the decline of the portfolio in run-off, therefore increasing the share of market risk in the overall risk profile. The share of counterparty risk also shows a decline. This is caused by the decrease of the cash position, as well as the decreasing mortgage portfolio. Furthermore, the decline of the portfolio also decreases the dependency on reinsurers.

A further breakdown of market and non-market risk capital requirements is detailed in the following sections.

C.1 Underwriting risk

C.1.1 Qualitative review of risk profile

Underwriting risk - mortality
Mortality risk can arise due to the mortality experience being higher than expected, resulting in higher than expected death claims. Waard Schade does not pay out benefits upon death, therefore for Waard Schade increased mortality is beneficial, as less people would require disability or unemployment benefits.

Underwriting risk – longevity
The impact of improving mortality (i.e., increased longevity) is very small. The Company wrote policies that expire prior to or up to the age of 65 of the insured, whereas longevity risk mostly relates to people ageing at higher age levels.

Underwriting risk – disability-morbidity
The Company is exposed to disability-morbidity risk; the probability of having to pay out more benefits due to increased disability-morbidity.

In case of annuities, disability-morbidity risk carries the possibility of recovery, meaning insureds can recover from their illness and benefits can cease to be paid at that point.
Several other covers of Waard Schade are similar to temporary life insurances, i.e., a (lump sum) claim can occur only once during the duration of the insurance.

The Company did not write policies on a standalone basis, but as wrappers to consumer borrowing arrangements, like mortgage loans or consumer credits, meaning they were less exposed to disability-morbidity risk compared to insureds that had a health driven incentive to buy protection.

Underwriting risk – unemployment
The Company is exposed to the risk of unemployment. The Company did not write this risk on a standalone basis, but as a wrapper to a consumer borrowing arrangement, like a mortgage loan or consumer credit. The risk of unemployment tends to be related to the stages of the economic cycle. The Company is not exposed to unemployment in a particular industry or region.

Underwriting risk - expense
The Company is exposed to expense risk. This arises if future expenses turn out to be higher than expected or higher than that provisions are carried for. Cost increases have different causes, such as non-recurring regulatory change costs, or recurring inflation increases. This risk can be mitigated only partially. As the Company is in run off, it is also exposed to the expense risks associated with a reducing book, where fixed costs need to be spread over a lower in-force policy base. The Company's operating model is to keep the expense base flexible and to maintain scenarios under which the portfolio administration could be outsourced. In addition, the Company could seek to cooperate with sister companies in the group, to reduce fixed costs by sharing processes, systems, and carriers.

Underwriting risk - revision
Revision risk applies to annuity insurances where the benefits 'could increase as a result of changes in inflation, the legal environment or the state of health of the person insured.' The Company's insurances do not provide such benefits; therefore, this risk is not applicable to Waard Schade.

Underwriting risk - lapse
Lapse risk arises mainly due to the loss of future income, if lapses are higher than expected. Lapse risk can be driven by external events such as economic recession or reputational damage, or by internal factors such as poor customer service delivery. The insurance policies in the Company's portfolio were usually underwritten as wrapper to a financing/mortgage arrangement, so lapses also depend on how policyholders maintain or repay debt. However, given that business has been in force for a significant period, lapse experience tends to be relatively stable over time. In addition, policies can only be surrendered once in every five years, which has a stabilising effect.

Underwriting risk - catastrophe
This risk is applicable to the Company but given the size and composition of the book (in run off) it is considered negligible.

C.1.2 Quantitative review of risk profile

The graphs below show the underwriting risk profile of the Company using the risk capital requirements calculated by the standard formula as of 31 December of the current period, together with the equivalent results from 31 December of the prior period.

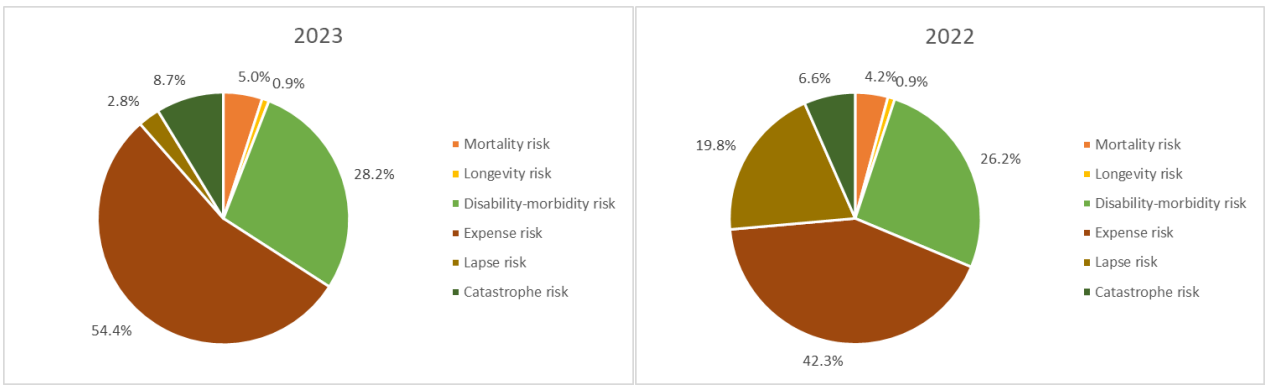

Figure 9 - Composition of underwriting risk

Within the underwriting risk profile expense risk becomes more dominant, because the expense provision forms a large part of the total technical provision and part of the expenses is treated as fixed while the portfolio and the accompanying underwriting risks run off. The various risks within the underwriting risk profile are expected to be relatively stable during the business planning period. Lapse risk shows a decrease. This is due to the fact that each 5th anniversary the policyholders can opt for lapsing/surrendering their policy and many policies had their 5th year anniversary during 2022 and 2023. In addition, the number of policies with a remaining coverage period of more than 5 years is rapidly decreasing. Given the run-off of the portfolio, catastrophe risk grows (in a relative sense) due to the instantaneous nature of the catastrophe shocks as opposed to the other underwriting shocks.

C.1.3 Risk mitigation

The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness. Given that the Company is closed to new business, these are not anticipated to change materially over future periods.

Risk Category	Key Controls and Risk Mitigation Techniques
Mortality/Disability Risk Morbidity/Unemployment Risk	- Reinsurance programmes to manage disability, morbidity, and unemployment risk; - Regular experience investigations, and industry analysis, to support best estimate assumptions and identify trends.
Expense Risk	- Stringent regime of budgetary control, monitored as part of the annual planning and quarterly reporting cycles; - Outsourcing strategy to help reduce the impact of semi and fixed costs as the existing book runs off.
Lapse Risk	- Regular experience investigations to support best estimate assumptions and identify trends; - Stringent management of customer service delivery and adherence to treating customers fairly (TCF) principles.
Longevity Risk	Given low exposure to this risk, no specific mitigation measures are in place.
Catastrophe Risk	Given low exposure to this risk, no specific mitigation measures are in place.

Table 10 - Overview of risk mitigating techniques for underwriting risk

C.1.4 Risk sensitivity

The extent to what risks the financial and solvency position of the Company is sensitive to, is annually addressed in the ORSA process. The stress and scenario testing which takes place in the ORSA takes into account a variety of risks. Several of these stresses are related to single risk categories. Within the 2023 ORSA the following parameters, which are part of the underwriting risk profile, were stressed:

Parameter	Stress
Mortality/morbidity	Permanent increase by 7.5% p.a.
Lapse	Mass lapse of 20% of eligible policies within next 12 months
Inflation	Inflation increases 1% above assumed for technical provision
Loss of reinsurance	Loss of reinsurance

Table 11 – Stresses in ORSA

Section C.7.2 provides a description of the methods used and the assumptions made.

C.2 Market risk

C.2.1 Qualitative review of risk profile

Market risk emerges in different ways. It arises directly, as a consequence of interest rate movements, equity value movements or currency rate movements but also indirectly, due to a loss of funds if a debtor is not able to repay its debt. This indirect risk is credit risk, which is treated in section C.3. The composition of the required capital for market risks is a consequence of the chosen strategic asset mix.

Market risk – interest
Interest risk is inherently present. Given that a major part of Waard Schade's assets are bonds and mortgages, interest fluctuations will accordingly fluctuate these assets' values. Interest fluctuations will also affect liabilities' values. The overall impact of interest risk is therefore depending on how well the assets and liabilities are matched. Given the fact that Waard Schade has a larger exposure on interest sensitive assets than the exposure on liabilities, decreasing interest rates are beneficial to the Company.

Market risk – equity
Movement in equity values strongly depend on the status of the economy. Historically, equity shows good returns, but the risks are relatively high. Waard Schade has a small portion of its assets invested in equity, in CIUs to be precise. Waard Schade does not insure any benefits that are linked to equity values.

Market risk – property
The Company does not invest in property.

Market risk – spread
Given the large share to corporate bonds in its asset's portfolio, the Company is exposed to spread risk. It is the Company's policy to invest in high rated bonds, therewith minimising the spread risk.

Market risk – market concentration
In its assets management, the Company is very much aware of diversifying its portfolio, to negate the risk of market concentration.

Market risk – currency
Aforementioned CIUs are partly invested in assets nominated in foreign currencies. Therefore, the currency risk is strongly correlated to the equity risk of the Company.

C.2.2 Quantitative review of risk profile

The graphs below show the market risk profile of the Company using the risk capital requirements calculated by the standard formula as at 31 December of the current period, together with the equivalent results from 31 December of the prior period.

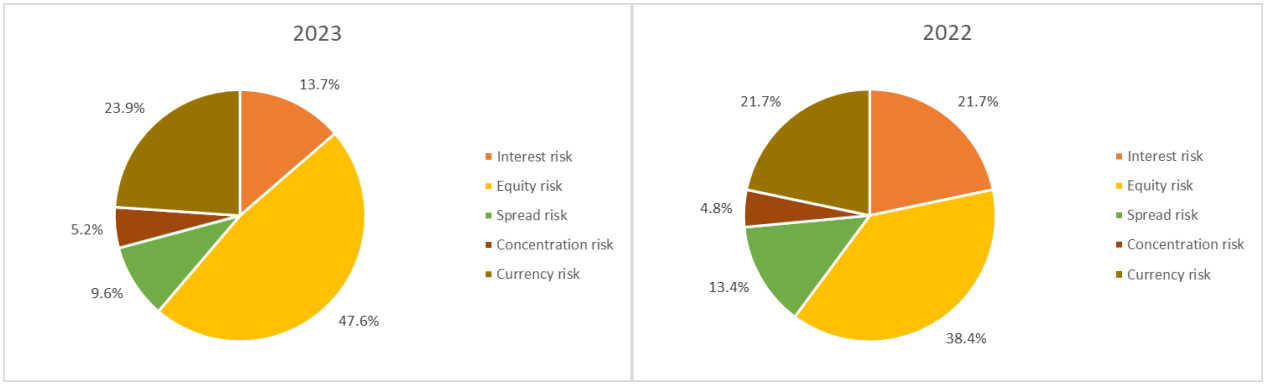

Figure 10 - Composition of market risk

In 2023 the relative share of equity and currency risk increased and the relative share of interest rate risk and spread risk decreased. This is due to higher proportion of investments in equity.

C.2.3 Risk mitigation

The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness. Given the short remaining duration of the Company, these are not anticipated to change materially over future periods.

Risk Category	Key Controls and Risk Mitigation Techniques
Interest Risk	Matching of assets and liabilities to reduce the impact of adverse interest rate movements.
Concentration Risk	Diversified portfolio of investments with smaller exposures to avoid concentration of risk.
Equity Risk / Currency Risk	- Limited investments in equity, and only allowed in equity funds (Exchange Traded Funds (ETFs) or Index Traded Funds (ITFs), due to the required spread; - Currency risk, inherent to a globally diversified equity portfolio in ETFs and/or ITFs, is accepted as a consequence.
Market Risk (general)	Established investment governance framework to provide review, oversight of external fund managers, and monitor adherence to investment policy.

Table 12 - Overview of risk mitigating techniques for market risk

C.2.4 Risk sensitivity

The extent to what risks the financial and solvency position of the Company is sensitive to, is annually addressed in the ORSA process. The stress and scenario testing which takes place in the ORSA takes into account a variety of risks. Several of these stresses are related to single risk categories, but also two scenarios that combine stresses of several parameters, were included. Within the 2023 ORSA the following parameters, which are part of the market risk profile, were stressed.

Parameter	Stress
Interest rate	Interest rates fall by 100 basis points
Equity	Value drops by 25%
Spread	Credit spread widening, downgrades
Combined	Scenario 2: Climate Change
	Scenario 3: Deep recession

Table 13 - Overview of stress scenarios

It is considered that these parameters have the most impact on the Company's assets, therefore the sensitivity to changes in these parameters are paramount in assessing the Company's financial and solvency position.

Section C.7.2 provides a description of the methods used and the assumptions made.

C.2.5 Assets invested in Accordance with the Prudent Person principle

C.2.5.1 Prudent Person Principle

The Company holds assets to back its various liabilities and its shareholder funds and through appropriate investment management, the Company can achieve an appropriate level of investment return. Achieving an appropriate level of investment return is not the sole aim though, as the Company needs to manage the related risks within the tolerances set by the Risk Appetite with the aim to achieve pay outs in line with policyholders' reasonable expectations. The Company invests in assets in accordance with the prudent person principle, which means that the company only invests in assets of which it can be properly identify, measure, monitor, manage, control and report the risks.

The Company has a limited risk appetite to incur losses on investments that are held to cover policyholder liabilities. These investments are held to match the best estimate cash outflows (per duration and cash buckets) and returns on funds are of lower priority (since the liabilities do generally not hold guarantees and are discounted against the EIOPA curve).

The Company has a limited risk appetite for liquidity risk and concentration risk. Subsequently, when setting the asset mix and determining suitable investments it is important to maintain a minimum level of deposit holdings and also to ensure that we don't invest too much with a single counterparty, for which strict limits exist.

C.2.5.2 Investment Management

The Management Board is responsible for ensuring that the controls for investment management are appropriate and effective. As such the board is responsible for the approval of the Investment policy and oversight of its operation. This includes signing off major changes in the approach used for investment management.

C.3 Credit risk

C.3.1 Qualitative review of risk profile

Credit risk is inherent to outstanding loans, as the possibility exists risk that a debtor is not able to repay its debt. In section C.2 it is mentioned that market risk can arise indirectly due to the possibility of loss of funds because of credit risk.

Credit risk – spread
In section C.2 on market risk, spread risk is treated. Although technically explained in section C.2.1, spread risk implies the possibility that the spread (the difference between the risk free interest rate and the bond's interest rate which holds a reimbursement for the risk of default) on a bond increases, which translates to a bond receiving a poorer credit status, i.e. it is assumed that the bond issuer has a higher probability of not being able to repay the loan. As mentioned in section C.2.1, it is the Company's policy to invest in high rated bonds, therewith minimising the spread risk.

Credit risk – counterparty default
In a similar background as explained for spread risk, debtors, which are not bond issuers, also have the possibility of not being able to repay loans or moneys entrusted to them. In these cases, however, unlike bonds, spread is not used as an indication of default probability. Within Waard Schade, two types of outstanding moneys are distinguished:

Type 1
The Company holds significant amounts of funds with banks in The Netherlands. Counterparty default risk would emerge if one or more of these banks would not be able to repay the balances held. The risks are reduced by placing funds in banks with a sufficient credit rating and/or in (partially) State owned banks.
Furthermore, the Company has taken out reinsurance with two reinsurers, for its portfolio. Through these reinsurance arrangements, the Company has significant amounts receivable, both current and future, from its reinsurers. This risk is reduced by having this reinsurance placed with reputable reinsurance companies with a high credit rating.

Type 2
The Company invests in a portfolio of mortgages, which carry a risk of default. The risk is reduced by having access to the collateral (the properties) and by having a diversified portfolio with smaller individual sums outstanding.

C.3.2 Quantitative review of risk profile

The graphs below show the credit risk profile of the Company using the risk capital requirements calculated by the standard formula as of 31 December of the current period, together with the equivalent results from 31 December of the prior period.

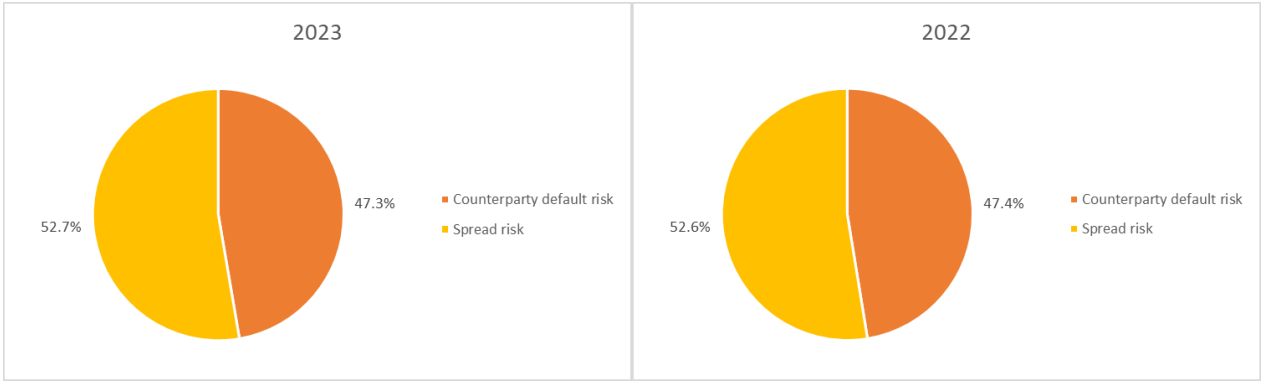

Figure 11 - Composition of credit risk

The credit risk profile is stable over the business planning period. The SCR for counterparty default risk decreased due to run off.

C.3.5 Risk mitigation

The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness. Since the mortgage portfolio (responsible for SCR for counterparty default risk, type 2) is an asset category that the Company has little influence on, in terms of (partly) disposing of loans or increasing the loans' volume, the share of SCR counterparty default risk in the credit risk profile can either decrease or increase.

The distribution ratios can be changed, by which means this assets category can be managed.

Risk Category	Key Controls and Risk Mitigation Techniques
Credit and counterparty default	- Operation of controls which limit the level of exposure to any single counterparty and impose limits on exposure by credit rating; - Reinsurance treaties only with highly rated reinsurers.

Table 14 – Overview of risk mitigating techniques for credit risk

C.3.6 Risk sensitivity

The extent to what risks the financial and solvency position of the Company is sensitive to, is annually addressed in the ORSA process. The stress and scenario testing which takes place in the ORSA takes into account a variety of risks. Within the 2023 ORSA the following parameter, which is part of the credit risk profile, was stressed.

Parameter	Stress
Spread	Credit spreads widening, downgrades

Table 15 – Overview of credit risk stresses

C.4 Liquidity risk

C.4.1 Qualitative review of risk profile

Liquidity risk arises when cash outflows to policyholders or pay-out patterns deviate from expectations, or when cash outflows are not properly matched by cash inflows. The Company holds cash at banks, which is directly available. As part of the Company's investment policy, the assets that are held to cover the technical provisions, are mostly invested in bonds with the objective of matching the duration of the liabilities. Other liquidity issues could arise from counterparty failures. The risk of counterparty default is treated in section C.3. The Company holds a substantial portion of liquid assets; therefore, liquidity risk is not considered a major risk. The breakdown of investments and the amount of available liquidities is provided in section D.1.

C.4.2 Quantitative review of risk profile

The table below provides an overview of the assets and liabilities, as well as their respective durations, as of 31 December of the current period, together with the equivalent results from 31 December of the prior year.

			2023	2022
			€'000	€'000
Assets				
Equity	CIUs		1,149,207	1,015,989
	Equities - unlisted		-	-
Bonds	Government bonds AAA	Value	139,994	138,301
		Duration	*1.12*	*2.05*
	Government bonds AA	Value	99,450	96,820
		Duration	*0.15*	*1.12*
	Government bonds A	Value	98,425	96,065
		Duration	*0.41*	*1.37*
	Corporate bonds AA	Value	818,480	1,090,400
		Duration	*1.64*	*2.07*
	Corporate bonds A	Value	997,238	1,153,687
		Duration	*1.93*	*2.67*
	Corporate bonds BBB	Value	708,207	861,907
		Duration	*2.97*	*2.84*
	Mortgages	Value	1,957,764	2,091,594
		Duration	*2.45*	*2.87*
Cash			1,174,134	1,627,348
Receivables			182,727	352,796
Total assets			**7,325,627**	**8,524,907**
Weighted average duration of assets			*1.43*	*2.59*

			2023	2022
			€'000	€'000
Liabilities				
Technical provisions		Value	390,644	571,392
(net of reinsurance)		*Duration*	*1.42*	*1.70*
		RiskMargin	15,841	29,703
Expenses provision			825,334	994,948
Payables			306,406	234,050
Total liabilities			**1,538,225**	**1,830,093**
Own Funds			**5,787,402**	**6,694,814**

Table 16 – Comparison of assets and liabilities for 2023 and 2022

As can be seen in this table, the Company has sufficient liquid assets. Also, the amount of Own Funds is significant, leading to the conclusion that liquidity risk for Waard Schade is immaterial.

C.4.3 Risk mitigation

The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness.

Risk Category	Key Controls and Risk Mitigation Techniques
Liquidity	- Quarterly cash flow forecasts to anticipate funding requirements over the following three months and taking into account wider funding requirements from the business planning and/or Group dividend payments; - Quarterly treasury reporting showing the liquid assets held and how this compares to the minimum threshold set by the Investment policy.

Table 17 - Overview of risk mitigating techniques for liquidity risk

C.4.4 Risk sensitivity

The extent to what risks the financial and solvency position of the Company is sensitive to, is annually addressed in the ORSA process. The stress and scenario testing which takes place in the ORSA takes into account a variety of risks. Given the negligible exposure to liquidity risk, no scenarios that address this risk were pursued in the ORSA.

C.4.5 Expected profit included in future premiums

Out of the 8,010 insured covers as of 31 December 2023, only 47 covers are still premium paying. Most policies were paid by single premiums when these policies were taken out. The expected profit included in future premiums is therefore minimal. In accordance with article 206, sub 2 of the Delegated Acts, the expected profit is determined as follows.

	€'000
Technical provisions, net of reinsurance (excluding Risk Margin) as of 31 December 2023	1,216
Technical provisions, net of reinsurance (excluding Risk Margin) as of 31 December 2023, assuming that future premiums are not received	1,231
Difference (expected profit included in future premiums)	**15**

Table 18 - Expected profit in future premiums

The assumptions used to calculate the technical provisions, are the Best Estimate assumptions that were applicable as of 31 December 2023. This includes mortality and lapse assumptions. Please refer to section D.2 for a detailed overview of the assumptions used in valuing the liabilities.

C.5 Operational risk

C.5.1 Qualitative review of risk profile

The Company typically carries the same operational risks as most insurers. Operational risks manifest themselves in a wide variety of forms. The Company is considered to be most exposed to IT-related risks (continuity of processing, data security, data privacy), regulation related risks (changes in regulation that increase the cost base or changes in regulations that are applied retro-actively and for which no means of compensation exists).

In the standard formula, as it applies to Waard Schade, it is assumed that the solvency capital requirement for operational risk has a linear relationship with the technical provisions. This can be translated to the presumption that the Company has a higher exposure to operational risks when the Company is bigger, since a higher amount of technical provisions implies a bigger volume of policies, requiring a larger operations scale (employees, management layers, processes and procedures, IT, housing, etcetera).

C.5.2 Quantitative review of risk profile

In the first section of this chapter C, two graphs show the distribution of the four main risk groups that are part of the BSCR, including operational risk, calculated by the standard formula as of 31st of December of the current period, and the projected position at the end of the business planning period:

- Market risk;
- Counterparty default risk;
- Underwriting risk;
- Operational risk.

From these graphs it is clear that operational risk is insignificant in the total risk profile of the Company.

C.5.3 Risk mitigation

The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness.

Risk Category	Key Controls and Risk Mitigation Techniques
Operational risk	- Close oversight of the performance and risk management of (IT-) service providers; - Ongoing monitoring and testing of business continuity plans; - (Preventive) safety and health measures are in place; - Availability of a fall back location; - Possibilities to work remote.

Table 19 - Overview of risk mitigating techniques for operational risk

C.5.6 Risk sensitivity

The extent to what risks the financial and solvency position of the Company is sensitive to, is annually addressed in the ORSA process. The stress and scenario testing which takes place in the ORSA takes into account a variety of risks. Given the negligible exposure to operational risk, no scenarios that address this risk were pursued in the ORSA.

C.6 Other material risks

Conduct risk

Aside from the risks, described in sections C.1 to C.5, one other risk is recognized. This is conduct risk. As the Company is closed to new business it is generally not exposed to the conduct risks associated with the design, sales, and marketing of new products. Conduct risk however arises in respect of in-force business if the Company fails to follow regulatory standards and guidance, breaches internal standards of achieving good customer outcomes, or does not treat customers fairly. Conduct risk may also arise due a change in regulatory standards, particularly if this is applied retrospectively to policies that were set up a number of years ago.

Conduct risk cannot easily be quantified. The consequences of conduct risk can have sizeable impact, such as fines, court cases and reputational damages. Therefore, it is important to manage and mitigate this risk. The below table sets out the techniques used for mitigating risks and the processes used for monitoring their continued effectiveness.

Risk Category	Key Controls and Risk Mitigation Techniques
Conduct risk	The Compliance Function maintains a Compliance Plan which includes a comprehensive compliance monitoring programme. The activities of the Compliance Function are summarised in section B.4.2.

Table 20 - Overview of risk mitigating techniques for conduct risk

C.7 Any other information

C.7.1 Risk mitigation techniques and monitoring

Risk assessment

Section B.3.1 sets out the Risk Management System of the Company and section B.3.2 explains how the Company carries out its Own Risk and Solvency Assessment (ORSA). This provides the framework by which individual risks are identified, assessed, monitored and managed. As part of this framework, the Company quantifies the capital impact of different risks by:

- Determining the risk capital requirements using the standard formula as part of the quarterly financial reporting cycle;
- Performing additional stress and scenario testing to support the ORSA.

An assessment is carried out on an annual basis to confirm that the standard formula remains appropriate for establishing the regulatory capital requirements for the Company. This assessment is approved by the Management Board and the Supervisory Board.

The quantitative and qualitative review in the previous sections show that there have been changes in the risk profile during the reporting period.

Risk mitigation

The Company has an established Risk Management System which incorporates risk strategies, policies, control processes and reporting. The Risk Management System provides the framework to monitor and manage risks, and to assess the effectiveness of controls and risk mitigation techniques.

Within the Risk Management System there are a number of specific risk policies covering all the main categories of risk. The risk policies set out the reporting procedures, roles and responsibilities, and the processes and controls to manage risk. Given that the Company is closed to new business, these are not anticipated to change materially over future periods.

C.7.2 Stress and scenario testing

C.7.2.1 Overview

The Company uses the standard formula to determine its regulatory capital requirements, and these are calculated and reported on a quarterly basis. As part of the Own Risk and Solvency Assessment (ORSA) the Company performs a forward looking assessment of its ability to meet the regulatory capital requirements under a range of stresses and scenarios.

Full details of the stresses and scenarios, the methodologies used, and the results are included in the ORSA report which is approved by the Supervisory Board and has been submitted to DNB. The stress and scenario tests approved by the boards and included in the ORSA are treated in the various sections on specific risks in previous sections of this chapter C.

The scenarios were selected for the ORSA based on the outcomes of management workshops, and follow the principles set out in the Group Stress and Scenario Testing Framework. As well as current known risks, the stresses and scenarios take account of forward looking and emerging risks. The stress and scenarios selected were approved by the Management Board as part of the ORSA process.

C.7.2.2 Methodology

The stress and scenario tests have been carried out with a base date of 30 June 2023.

Assets are recorded at market value, liabilities are calculated based on best estimate assumptions, with risk capital (SCR) determined in accordance with the standard formula. A Risk Margin is also held on the balance sheet to reflect the capital cost of holding capital to support the SCR.

In quantifying the financial impact of each stress, it is assumed that each stress occurs immediately after the year-end, i.e., at 1 January 2024. After applying the stress, risk capital is recalculated in accordance with the standard formula in order to re-establish the regulatory capital requirements.

C.7.2.3 Outcomes from the stress and scenario testing

Each stress and scenario test was performed using the methodology described above, and the Solvency ratio was compared to the base financial position. The analysis concluded that the amount of available capital at 31 December 2023 is sufficient to withstand all of the stresses and scenarios approved by the board.

D. Valuation for solvency purposes

This section of the Regular Supervisory Report shows how the assets and liabilities of the Company have been valued, both for Solvency and Dutch GAAP reporting purposes. The below table summarises the Own Funds (as measured on a solvency basis) and net assets (as measured on a Dutch GAAP basis) and provides a reference where further information has been provided.

	Solvency II value	Statutory accounts value	
	€'000	€'000	*Section reference*
Assets	7,755	8,689	***Section D.1***
Technical provisions	-1,723	-2,675	***Section D.2***
Other liabilities	-245	-245	***Section D.3***
Own Funds / net assets	**5,787**	**5,768**	

Table 21 – Comparison own funds between SII and Dutch Gaap

D.1 Assets

The table below shows separately each class of assets under Solvency II values and the statutory accounts value.

	Solvency II value	Statutory accounts value
	€'000	€'000
Assets		
Goodwill	-	-
Deferred acquisition costs	-	-
Intangible assets	-	-
Deferred tax assets	-	51
Investments (other than assets held for index-linked and unit-linked contracts)	4,011	3,995
Property (other than for own use)		
Holdings in related undertakings, including participations		
Equities		
Equities - listed		
Equities - unlisted		
Bonds	2,862	2,846
Government Bonds	338	337
Corporate Bonds	2,524	2,509
Structured notes		
Collateralised securities		
Collective Investments Undertakings	1,149	1,149
Derivatives		
Deposits other than cash equivalents		
Other investments		
Assets held for index-linked and unit-linked contracts		
Loans and mortgages	1,958	1,993
Loans on policies		
Loans and mortgages to individuals	1,958	1,993
Other loans and mortgages		
Reinsurance recoverables	491	1,338
Deposits to cedants		
Insurance and intermediaries receivables	66	66
Reinsurance receivables	26	45
Receivables (trade, not insurance)	29	29
Own shares (held directly)		
Amounts due in respect of own fund items or initial fund called up but not yet paid in		
Cash and cash equivalents	1,174	1,174
Any other assets, not elsewhere shown		
Total assets	**7,755**	**8,689**

Table 22 – Comparison of assets between SII and Dutch Gaap

Bases, methods, assumptions, and inputs used in asset valuation for Solvency purposes, and difference between the amounts recorded in the financial statements

In general, assets are recognised and valued in line with Dutch GAAP accounting principles and consequently valued at fair value (except for mortgages). For assets valued using market value, the Company relies on quoted prices in active markets to value its investments. Quoted market prices in an active market provide the most reliable evidence of fair value and are used without adjustment to measure fair value whenever available. The criteria used by the Company to assess whether markets are active is dependent on the sufficient frequency and volume to provide pricing information on an ongoing basis.

The following table reconciles total assets between the Dutch GAAP statutory financial statements and the column statutory values in Schedule 02.01.

Further detail by material asset class is provided below.

	Total €'000
Total assets in statutory accounts	7,351
Reclassification of reinsurance share of technical provisions (statutory deducted from liabilities)	1,338
Total assets in statutory column in Schedule 02.01	**8,689**

Table 23 - Reconciliation of assets

D.1.1 Deferred acquisition costs (DAC)

The Company does not have DAC on the balance sheet. Acquisition cost was expensed when writing business.

D.1.2 Intangible assets - Acquired value of in-force business (AVIF)

The Company never acquired portfolios or businesses and consequently does not have AVIF to recognise.

D.1.3 Deferred tax assets

The Company does have valuation differences that causes a Deferred tax asset. The bonds are valued under the fiscal regime at amortised costs, where under Dutch GAAP we use the fair-value approach

D.1.4 Property (other than for own use)

The Company does not own property.

D.1.5 Non linked investment assets

Basis and Methods
Non-linked assets are measured at fair value. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market, are their bid prices as at the balance sheet date.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
No significant assumptions or judgments are made in the valuation of these assets, as they are based upon market observable inputs.

Inputs for Dutch GAAP valuation
Observable market prices.

Solvency II valuation
There are no differences between Dutch GAAP and SII for valuation purposes. In Solvency II, accrued interest is however classified together with the outstanding principal.

Changes made to the recognition and valuation bases used or on estimations made during the year
No changes were made in the course of the year.

D.1.6 Assets held for index-linked & unit-linked funds

Not applicable.

D.1.7 Loans and Mortgages to individuals

Basis and Methods
The mortgage portfolio consists of three types of loans (interest only, annuity redemption and savings mortgage (spaarhypotheek) and is valued on a loan-by-loan basis. At inception, loans and mortgages to individuals are measured at fair value, which is taken to be the acquisition value. Should a subsequent indication of impairment be identified then the carrying value is adjusted to reflect the reduced value of the receivable.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
Loans and mortgages to individuals are reviewed annually for impairment.

Inputs for Dutch GAAP valuation
Current carrying value.

Solvency II valuation
Under Solvency II, mortgages to individuals are valued at fair value (mark to model, level 2). Accrued interest is classified together with the outstanding balances.

Inputs for Solvency II valuation
For Solvency II purposes, the portfolio is valued with a discounted cash flow model, in which future cash flows are modelled into a current fair value. For this, a range of inputs is used, such as contract-end-date, interest-reset date, consumer mortgage tariffs per category (NHG (Dutch mortgage guarantee scheme), LTV (Loan-To-Value), etc.) and CPR (Conditional Prepayment Rate).

The cash flow forecast consists of:
- The redemption payment ((safely) forecasted to be the first interest reset date);
- Early voluntary redemptions;
- Interest payments until the interest reset date;
- Instalment/settlement payments until the interest reset date (annuity scheme loans);
- Contributions to the savings account (spaarpolis) until the interest reset date (savings mortgages).

These cash flows are discounted with interest rate curves that are generated from consumer tariffs for interest only loans respectively annuity loans. Each loan is discounted with a tariff that corresponds to its LTV (Loan-To-Value) ratio.

Debtors have the possibility to make additional voluntary redemptions. The estimate of these additional redemptions is parameterised by means of a Conditional Prepayment Rate (CPR). The CPR is set at 16% p.a.

For savings mortgages (in Dutch: spaarhypotheken") borrowers accrue funds in savings accounts (in Dutch: "spaarpolissen") which will be paid out upon expiry or early surrender of the loan. These savings accounts are part of the policy portfolio of Waard Leven.
For that part of the outstanding savings mortgage that is not at-risk (because it is covered by the savings policy) discounting is based on a risk free rate that is derived from the 3-month EURIBOR interest rates.

Changes made to the recognition and valuation bases used or on estimations made during the year
No changes were made during the year.

The following table reconciles the line item loans and mortgages in Dutch GAAP with the same item in the Solvency II balance sheet.

	Total
	€'000
Dutch GAAP loans and mortgages	1,993
Valuation adjustment to market value SII	-35
Reclassification of accrued interest from R0380 (from item 1.10)	-
SII loans and mortgages	**1,958**

Table 24 – Reconciliation of loans and mortgages

D.1.8 Insurance & intermediaries receivables

Basis and methods for Dutch GAAP valuation
Insurance and intermediaries receivables are measured at fair value. Fair value is taken to be the value of the receivable on initial recognition. Should a subsequent indication of impairment be identified then the carrying value is adjusted to reflect the reduced value of the receivable.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
Insurance and intermediaries receivables are reviewed annually for impairment.

Inputs for Dutch GAAP valuation
Current carrying value.

Solvency II valuation
There are no differences between the Dutch GAAP and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes for both Dutch GAAP and Solvency II purposes.

D.1.9 Reinsurance recoverables & Reinsurance receivables

These comprise of:
- Reinsurers' share of insurance contract provisions;
- Reinsurers' share of accrued policyholder claims.

Basis and methods for Dutch GAAP valuation
Reinsurance receivables are measured at fair value, taken as being the amount of reinsurance that is expected to be recoverable on initial recognition of the reinsurance asset.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
Rights under reinsurance contracts comprising the reinsurers' share of insurance contract provisions, amounts deposited with reinsurers and accrued policyholder claims are estimated in a manner that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Inputs for Dutch GAAP valuation
Reinsurance accounts prepared in accordance with the provisions contained within the underlying reinsurance treaties.

Solvency II valuation
Reinsurance receivables are valued in SII on the same basis as for Dutch GAAP except for reinsurance recoverables which are valued using Solvency II reserving methodologies as a key input, as opposed to Dutch GAAP reserving methodologies.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes.

The following table reconciles the line item Reinsurance receivables in Dutch GAAP with the same item in the Solvency II balance sheet.

	Total
	€'000
Dutch GAAP reinsurance receivables (part of assets)	26
SII reinsurance receivables	**26**

Table 25 – Reconciliation of receivables

D.1.10 Receivables (trade, not insurance)

Basis and methods for Dutch GAAP valuation
Receivables are measured at fair value. Fair value is taken to be the value of the receivable on initial recognition. Should a subsequent indication of impairment be identified then the carrying value is adjusted to reflect the reduced value of the receivable.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
Receivables are assessed annually for impairment.

Inputs for Dutch GAAP valuation
Invoices that reflect the initial recognition value.

Solvency II valuation
There are no differences between the Dutch GAAP and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes for both Dutch GAAP and Solvency II purposes.

The following table reconciles the line item Receivables (trade, not insurance) in Dutch GAAP with the same item in the Solvency II balance sheet.

	Total
	€'000
Dutch GAAP Receivables (trade, not insurance)	45
Reclassification of accrued interest to Government bonds (R0140)	-1
Reclassification of accrued interest to corporate bonds (R0150)	-15
SII Receivables (trade, not insurance)	**29**

Table 26 – Reconciliation of receivables

D.1.11 Cash and cash equivalents

Basis and methods for Dutch GAAP valuation
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and are measured at fair value. Highly liquid is defined as having a short maturity of three months or less at their acquisition.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
Not applicable.

Inputs for Dutch GAAP valuation
- Bank and term deposit statements;
- Bank reconciliation timing differences.

Solvency II valuation
There are no differences between the Dutch GAAP and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes for both Dutch GAAP and Solvency II purposes.

D.1.12 Any other assets, not elsewhere shown

Basis and methods for Dutch GAAP valuation
This category of assets only includes prepayments. Prepayments are valued by spreading the up-front cost of an asset or service and spreading the cost over the time period over which the service is received / time period over which the asset is consumed.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
The initial prepaid cost and the spreading profile.

Inputs for Dutch GAAP valuation
The fair value of the underlying asset.

Solvency II valuation
There are no differences between the Dutch GAAP and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the period
There are no differences between the Dutch GAAP and SII valuation methods as the carrying value in the IFRS balance sheet is deemed to represent the fair value of the asset.

Lease arrangements
The Company is not a party to lease arrangements.

D.2 Technical provisions

D.2.1 Value of technical provisions

The following table analyses the net technical provisions / insurance liabilities under Solvency II and Dutch GAAP values.

	Solvency II value	Statutory accounts value
	€'000	€'000
Net technical provisions		
Health similar to Life:		
Best Estimate	1,707	2,675
Risk margin	16	-
Subtotal	**1,723**	**2,675**
Reinsurance recoverables	-491	-1,338
Total	**1,232**	**1,337**

Table 27 – Comparison of technical provisions under SII and Dutch Gaap

The Technical Provisions consist of the Best Estimate Liabilities ('BEL') and the Risk Margin. This section considers the BEL and Risk Margin separately, describing the basis, methods, and main assumptions. Where relevant, this section highlights differences in basis, methods and main assumptions between the Lines of Business.

BEL basis and methodology
The BEL corresponds to the probability-weighted average of future policyholder cash flows allowing for items such as premiums, claims, expenses and lapses. The calculation takes account of the time value of money (expected present value of future cash flows), using the relevant risk-free interest rate term structure supplied by EIOPA. The calculation is conducted at a per-policy level. Cash flows from IBNR and Claims are taken into account.

Policyholder cash flows
The cash flow projections include all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime of the policy, specifically:

- Claim payments;
- Expenses;
- Premiums; and
- Tax payments.

Drivers that have a material impact on the cash flows within the BEL calculation are allowed for appropriately and include items such as demographic, legal, medical, and economic developments. Cash flows included in the BEL are gross of any amounts recoverable from reinsurance. Reinsurance recoverables are calculated separately, by a similar cash flow approach as per the BEL taking into account the key features of relevant treaties and sit within the assets on the SII balance sheet.

Through the cash flow approach, the Company does not use any significant simplified methodology in calculating technical provisions.

Probability weighting
The probability weighting applied to each cash flow explicitly takes into account the probability that the cash flow will occur for the policyholder at each future time.

BEL description of main assumptions

Discount rates

The time-value of money is taken into account via discounting the cash flow at a future time with reference to risk-free interest rates prescribed by EIOPA. The risk free rates vary by time, for each currency and are derived with reference to interest rate swaps, with an adjustment to remove the credit risk. No matching adjustment or volatility adjustment has been adopted.

Economic and Demographic assumptions

The calculation of the probability weighting for each future cash flow requires information on the likelihood of the policy still being in-force at the time that the cash flow would materialise. This requires using assumptions about future levels of disability, mortality, lapse, morbidity, and unemployment.

The approach to deriving appropriate assumptions for these assumptions involves:

- Analyses of actual own and market experience;
- Assessment on both amounts and policy bases;
- Comparison to standard tables (not for lapses);
- Ensuring appropriate time periods are used to minimise volatility in own-experience results; and
- Expert judgment.

Mortality assumptions

For the calculation of the premium reserve, the VPU and the IBNR reserve for the disability annuity cover the Dutch mortality tables GBM9095 and GBV9095 are used for men and women.

Disability annuity assumptions

Three kinds of disability are being recognized:

- Partial temporary disability (in Dutch: “WIA gedeeltelijk”), where disability ranges between 35% and 80%;
- Total temporary disability (in Dutch: “WIA volledig”), where disability ranges between 80% and 100%;
- Total permanent disability (in Dutch: “IVA”).

The disability rates are based on the so-called ‘AOV tables’, national disability rates made available to members of the Dutch Association of Insurers (Verbond van Verzekeraars). Based on the claim history of the Company occurrence frequencies have been established, that are implemented in these AOV rates.

The disability recovery rates are taken directly from the AOV tables, assuming a seven-year period in which disabled persons can recover.

Unemployment assumptions

Assumptions about future unemployment are based on:

- The observed unemployment claims (claim ratio);
- The ratio insured benefits and risk premiums;
- The expected unemployment rate versus the historical unemployment rate;
- Observed recovery rates.

Other risks

The three remaining covers are:

- Permanent disability caused by an accident;
- Hospital daily allowance;
- Critical illness.

To establish the realisation percentages, Waard Schade’s experience over the period 2013-2019 was taken as basis.

Policyholder behaviour - Lapse and surrender assumptions

It is necessary to make assumptions regarding the number of policies that are terminated early by policyholders as these can have a variety of effects on the value of future liabilities.

These policyholder discontinuances include:

- Lapsing a policy such that no future premiums or benefits are payable;
- Lapsing a policy requiring a partial refund of a part of a single premium paid in the past.

According to policy conditions, policies can only be surrendered once in every five years. The Best Estimate lapse rate is based on the Company’s past experience.

Policyholder behaviour – delayed claim reporting (IBNR)
Insured individuals tend to report claims only after the expiring " benefit waiting period", usually more than a year. The reporting behaviour for future claims is estimated on the basis of own observations.

Expense assumptions
All costs associated with the run-off of the portfolio are included in the BEL. These costs are either incurred by the Company directly or incurred via re-charges of Waard Verzekeringen B.V., the group's service provider in The Netherlands. The policy administration is outsourced to Waard Verzekeringen B.V. and has been fully funded. Therefore, the costs that are incurred by Waard Schade are mainly corporate costs which are split into fixed costs and variable costs. Furthermore, inflation is taken into consideration in the calculations.

It is assumed that the portfolio will be placed with an external service provider in the distant future, once its size would no longer justify running it on a stand-alone basis. From then on, the costs are based on an outsourcing fee per policy. The outsourcing fees are subject to inflation.

Risk Margin
The Risk Margin represents the cost of capital which would be added to the BEL to arrive at a fair value of the liabilities. The Risk Margin is calculated in accordance with EIOPA's "Guidelines on the valuation of technical provisions", specifically method 2 as described in 1.114 of guideline 61. This implies that the Risk Margin is calculated by projecting certain aspects of the Solvency Capital Requirement (SCR) using a risk driver approach, applying the stipulated 6% cost of capital rate and then discounting the cost of capital using the stipulated base risk-free rate term structure without any matching adjustment or volatility adjustment.

Reference Undertaking SCR
The SCR used in the calculation of the Risk Margin is different from that produced for determining the Solvency ratio of the Company. Instead, it represents the subsequent SCR of the 'reference undertaking'. The following covers the way in which the reference undertaking's SCR is calculated differently:

Market Risk SCR
The reference undertaking is assumed to have invested in such a way as to minimise its market risk SCR; hence it is assumed to be invested entirely in Dutch government securities. Where this is not possible, e.g., where investment in equities is expected by policyholders, it is assumed that futures can be obtained to mitigate the market risk. As a result there is no residual market risk other than interest rate risk. Residual interest rate risk is required to be excluded from the reference undertaking SCR, hence the market risk SCR of the reference undertaking is zero.

Projection of SCR
The methodology requires the calculation of the reference undertaking's SCR at all future time periods. The following subsections cover the approach to projection of SCR for each of the risk modules.

Market Risk
Not applicable, as there is no market risk SCR for the reference undertaking.

Health similar to Life Underwriting Risk
The underwriting risk modules will be projected in full at the sub-module level (lapse risk, morbidity risk, etc.), with the profile being run-off using a risk driver for each risk.

Counterparty Default Risk
It is assumed that the most material driver of the counterparty default risk SCR is the development of the technical reserves and the projection of these is used as the risk driver for this SCR.

Operational Risk
The main driver of the operational risk SCR (i.e., provisions) is projected forward and a SCR at each future date is calculated based on the driver.

Aggregation
The aggregation of the projected risk modules and sub-module SCRs into an overall reference undertaking SCR at each future time period, is carried out in the same manner, using the same correlation matrices, as in the base SCR.

Aggregate Risk Margin
The total Risk Margin is based on that calculated for the Company as a whole.

D.2.2 Level of uncertainty within the Technical Provisions

In terms of the BEL calculation, a characteristic of the discounted cash flow technique which is core to the requirements is the reliance on assumptions regarding future experience. Any such assumptions are inherently uncertain, although detailed analysis is applied to mitigate the risk of misestimating.

		2023	
		€'000	%
	Change in variable	Change in BEL (after reinsurance, pre-tax)	
Morbidity	10% higher	12	1.0%
Expenses	10% higher	83	6.8%
Lapse	50% higher	0,1	0.0%
Lapse	50% lower	-0,1	-0.0%

Table 28 – Change in profits and equity

D.2.3 Comparison between Solvency II and Dutch GAAP

A comparison of technical provisions under both Dutch GAAP and Solvency II bases is shown in the table below. All figures are gross of reinsurance.

	Total
	€'000
Dutch GAAP technical provisions	2,675
Valuation adjustments for SII	-968
SII BEL	**1,707**
SII risk margin	16
SII technical provisions	**1,723**

Table 29 – Split of technical provision in Unit linked and life under SII and Dutch Gaap

The main differences between the two valuation methods can be explained as follows:

- Under Dutch GAAP, the premium received is amortised over the lifetime of the policy. This inherently includes deferral of income. Assumptions used are historical;
- In Solvency II, the provisions are based on discounted cash flows, and these are estimated by applying the most recent knowledge. That most recent knowledge shows that morbidity claims are in effect lower than historically anticipated in the tariffs;
- The risk margin does not exist under Dutch GAAP. It reflects a cost of capital component that is as such not reflecting insurance liabilities.

Similar to previous table, the reinsurer's share of the technical provisions under Dutch GAAP and Solvency II is as follows.

	Total
	€'000
Dutch GAAP reinsurance recoverable	1,338
Valuation adjustments for SII	-847
SII reinsurances recoverable	**491**

Table 30 – Split of technical provision for reinsurance in Unit linked and life under SII and Dutch Gaap

D.2.4 Use of long term guarantee package

The implementation of Solvency II permitted the use of a number of adjustments, referred to as the "long term guarantee package". The Company's use of the individual components within the long term guarantee package has been outlined below:

- Matching adjustment: This has not been applied by the Company;
- Volatility adjustment: This has not been applied by the Company;
- Transition risk-free interest rate-term structure: This transitional measure has not been applied by the Company;
- Transitional deduction to technical provisions: This transitional measure has not been applied by the Company.

D.2.5 Reinsurance recoverables

This section provides a description of the recoverables from reinsurance contracts.

Reinsurance arrangement
Three of the Company's insurance covers are reinsured via a 60% Quota Share agreement. These are:

- Disability annuity;
- Unemployment annuity;
- Critical illness.

Value of reinsurance recoverables
The Company is subject to reinsurance on a considerable part of its business, the average cession ratio is approximately 51%. The quota share mechanism is simple and allows the Company to recover a 60% of every claim it pays for the relevant part of the business.

Methodology and assumptions
The methodology and assumptions used for calculating the value of reinsurance recoverables is identical to that used for the calculation of the BEL with the cash flow items being the reinsurer's share of all cash in- and out-flows.

Adjustment for expected default
The gross reinsurance recoverables are adjusted to take account of expected losses due to default of the reinsurance counterparty.

Methodology
The adjustment to take account of expected losses due to default of a counterparty is calculated as the present value of the lost reinsurance recoverables due to reinsurer default. It therefore relates to the stream of future reinsurance recoverables and to the probability of default in each future time period. It is carried out separately for each reinsurer. The loss on default is limited to a percentage of the recoverables from the time of default onwards (loss given default or LGD%), based on the collateral arrangements of the specific reinsurance arrangement. The LGD% is a subject to a minimum of 50%.

Assumptions
In the above methodology, the recoverables and discount factor used are as defined previously. Additional assumptions required are the probability of default, and the % recovery rate. The probability of default is derived with reference to the credit rating of the reinsurer. A maximum recovery rate of 50% upon default is defined in regulation. The Company uses a rate lower than 50% where its assessment identifies reasons to believe that 50% recovery on default would not be reliable.

D.2.6 Changes in Assumptions

The methodology for setting the assumptions for the Solvency II calculations as of 31 December of the current year did not change from the valuation as at 31 December of the preceding year.

Solvency II regulations require a probability-weighted basis for the experience assumptions.
To achieve this, we have taken account of:

- Experience in recent years;
- Trends observed in recent years; and
- Any other known or likely factors that may affect future behaviour.

As a rule, we have assumed recent experience (over the last few years), which represents the central position for the probability weighted assumption, unless there are reasons why this is considered not immediately appropriate. To do this, actual experience is reviewed in comparison with expected experience, with a trigger for serious consideration to be given to amending an assumption when it deviates materially.

Key assumption changes over 2023 include:

- Economic: updated EIOPA yield curves utilised plus updates to inflation parameters;
- Expenses: expense assumptions were increased with inflation.

D.3 Other liabilities

The table below shows separately each class of liabilities under Solvency II values and the Statutory Accounts value.

	Solvency II value	Statutory accounts value
	€'000	€'000
Other Liabilities		
Other technical provisions	-	-
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	-	-
Derivatives	-	-
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Insurance & intermediaries payables	165	165
Reinsurance payables	-	-
Payables (trade, not insurance)	80	80
Subordinated liabilities	-	-
Subordinated liabilities not in BOF	-	-
Subordinated liabilities in BOF	-	-
Any other liabilities, not elsewhere shown	-	-
Total other liabilities	**245**	**245**

Table 31 – Comparison of liabilities between SII and Dutch Gaap

Bases, methods, assumptions, and inputs used in liability valuation for Solvency purposes, and difference between the amounts recorded in the financial statements

In general liabilities are recognised and valued for solvency purposes in line with Dutch GAAP accounting principles and consequently valued at fair market value at the moment of origination and subsequently at (amortised) cost. Further detail by material liability class has been provided below.

The following table reconciles the line item Other liabilities in Dutch GAAP with the same item in the Solvency II balance sheet.

	Total
	€'000
Dutch GAAP Other liabilities	245
Deferred tax liabilities on SII valuation adjustments	-
SII other liabilities	**245**

Table 32 - Reconciliation of other liabilities of DGAAP en SII

D.3.1 Provisions other than technical provisions

Not applicable.

D.3.2 Deferred tax liabilities

Basis and methods for Dutch GAAP valuation
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of technical provisions, using tax rates enacted at the balance sheet date.

Inputs for Dutch GAAP valuation
- Enacted tax rates at the balance sheet date;
- Identified temporary difference between the carrying amounts technical provisions for financial reporting purposes and the amounts used for taxation purposes (different mortality tables).

Solvency II valuation
The valuation of deferred tax liabilities under Solvency II follows the same recognition criteria applied for statutory reporting purposes. Valuation differences arising from the application of Solvency II recognition principles will be taxed at the prevailing deferred tax rate. These include the deferred tax arising on the valuation differences between Dutch GAAP and Solvency II on the technical provisions, long term claims payable, reinsurance receivable and the mortgage portfolio.

Changes made to the recognition and valuation bases used or on estimations made during the year
The deferred tax liability was set to 0 following a change in tax methodology relating to valuation differences on the bonds.

D.3.3 Derivatives

Not applicable. The Company does not hold derivatives.

D.3.4 Insurance and intermediaries payables

Basis and methods for Dutch GAAP valuation
Insurance & intermediaries payables represent outstanding accrued policyholder claims (including longer term annuities) and premium reimbursements and are measured on initial recognition at the fair value of the liability to be paid. Given the short term nature of these liabilities no discounting is required to arrive at the initial fair value, except for long term annuity claims.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
The judgments that are required evolve around the estimates of the level of disability of claimants, the likelihood of reported illnesses turning into a genuine claim and the likelihood of recovery of claimants due to which periodical payments to may cease.

Inputs for Dutch GAAP valuation
The actual amount of the outstanding liability or the best estimate of the liability to be settled.

Solvency II valuation
The difference between Dutch GAAP and SII valuation methods concerns the applied interest rate curve for discounting. For Solvency II this is the EIOPA curve and for Dutch GAAP the originally required rate of 3%.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes for both Dutch GAAP and Solvency II purposes.

D.3.5 Reinsurance payables

Not applicable.

D.3.6 Payables (trade, not insurance)

Basis and methods for Dutch GAAP valuation
Trade payables consist of accrued expenses and other trade related outstanding balances and are measured at fair value, taken as the carrying value at the balance sheet date. Trade payables are settled in line with trade payment terms, usually within 30 days.

Assumptions and judgments (including future estimates and major sources of estimate uncertainty) for Dutch GAAP valuation
None.

Inputs for Dutch GAAP valuation
The fair value of the payable balance as at the balance sheet date.

Solvency II valuation
There are no differences between the Dutch GAAP and SII valuation methods.

Changes made to the recognition and valuation bases used or on estimations made during the year
During the year there were no changes made to the recognition or valuation basis or estimation processes for both Dutch GAAP and Solvency II purposes.

D.3.7 Any other liabilities, not elsewhere shown

Not applicable.

D.4 Alternative methods for valuation

In the absence of available market prices, mortgage loans granted to private individuals are valued via a discounted cash flow model (mark to model). De Nederlandsche Bank (DNB) has issued specific guidance for the valuation of mortgages, which the Company has applied. We further refer to chapter D.1.7.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities that is deemed necessary to report.

E. Capital Management

E.1 Own Funds

E.1.1 Objectives, policies and processes used for managing Own Funds

Background
Own Funds represents the type and level of capital that is held by the Company to be able to meet its solvency capital requirement. The Company is required to hold Own Funds in sufficient quantity and quality in accordance with the Solvency II, Pillar 1 rules, which set out the characteristics and conditions for Own Funds. Further information on the objectives, policies and processes for management Own Funds is provided below.

Objectives
The objectives of the Company in managing its Own Funds are as follows:

Business strategy consistency
- To hold sufficient levels of capital to safeguard the interests of policyholders, which is core to delivering fair customer outcomes;
- To hold appropriate levels of capital as a foundation for making sound business decisions, which is central to delivering our good governance objective;
- To have a policy in place that describes the parameters that are considered in the context of dividend distributions, which supports the delivery of returns to the Company's shareholder;
- To strike a balance between holding too much capital and too little capital when optimising the balance sheet; and
- To provide a good foundation for further acquisitions of closed-book-portfolios.

Risk appetite
To establish a policy in the way that the Company's Own Funds are managed such that the policy reflects the Company's risk appetite with regard to the level of Own Funds held.

Risk tolerances
To set tolerance levels associated with the Company's risk appetite regarding Own Funds and ensure that these are monitored.

Risk Management Principles
To ensure that the Company manages its Own Funds having regard for the following risk management principles:

Principle 1
Solvency position - at a company level: overall the boards have no appetite for the Own Funds of the Company to be below 135% of the SCR or below 130% of the AMCR if this is a higher amount. Recovery protocols and management actions have been identified should the Own Funds of the Company fall below 135% of its SCR (or 130% of the AMCR).

Principle 2
Distribution of dividends - Solvency assessment: the board is prepared to approve dividend distributions such that, post payment of the dividend, the solvency position of the Company is at least 135% of SCR or 130% of the AMCR).

Policies
Central to managing the Own Funds of the Company is the application of the Company's Capital Management policy. The policy is built around the objectives outlined above and is reviewed and approved at least once per year by the board(s).
The policy also incorporates:
- The roles and responsibilities of the board(s) and different levels of management in adhering to the policy;
- The reporting procedures in place with regard to adhering to the policy;
- The key controls and processes in place to ensure adherence to the policy.

Processes
The following key process and controls are in place regarding how the Company manages its Own Funds:

Internal reporting:
The following reports are produced internally for the Management Board, which include reporting on the Own Funds position of the Company. These reports support the board, which has ultimate responsibility for the Company's capital management and capital allocation, in managing the Company's Own Funds:

- Quarterly finance director's report
  This report provides various financial information, including Solvency position and movement analysis. Numerical analysis supported by commentary is provided for both the Own Funds and SCR movements that contribute to the overall movement in the solvency position of the Company;
- Quarterly actuarial reporting:
  This reporting provides further detailed analysis and insight into the quarterly solvency valuation, covering assumptions and key reasons for any movements in solvency since previous periods;
- Business plan
  A three year business plan is prepared annually and presented to the board. The business plan includes solvency projections over the planning horizon that are prepared on the basis of applying this capital management policy;
- ORSA
  An ORSA report is produced annually. Amongst other things the ORSA includes solvency capital projections over the business planning horizon which apply this capital management policy. The ORSA also includes supporting justification for the dividend paying buffer that is applied in this policy and also shows the triggers that are assessed for the purpose of intra-quarter solvency monitoring;
- SFCR and RSR
  Both of these narrative reports are to be approved by the board prior to being made publicly available / sent to DNB. The first time these reports were prepared was for the year ended 31 December 2016. An SFCR is prepared annually. An RSR is prepared at least once every three years. Waard Schade has issued its last RSR covering the year 2022, in the absence of significant changes to the Company´s risk profile and the very sound capital position;
- Annual dividend assessment paper
  Dividends are typically paid and approved once per year. A paper is sent to the board supporting the recommendation, which includes specific application of this capital management policy;
- Quarterly risk report
  A risk report is produced quarterly that, amongst other things, includes reporting on the solvency position of the Company as a whole. It also evidences to the Audit & Risk Committee that the solvency monitoring protocol and triggers have been monitored frequently and the continuous solvency monitoring protocol has been followed;
- Risk indicator / trigger assessments
  For the purpose of intra-quarter solvency monitoring a list of risk indicators has been identified, which are monitored. The frequency by which the risk indicators are tracked depends on the solvency position of the Company.

Key controls
The following key controls are operated by the Company in managing the capital position of the Company:

Control Title	Control Description	Control Frequency
Justifying the level of the "buffer"	The amount of capital the board wishes to hold above the SCR (i.e., the buffer) is a matter of risk appetite. The simple objective of having a buffer is to reduce the likelihood of the Company's available capital falling below 100% of SCR. An annual assessment is performed to assess and justify the buffer, which is currently set at the highest of 30% of AMCR and 75% of SCR. This assessment is performed within the ORSA and is made with reference to the impact of various stresses that the Company could be exposed to.	Annually
Quarterly solvency reporting	Quarterly solvency reporting is to be performed via the following board reports: - Finance directors report; - Actuarial report; - Risk report.	Quarterly

Control Title	Control Description	Control Frequency
Trigger monitoring	Key risk indicators (KRIs) are monitored on a periodical basis and are tracked against pre-defined trigger points. For each key risk indicator an assessment is made regarding at what level a trigger event occurs (e.g., the AEX falling to a certain level results in the solvency of the Company falling to a certain level). The list of KRIs being monitored and the trigger points for each KRI may change over time depending on how the risk exposures of the business develop. The list of KRIs being monitored and their associated trigger points is assessed at least annually and was most recently reported within the 2023 ORSA. The frequency of KRI monitoring is driven by the solvency level of the Company (see recovery management protocol control below).	At least monthly
Recovery management protocol	A protocol for management actions has been designed by the Company. The protocol, in effect, represents an internally set "ladder of intervention", which sets out protocols for items such as solvency monitoring frequency, what escalations need to be performed and when actions need to be considered.	Protocols are reviewed at least annually.
Actions to be taken should the board's required levels of solvency capital be breached	A list of potential management actions has been prepared should the solvency position of the Company fall below the board's solvency risk appetite level (i.e. Own Funds fall below 175% of SCR or 130% of AMCR). The action pursued will depend on the circumstances at the time and is a function of how severe the event was that gave rise to Own Funds falling below 175% of SCR or 130% of AMCR. Should Own Funds fall below, no dividends are to be paid, with dividends only being restored should Own Funds exceed 175% of SCR or 130% of AMCR. Should the Own Funds fall further, additional management actions are considered (and described in the capital management plan).	As required
Dividend assessment paper	To support the approval of a dividend distribution a paper is prepared that articulates the rationale for the quantum of the dividend, with the paper being approved by the board. The paper covers: - The level of surplus capital above the board's solvency capital risk appetite at the reference date to which the dividend is being made (typically a year-end); - The estimated impact of any post balance sheet events that could affect the aforementioned level of surplus; - Any potential risks over the short to medium term that should be considered when setting the dividend; - Any other factors that should be considered when determining the level of dividend to be paid, such as any other plans to utilise the surplus within the Company. As well as assessing the solvency position of the Company, the annual dividend paper also performs an assessment to confirm the legality of the proposed dividend (i.e., that there are sufficient distributable reserves to pay a dividend). Should this reveal that there are insufficient distributable reserves the dividend will be curtailed accordingly. Should this also reveal that a restriction can be foreseen in the short to medium term, management actions will be put in place, such as potentially reducing the share capital of the Company.	Typically, annually, and ad-hoc as required.

Table 33 – Overview of key controls in managing the capital position

Business planning

The Company produces a business plan once per year with each business plan covering a three year time horizon. The business plan incorporates financial projections of the Company's Own Funds and solvency capital requirements over the business planning period.

The most recent business plan, being the 2024 to 2026 plan, does not anticipate any material changes to the structure of Own Funds over the planning horizon.

E.1.2 Analysis of Own Funds

In the following table, the development of the Own Funds is provided over the business planning period. The numbers for 2023 are based on the portfolio as existing on 31 December 2023, the equivalent numbers for the prior period are also given.

	31-dec-22	Movement in year	Transfers	31-dec-23
	€'000	€'000	€'000	€'000
Tier 1				
Ordinary share capital	3,630	-	-	3,630
Share premium related to ordinary share capital	40	-	-	40
Total ordinary share capital	**3,670**	**-**	**-**	**3,670**
Reconciliation reserve before deductions	3,025	-908	-	2,117
Foreseeable dividends	-1,000	-	-	-1,000
Restricted own funds in ring fenced funds	-	-	-	-
Total reconciliation reserve	**2,025**	**-908**	**-**	**1,117**
Total tier 1 own funds	**5,695**	**-908**	**-**	**4,787**
Deductions for participations in financial institutions	-	-	-	-
Total tier 1 own funds after deductions	**5,695**	**-908**	**-**	**4,787**
Eligible own funds to cover SCR				
Tier 1	5,695	-908	-	4,787
Tier 2	-	-	-	-
Tier 3	-	-	-	-
Total	**5,695**	**-908**	**-**	**4,787**
SCR	**771**	**-1**	**-**	**770**
Ratio of Eligible own funds to SCR	**739%**			**621%**
Eligible basic own funds to cover MCR				
Tier 1	5,695	-908	-	4,787
Tier 2	-	-	-	-
Tier 3	-	-	-	-
Total	**5,695**	**-908**	**-**	**4,787**
MCR	**2,700**	**-**	**-**	**2,700**
Ratio of Eligible own funds to MCR	**211%**			**177%**

Table 34 – Calculation of Own Funds ratios, comparison between 2023 and 2022

Own Funds analysis

- Own Funds of the Company comprises tier 1 share capital, share premium reserve and the reconciliation reserve.;
- Share capital and the reconciliation reserve have been classified as tier 1 as they are fully available to be able to absorb losses;
- There were no changes in classification of Own Funds during the year, nor are changes foreseen during the business planning period;
- The Company does not have any non-tier 1 Own Funds items, either at the start or the end of the year, or during the business planning period;
- Movements in eligible Own Funds during the year have arisen from:
    - *Own Funds surplus emergence:* Over time surpluses or deficits can emerge as the closed book runs off and factual experience differs from what was assumed in the opening valuation. During 2023, the positive result was driven by the result on investments;
    - *Pay-out of dividend:* A dividend of € 1.0 mln was paid out.

Own Funds to cover SCR
The above table shows that the Company, which only has tier 1 capital, has € 4.8 mln of eligible Own Funds to be able to meet the Company's SCR of € 0.8 mln at 31 December 2023, resulting in an SCR coverage ratio of 621%.

Own Funds to cover MCR
The above table shows that the Company, which only has tier 1 capital, has € 4.8 mln of eligible Own Funds to be able to meet the Company's MCR of € 2.7 mln at 31 December 2023, resulting in a MCR coverage ratio of 177%.

E.1.3 Differences between equity in the statutory financial statements and excess of assets over liabilities as calculated for solvency purposes

The below table analyses the difference between the equity in the financial statements and the excess of assets over liabilities as calculated for solvency purposes as of 31 December 2023.

	31-dec-23 €'000
Equity per the statutory financial statements	
Share capital	3,630
Share premium reserve	40
Retained earnings	2,098
Total equity as reported in the statutory financial statements	**5,768**
Adjustments to statutory financial statements for solvency purposes	
Adj 1: Net valuation difference between Dutch GAAP and SII for technical provisions	121
Adj 2: Net valuation difference between Dutch GAAP and SII for mortgages	-35
Adj 3: Addition of Risk Margin	-16
Adj 4: Deferred tax and Other	-51
Total adjustments to statutory financial statements for solvency purposes	**19**
Total	**5,787**
Deductions for foreseeable dividend	1,000
Excess of assets over liabilities for solvency purposes	**4,787**

Table 35 - Differences between equity in the statutory financial statements and excess of assets over liabilities

Explanations of adjustments:

- Adjustment 1: This difference is caused by accounting for statutory purposes on the basic of historical assumptions and for Solvency II on the basis of current assumptions. The most important assumptions that vary are morbidity, unemployment, lapses, expenses and interest rate curve;
- Adjustment 2: Mortgages are accounted for at amortised cost under Dutch GAAP and fair value under Solvency II;
- Adjustment 3: According to Solvency II the Risk Margin is part of the technical provisions;
- Adjustment 4: The valuation of deferred tax assets under Solvency II follows the same recognition criteria applied under Dutch GAAP. However, because of differences arising due to adjustments an additional deferred tax liability impact is shown together with other (non-material) impacts.

E.1.4 Items deducted from Own Funds

The table below illustrates the restrictions applied to Own Funds.

	2023 €'000
Assets less liabilities	**5,787**
Adjustments for	
Foreseeable dividends	1,000
Own Funds	**4,787**

Table 36 – Restrictions of Own Funds

Foreseeable dividends
Foreseeable dividends, of € 1.0 mln, to shareholders are expected to be distributed in September 2024.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SCR and MCR analysis

The information below provides some further detail of the solvency capital requirement and minimum capital requirement for the Company at both the start and the end of the year.

SCR
The SCR is calculated in line with the Solvency II Delegated Acts. The table below provides information on the development of the SCR during the year. For more detail and background, we refer to chapter C.

Methodologies used are as follows:
- The Company applies the standard formula in calculating its capital requirement, both at the start and the end of the year;
- The Company does not use any simplified calculations in any risk modules or sub-modules, but the Company does use an undertaking-specific parameter for unemployment risk and applies method 2 for determination of the risk margin;
- No capital add-ons have been imposed by DNB.

	31-dec-23	31-dec-22	Changes in the year
	€'000	€'000	€'000
Market risk [1]	668	616	52
Counterparty default risk [2]	84	115	-31
Life underwriting risk [3]	-	-	-
Health underwriting risk	130	194	-64
Diversification [4]	-142	-192	50
Intangible asset risk	-	-	-
Basic Solvency Capital Requirement	**740**	**732**	**8**
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation	-	-	-
Operational risk [5]	31	39	-8
Loss-absorbing capacity of technical provisions	-	-	-
Loss-absorbing capacity of deferred taxes	-	-	-
Capital requirement for business operated in accordance with Art. 4 of directive 2003/41/EC	-	-	-
Solvency Capital Requirement excluding capital add-on	**770**	**771**	**-1**
Capital add-ons already set	-	-	-
Solvency capital requirement	**n/a**	**n/a**	**n/a**
Notional SCR for remaining part	**n/a**	**n/a**	**n/a**
Notional SCR for ring fenced funds	**n/a**	**n/a**	**n/a**

Table 37 – Overview of movement in SCR

The reasons for the changes in SCR over the reporting period are analysed in more detail below:

1. Market risk increased mainly because of the increase in equity and currency risk;
2. Counterparty default risk decreased because of excess cash was invested on bonds and because of the decreasing mortgage portfolio;
3. Health underwriting risk decreased due to the run-off of the portfolio;
4. Diversification follows the movements in note 1 to 3, according to the Standard Model, in opposite direction of the gross change;
5. The operational risk SCR follows the run-off pattern of the portfolio;

MCR

The MCR is calculated in line with the Solvency II Delegated Acts whose inputs include the technical provisions, net capitals at risk and SCRs. The table below provides information on the inputs to the MCR calculation and presents opening and closing MCR, along with analysis of movement in the year.

	31-dec-23	31-dec-22	Changes in the year
	€'000	€'000	€'000
Linear MCR [1]	26	33	-7
SCR [2]	770	771	-1
MCR cap (45% of SCR) [3]	347	347	-
MCR floor (25% of SCR) [4]	193	193	-
Combined MCR [5]	193	193	-
Absolute floor of the MCR [6]	2,700	2,700	-
Minimum Capital Requirement	**2,700**	**2,700**	**-**

Table 38 – Overview of movement in MCR

The reasons for the changes in MCR over the reporting period are analysed in more detail below:

1. The Linear MCR is calculated as prescribed in the Solvency II Delegated Acts taking into account the prescribed formula and split of technical provision;
2. Refer to previous table;
3. This movement follows the movement in SCR (prescribed);
4. This movement follows the movement in SCR (prescribed);
5. This is the lowest of the linear MCR and the MCR cap, but never less than the MCR floor;
6. The Absolute Floor is prescribed by legislation.

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

The duration-based equity risk sub-module is not used by the Company.

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

The Company uses the standard formula for calculating its capital requirements, and therefore this section does not apply to the Company.

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

The Company has met its SCR and MCR at all times during the year.

E.6 Any other information

There is no other information regarding the capital management of the Company that is deemed material to report.

F. Additional voluntary information

Not applicable.

G. Annexes

G.1 Quantitative Reporting Templates

S.02.01.01
Balance sheet

	Solvency II value	Statutory accounts value
	€	€
Assets		
Goodwill		
Deferred acquisition costs		
Intangible assets		
Deferred tax assets		50,746
Pension benefit surplus		
Property, plant & equipment held for own use	-	
Investments (other than assets held for index-linked and unit-linked contracts)	4,011,001	3,995,442
Property (other than for own use)	-	
Holdings in related undertakings, including participations	-	
Equities	-	-
Equities - listed		
Equities - unlisted		
Bonds	2,861,794	2,846,235
Government Bonds	337,869	336,862
Corporate Bonds	2,523,925	2,509,374
Structured notes	-	
Collateralised securities	-	
Collective Investments Undertakings	1,149,207	1,149,207
Derivatives		
Deposits other than cash equivalents	-	
Other investments	-	
Assets held for index-linked and unit-linked contracts		
Loans and mortgages	1,957,764	1,992,774
Loans on policies	-	
Loans and mortgages to individuals	1,957,764	1,992,774
Other loans and mortgages		
Reinsurance recoverables from:	490,745	1,338,275
Non-life and health similar to non-life	-	-
Non-life excluding health		
Health similar to non-life		
Life and health similar to life, excluding index-linked and unit-linked	490,745	1,338,275
Health similar to life	490,745	1,338,275
Life excluding health and index-linked and unit-linked	-	
Life index-linked and unit-linked	-	
Deposits to cedants	-	
Insurance and intermediaries receivables	65,939	65,939
Reinsurance receivables	26,377	26,377
Receivables (trade, not insurance)	29,395	44,954
Own shares (held directly)		
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	
Cash and cash equivalents	1,174,134	1,174,134
Any other assets, not elsewhere shown		
Total assets	7,755,357	8,688,642

Table 39 – Overview of the Balance sheet – Asset side

	Solvency II value	Statutory accounts value
	€	€
Liabilities		
Technical provisions - non-life	-	-
Technical provisions - non-life (excluding health)	-	
TP calculated as a whole		
Best Estimate		
Risk margin		
Technical provisions - health (similar to non-life)	-	
TP calculated as a whole		
Best Estimate		
Risk margin		
Technical provisions - life (excluding index-linked and unit-linked)	1,722,563	2,675,030
Technical provisions - health (similar to life)	1,722,563	2,675,030
TP calculated as a whole	-	
Best Estimate	1,706,722	
Risk margin	15,841	
Technical provisions - life (excluding health and index-linked and unit-linked)	-	
TP calculated as a whole		
Best Estimate		
Risk margin		
Technical provisions - index-linked and unit-linked	-	
TP calculated as a whole		
Best Estimate		
Risk margin		
Other technical provisions		
Contingent liabilities		
Provisions other than technical provisions		
Pension benefit obligations		
Deposits from reinsurers		
Deferred tax liabilities		
Derivatives		
Debts owed to credit institutions		
Financial liabilities other than debts owed to credit institutions		
Insurance & intermediaries payables	165,223	165,223
Reinsurance payables		
Payables (trade, not insurance)	80,168	80,168
Subordinated liabilities	-	-
Subordinated liabilities not in BOF		
Subordinated liabilities in BOF	-	
Any other liabilities, not elsewhere shown		
Total liabilities	1,967,954	2,920,421
Excess of assets over liabilities	5,787,402	5,768,221

Table 40 – Overview of the Balance sheet – Liability side

S.05.01.01

Premiums, claims and expenses by line of business

Life	**Line of Business for: life insurance obligations**	**Total**
	Health insurance	
	€	**€**
Premiums written		
Gross	3,238	3,238
Reinsurers' share	-255	-255
Net	3,493	3,493
Premiums earned		
Gross	767,416	767,416
Reinsurers' share	359,935	359,935
Net	407,482	407,482
Claims incurred		
Gross	-8,868	-8,868
Reinsurers' share	-6,916	-6,916
Net	-1,952	-1,952
Expenses incurred	546,052	546,052
Administrative expenses		
Gross	541,711	541,711
Reinsurers' share		-
Net	541,711	541,711
Investment management expenses		
Gross	3,306	3,306
Reinsurers' share		-
Net	3,306	3,306
Claims management expenses		
Gross		-
Reinsurers' share		-
Net	-	-
Acquisition expenses		
Gross	1,035	1,035
Reinsurers' share		-
Net	1,035	1,035
Overhead expenses		
Gross		-
Reinsurers' share		-
Net	-	-
Balance - other technical expenses/income		
Total technical expenses		546,052
Total amount of surrenders		-

Table 41 – Premiums, claims and expenses by line of business

S.05.02.01

Premiums, claims and expenses by country

Life	Home Country	Total Top 5 and home country
	€	€
Premiums written		
Gross	3,238	3,238
Reinsurers' share	-255	-255
Net	3,493	3,493
Premiums earned		
Gross	767,416	767,416
Reinsurers' share	359,935	359,935
Net	407,482	407,482
Claims incurred		
Gross	-8,868	-8,868
Reinsurers' share	-7,026	-7,026
Net	-1,842	-1,842
Changes in other technical provisions		
Gross	-	-
Reinsurers' share	-	-
Net	-	-
Expenses incurred	545,017	545,017
Other expenses		
Total expenses		545,017

Table 42 – Overview of premiums, claims and expenses by country

S.12.01.01
Life and Health SLT Technical Provisions

	Health insurance (direct business)			Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees	
	€	€	€	€
Technical provisions calculated as a whole				-
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				-
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Gross Best Estimate		1,706,722		1,706,722
Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		490,867	-	490,867
Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		490,867		490,867
Recoverables from SPV before adjustment for expected losses				-
Recoverables from Finite Re before adjustment for expected losses				-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		490,745		490,745
Best estimate minus recoverables from reinsurance/SPV and Finite Re		1,215,977	-	1,215,977
Risk margin	15,841			15,841
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole				-
Best estimate				-
Risk margin				-
Technical provisions - total	1,722,563			1,722,563
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	1,231,818			1,231,818
Best estimate of products with a surrender option	1,706,722			1,706,722
Gross BE for cash flow				
Cash out-flows				
Future guaranteed and discretionary benefits	896,445			896,445
Future guaranteed benefits				
Future discretionary benefits				
Future expenses and other cash out-flows	825,333			825,333
Cash in-flows				
Future premiums	15,056			15,056
Other cash in-flows				-
Percentage of gross Best Estimate calculated using approximations				
Surrender value	515			515
Best estimate subject to transitional of the interest rate				-
Technical provisions without transitional on interest rate				-
Best estimate subject to volatility adjustment				-
Technical provisions without volatility adjustment and without others transitional measures				-
Best estimate subject to matching adjustment				-
Technical provisions without matching adjustment and without all the others				-
Expected profits included in future premiums (EPIFP)				-

Table 43 - Life and Health SLT Technical Provisions

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**
	€
Ordinary share capital (gross of own shares)	3,630,240
Share premium account related to ordinary share capital	40,000
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-
Subordinated mutual member accounts	-
Surplus funds	-
Preference shares	-
Share premium account related to preference shares	-
Reconciliation reserve	1,117,162
Subordinated liabilities	-
An amount equal to the value of net deferred tax assets	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-
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	-
Deductions	
Deductions for participations in financial and credit institutions	-
Total basic own funds after deductions	4,787,402
Ancillary own funds	
Unpaid and uncalled ordinary share capital callable on demand	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-
Unpaid and uncalled preference shares callable on demand	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-
Other ancillary own funds	-
Total ancillary own funds	-
Available and eligible own funds	
Total available own funds to meet the SCR	4,787,402
Total available own funds to meet the MCR	4,787,402
Total eligible own funds to meet the SCR	4,787,402
Total eligible own funds to meet the MCR	4,787,402
SCR	770,394
MCR	2,700,000
Ratio of Eligible own funds to SCR	621%
Ratio of Eligible own funds to MCR	177%

	Value
	€
Reconciliation reserve	
Excess of assets over liabilities	5,787,402
Own shares (held directly and indirectly)	-
Foreseeable dividends, distributions and charges	1,000,000
Other basic own fund items	3,670,240
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	-
Reconciliation reserve	1,117,162
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	
Expected profits included in future premiums (EPIFP) - Non- life business	15,056
Total Expected profits included in future premiums (EPIFP)	15,056

Table 44 – Overview of Own Funds

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

	Article 112	Regular reporting	
		Net solvency capital requirement	**Gross solvency capital requirement**
		€	**€**
Market risk		668,082	668,082
Counterparty default risk		84,115	84,115
Life underwriting risk			
Health underwriting risk		129,767	129,767
Non-life underwriting risk			-
Diversification		-142,267	-142,267
Intangible asset risk		-	-
Basic Solvency Capital Requirement		739,697	739,697
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation			
Operational risk		30,697	
Loss-absorbing capacity of technical provisions		-	
Loss-absorbing capacity of deferred taxes		-	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
Solvency Capital Requirement excluding capital add-on		770,394	
Capital add-ons already set		-	
Solvency capital requirement		770,394	

Table 45 - Overview of the Solvency Capital Requirement

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	€
Overall MCR calculation	
Linear MCR	25,536
SCR	770,394
MCR cap	346,677
MCR floor	192,598
Combined MCR	192,598
Absolute floor of the MCR	2,700,000
Minimum Capital Requirement	2,700,000

Table 46 – Overview of the Minimal Capital Requirement