Solvency and Financial Condition Report 2021

Lifetri Groep

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Contents

Summary

This Solvency and Financial Condition Report (SFCR) provides public quantitative and qualitative disclosures for Lifetri Groep B.V. (Lifetri Groep) on Solvency II as required by the Solvency II legislation[1]. For a more elaborate discussion of some of the contents, we refer to Lifetri's Annual Report.

This SFCR is the single SFCR publication of Lifetri Groep, and pertains to all relevant regulated entities:

- Lifetri Groep B.V.
- Klaverblad Levensverzekering N.V.
- Lifetri Uitvaartverzekeringen N.V.

Klaverblad Levensverzekering N.V. merged with Lifetri Verzekeringen N.V. on 1st April 2021. Eventually the Klaverblad name will disappear. In this document, these two entities are already presented as one company.

The amounts disclosed in this SFCR are consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

Content

Chapter A 'Business and performance' describes the overall business profile and structure of Lifetri Groep. It also provides insight into the underwriting and investment performance of Lifetri Groep.

Chapter B 'Governance system' explains the organisational governance structure and looks into the role and execution of key Solvency II functions.

Chapter C 'Risk profile' analyses Lifetri's exposure to financial and non-financial risks and explains the risk mitigation techniques in place.

Chapter D 'Valuation for solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and Dutch Generally Accepted Accounting Principles (DGAAP').

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1 As required by the Delegated Regulation (EU) 2015/35/Annex XX 'Structure of the Solvency and Financial Condition Report and Regular Supervisory Report', this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRT). Lifetri Groep is required to submit the QRT to its supervisor De Nederlandsche Bank (DNB).

Chapter E ‘Capital management’ discusses the composition of available and Eligible Own Funds and the calculation of the Solvency Capital Requirement (SCR).

Eligible Own Funds

Solvency II requires to hold Eligible Own Funds for covering Solvency Capital Requirement. The Eligible Own Funds are classified in three tiering categories. The tiering classification is prescribed in the Solvency II Legislation, as not all own-fund items are considered to be able to fully absorb losses in the event of liquidation proceedings. Tier 1 own-fund items are the highest-grade capital and Tier 3 items are the lowest grade capital.

in thousands of euros	31 December 2021		31 December 2020	
Excess of assets above liabilities		259,767		357,982
Tier 1	203,621		357,982	
Tier 2	79,925		0	
Tier 3	56,145		0	
Total available own funds		**339,691**		**357,982**
Eligible own funds		**279,761**		**357,982**

Solvency II distinguishes between three tiers of own funds (Tier 1, 2 and 3) and restricts the use (eligibility) of Tier 2 and Tier 3 capital in the determination of the solvency level. For Lifetri Groep the part of core capital comprising deferred tax assets (DTA) is Tier 3 capital. Eligible own funds are smaller than available own funds due to restrictions on Tier 2 and Tier 3 capital in place.

At the end of 2021 eligible own funds amounted to € 279.8 million.

Solvency Capital Requirement

in thousands of euros	2021		2020	
Solvency capital requirement				
Market risk	56,487		25,186	
Counterparty risk	10,881		19,555	
Life underwriting risk	117,986		113,302	
Diversification	-38,686		-29,066	
BSCR		146,668		128,977
Operational risk		8,378		8,268
LACDT		-2,768		-20,490
Total solvency capital requirement		**152,278**		**116,755**

Lifetri's capital management aims to protect policyholders' rights and being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital required (SCR). The target solvency level is set at 160%, while the norm solvency level is set at 135%.

Lifetri Groep was adequately capitalised at year-end 2021 with a Solvency II ratio of 184% based on the Standard Formula.

Major Developments

In 2021, the financial net result of Lifetri Groep declined to € -71.5 million from € -38.6 million in 2020. This result was driven by the step down of the Ultimate Forward Rate (UFR) (that was reduced from 3.75% to 3.60%), the UFR drag and increasing risk free rates. Shareholder's funds reduced from € 120.1 million to € 53.6 million as of year-end 2021. Lifetri considers the development and drag of the UFR in its capital management. On 1 January 2022, the UFR dropped further to 3.45% which had a consequential impact of reducing the solvency ratio with a further 25%.

Lifetri manages its balance sheet on an economic basis, within the limitations of the Solvency II framework. While the increase in risk free rates impacted the Solvency II ratio adversely, the underlying economic profitability increased substantially. To evidence this, the impact of the Long-Term Guarantee measures (the volatility adjustment and the UFR) reduced from € 2,379.3 million in 2020 to € 1,692.9 million in 2021, which implies that in future periods Lifetri will require € 686.4 million less investment income to fund policy holder liabilities than it required at the end of 2020.

Gross premiums earned were € 90.2 million. The gross premium of € 902.3 million in 2020 was driven by the single premium of € 836.3 million related to the buy-out of the Allianz pension fund.

Total operating expenses in 2021 increased to € 28.3 million from € 21.3 million in 2020. The increase was mainly driven by the full consolidation of Klaverblad Levensverzekering. In 2020 Klaverblad Levensverzekering was only consolidated for nine months.

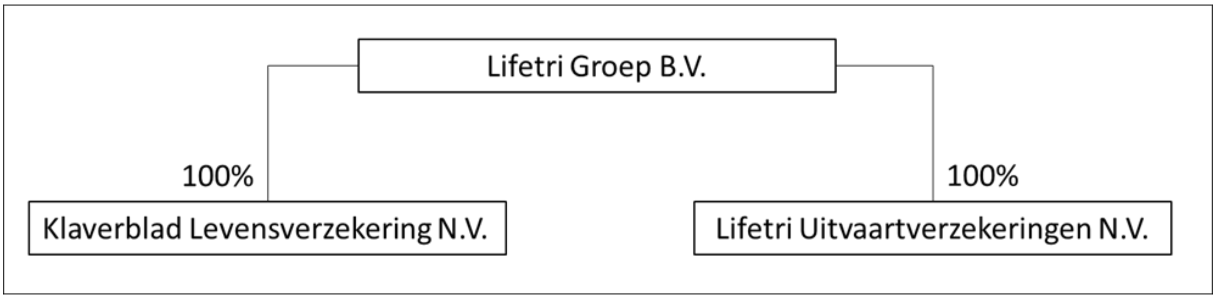
A. Business and performance

This chapter of the SFCR contains general information on Lifetri Groep, a simplified group structure and Lifetri Groep's financial performance.

A.1. Business

Group structure and ownership

The group structure as at 31 December 2021 is as follows:



General

Lifetri Groep, Klaverblad and Lifetri Uitvaartverzekeringen have unity of management, meaning that these entities each have a management board and a supervisory board with the same composition of board members. The report of the management Board (MB) describes the main activities during the year for the whole Lifetri group (Lifetri Groep, Klaverblad Levensverzekering and Lifetri Uitvaartverzekeringen including Lifetri Verzekeringen which merged with Klaverblad Levensverzekering). With due respect to and compliance with the articles of association, charters and characteristics of each legal entity, Lifetri Groep is organisationally managed as a whole, sharing strategy and resources and executing the strategy.

Business Strategy

Lifetri understands that uncertainty is part of life. It is the ability to deal with certainty as well as uncertainty and making the correct choices which make people self-assured. Lifetri wants to give customers the option to choose for a guarantee when some certainty is needed.

Lifetri formulated its mission as follows:

We do not want to insure people; we want to make people self-assured.

A long term solution provider.

The Lifetri group is a relatively new name but with a long history which goes back seventy years. The name Lifetri was chosen in 2018 as a reference to our ambition to grow together with our clients and refers to our roots in society.

Lifetri has approximately six hundred thousand individual insured customers for which we manage roughly € 2.5 billion assets.

Lifetri provides guarantees to (former) employees of Klaverblad cooperation and to (former) employees of Allianz Nederland since the buy-out of the Stichting Pensioenfonds Allianz Nederland Groep (SPANG). In the prior year, Lifetri took over the liabilities of SPANG via a buy-in. In 2021, the collective transfer value of € 836.3 million was completed and ahead of initial planning. The transfer of the pension arrangements was done to the satisfaction of all stakeholders most importantly the participants.

Lifetri has formulated its service book strategy to focus on providing long-term guarantees. This means providing flexible and tailor made solutions to both pension funds and life insurers. Examples of solutions offered to pension funds include transfer of lump sum with assets in kind by way of a detailed asset transition plan, HICP cover without a cap and (re)insurance solutions to (part of) the pension fund.

The pension transition in the Netherlands is a huge change with high complexity and many stakeholders and challenges. The most important focus for Lifetri is to play a meaningful role in these challenges by offering and co-creating solutions, both pre and post pension transition.

Scalable and effective platform

Over the last years Lifetri has worked hard to build up an experienced teams of professionals as well as building a modern and scalable insurance platform.

With this we are able to deal effectively and efficiently with themes such as longevity, inflation guarantees, interest rate risks, migration of IT and administrative platforms and data quality to name but a few.

The combination of both internal and external expertise make us agile and flexible.

In our design of our solutions offering we put the needs and the freedom of choice of the customer first. This at its core ensures that customers are able to make their own financial choices confidently.

The ambition can be realised as we built a modern and modular IT platform. The front-end where we differentiate ourselves in servicing customers has been built by ourselves, the back-end is a SAAS solution and therefore scalable.

The service book strategy is focused on existing customers and pension fund members and no new build up in for example DC contracts. This focus is important to ensure that the administrative processes are limited as well as the influence of future legislative changes.

This together ensures that we have a simple and manageable landscape with low costs, high service levels, flexibility and no (future) legacy.

Lifetri's unique position and solid capital base

The vision of Lifetri is that a fundamental and clear need for guarantees is currently insufficiently addressed by the Dutch insurance sector. There is limited freedom of choice, something Lifetri is committed to provide.

Lifetri is backed by Sixth Street, a shareholder which manages over $60 billion in assets. Sixth Street is firmly committed to the life insurance and pension markets, and alongside Lifetri also has made investments in Clara Pensions (a UK pensions consolidation platform), and Talcott Resolution (a US life and pension platform with a balance sheet of over $140 billion). Sixth Street is firmly committed to the life insurance and pension markets globally, and with its own investor base being largely pension funds, is a strong partner for Lifetri's strategy.

Since the acquisition of the life assurance portfolio of Nuevema, Sixth Street has deployed significant additional capital in the space in three key geographies: United States, the Netherlands and United Kingdom. Alongside the Dutch investments through Lifetri, operations in the United States are currently performed from Talcott Resolution, with a total balance sheet on excess of $140 billion following two sizable reinsurance transactions done since the platform acquisition: $20 billion reinsurance of fixed annuities from Allianz in 2021, $25 billion reinsurance of fixed annuities and ULSG products from Principal in 2022. In the United Kingdom, Since 2018, Sixth Street has backed the development of Clara Pensions the first and only approved DB pension scheme consolidator as of April 2022. Clara is committed to offer an alternative and sustainable bridge to buy-out solution to pension scheme sponsors and Trustees, facilitating and accelerating members transition from corporate balance sheets to insurance.

Corporate Focus

Towards the end of 2020 a high level corporate focus has been set for 2021 consisting of four areas of attention. Plans have been defined and executed in each of these areas.

Recalibration of the strategic asset allocation mix and acceleration of the implementation

Firstly, as the main constituent of our revenue model, the return generating strategic asset allocation mix has been recalibrated in an asset and liability management (ALM) study in the first quarter of 2021. As a result of the ALM study our strategic mix has been expanded to potentially include new asset classes private equity and infrastructure. The investment process – following the ALM study – is thorough and has taken up the rest of the year to assess these asset classes, to define preferred mandate characteristics and to select investment managers. In parallel, the implementation towards a return portfolio that meet our risk preferences has been accelerated by for instance the addition of tactical high(er) yield fixed income assets invested out of premium income and the sale of government bonds. The ramp-up during 2021 has exceeded our plan.

Ready to scale-up in pension buy outs
Secondly, pension buy-outs will increase revenues as a result of increased assets under management. The scale up in this product/market segment had two elements to it. The operational competencies have been upgraded to a volume independent set up, tuned to the services and pension scheme Lifetri offers to current and prospective pension participants. Next to the operational competencies, Lifetri has invested time in its commercial efforts, both to be invited by interested parties to commercial dealings and to share and to explain our solutions and the benefits of guarantees to the pension fund industry as a whole.

Finalize the migration of the pension participants administration and the individual life insurance policy administration
Thirdly, two major projects have taken up a lot of management attention and resources during the year with partial success. The project to migrate the pension participants administration from Stichting Pensioenfonds Allianz Nederland Groep and from pension scheme Klaverblad Levensverzekering N.V. has been successfully realised and well in advance of the expected deadline. The migration of the individual term life policy administration – part of the acquired Klaverblad individual life insurance portfolio – has been realised in the first half of 2021. The migration of the rest of the portfolio has been planned into 2022.

Development of staff and organization
Fourthly, the target operating model in terms of staff has been re-assessed and defined based on the outlook of our business plan. The organisational model used is flexible; in 2021 the organisational structure changed to accommodate the enlargement of the management board up to four members, each having more focus. The reliance on external hires has been further decreased or switched to a partnership model instead of a pure commercial model.

The second year of the COVID-19 pandemic was again challenging, having to work predominantly from home. Building on the experiences gained in the first year using efficient technology and clear communication, this was managed well.

A Works Council has been installed. All employees have been offered on-line training and assessment in IT security awareness and off-line group workshops with respect to self-assurance. Management and Managing Board have weekly joint updates and continuous attention and focus on leadership development. The measurement of employee engagement has been set up and regularly executed showing a stable 3.8 score against a maximum 5 score on a 5 point scale.

Remuneration policy
Lifetri's remuneration policy is sufficiently interesting to attract, retain and promote well-qualified employees. All this is closely linked to sound and controlled operations and is aimed at the longer term. This means, among other things, that the remuneration should not encourage employees to take excessive risks, which could compromise the careful handling of stakeholder interests. Incentives should also be built into the remuneration policy, aimed at rewarding behaviour and results that are in line with the long-term interests of Lifetri and its stakeholders.

The remuneration policy provides scope for variable remuneration for the Management Board and (to a limited extent) the senior management. The variable remuneration for this group consists of a monetary payment and honours behaviours and results in line with goals that are important to stakeholders and can therefore contribute to continuity and value creation. The criteria on which the variable remuneration is based are established on a yearly basis and comprise of at least 50% non-financial factors. As for the variable remuneration for Nominated Posts, an appropriate proportion is paid out over time. Where the variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the person concerned, and of their business unit, and on the total results of the company or the group to which the company belongs. The structure of the variable remuneration should not and will not encourage the taking of undesirable risks or the short-term maximisation of returns for the individual.

In accordance with Section 1:121 of the Financial Supervision Act, the maximum payable variable remuneration for the Management Board and (to a limited extent) the senior management in the year of payment never amounts to more than 20% of the fixed annual remuneration. This variable remuneration is allocated annually in arrears on the basis of the achievement of targets set in writing in advance, based on both financial and non-financial criteria. The first 60% of the variable remuneration is paid with the salary payment in the month following the adoption of the financial statements. The remaining 40% is paid out three years later. A claw-back clause is applicable. For all other staff the variable remuneration is limited to 25% of a monthly salary.

A.2. Underwriting performance

Underwriting income and expenses

in thousands of euros	2021		2020	
Insurance premiums earned				
Gross premiums	90,202		902,284	
Outgoing reinsurance premiums	-13,599		-6,106	
Net premiums earned		**76,603**		**896,178**
Claims and benefits paid				
Gross claims and benefits paid	-43,725		-28,045	
Reinsurers' share claims	12,745		6,017	
Net claims and benefits paid		**-30,979**		**-22,028**
Change in technical provisions				
Gross change in technical provisions	20,135		-1,043,325	
Reinsurers share	7,376		-2,917	
Net change in technical provision		**27,511**		**-1,046,242**

A.3. Investment performance

The tables below provide information on the various sources of investment income per asset category.

Investment income and expenses

in thousands of euros	2021		2020	
Investment income				
Interest from bonds	14,728		10,555	
Interest from mortgages	6,382		864	
Interest on bank accounts	-1,361		-513	
Income investment funds	4,716		0	
Interest on derivatives	2,105		528	
Realised gains and losses on sales of investments	140,955		16,795	
Total investment income		**167,525**		**28,229**

A.4. Performance of other activities

There are no other activities.

A.5. Any other information

No other information needs to be reported.

B. System of Governance

This chapter of the SFCR contains information on the system of governance of Lifetri Groep and includes a description of the main roles and responsibilities of committees and key functions within Lifetri Groep.

In this chapter, where we refer to “Lifetri Groep”, we refer to the group, and to the individual regulated entities.

B.1. General information on the system of governance

B.1.1. The corporate governance structure

The corporate governance structure for Lifetri Groep comprises of the various bodies with their different role/policy/meeting and composition/duties and rights/tasks and powers and reporting. The structure for Lifetri Groep consists of three bodies: the Shareholders’ Meeting (the highest body), the Management Board (hereafter MB) and the Supervisory Board (hereafter SB).

Lifetri Groep B.V. is the sole shareholder of Klaverblad Levensverzekering N.V. (hereafter Klaverblad) and Lifetri Uitvaartverzekeringen N.V. (hereafter Lifetri Uitvaartverzekeringen).

The Management Boards of the two subsidiaries of Liftri Groep consist of the same members as the Management Board of Lifetri Groep.

The Supervisory Boards of the two subsidiaries of Liftri Groep consist of the same members as the Supervisory Board of Lifetri Groep.

B.1.1.1. The Shareholder’s meeting

The role of the shareholder is laid down in the articles of association (in Dutch ‘statuten’). The articles of association determine that the Shareholders’ meeting, which is the body of the company formed by shareholders or others entitled to vote, shall take place at least once a year. Other meetings shall be held as often as the MB or SB deem necessary. Under the articles of association, the shareholder has a number of rights. Examples thereof are nomination of the MB, nomination of the SB, adopting the annual accounts and decisions regarding transfer of the company.

B.1.1.2. The Management Board

The MB is responsible for deciding on as well as the implementation of the general policy of Lifetri Groep. The MB consists of a Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Financial & Risk Officer (CFRO) and a Chief Operational Officer (COO) with the CEO being the chair of the Board.

The Management Board of Lifetri Groep B.V. currently consisted of:

- P.D.A. Wits, CEO
- J.P.M. Rijken, CIO
- R. Zomer, COO
- M.R.E. Harkema, CFRO

The MB meetings are once every week.

B.1.1.3. The Supervisory Board and committees
The SB supervises the MB and its key functions. The SB consists of four members nominated by the shareholder of which two with Dutch nationality and having no relationship with the shareholder and two either working for or regularly active for the shareholder. The Chairman is of Dutch nationality and has a casting vote. SB members additionally act as representatives of the Audit and Risk Committee (hereafter ARC) and the Nomination and Remuneration Committee (hereafter Remco). The ARC is established for the purpose of advising and supporting the SB regarding the business operations, financial reporting, investment and capital policy, internal and external accounting auditing, actuarial auditing, internal risk management, compliance and ICT infrastructure of the Company. The Remco is established for the purpose of advising and supporting the SB regarding the remuneration and other terms and conditions of employment of the Management Board and the remuneration policy.

The Supervisory Board of Lifetri Groep B.V. currently consists of:

- J.H.D. van Hemsbergen (chairman of SB);
- H. Eggens (chairman of ARC);
- R. Singhal;
- N. Albert (chairman of Remco).

B.1.1.4. Asset Liability and Capital Committee
The ALCO is a permanent committee to the MB. Its purpose is that (1) the committee implements and executes investments decisions (including interest rate hedges), within the scope as approvedby the MB within the MB approved governance and policies, (2) the committee advises and submits proposals to the MB on possible investments and on capital outside the approved scope, and that (3) the committee monitors and reports on relevant subjects. The ALCO meets at least once every two months. The ALCO consist of the following members: CFRO, CIO, Manager Asset Management, Manager Actuary department and the second line Risk Manager. The CFRO acts as Chairman of the ALCO and the CIO as vice-Chairman. The voting members of the ALCO are the CFRO, CIO, Manager Asset Management and Manager Actuary department.

B.1.1.5. Risk & Compliance Committee
The Risk & Compliance Committee (RCC) is a special MB meeting dedicated to the 2nd line (financial and non-financial) Risk Management and Compliance. The RCC meets every quarter.

B.1.2. Three lines of defence
The governance structure within Lifetri Groep is designed on the bases of the three lines of defence model.

The first line of defence is the business itself, which is responsible for its own internal control of all activities and underlying processes. It is of importance that in essential business processes measures of internal control have been implemented to manage risks. These measures of internal control are amongst others guidelines, committee structures, monitoring and division of roles (*functiescheiding*) and managing conflict of interests (*belangentegenstelling*).

The second line of defence has as its primary responsibility the identification, judging, monitoring of and reporting about the risks. The second line key governance functions have a special focus at whether the internal control measures are of a sufficient level to mitigate risks.

The third line of defence is the internal audit function, which gives additional assurance about the activities and assurance about the design, existence and operating effectiveness of the internal control system of the first and second lines of defence.

The key functions are independent, report directly to the MB and have direct access to the ARC/SB for escalations.

B.1.2.1. Solvency II key functions
During 2021 the Solvency II key functions of Lifetri Groep were carried out by the following people:

- Risk management function: Joeri van Alphen;
- Actuarial function: Tom Veerman (Triple A);
- Compliance function: Erik van Willigen;
- Internal audit function: Jan Driessen (PwC).

B.1.3. Remuneration policy
Lifetri's remuneration policy is sufficiently interesting to attract, retain and promote well-qualified employees. All this is closely linked to sound and controlled operations and is aimed at the longer term. This means, among other things, that the remuneration should not encourage employees to take excessive risks, which could compromise the careful handling of stakeholder interests. Incentives should also be built into the remuneration policy, aimed at rewarding behaviour and results that are in line with the long-term interests of Lifetri and its stakeholders.

Variable remuneration

The remuneration policy provides scope for variable remuneration for the Management Board and (to a limited extent) the senior management. The variable remuneration for this group consists of a monetary payment and honours behaviours and results in line with goals that are important to stakeholders and can therefore contribute to continuity and value creation. The criteria on which the variable remuneration is based are established on a yearly basis and comprise of at least 50% non-financial factors. As for the variable remuneration for Nominated Posts, an appropriate proportion is paid out over time. Where the variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the person concerned, and of their business unit, and on the total results of the company or the group to which the company belongs. The structure of the variable remuneration should not and will not encourage the taking of undesirable risks or the short-term maximisation of returns for the individual.

In accordance with Section 1:121 of the Financial Supervision Act, the maximum payable variable remuneration for the Management Board and (to a limited extent) the senior management in the year of payment never amounts to more than 20% of the fixed remuneration.

The variable remuneration is allocated annually in arrears on the basis of the achievement of targets set in writing in advance, based on both financial and non-financial criteria. The first 60% of the variable remuneration is paid with the salary payment in the month following the adoption of the financial statements. The remaining 40% is paid out three years later.

A clawback clause is applicable.

B.2. Fit and proper requirements

The legal fit and proper requirements apply to the persons who effectively run the business. To this end, the members of the Management Board and the Supervisory Committee are also screened by the Regulator (DNB). The internal Screening Policy (“Regeling Screening”) sets out the specific requirements on fit and proper.

B.2.1. Expertise and reliability

The education policy enables employees to follow the training necessary for the performance of their respective positions. The company ensures that SB, MB and managers are suitable (knowledge, skills and professional conduct) for the performance of their duties and that all employees are competent. The objective is to guarantee the right level of training and experience (level of expertise) of Lifetri Groep's employees. Permanent education is instrumental in guaranteeing the right level.

In its education policy, Lifetri Groep has determined which specific training requirements it sets at least for certain functions, how it enables the MB, management and employees to follow training courses and how it makes it possible to acquire sufficient knowledge, skills (expertise) and professional competence for the performance of their duties.

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

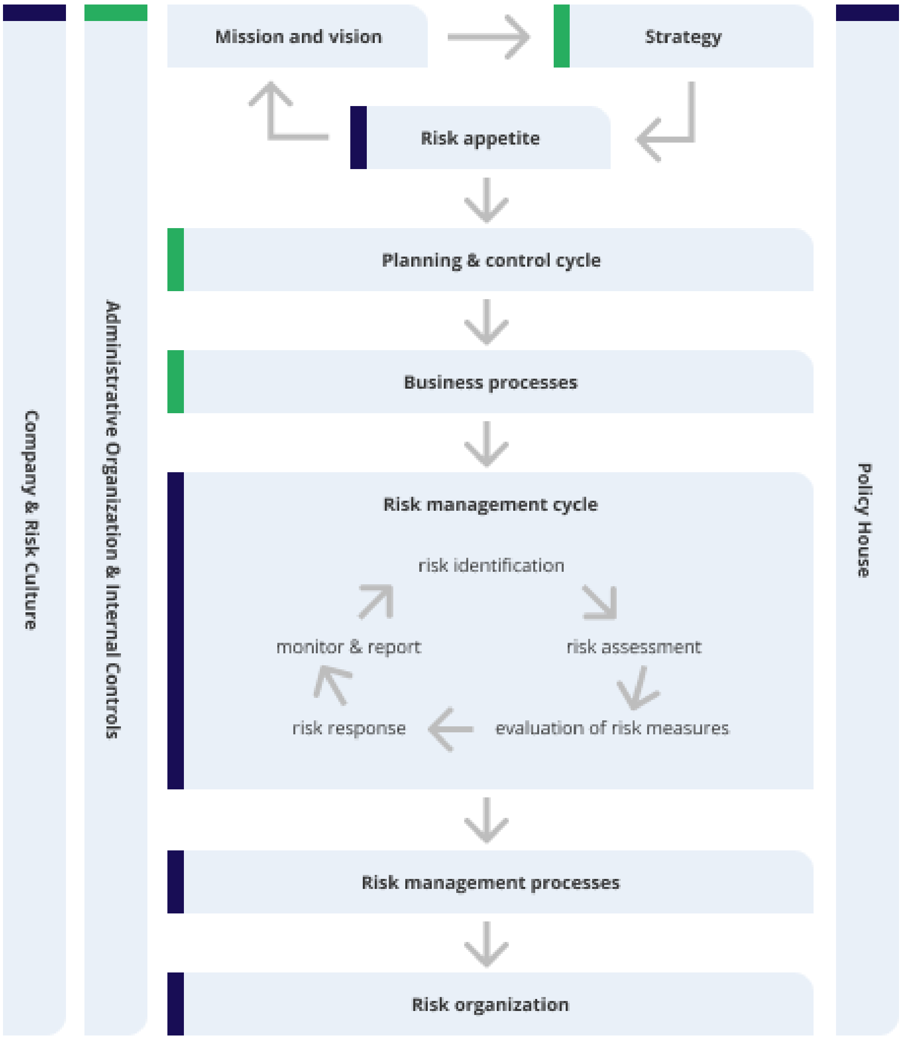
B.3.1. Risk management framework

The risk management framework in the figure below represents the governance structure, risk appetite, risk policies, risk management processes and internal controls that Lifetri has in place to manage its risks, in relation to the strategy and business processes.

The top of the framework shows that on the one hand, a top-down approach is applied for Risk management with the mission, vision and strategy as a starting point. The business strategy and financial strategy are combined in the Business Plan. The Business Plan contains a multiyear projection of both capital and solvency requirements. The process of establishing risk appetite statements and tolerances is completed alongside the business and financial planning process.

Further down, the insurer’s business processes are the basis for a periodic bottom-up risk management cycle. The frequency and timing are risk-based, depending on the level and type of inherent risks in each (group of) process(es). Each process owner also has the responsibility to maintain an adequate set of administrative organization and set of internal controls (AO/IC).

The risk organization represents the responsibilities for managing risks at various levels and key functions at Lifetri. The governance structure with Three Lines of Defence (3LoD) is the basis for risk management & compliance at Lifetri.



B.3.1.1. Risk appetite

During the annual strategic process the risk appetite is ascertained and updated if needed. Risk appetite is the aggregate level and types of risk Lifetri is willing to take within its capacity to achieve its strategic objectives and business plan. Risk appetite therefore reflects the willingness to optimally exploit our opportunities and minimize hazard to an acceptable level. Both risk strategy and risk appetite should be reviewed at least annually.

The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial and non-financial risks and compliance. The risk appetite statements are supported by risk tolerances for material risk types. This ensures plans and risk appetite are appropriately aligned.

The risk appetite statements (RAS) are reviewed periodically to ensure their continuing relevance in providing guidance to the business. The RAS has been updated in 2021. The risk appetite statements are established by the Management Board and approved by the Supervisory Board. Breaching a risk tolerance level serves as a red alert for management: the risk position must be reduced, or the Management Board may decide otherwise, with a substantiation of the decision.

The RAS is included in the appendices to show the risk appetite and tolerance (if applicable) per risk type.

The figure also contains the risk management cycle. The Risk management cycle is aimed at identifying and mitigating the inherent risks of the insurer which are material, and as such increases the likelihood that Lifetri's strategy and objectives are achieved.

B.3.1.2. Risk identification

The Management Board, line management and process owners identify the inherent risks which could occur and subsequently determine the risk measures and/or controls to mitigate these risks. Risks can be identified or updated as a result from:

- a planned or triggered risk assessment or other risk management processes
- quarterly discussions with managers;
- key control monitoring results;
- observations;
- incident notifications.

Specifically, for financial risks, the inherent risks can result from scenario analysis and or stress testing (e.g. for the ORSA). Identified risks are documented in Lifetri's risk & control framework.

B.3.1.3. Risk assessment and risk rating (net risks)

Identified risks need to be assessed by the 1st line considering existing risk measures or controls (net risks). Risk are assessed quantitatively as much as possible. For example financial risks are quantified in line with Solvency II requirements unless otherwise specified in separate policy documents.

If this Is not possible or cumbersome for example for non-financial risks or compliance risks, the risks are scored through a qualitative method (likelihood x impact). The outcomes of this scoring are shown in a heat map as illustrated below.

	Likelihood	Unlikely	Possible	Likely	Certain
Impact		1	2	3	4
Very high impact	4	M (4)	H (8)	VH (12)	VH (16)
High impact	3	M (3)	M (6)	H (9)	VH (12)
Average impact	2	L (2)	M (4)	M (6)	H (8)
Low impact	1	L (1)	L (2)	M (3)	M (4)

For non-financial risks the risk assessment criteria used to rate the non-financial risks. Financial risks, on the other hand, are rated according to their applicable risk appetite statements, tolerances, limits and the intervention ladder (as included in the Capital & Dividend Policy).

For all risk categories, risk management or compliance supports and challenges the individual risk assessments and the aggregated risk profile. In case the residual risks in Lifetri's risk profile are not acceptable or exceed the established risk appetite limits, management determines improved risk measures or controls.

B.3.1.4. Risk mitigation

To mitigate the impact of inherent risks and reduce the net risks within risk appetite limits management determines and implements risk measures and/or internal controls. Management ascertains periodically if risk measures and controls are sufficient in design to ensure that the net risks remain within risk appetite limits and or are accepted. This can be done by performing for example:

- a Strategic Risk Assessment (SRA);
- Risk Control Self-Assessments (RCSA);
- Financial scenario analysis and stress testing;
- Systematic Integrity Risk Analysis (SIRA).

For risk mitigation in general, there are four basic risk responses which a company can choose to manage risks:

- Avoid: risks are completely avoided by discontinuing or not starting activities that could incur the risk.
- Mitigate: risks are mitigated by taking measures to limit the risk (reduce or control). On the one hand, this can be done by implementing new (internal) controls or strengthening existing controls. Mitigating actions must be implemented by the first line and be specific, measurable, attainable, relevant, timely (SMART) and cost effective in relation to the risk. On the other hand, the severity or probability of risks can be reduced i.e. strategic risks can be reduced by diversifying through a mix of products, markets and or technology.
- Transfer: the financial consequences of risks can be transferred to third parties. The insurer takes out insurance programs or contracts when the exposure of possible losses or damages as a result of risk events is such that it would be inconvenient or prohibitive to ultimately charge these costs to the Profit and Loss Account. The transferring of risk does not eliminate the risk and reputation effects are not transferable.
- Accept: management may decide to accept a residual risk. For risks that are identified by governments and supervisors, the response cannot be to accept the risk. Risk acceptance needs to be adequately documented and approved in the RCC Management Board meeting.

While choosing one or more of the risk response strategies the following factors are considered:

- the nature and size of the business of Lifetri;

- the risk level and risk categories which the Management Board finds acceptable for Lifetri;
- the capacity of Lifetri, both financially and organizationally, to compensate the consequences of risks when they occur;
- the costs of implementing and executing additional risk measures or controls in relation to the likelihood and impact of risks;
- Lifetri's core values, reputation and generally accepted principles in Dutch society.

In case the existing risk measures or controls are not sufficient to maintain residual risks within acceptable risk appetite limits, management determines improved risk measures or controls. This is documented in the issue list.

B.3.1.5. Monitoring and evaluation

To ensure that risk measures and internal controls operate effectively throughout the year, periodic monitoring is necessary. Lifetri applies a risk-based approach for monitoring risk measures and internal controls. This means that risk measures and (key) controls for (very) high risks are monitored more frequently than for risks with a low score.

The key controls are periodically monitored and evaluated by the process owners to ascertain whether they work as intended and operate effectively. The outcomes are recorded in the risk & control framework (a.k.a. risk & control matrix) which are maintained by the process owners.

Key control evaluation can be done for example by:

- periodic key controls testing by the managers;
- ad hoc review of the effectiveness of key controls by the 2nd line key functions.

B.3.1.6. Reporting

Periodic reports are prepared for the various risk categories, which are discussed in the relevant governance bodies. The reporting calendar managed by Finance contains an overview of these reports and other key management information.

In general, each of the 3LoD have their own report(s) as follows:

- 1st line reporting: the managers of the departments issue various management reports which analyse and explain the performance of financial and non-financial indicators for responsibility area. Depending on the nature of the report the frequency is monthly or quarterly. The monthly and quarterly ALCO Report combines input from Actuarial Department/Balance Sheet Management and Asset Management.
- 2nd line reporting: reports by the 2nd lines of defence, i.e. Risk management, Compliance and the Actuarial Function, and contain an independent 2nd line review on the 1st line. Risk Management and Compliance prepare the Risk Management & Compliance report on a quarterly basis. The Actuarial Function issues an annual Actuarial Function report. The reports from the 2nd line functions are discussed with the SB/ARC.
- 3rd line reporting: internal audit has its own reports which are discussed with the SB / ARC.

Depending on the nature of the report they are discussed in the Management Board, Management Board-RCC, ALCO or SB/ARC. The Financial Risk Management report is specifically discussed in the Asset Liability Capital Committee (ALCO) and Management Board. The outcomes and possible improved risk responses resulting from these discussions are recorded in the meeting minutes and action list of the respective governance bodies.

B.3.2. Risk organisation

We refer to the chapter on governance for the general reporting lines and committees regarding risk management. The second line risk management activities are carried out by the risk management team and the compliance officer (see B.4.1). Their roles and responsibilities are briefly described below.

- Risk manager with focus on financial risk management and Risk Management Function holder (2nd line, RMF). The risk manager oversees all risks, both financial and non-financial risks, but will have a specific focus on financial risk management. The main attention areas for quantitative financial risk management are:
    - Underwriting risk;
    - Asset Liability Management (ALM);
    - Investment risk (securities and derivates);
    - Liquidity and concentration risk;
    - Re-insurance and other de-risking methods;
    - Financial risks resulting from working with intermediaries or other third parties.
- Non-Financial Risk Manager (2nd line, NFRM). The NFRM is responsible for the 2nd line non-financial risks i.e. operational risks, IT risks, outsourcing risks (incl. Cloud applications), legal risks. Where needed he/she advises and supports the Management Board on strategic risks, environment risks and governance risks.

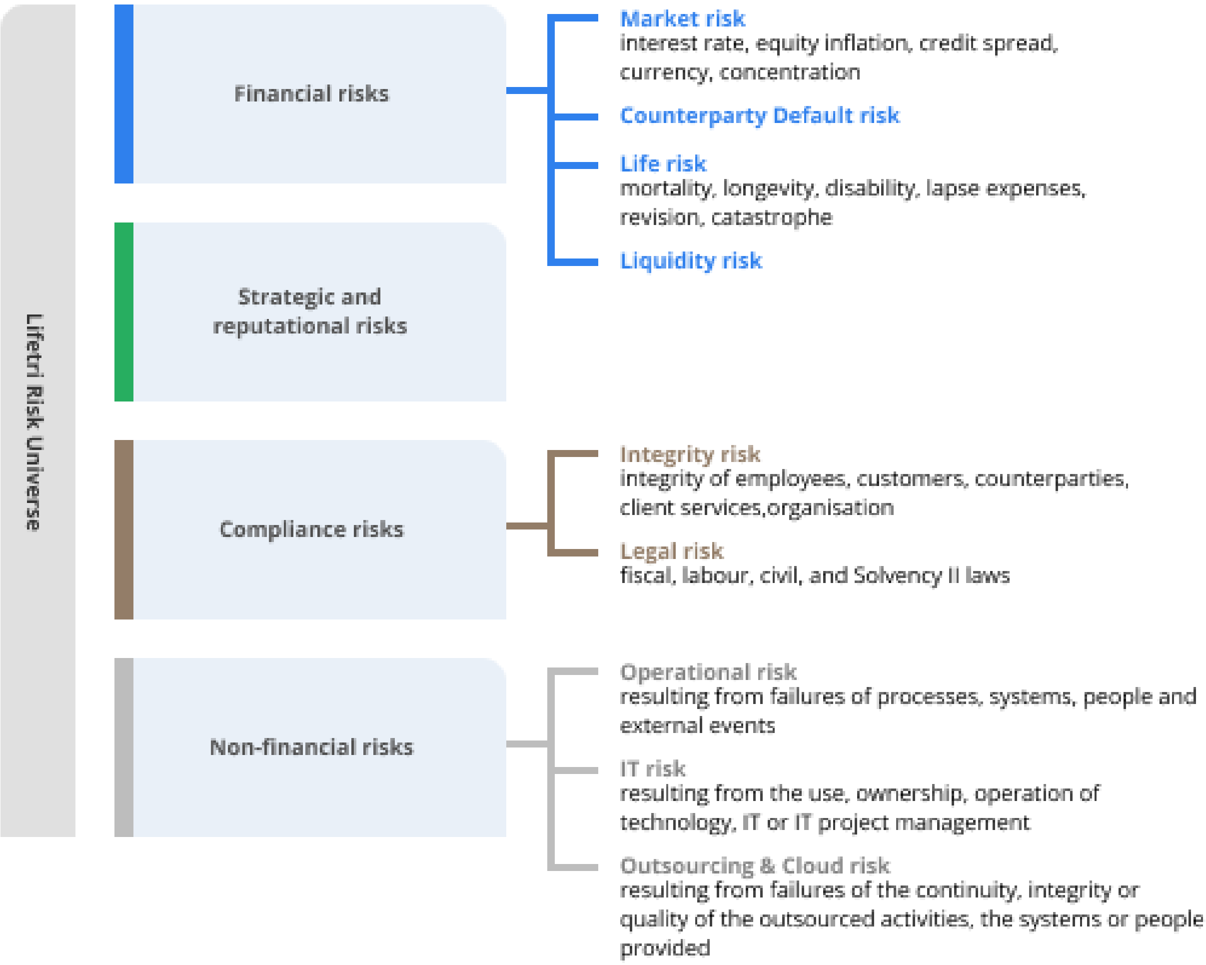
For IT and information security risks the NFRM works closely with the (Chief) Information Security Officer ((C)ISO) and the Data Protection Officer (DPO), which entails that the NFRM is expert on information security and GDPR (AVG).

B.3.3. Risk universe and risk categories

The financial risk types which Lifetri Groep uses are in line with the Solvency II regulation, and also recognize that different types of investment instruments can result in more than one risk category. The financial risks follow the Solvency II categorisation of market risks (interest rate, credit spread, currency, concentration, property and equity), counterparty default risk and actuarial life risks (mortality, longevity, disability, lapse, expenses, revision and catastrophe). In addition, Lifetri has included liquidity risk in its risk universe.

The other risk types are generally more qualitative in nature.

The non-financial risk types include: operational risk (caused by failures of processes, systems, people or external events), IT risk (including information security, continuity, integrity and availability of information systems and processes), outsourcing and cloud computing risk. Compliance risk types include legal risk and integrity risk.



B.3.4. Own Risk and Solvency Assessment

Lifetri Uitvaartverzekeringen N.V. has a national Basic regime license, Klaverblad Levensverzekering N.V. have an EU Solvency II license. The ORSA is mandatory only for Klaverblad.

The main goal of the ORSA is to show the continuous compliance with the prescribed capital requirements. In particular, it should show the validity of the target solvency level of 160%. The outcomes of the Best Estimate scenario show the target solvency level is adequate and Lifetri Groep is able to transfer its obligations at a relevant market rate. A wide set of scenarios has been tested. Relevant scenarios are a permanent low interest rate scenario and a scenario of a severe credit crisis. The former scenario underlines the importance of the compensating effect of the investment income for the future loss on the UFR in the valuation of the liabilities. The latter scenario is important for the SAA, also comprising residential mortgages and real estate. An additional analysis has been performed on the total level of the expenses.

B.4. Internal control system

B.4.1. Compliance function

The main principle is that Compliance (2nd line) is responsible for signalling the introduction of new laws and regulations of governments and supervisory authorities. The 1st line is responsible for the implementation of new laws and regulations and being compliant to existing laws and regulations. Compliance can advise the 1st line about the interpretation of (new) laws and regulations, but cannot be held responsible for the adequate application thereof. Compliance has an independent monitoring function (2nd line).

There are two exceptions to the main principle that Compliance is responsible for signalling new laws and regulations. Firstly, for fiscal laws, labor laws and civil laws. The second exception to the aforementioned principle applies to Solvency II. Within Lifetri, only Actuarial Department & Balance Sheet Management and Finance have specific knowledge on Solvency II (pillars 1 and 3). These two departments are therefore responsible for signalling changes in the SII framework.

B.4.2. Internal control framework

To ensure that risk measures and internal controls operate effectively throughout the year, periodic monitoring is necessary. Lifetri applies a risk-based approach for monitoring risk measures and internal controls. This means that risk measures and (key) controls for (very) high risks are monitored more frequently than for risks with a low score.

The key controls are periodically monitored and evaluated by the process owners to ascertain whether they work as intended and operate effectively. The outcomes are recorded in the risk & control framework (a.k.a. risk & control matrix) which are maintained by the process owners.

Key control evaluation can be done for example by:

- periodic key controls testing by the managers;
- ad hoc review of the effectiveness of key controls by the 2nd line key functions.

B.4.3. External auditor

KPMG is the appointed external auditor.

B.5. Internal audit function

The Internal Audit Function (hereafter (IAF) provides opinions and recommendations on the quality of internal control and internal processes, and the effectiveness of risk management. The task of the IAF is to assess if the system of governance, risk management and internal control at Lifetri is effective in design and operation. In this manner the IAF contributes to a systematic evaluation of risk measures for the business activities of Lifetri.

PwC is hired to perform the IAF.

B.6. Actuarial function

One of the key responsibilities of the Actuarial Function (hereafter AF) is to provide an objective, independent review and opinion on the calculation of technical provisions and sensitivity, the data quality, assumptions and IT systems used by the insurer for capital calculations, the best estimates, the Solvency II position, the underwriting policy (pricing and acceptance policy) and reinsurance arrangements. The Actuarial Function is also required to issue a formal actuarial report which documents all material tasks that have been undertaken by the actuarial function, their results, clearly identifying any deficiencies and giving recommendations as to how such deficiencies could be remedied. The AF is performed by Triple A Risk Finance.

B.7. Outsourcing

Lifetri has an active outsourcing policy. The policy lays down criteria for the selection of outsourcing parties, as well as the requirements of a proper selection process. The cloud/operating platform has been outsourced to MS Azure. Running a cloud/operating platform is not core business for Lifetri. By means of outsourcing Lifetri is able te focus on their core business. MS Azure publishes their SOC type 2 assurance report on their website. Since 2021, the investment administration and salary administration have also been outsourced.

B.8. Any other information

B.8.1. DPO

Lifetri Groep has a Data Protection Officer (DPO) to independently monitor the privacy of data.

The DPO shall be involved where business changes may have privacy consequences. To give substance to this, the DPO is involved in the formulation of policy, product development and changes involving personal data.

B.8.2. Important internal and external events

On 24 February, Russia invaded Ukraine. As a result of this act of war, many western countries imposed additional sanctions on Russia. Lifetri’s total exposure to Russian bonds was limited to around € 5.0 million and around € 2.0 million to Ukrainian bonds. All these bonds are held through investments in Exchange Traded Funds (ETF). As the Russian bonds were excluded from the index since, the exposure to Russian bonds in the ETFs are reduced to nil.

C. Risk Profile

This chapter of the SFCR contains information on the risk profile of Lifetri Groep.

C.1. Insurance risk

For Lifetri, insurance risk consists of Life risk. Life risk of Lifetri Groep includes all the Solvency II sub risks for mortality, longevity, lapse, expenses, and catastrophe. Lifetri uses the following definitions for these risks:

- Mortality: Risk of loss resulting from higher-than-expected mortality rates, which results in earlier death claims.
- Longevity: The risk of loss as a result of lower-than-expected mortality rates. Longevity risk exists due to the increasing life expectancy trends and can result in payout levels that are higher than what the insurer originally accounts for.
- Lapse: The risk of a loss as a result from unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment), surrenders or mass lapse event.
- Expenses: The risk of a loss as a result of higher than expected expenses and or inflation.
- Catastrophe: The risk of loss resulting from extreme or irregular events resulting in higher mortality rates which results in earlier death claims.

The Solvency II required capital for the life underwriting risk is the highest of all risks. At the end of 2021, the SCR for life risk was € 118.0 million. Lapse risk and expense risk are the highest risks with the life risks. The longevity risk is reduced due to the longevity reinsurance with Hannover Re. The expected future buy-outs will increase the longevity and expense risk. The additional longevity risk will be re-insured for at least 70%.

Life risk

in thousands of euros	Klaverblad Levens verzekering	Lifetri Uitvaart verzekeringen	Lifetri Groep
Mortality	39,382	9,907	49,289
Longelivety	19,234	0	19,234
Disability	0	0	0
Lapse	12,060	18,573	19,405
Expences	53,626	22,185	75,811
Catastrophe	13,405	684	14,089
Diversification	-49,493	-12,943	-59,841
Life underwriting risk	**88,213**	**38,405**	**117,986**

C.2. Market risk

Market risk includes all the risks as a result of losses on financial investments caused by adverse price movements. The relevant market risks for Lifetri are the following:

- Interest risk: The risk that is introduced by the influence of interest rate changes on both the valuation and future cash flow from investments in relation to the valuation of the Lifetri liabilities.
- Credit spread risk: Risk of loss arising from the widening of market spreads due to actual, or perceived, increase in risk.
- Concentration risk: Risk of solvency position deterioration from default of a single counterparty to which Lifetri has a significant exposure.
- Lifetri currently has no investments in equities yet, however as equities are part of the SAA it is expected that the first investments will be done in 2022.

Due to the investments in different asset classes, in 2021 SCR market risk increased to € 56.5 million.

Market risk

in thousands of euros	Klaverblad Levens verzekering	Lifetri Uitvaart verzekeringen	Lifetri Groep
Interest	2,564	2,366	4,930
Equity	0	0	0
Property	0	0	0
Credit spread	48,020	5,840	53,860
Currency	0	0	0
Concentration	0	0	0
Diversification	-1,232	-890	-2,303
SCR Market risk	**49,352**	**7,316**	**56,487**

C.3. Credit risk

Counter party default risks for government bonds are limited by rating based limits per sovereign (BBB- or better rated), default risk for other instruments by relatively small issuer limits. Credit risk on the credit portfolio is managed by limiting the Solvency Capital Requirement (SCR) for spread risk as a percentage of the credit investments.

Credit risk in the form of counterparty default risk is the risk of loss arising from default of a borrower or a transaction counterparty (note that credit spread risk is a market risk, see above). Counterparty default risk may result from the likelihood or probability that one of those involved in a transaction might default on its contractual obligation. Counterparty risk can exist in credit, investment, trading transactions including retail mortgages and reinsurance contracts.

The Solvency II required capital of counterparty default risk is decreased in 2021 from € 19.6 million to € 10.9 million. This decrease is mainly caused by the smaller cash position which fully compensates the higher exposure in mortgages.

C.4. Liquidity risk

Liquidity risk is comprised of:

- Cash flow Liquidity: Risk of being unable to meet obligations to policyholders or other creditors arising from a lack of available liquidity. Most of Lifetri's payments to policyholders have a long-term time horizon and are predictable; therefore this liquidity risk is limited.
- Asset Liquidity: Risk of being unable to sell a given asset at short-notice to fulfil collateral requirements and or shocks in the liability cash flows.
- Expected Profit in Future Premiums: The expected profit which is part of the own funds but will only be realized as the future premiums are paid.

Liquidity risk is managed first by a minimum cash requirement for all predictable outgoing cash flows for a short-term period of one month. Given the net inflow of premiums this is trivial in practice. Secondly a liquidity stress test is defined to make sure a significant part of the investment portfolio can be liquidated in a matter of days.

C.5. Operational risk

Within operational risk, Lifetri has identified IT Risk and Outsourcing and Cloud risk as separate risks because of the extensive use of, and dependence on IT. The following sub risks fall in this category:

- Operational risk: The risk of losses as a result of shortcomings in or failures of internal processes, systems and people, or from external events.
- IT risk: The risk that the continuity, integrity or availability (CIA) of the business processes and the information services is inadequately supported by IT systems, services and personnel. The IT risk relates to the following topics:
  - IT and technology strategy
  - Information security
  - Continuity, integrity and availability of information systems and processes
- Outsourcing and Cloud risk: Outsourcing may result in the risk that the continuity, integrity or quality is impaired of the activities outsourced to third parties, or of the systems or

people provided by these third parties. Cloud technology is seen by supervisory authorities as a form of outsourcing. Cloud risks may result when an insurer makes use of an on-demand service model (e.g. SaaS-based) for the delivery of IT services (e.g. data storage, applications, e-mail, IT infrastructure), which are often based on virtualisation and/or distributed computer environments.

In 2021, the SCR operational risk was € 8.4 million.

C.6. Other material risks

Lifetri has identified two additional categories of risk, i.e. strategic & reputation risks and compliance risks. Solvency II does not require insurance companies to hold capital for strategic & reputation risks.

C.6.1. Strategic risks

Strategic risk and reputation risk: In general, strategic and reputation risks are risks that jeopardize the achievement of the strategic objectives of a company and/or have a negative impact on the reputation of the company. For the (life) insurance industry, key drivers for strategic risk can be the rapid pace through which business models change and may become obsolete. The category focuses on the long-term risks which may result from strategic choices, dependencies of stakeholders, changes in competition, markets, politics, the economy or the external environment in general.

C.6.2. Compliance risks

Compliance risk is the risk of legal or supervisory sanctions, material, financial or reputation loss which an organization may incur as a result from a failure to adhere to laws and regulations. Laws and regulations include internal policies, charters and codes of conduct.

Compliance risks consist of two categories: Integrity risk and Legal risk. The Compliance Universe shows for each law or regulation if it applies to integrity or not. Integrity related laws and regulations have a direct impact on the Integrity risk. Other laws and regulations fall under the Legal risk category.

- Integrity risk: The Integrity risk relates to the integrity of employees, customers, counter parties (including intermediaries), the financial services provided by Lifetri, and of the Lifetri organization.
  - Integrity of employees: The integrity of employees including temporary staff (contractors) deals with the question whether employees are fit and proper; and it focuses on competences, remuneration, conflicts of interest, integrity sensitive jobs, fraud prevention and other integrity related issues.
  - Integrity of clients: This topic deals with client acceptance, client due diligence, monitoring of unusual transactions and checks against sanction lists.

  - Integrity of third parties: This focuses on the integrity of third parties when entering into and exiting a business relationship, fraud prevention and other integrity related issues. Third parties consist of all parties with which Lifetri cooperates but excluding clients. Insurance intermediaries and re-insurers are included in this definition of third parties.
  - Integrity of financial services: This focuses on providing careful and diligent products or services to clients (duty of care towards and providing information to clients), complaints, PARP and Marketing.
  - Integrity of the organization: This deals with the internal governance of the organization, asset management, dealing with sensitive information of the company and financial markets, operating the proper license, reporting to supervisors, adherence with anti-trust laws, financial laws & regulations, privacy, information security and prevention of cybercrime.

- Legal risk: The Legal risk relates to (non-compliance with) laws and regulations which does not involve integrity. It relates to fiscal, labour, civil and Solvency II laws and regulations.
  - Fiscal laws: This consists of all fiscal regulations applicable to the insurance undertaking (Value Added Tax, wage tax, corporate tax) for which non-compliance can directly result in a fine.
  - Labour laws: This consists of the risk of non-compliance with labour laws (employment contract, CAO (collective employees' agreement), working conditions) which may result in liabilities and claims for the employer.
  - Civil law: Civil law is related to legal entities, annual financial statements, agreements and contracts, insurance, liability, tenancy law and copyright which may result in liabilities towards third parties or clients.
  - Solvency II: Solvency II is a European directive which focuses on the organization and business operations of insurance undertakings in general. The Solvency II (SII) framework consists of three pillars. Pillar 1 focuses on quantifiable risks and capital requirements. Pillar 2 relates to, among other things, the required key Solvency II functions i.e. RMF, compliance and internal control, AF, Internal Audit Function. Pillar 3 consists of requirements for publishing information and reports to the supervisory authorities.

C.7 Any other information

No other information is applicable.

D. Valuation for Solvency Purposes

Introduction

This chapter of the SFCR contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of Lifetri Groep and explains the differences with their valuations in the 2021 Financial statements of Lifetri Groep.

The tables below provide a reconciliation between the local GAAP and Solvency II balance sheets.

in thousands of euros	Dutch GAAP 31 December 2021	Reclass	Revaluation	Solvency II 31 December 2021
Property, plant & equipment held for own use	**393**			**393**
Bonds	1,250,481			1,250,481
Mortgages	566,357			566,357
Investment funds	436,243			436,243
Derivatives	9,504	5,314		14,817
Investments	**2,262,586**			**2,267,899**
Deferred tax asset	127,827	0	-71,682	56,145
Reinsurance recoverables	0	-63,034		-63,034
Receivables (trade, not insurance)	6,237	432		6,669
Insurance and intermediaries receivables	703	-44		660
Cash and cash equivalents	176,332	-1		176,331
Deposits other than cash equivalents	0	0		0
Any other assets, not elsewhere shown	0			0
Total assets	**2,574,078**	**-57,334**	**-71,682**	**2,445,063**
Subordinated liability	**79,925**			**79,925**
Technical provisions	2,293,537	0	-277,836	2,015,701
Reinsurers' share	63,034	63,034		0
Net insurance liabilities	**2,356,572**	**-63,034**	**-277,836**	**2,015,701**
Reinsurance recoverables	0			0
Provisions other than technical provisions	0			0
Pension benefit obligations	405			405
Deferred tax liabilities	0			0
Derivatives	0	5,314		5,314
Insurance & intermediaries payables	11,901	3,223		15,125
Payables (trade, not insurance)	28,484	-6,129		22,356
Tax and social security contributions	43,179	-43,179		0
Any other liabilities, not elsewhere shown	0	46,471		46,471
Total liabilities	**2,520,466**	**-57,334**	**-277,836**	**2,185,296**
Excess of assets over liabilities	**53,612**	**0**	**206,154**	**259,767**

D.1. Assets

Cash for local GAAP is directly available funds held in bank accounts. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash is measured against fair value Level 1.

SII accounts requires accrued interest to be presented as part of the interest baring funds held in bank accounts ('dirty market value') and not separately as other liabilities.

Cash is recognized at market value. Outstanding interest is therefore corrected on the funds held in bank accounts.

D.2. Technical Provisions

The initial recognition of the acquired provision for insurance liabilities on local GAAP is calculated on basis of the fair value equal to the discounted value of the best estimate cash flows on basis of a market consistent discount rate excluding the ultimate forward rate (UFR).

The Solvency II provision for insurance liabilities is calculated based on the interest rate structure published by the regulatory authority, including volatility adjustment in the best estimate valuation.

The Solvency II provision is the sum of:

- the expected value equal to the present value of the future annual payments plus the future costs of the insurances minus the gross premiums on the basis of best estimate assumptions;
- the required risk margin, given the calculated solvency capital requirement on the basis of the risks quantified for the company.

D.3. Other liabilities

Other liabilities, under local GAAP, included the interest payable on cash held in bank accounts.

Payables, trade not insurance, are valued at face value for SII purposes.

D.4. Alternative methods for valuation

Financial assets and other liabilities (not being technical provisions) are categorised into the following fair value hierarchy.

Quoted prices in an active market (unadjusted, market observable prices) are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Lifetri Groep uses brokers' quotes.

Published prices in active markets (Level 1)
Fair value measured at Level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs (Level 2)
Fair value measured at Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a Level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- input variables arising mainly from, or confirmed by, observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs (Level 3)
Fair value measured at Level 3 significantly uses inputs for the asset or liability that are not based on significant observable market data. Unobservable inputs can be used if observable inputs are not available, so fair value can still be measured at the reporting date in situations where there is no or almost no active market for the asset or liability.

D.5 Any other information

No other information is applicable.

E. Capital Management

Introduction

This chapter of the SFCR contains information on the capital management of Lifetri Groep, including the reconciliation of Dutch local GAAP (Local GAAP) equity to Solvency II Own Funds, Minimum Capital Requirement (‘MCR’) and Solvency Capital Requirement ('SCR').

The Capital Management is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital (SCR). The target solvency level is set at 160% of SCR. At 31st of December 2021 the solvency level is 184%, reflecting that Lifetri Groep is a well-capitalized and solvent company.

E.1. Own funds

E.1.1. Headlines of the Capital Policy

The management of capital is governed by the Capital Management & Dividend Policy. The measure for adequacy of the capital position is the regulatory Solvency II ratio, defined as the ratio of eligible Own Funds (OF) over the Solvency Capital Requirement (SCR). The Capital Policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital (SCR). The target solvency level is set at 160% of SCR. The target solvency ratio is determined as follows:

- An amount equal to the internal norm solvency of 135%;
- An additional buffer to be able to take market risk (as tested in the ORSA stress scenarios), and not fall below the internal norm solvency. The scenarios used in stress tests are reviewed periodically to ensure they remain relevant;
- After defining the additional buffer for market risk, the suitability of the target solvency ratio is analysed against the expected strategic and market environment of Lifetri for the coming year. The outcome of this assessment can lead to a further increase of the target ratio capital requirement for the first coming year, if necessary.

The SCR ratio determines a detailed capital intervention ladder in the Capital Management & Dividend Policy. Above the target solvency level, no actions are needed, below the minimum solvency level measures will be taken and in between both levels actions are being considered and prepared. A short-term measure to increase available capital is a capital injection; a short-term measure to decrease the SCR is a de-risking of market risks from the investment portfolio. Other medium and long-term measures like retaining profits (withholding dividend), cost reduction, pricing, outsourcing, reinsurance and strategic measures are listed in the capital policy. In practice, management intervention actions may further prevent risks.

E.1.2. The Solvency of Lifetri Groep

in thousands of euros	31 December 2021		31 December 2020	
Excess of assets above liabilities		259,767		357,982
Tier 1	203,621		357,982	
Tier 2	79,925		0	
Tier 3	56,145		0	
Total available own funds		**339,691**		**357,982**
Eligible own funds		**279,761**		**357,982**
Solvency capital requirement				
Market risk	56,487		25,186	
Counterparty risk	10,881		19,555	
Life underwriting risk	117,986		113,302	
Diversification	-38,686		-29,066	
BSCR		**146,668**		**128,977**
Operational risk		8,378		8,268
LACDT		-2,768		-20,490
Total solvency capital requirement		**152,278**		**116,755**
Minimum capital requirement		55,770		52,541
Solvency II ratio		184%		307%
Minimum Capital required ratio		385%		684%

Solvency II distinguishes between three tiers of own funds (Tier 1, 2 and 3) and restricts the use (eligibility) of Tier 2 and Tier 3 capital in the determination of the solvency level. The positive difference between assets and liabilities, when valued on a Solvency II basis, constitutes core capital. For Lifetri Groep the part of core capital comprising deferred tax assets (DTA) is Tier 3 capital. Eligible own funds are smaller than available own funds due to the restrictions in place.

E.1.3. Solvency and risk appetite

The management of capital is governed by the Capital Management & Dividend Policy. The measure for adequacy of the capital position is the regulatory Solvency II ratio, defined as the ratio of eligible own funds (OF) over the solvency capital requirement (SCR). The capital policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital.

At the end of 2021, eligible own funds amounted to € 279.8 million.

The SCR ratio determines a detailed capital intervention ladder in the Capital Management & Dividend Policy. Above the target solvency level, no measures are needed; below the minimum solvency level measures will be taken, and in between these levels' actions are being considered and prepared.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement and Minimum Capital Requirement are given in paragraph E.1.2.

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

Lifetri Groep is not invested in equities.

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

Lifetri Groep does not apply an internal model.

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

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement.

E.6. Any other information

There is no other material information regarding capital management.

Contact and legal information

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