Solvency and Financial Condition Report 2020

Lifetri Groep

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.
- Lifetri Verzekeringen N.V.

Klaverblad Levensverzekering N.V. and Lifetri Verzekeringen N.V. merged 1 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.

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

[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). A subset of these QRT, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II are included in the appendix to this SFCR.

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 the tables below and in the remainder of this document:

- LTU refers to Lifetri Uitvaartverzekeringen;
- LTV/KBL refers to the consolidated entities of Klaverblad Levensverzekering and Lifetri Verzekeringen;
- LTG (cons) refers to the consolidated Lifetri Groep.

Eligible Own Funds

	LTU		LTV/KBL		LTG (cons)	
in thousands of euros	**2020**		**2020**		**2020**	
Solvency capital required						
Market risk	2.166		25.391		25.186	
Counterparty risk	1.891		17.715		19.555	
Life underwriting risk	35.841		86.617		113.302	
Diversification	-2.917		-26.996		-29.067	
BSCR		36.982		102.727		128.977
Operational risk		963		7.305		8.268
LACDT		-9.486		-11.003		-20.488
Total solvency capital required		**28.458**		**99.029**		**116.758**

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 the restrictions in place.

At the end of 2020 eligible own funds amounted to EUR 358 million.

Solvency Capital Requirement

	LTU	LTV/KBL	LTG (cons)
in thousands of euros	**2020**	**2020**	**2020**
Eligible own funds	56.097	310.324	357.983
Total solvency capital requirement	28.458	99.029	116.758
Minimum Capital requirement	7.115	44.563	52.541
Solvency II ratio	197%	313%	307%
Minimum Capital required ratio	788%	696%	681%

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 2020 with a Solvency II ratio of 307% based on the Standard Formula.

	LTU		LTV/KBL		LTG (cons)	
in thousands of euros	2020		2020		2020	
Own funds		**56.097**		**310.324**		**357.983**
Tier 1	56.097		310.324		357.983	
Tier 2	-		-		-	
Tier 3	-		-		-	
Total available own funds		**56.097**		**310.324**		**357.983**
Eligible own funds to meet the SCR		**56.097**		**310.324**		**357.983**

Major Developments

In 2020, the Klaverblad acquisition was closed. The servicing started of the acquired insurance policies and customers, after having received a declaration of no-objection of the DNB.

In 2020, Lifetri changed its growth strategy by focussing on the market of collective pension insurance, bidding for pension buy-out business and closing single premium collective pension insurance deals. Lifetri closed its first deal by the buy-in of the Stichting Pensioenfonds Allianz Nederland Groep (SPANG) portfolio. A pension buy-out sales team has been installed, in the first quarter of 2020 to negotiate the SPANG transaction and to prepare for future transactions. Efforts have been put into the relationships with pension fund board advisors and future prospects.

The Managing Board has been expanded from two board positions to four positions: next to a Chief Executive Officer and a Chief Financial and Risk Officer a new position of Chief Investment Officer and a new position of Chief Operating Officer who is installed in 2021.

As of 1 October 2020, Lifetri Groep merged with Baarn Midco B.V. – its parent company -, reducing the complexity in its legal chain of control.

An impactful multi-year transformation program has been started to fuse the on-going activities and change activities, directing all focus towards shared and common goals. In addition, the governance and resourcing of the program, to design and implement a new individual life insurance platform and to transition the acquired Klaverblad policies to a new policy administration system, has been strengthened.

A secure Citrix environment for all our applications has been installed. A cloud-based infrastructure has been readied for all our current and future applications.

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

General

The supervisory authority responsible for prudential supervision of Lifetri Groep:

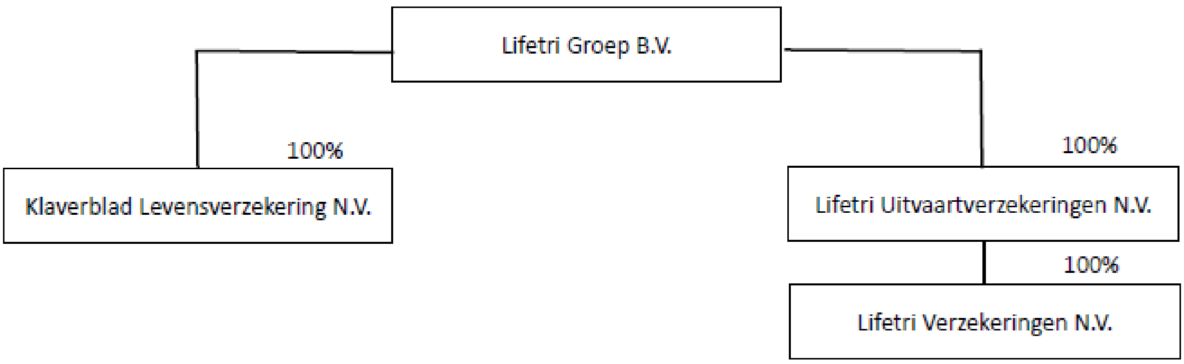
De Nederlandsche Bank
Westeinde 1
1017 ZN Amsterdam
The Netherlands

The contact details of Lifetri Groep's external auditor are:

A.J.H. Reijns RA
KPMG Accountants N.V.
Papendorpseweg 83
3528 BJ Utrecht
The Netherlands

Group structure and Ownership

The group structure as at 31 December 2020 is as follows:



The ownership structure of the group as changed in 2020 due to two events: the acquisition of Klaverblad Levensverzekering N.V. (dated 31 March 2020) and the upwards merger (dated 1 October 2020) of Lifetri Groep B.V. into Baarn Midco B.V., its 100% shareholder. After the merger Baarn Midco has been instantly renamed into Lifetri Groep B.V.

Klaverblad Levensverzekering N.V. and Lifetri Verzekeringen N.V. merged 1 April 2021. Eventually the Klaverblad name will disappear.

Lifetri Groep, Klaverblad and Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen have unity of management, meaning that these entities each have a MB and a SB with the same composition of board members. 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, executing the strategy.

After the acquisition of Klaverblad, Lifetri Group is subject to group supervision by the regulator, De Nederlandsche Bank (DNB).

Lifetri Groep is a fully owned subsidiary of European Life Group (ELG) Holding.

The ultimate shareholders, Sixth Street Partners (Sixth Street) managed investment funds, is financed by institutional investors with a long-term investment outlook. Sixth Street is focused primarily on the fundamental, long-term returns of its investments. Sixth Street does not guarantee a minimum return to its investors, rather Sixth Street considers many possible scenarios in assessing the business case of an investment, including the possibility of outperformance and underperformance relative to the base case. As a long-term investment manager, Sixth Street is mainly concerned with the sensible management of its investments and long-term capital creation and performance.

Business strategy

Lifetri Groep's ambition is to become the best provider of long-term guarantees in the Netherlands. Through a combination of long-term and stable capital base with solid investment returns and a focus on giving excellent and relevant service to existing customers. We intend to grow this business further by acquiring portfolios of life insurance liabilities and matching portfolios of assets through M&A activities or pension buy-ins and buy-outs.

The pension buy-out business is a promising market where a combination of a low interest environment, legacy IT-systems, increasing demands from regulators and a lack of scale force, pension funds to rethink their future. The buy-out market always had some volume. Lifetri expects that with the new pension agreement this will accelerate with funds having to choose an option for their participants.

Lifetri believes it can provide these participants with various innovative options, providing a tailor-made solution to the funds. One of that options is to provide a long-term guarantee with a possible option of indexation.

Lifetri believes that customer needs are not currently met by the industry. Through lack of sufficient capital and stable investment returns on the one hand and the lack of putting customers' needs at the centre of the propositions. Lifetri's specific offering is not just to insure people but rather find the fit to their needs. This means not creating fear but rather focusing on what is important to them.

Lifetri formulated its mission as follows:

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

Lifetri does this by providing knowledge and having sincere interest in the customer. We make insurance products transparent and easy to understand and show that not all worries and fears are realistic.

During 2020 the main focus for Lifetri Groep was fourfold:

1. Stabilizing and professionalizing the organisation, at the same time providing the best service possible to our clients;

2. Closing the Klaverblad acquisition and start servicing the acquired insurance policies and customers, after having received the declaration of no-objection of the DNB;

3. Entering the market of pension insurance, bidding for pension buy out business and closing single premium pension insurance deals;

4. Step-by-step realising of a new futureproof IT foundation with a layer consisting of modular and loosely coupled back office and front office functionalities and processes to ultimately deliver valued digital client centric services.

However, having said that, 2020 will be remembered as the year in which it has been all people's challenge to sanely and healthy weather the storm of all direct, indirect, explicit and implicit effects of COVID-19. Lifetri has accelerated its digital way of working by enabling all employees for working from home. This was made possible through our earlier efforts to enable all through the cloud. As well as digitising all the physical mail and printing.

But most importantly we wanted people to stay connected amongst each other and with Lifetri Groep. Constant communication was and is still key. Regular check ins, informal talks and making a genuine effort to forget about the content and work and talking about what matters most.

One of the initiatives to achieve people stay connected with the mission of Lifetri Groep was the personal letters, boxes with content under the brand "Lifetri Thuis".

Executing the strategy

Lifetri positions itself both in the business-to-business as well as in the business-to-consumer life insurance markets.

Closing of the announced acquisition of Klaverblad Levensverzekering N.V.

After having received the declaration of no-objection from DNB, the acquisition of Klaverblad, announced in May 2019, closed on 31 March 2020, involving around 500,000 term life, pension and funeral insurance policies representing EUR 1 bln liabilities. Klaverblad policy administration staff transferred to Lifetri Groep.

Entry in the pension buy out market

Late 2019, having identified a window of opportunity for the acquisition of pension fund liabilities, Lifetri prepared for the entry into this business-to-business market. The window of opportunity has emerged due to mainly three parallel developments:

- Insurers in general have a risk averse attitude toward the asset classes they want to invest in due to capital restraints;
- The returns on a low risk asset portfolio ('government bonds') are not sufficient to cover liabilities and generate an excess return;
- Anticipating the 'new pension contract' pension fund boards have to decide how to safe guard the legacy pension liabilities.

Lifetri Groep, supported by its shareholders, has access to capital required to invest in a well-balanced asset portfolio of primarily debt instruments driven by the illiquidity of its liabilities.

Evidence of this opportunity is the successful acquisition of the pension liabilities and assets of the Stichting Pensioenfonds Allianz Nederland Groep (SPANG) as per 1 July 2020.

Scale up

Due to above mentioned commercial successes Lifetri experienced 700% growth in liabilities from approximately EUR 300 mln to EUR 2.4 bln and a 275% growth in the number of insurance policies.

This huge growth has been accommodated by the highly motivated Lifetri team, consisting of own staff, associates, network partners, staff from the transferring companies; indirectly and directly involved in the abovementioned transactions.

In the meantime, the MB developed the design and implementation of future-proof organisational, IT and process basics, as a fundament to build upon capabilities to absorb additional volume.

Preparing our organisational basics to be able to absorb additional volume of liabilities, assets, life insurance policies, different asset classes, external partners, B-t-B deals

The Managing Board has been expanded from two board positions to four positions: next to a Chief Executive Officer and a Chief Financial and Risk Officer a new position of Chief Investment Officer and a new position of Chief Operating Officer.

Anticipating the acquisition of Klaverblad, as of 1 January 2020 all staff transferred from Lifetri Uitvaartverzekeringen to Lifetri Groep and were seconded to its operating subsidiaries. As of 1 October 2020, Lifetri Groep merged with Baarn Midco B.V. – its parent company -, reducing the complexity in its legal chain of control.

Lifetri moved offices and has a new and modern office at its disposal in Maarssen.

In 2020 permanent staff replaced temporary staff in risk management and asset management, the in-house desk for client services and intermediaries have been staffed. The recruitment for a limited number of digital marketing vacancies was successful – limited as we approach the build-up of our digital capabilities in an agile manner.

A pension buy-out sales team has been installed, in the first quarter of 2020 to negotiate the SPANG transaction and to prepare for future transactions. Efforts have been put into the relationships with pension fund board advisors and future prospects.

An impactful multi-year transformation program has been started to fuse the on-going activities and change activities, directing all focus towards shared and common goals. In addition, the governance and resourcing of the program, to design and implement a new individual life insurance platform and to transition the acquired Klaverblad policies to a new policy administration system, has been strengthened.

Preparing our IT basics to be able to absorb additional volume

The ambition to become a client centric digital insurer has been the driver to gradually upgrade our core IT infrastructure. We adhere to four IT principles to ensure a scalable, future proof IT architecture that will enable world class performance:

- Modular IT landscape
- Connected IT landscape
- Core and supporting (non-core) systems
- Strict Data Management

A secure Citrix environment for all our applications has been installed. A cloud-based infrastructure has been readied for all our current and future applications. The technical architecture of the interaction between our new policy administration system and other parts of our infrastructure is based on the IT principles (APIs, integration layer, service bus, etcetera). Preparations have been finalised to move to the cloud with our financial software package and to a SAAS based solution for our salary administration.

Upgrading our process basics to be able to absorb additional volume

Together with our advisors and investors the governance and deal making processes and procedures have been designed and implemented to be able to professionally deal with requests for quotes, information, proposals.

Missing policies (for instance policies with respect to outsourcing, economic reality) have been identified and designed, discussed in appropriate committees and approved by the Management Board.

Due to rationalization of the Klaverblad portfolio approximately four hundred products were converted to four products.

A.2 Underwriting performance

Underwriting income and expenses

	2020				2019			
in thousands of euros	Klaverblad	Lifetri Verzekeringen	Lifetri Uitvaart	Total	Klaverblad	Lifetri Verzekeringen	Lifetri Uitvaart	Total
Claims	27.236	0.064	5.853	33.153	18.361	0.027	5.160	23.548
Expenses	13.922	0.060	9.525	23.507	5.271	0.137	9.052	14.460

The claims are increased in 2020 mainly due to the addition of the SPANG portfolio as per 1 July 2020.

The expenses are increased materially due to the one-off expenses for the integration of Klaverblad and SPANG in the Lifetri Groep organization and the additional acquisition expenses for the further growth of the company.

A.3 Investment performance

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

Investment income and expenses: **Group consolidated**

in thousands of euros	2020					
	Dividends	Interest	Rent	Realised gains and losses	Unrealised gains and losses	Total 2020
Cash and deposits	0	-512	0	0	0	-512
Government Bonds	0	10.271	0	17.073	238.564	265.908
Corporate Bonds	0	1.309	0	300	12.120	13.729
Structured notes	0	0	0	0	19.230	19.230
Mortgages and loans	310	864	0	0	3.479	4.653
Collective investments undertakings	218	0	0	0	2.806	3.024
Other investments	0	0	0	-579	0	-579
Investment income	**528**	**11.932**	**0**	**16.794**	**276.199**	**305.453**
Investment management costs						**-4.571**
Investment result						**300.882**

Investment income and expenses:						LTV
in thousands of euros	2020					
	Dividends	Interest	Rent	Realised gains and losses	Unrealised gains and losses	Total 2020
Cash and deposits	0	-5	0	0	0	-5
Government Bonds	0	37	0	0	56	93
Corporate Bonds	0	0	0	0	0	0
Structured notes	0	0	0	0	0	0
Mortgages and loans	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0
Other investments	0	0	0	0	0	0
Investment income	**0**	**32**	**0**	**0**	**56**	**88**
Investment management costs						**-46**
Investment result						**42**

Investment income and expenses:						LTU
in thousands of euros	2020					
	Dividends	Interest	Rent	Realised gains and losses	Unrealised gains and losses	Total 2020
Cash and deposits	0	-164	0	0	0	-164
Government Bonds	0	1.778	0	528	47.132	49.438
Corporate Bonds	0	0	0	-21	0	-21
Structured notes	0	0	0	0	0	0
Mortgages and loans	310	382	0	0	645	1.337
Collective investments undertakings	44	0	0	0	592	636
Other investments	0	0	0	0	0	0
Investment income	**354**	**1.996**	**0**	**507**	**48.369**	**51.226**
Investment management costs						**-840**
Investment result						**50.386**

Investment income and expenses:						KBL
in thousands of euros	2020					
	Dividends	Interest	Rent	Realised gains and losses	Unrealised gains and losses	Total 2020
Cash and deposits	0	-343	0	0	0	-343
Government Bonds	0	8.456	0	16.545	191.376	216.377
Corporate Bonds	0	1.309	0	321	12.120	13.750
Structured notes	0	0	0	0	19.230	19.230
Mortgages and loans	0	482	0	0	2.834	3.316
Collective investments undertakings	174	0	0	0	2.214	2.388
Other investments	0	0	0	-579	0	-579
Investment income	**174**	**9.904**	**0**	**16.287**	**227.774**	**254.139**
Investment management costs						**-3.685**
Investment result						**250.454**

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 induvial 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), Lifetri Uitvaartverzekeringen N.V. (hereafter Lifetri Uitvaartverzekeringen) and Lifetri Verzekeringen N.V. (hereafter Lifetri Verzekeringen).

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

The Supervisory Boards of the three subsidiaries of Lifetri 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), the Chief Investment Officer and a Chief Financial & Risk Officer (CFRO), with the CEO being the chair of the Board.

At the 31st of December 2020 the Management Board consisted of:

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

At the 1st of December 2020 M.R.E. Harkema became the new CFRO of Lifetri Groep and its subsidiaries B.V., taking over from I.A.T. van den Bosch . The Managing Board was strengthened with a Chief Investment Officer (CIO). At 10 December 2002 J.P.M. Rijken became the new CIO of Lifetri Groep and its subsidiaries. As per 10 May 2021, R. Zomer was appointed as COO.

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 N.V. currently consists of:

- J.H.D. van Hemsbergen (chairman of SB and chairman of the ARC ad interim);
- H. Eggens;
- R. Singhal;
- N. Albert (chairman of REMCO).

Appointments and resignations in 2020

- P.K. Medendorp resigned as member of the SB
- J.H.D. van Hemsbergen was appointed interim-chair of the Audit and Risk committee
- H. Eggens was appointed as member of the SB until 2024
- H. Eggens was appointed as member of the Audit and Risk committee, and of the Nomination and Remuneration committee

B.1.1.4 Asset Liability and Capital Committee

The Asset Liability and Capital Committee (ALCCO) is a permanent committee to the MB. It is the advisory committee that advises the MB on investments and capital. In this function it prepares and advises for decision making by the MB. The MB approves on all investments, except where these investments are reserved for approval by the SB. The CFRO acts as technical chairman of this committee, the CEO has a standing invitation and the head actuary and portfolio manager are the two voting members. The investment risk manager is secretary to the ALCCO and has a formal role in reviewing investment proposals from a risk perspective before they are submitted as advise to the MB. Other attendees of the ALCCO are the second line Risk Manager and advisors. The ALCCO meets at least once a month.

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

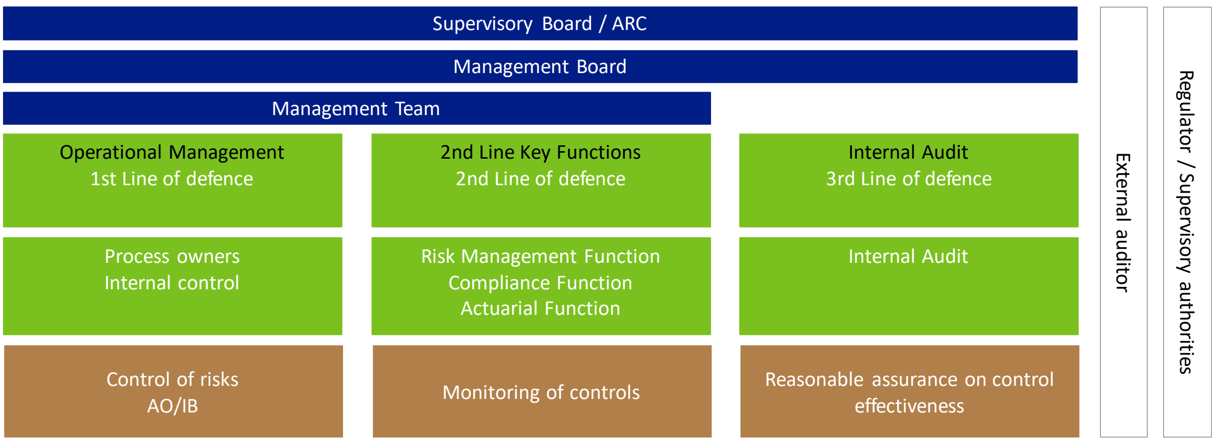
The governance structure within Lifetri Groep is designed on the bases of the three lines of defence model.

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 2020 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 Groep - as an insurance company - has established a remuneration policy that guarantees that the policy does not encourage the taking of more risks than is acceptable.

The following principles were applied when drawing up Lifetri Groep’s remuneration policy:

- The remuneration must be at least in line with the market and socially acceptable;
- The remuneration policy must be supportive of Lifetri Groep's long-term strategy aimed at financial stability, continuity and sustainable growth with a moderate risk profile;
- The remuneration system must be transparent, simple and feasible;
- The remuneration system must comply with applicable laws and regulations (including self-regulation).

The pension policy of Lifetri Groep is based on the pension scheme included in the Collective Labour Agreement (CAO). As per 1 January 2020, the accrual of new pension entitlements has been transferred to the PGB pension fund.

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 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

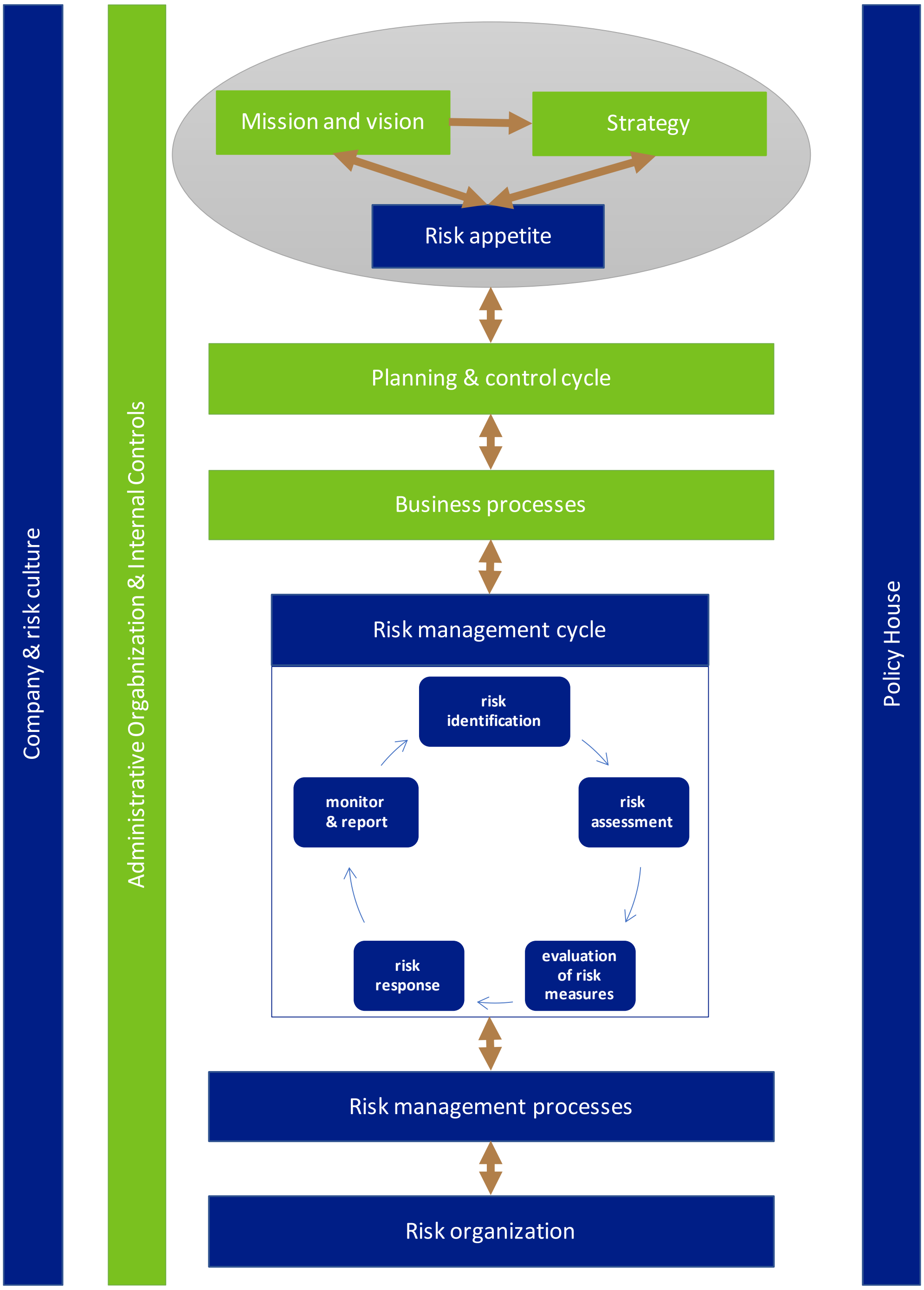
B.3.1 Risk management framework

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 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 2020. The risk appetite statements are established by the Management Board and approved by the Supervisory Board and completed alongside the business and financial planning process. 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. For day-to-day operational monitoring purposes, the risk tolerances are translated into risk limits. Breaching a risk limit (if defined for the risk type), however, acts more like an early-warning signal. Action is required, unless there are good reasons to maintain the current risk level and the risk is accepted by the Management Board

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 quantitively 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 heatmap as illustrated below.

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 Management & 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 management 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 reputational 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 and/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 and/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 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 ALCCO 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.
- 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, ALCCO or SB/ARC. The Financial Risk Management report is specifically discussed in the Asset Liability Capital Committee (ALCCO) 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.

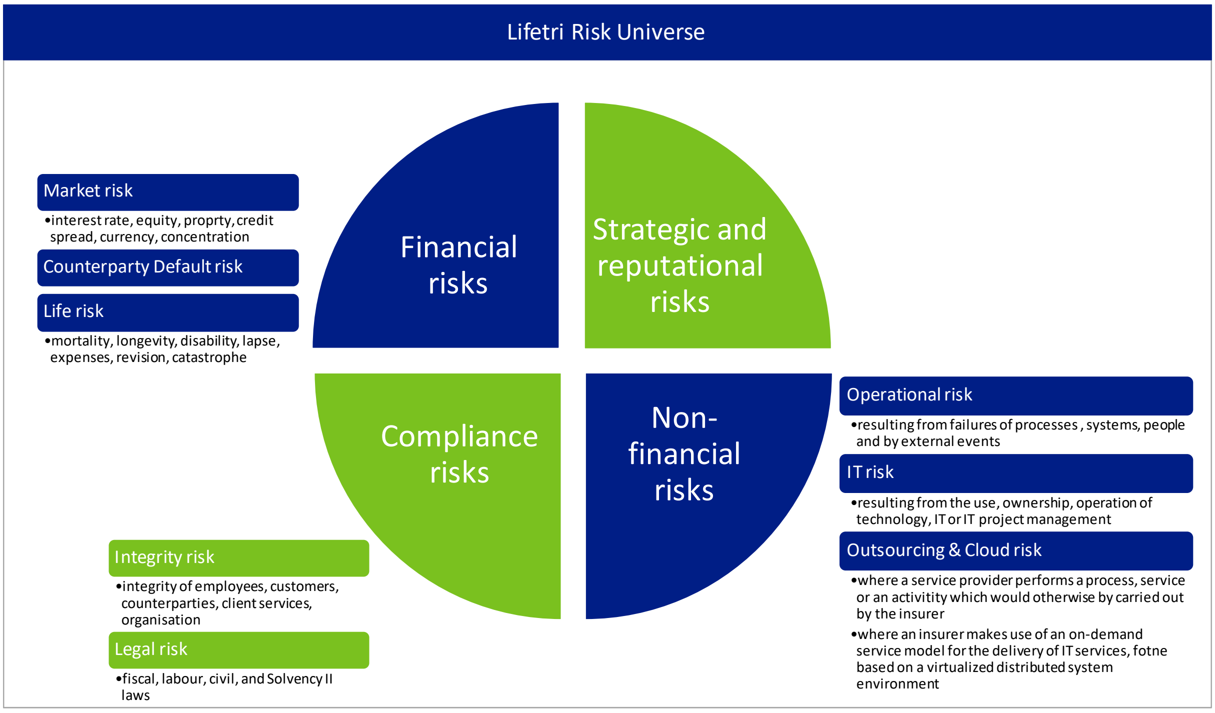
  For IT and information security risks the NFRM works closely with the Information Security Officer (ISO) and the Privacy officer, which entails that the NFRM does not need to be subject matter expert on information security and GDPR (AVG).

B.3.3. Risk universe and risk categories

Lifetri management, with the independent opinion of 2nd line Risk management and Compliance, determines the different risk types to which Lifetri is, or could be, exposed (hereafter Risk Universe).

This Risk Universe is based, among other things, on relevant laws and regulations (e.g. Solvency II) and on Lifetri's risk profile. Lifetri's Risk Universe is divided in four major risk categories: Strategic and reputational risks, Financial risks, Non-financial risks and Compliance risks.

The risk categories are divided in main risk types with detailed sub risks; see the figure below.



B.3.4 Own Risk and Solvency Assessment

Lifetri Uitvaartverzekeringen N.V. has a national Basic regime license, its subsidiary Lifetri Verzekeringen N.V. and Klaverblad Levensverzekering N.V. have an EU Solvency II license. The ORSA is mandatory only for the latter two. In 2020, for the first time a Group ORSA was established.

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). In case Compliance is too much involved in the application of laws and regulations, Compliance cannot form a sufficiently independent opinion about the implementation.

There are two exceptions to the main principle that Compliance is responsible for signalling new laws and regulations. Firstly, for fiscal laws, labour laws and civil laws, Compliance has a shared responsibility together with the first line. The second exception to the aforementioned principle applies to Solvency II. Within Lifetri, only Actuarial and Finance & Control have specific knowledge on Solvency II (pillars 1 and 3). Actuarial and Finance & Control are therefore responsible for signalling changes in the SII framework. The Compliance Officer is the key function holder.

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 functions, their results, clearly identifying any deficiencies and giving recommendations as to how such deficiencies could be remedied. Lifetri hires Triple A for the performance of the AF.

B.7 Outsourcing

An outsourcing policy has been re-designed during 2020. The policy lays down criteria for the selection of outsourcing parties, as well as the requirements of a proper selection process.

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

B.8.2.1 New office location/rebranding/new culture

Lifetri Groep has moved offices from Hilversum to Maarssen in July 2020. During the pandemic in 2020, most of the work of the Lifetri staff was done by remote working from home.

C. Risk Profile

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

C.1 Underwriting risk

For Lifetri, underwriting 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 pay-out 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 2020, the SCR for life risk was EUR 113.3 million. Lapse risk and expense risk are the highest risks with the life risks.

Life risk

in thousands of euros	Klaverblad	Lifetri Verzekeringen	Lifetri Uitvaart	Total
Mortality	42.290	47	10.386	52.723
Longevity	18.715	-	-	18.715
Disability	-	-	-	-
Lapse	17.781	-	18.567	24.252
Expenses	45.963	80	19.052	65.094
Revision	-	-	-	-
Catastrophe	13.876	1	665	14.542
Diversification	52.106	25	12.828	62.025
SCR Life	**86.519**	**103**	**35.841**	**113.302**

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 cashflow 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. This risk is perceived as a minor risk given the illiquid nature of our liabilities and the buy and hold strategy for illiquid assets. Only defaults will result in an actual loss.
- Concentration risk: Risk of solvency position deterioration from default of a single counterparty to which Lifetri has a significant exposure.
- Equity risk: Equity Risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of equities.

Market risk

in thousands of euros	Klaverblad	Lifetri Verzekeringen	Lifetri Uitvaart	Total
Interest risk	19.392	95	-	17.803
Equity risk	-	-	1.194	-
Property risk	-	-	-	-
Credit spread risk	16.694	-	1.122	17.816
Currency risk	-	-	-	-
Concentration risk	-	-	-	-
Diversification	10.498	-	149	10.433
SCR Market	**25.588**	**95**	**2.166**	**25.186**

The interest risk is upward. At Lifetri Uitvaart the impact is negative and therefor the SCR interest nil. However, consolidated the negative impact of Uitvaart off-sets part of the SCR interest at Klaverblad and Verzekeringen therefor the Market SCR of total is less than the Market SCR of Klaverblad stand-alone.

The general risk appetite for market risks is further specified by quantitative risk limits for different risk categories in the Investment policy. The investment policy also contains the investment beliefs.

- Interest rate risk is managed by limiting the economic hedge ratio and the Solvency II hedge ratio (incl. UFR) within separate, pre-set boundaries. In practice a third hedge ratio based on the volatility of own funds is monitored. The interest rate risk is also limited by a specified maximum impact on solvency. A higher impact is tolerated at higher solvency levels.
- There is no risk appetite for concentration risk.

- Equity risk: Lifetri currently has no investments in equities as it has no appetite for equity risk. However, Lifetri Uitvaartverzekeringen's ownership of Lifetri Verzekeringen is treated as a strategic equity investment for SCR purposes.

Lifetri Groep does not invest in affiliate funds, commodities, hedge funds and non-OECD countries. The use of derivatives is only allowed for hedging purposes of interest and inflation risk. A more detailed set of criteria exists for the allowed investment categories.

C.3 Credit risk

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, and trading transactions including cash at bank, retail mortgages and reinsurance contracts.

The Solvency II required capital of counterparty default risk was EUR 19.6 million at the end of 2020 (Klaverblad Levensverzekering N.V. EUR 17.7 million and Lifetri Uitvaartverzekeringen N.V. EUR 1.9 million).

The loan portfolio of Lifetri Groep consists completely of Owner Occupied and Buy-to-Let mortgages. These mortgages are included in the counterparty default risk.

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.

C.4 Liquidity risk

Liquidity risk is comprised of:

- Cashflow Liquidity: Risk of being unable to meet obligations to policyholders or other creditors arising from a lack of available liquidity. Strictly speaking this is an operational risk.
- Asset Liquidity: Risk of being unable to sell a given asset at short-notice.

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. To this end the policy describes liquidity factors to be used for different asset classes. In 2020, the balance sheet consisted mainly of highly liquid government bonds, mortgages and cash.

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 virtualization and/or distributed computer environments.

In 2020, the SCR operational was EUR 8.3 million.

With regard to human resources management, a remuneration policy has been written as well as a policy for the education of staff. Also, an improved review cycle was introduced. Topics of attention include policies, administration, key-person risks, outsourced second line functions and company culture.

Lifetri Groep has no central trade system and uses the internal administration and KasWeb system (KasBank) for its investments. Much effort has been put in a controlled organization of the operational process of trade execution, i.e. after formal approval of investments by the MB. This includes segregation of duties and performing four eyes checks and implementation of key controls. The investment risk manager has a key role in monitoring the investment process. Risk manager and Board secretary are security officers ('administrators') for the KasWeb system. In addition, much effort has been dedicated to process management of payment processes for bills, policy claims and salaries, in particular the different (pre-)

approval steps, segregation of duties and four eyes checks. The MB has final approval on all payments IT has focused on the management of the Microsoft Azure cloud platform to improve cost control, security and the business continuity. An information security self-assessment revealed some gaps of existence and effectiveness of controls. A short-term plan was written to improve key controls related to roles & responsibilities and access and protection of systems. A year plan was produced to cover the remaining controls. The development of the IT exit strategy of Microsoft Azure cloud platform is in progress.

C.6 Other material risks

Lifetri has identified two additional categories of risk, i.e. Strategic & reputational risks and Compliance risks. Solvency II does not require insurance companies to hold capital for these risks.

C.6.1 Strategic risks

Strategic risk and reputational risk: In general, strategic and reputational 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.

Lifetri has identified the lack of growth opportunities and a continued low interest rate environment as to strategic risks.

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 reinsurers 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.

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 2020 Financial statements of Lifetri Groep.

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

Solvency II Balance sheet Lifetri Groep B.V. consolidated 31-12-2020

Solvency II Balance	12/31/2020	RECL	REVAL	Local GAAP	12/31/2020
Cash and cash equivalents	252.636	31		Cash and cash equivalents	252.667
Property, plant & equipment	510			Property, plant & equipment	510
Bonds	1.951.370			Bonds	1.951.370
Collective investment undertakings	72.515			Collective investment undertakings	72.515
Loans and mortgages	174.782			Loans and mortgages	174.782
Reinsurance recoverables	-70.411	70.411		Reinsurance recoverables	-
Deferred tax assets	-		56.741	Deferred tax assets	56.741
Other receivables	20.086			Other receivables	20.086
Any other assets, not elsewhere shown	214			Any other assets, not elsewhere shown	214
Accrued interest Bonds	-			Accrued interest Bonds	-
Total Assets	**2.401.702**	*70.442*	*56.741*	*Total*	*2.528.885*

Solvency II Balance	12/31/2020	RECL	REVAL	Local GAAP	12/31/2020
Technical provisions - Best Estimate	1.837.425	-1.837.425		Technical provisions - Best Estimate	-
Technical provisions - Risk margin	159.066	-159.066		Technical provisions - Risk margin	-
Insurance liabilities	-	2.066.902	317.017	Insurance liabilities	2.383.919
Provisions other than technical provisions	251			Provisions other than technical provisions	251
Pension benefit obligations	560			Pension obligations	560
Deferred tax liabilities	22.392	-22.392			-
Insurance & intermediaries payables	6.824	-6.824			-
Payables (trade, not insurance)	7.056	-7.056		Payables (trade, not insurance)	-
Any other liabilities, not elsewhere shown	10.145	135		Any other liabilities, not elsewhere shown	10.008
Short-term liabilities	-	36.168	-22.392	Short-term liabilities	14.047
Excess of assets over liabilities	357.983	0	-237.884	Total shareholders funds	120.100
Total Liabilities	**2.401.702**	*70.442*	*56.741*	*Total*	*2.528.886*

Solvency II Balance sheet KBL/LTV 31-12-2020

Solvency II Balance	12/31/2020	RECL	*Local GAAP*	*12/31/2020*
Cash and cash equivalents	240.250	*31*	Cash and cash equivalents	240.281
Bonds	1.714.123		Bonds	1.714.123
Collective investment undertakings	60.602			60.602
Loans and mortgages	120.162			120.162
Reinsurance recoverables	-70.411	*70.411*	Reinsurance recoverables	-
Deferred tax assets	-		Deferred tax assets	-
Other receivables	19.264		Other receivables	19.264
Any other assets, not elsewhere shown	-		Any other assets, not elsewhere shown	-
Accrued interest Bonds	-		Accrued interest Bonds	-
Total Assets	**2.083.991**	***70.442***	***Total***	***2.154.433***

Solvency II Balance	12/31/2020	RECL	*Local GAAP*	*12/31/2020*
Technical provisions - Best Estimate	1.623.407	*-1.623.407*	Technical provisions - Best Estimate	-
Technical provisions - Risk margin	129.974	*-129.974*	Technical provisions - Risk margin	-
Insurance liabilities	-	*1.823.792*	Insurance liabilities	1.823.792
Deferred tax liabilities	9.737	*-9.737*		-
Insurance & intermediaries payables	5.092	*-5.092*		-
Payables (trade, not insurance)	5.456	*-5.456*	Payables (trade, not insurance)	-
Any other liabilities, not elsewhere shown	0		Any other liabilities, not elsewhere shown	0
Short-term liabilities	-	*20.317*	Short-term liabilities	20.317
Excess of assets over liabilities	310.324		Total shareholders funds	310.324
Total Liabilities	**2.083.991**	***70.442***	***Total***	***2.154.433***

Solvency II Balance sheet LTU 31-12-2020

Solvency II Balance	12/31/2020	RECL	REVAL	*Local GAAP*	*12/31/2020*
Cash and cash equivalents	11.940			Cash and cash equivalents	11.940
Property, plant & equipment	5			Property, plant & equipment	5
Holdings in related undertakings	5.425			Holdings in related undertakings	5.425
Bonds	237.247			Bonds	237.247
Collective investment undertakings	11.913			Collective investment undertakings	11.913
Loans and mortgages	54.619			Loans and mortgages	54.619
Other receivables	2.902			Other receivables	2.902
Any other assets, not elsewhere shown	35			Any other assets, not elsewhere shown	35
Total Assets	**324.086**	***0***	***0***	***Total***	***324.086***

Solvency II Balance	12/31/2020	RECL	REVAL	*Local GAAP*	*12/31/2020*
Technical provisions - Best Estimate	214.018	*-214.018*		Technical provisions - Best Estimate	-
Technical provisions - Risk margin	29.092	*-29.092*		Technical provisions - Risk margin	-
Insurance liabilities	-	*243.110*	*6.074*	Insurance liabilities	249.184
Provisions other than technical provisions	-				-
Pension benefit obligations	-				-
Deferred tax liabilities	12.655	*-12.655*			-
Insurance & intermediaries payables	1.732	*-1.732*			-
Payables (trade, not insurance)	420	*-420*		Payables (trade, not insurance)	-
Any other liabilities, not elsewhere shown	10.073			Any other liabilities, not elsewhere shown	10.073
Short-term liabilities	-	*14.807*	*-1.397*	Short-term liabilities	13.410
Excess of assets over liabilities	56.097	*0*	*-4.677*	Total shareholders funds	51.420
Total Liabilities	**324.086**	***0***	***0***	***Total***	***324.086***

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 Information on the valuation of the 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). Due to the reinsurance the fair value was equal to the Solvency II provision.

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

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 Information on the valuation of 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.

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 2020 the solvency level is 307%, 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

	LTU		LTV/KBL		LTG (cons)	
in thousands of euros	2020		2020		2020	
Own funds		**56.097**		**310.324**		**357.983**
Tier 1	56.097		310.324		357.983	
Tier 2	-		-		-	
Tier 3	-		-		-	
Total available own funds		**56.097**		**310.324**		**357.983**
Eligible own funds to meet the SCR		**56.097**		**310.324**		**357.983**
Solvency capital required						
Market risk	2.166		25.391		25.186	
Counterparty risk	1.891		17.715		19.555	
Life underwriting risk	35.841		86.617		113.302	
Diversification	-2.917		-26.996		-29.067	
BSCR		36.982		102.727		128.977
Operational risk		963		7.305		8.268
LACDT		-9.486		-11.003		-20.488
Total solvency capital required		**28.458**		**99.029**		**116.758**
Eligible own funds		56.097		310.324		357.983
Total solvency capital requirement		28.458		99.029		116.758
Minimum Capital requirement		7.115		44.563		52.541
Solvency II ratio		197%		313%		307%
Minimum Capital required ratio		788%		696%		681%

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 III capital. Eligible own funds are smaller than available own funds due to the restrictions in place. No DTA is considered in the eligible own funds.

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 2020, eligible own funds amounted to EUR 358.0 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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