Solvency and Financial Condition Report

Ethias SA

31/12/2019

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1. Summary

In order to simplify the group, Vitrufin SA, the holding company owning 100% of Ethias SA, was liquidated on October 25, 2019.

In a fast-changing environment, Ethias has adopted a a strategic programme aimed at strengthening its position as the n° 1 Direct insurer, the n° 1 Digital insurer and leader for Public Bodies. This ambitious programme will enable Ethias to meet the many challenges facing our sector: strong competition, new players, a difficult macroeconomic context, a disrupted societal environment, new consumer habits, technological advances and challenges ... In this context, the organisation was strengthened in 2019, focusing on a number of priorities: improving profitability, digital growth, new services and cost control.

The company's strategic axes are based on 3 pillars, viz. digital, direct and reinforced partnership with public authorities, linked to a constant drive for innovation at the customer's service.

In 2019, Ethias achieved a net result of 190 million euros, up 12% compared to the previous year, thanks to a strong performance in Life business.

The results of Individual Non-Life business were excellent, while those of Public Bodies & Companies were marked by a decrease in profitability. Life business has performed very well.
Overall income amounts to 2,671 million euros, i.e. a decrease by 1% compared to the 2018 income, resulting from a 3% increase in Non-Life and a 5% decrease in Life. The decrease in Life income (-5%) is due to a difference in timing of premium payment for pension insurances. The excellent performance on financial assets, mainly as a result of capital gains realised on real estate and shares, partly offset the decrease in the Non-Life result.

At end-2019, the Solvency II ratio stands at 191% (no distribution of dividend as requested by regulatory authorities) (compared to a solvency ratio of 181% at end-2018 after deduction of the dividend).

Ethias SA calculates its solvency level in Solvency 2 using the standard formula, without resorting to long-term transitional measures.

This performance was highlighted by the rating agency Fitch Ratings. Ethias' IFS rating ("Insurer Financial Strength"), which had already been upgraded in January from BBB+ to A- (Strong with positive outlook), was confirmed and the outlook was raised from stable to positive in August 2019. In March 2020, after examining the macroeconomic situation and the prospects for many companies in the wake of the Covid-19 health crisis, within the framework of its "event driven" rating committee, the agency took the decision to review the outlook of Ethias' "A-" rating from positive to stable.

Ethias SA's risk profile indicates an exposure mainly to the market risk; in particular to the spread risk, via its portfolio invested mainly in bonds, and to the interest rate risk, because its long-term Life insurance liabilities. Interest rate sensitivity remains under control.

Today, faced with the Covid-19 pandemic, we all perceive the importance of prevention and social responsibility issues that companies must embody.

We also realize to what extent our unique model as direct and digital insurer allows us to face this crisis with determination in order to continue to serve our clients 24/7.

Being technically and technologically prepared, Ethias was immediately able:

- to enable almost all of its employees to work from home, thus ensuring their safety and that of their families;
- to guarantee uninterrupted service to its clients, by promoting all digital tools (website, clients space, online sales, live chat) and by strengthening the accessibility of its Contact Centers.

Given the seriousness of the situation, Ethias immediately took its responsibilities and joined forces in several areas. In the field of health care, Ethias provided emergency aid to the Belgian Red Cross and Médecins Sans Frontières/Doctors Without Borders (MSF) and circulated the call for donations. In terms of economic distress, a series of exceptional measures, were taken, both individually and by the sector, to help citizens and businesses financially affected by the crisis. In concrete terms, we halted the recovery of premiums, postponed the planned tariff revisions, suspended the payment of premiums for a number of contracts until 30 September, maintained the coverage of collective contracts for people in technical unemployment, suspended certain contracts for companies with temporarily discontinued operations, reimbursed the premiums for cancelled events and also extended the coverage in Workers' Compensation and Civil Liability to all volunteers who have been called upon by our first-line policyholders (hospitals, rest and care homes, municipalities, public social welfare centres, police, Red Cross, MSF etc.). Ethias has also developed a solidarity app, called "App4You", bringing together volunteers and people in need of help, no matter how diverse the help is.

At the time of writing this report, the consequences of the pandemic for the company cannot be accurately estimated. While this event has no impact on the annual financial statement of the company at 31 December 2019, it could however have a potentially significant impact on the company's solvency, as well as on its technical and financial results, depending on the economic impact of this crisis. On this basis, and following the circular NBB_2020_012 of 7 April, the Board of Directors will propose to the General Assembly of 20 May 2020 not to pay dividends and to appropriate the result of the financial year to the profit carried forward.

Ethias SA's solvency at 31 December 2019 stands at 191 % and therefore provides a solid base to withstand this crisis. In addition, the situation is closely monitored by the management, who continually ensure that the best response is given to any new information. In that respect, we remain confident about Ethias' solidity in this particular context.
As an insurer, investor, societal player and entrepreneur, Ethias will continue to take all possible steps to help reduce the negative consequences of this global catastrophe on its policyholders and on Belgian society.

2. Business and performance

2.1. Business

2.1.1. Strategy

In a fast-changing environment, Ethias has adopted a a strategic programme aimed at strengthening its position as the n° 1 Direct insurer, the n° 1 Digital insurer and leader for Public Bodies.

This ambitious programme will enable Ethias to meet the many challenges that await our sector: strong competition, new players, difficult macroeconomic context, disrupted societal environment, new consumer habits, technological advances and challenges ...

In this context, the organization was strengthened in 2019, focusing on a number of priorities: improving profitability, digital growth, new services and cost control.

Our mission: “Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.” Our advisers, inspectors, prevention officers ... are the main ambassadors of this mission, as partners in our clients' daily lives.

Our vision: to enrich the customer experience through our range of innovative products and services, our omnichannel distribution model and the continuous innovation in our processes and solutions. It is based on the main themes of mobility, health and ageing.

2.1.2. Business Plan 2020-2024

The company's strategic axes are based on 3 pillars, viz. digital, direct and reinforced partnership with public authorities, linked to a constant drive for innovation at the customer’s service.

Non-Life Activities

In B2C, the focus will be on:

- Acceleration of digital initiatives: simplification of products and processes, improvement of the customer experience within the digital channel, Auto on Mobile, self servicing ...
- Innovation: thanks in particular to the partnership with IMA

In B2B, the priorities will be:

- Protecting the public sector’s portfolio and developing the social-profit sector
- Development of new products and services
- Consolidation of the portfolio
- Consolidation of the relationship with certain brokers.

Life Activities

Life activities now represent 50% of our business. With the implementation of the new department Life, Ethias is giving itself the means to offer pension solutions to all our clients and to accompany them in their choices, and this for pillars 1, 2 and 3.

The priority areas will be:

- A realignment of the offer, induced by a low interest rate environment (financial strategy)
- A consolidation of our position as a partner in terms of public sector pension management
- Consolidation and optimization of the second pillar
- The development of alternative solutions and new products: Branch 23 product range, pension fund offer, ..
- Offer of digital solutions.

Cost control

The “CommIT” programme will be based on the implementation of a new operational model in terms of technology, which will support the needs of the business while controlling the costs of Run and Build in IT. In addition, various action plans will be deployed to accelerate the automation of some of our activities (AI, robotics, digitalization, ...), in order to improve the customer experience.

2.1.3. Dividends

On 7 April 2020, in accordance with the EIOPA recommendations of 17 March and 2 April following the Covid-19 crisis, the NBB has issued a circular asking all insurance companies to temporarily suspend discretionary dividend distributions until the 1st of October. Consequently, the Board of Directors will propose to the General Assembly of 20 May 2020 not to pay dividends and to appropriate the result of the financial year to the profit carried forward.

2.1.4. Fitch Rating

On 22 January 2019, the agency Fitch Ratings upgraded the IFS rating ("Issuer Financial Strength") of Ethias SA from BBB+ (Good - outlook positive) to A- (Strong - outlook stable). This rating reflects the assessment of Ethias’ financial strength.

On August 13, Fitch affirms Ethias’ rating at A- and raises its outlook from stable to positive The confirmation of the rating reflects Ethias’ financial strength, its good profitability and its strong business model. The positive outlook reflects Fitch’s expectation that the company will maintain a solid level of capitalization in 2019. Fitch points out in its press release that Ethias has begun to build a track record of stability following the implementation of a multi-year action plan that has resulted in a strengthening of its capitalisation, financial flexibility and asset-and-liability risk management. Fitch indicates that Ethias’ strategic plan aims to strengthen its leading position in direct, digital and public authority insurance, which are the three key competitive advantages of Ethias.

In March 2020, after examining the macroeconomic situation and the prospects for many companies in the wake of the Covid-19 health crisis, within the framework of its "event driven" rating committee, the agency took the decision to bring the ratings of a whole series of companies with a positive outlook to a stable outlook. In this context, the outlook of Ethias' "A-” rating therefore goes from positive to stable.

2.1.5. Market conditions in 2019

2019 turned out to be a year of slowing global economic growth and contrasting performances in the financial markets. The past year was marked above all by (geo)political uncertainties, such as the China/USA trade war and uncertainties about Brexit.

In this context, the IMF has further revised downwards its growth forecasts for the world economy in 2019 and 2020 (3% in 2019, the worst since 2008, and 3.4% in 2020). The euro zone is, along with the emerging countries, one of the causes of the global economic slowdown, and this situation could deteriorate further in 2020. In Europe, growth has slowed significantly in 2019, especially in Italy and Germany, with a decline in business confidence indicators and steadily decreasing industrial production. Nevertheless, household consumption remains stable and the unemployment rate continues to drop, but at a slower pace than in previous years.

In the United States, consumption and services, which represent a significant part of the US economy, continue to provide support. On the other hand, the contributive share of investment and exports is declining. It is mainly the uncertainty surrounding the ongoing trade war and the weakness of the manufacturing sector that have negatively impacted the economic figures in recent months.

In this economic context, and in the absence of inflation, central banks have remained cautious. For the third time in a row in 2019, the Fed lowered its key rate by 25 basis points, bringing it into the 1.50%-1.75% range. For its part, the ECB left its rates unchanged (0%) but confirmed the monetary stimulus arsenal in September despite deep internal division. Net purchases have been relaunched under Quantitative Easing at a monthly rate of 20 billion euros as of November 1, 2019. In the future, central bankers are likely to put more pressure on governments to take over monetary policy by adopting a more accommodating fiscal policy.

With regard to the financial markets, against this backdrop of mixed macroeconomic figures with persistent political tensions, bond yields declined sharply with a peak in August and a 10-year Bund that hit -0.71% (an all-time low). For its part, the 10-year OLO rate of 0.78% at the beginning of January reached a low of -0.39% in August. It finally ended the year just above 0 to 0.09%.

In the peripheral countries, the trend was also downwards. Portugal and Spain benefited from their strong economic results and positive comments from rating agencies. As a result, their risk premiums went down in 2019. Italy, despite its political instability, saw its 10-year rate continue to go down, reaching 1.41% at the end of the year (compared to 2.74% at end-2018).

Stock market performance over the year 2019 was impressive: +24.78% for the EuroStoxx50 (CAC40: + 26.37%, DAX: +25.48%, FTSE MIB: +28.28%, BEL20: +21.96%, IBEX: +11.82%), +28.88% for the S&P, +35% for the Nasdaq. Support from central banks as well as the back-and-forth in the trade negotiations between China and the United States, were the main market drivers, as were the uncertainties surrounding Brexit and the deterioration of the global manufacturing worldwide.

Indeed, the recurring threats and decisions to introduce customs duties by China and the United States caused intermittent periods of stress on the equity markets (in May and August); fears that an escalation of customs duties would have a strong impact on the world economy led to mini-corrections on the EuroStoxx50 index (-6.66% in May, -5.94% in August). It finally took 12 months to reach a first agreement in which the United States will lower its customs duties on certain products imported from China in exchange for China's purchase of American products over the next two years. In Europe, it was the political worries of a "hard Brexit" and the political turmoil in Italy that fuelled investors' concerns. At the end of the year, the removal of a Brexit without an agreement calmed the markets.

2.1.6. Number of employees

Ethias has gone from 1,728.50 employees on 31/12/2018 to 1,747 employees on 31/12/2019.

2.1.7. IMA

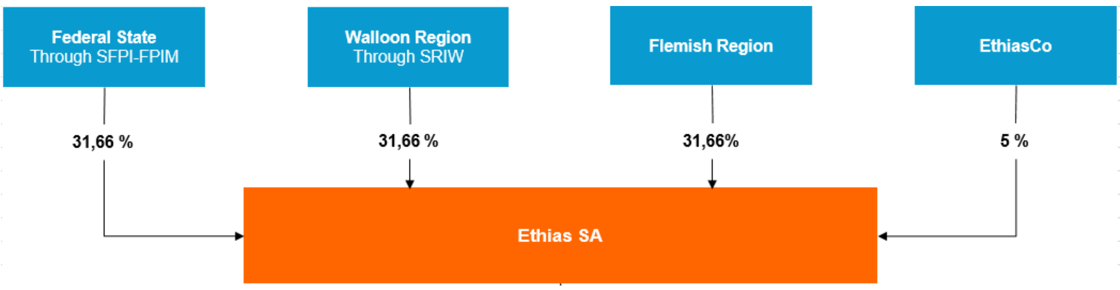
On December 4, 2019, Ethias finalized the acquisition of a stake in IMA Benelux, a company specializing in Assistance management since 2001, by signing an agreement with the IMA Group and P&V Group.

Since 1 January 2020, Ethias is a 33% shareholder (alongside P&V and the IMA Group) in IMA Benelux. This agreement provides for a true acceleration of Ethias' ambitions, and in particular of the "Ethias Assistance" brand, in terms of innovative services offering.

2.1.8. Simplification of the group's structure

In order to simplify the group, Vitrufin SA, the holding company owning 100% of Ethias SA, was liquidated on October 25, 2019. The four shareholders, namely the Federal State (31.66%), the Walloon Region (31.66%), the Flemish Region (31.66%) and EthiasCo (5%), now hold their participation directly in Ethias SA.

The Group's legal structure is as follows:



2.1.9. Other information

The supervisory authority responsible for the financial control of Ethias SA is the National Bank of Belgium (Boulevard de Berlaimont 14 - 1000 Brussels).

The statutory auditor of Ethias SA is PwC Réviseurs d'entreprises SCRL(Woluwe Garden, Woluwedal 18 - 1932 Sint-Stevens-Woluwe), represented by Kurt Cappoen, accredited auditor.

2.2. Insurance results

The year 2019 records a net result of 190 million euros, up 12% compared to 2018 thanks to a strong performance in Life business.

The results of Individual Non-Life business were excellent, while those of Public Bodies & Companies were marked by a decrease in profitability. Life business has performed very well.

Overall income amounts to 2,671 million euros. Non-Life increases with 3% compared to 2018. The decrease in Life income (-5%) is due to a difference in timing of premium payment for pension insurances.

2.2.1. Result of the Non-Life insurance services

The result of Non-Life business amounts to 116 million euros.

Income amounts to 1,419 million euros and grows by 3% compared to 2018. It breaks down as follows between the segments "Private Individuals" and "Public Bodies & Companies":

- Income for Private Individuals increases by 1% compared to 2018 and amounts to 582 million euros;
- Income for Public Bodies & Companies amounts to 837 million euros and grows by 4% compared to 2018, in particular through the development of brokerage.

The operational net combined ratio amounts to 97% and is impacted by a higher claims frequency in the segment "Public Bodies & Companies", mainly due to the poor performance of a portfolio of international businesses put in run-off.

2.2.2. Result of the Life insurance services

The result of Life business amounts to 103 million euros.

Income at end-2019 is down by 5% compared to 2018 and amounts to 1,251 million euros, including 51 million euros in Private Individuals and 1,200 million euros in Public Bodies & Companies.

Income in Life Individuals decreases by 7% compared to 2018.

Income for Life Public Bodies & Companies decreases by 5% compared to 2018, mainly in the 1st pillar (decrease in single premiums).

The excellent result of the Life business in 2019 is mainly explained by non-recurring financial income (capital gains realised on the sale of real estate and shares).

These good results have enabled the provision for profit-sharing (net of taxes) to be endowed by 50 million euros (compared to 42 million euros in 2018, for the segments Life and Death), mainly on the ring-fenced funds of the 1st pillar.

2.2.3. Investment performance

The net financial income for 2019, included under the investment income and expense items in the *BGAAP* annual accounts, amount to 419 million euros compared with 405 million euros in 2018.

They consist of the following main elements:

In thousands of euros	2019	2018
Net financial income of investments, without branch 23	450,857	410,396
Recurring	*384,385*	407,132
Non-recurring	*66,472*	3,264
Income related to financial reinsurance	18	1
Net financial income of investments in branch 23	6,307	33,241
Financial expenses of loans and other financial payables	-25,728	-27,439
Other income and financial expenses	-12,181	-10,969
Total	**419,273**	**405,230**

Net financial income of investments by major asset classes is detailed below:

In thousands of euros	2019	2018
Bonds	323,067	352,255
Recurring	320,127	*340,774*
Non-recurring	2,940	*11,481*
Shares & participating interests	47,678	17,204
Recurring	25,405	*34,624*
Non-recurring	22,273	*-17,420*
Real estate & loans	83,972	48,662
Derivatives & provisions	557	-3,348
Cash and cash equivalents	-4,417	-4,377
Total	**450,857**	**410,396**

2.3. Performance of other activities

In 2019, the non-technical result before tax shows a negative contribution of 19 million euros, mainly due to the expense of subordinated loans, compared to a positive contribution of 6 million euros in 2018. Tax expenses for the year amounts to 9 million euros, following the use of tax losses carried forward and deductions of income from innovation.

3. System of governance

3.1. General Information

3.1.1. Management and supervisory bodies

Wishing to promote efficient and prudent management, Ethias strives to make a clear distinction between, on the one hand, the senior management of the insurance company, carried out by the Executive Committee, and, on the other hand, the supervision on that management, of which the Board of Directors is in charge.

3.1.1.1. Board of Directors

Missions

The Board of Directors defines the general strategy, the main corporate governance and risk policies as well as the integrity policy. It also oversees the company's activities and regularly evaluates the effectiveness of the governance system.

At least once a year, it verifies the proper functioning of the four independent monitoring functions and ensures that, on the basis of the periodic report drawn up by the Executive Committee, the latter takes the necessary measures to remedy any shortcomings.

It regularly assesses the general principles of the remuneration policy and monitors its implementation.

It also regularly checks whether the company has an effective internal control system with regard to the reliability of the financial reporting process.

It supervises the decisions taken by the Executive Committee, takes note of the important findings made by the independent monitoring functions, the statutory auditor, the NBB and the FSMA, and determines which actions should be taken following the recommendations of the internal audit, subsequently ensuring that they are properly carried out.

Composition

The Board of Directors has 16 directors, including 4 executive directors, 4 independent directors who meet the criteria of Article 526ter of the Belgian Company Code and 5 women (thus applying, in a voluntary approach, Article 518bis of the Company Code relating to the gender of directors).

The composition of the Board of Directors also respects linguistic parity.

The maximum age of each director may not exceed 70 years. Any director is deemed to have resigned automatically on the date of his/her 70^{th} birthday.

The term of director is 6 years and is renewable.

The Board of Directors appoints a chairman from among the directors who are not Executive Committee members.

3.1.1.2. Specialised committees of the Board of Directors

Audit and Risk Committee

On 19 February 2009, the Board of Directors set up an Audit and Risk Committee.

Missions

In order to enhance the effectiveness of the Board of Directors' oversight of the company's activities, the Audit and Risk Committee is responsible for monitoring the process of preparing and controlling financial information, monitoring the effectiveness of the company's internal control and risk management systems, and monitoring the internal audit function and its activities.

It advises the Board of Directors on aspects relating to the definition and control of the implementation of the strategy and the level of risk tolerance, both current and future, and assists the Board in controlling the operation of the risk management function.

The committee monitors the statutory audit of the annual and consolidated accounts, including any follow-up on any questions and recommendations made by the external auditor.

Its responsibilities are described in the internal regulations of the Audit and Risk Committee, adopted by the Board of Directors on November 22, 2018.

Composition

The Audit and Risk Committee is composed of at least three non-members of the Executive Committee, with the majority of them being independent, within the meaning of Article 526ter of the Belgian Company Code (see *above*).

A chairman is appointed from amongst these members.

At present, it is composed of 5 non-executive directors, 3 of whom are independent.

Only members are entitled to participate in the meetings of this committee. However, external persons are admitted to meetings upon decision of the Chair when the case requires it.

Appointments and Remuneration Committee

An Appointments and Remuneration Committee was established on February 19, 2009 within the Board of Directors. It was originally common to Vitrufin and Ethias.

On July 4, 2014, it was decided to set up an Appointments and Remuneration Committee specific to each of the companies.

A new internal regulation was adopted on November 22, 2018.

Missions

The Appointments and Remuneration Committee is responsible for assisting the Board of Directors and the Executive Committee in evaluating and giving advice or taking decisions on the appointment of directors, members of the Executive Committee and heads of independent monitoring functions. IT also advises the Board of Directors on remuneration matters.

Its responsibilities are described in the internal regulations of the Appointments and Remuneration Committee, adopted by the Board of Directors on November 22, 2018.

Composition

The Appointments and Remuneration Committee is composed of at least 3 non-executive directors, at least one of whom is independent within the meaning of Article 526ter of the Belgian Company Code and is chaired by the Chairman of the Board of Directors.

3.1.1.3. Executive Committee

Missions

(1) The Executive Committee carries out the concrete management of Ethias' operations as part of the strategy defined by the Board of Directors.

It implements the strategy defined and the policies approved by the Board of Directors by translating them into processes and procedures.

It ensures the management of the company's activities in accordance with the strategic objectives set and within the risk tolerance limits defined by the Board of Directors.

It supervises the operational departments and ensures compliance with the assigned competences and responsibilities.

It submits proposals to the Board of Directors for the definition of the general policy and strategy of the company.

(2) The Executive Committee also implements the risk management system defined by the Board of Directors, (i) by taking the necessary measures to ensure risk control, (ii) by monitoring changes in the company's risk profile, (iii) ensuring that all risks are properly identified and managed, (iv) establishing IT control and security mechanisms, and (v) translating the risk appetite framework and general risk management policy defined by the Board of Directors into processes and procedures.

(3) The Executive Committee also sets up also sets up the monitoring and evaluation of the organizational and operational structure for supporting the strategic objectives of the company and including adequate internal control mechanisms. It also implements the framework necessary for the organisation and proper functioning of independent monitoring functions, executes the governance policies defined by the Board of Directors, ensures the correct application of the company's remuneration policy and organises an internal reporting system to establish with reasonable certainty the reliability of financial reporting and prudential reporting.

(4) The Executive Committee is also responsible for implementing the integrity policy defined by the Board of Directors.

(5) Finally, the Executive Committee is responsible for reporting to the Board of Directors and the NBB. In this respect, it communicates to the Board the information allowing it to carry out its task of supervising the company's activities, which shall include, in particular, the report on the evaluation of the effectiveness of the governance system.

Composition

The Board of Directors sets up an Executive Committee of 6 natural persons, four of whom are directors and three of whom are Dutch-speaking and three French-speaking.

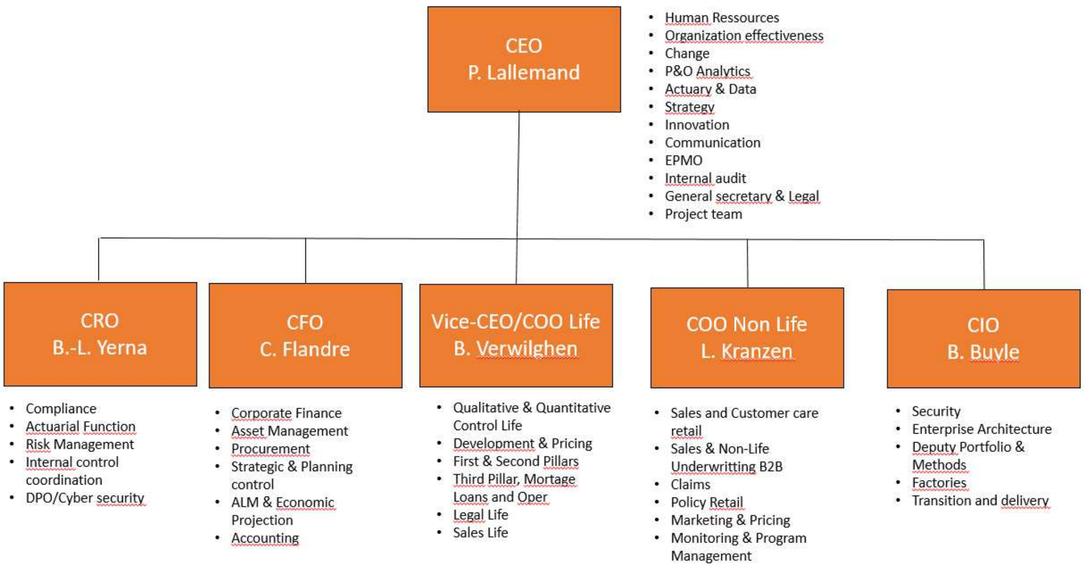
The Board of Directors appoints the members of the Executive Committee.

Internal distribution of tasks

A new organizational architecture was implemented in September 2017 and revised in September 2018. It was completely modified in November 2019 ("Ethias Tomorrow Move2Gether").

The internal division of tasks between the members of the Executive Committee was reviewed on this occasion.

The operational chart, which covers the business lines under the members of the Executive Committee, can be presented as follows:



The effective management of Ethias is entrusted to an Executive Committee composed of six members: the president and the vice-president of the Executive Committee and four other directors.

Specific areas of competence are assigned to each member.

It is specified that the CRO has, in accordance with Article 56 § 3 para. 2 and 3 of the Solvency II Act, obtained authorization from the NBB to cumulate responsibility for the risk management, actuarial and compliance functions.

Periodic evaluation

The chairman of the Executive Committee shall organize an annual evaluation of the functioning of the Executive Committee. The self-assessment for the year 2019 took place in January 2020.

3.1.2. Remuneration

Remuneration policy and practices

As of December 19, 2018, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, adopted a remuneration policy for Ethias.

This policy complies with the provisions of circular NBB_2016_31 of 5 July 2016, updated in September 2018, in that it defines "identified staffs" and lays down the general principles applicable to all staff members, including independent monitoring functions, but also, through its annexes, the specific provisions applicable to members of the Executive Committee and non-executive directors. It cancels and replaces the Remuneration Policy of March 23, 2016.

Are considered as "*identified staff*" within Ethias:

- the non-executive directors,
- the members of the Executive Committee,
- the members of the Management Meeting,
- the heads of the independent monitoring functions (Head of Internal Audit, Head of Compliance, Head of Actuarial Control, CRO) and
- the persons likely to have a material impact on the risk profile of Ethias or "*risk takers*" (Head of Investment Management and Head of Asset Allocations & Solutions).

The policy approved by the Board of Directors on 19 December 2018 formalises and operationalises all the rules concerning rewards approved by the Executive Committee, in particular at its meetings on 6 July 2017 and 19 December 2017. The remuneration system applicable to **all employees of the company** (with the exception of the members of the Executive Committee but including the "*identified staffs*" under Ethias employment contract) was indeed entirely reviewed during 2017. The new salary dynamic was put in place by a collective labour agreement dated December 13, 2017, which has come into effect on January 1, 2018. This new remuneration policy no longer makes any distinction depending on whether the employee is hired before or after January 1, 2007. It also puts an end to the specific regime previously applicable to inspectors.

The members of the Executive Committee are not covered by the general provisions of the above-mentioned remuneration policy. The principles that apply to them are set out in the remuneration policy validated on 19 December 2018.

Individual and collective annual objectives as well as collective multi-annual objectives for 2020 were validated by the Board of Directors on 29 January 2020.

As of January 2020, the status of the members of the Executive Committee will nevertheless be reviewed within the framework of the regulatory compliance with the provisions contained in the new Belgian Code on Companies and Associations (BCCA).

Non-executive directors receive an attendance fee per meeting (when there are several meetings on a single day, the attendance fee is limited to one meeting). An additional annual allowance, in the form of a fixed amount, is also allocated to them. The members of the Audit and Risk Committee as well as the members of the Appointments and Remuneration Committee receive an attendance fee and an annual allowance in the form of a fixed amount.

The total remuneration of the directors is published in Ethias' annual report (note n° 19 to the balance and income statement). Moreover, in accordance with the requirements of Article 100 of the Companies Code, the individual remuneration of the directors is now published in the management report. It was also decided to voluntarily publish the annual individual remuneration of the Executive Committee members.

3.2. "Fit & Proper" requirements

3.2.1. Description of the requirements

On 22 November 2018, the Board of Directors of Ethias established a "fit & proper" policy for non-executive directors and members of the Executive Committee as well as a "fit & proper" policy for the heads of independent monitoring functions. These policies provide for processes for the selection, assessment and training of such persons.

These policies are in line with circular NBB_2018_25 on the suitability of directors, members of the Executive Committee, heads of independent monitoring functions and effective managers of financial institutions. They establish the processes and criteria that the competent bodies of Ethias undertake to respect within the framework of the suitability assessments they carry out.

For the functions of member of the Executive Committee and non-executive director, the Appointments and Remuneration Committee not only carries out the individual assessment of the candidate's suitability but also the expertise of the body concerned collectively in order to ensure that the expertise within the management body concerned is sufficiently guaranteed with these persons in view of their knowledge, experience, skills and professional conduct. The assessment of the competence of the members of the management bodies shall take into account the different tasks entrusted to each of its members in order to ensure a diversity of qualifications, knowledge and experience in order to guarantee the professional management and supervision of Ethias. In this respect, criteria for collective expertise will be detailed in competency matrices to be established and updated by the Appointments and Remuneration Committee on the basis of the above-mentioned evaluation criteria. For the heads of independent monitoring functions, it is the responsibility of the Executive Committee to carry out this individual assessment of the candidate.

3.2.2. Assessment process

The suitability is assessed before taking up office but also during the term of office and when reappointing directors, since non-executive directors, members of the Executive Committee and heads of independent monitoring functions must have at all times the suitability required for the performance of their duties.

3.3. Risk management system and ORSA

3.3.1. Risk management system

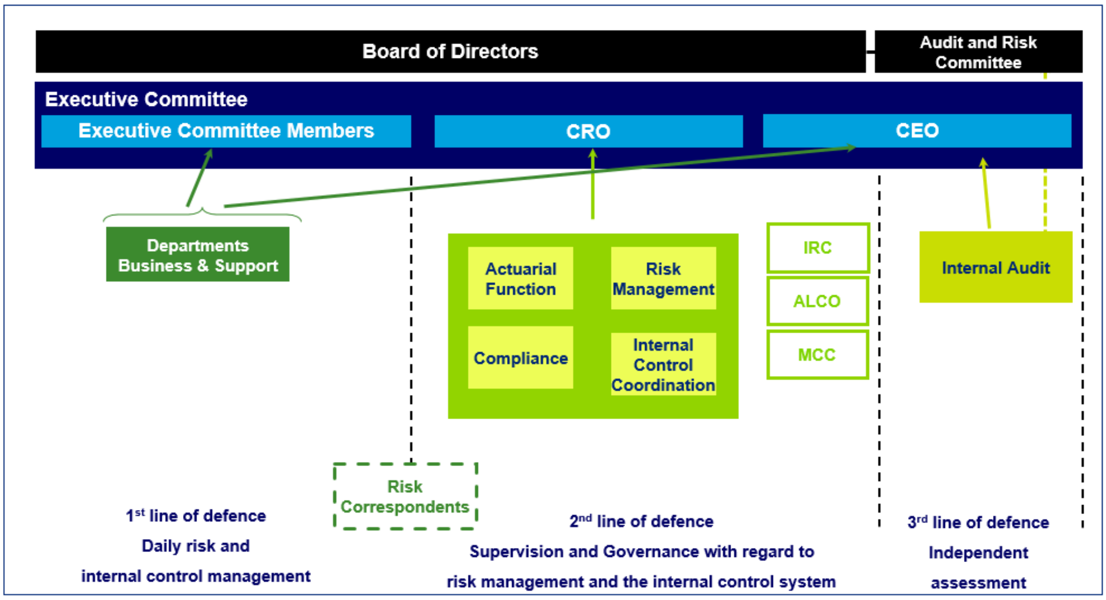
3.3.1.1. Objectives of the company's risk management

Besides its business activity of managing the risks underwritten by its clients, an insurance company, like any company, is itself confronted with various categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by identifying, assessing and effectively dealing with the risks the company is confronted with, in order to control them.

Therefore, the general risk management process aims at "offering a reasonable assurance with regard to achieving the objectives of the organisation by maintaining exposure to risk within the limits of risk appetite".

3.3.1.2. The 3 lines of defence

Good governance of an insurance company requires the introduction of the following functions: Internal Audit, Compliance, Risk Management and Actuarial Control. These are not only independent monitoring functions but also governance functions. Their conclusions and advices are translated into measures to reinforce the management structure, the organisation and the internal control system. These functions are structured in such a way that they constitute three "defence lines":



First defence line - Daily risk supervision

The first defence line is provided by operational lines and support functions (Accounting, Asset Management, IT, Human Resources, etc.). It is their responsibility to identify the risks posed by each operation and to respect the procedures and limits set.

Second defence line - Risk supervision

The second defence line includes the control functions of the risk management function (Risk Management), the actuarial function (Actuarial Control) and the compliance function, which are responsible for ensuring that the risks have been identified and managed by the 1st line, according to the rules and procedures envisaged.

These three functions depend on the CRO, who ensures the transversal coordination of the work and the adequate exchange of relevant information.

The CRO, who is a member of the Executive Committee, has to make sure that the structure of Ethias' risk management is operational and has to improve its effectiveness and efficiency. The entities that are hierarchically answerable to the CRO assist him in his assessment of the company's risk profile, of its alignment with its strategy and risk appetite as well as in the identification of future risks.

Finally, to reinforce risk governance, Ethias' Executive Committee sets up committees[1] dedicated to risk management: These committees are advisory and their recommendations are validated by the Executive Committee:

- the Insurance Reinsurance Committee (IRC);
- the Assets and Liabilities Committee (ALCO);
- the Model Coordination Committee (MCC).

In fact, these committees are monitoring, decision-making and reporting instruments, particularly in terms of risks. Each committee is chaired by a member of the Executive Committee. The CRO is present in each committee dedicated to risk management.

The IRC follows the technical risks of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new ones and supervises the reinsurance programme.

The ALCO has the task of contributing to the protection of Ethias SA in its liquidity, profitability and solvency aspects, through the alignment of the company's assets and liabilities and to set the guidelines for the investment strategy as well as to monitor the investment portfolios in accordance with the risk appetite and investment philosophy approved by the Executive Committee and the Board of Directors.

The role of the Model Coordination Committee (MCC) is to monitor and contribute to the compliance, within the risk framework defined by the Board of Directors, of all internal and regulatory standards for the development and use of internal quantitative models used by Ethias for, in particular, the management of its technical and financial risks and its asset / liability management.

Third defence line - Independent assessment

The third line of defence is provided by the internal audit department whose task is to provide the Board of Directors and the Executive Committee with a reasonable assurance about the quality and effectiveness of the internal control, of the risk management as well as of the institution's good governance process and systems. It assists the members of these bodies in their mission in this field.

3.3.1.3. Typology of risks

The typology adopted by Ethias is presented in the diagram below and

- relies on the modules of the standard formula used to calculate regulatory capital requirements in the Solvency 2 framework (in green in the diagram)
- is completed by the risks not covered by the standard formula (in orange in the diagram).

[1]It should be noted that the structure of the committees described in the SFCR report as at 31/12/2017 and in the 2017 annual report was reviewed in early 2019 with a view to rationalizing the number of committees.

Insurance risks			
Life underwriting risk	**Non-Life underwriting risk**	**SLT Health**	**Non-SLT Health**
Mortality risk	Premium and reserve risk	Catastrophe risk	
Longevity risk	Catastrophe risk	Mortality risk	Premium and reserve risk
Disability/morbidity risk	Expense risk	Longevity risk	Termination risk (redemption)
Expense risk		Disability/morbidity risk	
Revision risk		Expense risk	
Termination risk		Revision risk	
Catastrophe risk		Termination risk (redemption)	

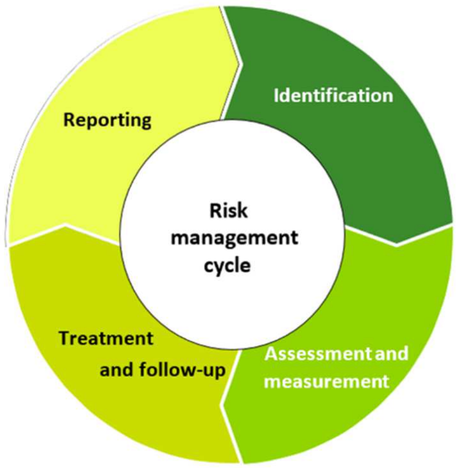
Financial risks		
Market risk	**Counterparty risk**	**Liquidity risk**
Interest rate risk	Downgrade risk	Market liquidity risk
Stock (price) risk	Default risk	Risk of funding liquidity
Real estate assets risk		
Spread risk		
Foreign currency exchange risk		
Concentration risk		

Non-financial risks	
Operational risks	**Other non-financial risks**
	Model risk
	Concentration risk

External and environmental risks
Strategic and reputational risk

3.3.1.4. Risk management process

Risk management is based on the following cyclical process:



Risk identification

The management, with the assistance of Risk Management if needed, determines for each of the company objectives, the risks associated with it, i.e. the events that are likely to have a negative impact on the achievement of the company's objectives. The identification of the potential events involves the combination of several methods: triggering factors, history of incidents, correlation between risks at an individual and aggregated level, trends, workshops for identifying risks ...

A few risks are for example:

- inadequate pricing of insurance products resulting in the non-profitability of the products concerned;
- the communication by the client of incorrect information (loss already occurred at the time of subscription ...) (insurance fraud);
- incorrect identification leading to inopportune segmentation (age, postal code, etc.) or to an inadequate tax system (in the case of Life insurance);
- loss of documents signed by the client (returned signed contracts, notice of loss, ...);
- a too high risk exposure level of a financial assets portfolio.

Risk assessment and measurement

Depending on the risk category, different methods for risk assessment and measurement are put into place:

- quantitative methods for assessing and measuring financial risks and insurance risks;
- semi-quantitative methods for evaluating operational risks in terms of their probability of occurrence and the potential impact (extent of damage) they may cause in the event of their occurrence. The subdivision of operational risk mapping into frequency and impact ranges in a matrix helps to decide how (controlling actions) the risks are best handled.

The assessment of financial, insurance and operational risks is compared to Ethias' appetite matrices for risks in order to determine whether risk treatment measures are necessary.

Treatment and monitoring of risks

Once the risks are identified, assessed and measured, it is necessary to define, according to the chosen risk appetite, the most appropriate response to the risk among the various possible treatment options between avoidance (suppression of the activity carrying the risk), transfer (reinsurance, insurance), mitigation, sharing (mutualisation) or acceptance of the risk (the company itself carries the risk).

Reporting

The reporting component crosses the entire organization. Effective and efficient decision-making is highly dependent on the quality of information delivered to the decision-makers. Ethias tries to provide information (of a financial, legal, economic, operational ... nature) that is adequate and relevant to the correct recipient in a timely manner, so that everyone can understand its own role in the risk management system and is able to fully assume its responsibilities.

The reporting covers internal communication but also external communication to third parties (clients, suppliers, press, supervisory authorities, etc.). Ethias focusses on ensuring an adequate granularity of the information (level of detail, periodicity) and a communication of the information in a form adapted to the profile of the recipient.

In terms of internal reporting, it is also a matter of translating the risk management action plan into concrete results within policies (the "what"), articulated in procedures (the "how") that are disseminated in order to ensure an effective implementation of the risk management measures and an ongoing risk monitoring.

3.3.1.5. Risk management function

In accordance with the Risk Management Charter approved by the Board of Directors on 22 March 2018, the risk management function:

- ensures that all significant risks of the company are detected, measured, managed and correctly reported. It provides a comprehensive overview of the full range of risks to which the company is exposed. It actively participates in the development of the company's risk strategy and as well as in all management decisions that have a significant impact with regard to risk;
- Is organized within a Risk Management Department, reporting to the Chief Risk Officer.

Independent monitoring function

The risk management function is an independent monitoring function, which is an integral part of the internal control system, alongside the actuarial function, compliance and internal audit.

The risk management function is hierarchically and organizationally detached from the operational activities to which it relates, so that it has a status that ensures its hierarchical and organizational separation from the risk-generating functions.

In order to avoid possible conflicts of interest, the Chief Risk Officer, the Head of Risk Management (DRM) and its direct employees may not carry out any commercial functions..

The risk management function must have the necessary and sufficient means to carry out its tasks independently. To this end, the Head of Risk Management draws up an annual statement of resource requirements according to the planned activities and then monitors the allocation of the resources.

The CRO may directly accede to the Board of Directors, if necessary through the Audit and Risk Committee, without having to first consult the Executive Committee. The CRO may also address the Chair of the Executive Committee, the Chair of the Board of Directors, the members of the Audit and Risk Committee, the auditors and the supervisory authority directly, if the situation so requires.

Thus, the CRO is authorized to make recommendations to the audit and risk committee. The requests for investigation into a specific area of activity must be assessed by the audit and risk committee with a view to include them in the company's audit plan.

The terms of compensation for the CRO and the risk management director meet objectives other than commercial.

The CRO may only be removed from office by the Board of Directors. It is namely essential that the Board of Directors is the only body empowered to dismiss such an official as his duties involve a review of the way in which the Executive Committee carries out its tasks. Should a removal of the CRO be removed, Ethias will inform the supervisory authority in advance so that it can examine whether the company's governance does not require the adoption of special measures.

Governance of the risk management function

The Board of Directors:

- assesses periodically, and at least once a year, the effectiveness of the governance system and, in particular, the proper functioning of the independent monitoring functions, including the risk management function;
- takes the initiative to promote the risk management function in the conduct of activities; It ensures that Ethias has a risk management policy and encourages its observance;
- approves the risk management policy and assesses at least once a year whether it is adapted to the company's activities.

The non-executive directors organize, at least once a year, an assessment meeting with the CRO, on:

- compliance with the charter of the risk management function and the assessment of the functioning of the risk management function,
- the interactions between the risk management function, the Executive Committee (where appropriate via the risk management committee) and the Audit and Risk Committee,
- the possible difficulties encountered in the performance of the missions and the implementation of the recommendations and advice, as well as the adequacy between the objectives and the available means.

The Audit and Risk Committee:

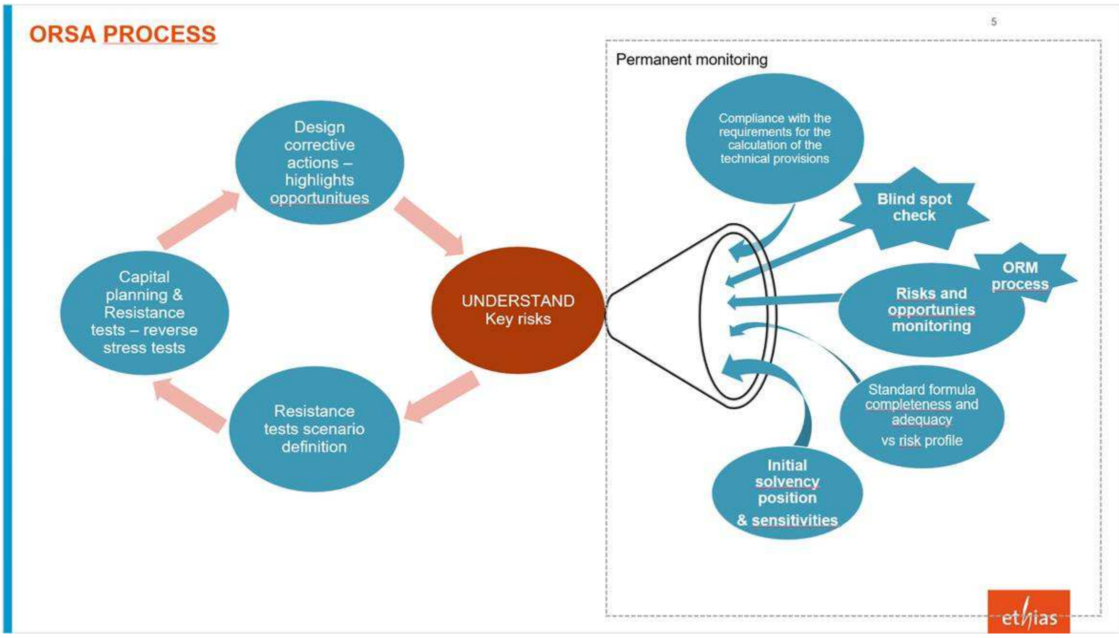
- takes note of the annual report of the risk management function;
- ensures that the Executive Committee takes the necessary measures to ensure that the company has an adequate independent risk management function at all times.
- confirms the charter of the risk management function and the work programme of the risk management function, previously validated by the Executive Committee;
- evaluates the quality of the risk management system at least once a year through the assessment of the governance system.
- The minutes describe in detail the deliberations of the Committee. It reproduces in detail the information which form the basis for the members of the Committee. It lists the result of the deliberations and all the measures decided by the Committee.

The Executive Committee:

- takes the necessary measures to ensure that Ethias has an adequate independent risk management function at all times;
- is responsible for controlling the risk management system. It ensures the establishment and implementation of procedures that identify, measure, monitor and, to the extent possible, control the risks.
- also ensures the establishment of an organizational structure that defines clear responsibilities for the risk management function, assigns competencies in this area and defines reporting lines.
- approves the work programme of the risk management function and ensures that it receives the human and other resources that are necessary for its implementation.
- informs in a timely manner the risk management function of any new elements in terms of developments, initiatives, projects and products, in order to be able to identify and control any potential risk. The Executive Committee communicates to the risk management function all the documents required for the performance of its duties, including extracts from the minutes of its meetings and background notes that have been communicated to the Executive Committee.
- informs the Audit and Risks Committee of significant shortcomings in the risk management system.
- decides on the corrective measures to be taken and on the specific sanctions it will apply in the event of non-compliance with the risk management policy or in the event of serious deficiencies identified by the risk management function, in the event of non-compliance with recommendations made by the risk management function and in the event of non-existent, insufficient or late implementation of the requirements in the areas falling within the remit of the risk management function.

3.3.2. Internal assessment of risks and solvency (ORSA)

3.3.2.1. Description of the implemented ORSA process



The Own Risk and Solvency Assessment (ORSA) is the subject of a specific policy.

In order to respond to the three separate regulatory assessments[2] of the ORSA, Ethias' ORSA process is implemented through various processes and sub-processes (capital planning, QRT, suitability of standard formula, etc.).) proportionate to the nature, the extent and the complexity of Ethias' own risks.

Ethias is conducting the prospective assessment of its overall solvency requirement over a horizon which is at least equal to that of its business plan. The forward-looking vision presents a detailed quantification of Solvency II's "pillar 1" risks. For risks not included in "pillar 1", stress tests are performed in the capital planning exercise in order to check the adequacy of economic equity.

Ethias projects not only the SCR coverage ratio, but also that of the MCR, at least over the horizon of its business plan.

Ethias submits the identified significant risks to a sufficiently broad range of stress tests or scenarios in order to provide an adequate basis for the assessment of the overall solvency requirement.
An analysis of the adequacy of the standard formula with respect to the risk profile is also carried out.

The results of the assessment of the overall solvency requirements are translated into:

- a level for the necessary resources (capital or other means) to deal with important risks;
- where appropriate, the definition of remediation plans

Regarding the compliance with the requirements for the calculation of technical provisions, the actuarial function of Ethias:

a) assists in determining whether Ethias permanently meets the requirements relating to the calculation of the technical provisions;
b) identifies the potential risks arising from the uncertainties associated with this calculation.

In assessing the extent to which the organisation's risk profile deviates from the assumptions underlying the calculation of the SCR, the scope of the 2019 analysis covered market risks (equity risk, interest rate risk, spread risk (corporates and govies) and real estate risk) and the technical risks of Non-Life and Health insurance, where potential deviations are considered to be the most important ones.

[2] Assessment of the overall solvency requirement; assessment of the ongoing compliance with the regulatory capital requirements for the coverage of the SCR, the CRM and the requirements regarding the calculation of the technical provisions; assessment of the extent to which the risk profile of the organization deviates from the assumptions underlying the SCR calculation.

Integration of the ORSA in the management and decision-making processes

The Own Risk and Solvency Assessment (ORSA) is the basis for risk management under the Solvency II Directive.

The ORSA is an internal process for the prospective assessment of the company's own risks and solvency.

The ORSA allows the Executive Committee and the Board of Directors:

- to know all the material risks to which the company is exposed, whether or not they have been included in the calculation of the statutory Solvency Capital Requirements and whether or not they are quantifiable;
- to know the consequences that strategic decisions have on the risk profile, regulatory capital requirements and overall solvency needs;
- to examine whether these risks are desirable, reasonable and manageable in view of the quantity and quality of its own funds and to validate, in full knowledge of the facts, the corrective measures envisaged;
- Tp examine the consistency of the Risk Appetite and the company's strategy and, if necessary, review one and/or the other.

ORSA is integrated into the management of the company, and more particularly into strategic decisions and processes, both operational and management. Ethias takes into account the results of ORSA in the context of:

- its strategy and business plan: adequacy with the Risk Appetite and the dividend distribution policy.
- the management of its own funds: quantity, quality, raising additional own funds;
- the development and design of its products: appropriate level of pricing and margin setting.

The results of the ORSA are formalised in a report to the decision-making bodies and the NBB. The ORSA process, leading to the preparation of the report, is formalized.

ORSA's results and conclusions are also communicated internally to staff members for whom it is relevant, so that they can take any necessary follow-up action.

3.3.2.2. Frequency of the ORSA

Ethias carries out a regular ORSA at least annually. The schedule for the regular ORSA is linked to Ethias' strategy and business plan.

A major change in the company's risk profile triggers an ORSA qualified as "non-regular ORSA". Several situations could lead to a change in risk profile. For example: the start-up of new business lines, the redesign of risk tolerance limits, important changes to our reinsurance structure, portfolio transfers, changes in the asset mix, etc.

3.4. Internal control system

3.4.1. Internal control system

The internal control is the set of measures which, under the responsibility of the management of the insurance company, must ensure with reasonable certainty:

- an orderly and prudent conduct of affairs, framed by well-defined objectives;
- an economical and effective use of the resources involved;
- adequate knowledge and control of the risks in order to protect the assets;
- the integrity and reliability of the financial and management information;
- compliance with the laws and regulations as well as the internal policies, plans and procedures[3].

Articulated according to the model of the three lines of defence, more fully described in the section on the risk management process of this document, the internal control system set up within Ethias aims to protect the company against the risks likely to compromise the achievement of its objectives.

[3] Circular NBB_2015_21 of July 13, 2015 concerning the internal control system and the internal audit function.

3.4.2. Compliance function

The compliance function is an independent monitoring function within the company, in the second line of defence, focused on respecting the rules related to the integrity of the activities and the control of the compliance risk.

The positioning, the areas of work, the missions, the governance, the reporting, the status, the organization and the prerogatives of the function are described in a charter. This charter is based on the control legislation and the circular NBB_2012_14 / FSMA 2012_21 of December 4, 2012 relating to the compliance function. Its latest version was approved by the Executive Committee on May 2, 2017 and confirmed by the Audit and Risk Committee and by the Board of Directors on May 16, 2017. It was not modified in 2019.

3.4.2.1. Positioning of the compliance function

Within Ethias, the CRO, responsible for the risk management function and member of the Executive Committee, is responsible for the tasks of the actuarial function and also for the compliance function, it being specified that the exercise of these 3 functions is carried out separately.

3.4.2.2. Legal, regulatory and specific compliance areas

The areas of work for the compliance function are specified in the compliance charter. These are the areas listed in the aforementioned "compliance" circular and those that will be added to the list on the proposal of the head of the compliance function. This proposal is based on a risk analysis and evaluated by the Executive Committee in consultation with the Audit and Risk Committee.

As of December 31, 2019, compliance is responsible for ensuring enforcement of the legal and/or regulatory rules of integrity and conduct in the following areas:

- the dispositions of article 42 §1 of the law of March 13, 2016 on the status and supervision of insurance or reinsurance undertakings,
- the provisions of point 5.4. in the NBB circular 2016_31 of July 5, 2016 relating to the NBB's prudential expectations regarding the governance system for the insurance and reinsurance sector,
- prevention of money laundering,
- enforcement of specific embargoes, including the freezing of assets of certain persons and entities,
- prevention of particular mechanisms of tax fraud,
- principles of good remuneration policy,
- rules relating to the exercise of external functions by the executives of regulated companies,
- loans, credits and guarantees to company executives, shareholders and related persons,
- “fit & proper” rules,
- management of conflicts of interest,
- whistleblowing,
- fight against corruption,
- "AssurMiFID" rules of conduct (which have become the “IDD”) aimed at ensuring the protection of users of financial products and services,
- other provisions relating to the protection of the policyholder, information to the customer, advertising, labelling, marketing bans, etc.
- management practices for outsourcing,
- intermediation in insurance and insurance distribution,
- mortgage credit legislation,
- legislation on market practices and consumer protection,
- anti-discrimination legislation,
- privacy legislation (which has become the “GDPR”)
- Assuralia’s codes and rules of conduct,
- internal values and integrity rules.

3.4.2.3. Main missions

Participation in the development of the integrity policy, its assessment and the monitoring of its respect

The compliance function participates in the development of the integrity policy and in its updating.

On the proposal of Compliance, the Executive Committee approved a new integrity policy on 4 December 2018 and the Board of Directors validated it on 24 January 2019.

Development of an action plan

The compliance function develops a written annual action plan based on a methodical risk analysis and provides a sufficiently detailed description of the nature and frequency of the monitoring missions that will be carried out during the specified year.

Identification, assessment and monitoring of the compliance risks

The reference document in this area is the "*Compliance risk management methodology*".
The monitoring carried out by the compliance function complements the control measures implemented by the operational lines and support functions, in the first line of defence. Its objective is to assess and to ensure the robustness of their risk management system.

The monitoring takes place after the prior identification and assessment of potential compliance risks detected within the framework of a regulatory monitoring carried out by the compliance function.
It includes the following activities: (I) the assessment of the procedures, controls and directives set up within the operational lines and support functions ("*tests of design*"), (II) assessment of the effectiveness and the permanence of these procedures and first-line control measures ("*tests of effectiveness*"), (III) the issuance of recommendations and the monitoring of their implementation; and (iv) the implementation of targeted controls.

Advice

The compliance function provides advice on the practical application of laws, regulations, standards and codes that fall within its working areas, either when consulted or in the exercise of its monitoring tasks and the issuance of recommendations.

Training and awareness

In collaboration with the operational lines and support functions, the compliance function ensures that employees are aware of the need to detect and control compliance risks.
It also assists in the design and organization of awareness-raising actions and training activities for employees in fields within its sphere of activity.

Implementation of the anti-money laundering system

In order to comply with the NBB's expectations regarding governance related to money laundering prevention, the Executive Committee of 13 June 2018 appointed the head of the compliance function as AMLCO, giving this person responsibility for the implementation and monitoring of this matter.

3.4.2.4. Governance

At the level of the Board of Directors and the Audit and Risk Committee set up within it

The Board of Directors takes the initiative to promote integrity in the conduct of activities. It approves the integrity policy and assesses at least once a year whether it is adapted to the company's activities.

It assesses periodically, and at least once a year, the effectiveness of the governance system and, in particular, the proper functioning of the independent monitoring functions, including compliance.

It ensures that the Executive Committee takes the necessary measures to ensure that Ethias has an adequate independent compliance function at all times.

It confirms the compliance charter and action plan and assesses at least once a year whether the compliance risks are sufficiently identified and controlled.

At the level of the Executive Committee

The Executive Committee develops the integrity policy.

It takes the necessary measures to ensure that Ethias has an adequate independent compliance function at all times.

It approves the compliance action plan and ensures that it receives the human and other resources that are necessary for its implementation.

3.5. Internal audit function

3.5.1. Missions

The purpose of the internal audit is to provide the Board of Directors and the Executive Committee with a reasonable assurance about the quality and effectiveness of the internal control, of the risk management as well as of the institution's good governance process and systems. It assists the members of these bodies in their mission in this field. The assessments carried out for these purposes by the internal audit within the framework of the insurance missions cover the following aspects:
1. observance of the laws, regulations, rules, procedures and contracts;
2. achieving the organization's strategic objectives;
3. the reliability and integrity of the financial and operational information;
4. the effectiveness and efficiency of the operations and programmes;
5. the protection of assets.

All processes, activities, functions, systems and operations of the institution and of its subsidiaries fall within the scope of the internal audit, without reserve or exception. Outsourced activities also fall within the scope of the internal audit, it being understood that it is the responsibility of the institution to make the necessary arrangements[4] to enable the internal audit to perform its task.

In this case, the internal audit is involved in advisory activities[5]. Before accepting them, the head of the internal audit considers the extent to which these advisory activities are likely to create added value and improve the process of corporate governance, risk management and organizational control. This advisory function constitutes an ancillary function which can in no way compromise the core mission, nor the responsibility and independence of judgment of the internal audit. The Executive Committee and the Audit and Risk Committee are informed of these advisory activities, either by their inclusion in the audit plan or through the activity report.

The internal audit is also responsible for assessing cases of internal fraud[6] with a view to improving the governance, risk management and internal control processes.

The internal audit assesses, in particular through its missions and in its role as a third line of defence, whether the risks incurred by Ethias in its various activities are adequately perceived and covered.

It is also attentive to the continuous improvement of the functioning and reputation of the Group's entities, while ensuring efficient management of the available resources. An audit agreement sets out the fundamental principles governing the internal audit function within these entities by describing its objectives, role, responsibilities and operating procedures. This agreement gives the internal audit function a state of independence vis-à-vis the audited activities, hence ensuring impartiality for the performance of its duties.

The internal audit has unrestricted access to information, documents and tangible or intangible assets. It may request from any person the elements which it deems necessary for the performance of his duties.

3.5.2. Audit charter

Ethias' internal audit charter, defined as the fundamental law of the auditors, recognises their role, provides them with the necessary access to carry out their assignments and give them an identity. It also protects auditees by imposing duties and ethical principles on the auditors. The internal audit charter is revised when necessary and at least every 3 years so as to ensure that the internal audit's ability to intervene is always consistent with the tasks assigned to it. The latest version, incorporating the requirements of the circular NBB_2015_21 concerning the internal control system and the internal audit function, was adopted by the Board of Directors of Ethias SA of October 20, 2017.

The charter is brought to the attention of all employees of Ethias via its publication on the Intranet.

The head of the internal audit assesses annually whether the mission, power and responsibilities set out in the charter still allow the internal audit department to achieve its objectives. It communicates the results of this assessment to the Executive Committee and the Board of Directors.

[4] By means of including audit clauses in service contracts.

[5] Examples include: formulating an advice, participating in a project or working group on a temporary basis, organizing a training session.

[6] Cases of internal fraud are analysed and dealt with in collaboration with the Human Resources Department as well as the hierarchy of the person(s) involved in the fraud.

3.6. Actuarial Function

Ethias has set up an actuarial function with the aim of extending the duties of the actuarial function to the control of any subject needing an independent actuarial opinion. More specifically, this function is responsible for making judgments and advising the Executive Committee and in particular the CRO on the actuarial aspects of risk management.

The actuarial function is detached from the operational activity on the hierarchical and organizational level and is thus attached to the CRO. As of December 31, 2019, the department consisted of 6 persons with actuarial and financial knowledge and/or relevant experience to carry out the missions. In addition, two recruitments were planned at that date. The head of the department meets the requirements of the NBB for expertise and good repute.

The head of the actuarial function informs the Executive Committee without delay when he detects a situation which he considers as unusual. He also addresses directly the chairman of the Executive Committee, the chairman of the Board of Directors, the members of the audit committee and the auditors of the entity for which he is responsible, when the situation so requires.

The actuarial function assesses beforehand his degree of independence for each mission for which it is in charge.

As part of the validation process for the models, Ethias assesses the quality and independence of the validation. The validation is managed by the actuarial function but the use of an external validation is possible to ensure the independence.

The charter stipulates that the head of the actuarial function and his direct employees must have access to all information relevant to their mission. In order to ensure a proper information on technical files, the head of the department is a member of the Insurance/Reinsurance Committee (IRC).

The key responsibilities of the actuarial function are as follows;
1. coordinating the calculation of technical provisions;
2. issuing an opinion on the overall underwriting and pricing policy;
3. issuing an opinion on the adequacy of the reinsurance arrangements;
4. issuing an opinion on the policy of profit sharing and refunds as well as observance of the relevant regulations;
5. contributing to the effective implementation of the risk management system;
6. Carrying out second-line control in the context of:
1. pillar 1 of Solvency II for calculations carried out by Risk Management;
2. pillar 2 of Solvency II (capital planning);
3. pillar 3 of Solvency II (Addactis);
1. collaborating in major projects by ensuring internal validation;
2. approving the technical elements underlying the valuation of insurance liabilities under IFRS17.

The actuarial function issues a validation report or an independent opinion for each mission, depending on the nature of the mission. These reports are sent to the Executive Committee and contain the recommendations made during the mission. A follow-up of these recommendations is also carried out by the actuarial function.

It also draws up a written report at least once a year and submit it to the Board of Directors. This report relates on all the work carried out by the actuarial function and their result. It clearly indicates any failures and makes recommendations on how to remedy them.

The "Charter of the Actuarial Function" details the basic principles, organization, competencies, independence, key responsibilities, missions and reporting of the actuarial function.

This charter was reviewed end-2017 and approved by the Board of Directors in May 2018.

3.7. Outsourcing

3.7.1. Essential elements of the subcontracting policy

The subcontracting policy was reviewed by the Board of Directors of Ethias on December 21, 2017 in order to take into account the control law of March 13, 2016 and the provisions of chapter 7 of the NBB's circular 2016-31 regarding governance. This policy was again amended by the Board of Directors on 27 March 2019 in order to comply with the umbrella circular BNB_2016_31 updated in September 2018

Subcontracting shall mean any use of third parties, service providers, to carry out activities, functions or processes specific to the insurance undertaking, whether these are intended for clients or for the undertaking itself.

Ethias' subcontracting policy sets up a management structure for the activities subcontracted by the company, developing different principles.

The same basic rules apply to all types of subcontracting, whether external subcontracting or subcontracting within the group or whether the subcontracting concerns critical or important functions or activities or not. The subcontracting of a critical or important function or activity is, however, subject to additional rules of supervision.

A function or activity is considered as critical or important when it is essential to the activities of the company to the point that it would not be able to provide its services to the policyholders without the function or activity in question.

Ethias also considers its core business activities for policyholders to be critical or important, provided that the size of these activities exceeds a materiality threshold, with the following operations directly involved in their execution:

- the pricing and design of insurance products,
- the management of insurance contracts and claims,
- the management of the portfolio of assets,
- accounting,
- the IT development and maintenance operations that directly participate in the execution of these activities and the storage of data.

On the other hand, "corporate" activities aimed at the company itself, such as HR, marketing, internal and external communication, management of company buildings, legal, training or collection of unpaid premiums, are considered as non-critical.

3.7.2. Subcontracting of IT services

Ethias outsources many of its IT services to its subsidiary NRB.

4. Risk profile

4.1. Underwriting risk

The Non-Life underwriting risk arises from the volatility of Non-Life insurance obligations. It includes:

- premium and reserve risk
- catastrophe risk.

The health underwriting risk reflects the risk arising from the underwriting of health insurance obligations, both when it is exercised on a technical basis similar to that of Life insurance as well as Non-Life insurance.

Life underwriting risk reflects the risk arising from life insurance obligations It includes:

- mortality risk
- longevity risk
- disability/morbidity risk
- expense risk
- revision risk
- termination risk
- catastrophe risk

4.1.1. Exposure to underwriting risk

Exposure to underwriting risk is assessed using the best estimate of technical provisions, by business line, shown in the following table:

In thousands of euros	31-Dec-19	31-Dec-18
Non-life (without health)	1,856,778	1,870,893
Health (similar to non-life)	409,708	351,277
Health (similar to life)	1,518,174	1,394,538
Life (without unit-linked insurance)	10,070,428	9,432,071
Unit-linked insurance	1,411,097	1,182,266

4.1.2. Concentration of underwriting risk

The insurance and reinsurance activities are concentrated in Belgium.

The activities are spread over two major segments of policy holders: Public Bodies & Companies on the one hand, and Private Individuals, on the other hand. Ethias' positioning towards the Public Bodies & Companies explains the high concentration of underwriting on this segment.

We note a concentration of underwriting risk for workers' compensation insurance activities: this is the portfolio "Work Accidents Low '71", on the one hand, and the portfolio "Work Accidents Law '67", on the other hand.

4.1.3. Sensitivity to underwriting risk

The table below lists the risks to which Ethias is exposed. They have been estimated by difference between a case of stressed Best Estimates and Best Estimates base cases (via modifications of certain assumptions). The variations in the parameters are close to the SCR shocks defined in Solvency II.

In thousands of euros, *solely Ethias SA*	2019	2018
Mortality risk		
Increase by 15 % in mortality	-28,094	-23,536
Longevity risk		
Increase by 20 % in longevity	59,440	43,257
Expense risk		
Increase by 10% in overheads	36,415	31,146
Doubling of inflation instead of the base-case inflation vector	47,670	36,717

Sensitivity of BE annuities

In thousands of euros, *solely Ethias SA*	2019
Longevity risk	
10% decrease in qx	35,821
Redemption risk	
50% decrease in the frequency of taking 1/3 in capital	2,837
Transition risk	
No partial recovery	43,175

4.1.4. Mitigation of underwriting risk

4.1.4.1. Creating a new product or modifying an existing product

Before the launch of a new product, it is studied in all its aspects: marketing, legal, tax, profitability, ALM constraints, compliance ...

The analysis is submitted to the Insurance Reinsurance Committee (IRC) and to the decision-making bodies for approval (Executive Committee and Board of Directors).

4.1.4.2. Underwriting limits

Underwriting guidelines set the limits to be respected with regard to underwriting (limits of a sectoral nature, contractual limits of insured capital, contractual limits of compensation, etc.).

4.1.4.3. Tariffs

Tariffs are established by underwriting actuaries and are submitted to the actuarial function for an opinion.

4.1.4.4. Reinsurance

The Reinsurance department determines the company's reinsurance needs. The treaties are reviewed annually according to the coverage needs determined by Risk Management and the requests from Production. The Insurance & Reinsurance Committee supervises the reinsurance programme.

Reinsurance is taken out on the basis of treaties that apply to a portfolio on the whole or on the basis of optional conventions relating to risks that are outside the frame of these treaties. The majority of these contracts are concluded on a non-proportional basis.

Non-Life management

The different portfolios (car, accidents, civil liability, fire, comprehensive, construction all risk and ten-year risk) are reinsured by excess of loss treaties. Reinsurance intervenes whenever a damage or an event exceeds the amount determined according to risk aversion.

The purchased capacities are a function of the underwriting limits and/or of the MPL (Maximum Possible Loss) in excess of loss per risk treaty. They are a function of very cautious catastrophe scenarios for the excess of loss per event treaty.

Life management

Death and disability are reinsured on the basis of an excess of loss treaty.

Non-Life and Life management

In case of an accident affecting at least two persons insured in accidents at work, in accidents common law; in death or in disability, an excess of loss per event treaty intervenes globally on top of the formerly presented treaties.

Terrorism is covered through the national TRIP pool. Our retention following on the TRIP intervention is also reinsured.

4.2. Market risk

4.2.1. Exposure to market risk

The following tables show the market risk exposure by risk module of the standard formula and by type of asset. Exposures are given at market value (including accrued interest not yet due).

We note that exposures to interest rate risk are not additive because they include assets and liabilities. The total indicated adds only the assets.

In thousands of euros	31-Dec-19	31-Dec-18
Interest	15,516,593	14,498,239
Action	959,298	960,089
Real estate	684,739	329,858
Spreads	14,929,296	13,928,206
Currency	48,432	9,693
Concentration	16,573,333	15,218,152

Exposures to government bonds and similar products are in theory subject to the SCR spread and concentration, but only certain specific exposures have, according to the standard formula, a non-zero charge (issuer outside the euro zone).

Compared to end-2018, exposures to the SCR market have increased.

- Exposures to the SCR interest rate have increased, particularly exposures in government bonds.
- Exposures to the SCR spread have increased. Exposures subject to the SCR spread with a non-zero charge amounted to around 5,551 million euros in 2019, while in 2018 they amounted to 5,637 million euros.
- There is no longer any exposure generating a SCR concentration. Indeed, exposure to BNP Paribas was significantly reduced from 244 million to 55 million.

- Exposures to the SCR property have increased following the change in the Solvency II regulations related to the transparent rendering of subsidiaries.
- Exposure to the SCR currency has increased as a portion of some funds are in foreign currencies although the fund is denominated in euros. This year, we have taken into account the foreign exposures of these funds.

All the exposures to the various market risks presented here also include the assets of Ethias Pension Fund associated with the company's pension commitments.

4.2.2. Exposure to the interest rate risk

The following table shows the components of the SCR interest as at 31/12/2019 and 31/12/2018

	Contribution to the SCR interest	
In thousands of euros	with rate hedge at 31/12/2019	with rate hedge at 31/12/2018
fixed income assets	-159,479	-249,598
forward starting swaps (interest rate hedging)	-4,536	-33,533
Net impact of spread lock	-242	-622
liabilities	213,582	407,826
SCR interest	**49,325**	**124,073**

The following table shows the evolution of the duration gap between assets and liabilities

	31-12-18			30-06-19			31-12-19		
	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap	Assets Duration	Liab. Duration	Duration gap
Total Life	6.91	9.04	(0.35)	7.74	9.80	(0.23)	7.88	10.12	(0.66)
Total Non-Life	4.93	7.86	(1.25)	5.90	8.07	(0.61)	6.47	8.46	(0.02)
TOTAL w/o IAS 19			(0.63)			(0.36)			(0.54)
TOTAL with IAS 19			(0.91)			(0.62)			(0.79)

The sensitivity of own funds to changes in interest rates is still under control and does not present a major risk. Own funds remain unfavourably exposed to a fall in interest rates, but an investment strategy has been put in place for 2020 to close the duration gap.

- Actions taken over the past years have allowed to reduce the duration gap in Life.
- The duration gap in Non-Life has narrowed. There is an offsetting between the long commitments of workers' compensation contracts and the shorter commitments of damage insurance.
- The duration gap between the Life and Non-Life portfolios has decreased due to investments in sovereign bonds with long maturity.
- The duration gap including commitments related to IAS 19 remain less than 1 year.

4.2.3. Exposure to the spread risk

The largest spread risk exposure relates to government bonds. Ethias is also exposed, but to a lesser extent, to the risk of widening spreads on the valuation of its corporate bonds.

The following tables present the evolution of the average benchmark rating broken down by type of bond.

In accordance with Solvency II, the benchmark rating used for each exposure is the second best rating available from Moody's, Fitch and Standard & Poor's at the balance sheet date. The distinction by asset class corresponds to the classification used by the company's management and may differ slightly from the asset categories as presented in the economic balance sheet.

In thousands of euros **to 31 December 2019**	AAA	AA	A	BBB	BB	B	NR	TOTAL
Government bonds and similar products	473,665	6,335,414	1,349,823	1,815,436	-	-	64,188	10,038,525
Corporate bonds	25,921	258,078	1,242,469	2,001,740	361,073	39,255	477,200	4,405,735
Covered bonds	271,431	134,872	64,616	33,663	-	-	-	504,582
Structured bonds	-	33,861	108,963	26,123	-	-	52,705	221,652
Loans	-	15,654	-	-	-	-	267,551	283,205
TOTAL	**771,017**	**6,777,880**	**2,765,870**	**3,876,961**	**361,073**	**39,255**	**861,644**	**15,453,700**

In thousands of euros **to 31 December 2018**	AAA	AA	A	BBB	BB	B	NR	TOTAL
Government bonds and similar products	409,949	6,221,195	1,016,608	957,547	0	0	88,146	8,693,445
Corporate bonds	0	224,119	1,136,602	1,837,000	117,218	39,206	443,328	3,797,473
Covered bonds	295,167	153,032	56,693	43,408	0	0	0	548,300
Structured bonds	0	36,378	130,932	26,140	0	0	51,328	244,777
Loans	0	14,655	0	0	0	0	250,585	265,240
TOTAL	**705,117**	**6,649,379**	**2,340,834**	**2,864,094**	**117,218**	**39,206**	**833,387**	**13,549,235**

The market value of assets subject to the credit risk increased significantly in 2019 as a result of the purchase of long maturity govies coupled with the significant fall in interest rates over the year.

The rating distribution has changed mainly on the level of government bonds and similar products through the purchase of long-term govies with a BBB rating like Portugal and, to a lesser extent, an A rating.

The amount of BB rating in corporate bonds has increased significantly following purchases of high-yield funds, mainly in the OFP.

Exposure to sovereign risk by country

Ethias analyses the details of its exposure to the sovereign risk whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. The following table presents the company's exposure to sovereign risk at market value, by geographical area.

The majority of sovereign debt exposure is mainly in the euro zone. Spread risk exposure on Belgium remains the largest (just under 50% of sovereign securities exposure). Other exposures are broken down by country, with significant diversification in accordance with the limits set by the company.

In 2019, Ethias invested mainly in Spanish, Portuguese and Irish bonds.

Country	Market value at 31 December 2019	Market value at 31 December 2018
Belgium	4,256,310	4,485,771
France	1,476,345	1,354,073
Spain	933,443	561,147
Supranational	628,867	509,958
Portugal	602,677	93,272
Ireland	513,933	360,252
Germany	457,198	375,359
Italy	282,848	307,736
Poland	186,205	159,151
Austria	163,145	127,414
Slovakia	151,152	120,242
Latvia	103,694	11,498
Slovenia	94,881	61,332
Lithuania	56,865	27,493
Finland	41,228	37,461
Czech Republic	41,130	42,888
Mexico	40,773	8,083
The Netherlands	23,356	40,187
Denmark	5,541	5,364
Luxembourg	3,709	3,578
Canada	1,208	1,185
TOTAL	**10,064,510**	**8,693,445**

4.2.4. Concentration of market risk

Ethias manages its concentration risk through the diversification of its portfolio by issuer and sector. Moreover, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification at the issuer and sector level.

At the level of diversification by issuer, the fact that exposures to government bonds and similar products do not have a concentration charge implies that the capital requirements for the concentration risk in the standard formula are very low;

4.2.5. Sensitivity to market risk

The following table presents the impacts of each scenario on the solvency ratio[7]:

Stress Test	Impact on the ratio
Spread Corporates +0,50%	7.4%
Equities - 30%	-6.9%
Real estate - 15%	-4.9%
Spread Govies +0,50%	-23.2%
Interest rate -0.50%	-9.3%

The stress on the Govies has a high impact due to our high exposure to government bonds.

The impact of the increase in corporate spreads is a devaluation of corporate bonds, but the volatility adjustment that is added to the liability yield curve is revised upwards, which reduces the S2 value of technical provisions; the net impact is an increase in shareholders' equity S2.

4.2.6. Methods of mitigating market risk

4.2.6.1. Investments in accordance with the Prudent Person Principle

Asset Management manages in a profession manner both the premiums generated by the insurance business and any cumulative investment income. To this end, the Ethias asset managers manage and monitor the securities portfolios and invest within a framework that respects the prudent person principle. The company only invests in instruments that it understands and that are properly managed and monitored. Both the members of the various governance committees and the portfolio managers must act with the care, skill, prudence and diligence required by the size of the transactions concerned.

4.2.6.2. Financial limits

A system of financial limits ensures a healthy diversification of the portfolio by asset class 'asset allocation), issuer, sector, currency and country. The system of limits also provides limits in minimum ratings according to the asset classes.

4.2.6.3. Limits in interest rate sensitivities

Limits for interest rate sensitivity are applied to the ALM segments in order to meet Risk Appetite tolerance limits.

4.2.6.4. Interest rate risk hedging

Several programmes for managing the asset-liability duration gap have already been implemented these previous years: lengthening the duration of assets through the purchase of very long-term government bonds, contraction of forward acquisition commitments also on government bonds in order to set the reinvestment rates over the next few years, the use of swaptions with different time horizons, the acquisition of forward starting swaps with an effect identical to the purchase of forward bonds but without identifying a credit risk during the forward period. The aim is to reduce the sensitivity of the ALM segments and consequently also the sensitivity of own funds to a movement in interest rates.

The programme for hedging against lower interest rates is regularly renewed so that protection is in place on a continuous basis; it currently consists of derivatives (forward swaps) coupled with long-term fixed-income investments. The duration gap is currently under control and is between -1 and 1.

[7] These impacts were estimated on the solvency ratio at 30/06/2019.

4.3. Credit risk

4.3.1. Exposure to credit risk

The credit risk reflects possible losses due to unexpected default or deterioration in the credit quality of the insurance company's counterparties and debtors. The definition covers risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit risk that is not subject to the "spread risk" according to the standard formula.

Exposures at 31 December 2019 to the counterparty default risk are presented in the following table. The exposures consist of cash, mortgages, most derivatives, receivables or guarantees relating to the funds that Ethias is committed to pay in real estate projects, deposits received from reinsurers.

In thousands of euros	31-Dec-19	31-Dec-18
Exposure to counterparty default	**1,352,898**	**1,739,306**

4.3.2. Methods of mitigating credit risk

Besides the selection of counterparties, diversification and measures to avoid concentrations, the credit risk is mitigated by obtaining collaterals or guarantees. The value of the collateral is determined by a cautious approach, based on several criteria including the nature and the specific type of collateral as well as its liquidity and the volatility of its value.

With regard to reinsurance, the treaties are reinsured by a large panel of reinsurers being at least “A” rated (allowing for exceptions) and taking a participation that is generally limited to 25 %.
The credit risk of reinsurers is constantly monitored by the reinsurance brokers we work with, who inform us if a reinsurer's rating is downgraded. We also have access to a site listing the main financial information by reinsurer and we are subscribe to a site providing daily news from the reinsurance world.
Claims provisions are also covered by cash deposits or deposits on blocked securities accounts.

4.4. Liquidity risk

4.4.1. Exposure to liquidity risk

There are two different concepts of liquidity risk.

On the one hand, the market liquidity risk: it is the risk of not being able to easily sell a position at market price position due to the insufficient depth of the market or disturbances in the markets.

The market liquidity risk is assessed by measuring exposure levels to liquid and illiquid assets and by periodically testing the liquid character of a sample of assets. In addition, financial market liquidity indicators are also monitored and alert mechanisms are defined.

As at 31 December 2019, 81% of the investment portfolios were composed of liquid assets according to internal criteria.
On the other hand, the funding liquidity risk: this is the risk of not being able to satisfy the need for present and future, expected and unexpected cash flows, without affecting its day-to-day operations or its financial position, and not being able to obtain financing on normal terms and conditions. The funding liquidity risk is assessed by projecting the expected cash flows over a period equal to the duration of the commitments or, where applicable, to a minimum equal to that of the planning horizon.

The table below shows the contractual cash flows expected by Ethias SA per category of financial assets and liabilities, grouped per maturity date. This projection is based on several assumptions as described below.

For financial assets, the portfolios are projected in run-off, except for long-term insurance products where reinvestments are planned: we take into account the investment management decisions according to the asset allocation defined for these products, so as to reflect more realistically the expected liquidity flows. The activities having a decreasing profile are backed by a shorter asset portfolio to ensure the benefits provided. Hence, liquidity is managed using the expected evolution profile of each insurance product.

We also note that actual maturities may differ from contractual maturities because certain assets are accompanied by early redemption clauses, with or without penalties.

Regarding liabilities, only contractual future premiums are taken into account, including for the Non-Life activities, and the expected cash flows on insurance contracts are based on the repurchase assumptions defined by the company. Unit-linked insurance contracts are assumed to expire in the year.

In thousands of euros Only Ethias SA	31 December 2019							
		Expected cash flows (undiscounted)						
	Book value	Total amount of undiscounted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	Undetermined maturity
Assets								
Bonds and similar securities	14,695,048	16,883,852	1,769,366	4,639,873	2,805,586	3,673,396	3,995,631	-
Participating interests, shares, investment funds and investment property	1,429,772	2,138,354	62,335	360,683	484,719	603,093	627,524	-
Loans and deposits	651,338	1,050,699	126,655	346,167	293,666	218,543	65,667	-
Cash and cash equivalents	354,676	354,676	354,676	-	-	-	-	-
Investments belonging to unit-linked insurance contracts	1,394,250	1,463,963	1,463,963	-	-	-	-	-
Derivatives	98,440	-	-	-	-	-	-	-
Total assets	**18,623,525**	**21,891,543**	**3,776,995**	**5,346,723**	**3,583,971**	**4,495,033**	**4,688,822**	**-**
Liabilities								
Insurance and investment contract liabilities	13,780,389	14,462,704	2,248,934	3,695,980	2,471,200	3,306,110	2,740,480	-
Liabilities belonging to unit-linked insurance contracts	1,394,250	1,394,250	1,394,250	-	-	-	-	-
Subordinated debts	487,707	636,153	23,323	162,740	444,339	2,738	3,012	-
Other financial debts	181,390	185,507	185,507	-	-	-	-	-
Derivatives	43,722	-	-	-	-	-	-	-
Total liabilities	**15,887,459**	**16,678,616**	**3,852,015**	**3,858,720**	**2,915,540**	**3,308,849**	**2,743,492**	**-**

4.4.2. Sensitivity to liquidity risk

Analyses of the sensitivity to the funding liquidity risk are conducted on a quarterly basis in order to measure the impact of redemptions on the most exposed liabilities contracts, the impact of changes in the income, or the impact of strategic decision-making modifying the structure of the company's balance sheet.

4.4.3. Methods of mitigating liquidity risk

The mitigation of the **market liquidity** risk is ensured:

- on the one hand, by verifying that a sufficient proportion of the portfolios is invested in liquid instruments, viz. they can be realised on the markets, in a rapid manner, without undergoing significant depreciations in value,
- and, on the other hand, by limiting investments in less liquid assets (for example, real estate, structured products, etc.) without prior authorization.

A system of liquid asset limits has been defined for each ALM segment in order to meet Risk Appetite tolerance limits.

The mitigation of the **funding liquidity** risk is ensured:

- through a regular monitoring of this risk by anticipating possible liquidity gaps between the liabilities and assets over a defined time horizon, by regularly monitoring the risk of redemptions on the most exposed liabilities contracts, by a priori defining a sufficient level of liquidity when designing new products, ...
- through a quick action if a liquidity gap is detected, such as: transforming assets into cash, contraction of a loan or repo, etc.

A system of limits in funding liquidity and in repos has been defined in order to meet the tolerance limits related to Risk Appetite.

4.4.4. Expected profit included in future premiums

The total amount of expected profit included in future premiums, calculated in accordance with the Solvency II standards, is 187 million euros (divided into 165 million euros in Non-Life and 22 million euros in Life).

4.5. Operational risk

4.5.1. Exposure to operational risk

The operational risk is described as “the risk of direct or indirect loss resulting from an inadequacy or failure attributable to procedures, processes, and people as well internal as external and to systems within the organisation, or resulting from external events”.

External events are for instance natural disasters (fire, flooding...), legal changes, strikers preventing access to the workplace, etc.

By definition, the operational risk is potentially present in every activity and can cover a broad field of application: it affects all organisational levels and processes.

Operational risks are subject to a semi-quantitative assessment based on an operational risk appetite matrix dimensioned according to axes of occurrence probability and of potential impact. This matrix is asymmetric and has several areas of risk criticality according to the combination "probability / impact" reflecting the level of severity of the risk and the emergency level of risk treatment.

The model for assessing operational risks allows to weigh the risk assessment criteria on the basis of criteria that may not only be financial, but also reputation, customer loss, system downtime, compliance with regulations …

The standard formula is used to assess capital requirements resulting from exposure to operational risks.

4.5.1.1. Cyberattack risk

The threat level of cyberattacks is growing continuously. The insurance industry is not immune to cyberattacks and other emerging risks. Like all companies, Ethias is potentially targeted by attempts to penetrate its systems for the purpose of stealing information, misappropriating personal data, disclosing confidential information, disrupting business continuity through the unavailability of computer systems, identity theft, malicious demand for money ...

Wishing to position itself as a leading player in the digital field, Ethias has taken into consideration the risks related to growing cybercrime in the various measures implemented to protect Ethias' information system. Ethias regularly tests its crisis management capabilities on cyber-attack scenarios.

The Ethias personnel is regularly made aware of the dangers of cyberattacks and the appropriate behaviour to adopt.

To protect itself from the risk of cybercrime, Ethias has taken out a specific insurance contract with a foreign insurer covering its potential liability in this area and guaranteeing it the financial resources to absorb any damage it may incur as quickly as possible.

4.5.1.2. Continuity risk

Ethias conducts continuity testing to assess the effectiveness of its contingency plans and the resilience to a black-out scenario over a potentially affected geographic region on the national territory. Some continuity tests are coordinated at the level of the sector.

4.5.1.3. Risks of IT malfunction

Ethias SA evaluates regularly:

- the choice of subcontractors, in terms of cost/benefit ratio
- the quality of IT services provided
- the ability of the IT subcontractor to provide a service adapted to the technological evolution of Ethias SA

4.5.1.4. Risk of terrorism

The establishment of a transversal unit for crisis management, in connection with players of the financial sector, helps to manage the risk of terrorism. Reflex and reactive measures have been defined and implemented: reinforcement of security guards and security measures for accessing the premises of Ethias SA.

4.5.1.5. Information system security risks

Ethias implemented a set of technical and organisational security measures to ensure the protection of data, databases, data flows, networks, systems and applications used for its own needs or those of its clients.

In order to define the objectives to be met by the security measures, risk analyses are carried out at different levels: at the project level, at the level of organisational changes, at the level of the sub-units or the completeness of the information system.

4.5.1.6. Risks of loss or alteration of personal data

With the entry into force of the General Data Protection Regulations (GDPR), Ethias has carried out a major action plan to fully comply with the new standards thus put in place.

4.5.2. Concentration of operational risk

4.5.2.1. Risks linked to the company's transformation projects

The company's transformation projects (technological and organizational evolution of the company) alone account for an important number of operational risks that appear in the analyses of operational risks regarding security, continuity and risks on projects. These risk analyses make it possible to define the necessary remedial measures.

4.5.2.2. Subcontracting risk

The recourse of subcontracting requires a complete and formal review of the associated risks. The company must be able to accurately assess the quality of the services provided by the contractor in relation to the initial needs and their evolution. The contractor must therefore provide the company with the indicators enabling him to steer and monitor the subcontracted activity. Where the nature of the subcontracted function is appropriate, measurable and realistic performance indicators and service level objectives are incorporated into the subcontracting agreement.

Ethias SA conducts a regular evaluation of the operational risks related to IT outsourcing. In addition, Ethias is evolving its subcontracting model by taking into account the risks associated with developments in the subcontracting market (cloud computing, etc.).

The contractual relationship with the IT partner NRB is taken into account in the operational risk analyses.

The risk of concentrating IT outsourcing with NRB was taken into account in the analysis of the choice of different IT partners related to the future technological evolution of Ethias.

4.5.3. Methods of mitigating operational risk

Preventive, dissuasive and corrective measures are implemented to control the identified operational risks. They are the subject of action plans formalized and monitored on a regular basis. A report has been sent to the management bodies of the company.

4.6. Other material risk

Reputational risk

Reputational risk is the risk that negative (true or false) information (publicity or otherwise) will cause a loss of confidence in the integrity of the company.

In order to protect itself from a reputation risk, Ethias takes various measures to guarantee the integrity of its image.

To this end, a communication culture using two complementary and coordinated axes has been developed.

Hence, the reputational risk is first of all dealt with through an external communication culture aimed at informing the public, the investors and the shareholders in a professional and transparent manner about the strategic and financial positioning, the operational developments and the company's commercial evolution.

Ethias also attaches particular importance to a good internal communication within the company because it contributes to the confidence of the personnel in the integrity of the company. Hence, there is a constant concern in the company to ensure a rapid, continuous and relevant information of the personnel.

Ethias' Code of Ethical Investment protects against taking stakes in activities whose reputation may be doubtful.

Several internal departments have established operating charters (Privacy, Risk Management, Actuarial Control, Compliance, etc.) in order to make their staff aware of the ethical behaviour that should be adopted in the performance of their activities.

Ethias regularly conducts opinion surveys to gather the opinion of its policyholders on the quality of its services. The results of these surveys carried out by independent research firms regularly demonstrate the quality of the Ethias brand name.

Climatic risks

Ethias is obviously attentive to the problem of climatic risks (global warming, pollution, etc.) likely to affect either the profitability of its products or the very continuity of its activities.

Thus, as part of its ORSA process (Own risk self assessment), Ethias evaluates the potential impacts of a natural disaster every year. The stress tests conducted on this occasion thus make it possible to challenge the company's reinsurance policy.

In addition, its ethical investment code excludes investments in environmentally harmful industrial activities.

As part of the development of its continuity plan, Ethias regularly conducts business continuity tests to determine its resilience capacity to risks of a catastrophic nature. In the same line of thinking, blackout tests are periodically organized to determine our resilience capacity based on our energy autonomy.

4.7. Any other information regarding the risk profile

Stress testing

Within the framework of the planning exercise, the company regularly carries out an evaluation of its solvency (i.e. the adequacy of its internal equity to face its global risk profile). The exercise takes the specific risk profile into account: it integrates the main risks and their interactions during the carrying out of stress tests.

Stress tests are in themselves tools for measuring specific risks. On a quarterly basis, spot stress tests are performed on the coverage ratio of the SCR. These stress tests are either standardized sensitivity tests or impact tests adapted to the specific risk profile of the company. The inclusion of non-financial risks such as reputational risks, strategic risks, business risks and model risks are also included in these analyses.

Covid-19 crisis

At the end of January 2020, the coronavirus pandemic (COVID-19) became the main driver of movements on the financial markets.

By mid-March, volatility on the financial markets had reached levels of panic equivalent to those observed at the height of the 2008 crisis. The lack of coordination at the global level in the response to the crisis had strongly increased risk aversion. Fortunately, central banks have learned from 2008. During the weekend of March 15, for example, the Fed returned to a zero interest rate policy by lowering its key rates by 100 bp.

At the beginning of April, the crisis also became economic, as the quarantine measures taken almost everywhere to contain the spread of the virus had a very high cost for economic actors and public finances. The various governments and central banks are stepping up their efforts by announcing new support measures.

Since mid-April, continental Europe has been showing some encouraging signs, with a decrease in new infections in Belgium and in Italy and Spain, the countries most affected. On the other hand, the pandemic is progressing in the United States, England and many emerging countries. The peak of infections is not yet reached at the global level. Europe and the United States are preparing for a start to lift lockdown measures and a resumption of local trade, while fears in Asia of a second wave of infection from abroad are not facilitating the resumption of world trade.

Over the next few weeks, stock markets should continue to be on a rollercoaster ride as long as investors have no visibility on the way out of the health crisis.

The Ethias investment portfolio has resisted rather well to the impact of the COVID-19 crisis. It is a defensive portfolio, 83 % of which is composed of long-term bonds. The proportion of listed shares is only 3 %. The credit quality of the bonds is monitored daily under current market conditions.

The impact of this health crisis is not limited to financial risk alone. Other insurance and operational consequences are added. Ethias has taken the full measure of these risks and various preventive actions have been carried out, thanks among other things to the regular maintenance of our Business Continuity Plan. These decisions were motivated by Ethias' absolute priority to follow the recommendations of the public authorities and to ensure the safety of its employees and their families, its clients and its partners.

Thus, being technically and technologically prepared, Ethias was immediately able to:

- enable almost all of its employees to work from home, thus ensuring their safety and that of their families;
- guarantee uninterrupted service to its clients, by promoting all digital tools (website, client space, online sales, live chat) and by strengthening the accessibility of its Contact Centers.

Given the seriousness of the situation, Ethias immediately took responsibility and joined forces in several areas. In the field of health care, Ethias provided emergency aid to the Belgian Red Cross and Doctors Without Borders/ Médecins Sans Frontières (MSF) and circulated their call for donations. In terms of economic distress, a series of exceptional measures, were taken, both individually and by the sector, to help citizens and businesses financially affected by the crisis. In concrete terms, we immediately halted the recovery of premiums and postponed the tariff revisions, postponed the payment of premiums for a number of contracts until 30 September, maintained the coverage of collective contracts for people in technical unemployment, suspended certain contracts for companies with temporarily discontinued operations, reimbursed the premiums for cancelled events and also extended the coverage in Workers' Compensation and Civil Liability to all volunteers who have been called upon by our first-line policyholders (hospitals, rest and care homes, municipalities, public social welfare centres, police, Red Cross, etc.). Ethias has also developed a solidarity app, called "App4You", bringing together volunteers and people in need of help, no matter how diverse the help is.

At the time of writing this report, the consequences of the pandemic for the company cannot be accurately estimated. While this event has no impact on the annual financial statement of the company at 31 December 2019, it could however have a potentially significant impact on the company's solvency, as well as on its technical and financial results, depending on the economic impact of this crisis. On this basis, and following the circular NBB_2020_012 of 7 April, the Board of Directors will propose to the General Assembly of 20 May 2020 not to pay dividends and to appropriate the result of the financial year to the profit carried forward.

Ethias SA's solvency at 31 December 2019 stands at 191 % and therefore provides a solid base to withstand this crisis. In addition, the situation is closely monitored by the management, who continually ensure that the best response is given to any new information. In that respect, we remain confident about Ethias' solidity in this particular context.

As an insurer, investor, societal player and entrepreneur, Ethias will continue to take all possible steps to help reduce the negative consequences of this global catastrophe on its policyholders and on Belgian society.

5. Valuation for solvency purposes

Annexed to this section is the Solvency II balance sheet at end-2018 and at end-2019, as well as the comparison of the S2 and BGAAP valuations.

5.1. Valuation of assets

5.1.1. Valuation of the financial asset portfolio

In the financial statements prepared in accordance with the Belgian accounting standards ("BGAAP") applicable to insurance companies, the book value of assets is, with a few exceptions, fixed on the basis of the amortized cost of the assets.

In accordance with the valuation principles set out in the Solvency II Directive, assets are valued at the amount for which they could be exchanged within the frame of a transaction concluded, under normal conditions of competition, between informed and consenting parties. This valuation principle is similar to the definition of fair value under IFRS.

The main valuation differences between Solvency II and BGAAP values by asset class are as follows:

Asset class	Difference explanation
Participating interests, shares and investment funds	With the exception of shares that are subject to impairment, the difference is explained exclusively by the fair value recorded in SII and the acquisition value of the shares or participating interests recognised in BGAAP.
Bonds	The difference in valuation between the BGAAP financial statements and the SII standards is essentially explained by the difference between the fair value recorded in SII and the amortized cost of these assets and by taking into account the accrued interest not yet due in the SII valuation. In addition, there are exceptions to this general rule: - Bonds whose value has been written down to market value under Belgian accounting standards. - Perpetual bonds valued in LoCoM (Lower of Cost or Market) under Belgian accounting standards.
Property	With the exception of properties that are subject to impairment, the difference in valuation between the BGAAP financial statements and the SII reference is mainly due to the difference between the fair value recorded in SII and the amortized cost of these assets.
Derivatives	Forward contracts on bonds and interest rate swaps are used in hedging transactions and benefit from hedge accounting rules (no fair value measurement in the Belgian accounting balance sheet). The market value of these instruments is only recognised in Solvency II.
Deposits other than cash equivalents	No difference in valuation.
Assets belonging to unit-linked insurance contracts	No difference in valuation.
Mortgage loans to private individuals, other loans and mortgage loans, and policy loans	With the exception of loans subject to impairment, the difference in valuation between the BGAAP financial statements and the SII standards is exclusively due to the difference between the fair value recorded in SII and the outstanding balance of the leans.

5.1.2. Valuation of other assets

5.1.2.1. Goodwill and intangible assets

Goodwill and intangible assets are not recognised in SII. In the BGAAP financial statements, intangible assets are mainly composed of goodwill related to the acquisition of portfolios and investments as well as software and IT developments that are capitalised.

5.1.2.2. Deferred tax

Deferred tax assets and liabilities are generated by temporary differences between the economic and tax values of the assets and liabilities and by carryforwards of unused tax losses.

The 3 million increase in deferred taxes is explained by the deferred tax on the change in SII adjustments partially offset by the utilization of tax losses.

5.1.2.3. Fixed assets held for own use

The decrease in fixed assets held for own use of 14 million euros is explained by the decrease in the appraised values of buildings of 8 million euros and by the transfer of properties to investment properties for 6 million euros.

5.1.2.4. Insurance and intermediaries receivables

This asset category is valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery. The difference in valuation on this asset class is explained by the cancellation of the technical expenses to be recovered, the fair value of the technical provisions (Best Estimate) being calculated net of recourse.

The increase by 4 million euros in this item is mainly due to the use of the new methodology for estimating earned premiums not written.

5.1.2.5. Other receivables

The decrease by 28 million euros in other receivables is mainly explained by the decrease in receivables on stock exchange transactions, on amounts to be received from dedicated asset funds and on prepaid expenses.

5.1.2.6. Deposits to cedants, cash and cash equivalents, receivables arising from reinsurance operations and other assets

In the BGAAP financial statements, these assets are valued at their nominal value or acquisition value or at amortized cost. Impairments are registered to take into account the uncertainties of their recovery. There is no valuation difference under SII on these asset classes.

The increase by 6 million euros is mainly due to the rise in receivables from reinsurers related to the increase in pledged securities deposits following the change in reinsurers' shares of technical provisions.

5.2. Valuation of technical provisions

5.2.1. Valuation of best estimates Life

5.2.1.1. Results

The table below shows the Best Estimates of Life provisions under SII at end-2018 and end-2019, as well as Life technical provisions in the BGAAP financial statements at end-2018.

In thousands of euros

SII line of business	SII 2019	BGAAP 2019	SII 2018
Insurances with profit participation	10,023,492	8,348,184	9,385,329
Accepted reinsurance	0	0	0
Complementary provisions BGAAP	0	1,042,037	0
TRIP provision	0	399	0
Total Life (without DC, unit-linked, index-lined and health)	**10,023,492**	**9,390,620**	**9,385,329**
CL annuities	46,936	35,505	46,742
Life (excluding health, unit-linked and index-linked)	**10,070,428**	**9,426,125**	**9,432,071**
Index-linked and unit-linked insurance	1,411,097	1,394,250	1,182,266
Overall Total	**11,481,525**	**10,820,376**	**10,614,337**

To the life segments, we must add the annuities of Common Law in Non-Life: General CL and CL Car (see section 5.2.2).

In addition, Group insurance policies for Ethias employees are valued as prescribed by IAS19 and are included in the pension provisions in the SII (see section 5.3.3).

5.2.1.2. General method of internal valuation of BE Life

In BGAAP, the Life insurance provisions include:

- mathematical provisions
- The supplementary "flashing-light" provisions designed to fund the difference between the mathematical reserves calculated at the guaranteed rate of the contract and those calculated at the "flashing-light" rate in such a way as defined in Article 31 of the Royal Decree of 14/11/2003.
- The supplementary longevity provisions, designed to take account of the increase in life expectancy and constituted on annuity products.

They include the allocated profit sharing. To this must be added the decease cover profit-sharing set up to cover the benefits of the decease cover profit-sharing in the coming fiscal year.

Under Solvency II, the Best Estimates are calculated by projecting determined flows to be in line with the economic, demographic ... reality. The current value of future cash flows is calculated using a discount rate curve provided by EIOPA with volatility adjustment. Flows include specific risks such as options and guarantees not subject to detailed rules on provisioning in BGAAP. The Best Estimates include a determined profit-sharing in a stochastic way, viz. by generating a large number of possible futures chosen at random. Besides the different assumptions used to determine the flows, the Best Estimates are also conditioned by different Expert Judgements. Future management decisions can also be taken into account in the calculation of Best Estimates.

The additional provisions which are part of the BGAAP reserves, namely the longevity provision and the flashing-light provision, are not included in Solvency II as such. However, the risk they cover is well integrated into the SII when valuating the BE using the assumptions chosen. Similarly, the fund for decease cover profit-sharing does not appear as such under SII but future decease cover profit-sharings allocated to future flows supplement these flows.

Life insurance products are classified according to the type of management, namely:

- individual life insurance products,

- group life insurance products.

In individual life insurance, our portfolio consists of the following products:

- classic products
- insurance account products, called "First"
- annuities.

In life Public Sector & Companies, a distinction is made between pension insurance (1st pillar), group insurance (2nd pillar) and capitalization products. Pension insurance is an insurance contract taken out by a public employer for the benefit of its staff and whose object is the constitution of statutory pension benefits or contributions owed to the Solidarity Fund. The reserves set up are managed collectively (in the general fund or in separate funds), and may fall under either branch 21 or branch 23.

Finally, we note that the portfolio contains products relating to branch 21, branch 23 and branch 26.

Some segments of liabilities are not yet part of the general SII modelling methodology for reasons of complexity, non-materiality or non-availability of the data. For non-modelled segments, the BGAAP accounting reserve will generally be used as Best Estimate (an add-on may be added in some cases such as to account for charges on “CAMI” or Branch 23 Public Bodies).

5.2.1.3. Main assumptions

While the BGAAP accounting technical reserves, without complementary provisions (flashing-light and longevity) are calculated on the basis of the contractual tariff conditions, the SII technical provisions take into account the expected reality. In general, we can synthesize the assumption differences between the calculations carried out in BGAAP and those carried out under Solvency II in the following table:

Parameters	BGAAP	Solvency II
Contractual surcharges	tariff (without commercial surcharges)	tariff & costs related to asset management
Life tables	tariff	prospective
Discount rate	guaranteed tariff rate	EIOPA curve
Future redemptions	not considered	considered
Future reductions	not considered	considered
Protection costs Br21	provisioned separately	considered
Overhead costs	not considered	considered
Future inflation	not considered	considered
Future profit-sharing	not considered	considered
Future premiums	Periodic premiums only taken into account if necessary for the calculation of the mathematical provision	taken into account within the limits of the contract boundaries

Mortality tables

The mortality tables available are:
- The tariff tables constructed using the Makeham coefficients, such as MR/FR,
- The experience tables (Assuralia),
- The prospective tables (calibrated at Ethias) with or without anti-selection.

For the calculation of Best Estimate under Solvency II, Ethias uses prospective tables, which is not the case in terms of its pricing.

Redemption rates

The redemption rates are calculated by segment and correspond, with the exception of FIRST products and branch 23/26 products, to the arithmetic average of the redemption rates observed in the course of the previous five periods. Each period corresponds to the interval [1/10/t-1; 30/09/t].

The redemption rates are not taken into account in the valuation of the BGAAP provisions.

Contractual surcharges and costs related to asset management

The surcharges are derived from the pricing. The calculation of the BGAAP provisions is carried out in inventory bases while the BE also take into account commercial surcharges.

Overheads

We must take into account the various overheads and expenses Ethias faces. We distinguish:
- Overheads, allocated according to the cut derived from the "Activity Based Costing" analysis

The annual contribution (0.15%) to the Branch 21 protection fund, which is calculated on the reserves of the contracts concerned.

Overheads are not taken into account in the valuation of BGAAP provisions.

Reductions

The right to reduction is the possibility for the policyholder to terminate the payment of his/her premiums at a given moment anticipatively.

- In SII, the reduction rate was determined on the basis of the arithmetic average of the reduction rates observed in the course of the previous 5 years. It is calculated for group insurance policies. The reduction rate is not taken into account in the valuation of the BGAAP provisions.

Future guaranteed rates

The calculation of BGAAP provisions does not take into account future guaranteed rates if they are variable.

On the other hand, under SII,

- when the future guaranteed rate of the contracts is variable (essentially in 1st pillar and more rarely in 2nd pillar), it is determined through the economic scenario generator. For FIRST products, when the future guaranteed rate can be revised, it is 0%. For 2nd pillar, a market-based pricing policy has been determined to allocate a new guaranteed rate to extended policies and to financing funds not benefiting from the variable rate formula.

Profit-sharing

The best estimate in SII includes the estimation of future life profit-sharing; on the other hand, future life profit-sharing is not taken into account in the valuation of the BGAAP provisions.

In the case of future decease cover profit-sharing, in BGAAP, only the reserve in the fund of the decease cover profit-sharing is taken into account so as to ensure the decease cover profit-sharing to be paid in the course of the next financial year, while under SII, the Best Estimate includes all future decease cover profit-sharing.

Economic assumptions

The economic assumptions used in the calculation of Best Estimate are:
- the discount curve
- the inflation rate.

The discount curve is the one provided by EIOPA, including the volatility adjustment. Inflation is calculated using the economic scenario generator.

As long as the results of the Liability Adequacy Tests (LAT) are satisfactory, the calculation of BGAAP provisions only takes into account guaranteed tariff rates and is not influenced by inflation. It was only through the complementary "flashing-light" provision, and indirectly, that the regulation imposed an obligation to take into account the possible difference between the guaranteed rates and the market rates.

Taking certain future premiums into account

The modelling is done under the assumption of a run-off of the contracts while respecting the limits of the contracts under Solvency II. We therefore do not consider new production; on the other hand, we take into account contractual periodic premiums, i.e. the premiums that the insured is obliged to pay at the risk of seeing his/her coverage reduced. Are also considered: the premiums on which Ethias has a rate commitment in the 1st pillar or for certain financing funds or collective funds as well as for certain FIRST-type products. On the other hand, with regard to the second pillar, the premiums for temporary death insurances, priced in an ancillary manner to a life component, are taken into account.

On the contrary, when valuing provisions in BGAAP, future premiums are only taken into account if they are necessary for the calculation of the mathematical provision (as in group life policies where the reserve is the difference between the insurer's commitment and the insured's commitment). In general, only premiums already received are included in the provisions.

5.2.1.4. Uncertainty level

A level of uncertainty relates to the following elements:

- Financing funds are subject to assumptions about their evolution.
- Accepted co-insurance reserves are assumed to evolve in the same way as those of the corresponding segment.
- Branch 23 is partially modelled.
- Reinsurance is not modelled; an analysis has shown that its impact is non-material on life BEs.
- Guaranteed income insurance is not modelled.
- Modelling of redemptions is based on a single rate regardless of the age group.
- The stochastic modelling of profit-sharing is not yet entirely completed.

5.2.1.5. Expert judgment

The list of expert judgments has been updated on 31 December 2019.

5.2.1.6. Significant changes in assumptions

The significant changes in assumptions or modelling between 31 December 2018 and 31 December 2019 are as follows:

- The different calibrations (redemption rate, costs, mortality tables ...) have been reviewed.

5.2.1.7. Evolution of Life Best Estimates in 2019

The first important element that influences the value of BEs is the discount rate curve provided by EIOPA. The curve at end-2019 is significantly lower than at end-2018. However, this effect is partially offset by the use of a floating guaranteed rate, mainly in the 1st pillar. The curve effect is estimated at +757 million.

Other modelling changes were made with a relatively neutral impact on the Best Estimates at end-2019.

Finally, the different calibrations (redemption rate, costs, mortality tables ...) have been reviewed.

5.2.2. Valuation of Best Estimates Non-Life and Health

5.2.2.1. Results

The table below shows, at end-2019, the Best Estimates of the Non-Life provisions under SII, as well as the Non-Life technical provisions in the BGAAP financial statements.

In thousands of euros

SII line of business	SII value	BGAAP value
Non-life (without health)	1,856,778	1,915,976
Health (similar to non-life)	409,708	390,500
Non-Life	***2,266,487***	***2,306,476***
Health (similar to life)	1,565,110	1,669,808
TOTAL non-life and health (BGAAP without recourse)	**3,831,596**	**3,976,284**
Recourse provisions	0	-56,609
TOTAL non-life and health net of recourse	**3,831,596**	**3,919,675**

In SII, the BEs are calculated net of recourse and the BEs of the CL annuities and CL Car are classified in Life (see section 5.2.1).

5.2.2.2. Amounts recoverable from reinsurance contracts

The following table sets out the amounts recoverable from reinsurance contracts as at 31 December 2019 with the SII balance sheet categories.

In thousands of euros

SII line of business	Gross technical provisions	Net technical provisions before adjustment	Adjustment	Ceded technical provisions
Non-life (without health)	1,856,778	1,748,131	-1,564	107,083
Health (similar to non-life)	409,708	406,386	-49	3,273
Non-Life	***2,266,487***	***2,154,518***	***-1,613***	***110,356***
Health (similar to life)	1,565,110	1,548,978	0	16,131
TOTAL	**3,831,596**	**3,703,496**	**-1,613**	**126,487**
Annuities included in Life	46,936	46,936	0	0

In Solvency II, the amounts recoverable from the reinsurance contracts are valued at total amount of 126 million euros whereas the shares of reinsurers in the technical provisions of the Belgian balance sheet amount to 157 million euros.

5.2.2.3. General valuation method of the BE claims

Benefits and external costs

The calculations of the future flows of benefits and external costs for the management of claims in run-off are based on traditional triangulation methods in both BGAAP and SII. There are, however, some differences in the calculations within the two frames:

- The segmentation used is not the same.
- The management of atypical claims:
  - No special treatment in the frame of the BGAAP calculation, except for so-called media claims.
  - Split between attritional and atypical claims in the frame of the SII calculation.
- The flows are not updated in BGAAP.
- A Value at Risk (VaR) linked to the risk appetite of the company is integrated into the BGAAP evaluations whereas the calculation of the BE SII is an average scenario.

Internal claims handling costs, overheads and investment costs

In SII, investment and support costs are determined using a proportion of the expenses.

In BGAAP, a percentage of the provisions is used to determine the provision for internal claims handling costs.

Add-ons and simplified method

A set of elements are excluded from our calculation a priori because of their specific nature. These items, called "add-ons", are estimated separately and added to the technical provisions.

The “Add-ons” amounts also take into account a share of costs.

Reinsurance

The share of reinsurers in the technical provisions is determined in the BGAAP financial statements and the SII standard by applying the reinsurance programme to the various claims. Certain parts of the reinsurance programme, the impact of which was judged to be non-material in view of the complexity of the required IT developments, were not modelled.

In BGAAP, the reinsurance programme is applied on the basis of the BGAAP claims burden, while in SII the programme applies to the SII claims burden.

The adjustment of claims costs recoverable from reinsurance contracts is a prudential concept imposed by SII to cover the insolvency risk of reinsurers and this does not have a counterpart in BGAAP.

5.2.2.4. General valuation method of the BE annuities

Work Accident annuities

In addition to the methods, the technical parameters used for annuities are different in BGAAP and SII.

In BGAAP, a method based on scales is applied.

In SII, a method of projecting flows allowing to take into account the different possible options has been developed:
- Transition between phases
- Change in permanent disability rate
- Taking 1/3 in capital
- Cumulative pension

The discount curve is determined by EIOPA and inflation is derived from the ESG. The mortality table used is a prospective table with an excess mortality according to the type and gender of the beneficiary calibrated by Assuralia.

In BGAAP, we consider costs proportional to technical provisions, while in SII, an amount per life annuity has been calibrated.

Add-ons and simplified method

A set of elements are excluded from our calculation a priori because of their specific nature. These items, called "add-ons", are estimated separately and added to the technical provisions.

5.2.2.5. General valuation method of the BE premiums

Methods and assumptions

The BE of gross premiums is an SII concept that does not have its equivalent in BGAAP. An analogy can be made with the PFUR (provision for unexpired risks) and the PFUP (provision for unearned premiums). The BE of premiums are calculated using an internally developed and calibrated premium and exposure projection model.

Reinsurance

The BE of premiums net of reinsurance is an SII concept that does not have its equivalent in BGAAP.

The valuation in SII is identical to the valuation of BE of gross premiums.

5.2.2.6. Taking into account the intervention of TRIP in the Brussels and Charleroi attacks

Different branches are affected by the Brussels attacks, mainly Objective CL and Work Accidents. The mechanism in place is as follows:

- The companies manage their claims.
- The cost of the various claims of the sector is globalized in a pool (TRIP).
- Reinsurers intervene on the basis of the pool's charge.
- The pool redistributes the charges and expenses ceded to the various companies in proportion to their market shares.

The cost of the claims managed by the companies does not reflect the actual commitments of the company.

In order for the BE to reflect the actual commitments as closely as possible, we have proceeded as follows:

- Cancellation in the BE calculations of annuities and claims of the flows related to the claims that are linked to the attacks.
- Creation of an add-on based on the BGAAP amounts after allocation by the pool.

5.2.2.7. Significant changes in assumptions

BE claims

- The triangulations have been updated by adding an additional diagonal to the various triangles. A set of complementary triangulation methods were tested.
- The cost parameters have been recalibrated by integrating the observations of the year 2019 and their expected evolution.
- A separate treatment has been made for a series of contracts for which Ethias assumes the risk but which are managed by a third party.

Work Accident annuities

- The cost have been recalibrated by integrating the observations of the year 2019.
- The transition assumptions regarding the permanent disability rate have been recalibrated.
- In our projections, we have reflected the adaptation of the guarantees applied in the "Law of '67" contracts, which consists in paying out annuities on the basis of a salary evaluated at the 1990 index and not on the basis of a salary indexed at the date of the accident.

BE premiums

- All the parameters necessary for the use of the projection module have been recalibrated.
- A claim flow projection approach was used. This approach is always based on an economic S/P. This slightly different approach has allowed us to:
    - Consider the projected S/P trajectory for the segment "Health Care Individuals" rather than a weighted average of the ratios in that trajectory.
    - Separate the cost components and adapt the cost driver for claims handling costs.
- The cost parameters have been recalibrated by integrating the observations of the year 2019 and their expected evolution.
- The economic S/P ratios have been recalculated on the basis of the data at end-2019, taking into account the expected evolution of the profitability foreseen in the business plan. As has been done in the framework of the BE claims, a separate ratio is determined for the TPAs.

5.2.2.8. Evolution of Non-Life and Health Best Estimates in 2019

In thousands of euros		Technical provisions (SII) 31/12/2019	31/12/2018	Evolution
Technical provisions - non-life (excluding health)	Claims BE	1,683,585	1,705,564	-1.3%
	Premium BE	173,193	165,328	4.8%
		1,856,778	1,870,893	-0.8%
Technical provisions - health (similar to non-life)	Claims BE	344,806	311,102	10.8%
	Premium BE	64,902	40,175	61.5%
		409,708	351,277	16.6%
Technical provisions - health (similar to life)	Premium BE	-110,453	-122,853	-10.1%
	BE Annuities	1,675,563	1,564,133	7.1%
		1,565,110	1,441,279	8.6%
		3,831,596	3,663,449	4.6%

The evolution between 31/12/2018 and 31/12/2019 of the Non-Life BE is an increase of 5%. This change breaks down as follows:

- Non-Life without Health: 0.8% decrease
- Health similar to Non-Life: 16.6% increase
- Health similar to Life: 8.6% increase

The evolution of the BE "Non-Life without Health" is strongly influenced by the evolution of the BE claims. This BE is strongly influenced downwards by the change in the scope of costs taken into account in our projections. This decrease is offset by an unfavourable rate effect, a volume effect linked to the increase in the stock of claims on long settlement classes and an increase in the BE premiums resulting from the review of the expected profitability assumptions.

The evolution of the BE "Non-Life Health Similar to Non-Life" BE comes mainly from the "Workers Compensation" branches for which we observe a deterioration in the claims ratio influencing both the BE claims and the BE premium through the expected future profitability.

The evolution of the BE "Non-Life Health similar to Life" is influenced by the increase in the BE annuities. The BE annuities is marked by a growing portfolio of annuitants increased by an unfavourable rate effect. The BE annuities is also influenced by a correction in our calculation module on the projection of 1/3 capital take. The BE premiums, which relates exclusively to the branch “Health Care Individuals”, is impacted by the review of the expected profitability assumption following the marketing of a new product in 2019.

5.2.3. Valuation of the risk margin

The risk margin is an item that does not exist in BGAAP. In Solvency II, it represents the present value of the cost of financing future SCRs related to the insurance business considered in run-off on the portfolio existing at the balance sheet date. It is in addition to the Best Estimates for establishing together the technical provisions. It represents a little over 470 million euros, i.e. an additional 3.1% of the Best Estimates as of December 31, 2019.

The following table presents the risk margin by SII activity line.

In thousands of euros

SII line of business	31-Dec-19	31-Dec-18
Non-life (without health)	176,091	173,802
Health (similar to non-life)	60,148	42,598
Health (similar to life)	37,245	32,470
Life (without index-linked and unit-linked insurance)	196,611	154,400
Index-linked and unit-linked insurance	4,213	2,476
TOTAL	**474,308**	**405,745**

We have improved the method of projecting SCR premiums in Non-Life and in Health, which has led to their increase.

The amount of the risk margin has followed the evolution of its components, i.e. the SCRs and the horizon over which they are projected. The increase observed is mainly due to the change in rates and its impact on the SCRs.

5.2.4. Volatility adjustment

The solvency ratio of Ethias SA is valued using the EIOPA rate curve with the volatility adjustment.

The volatility adjustment decreased from 0.24% at end-201 to 0.07% at end-2019; therefore this parameter now has a lesser impact on the solvency ratio: the ratio without this adjustment would be 7% lower (compared to 19% at 31/12/2018).

The effects of the volatility adjustment at end-2019 are presented in the tables below.

In thousands of euros	without VA	QRT 12/2019	delta
Solvency Capital Requirement (SCR)	1,405,185	1,399,338	5,847
SCR eligible equity capital	2,489,464	2,571,238	-81,774
surplus(+) / deficit(-)	1,084,279	1,171,900	-87,621
SCR coverage rate	**177.16%**	**183.75%**	**-7%**

In thousands of euros	without VA	QRT 12/2019	delta
Minimum Capital Requirement (MCR)	632,333	629,702	2,631
Eligible equity capital MCR	2,013,338	2,097,509	-84,171
surplus(+) / deficit(-)	1,381,004	1,467,807	-86,803
MCR coverage rate	**318.40%**	**333.10%**	**-14.70%**

5.3. Valuation of other liabilities

5.3.1. Contingent liabilities

A contingent liability is:

- a possible liability resulting from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not fully within the company's control; or
- a present liability resulting from past events, but not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability or that the amount of the liability cannot be measured with sufficient reliability.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefits has become probable or assessable with sufficient reliability, in which case a provision is recognised in the MVBS of the accounting year in which the change in probability or evaluation occurs.

The difference of 12.8 million euros between SII and BGAAP corresponds to the estimated risk related to a litigation between Ethias and an institutional client. At the preliminary stage of this litigation, the risks of total or partial loss are conservatively estimated at a probability of less than 50%, which does not require a provision to be recorded in the statutory accounts. The different scenarios envisaged and the amount of the contingent liability arising from them could be reassessed in the future in the light of developments in the procedure.

The decrease by 9 million euros in contingent liabilities is mainly explained by the reversal of a provision following the resolution of a litigation provisioned in 2018 and by an allocation following a new litigation.

5.3.2. Provisions other than technical provisions

The amount of the provisions corresponds to the best estimate of the expense required to extinguish the current obligation at the balance sheet date.

The provision of 1,054 thousand euros recorded in the BGAAP financial statements to cover the cost of hedging derivatives does not exist in S2 as this cost is reflected in the market value of the derivatives. The increase by 3 million euros is mainly explained by the recognition of a provision for reorganization.

5.3.3. Pension benefit obligations

Employee benefits have been valued in accordance with the principles of IAS 19 and include post-employment benefits (mainly pension commitments), long-term benefits and end-of-contract benefits.

The difference in valuation between the BGAAP and SII financial statements is due to the difference between the fair value recorded in the SII as a result of the discounting of the post-employment benefits and the end-of-contract benefits, and the value of these commitments recorded in the BGAAP financial statements, as well as the recognition of long-term benefits in SII.

5.3.4. Deposits from reinsurers

These liabilities are valued at par, both in BGAAP and SII. The increase by 6 million euros is mainly explained by higher reinsurance deposits.

5.3.5. Debts toward credit institutions

The decrease in the item of 77 million euros is mainly due to the reimbursement of the repo's for 92 million euros offset by the increase in the collateral of 15 million euros.

5.3.6. Other debts and other liabilities

The change of -10 million euro is mainly explained by the decrease in invoices to be received and costs on dedicated asset funds.

5.3.7. Subordinated liabilities

The increase of +10.98 million euros in the value of subordinated loans is due to the decrease in risk-free interest rates observed in 2019 on the largest loan (402.7 million par value) offset by a slight decrease in the valuation of the loan of 75 million par value and the perpetual loan of 14 million par value.

5.4. Notes

5.4.1. Comparative S2 balance sheet 12/2018 - 12/2019

En milliers €	2018	2019	Variations 2018-2019
ACTIF			
Deferred tax assets	203.746	**206.670**	2.924
Property, plant & equipment held for own use	87.085	**73.005**	-14.080
Property (other than for own use)	203.291	**172.096**	-31.195
Holdings in related undertakings, including participations	425.814	**477.472**	51.657
Equities	436.214	**548.758**	112.543
Government Bonds	8.169.691	**9.536.324**	1.366.633
Corporate Bonds	4.508.759	**4.400.790**	-107.969
Structured notes	327.669	**321.694**	-5.975
Collective Investments Undertakings	665.412	**535.120**	-130.292
Derivatives	52.317	**98.440**	46.122
Deposits other than cash equivalents	1.145	**2.349**	1.205
Assets held for index-linked and unit-linked contracts	1.173.222	**1.394.250**	221.029
Loans and mortgages	655.275	**671.862**	16.587
Reinsurance recoverables	121.872	**126.487**	4.615
Deposits to cedants	6.185	**4.138**	-2.047
Insurance and intermediaries receivables	162.102	**165.978**	3.876
Reinsurance receivables	104.474	**110.833**	6.360
Receivables (trade, not insurance)	109.720	**82.055**	-27.665
Cash and cash equivalents	602.928	**353.426**	-249.502
Any other assets, not elsewhere shown	24.969	**28.737**	3.768
TOTAL	**18.041.890**	**19.310.483**	**1.268.594**
PASSIF			
Own funds	1.980.867	**2.163.330**	182.463
BE non-life	1.870.893	**1.856.778**	-14.115
RM non-life	173.802	**176.091**	2.289
BE health (similar to non-life)	351.277	**409.708**	58.432
RM health (similar to non-life)	42.598	**60.148**	17.551
BE health (similar to life)	1.394.538	**1.518.174**	123.636
RM health (similar to life)	32.470	**37.245**	4.775
BE life (excluding health and index-linked and unit-linked)	9.432.071	**10.070.428**	638.357
RM life (excluding health and index-linked and unit-linked)	154.400	**196.611**	42.211
BE index-linked and unit-linked	1.182.266	**1.411.097**	228.832
RM Technical provisions – index-linked and unit-linked	2.476	**4.213**	1.737
Contingent liabilities	22.724	**14.212**	-8.512
Provisions other than technical provisions	21.790	**25.271**	3.480
Pension benefit obligations	180.921	**158.946**	-21.975
Deposits from reinsurers	114.403	**120.082**	5.679
Deferred tax liabilities		**0**	0
Derivatives	9.355	**43.722**	34.366
Debts owed to credit institutions	257.852	**181.390**	-76.462
Insurance & intermediaries payables	122.646	**166.257**	43.611
Reinsurance payables	6.276	**7.839**	1.563
Payables (trade, not insurance)	183.930	**169.487**	-14.443
Subordinated liabilities in Basic Own Funds	503.603	**514.578**	10.976
Any other liabilities, not elsewhere shown	734	**4.875**	4.141
TOTAL	**18.041.890**	**19.310.483**	**1.268.594**

5.4.2. Balance sheet SII versus BGAAG 12/2019

En milliers €	SII	BGAAP	Variations SII- BGAAP
ACTIF			
Intangibles assets	0	**123.226**	-123.226
Deferred tax assets	206.670	**0**	206.670
Property, plant & equipment held for own use	73.005	**60.624**	12.381
Property (other than for own use)	172.096	**154.070**	18.026
Holdings in related undertakings, including participations	477.472	**378.681**	98.790
Equities	548.758	**386.081**	162.677
Government Bonds	9.536.324	**8.326.424**	1.209.901
Corporate Bonds	4.400.790	**4.147.043**	253.747
Structured notes	321.694	**301.175**	20.519
Collective Investments Undertakings	535.120	**500.638**	34.482
Derivatives	98.440	**176**	98.263
Deposits other than cash equivalents	2.349	**2.349**	0
Assets held for index-linked and unit-linked contracts	1.394.250	**1.394.250**	0
Loans and mortgages	671.862	**650.239**	21.623
Reinsurance recoverables	126.487	**157.350**	-30.864
Deposits to cedants	4.138	**4.138**	0
Insurance and intermediaries receivables	165.978	**222.587**	-56.609
Reinsurance receivables	110.833	**110.833**	0
Receivables (trade, not insurance)	82.055	**82.055**	0
Cash and cash equivalents	353.426	**353.426**	0
Any other assets, not elsewhere shown	28.737	**24.626**	4.111
TOTAL	**19.310.483**	**17.379.990**	**1.930.493**
PASSIF			
Own funds	2.163.330	**1.366.047**	797.283
BE non-life	1.856.778	**1.915.976**	-59.198
RM non-life	176.091	**0**	176.091
BE health (similar to non-life)	409.708	**390.500**	19.209
RM health (similar to non-life)	60.148	**0**	60.148
BE health (similar to life)	1.518.174	**1.634.303**	-116.129
RM health (similar to life)	37.245	**0**	37.245
BE life (excluding health and index-linked and unit-linked)	10.070.428	**9.425.725**	644.702
RM life (excluding health and index-linked and unit-linked)	196.611	**0**	196.611
BE index-linked and unit-linked	1.411.097	**1.394.250**	16.847
RM Technical provisions – index-linked and unit-linked	4.213	**0**	4.213
Contingent liabilities	14.212	**1.412**	12.800
Provisions other than technical provisions	25.271	**26.325**	-1.055
Pension benefit obligations	158.946	**87.821**	71.125
Deposits from reinsurers	120.082	**120.082**	0
Deferred tax liabilities	0	**3.592**	-3.592
Derivatives	43.722	**0**	43.722
Debts owed to credit institutions	181.390	**181.390**	0
Insurance & intermediaries payables	166.257	**166.257**	0
Reinsurance payables	7.839	**7.839**	0
Payables (trade, not insurance)	169.487	**169.487**	0
Subordinated liabilities in Basic Own Funds	514.578	**488.225**	26.353
Any other liabilities, not elsewhere shown	4.875	**757**	4.117
TOTAL	**19.310.483**	**17.379.990**	**1.930.493**

6. Capital management

6.1. Own funds

6.1.1. Breakdown of available own funds

In thousands of euros	31-Dec-19	31-Dec-1
Tier 1 unrestricted	1,956,660	1,777,121
Tier 1 restricted	14,909	15,043
Tier 2	499,670	488,560
Tier 3	206,670	203,746
TOTAL	**2,677,908**	**2,484,469**

At end-2019, the available own funds are composed of the basic own funds classified according to the following levels:

- Tier 1 unrestricted results from the excess of assets over liabilities, excluding deferred tax assets that are classified in level 3.
- Tier 1 restricted corresponding to the remaining 15 million euros of the perpetual loan issued in 2005 that did not participate in the exchange transaction carried out in 2015. It is classified as level 1 under the transitional measures.
- Tier 2 comprises, on the one hand, the subordinated loan of 75 million euros issued in 2008 and maturing in July 2023, classified as tier 2 in application of the transitional measures, and, on the other hand, the subordinated loan of 402.7 million euros in nominal value issued in 2015 and maturing in January 2026.
- Tier 3 corresponds to deferred tax assets.

Available own funds increased between 2018 and 2019, mainly due to changing economic conditions (equity market performance and lower interest rates).

6.1.2. Breakdown of eligible own funds to meet the SCR

In thousands of euros	31-Dec-19	31-Dec-18
Tier 1 unrestricted	1,956,660	1,777,121
Tier 1 restricted	14,909	15,043
Tier 2	499,670	488,560
Tier 3	199,999	194,613
TOTAL	**2,671,238**	**2,475,337**

The available own funds detailed in the previous section are subject to different limits which determine their eligibility for the Solvency Capital Requirement.

At end-2019, available Tier 1 and Tier 2 capital is fully eligible for SCR coverage.

However, Tier 3 own funds are not fully eligible because the sum of the available Tier 2 and Tier 3 own funds exceeds the 50% limit of the SCR. Consequently, among the available Tier 3 own funds, an amount of 7 million euros is not eligible for SCR coverage.

As a reminder, at end-2018 the same limit was affected for an ineligible amount of 9 million.

6.1.3. Coverage of the Solvency Capital Requirement

The coverage ratio remained relatively stable. The slight increase is the result of the increase in own funds, despite the increase of the SCR.

In thousands of euros	31-Dec-19	31-Dec-18
Solvency Capital Requirement	1,399,338	1,366,346
Eligible own funds to meet the SCR	2,671,238	2,475,337
Coverage rate	**190.89%**	**181.16%**

6.1.4. Breakdown of eligible own funds to meet the MCR

In thousands of euros	31-Dec-19	31-Dec-18
Tier 1 unrestricted	1,956,660	1,777,121
Tier 1 restricted	14,909	15,043
Tier 2	125,940	122,971
TOTAL	**2,097,509**	**1,915,135**

Available Tier 1 own funds are fully eligible for MCR coverage.

However, only part of the available Tier 2 own funds, up to 20% of the MCR, is eligible for MCR coverage. This eligibility limit is reached at end-2018 and at end-2019.

6.1.5. Coverage of the minimum capital requirement

In thousands of euros	31-Dec-19	31-Dec-18
Minimum Capital Requirement	629,702	614,856
Eligible own funds to meet the MCR	2,097,509	1,915,135
Coverage rate	**333.10%**	**311.48%**

The S2 standards require that the MCR be between 25% and 45% of the SCR. Since the calculation of the MCR leads both at end-2018 and at end-2019 to a value higher than this interval, it is limited under this provision to 45% of the SCR. However, the SCR increased in 2019 (+33 million euros); this increase therefore has a proportional impact on the MCR (+15 million euros).

6.1.6. Differences between the own funds in BGAAP and in Solvency II

The table below shows the transition from own funds under Belgian accounting standards (BGAAP) to own funds available in Solvency II. Transitional measures on own funds are taken into account, resulting in the eligibility of all subordinated loans as own funds for SCR coverage purposes.

The main sources of differences between accounting and Solvency II own funds are the revaluations of financial assets and technical liabilities, as well as subordinated loans (included in other liabilities for 515 million euros).

In thousands of euros	31-Dec-19	31-Dec-18
Accounting own funds	1,359,668	1,174,156
Fund for future appropriations	6,379	6,379
Financial asset gains	1,763,462	974,507
Any other assets	-6	0
Revaluation technical liabilities	-1,138,336	-365,365
Other liabilities	476,480	487,384
Deferred taxes	210,261	207,410
SII own funds	**2,677,908**	**2,484,469**

6.2. SCR & MCR

6.2.1. Solvency capital requirement (SCR) and minimum capital requirement (MCR)

In thousands of euros	31-Dec-19	31-Dec-18
Solvency Capital Requirement (SCR)	1,399,338	1,366,346
Minimum Capital Requirement (MCR)	629,702	614,856

The SCR and the MCR are evaluated according to the standard formula. At end-2018 as at end-2019, the MCR reached the ceiling of 45% of the SCR.

6.2.2. Solvency capital required per risk module

In thousands of euros	31-Dec-19	31-Dec-178
Market risk	840,679	781,282
Default risk of the counterparties	91,335	141,741
Life underwriting risk	199,225	162,454
Health underwriting risk	316,419	274,075
Non-Life underwriting risk:	537,094	572,555
Diversification	-670,071	-650,026
Intangible asset risk	0	0
Basic Solvency Capital Requirement	1,314,681	1,282,081
Operational risk	121,458	116,438
Absorbing capacity of technical provisions	-36,801	-32,173
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	**1,399,338**	**1,366,346**

At end-2019, the total SCR amounts to 1,399,338 thousand euros, composed in descending order of importance by the SCR market, non-life, health, life, default and operational, whereas at end-2017 the top 6 (in descending order) was formed respectively by the SCR market, non-life, health, life, operational and default. The top 3 of the SCRs in descending order of importance is identical at end-2019 and end-2018, thus formed by the SCR market, non-life, health.

The total Solvency Capital Requirement went from 1,366,346 thousand euros at December 31, 2018 to 1,399,338 thousand euros at December 31, 2019.

- The Solvency Capital Requirement for market risks increased by nearly 8%.
    - The SCR share increased by 48 million euros despite the downward impact of the S2 regulatory review (-54 million euros). This increase is due to the rise in the symmetrical adjustment (from -6.34% to -0.076%) and new exposures that do not benefit from the transitional measure.
    - The increase of the SCR real estate is mainly due to the review of the S2 regulation.
- The Solvency Capital Requirement for counterparty default risks decreased, on the one hand, because exposures have declined and, on the other hand, thanks to model improvements.
- The Solvency Capital Requirement for Life underwriting risks increased in line with the increase in the BE Life.
- The Solvency Capital Requirement for health underwriting risks increased mainly due to the review of the S2 regulation and a methodological change in the calculation of the SCR premiums.
- The Solvency Capital Requirement for Non-life underwriting risks decreased as a result of the review of reinsurance treaties and the review of the expense model taken into account in the BE claims.
- The Solvency Capital Requirement for operational risks increased as a result of the increase in the BE Non-Life and Life.
- Diversification between the SCRs increased due to the decrease in the SCR Non-Life.
- The adjustment effect of the profit-sharing on capital requirements amounts to 32,173 thousand euros at end-2018 compared to 36,801 thousand euros at end-2019, as stock price shocks were higher at end-2019.
- At end-2019, Ethias SA is not in line with the regulatory conditions required for the application of the loss-absorbing capacity of deferred taxes, due to the high amount of deferred taxes valued on the assets side of the S2 balance sheet.

6.2.3. Use of simplified calculations

Ethias SA does not use simplification in the application of the standard formula.

6.2.4. Use of company-specific parameters

Ethias SA does not use company-specific parameters.

6.2.5. Data used by the company to calculate the MCR

The intermediate data used to calculate the MCR can be found in the quantitative tables in the appendix.

6.3. Use of the "equity risk" sub-module based on duration in the calculation of the SCR

This item is not applicable.

6.4. Differences between the standard formula and any other internal model used

This item is not applicable.

6.5. Non-compliance with the MCR and non-compliance with the SCR

The minimum capital requirement and the solvency capital requirement were respected during the reference period.

7. Quantitative data templates

The following tables present the quantitative data models to be published in this report, expressed in thousands of euros and as of December 31, 2019.

7.1. Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	206.670
Pension benefit surplus	R0050	0
Property, plant & equipment for own use	R0060	73.005
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	16.093.043
Property (other than for own use)	R0080	172.096
Holdings in related undertakings, including participations	R0090	477.472
Equities	R0100	548.758
Equities listed	R0110	544.118
Unlisted equities	R0120	4.640
Bonds	R0130	14.258.808
Government bonds	R0140	9.536.324
Corporate bonds	R0150	4.400.790
Structured notes	R0160	321.694
Collateralised securities	R0170	0
Collective investment undertakings	R0180	535.120
Derivatives	R0190	98.440
Deposits other than cash equivalents	R0200	2.349
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	1.394.250
Loans and mortgages	R0230	671.862
Loans on policies	R0240	22.272
Loans and mortgages to individuals	R0250	366.397
Other loans and mortgages	R0260	283.193
Amounts recoverable from reinsurance contracts	R0270	126.487
Non-Life and health similar to non-life	R0280	110.356
Non-life without health	R0290	107.083
Health similar to non-life	R0300	3.273
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	16.131
Health similar to life	R0320	16.131
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	4.138
Insurance and intermediaries receivables	R0360	165.978
Reinsurance receivables	R0370	110.833
Other receivables (trade, not insurance)	R0380	82.055
Own shares (directly held)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	353.426
Any other assets, not elsewhere shown	R0420	28.737
Total assets	**R0500**	19.310.483
Liabilities		
Technical provisions - non-life	R0510	2.502.726
Technical provisions - non-life (excluding health)	R0520	2.032.869
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	1.856.778
Risk margin	R0550	176.091
Technical provisions - health (similar to non-life)	R0560	469.857
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	409.708
Risk margin	R0590	60.148
Technical provisions - life (excluding index-linked and unit-linked)	R0600	11.822.458
Technical provisions - health (similar to life)	R0610	1.555.419
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	1.518.174
Risk margin	R0640	37.245
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	10.267.039
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	10.070.428
Risk margin	R0680	196.611
Technical provisions - index-linked and unit-linked	R0690	1.415.310
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	1.411.097
Risk margin	R0720	4.213
Contingent liabilities	R0740	14.212
Provisions other than technical provisions	R0750	25.271
Pension benefit obligations	R0760	158.946
Deposits from reinsurers	R0770	120.082
Deferred tax liabilities	R0780	0
Derivatives	R0790	43.722
Debts owed to credit institutions	R0800	181.390
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance and intermediaries payables	R0820	166.257
Reinsurance payables	R0830	7.839
Payables (trade, not insurance)	R0840	169.487
Subordinated liabilities	R0850	514.578
Subordinated liabilities not in basic own funds (BOF)	R0860	0
Subordinated liabilities in basic own funds (BOF)	R0870	514.578

Any other liabilities, not elsewhere shown	R0880	4.875
Total liabilities	**R0900**	17.147.154
Excess of assets over liabilities	**R1000**	2.163.330

7.2. Premiums, claims and expenses by line of business

Non-Life and accepted non-proportional reinsurance

		Business line for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Business line for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial losses	Health	Casualty	Marine, aviation and transport insurance	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	183.596	60.279	267.524	270.317	194.382	318	240.742	109.958	102	39.432	42.094	9.076					1.417.816,99
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	23	0	0	0	0	0					23.35
Gross - Non-proportional reinsurance accepted	**R0130**													18.70	826.03	0.00	440.01	1.284,74
Reinsurers' share	**R0140**	354	200	1.588	2.060	1.155	0	23.037	9.002	0	0	54	0	0	0	0	0	37.450,11
Net	**R0200**	183.241	60.079	265.936	268.257	193.227	318	217.728	100.955	102	39.432	42.040	9.076	19	826	0	440	1.381.674,97
Premiums earned																		
Gross - Direct Business	**R0210**	183.640	60.111	267.519	272.151	195.030	320	237.123	109.597	101	39.258	40.768	10.883					1.416.500,63
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	-21	0	0	0	0	0					-20.52
Gross - Non-proportional reinsurance accepted	**R0230**													19	576	0	440	1.035
Reinsurers' share	**R0240**	354.46	199.81	1.587,92	2.059,61	1.154,89	0.00	23.031,68	9.099,13	0.00	0.00	53.95	0.00	0	0	0	0	37.541
Net	**R0300**	183.285,72	59.911,09	265.930,65	270.091,74	193.874,66	319.71	214.071,13	100.498,30	100.89	39.257,78	40.713,92	10.883,06	19	576	0	440	1.379.973
Claims incurred																		
Gross - Direct Business	**R0310**	155.537	28.268	233.842	205.705	108.631	4	135.279	96.312	0	16.577	24.528	8.531					1.013.213,33
Gross - Proportional reinsurance accepted	**R0320**	0	0	3	-11	0	0	13	-89	0	0	0	0					-85.30
Gross - Non-proportional reinsurance accepted	**R0330**													-886.94	-15.381,46	0.00	289.10	-15.979,29
Reinsurers' share	**R0340**	51	8	829	2.033	105	0	9.032	15.276	0	0	0	0	0.00	0.00	0.00	0.00	27.333,96
Net	**R0400**	155.486	28.260	233.016	203.660	108.526	4	126.259	80.946	0	16.577	24.528	8.531	-886.94	-15.381,46	0.00	289.10	969.814,78
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	1.087	0	-1.326	0	0	0	0	0	0	0	0	0					-238.86
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0	0					0.00
Gross - Non-proportional reinsurance accepted	**R0430**													0.00	0.00	0.00	0.00	0.00
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Net	**R0500**	1.087	0	-1.326	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00	-238.86
Expenses incurred	**R0550**	30.301	15.725	46.059	82.591	53.806	143	72.486	30.336	56	22.413	20.352	2.146	71.02	82.75	0.00	62.48	376.630,05
Other expenses	**R1200**																	29.677,87
Total expenses	**R1300**																	406.307,92

Life

		Business line for: **life insurance obligations**						**life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0.00	1.251.133,00	249.35	0.00	0.00	0.00	0.00	0.00	1.251.382,35
Reinsurers' share	**R1420**	0.00	48.08	0.00	0.00	0.00	0.00	0.00	2.840,03	2.888,11
Net	**R1500**	0.00	1.251.084,92	249.35	0.00	0.00	0.00	0.00	-2.840,03	1.248.494,24
Premiums earned										
Gross	**R1510**	0.00	1.251.133,00	249.35	0.00	0.00	0.00	0.00	0.00	1.251.382,35
Reinsurers' share	**R1520**	0.00	48.08	0.00	0.00	0.00	0.00	0.00	2.840,03	2.888,11
Net	**R1600**	0.00	1.251.084,92	249.35	0.00	0.00	0.00	0.00	-2.840,03	1.248.494,24
Claims incurred		0	0	0	0	0	0	0	0	0
Gross	**R1610**	0.00	1.329.581,31	16.909,70	0.00	0.00	0.00	0.00	38.65	1.346.529,66
Reinsurers' share	**R1620**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.253,27	1.253,27
Net	**R1700**	0.00	1.329.581,31	16.909,70	0.00	0.00	0.00	0.00	-1.214,62	1.345.276,40
Changes in other technical provisions										
Gross	**R1710**	0.00	101.829,09	140.880,63	0.00	0.00	0.00	0.00	29.72	242.739,43
Reinsurers' share	**R1720**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-240.63	-240.63
Net	**R1800**	0.00	101.829,09	140.880,63	0.00	0.00	0.00	0.00	270.35	242.980,06
Expenses incurred	**R1900**	0.00	42.932,72	5.446,50	0.00	0.00	0.00	0.00	-628.73	47.750,50
Other expenses	**R2500**									-5.387,78
Total expenses	**R2600**									42.362,72

7.3. Premiums, claims and expenses by country

Ethias SA's gross written premiums largely exceed 90% of Ethias SA's total gross written premiums only for direct business in Belgium. Hence, the following table gives only the amounts in the country of origin (Belgium).

Non-Life

		Home country	Top 5 countries (by amount of gross premium written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	1.327.309,43						1.327.309,43
Gross - Proportional reinsurance accepted	**R0120**	-0.46						-0.46
Gross - Non-proportional reinsurance accepted	**R0130**	1.247,08						1.247,08
Reinsurers' share	**R0140**	36.050,85						36.050,85
Net	**R0200**	1.292.505,20						1.292.505,20
Premiums earned								0.00
Gross - Direct Business	**R0210**	1.325.955,10						1.325.955,10
Gross - Proportional reinsurance accepted	**R0220**	-20.52						-20.52
Gross - Non-proportional reinsurance accepted	**R0230**	1.034,74						1.034,74
Reinsurers' share	**R0240**	36.142,19						36.142,19
Net	**R0300**	1.290.827,12						1.290.827,12
Claims incurred								0.00
Gross - Direct Business	**R0310**	841.549,45						841.549,45
Gross - Proportional reinsurance accepted	**R0320**	-141.80						-141.80
Gross - Non-proportional reinsurance accepted	**R0330**	-717.43						-717.43
Reinsurers' share	**R0340**	34.449,67						34.449,67
Net	**R0400**	806.240,55						806.240,55
Changes in other technical provisions								0.00
Gross - Direct Business	**R0410**	-238.86						-238.86
Gross - Proportional reinsurance accepted	**R0420**	0.00						0.00
Gross - Non-proportional reinsurance accepted	**R0430**	0.00						0.00
Reinsurers' share	**R0440**	0.00						0.00
Net	**R0500**	-238.86						-238.86
Expenses incurred	**R0550**	364.330,47						364.330,47
Other expenses	**R1200**							
Total expenses	**R1300**							

Life

		Home country	Top 5 countries (by amount of gross premium written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	1.251.382,35						1.251.382,35
Reinsurers' share	**R1420**	2.888,11						2.888,11
Net	**R1500**	1.248.494,24						1.248.494,24
Premiums earned								0.00
Gross	**R1510**	1.251.382,35						1.251.382,35
Reinsurers' share	**R1520**	2.888,11						2.888,11
Net	**R1600**	1.248.494,24						1.248.494,24
Claims incurred								0.00
Gross	**R1610**	1.346.529,66						1.346.529,66
Reinsurers' share	**R1620**	1.253,27						1.253,27
Net	**R1700**	1.345.276,40						1.345.276,40
Changes in other technical provisions								0.00
Gross	**R1710**	242.739,43						242.739,43
Reinsurers' share	**R1720**	-240.63						-240.63
Net	**R1800**	242.980,06						242.980,06
Expenses incurred	**R1900**	47.750,50						47.750,50
Other expenses	**R2500**							
Total expenses	**R2600**							

7.4. Life and health SLT technical provisions

		Insurances with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**	0.00	0.00			0.00			0.00	0.00	0.00	0.00			0.00	0.00	0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0.00	0.00			0.00			0.00	0.00	0.00	0.00			0.00	0.00	0.00
Technical provisions calculated as the sum of Best Estimate and Risk Margin																	
Best Estimate																	
Gross Best Estimate	**R0030**	10.023.492,14		0.00	1.411.097,49		0.00	0.00	46.935,68	0.00	11.481.525,31		0.00	-110.453,43	1.628.627,42	0.00	1.518.173,98
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0.00		0.00	0.00		0.00	0.00	0.00	0.00	0.00		0.00	0.00	16.131,20	0.00	16.131,20
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	10.023.492,14		0.00	1.411.097,49		0.00	0.00	46.935,68	0.00	11.481.525,31		0.00	-110.453,43	1.612.496,21	0.00	1.502.042,78
Risk margin	**R0100**	195.933,66	4.212,88			0.00			677.31	0.16	200.824,01				26.712,46	0.00	37.244,82
Amount of the transitional on Technical Provisions		0															
Technical provisions calculated as a whole	**R0110**	0.00	0.00			0.00		0	0.00	0.00	0.00				0.00	0.00	0.00
Best Estimate	**R0120**	0.00		0.00	0.00		0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00
Risk margin	**R0130**	0.00	0.00			0.00			0.00	0.00	0.00	0.00			0.00	0.00	0.00
Technical provisions - Total	**R0200**	10.219.425,80	1.415.310,37			0.00			47.612,99	0.16	11.682.349,31	-99.921,07			1.655.339,87	0.00	1.555.418,80

7.5. Technical provisions non-life

		Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technical provisions calculated as the sum of Best Estimate and Risk Margin																		
Best Estimate																		
Premium provisions																		
Premium provisions	**R0060**	19.492,05	-1.862,82	47.272,81	49.529,58	5.588,43	48.46	33.647,68	8.146,03	0.00	11.358,56	13.563,36	51.311,28	0.00	0.00	0.00	0.00	238.095,41
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-260.73	-93.27	1.350,82	-604.62	-556.84	0.00	-7.772,79	-4.918,41	0.00	0.70	-8.12	0.00	0.00	0.00	0.00	0.00	-12.863,26
Net Best Estimate of Premium Provisions	**R0150**	19.752,78	-1.769,55	45.921,99	50.134,20	6.145,27	48.46	41.420,47	13.064,44	0.00	11.357,86	13.571,48	51.311,28	0.00	0.00	0.00	0.00	250.958,67
Claims provisions																		
Gross	**R0160**	56.092,51	93.268,33	189.699,55	789.522,53	11.992,28	140.47	108.647,91	665.559,19	0.00	73.636,91	3.114,62	16.077,66	5.746,06	13.050,62	5.00	1.837,51	2.028.391,14
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	410.87	739.31	1.125,64	21.258,94	475.25	0.00	6.404,76	92.801,52	0.00	2.67	0.00	0.00	0.00	0.00	0.00	0.00	123.218,97
Net Best Estimate of Claims Provisions	**R0250**	55.681,65	92.529,02	188.573,91	768.263,58	11.517,03	140.47	102.243,15	572.757,67	0.00	73.634,24	3.114,62	16.077,66	5.746,06	13.050,62	5.00	1.837,51	1.905.172,17
Total Best Estimate — gross	**R0260**	75.584,56	91.405,51	236.972,36	839.052,10	17.580,70	188.93	142.295,59	673.705,22	0.00	84.995,47	16.677,98	67.388,94	5.746,06	13.050,62	5.00	1.837,51	2.266.486,55
Total Best Estimate — net	**R0270**	75.434,42	90.759,47	234.495,89	818.397,78	17.662,30	188.93	143.663,62	585.822,11	0.00	84.992,09	16.686,10	67.388,94	5.746,06	13.050,62	5.00	1.837,51	2.156.130,84
Risk margin	**R0280**	9.279,74	11.749,64	38.447,60	62.365,15	14.711,18	1.116,81	32.223,73	51.796,49	122.81	5.218,02	2.760,64	3.670,96	671.32	1.797,27	0.67	307.32	236.239,36
Amount of the transitional on Technical Provisions																		
Technical provisions calculated as a whole	**R0290**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Best Estimate	**R0300**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk margin	**R0310**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technical provisions - Total																		
Technical provisions - Total	**R0320**	84.864,30	103.155,15	275.419,96	901.417,25	32.291,88	1.305,74	174.519,32	725.501,71	122.81	90.213,49	19.438,62	71.059,90	6.417,37	14.847,89	5.67	2.144,83	2.502.725,91
Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default - Total	**R0330**	150.14	646.04	2.476,47	20.654,32	-81.59	0.00	-1.368,03	87.883,11	0.00	3.37	-8.12	0.00	0.00	0.00	0.00	0.00	110.355,71
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	84.714,16	102.509,11	272.943,49	880.762,93	32.373,48	1.305,74	175.887,35	637.618,60	122.81	90.210,12	19.446,74	71.059,90	6.417,37	14.847,89	5.67	2.144,83	2.392.370,21

7.6. Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year

Z0010	AY

Gross Claims Paid (non-cumulative) (absolute amount)

		Development year												In current year	Sum
	Year	0	1	2	3	4	5	6	7	8	9	10 and +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Previous	R0100											14.612,56	R0100	14.612,56	5.071.703
N-9	R0160	381.083,36	197.970,04	39.857,89	24.358,65	12.682,44	10.540,64	7.679,97	6.996,39	4.153,91	3.243,72		R0160	3.243,72	688.567
N-8	R0170	361.117,72	167.909,84	33.857,71	18.501,09	12.022,74	8.016,07	5.129,26	7.307,19	4.425,65			R0170	4.425,65	618.287
N-7	R0180	365.208,57	167.153,86	31.909,03	13.846,19	14.795,89	8.966,04	8.718,83	6.601,30				R0180	6.601,30	617.200
N-6	R0190	370.397,18	163.078,62	32.594,12	20.283,96	14.245,62	9.150,70	7.631,06					R0190	7.631,06	617.381
N-5	R0200	393.330,67	169.534,31	33.330,88	19.431,21	12.549,46	9.422,72						R0200	9.422,72	637.599
N-4	R0210	382.606,54	166.022,34	32.499,83	18.376,55	12.817,63							R0210	12.817,63	612.323
N-3	R0220	394.734,72	176.248,83	35.817,92	20.024,77								R0220	20.024,77	626.826
N-2	R0230	376.970,14	194.027,81	39.612,34									R0230	39.612,34	610.610
N-1	R0240	397.660,23	206.191,34										R0240	206.191,34	603.852
N	R0250	401.400,43											R0250	401.400,43	401.400
												Total	R0260	725.983,52	11.105.749

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

Development year

Year	0	1	2	3	4	5	6	7	8	9	10 and +
	C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
R0100											276.097,46
R0160	0.00	0.00	0.00	0.00	0.00	0.00	75.177,12	59.201,35	55.526,03	53.379,98	
R0170	0.00	0.00	0.00	0.00	0.00	70.674,85	62.849,16	66.400,04	56.698,44		
R0180	0.00	0.00	0.00	0.00	72.861,27	65.208,20	59.526,39	53.160,76			
R0190	0.00	0.00	0.00	89.470,15	76.130,63	79.371,40	69.407,83				
R0200	0.00	0.00	107.180,64	85.446,50	73.767,33	60.047,35					
R0210	0.00	137.018,92	103.955,52	88.522,80	75.640,63						
R0220	349.320,82	163.857,13	135.044,08	106.091,24							
R0230	327.036,24	149.876,67	114.135,26								
R0240	375.493,28	160.581,01									
R0250	335.678,66										

Year end (discounted data)

		C0360
	R0100	276.161,63
	R0160	53.298,63
	R0170	56.603,13
	R0180	52.916,36
	R0190	69.086,02
	R0200	59.616,74
	R0210	75.135,72
	R0220	105.607,98
	R0230	113.271,81
	R0240	159.694,18
	R0250	334.868,29
Total	**R0260**	1.356.260,51

7.7. Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	15.740.494	0	0	84.955	0
Basis own funds	**R0020**	2.677.908	0	0	-63.523	0
Eligible own funds to meet Solvency Capital Requirement	**R0050**	2.671.238	0	0	-81.774	0
Solvency Capital Requirement	**R0090**	1.399.338	0	0	5.847	0
Eligible own funds to meet Minimum Capital Requirement	**R0100**	2.097.509	0	0	-84.171	0
Minimum Capital Requirement	**R0110**	629.702	0	0	2.631	0

7.8. Own Funds

Basis own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	1.000.000,00	1.000.000,00		0.00	
Share premium account related to ordinary share capital	**R0030**	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	**R0040**	0.00	0.00		0.00	
Subordinated mutual member accounts	**R0050**	0.00		0.00	0.00	0.00
Surplus funds	**R0070**	6.378,65	6.378,65			
Preference shares	**R0090**	0.00		0.00	0.00	0.00
Share premium account related to preference shares	**R0110**	0.00		0.00	0.00	0.00
Reconciliation reserve	**R0130**	950.281,70	950.281,70			
Subordinated liabilities	**R0140**	514.578,29		14.908,50	499.669,78	0.00
An amount equal to the value of net deferred tax assets	**R0160**	206.669,56				206.669,56
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0.00	0.00	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0.00				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0.00	0.00	0.00	0.00	
Total basic own funds after deductions	**R0290**	2.677.908,19	1.956.660,35	14.908,50	499.669,78	206.669,56

Eligible equity capital

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	2.677.908,19	1.956.660,35	14.908,50	499.669,78	206.669,56
Total available own funds to meet the MCR	**R0510**	2.471.238,63	1.956.660,35	14.908,50	499.669,78	
Total eligible own funds to meet the SCR	**R0540**	2.671.237,69	1.956.660,35	14.908,50	499.669,78	199.999,05
Total eligible own funds to meet the MCR	**R0550**	2.097.509,24	1.956.660,35	14.908,50	125.940,39	
Solvency Capital Requirement	**R0580**	1.399.337,68				
Minimum Capital Requirement	**R0600**	629.701,95				
Ratio of Eligible own funds to SCR	**R0620**	190,89%				
Ratio of Eligible own funds to MCR	**R0640**	330,10%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	2.163.330
Own shares (held directly and indirectly)	**R0710**	-
Foreseeable dividends, distributions and charges	**R0720**	-
Other basic own fund items	**R0730**	1.213.048
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-
Reconciliation reserve	**R0760**	950.282
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	21.671
Expected profits included in future premium (EPIFP) - Non-Life business	**R0780**	165.286
Total Expected profits included in future premiums (EPIFP)	**R0790**	186.958

7.9. Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

Note Ethias SA does not yet use company-specific parameters within the framework of the standard formula.

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	**R0010**	840.678,88		Simplifications not used
Counterparty default risk	**R0020**	91.334,96		
Life underwriting risk	**R0030**	199.224,85	N/A	Simplifications not used
Health underwriting risk	**R0040**	316.419,19	N/A	Simplifications not used
Non-Life underwriting risk:	**R0050**	537.093,97	N/A	Simplifications not used
Diversification	**R0060**	-670.070,70		
Intangible asset risk	**R0070**	0.00		
Basic Solvency Capital Requirement	**R0100**	1.314.681,15		

Calculation of the solvency capital requirement

		C0100
Operational risk	**R0130**	121.457,52
Loss-absorbing capacity of technical provisions	**R0140**	-36.800,99
Loss-absorbing capacity of deferred taxes	**R0150**	0.00
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	**R0160**	0.00
Solvency capital requirement excluding capital add-on	**R0200**	1.399.337,68
Capital add-on already set	**R0210**	0.00
Solvency Capital Requirement	**R0220**	1.399.337,68
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0.00
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0.00
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0.00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0.00
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0.00

7.10. Minimum Capital Requirement - Both life and non-life insurance activity

Linear formula component for non-life insurance and reinsurance obligations

		Non-life Activities	Life Activities
		$MCR_{(NL,NL)}$Result	$MCR_{(NL,L)}$Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	323.916,43	0.00

		Non-life Activities		Life Activities	
		BE calculated as a whole, net (of reinsurance / SPV)	Net (of reinsurance) written premiums in the last 12 months	BE calculated as a whole, net (of reinsurance / SPV)	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	**R0020**	75.434,42	163.814,38		
Income protection insurance and proportional reinsurance	**R0030**	90.759,47	60.079,21		
Workers' compensation insurance and proportional reinsurance	**R0040**	234.495,89	265.935,28		
Motor vehicle liability insurance and proportional reinsurance	**R0050**	818.397,78	268.257,16		
Other motor insurance and proportional reinsurance	**R0060**	17.662,30	193.227,02		
Marine, aviation and transport reinsurance and proportional reinsurance	**R0070**	188.93	317.56		
Fire and other damage to property insurance and proportional reinsurance	**R0080**	143.663,62	217.728,46		
General liability insurance and proportional reinsurance	**R0090**	585.822,11	100.955,17		
Credit and suretyship insurance and proportional reinsurance	**R0100**	0.00	101.57		
Legal expenses insurance and proportional reinsurance	**R0110**	84.992,09	39.431,72		
Assistance and proportional reinsurance	**R0120**	16.686,10	42.039,84		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	67.388,94	9.075,67		
Non-proportional health reinsurance	**R0140**	5.746,06	18.70		
Non-proportional casualty reinsurance	**R0150**	13.050,62	826.03		
Non-proportional marine, aviation and transport reinsurance	**R0160**	5.00	0.00		
Non-proportional property reinsurance	**R0170**	1.837,51	440.47		

Linear formula component for life insurance and reinsurance obligations

		Non-life Activities	Life Activities
		$MCR_{(NL,L)}$Result	$MCR_{(NL,L)}$Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	32.528,55	376.121,66

		Non-life Activities		Life Activities	
		BE calculated as a whole, net (of reinsurance / SPV)	Net (of reinsurance/SPV) total capital at risk	BE calculated as a whole, net (of reinsurance / SPV)	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	0.00		9.881.409,52	
Obligations with profit participation - future discretionary benefits	R0220	0.00		142.082,62	
Index-linked and unit-linked insurance obligations	R0230	0.00		1.411.097,49	
Other life (re)insurance and health (re)insurance obligations	R0240	1.548.978,45		0.00	
Total capital at risk for all life (re)insurance obligations	R0250		0.00		11.457.321,27

Overall MCR calculation

		C0130
Linear MCR	**R0300**	732.566,64
Solvency Capital Requirement	**R0310**	1.399.337,68
MCR cap	**R0320**	629.701,95
MCR Cap	**R0330**	349.834,42
Combined MCR	**R0340**	629.701,95
Absolute floor of the MCR	**R0350**	7.400,00
		C0130
Minimum Capital Requirement	**R0400**	629.701,95

Calculation of the notional amount of the MCR in non-life and in life

Calculation of the notional amount of the MCR in non-life and in life		**Non-life Activities**	**Life Activities**
		C0140	**C0150**
Notional linear MCR	**R0500**	356.444,98	376.121,66
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	680.875,79	718.461,89
Notional MCR cap	**R0520**	306.394,11	323.307,85
Notional MCR floor	**R0530**	170.218,95	179.615,47
Notional Combined MCR	**R0540**	306.394,11	323.307,85
Absolute floor of the notional MCR	**R0550**	3.700,00	3.700,00
Notional MCR	**R0560**	306.394,11	323.307,85