Solvency & Financial Condition Report
2021

Assurant Europe Life Insurance N.V.

ASSURANT®

Contents

Executive Summary

Assurant Europe Life Insurance N.V. (further referred to as "AEL" or "the company"), is a life insurance company, incorporated in the Netherlands as a Naamloze Vennootschap (public limited company) on 29 October 2018. It received its license to operate on 9 June 2020. AEL is supervised by De Nederlandsche Bank ("DNB") and the Autoriteit Financiele Markten ("AFM").

This report has been prepared to comply with the reporting requirements of the EU-wide regulatory framework for insurance companies, Solvency 2, which came into force 1 January 2016.

Business and performance

AEL manages portfolios in the following segments of insurance:

- Creditor Life – comprising life insurance; and
- Creditor Health – comprising disability insurance, connected to life policies.

These segments went into run-off in 2018 and no new policies were written since. The life and health policies were usually sold together and in combination with a consumer lending arrangement, issued by one of AEL's business partners (banks and similar institutions).

The company assumed two EU-insurance portfolios of two Assurant group companies domiciled in the United Kingdom, on 2 November 2020. Where comparative Profit and loss account numbers are provided in this document, these do therefore in effect hold only 2 months of full volume operations.

AEL closed the year 2021 with a statutory profit after tax of Euro 582,453, largely driven by a positive experience in mortality and lower then provided for expenses.

Neither in 2020 nor in 2021 did the company experience significant additional COVID19 related claims.

Section A provides an overview of business performance in the year under review.

System of governance

AEL is governed by a two-tier board structure with a Board of Directors and a Supervisory Board of Directors. AEL implemented the governance requirements of the Solvency 2 regime and has four key functions: actuarial, compliance, risk management and internal audit.

Refer to section B for further details.

Risk profile

As a provider of life and health insurance, the company is exposed to a number of risks, the main ones being Underwriting risk and Market risk. The company invests in fixed income instruments and is exposed to market volatility and default risk, both for which appropriate capital is set aside.

Section C demonstrates in further detail to which risks the company is exposed and how these risks are mitigated.

Valuation for solvency and statutory purposes

This SFCR provides insight in the company's balance sheet and available capital prepared in accordance with Solvency 2 guidelines. These guidelines strive for a market consistent valuation. AEL has opted to prepare its statutory financial statements in accordance with these solvency 2 principles. Consequently, this document does not show valuation differences between the two standards but only some classification differences.

Chapter D explains the Solvency 2 (and statutory) valuation in more detail.

Capital management

The company's capital management focusses on ensuring the orderly run-off of the in-force portfolio. Due to the limited size of the portfolio, the company's solvency position is determined by the Absolute minimum capital requirement (AMCR). The year-end solvency position is as follows:

	2021	2020
€'000		
Eligible Own Funds	8,253	7,670
SCR	924	1,526
AMCR	3,700	3,700
Solvency Ratio %	**223%**	**207%**

Further detail is provided in Section E.

Outlook

The reader of this report should be conscious that a) while the company's individual exposures to COVID19 may be modest, adverse developments in economic climate / capital markets / mortality will also impact the company and that b) the level of volatility of future economic outcomes may be higher than historical developments would indicate.

A Business and performance

A.1 Business

A.1.1 Name and legal form

AEL is a life insurance company based in Amsterdam, the Netherlands. The company was incorporated on 29 October 2018 and received its license to operate as a life insurer on 9 June 2020. It is a Naamloze Vennootschap.

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

Prudential supervision of AEL is the responsibility of De Nederlandsche Bank (“DNB”), Westeinde 1, 1000 AB, Amsterdam, The Netherlands.

Financial conduct is supervised by the Autoriteit Financiële Markten (“AFM”), Vijzelgracht 50, 1017 HS, Amsterdam, The Netherlands.

TWG Europe Ltd, AEL’s shareholder, is supervised by the Prudential Regulation Authority (“PRA”), 20 Moorgate, London, EC2R 6DA, United Kingdom.

A.1.3 Name and contact details of external auditor

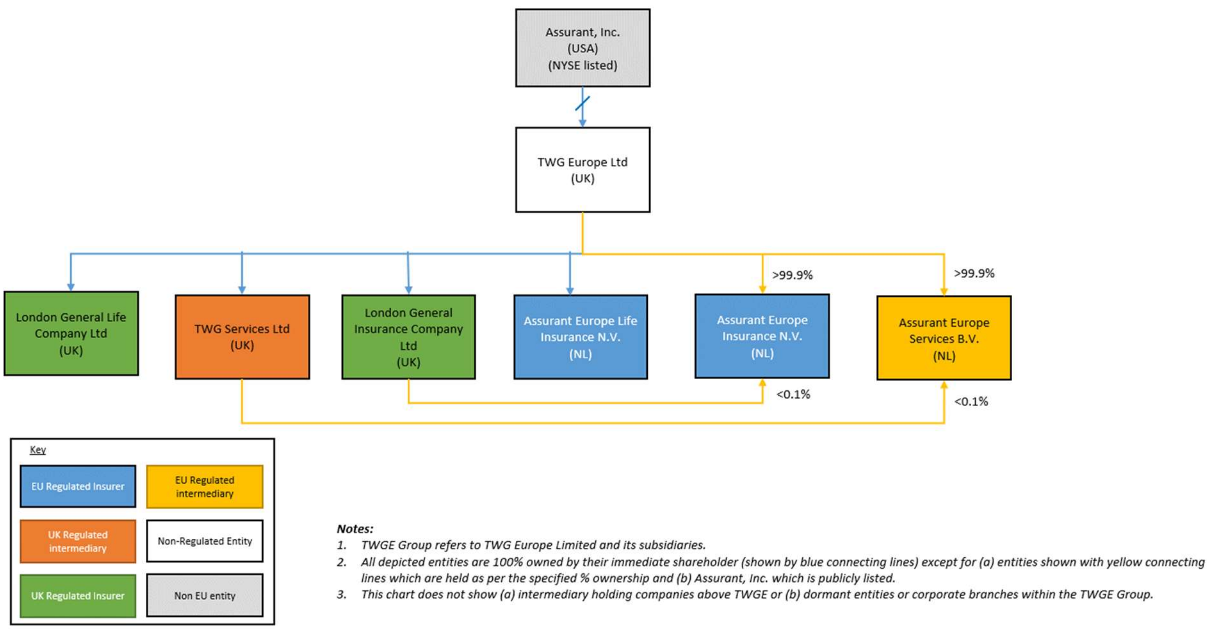
AEL’s external auditor is Deloitte Accountants B.V., Gustav Mahlerlaan 2970, 1081LA, Amsterdam, The Netherlands.

A.1.4 Shareholders and position within the group

AEL’s shares are held by TWG Europe Ltd, one of the holding companies ultimately owned by Assurant Inc, a public company listed on the New York Stock Exchange (ticker: AIZ), registered in Delaware, United States of America.

A simplified version of the group’s corporate structure is shown below:

Group corporate structure (simplified)



AEL has issued 5,440,000 shares of which 5,440,000 (100%) are owned by TWG Europe Ltd.

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

AEL's principal activity is the maintenance of a small life & health portfolio with risks in the European Union.

AEL distinguishes the following segments:

- Creditor Life (mortality cover)
- Creditor Health (disability, accident)

Its Solvency 2 lines of business are:

- Life
- Health SLT

These lines of business are illustrated in the table below, using financial information for the year ended 31 December 2021.

€'000	Technical provisions (excl risk margin)			Premiums earned		
	Gross	Ceded	Net	Gross	Ceded	Net
Life	2,807	32	2,776	1,257	26	1,231
Health SLT	18	0	18	12	0	12
Total	**2,825**	**32**	**2,794**	**1,269**	**26**	**1,243**

The territories of operation are The Netherlands, Belgium, Spain, Germany and Ireland.

The portfolio does not hold policies with discretionary benefits or embedded guarantees.

The portfolio's remaining duration is such as the UFR does not impact technical provisions.

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

The following events were of significance to the company:

COVID19

The COVID-19 pandemic had limited impact on the financial position of AEL. The company did not experience significant growth in mortality or disability claims (from its start of operations on 2 November 2020). As its investment portfolio only holds Dutch government bonds, no impact was noted there either.

The outlook for 2022 is uncertain in that new variants of the virus may cause sudden increases of mortality. Current developments do not point in that direction though.

A.1.7 Business performance

The table below shows the performance of the company's operations by Solvency 2 section (which in case of AEL is also applied for statutory purposes):

€'000		2021	2020
Underwriting performance	Section A.2	835	319
Investment performance	Section A.3	-91	-9
Performance of other activities	Section A.4	0	0
Profit before tax in statutory financial statements		**744**	**310**

A.2 Underwriting Performance

Underwriting performance per Solvency 2 line of business is summarised in below table.

		Line of Business for: **life insurance**		**Total**
		Health insurance	Other life insurance	
		C0210	C0240	C0300
	Premiums written			
R1410	Gross	-3,824	401,019	397,195
R1420	Reinsurers' share	0	11,886	11,886
R1500	Net	-3,824	389,133	385,309
	Premiums earned			
R1510	Gross	12,459	1,256,722	1,269,181
R1520	Reinsurers' share	31	25,772	25,803
R1600	Net	12,428	1,230,951	1,243,378
	Claims incurred			
R1610	Gross	-11,288	-215,325	-226,613
R1620	Reinsurers' share	38	68,857	68,895
R1700	Net	-11,326	-284,182	-295,508
	Changes in other technical provisions			
R1710	Gross	0	0	0
R1720	Reinsurers' share	0	0	0
R1800	Net	0	0	0
R1900	**Expenses incurred**	0	715,311	715,311
	Administrative expenses			
R1910	Gross	0	98,411	98,411
R1920	Reinsurers' share	0	0	0
R2000	Net	0	98,411	98,411
	Investment management expenses			
R2010	Gross	0	11,832	11,832
R2020	Reinsurers' share	0	0	0
R2100	Net	0	11,832	11,832
	Claims management expenses			
R2110	Gross	0	0	0
R2120	Reinsurers' share	0	0	0
R2200	Net	0	0	0
	Acquisition expenses			
R2210	Gross	0	136,383	136,383
R2220	Reinsurers' share	0		0
R2300	Net	0	136,383	136,383
	Overhead expenses			
R2310	Gross	0	468,685	468,685
R2320	Reinsurers' share	0	0	0
R2400	Net	0	468,685	468,685
R2500	**Other expenses**			0
R2600	**Total expenses**			715,311
R2700	**Total amount of surrenders**	0	0	0
	Interest income		51,489	51,489
	Unrealised gains on investments		-131,126	-131,126
	Technical result on life insurance operations	23,754	720,185	743,938

Premiums earned (net)

This represents the sum of premiums earned during the year, net of premiums attributable to reinsurers. Premiums earned follow the risk emergence pattern of the different types of policies.

Claims incurred (net)

Comprises the sum of the claims paid and the change in the provision for claims outstanding during the financial year, net of reinsurance.

Changes in other technical provisions

Not applicable

Expenses incurred

This represents all technical expenses incurred by the company in relation to its insurance operations.

Other expenses

All expenses incurred relate to the insurance operations.

Underwriting result

The underwriting result measured in accordance with Solvency 2 valuation principles was positive following the updating of all assumptions to most recent experience reviews. The largest contributors to this positive result are:

- The release of earlier established COVID19 provisions, as the pandemic did not influence actual mortality.
- The expense result, as the cost structure that AEL implemented proved more efficient than that of the companies that AEL assumed the portfolios from in November 2020.
- Better than expected mortality.

Geographical areas

All business managed is in the EU. The territories of operation are The Netherlands, Belgium, Spain, Germany and Ireland.

A.3 Investment Performance

A.3.1 Investment holdings

The company's investment portfolio as at 31 December of the current period and the investment income generated in the period under review is as follows:

	Position as at end of period		Income for the period	
	€'000	%	€'000	%
Government bonds (*)	4,515	38%	-40	43%
Corporate bonds	0	0%	0	0%
Cash and deposits	7,285	62%	-40	44%
Asset management expenses			-12	13%
Total	**11,800**	**100%**	**-91**	**100%**

(*) On Solvency II valuation basis, which includes accrued interest for € 42,579; see also at D 1.1.

The company holds a very liquid portfolio of government bonds and cash at banks. Investment returns are negative, in accordance with the capital market environment existing in 2021. Cash and deposits also generate negative interest.

A.4 Performance of other activities

The company’s only activity is that of life insurance business.

A.5 Any other disclosures

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

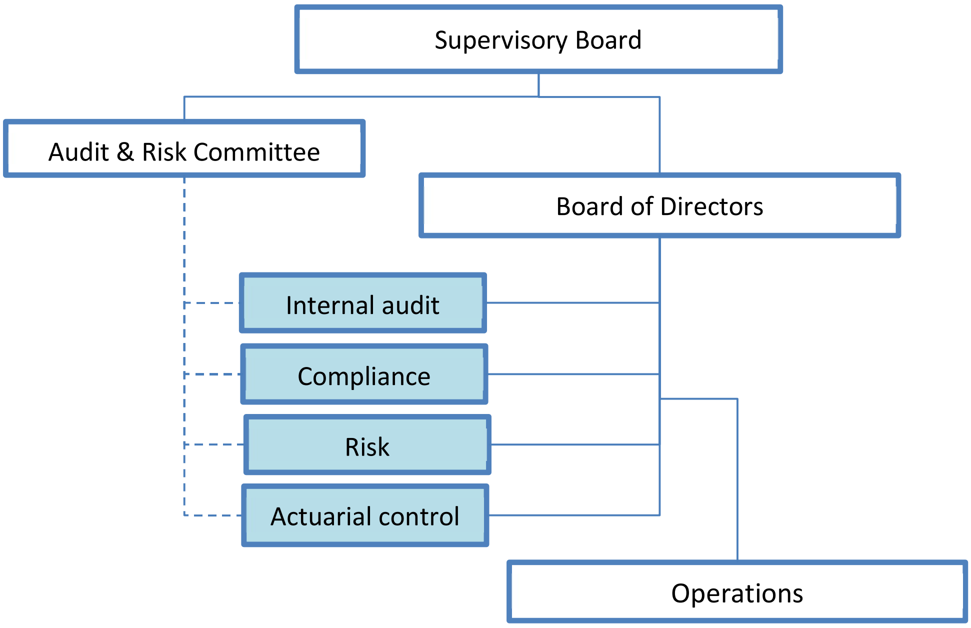
B System of governance

B.1 General information on the system of governance

B.1.1 Governance structure

AEL's system of governance is embedded within the overarching system of governance of the Assurant group. The design and effectiveness of system of governance is responsibility of the Board of Directors. The Board of Directors is supervised by an independent board of Supervisory Directors. The Board of Directors delegates responsibilities for certain functions to Key Function Holders (in blue in below table). The company maintains a governance map which documents the detailed implementation of the system of governance. This includes the terms of reference and detailed roles and responsibilities for the key function holders.

The governance structure is summarised in the picture below:



B.1.1.1 Supervisory Board

The Supervisory Board supervises the Board of Directors and oversees that the Board of Directors acts in accordance with the Company's strategy, policies and objectives. It is collectively responsible for coaching and assisting the Board of Directors when necessary.

Sub-Committee

The company's supervisory board has established an Audit Risk & Compliance Committee.

B.1.1.2 Board of Directors

The Board comprises the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the Head of Risk.

The Board of Directors sets the strategy and business plan within the context of Assurant group's plans and ensures that the necessary financial and human resources are in place to meet the organisation's objectives.

B.1.1.3 Key function holders

The Board of Directors has delegated the execution of certain key functions to senior management / key function holders. These are functions that have a material effect on the system of internal control in the business and influence material decision making. The key functions have been defined considering the requirements of Solvency 2 regulations and guidance from regulators. The key functions are as follows:

- Risk management
- Internal audit
- Actuarial (control)
- Compliance

Each Key Function Holder prepares a functional performance report to the board(s) on a quarterly basis (risk management & compliance) or annual basis (actuarial and internal audit).

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

The responsibilities of each of the key-functions holders are summarised below.

- The Head of Risk, being a Board of Directors' member, attends the Board of Director's meetings and the Audit Risk & Compliance Committee meetings and has responsibility for the development and review of the risk management system, governance system and internal control system; implementation of risk management processes and systems; reporting on the risk profile of the business, preparation and presentation of the Own Risk and Solvency Assessment (ORSA).
- The 2nd line Actuary attends of the meetings of the Board of Directors at which his reporting is on the agenda. The 2nd line Actuary oversees all actuarial aspects of strategy and financial management. Oversight of the appropriateness of methodologies, models, bases of calculation of technical provisions; assessment of the sufficiency and quality of the data used in the calculation of technical provisions; reporting on the reliability and adequacy of the calculation of technical provision; advising of any concerns regarding the sufficiency of financial assets to meet liabilities to policies; the modelling of risk capital for the ORSA, including advising on suitable stress and scenario testing; reinsurance arrangements; oversight of investment strategy and asset-liability matching.
- The Head of Internal Audit provides reporting to the Board of Directors and directly to the Chair of the Audit Risk & Compliance Committee and is responsible for providing reasonable assurance to the Board of Directors and the Audit Risk & Compliance Committee about the adequacy and effectiveness of the internal control environment including procedures, controls and policies and for the establishment of an annual audit plan.
- The Head of Compliance provides reporting to the Board of Directors and directly to the Chair of the Audit Risk & Compliance Committee and is responsible for ensuring that the company fulfils its regulatory, legislative, and corporate standards and obligations and for assessing the adequacy of measures taken to prevent non-compliance. The Head of Compliance is also responsible for upholding sanction and anti-money-laundering measures.

B.1.2 Material changes in the system of governance

In the reporting period, no material changes were made to the system of governance.

B.1.3 Information on the remuneration Policy

The Board of Directors, management and employees of AEL are employed by Assurant Europe Services BV (AES). AEL and AES are under common management and AES applies the same practices that would be applied if management and employees were employed by AEL directly.

The Remuneration policy for the Board of Directors is set by the Annual General Meeting. The periodical determination of its remuneration is set by the Supervisory Board, in accordance with that Remuneration policy.

The Board of Director's, management and employees are remunerated as follows:

- Fixed remuneration, based on a (group wide) benchmark / role content basis.
- Variable remuneration, based on personal and company financial performance, such within the local legal limits applying (performance related variable remuneration up to 20% of fixed/guaranteed income).

Variable remuneration is not deferred.

Supervisory Board Members receive a fixed fee.

B.1.4 Transactions with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.

The company did not enter into transactions with subject persons or bodies.

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

The system of governance is set up in accordance with Solvency 2 guidelines and the design is assessed on an annual basis. The Board of Directors reviews effectiveness of the system of governance on a periodical basis. This review comprises the following:

- An annual attestation by management of the Company with regards to the proper functioning of policies within the Company.
- Review of the quarterly reporting of the Key Function Holders (Head of Risk, Actuarial function, Head of Compliance, Head of internal audit), which reporting provides insight into functioning of policies and guidelines, both in terms of adherence as in terms of breaches and incidents.
- Incidental reviews requested by regulators, which entail a detailed review of certain aspects of the governance framework.
- Obtaining feedback from the Internal and External audit functions with regards to their opinions on the functioning of the governance framework.

Key Function Holders and External audit have direct access to the Audit Risk & Compliance Committee and the Supervisory Board to share any concerns they may have about the governance framework.

B.2 Fit and proper requirements

The company has a Fit and proper policy that addresses that appropriate resource are in place to deliver effective and efficient management of the business. The Company takes appropriate steps to ensure that (senior) managers, individuals responsible for key functions and those working in key functions are fit and proper to carry their responsibilities. The requirements are proportionate to the role and responsibilities of the position. Checks are made on initial appointment and are re-assessed when deemed required. The results of all assessments are reported to the Board of Directors. For new employees, these tests included some or all of the following:

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

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

B.3.1.1 Risk Management System

AEL has an established a risk management system which comprises:

(a) a strategy;
(b) risk management and internal control policies;
(c) a risk management processes;
(d) control activities.

In addition, it includes a risk management system review; reporting and disclosure; independent assurance and regulatory compliance monitoring.

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

B.3.1.2 Risk management strategy

AEL's risk management strategy ensures that the company's risk appetite is not exceeded. Risks are assessed, defined and approached in one of the following four ways, depending on the nature of the risk and related circumstances:

- Risk acceptance: AEL accepts risks that fall within the boundaries/limits defined in the risk appetite statement. Any risk falling outside the specified limits or boundaries is reviewed to ascertain if the risk appetite requires updating or if an exception should be granted.
- Risk reduction/minimisation: these activities generally relate to control and mitigation activities, and therefore this strategy may include, amongst others, any or all of the following: the design of new process or accounting controls, contracting controls, changes in product design, improvement in a set of Terms and Conditions, or other changes designed to control and/or mitigate risk.
- Risk transfer: risk is transferred principally through reinsurance agreements. These may include, but are not limited to stop loss, excess of loss, quota share, or other such treaties. Other types of risk transfer can also be considered.
- Risk Avoidance: where an activity is outside the risk appetite of the AEL, AEL will seek to avoid exposure to that type of risk.

B.3.1.3 Process

AEL implemented the three lines of defence model and enforces the requirement for first line management of risk, with oversight and challenge from the second line risk, actuarial and compliance functions and third line internal audit function confirmation, as follows:

Oversight	Supervisory Board	• Supervisory Board – independent oversight of Board of Directors
Responsibility	Board of Directors	• Establishes risk appetite and strategy • Responsible for 1st and 2nd line activities
3rd Line of Defence	Internal Advisory Services (Internal Audit)	• Provides independent assurance on the effectiveness of first and second line of defence functions
2nd Line of Defence	Risk Management Function Compliance Function Actuarial Function	• Design, interpret and develop overall risk management framework • Overview of AEL risk registers • Monitor controls in place against key risks • Challenges risk mitigation and acceptance • Reports on risk exposures, issues, mitigations, and resolutions
1st Line of Defence	Business / Functions	• Executive risk owners • Owner of the risk management process • Identifies, manages, and mitigates risks • Identifies, manages, and reports on issues

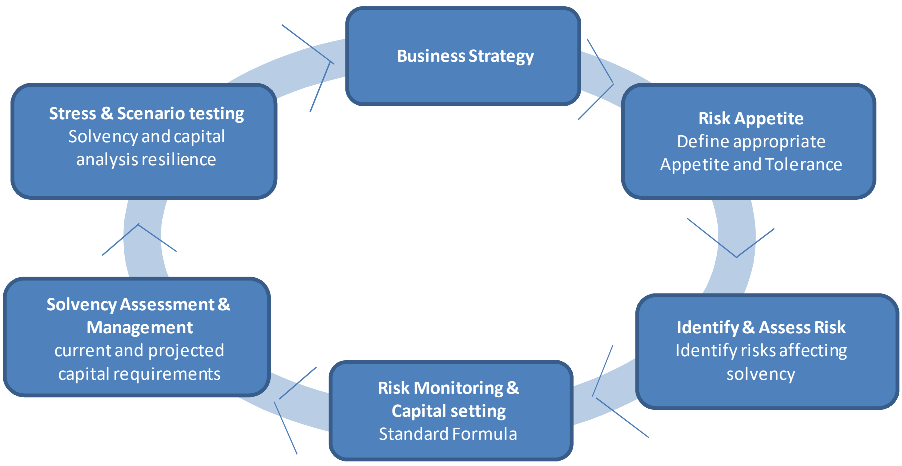
Business areas are responsible for completing quarterly Risk and Control Self-Assessments (RCSA's) which contribute to the Risk Register of the business.

B.3.2 Own Risk and Solvency Assessment

AEL annually conducts an Own Risk and Solvency Assessment (ORSA). This assessment considers the company's strategy, its operating environment and the risks to which it is exposed and results in a forward-looking assessment of the potential risks and capital impacts which the company uses to assess its current and future capital needs.

ORSA Process

The table below show the steps in the ORSA process.



B.4 Internal control system

B.4.1 Description of system of internal control

AEL's internal control system is designed to provide reasonable assurance that its reporting is reliable, compliant with applicable laws and regulations and its operations are effectively controlled.

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

1st Line Business functions	•Ownership of risk management policies defining key controls •Operation of business processes including control activities •Management of incidents / crystallised risk events •Governance of outsourcers processes and controls
2nd Line Risk, compliance & actuarial functions	•Review and challenge of risk management policies and adequacy of control environment •Actuarial review •Compliance monitoring
3rd Line Audit function	•Independent testing of control activities •Provide an independent perspective and challenge the process

B.4.2 Implementation of the compliance function

The Compliance Function operates within Assurant group's broader risk management framework and:

- is responsible for oversight and monitoring of compliance risk management and related control systems.
- supports the Board of Directors in managing compliance risks and embedding a culture of integrity in the organisation.
- develops the enterprise compliance strategy, structure, and processes of adherence to ethical standards and applicable rules and regulations.
- supports implementation of the compliance program and establishes and maintains effective compliance management and control systems.

The Compliance Function is independent of and takes an objective view on the operational activities of AEL. It provides timely advice to the Board of Directors or, where applicable the Supervisory Board on compliance related matters. If and when potentially significant misconduct in connection with AEL's business is detected, it ensures that reasonable steps are taken to respond to and resolve the (potential) misconduct. It oversees effective whistleblowing reporting channels and conducts or coordinates internal investigations of compliance violations. It develops and implements compliance policies and procedures, education, and trainings, and keeps abreast of regulatory and industry trends.

At least on an annual basis, the Compliance Function will draft the compliance plan, which describes the monitoring activities which the Compliance Function will perform, considering the risk ratings, supervisor priorities and audit results. The monitoring activities will be executed accordingly.

B.5 Internal audit function

B.5.1 Description of how the internal audit function is implemented

AEL's Head of Internal Audit (HoIA) is responsible for internal audit activities, in coordination with Assurant Inc.'s group Internal Audit Services (IAS) function. The HoIA is accountable to the Audit Risk & Compliance Committee (ARCC) of the Supervisory Board and has administrative responsibility to AEL's Chief Executive Officer.

The HoIA is responsible for regularly assessing the adequacy of governance, risk management and the internal controls system and reports his findings to the ARCC of the SB.

Internal audit activities are coordinated with IAS as to ensure coordination of audit plans, coordination of resource planning, alignment on audit process, reporting and follow-up monitoring.

The annual (audit plan (based on a three-year cycle) is prepared and submitted to the SB for review and confirmation. Upon confirmation, the HoIA distributes the plan to business leaders and executes the plan during the course of the audit plan period. Additionally, at HoIA discretion or at the request of the ARCC, or management, other unannounced audits may be performed.

Initially the entire risk universe is considered during annual audit planning and subsequent revisions to plan, the highest-risk items are included as risk-based audits. Certain processes, while not rising to a level of significant risk, are still included on a cyclical basis to ensure breadth of coverage over a span of time.

Secondly, risks associated to the audit are identified and their mitigation evaluated via an assessment of the design and operational effectiveness of key internal controls, information systems, governance, risk management, and financial reporting supplemented where necessary by a programme of testing, creating audit programs for every project.

B.5.2 Description of how the internal audit function maintains independence and objectivity

The Internal audit function's mandate and responsibilities are documented in the Internal Audit Charter. It defines the framework for the activities of the Internal Audit function and is approved by the Supervisory Board. The charter allows Internal audit to be independent of the functions audited and it provides full, free, and unrestricted access to all operations, records, property, and personnel. Additionally, it provides the authority to allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.

B.6 Actuarial function

The Board of Directors appoints the Actuarial Function Holder. The holder needs to meet the fit and proper requirements and hold an appropriate practicing certificate from the Actuarial Society (Actuarieel Genootschap) or a comparable foreign qualification.

The Actuarial Function Holder reports to the Head of Risk for management purposes but has a line of escalation to the Supervisory Board (via the Audit Risk & Compliance Committee).

The responsibilities of the Actuarial Function Holder are defined in a Charter. As part of ensuring responsibilities are carried out in an effective and efficient manner, the Actuarial function operates in close cooperation with the members of the 1st line actuarial function team.

The Actuarial Function Holder coordinates the calculation of technical provisions, provides opinions on the underwriting policy and reinsurance arrangements, and contributes to the effectiveness of the risk management system.

The actuarial function is responsible for the process of calculating the technical provisions, as well as for the calculation of the SCR, MCR and ORSA capital. In addition, the actuarial function is responsible for reviewing and calculating the appropriateness of insurance product pricing and contributing to the governance committees, capital initiatives and regulatory returns where appropriate.

The Actuarial Function Holder provides quarterly updates and an annual report to the Board of Directors and the Supervisory Board, detailing the methodology, assumptions, and results of its work.

B.7 Outsourcing

AEL operates as part of the Assurant group and is tightly linked to the European operations. The company does not employ staff itself but instead benefits from shared services centres and centres of excellence and has entered into service agreements with the group entities that provide these services.

In the Netherlands, Assurant employees are employed by Assurant Europe Services B.V., a group company under the same management as AEI. The activities of these employees are not considered "outsourcing".

AEL distinguishes between two types of outsourcing:

- activities for which the Board of Directors cannot outsource functional responsibility but for which AEL makes use of individuals and infrastructure that are employed or owned by other group entities. These activities are managed as if directly employed /owned by AEL and are not considered "outsourcing".
- Activities for which functional responsibility can be outsourced and which is considered critical or important outsourcing as defined by Solvency 2 definitions.

AEL's Outsourcing policy sets the standards and controls required for selection of internal and external service providers as well as the requirements for ongoing management of such providers, with the aim of ensuring adequate oversight and governance of performance.

Critical or important outsourced functions are:

Outsourced Function	Outsourced to
IT & infrastructure management	Assurant group companies (US & UK)
Financial administration	Assurant group companies (UK)
Policy administration and claims management	Assurant group companies and 3rd parties (EU)

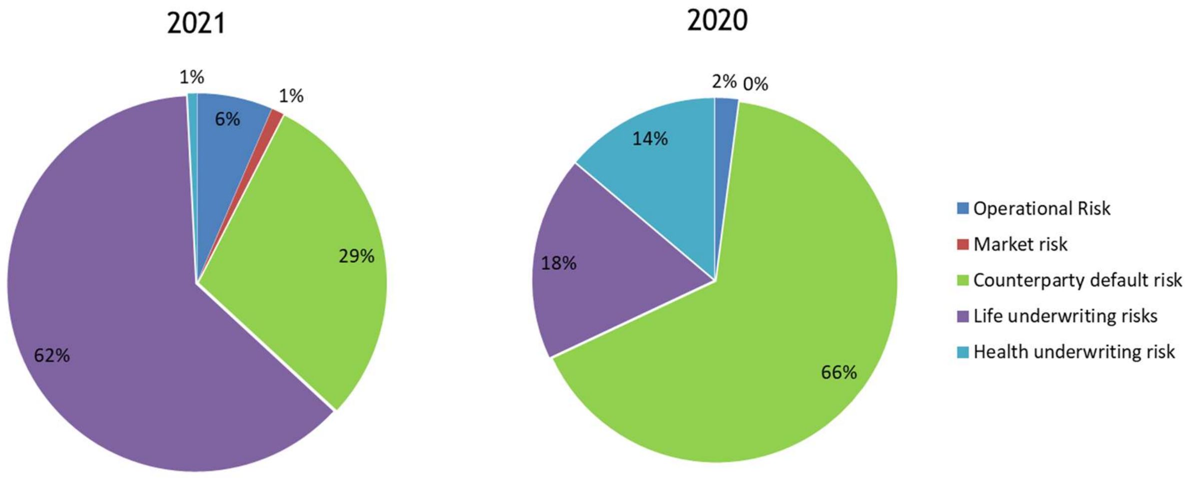
B.8 Any other disclosures

None.

C Risk management

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

AEL is mostly exposed to life underwriting risk, which is consistent with the nature of its business, and secondly to counterparty default risk. This is a consequence of having a very small insurance portfolio against which funds are held for the volume of the AMCR and a buffer. As AEL invests in government bonds and holds cash at bank, its exposure to market risk is negligible and counterparty default risk becomes relatively dominant. The chart below shows the distribution of the gross SCR by risk module (excluding the diversification effects between the risk modules) as per year-end. The larger movements in the charts are driven by an improved method for determining lapse risk (Life risk) and an improvement in the credit quality of a bank (Counterparty).



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

C.1 Underwriting risk

C.1.1 Qualitative review of risk profile

Underwriting risk - life

AEL is exposed to the risk of having to pay more mortality claims or incur higher than expected average costs per claim (mix of sums insured) than foreseen when pricing its insurance products.

Underwriting risk - disability-morbidity

AEL is exposed to disability-morbidity risk; the probability of having to pay out more benefits due to increased disability-morbidity.

In case of annuities, disability-morbidity risk carries the possibility of recovery, meaning insureds can recover from their illness and benefits can cease to be paid at that point.

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

Underwriting risk - expense

AEL is exposed to expense risk. This arises if future expenses turn out to be higher than expected or higher than that provisions are carried for. Cost increases have different causes, such as non-recurring regulatory change costs, or recurring inflation increases. This risk can be mitigated only partially.

Underwriting risk - revision

Revision risk applies to annuity insurances where the benefits ‘could increase because of changes in inflation, the legal environment or the state of health of the person insured.’ AEL’s insurances do not provide such benefits; therefore, this risk is not applicable.

Underwriting risk - lapse

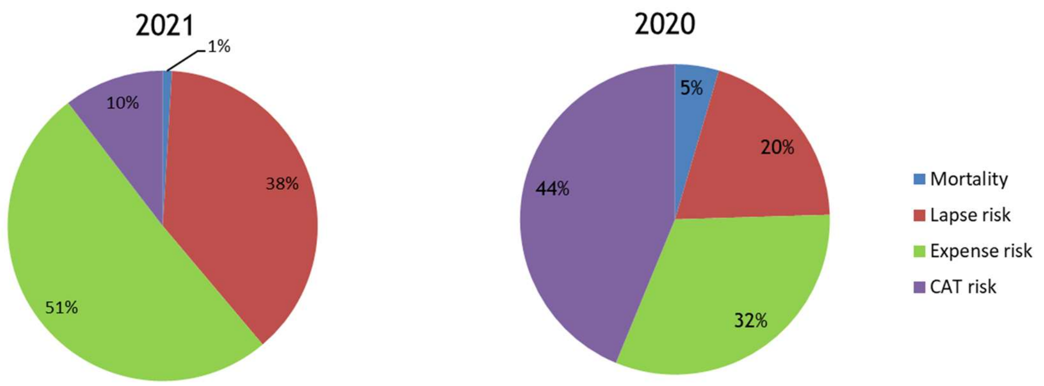
Lapse risk arises mainly due to the loss of future income if lapses are higher than expected. Lapse risk can be driven by external events such as an economic recession or by internal factors such as poor customer service delivery.

Underwriting risk - catastrophe

In some territories AEL is exposes to this risk, for example due to mass accidents. This risk is generally remote.

C.1. Quantitative review of risk profile

The graphs below show the underwriting risk profile of the Company using the risk capital requirements calculated by the standard formula as at 31 December of the current and prior year.



Most of the Underwriting risk SCR is made up by expense risk (life). This is due to the fact that the small portfolio needs to carry the cost to operate the legal entity. Since AEL is in run-off, it carries a provision for all costs associated with that run-off. Stressing that provision has a relatively large impact.

The second largest contributor is lapse risk. This is the risk related to single premium policies being cancelled early, requiring a refund of a part of that single premium.

The shares of the other risks changes in relative terms due to the changes in the relative shares of expense and lapse risk.

C.1.3 Risk mitigation Techniques

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

As AEL is a business in run-off, it can no longer make changes to its risk profile by adjusting underwriting. Instead, AEL will periodically consider whether to manage risk in-house (at own cost and own capital strain) versus placing such risks externally, for example via reinsurance.

Risk Category	Key Controls and Risk Mitigation Techniques
Underwriting risk - Life reserve risk (mortality)	▪ Regular experience investigations and monthly review of programs avoid insufficient technical provisions. ▪ Emerging risk reviews focus on market developments that may prove a program under-reserved. ▪ If and when deemed required, concluding a stop loss reinsurance agreement.
Underwriting risk – Disability & Morbidity risk (SLT Health)	▪ Regular experience investigations, and industry analysis, to support best estimate assumptions and identify trends. ▪ Emerging risk reviews focus on market developments that may prove a program under-reserved. ▪ If and when deemed required, concluding a stop loss reinsurance agreement.
Expense Risk	▪ Stringent regime of budgetary control, monitored as part of the annual planning and quarterly reporting cycles. ▪ Outsourcing strategy keeps costs variable.
Lapse Risk	▪ Regular experience investigations to support best estimate assumptions and identify trends. ▪ Stringent management of customer service delivery and adherence to treating customers fairly (TCF) principles.
Catastrophe Risk	▪ Given the low actual exposure to this risk (as the population of insured persons is spread across the countries), no specific mitigation measures are in place.

C.2 Market risk

C.2.1 Qualitative review of risk profile

Market risk emerges in different ways. It arises directly, because of interest rate and spread movements or exchange rate movements but also due to a loss of funds if a debtor is not able to repay its debt. This indirect risk is credit risk is treated in section C.3.

AEL does not seek market risk to increase revenue or profit but rather incurs it as a consequence of having to invest funds to cover policyholder liabilities and hold capital for regulatory purposes.

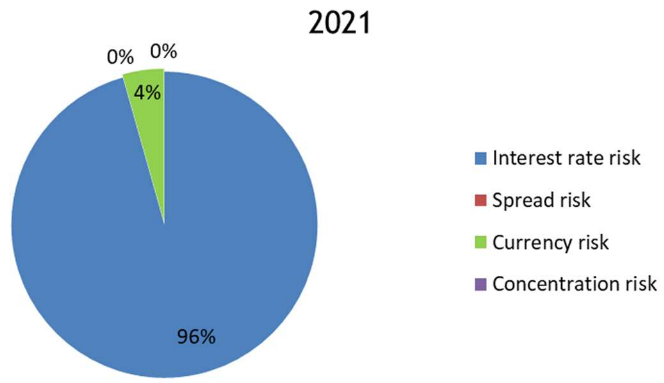
Included within market risk are:

Risk category	Description

Interest Rate Risk	Interest risk is inherently present. Given that a major part of AEL's assets are bonds, interest fluctuations will impact these assets' values. Fluctuations in interest rates also affect liabilities' values. The overall impact of interest risk is therefore depending on how well the assets and liabilities are matched.
Spread Risk	AEL does not invest in corporate bonds and is not exposed to spread risk.
Currency Risk	Currency risk emerges when currencies lose value compared to the Euro, the companies reporting currency. AEL only operates in the European Union, and therefore its exposure to currency risk is limited.
Equity risk	AEL had no exposure to equity risk as at 31 December 2021.
Property Risk	AEL had no exposure to property risk as at 31 December 2021.

C.2.2 Quantitative review of risk profile

The graphs below show the market risk profile of the Company using the risk capital requirements calculated by the standard formula as at 31 December of the current year. Please note that the prior year-end position was such that the SCR for market risk was nil.



The net interest sensitive position is negative and below ten years of maturity. In the current negative interest-rate environment, this results in a limited exposure to decreasing interest rates. At the previous year-end, when interest rates were negative for longer durations too (and therefore not subject to the downward stress, according to Solvency II standard formula), the interest rate risk SCR was nil. Investments are only held in government bonds which do not attract a spread risk and concentration risk SCR. Currency-risk is ignorable as AEL only operates in Euro-countries.

C.2.3 Risk mitigation

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

Risk Category	**Key Controls and Risk Mitigation Techniques**

Interest Risk	Matching of assets and liabilities to reduce the impact of adverse interest rate movements.
Spread risk	Not applicable.
Concentration Risk	Not applicable.
Currency Risk	Not applicable.

The company does not use any derivatives or other specific risk mitigation instruments to manage its market risk exposure.

C.2.5 Assets invested in accordance with the Prudent person principle.

C.2.5.1 Prudent Person Principle

The Company holds assets to back its various liabilities and its shareholder funds. Through pro-active investment management the Company can achieve an appropriate level of investment return. Achieving an appropriate level of investment return is not the sole aim though, as the Company needs to keep the risks within its risk tolerance limits, which are set with the aim to achieve pay outs in line with policyholders' reasonable expectations.

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

The Company has a higher risk appetite for invested shareholder funds. For these, return on investment has a higher priority and with that comes a more positive risk appetite towards credit and spread risk.

Finally, the Company has a limited risk appetite for liquidity risk and concentration risk. Subsequently, when setting the asset mix and determining suitable investments it is important to maintain a minimum level of cash holdings and to ensure that the company does not invest too much with a single counterparty, for which strict limits exist.

C.2.5.2 Investment management

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

C.3 Credit risk

C.3.1 Qualitative review of risk profile

Two types of exposures are distinguished:

Type 1

The Company holds significant amounts of funds with banks in The Netherlands. Counterparty default risk would emerge if one or more of these banks would not be able to repay the balances held.

The Company has placed only insignificant reinsurance with certain reinsurers.

Type 2

The company has small amounts due from intermediaries.

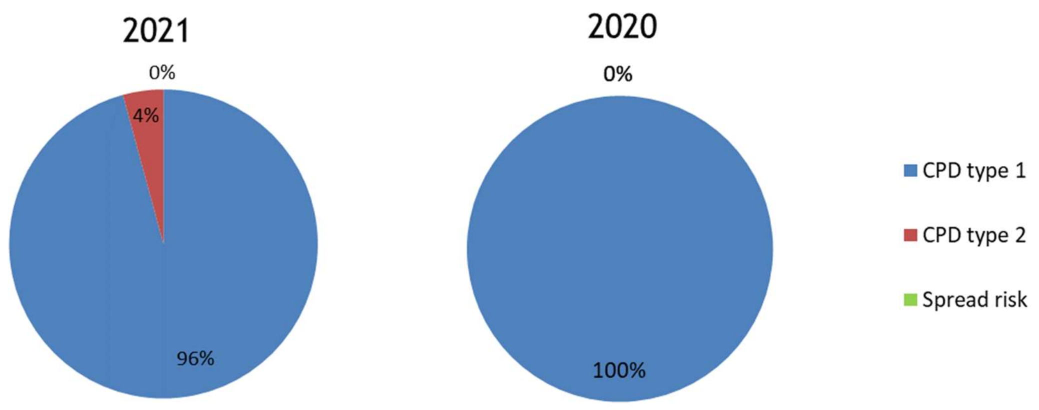
Spread risk,_reflecting credit risk on the corporate bond portfolio, is treated in paragraph C.2.

C.3.2 Quantitative review of risk profile

The graphs below show the credit risk profile of the Company using the risk capital requirements calculated by the standard formula as at 31 December of the current and prior year.

The capital is held almost entirely for type 1 exposures to banks (which are Globally Systemic Important Banks). Spread risk is not applicable.

Type 2 exposure is small as the portfolio is in run-off.



C.3.3 Risk mitigation

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

Risk Category	Key Controls and Risk Mitigation Techniques
Credit and counterparty default	▪ Operation of controls which limit the level of exposure to any single counterparty and impose limits on exposure by credit rating. ▪ Bank accounts held with GSIB's.

C.4 Liquidity risk

Liquidity risk is defined as the risk that the company will have insufficient liquid assets available to meet liabilities as they become due.

C.4.1 Qualitative review of risk profile

Liquidity risk arises when cash outflows to policyholders or pay-out patterns deviate from expectations, or when cash outflows are not properly matched by cash inflows. The company holds all its invested assets in liquid instruments (cash at bank and government bonds) which are directly or almost directly available, therefore liquidity risk is not considered a major residual risk.

Other liquidity issues could arise from counterparty default risk (see section C.3).

C.4.2 Quantitative review of risk profile

Given the very large excess of liquid investments over policyholder liabilities, no further details ae provided.

C.4.3 Risk mitigation

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

Risk Category	Key Controls and Risk Mitigation Techniques
Liquidity	▪ Funds held at GSIB banks with limits per institution. ▪ Investment policy prescribes investment in liquid assets. ▪ Quarterly cash flow forecasts to anticipate funding requirements over the following three months and considering wider funding requirements from the business planning and/or group dividend payments. ▪ Weekly / monthly / quarterly treasury reporting showing the liquid assets held and how these compare to the minimum threshold set in the Investment policy.

C.4.5 Expected Profit in Future Premiums

As required by Article 260(2) of the S2 Directive, the company calculated the amount of expected profit in future premiums included in the best estimate technical provisions which is nil, due to no premium of significance being received post 31 December.

C.5 Operational risk

C.5.1 Qualitative review of risk profile

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

Operational risks are assessed periodically and captured in a risk register.

C.5.2 Quantitative review of risk profile

In the first section of this chapter C, a graph shows the distribution of the four main risk groups that are part of the BSCR in addition to operational risk, calculated by the standard formula as at 31 December of the current period. This graph shows that operational risk is, from a quantitative perspective, relatively insignificant in the total risk profile of the Company. Whilst the company is exposed to many operational risks and has quantified the (external) cost of these scenarios, these costs do not exceed the capital charges for the other risk categories defined in the standard model.

C.5.3 Risk mitigation

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

Risk Category	Key Controls and Risk Mitigation Techniques
Operational risk	▪ Close oversight of the performance and risk management of (IT-) service providers. ▪ SOX review of major IT applications. ▪ Ongoing monitoring and testing of business continuity plans. ▪ (Preventive) health and safety measures are in place. ▪ Remote work facilities.

C.6 Other material risks

We report the following other main risks:

- As per the date of this report, the financial outlook for 2022 remains uncertain and dependent on the success of the various COVID19 vaccination programs existing in the company's main markets, The Netherlands, Belgium, Spain, Germany and Ireland. The Creditor portfolio (in run-off) is exposed to mortality and disability. In 2021, it has not seen large impacts for these risks and none are foreseen for 2022. However, the reader of this report should be conscious that while the company's individual exposures to COVID19 may be modest, adverse developments in economic climate / capital markets will also impact the company and that the level of volatility in future economic outcomes may be higher than historical developments would indicate.
- Towards the end of 2021, increased levels of inflation were recorded, mainly in relation to increased energy prices and high consumption levels which could not be met amongst others due to COVID19 restrictions on supply chains. To which extent higher inflation levels are temporary, in the mid-term or the longer term remains to be seen. Higher cost levels could reflect in higher costs of running-off the portfolio.

C.7 Any other disclosures

C.7.1 Risk mitigation techniques and monitoring

Risk assessment

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

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

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

C.7.2 Stress testing and sensitivity analysis

C.7.2.1 Overview

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

Full details of the stresses and scenarios, the methodologies used and the results are included in the ORSA report will be submitted to DNB.

C.7.2.2 Methodology

The stress and scenario tests have been carried out with a base date of 31 December 2021.

In quantifying the financial impact of each stress, it is assumed that each stress occurs immediately after the year-end, i.e., at 1 January 2022.

After applying the stress, risk capital is recalculated in accordance with the standard formula in order to re-establish the regulatory capital requirements.

C.7.2.3 Outcomes from the stress and scenario testing

Each stress and scenario test was performed using the methodology described above, and the Solvency ratio was compared to the base financial position. The analysis concluded that the amount of available capital at 31 December 2021 is sufficient to withstand the stresses and scenarios adopted by the Board of Directors.

D Valuation for Solvency purposes

This section of the Solvency and Financial Condition Report shows how the assets and liabilities of the Company have been valued, both for solvency and statutory reporting purposes. The below table summarises the Own funds (as measured on a solvency basis) and net assets (as measured in the statutory financial statements) and provides a reference where further information is provided:

€'000		Solvency 2	Statutory
Assets	Section D.1	11,919	11,885
Technical provisions	Section D.2	-2,899	-2,865
Other liabilities	Section D.3	-767	-767
Own funds / net assets		**8,253**	**8,253**

D.1 Assets

The table below shows each class of asset with Solvency 2 value and the statutory account value:

		Section	Solvency II value	Statutory accounts value
	Assets		C0010	C0020
R0010	Goodwill			
R0020	Deferred acquisition costs			
R0030	Intangible assets			
R0040	Deferred tax assets			
R0050	Pension benefit surplus			
R0060	Property, plant & equipment held for own use			
R0070	Investments (other than assets held for index-linked and unit-linked contracts)		4,514,698	4,472,119
R0080	Property (other than for own use)			
R0090	Holdings in related undertakings, including participations			
R0100	Equities		0	0
R0110	Equities - listed			
R0120	Equities - unlisted			
R0130	Bonds	D 1.1	4,514,698	4,472,119
R0140	Government Bonds		4,514,698	4,472,119
R0150	Corporate Bonds			
R0160	Structured notes			
R0170	Collateralised securities			
R0180	Collective Investments Undertakings			
R0190	Derivatives			
R0200	Deposits other than cash equivalents			
R0210	Other investments			
R0220	Assets held for index-linked and unit-linked contracts			
R0230	Loans and mortgages		0	0
R0240	Loans on policies			
R0250	Loans and mortgages to individuals			
R0260	Other loans and mortgages			
R0270	Reinsurance recoverables from:		31,643	31,643
R0280	Non-life and health similar to non-life		0	0
R0290	Non-life excluding health			
R0300	Health similar to non-life			
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	D 2	31,643	31,643
R0320	Health similar to life		57	57
R0330	Life excluding health and index-linked and unit-linked		31,586	31,586
R0340	Life index-linked and unit-linked		0	0
R0350	Deposits to cedants		0	0
R0360	Insurance and intermediaries receivables	D 1.2	49,868	49,868
R0370	Reinsurance receivables	D 1.3	27,309	27,309
R0380	R i bl (d i)	D 1 4	10 202	52 781
R0390				
R0400				
R0410				
R0420				
R0500				

The following table provides the differences between the value of total assets between the statutory financial statements and the column statutory values in Schedule 02.01:

	Row	2021	2020
€'000			
Total assets in statutory accounts	R0500	11,853	12,910
Reclassification of reinsurance share of technical provisions (statutory deducted from liabilities)	R0270	32	33
Total assets in statutory column in Schedule 02.01		**11,885**	**12,943**

D 1.1 Bonds

Bonds are measured at fair value.

The difference between the Solvency 2 and statutory value of investments is due to a difference in the classification of accrued investment income, which is recognised within Investments in Solvency 2 and within Other assets in the statutory financial statements.

	Row	2021	2020
€'000			
Bonds in the statutory accounts	R0130	4,472	4,604
Reclassification of accrued interest to Bonds	R0380	43	43
Bonds in Solvency 2		**4,515**	**4,646**

D 1.2 Insurance and Intermediaries receivables

Insurance and intermediary receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

D 1.3 Reinsurance receivables

Reinsurance receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

D 1.4 Receivables trade (not insurance)

Trade receivables are measured at the undiscounted amount of the cash or other consideration expected to be received, net of any allowance for impairment.

	Row	2021	2020
€'000			
Receivables (trade not insurance) in statutory accounts	R0380	53	59
Reclassification of accrued interest to Bonds	R0130	-43	-43
Receivables (trade, not insurance) in Solvency 2		**10**	**16**

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D 1.6 Cash and cash equivalents

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

D 2 Technical provisions

The following table shows the net technical provisions under Solvency 2 and the statutory financial statements. In the latter, the net technical provisions are presented as a provision for unearned premiums of € 2,337,296 and a provision for claims outstanding of € 702,956, adding up to € € 3,040,251.

D 2.1 Bases, methods, and main assumptions

Under Solvency 2, liabilities must be valued at the amount for which they could be transferred between two knowledgeable parties.

			Solvency II value	Statutory accounts value
	Liabilities		C0010	C0020
R0510	Technical provisions – non-life		0	0
R0520	Technical provisions – non-life (excluding health)		0	
R0530	Technical provisions calculated as a whole			
R0540	Best Estimate			
R0550	Risk margin			
R0560	Technical provisions - health (similar to non-life)		0	
R0570	Technical provisions calculated as a whole			
R0580	Best Estimate			
R0590	Risk margin			
R0600	Technical provisions - life (excluding index-linked and unit-linked)		2,899,394	2,899,394
R0610	Technical provisions - health (similar to life)		18,571	18,571
R0620	Technical provisions calculated as a whole			
R0630	Best Estimate		18,127	
R0640	Risk margin		444	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)		2,880,823	2,880,823
R0660	Technical provisions calculated as a whole			
R0670	Best Estimate		2,807,145	
R0680	Risk margin		73,678	
R0690	Technical provisions – index-linked and unit-linked		0	
R0700	Technical provisions calculated as a whole			
R0710	Best Estimate			
R0720	Risk margin			
	Assets			
R0270	Reinsurance recoverables from:		31,643	31,643
R0280	Non-life and health similar to non-life		0	0
R0290	Non-life excluding health			
R0300	Health similar to non-life			
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	**D 2**	31,643	31,643
R0320	Health similar to life		57	57
R0330	Life excluding health and index-linked and unit-linked		31,586	31,586
R0340	Life index-linked and unit-linked			
	Net provisions		2,867,752	2,867,752

Technical Provisions are defined as the sum of a best estimate and a risk margin. The best estimate is the probability weighted mean average of all future cash-flows and the risk margin is the cost of providing the solvency capital required necessary to support these best estimate liabilities.

The following principles were applied for compiling the Solvency 2 technical provisions:

- The liabilities valued in the technical provisions are those associated with existing contracts at the valuation date.
- The life business technical provisions of AEL are computed using policy by policy life valuation models for the premium provision.

- This is carried out by projecting the expected cash-flow for each policy for each future month until all existing contracts have expired.
- Expenses are projected as for the technical provision cash flow projections.
- The best estimate is calculated separately for the premium provision and claim provision. Premium provisions are computed as above and claims provisions mainly represent claims in course of payment (plus an allowance for claims which have been incurred but which have not yet been reported to AEL). These claims provision include an allowance for unallocated loss adjustment expenses.
- Gross cash-flows are calculated separately from reinsurance cash flows, to recognize that there could be significant differences in the timing of these cash flows.
- The assumptions underlying the calculation of the technical provisions are derived based on the assumption that AEL will continue to write new business (going concern assumption). A separate run-off provision is presented in row R0750 (Provisions other than technical provisions).
- A yield curve is required to discount future cash flows. This is the EIOPA provided curve per currency (no VA or MA applied).

D 2.2 Level of uncertainty

There are several areas of uncertainty in the calculation of the technical provisions. Reserving is carried out by using actuarial methods of projecting the paid (or known) claims to estimate the reserve required to pay claims in course of payment (plus an adjustment for claims incurred but not yet reported to AEL). These methods are generally based on the assumption that claim durations and reporting delays can be predicted based on historic experience. There is uncertainty in this due to changes in handling processes and mortality trends for older demographics within the policy set.

The main uncertainties concern:

- Lapse patterns. Early surrenders lead to premium reimbursements and loss of income.
- Expense developments. Higher than expected inflation or industry specific costs, such as those of regulation, could negatively impact the company’s future financial position.

D 2.3 Differences between Solvency 2 and the statutory financial statements

There are no differences between Solvency 2 and the statutory financial statements.

D 2.3.1 Premium and claim provision

The Premium and claim provisions are based on the probability weighted average of future cash flows related to the policies, within contract boundaries.

D 2.3.2 Risk Margin

For Solvency 2 a risk margin is determined using a cost of capital approach which involves calculating the cost of holding the SCR per Standard formula calculation at each future time period until the technical provisions at the reporting date have run off. The amounts are then discounted back to the current time period. The calculation excludes new business and market risk. AEL determines its risk margin by projecting the SCR in line with the run off of best estimate liabilities (method 2).

D 2.3.3 Discounting

The best estimate technical provisions are discounted against the EIOPA provided curve (no VA and no MA).

D 2.4 Use of Long-term guarantee package

- AEL has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC.
- AEL has not used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC
- AEL has not applied the transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC.
- AEL has not applied the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D 2.5 Reinsurance

Reinsurance recoverables represent the net discounted cash flow expected to be received from AEL's reinsurers. AEL only uses facultative reinsurances, primarily quota share, to cede risk on particular programs.

D 2.6 Material changes in the relevant assumptions made in the calculation of technical provisions

No material changes were made compared to the prior period.

D.3 Other liabilities

The table below shows the other liabilities as per 31 December:

€'000		Solvency 2	Statutory
Insurance & intermediary payables	Section D.3.1	526	526
Reinsurance payables		2	2
Payables (trade)	Section D.3.2	239	239
Other Liabilities		**767**	**767**

D 3.1 Insurance and Intermediaries payables

Insurance and intermediary payables are measured at the undiscounted amount of the cash or other consideration expected to be paid.

D 3.2 Payables (trade, not insurance)

Payables are measured at the undiscounted amount of the cash or other consideration expected to be paid.

D.4 Alternative methods for valuation

No alternative methods of valuation were used.

D.5 Any other disclosures

None.

E Capital management

E.1 Own funds

E.1.1 Capital Management Policy

AEL's Capital Management policy, which is approved by the Board of Directors and the Supervisory Board, describes the company's internal capital targets. Besides the aim to always fulfil regulatory capital requirements, the company has also determined internal buffers on top of that regulatory capital.

E.1.2 Analysis of Own Funds

The table below provides an overview of movements in and composition of Own funds.

	31-Dec-20	Mvmt in year	Transfers	31-Dec-21
€'000				
Tier 1:				
Share capital	5,440	-	-	5,440
Share premium reserve	2,200	-	-	2,200
Total ordinary share capital	7,640	-	-	7,640
Reconciliation reserve before deductions	30	583	-	613
Foreeable dividends				0
Restricted own funds (ring fenced funds)				0
Total reconciliation reserve	30	583	-	613
Deductions for participations in financial institutions	-	-	-	-
Total tier 1 own funds after deductions	**7,670**	**583**	**-**	**8,253**
Eligible own funds to cover SCR:				
Tier 1	7,670	583	-	8,253
Tier 2	-	-	-	-
Tier 3	-	-	-	-
	7,670	**583**	**-**	**8,253**
SCR	1,526	-602	-	924
AMCR	3,700	-	-	3,700
Solvency ratio	**207%**			**223%**

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

There are no differences between Solvency 2 and the statutory financial statements.

E.1.3 Items deducted from Own Funds

No items require deduction of Own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR as at 31 December amounts to:

€'000	2021	2020
Market Risk	12	-
Counterparty Default Risk	329	1,201
Non-Life Underwriting Risk	-	-
Life Underwriting Risk	700	448
Health Underwriting Risk	9	252
Sum of risk modules	**1,050**	**1,902**
Diversification between risk modules	-199	-424
Basic SCR	**851**	**1,478**
Operational Risk	**73**	**48**
Loss-absorbing capacity of deferred taxes	-	-
SCR	**924**	**1,526**

No undertaking specific parameters or simplifications are applied. No capital add-ons have been imposed by the DNB.

The MCR has been calculated using the linear calculation as set out in the Solvency 2 Directive.

€'000	Row	2021	2020
Linear MCR	R0300	127	169
SCR	R0310	924	1,526
MCR cap	R0320	416	687
MCR floor	R0330	231	382
Combined MCR	R0340	231	382
Absolute floor of the MCR	R0350	3,700	3,700
Minimum Capital Requirement	**R0400**	**3,700**	**3,700**

Given the above, AEL applies the AMCR of Euro 3.7 million.

Details of the SCR and MCR calculations, including the MCR inputs and floor, are provided in the appended S.25.01 and S.28.01.

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

The company does not make use of the duration-based equity risk sub-module in the calculation of the SCR.

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

The company does not use an internal model.

E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

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

E.6 Any other disclosures

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

F. Quantitative reporting templates

		Solvency II value	Statutory accounts value
	Assets	C0010	C0020
R0010	Goodwill		0
R0020	Deferred acquisition costs		0
R0030	Intangible assets	0	0
R0040	Deferred tax assets	0	0
R0050	Pension benefit surplus	0	0
R0060	Property, plant & equipment held for own use	0	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,514,698	4,472,119
R0080	Property (other than for own use)	0	0
R0090	Holdings in related undertakings, including participations	0	0
R0100	Equities	0	0
R0110	Equities - listed	0	0
R0120	Equities - unlisted	0	0
R0130	Bonds	4,514,698	4,472,119
R0140	Government Bonds	4,514,698	4,472,119
R0150	Corporate Bonds	0	0
R0160	Structured notes	0	0
R0170	Collateralised securities	0	0
R0180	Collective Investments Undertakings	0	0
R0190	Derivatives	0	0
R0200	Deposits other than cash equivalents	0	0
R0210	Other investments	0	0
R0220	Assets held for index-linked and unit-linked contracts	0	0
R0230	Loans and mortgages	0	0
R0240	Loans on policies	0	0
R0250	Loans and mortgages to individuals	0	0
R0260	Other loans and mortgages	0	0
R0270	Reinsurance recoverables from:	31,643	31,643
R0280	Non-life and health similar to non-life	0	0
R0290	Non-life excluding health	0	0
R0300	Health similar to non-life	0	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	31,643	31,643
R0320	Health similar to life	57	57
R0330	Life excluding health and index-linked and unit-linked	31,586	31,586
R0340	Life index-linked and unit-linked	0	0
R0350	Deposits to cedants	0	0
R0360	Insurance and intermediaries receivables	49,868	49,868
R0370	Reinsurance receivables	27,309	27,309
R0380	Receivables (trade, not insurance)	10,202	52,781
R0390	Own shares (held directly)	0	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
R0410	Cash and cash equivalents	7,285,371	7,285,371
R0420	Any other assets, not elsewhere shown	0	0
R0500	**Total assets**	11,919,091	11,919,091

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
R0510	Technical provisions – non-life	0	0
R0520	Technical provisions – non-life (excluding health)	0	0
R0530	Technical provisions calculated as a whole	0	
R0540	Best Estimate	0	
R0550	Risk margin	0	
R0560	Technical provisions - health (similar to non-life)	0	0
R0570	Technical provisions calculated as a whole	0	
R0580	Best Estimate	0	
R0590	Risk margin	0	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,899,394	2,899,394
R0610	Technical provisions - health (similar to life)	18,571	18,571
R0620	Technical provisions calculated as a whole	0	
R0630	Best Estimate	18,127	
R0640	Risk margin	444	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	2,880,823	2,880,823
R0660	Technical provisions calculated as a whole	0	
R0670	Best Estimate	2,807,145	
R0680	Risk margin	73,678	
R0690	Technical provisions – index-linked and unit-linked	0	0
R0700	Technical provisions calculated as a whole	0	
R0710	Best Estimate	0	
R0720	Risk margin	0	
R0730	Other technical provisions		0
R0740	Contingent liabilities	0	0
R0750	Provisions other than technical provisions	0	0
R0760	Pension benefit obligations	0	0
R0770	Deposits from reinsurers	0	0
R0780	Deferred tax liabilities	0	0
R0790	Derivatives	0	0
R0800	Debts owed to credit institutions	0	0
R0810	Financial liabilities other than debts owed to credit institutions	0	0
R0820	Insurance & intermediaries payables	526,208	526,208
R0830	Reinsurance payables	1,773	1,773
R0840	Payables (trade, not insurance)	238,789	238,789
R0850	Subordinated liabilities	0	0
R0860	Subordinated liabilities not in Basic Own Funds	0	0
R0870	Subordinated liabilities in Basic Own Funds	0	0
R0880	Any other liabilities, not elsewhere shown	0	0
R0900	**Total liabilities**	3,666,164	3,666,164
R1000	**Excess of assets over liabilities**	8,252,927	8,252,927

		Line of Business for: **life insurance**		
		Health insurance	Other life insurance	**Total**
		C0210	C0240	C0300
	Premiums written			
R1410	Gross	-3,824	401,019	397,195
R1420	Reinsurers' share	0	11,886	11,886
R1500	Net	-3,824	389,133	385,309
	Premiums earned			
R1510	Gross	12,459	1,256,722	1,269,181
R1520	Reinsurers' share	31	25,772	25,803
R1600	Net	12,428	1,230,951	1,243,378
	Claims incurred			
R1610	Gross	-11,288	-215,325	-226,613
R1620	Reinsurers' share	38	68,857	68,895
R1700	Net	-11,326	-284,183	-295,509
	Changes in other technical provisions			
R1710	Gross	0	0	0
R1720	Reinsurers' share	0	0	0
R1800	Net	0	0	0
R1900	**Expenses incurred**	0	715,311	715,311
	Administrative expenses			
R1910	Gross	0	98,411	98,411
R1920	Reinsurers' share	0	0	0
R2000	Net	0	98,411	98,411
	Investment management expenses			
R2010	Gross	0	11,832	11,832
R2020	Reinsurers' share	0	0	0
R2100	Net	0	11,832	11,832
	Claims management expenses			
R2110	Gross	0	0	0
R2120	Reinsurers' share	0	0	0
R2200	Net	0	0	0
	Acquisition expenses			
R2210	Gross	0	136,383	136,383
R2220	Reinsurers' share	0		0
R2300	Net	0	136,383	136,383
	Overhead expenses			
R2310	Gross	0	468,685	468,685
R2320	Reinsurers' share	0	0	0
R2400	Net	0	468,685	468,685
R2500	**Other expenses**			0
R2600	**Total expenses**			715,311
R2700	**Total amount of surrenders**	0	0	0

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			BE					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	207,354	198,867					406,221
R1420	Reinsurers' share	0	0					0
R1500	Net	207,354	198,867	0	0	0	0	406,221
	Premiums earned							
R1510	Gross	215,442	824,983					1,040,425
R1520	Reinsurers' share	0	0					0
R1600	Net	215,442	824,983	0	0	0	0	1,040,425
	Claims incurred							
R1610	Gross	-210,528	29,937					-180,592
R1620	Reinsurers' share	0	0					0
R1700	Net	-210,528	29,937	0	0	0	0	-180,592
	Changes in other technical provisions							
R1710	Gross	0	0					0
R1720	Reinsurers' share	0	0					0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	715,311	0					715,311
R2500	**Other expenses**							
R2600	**Total expenses**							715,311

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			Other life insurance						
			Contracts without options and guarantees	Contracts with options or guarantees	**Total (Life other than health insurance, including Unit-Linked)**		Contracts and guarantees	Contracts with options or guarantees	**Total (Health similar to life insurance)**
		C0060	C0070	C0080	C0150	C			
R0010	**Technical provisions calculated as a whole**				0				
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole				0				0
	Technical provisions calculated as a sum of BE and RM								
	Best Estimate								
R0030	**Gross Best Estimate**		2,807,145		2,807,145				
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		31,586	0	31,586		57	0	57
R0050	Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		31,586		31,586				
R0060	Recoverables from SPV before adjustment for expected losses		0		0				
R0070	Recoverables from Finite Re before adjustment for expected losses		0		0				
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		31,586		31,586		57		57
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		2,775,559	0	2,775,559				
R0100	**Risk Margin**	73,678			73,678				
	Amount of the transitional on Technical Provisions								
R0110	Technical Provisions calculated as a whole	0			0				
R0120	Best estimate		0		0				
R0130	Risk margin	0			0				
R0200	**Technical provisions - total**	2,880,823			2,880,823	1			
R0210	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,849,238			2,849,238	1			
R0220	**Best Estimate of products with a surrender option**				0				
	Gross BE for Cash flow								
	Cash out-flows								
R0230	Future guaranteed and discretionary benefits	529,478			529,478	1			
R0240	Future guaranteed benefits				0				
R0250	Future discretionary benefits				0				
R0260	Future expenses and other cash out-flows	2,281,583			2,281,583				
	Cash in-flows								
R0270	Future premiums	3,917			3,917				
R0280	Other cash in-flows				0				
R0290	**Percentage of gross Best Estimate calculated using approximations**								
R0300	**Surrender value**	1,524,159			1,524,159				
R0310	**Best estimate subject to transitional of the interest rate**				0				
R0320	Technical provisions without transitional on interest rate				0				
R0330	**Best estimate subject to volatility adjustment**				0				
R0340	Technical provisions without volatility adjustment and without others transitional measures				0				
R0350	**Best estimate subject to matching adjustment**				0				
R0360	Technical provisions without matching adjustment and without all the others				0				

		Total	Tier 1 - unrestricted	Tie	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					
R0010	Ordinary share capital (gross of own shares)	5,440,000	5,440,000		0	
R0030	Share premium account related to ordinary share capital	2,200,000	2,200,000		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	612,927	612,927			
R0140	Subordinated liabilities	0				
R0160	An amount equal to the value of net deferred tax assets	0				
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0			
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0				
R0290	**Total basic own funds after deductions**	8,252,927	8,252,927			
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0				
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,252,927	8,252,927	0	0	0
R0510	Total available own funds to meet the MCR	8,252,927	8,252,927	0	0	
R0540	Total eligible own funds to meet the SCR	8,252,927	8,252,927	0	0	0
R0550	Total eligible own funds to meet the MCR	8,252,927	8,252,927	0	0	
R0580	**SCR**	924,055				
R0600	**MCR**	3,700,000				
R0620	**Ratio of Eligible own funds to SCR**	8.9312				
R0640	**Ratio of Eligible own funds to MCR**	2.2305				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	8,252,927				
R0710	Own shares (held directly and indirectly)					
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	7,640,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
R0760	**Reconciliation reserve**	612,927				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	0				

			Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching a
Z0010	Article 112	Z0010	No		
			C0030	C0040	
R0010	Market risk	R0010	11,991	11,991	
R0020	Counterparty default risk	R0020	329,490	329,490	0
R0030	Life underwriting risk	R0030	700,048	700,048	0
R0040	Health underwriting risk	R0040	8,794	8,794	0
R0050	Non-life underwriting risk	R0050		0	0
R0060	Diversification	R0060	-198,893	-198,893	
R0070	Intangible asset risk	R0070	0	0	
R0100	**Basic Solvency Capital Requirement**	R0100	851,431	851,431	

	Calculation of Solvency Capital Requirement		C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	R0120	
R0130	Operational risk	R0130	72,624
R0140	Loss-absorbing capacity of technical provisions	R0140	0
R0150	Loss-absorbing capacity of deferred taxes	R0150	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
R0200	**Solvency Capital Requirement excluding capital add-on**	R0200	924,055
R0210	Capital add-on already set	R0210	
R0220	**Solvency capital requirement**	R0220	924,055

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	123,416

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0240	Other life (re)insurance and health (re)insurance obligations	2,793,629	
R0250	Total capital at risk for all life (re)insurance obligations		92,499,403

	Overall MCR calculation	C0070
R0300	Linear MCR	123,416
R0310	SCR	924,055
R0320	MCR cap	415,825
R0330	MCR floor	231,014
R0340	Combined MCR	231,014
R0350	Absolute floor of the MCR	3,700,000

		C0070
R0400	**Minimum Capital Requirement**	3,700,000