SFCR report YE 2021

DKV Belgium SA/NV

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Executive Summary

Business & Strategy

DKV Belgium, a member of ERGO International, focusses on health insurance in Belgium and is number 1 on the Belgian market. Since 1964, DKV Belgium has been offering innovative and qualitative health insurance products and services to its customers (retail, self-employed, small groups and corporates). It is the foundation of its mission, which is strongly supported by its entire staff and distribution partners.

As a leader of the health insurance market, DKV Belgium plays a leading role in social debates relating to healthcare: awareness raising, prevention, efficiency of the healthcare system. DKV intends to strengthen its positioning as a 'health partner', at the heart of its customers' health journeys, which goes beyond being a 'health payer' who only gets involved afterwards. DKV will consider all opportunities to create value for its customers throughout their health journeys.

DKV Belgium has the ambition to remain the market-leading health insurance company and will further invest in growth of its distribution channels by combining digital and non-digital distribution models. In addition, DKV will develop customer-oriented and volume-enabling products which follow medical needs and evolutions.

Investment result decreased in 2021 compared to 2020. The decrease of investment result compared to 2020 is mostly coming from the realized losses increase mainly due to the sales of long-term maturities bonds, coupled with higher portfolio management costs.

System of Governance

The most important governing bodies in the System of Governance include: The Board of Directors, the Audit and Risk Committee, the Nomination & Remuneration Committee and the Executive Committee. For these governance bodies, charters are in place to describe the roles & responsibilities.

The company's Risk Management System is built on a risk strategy set-up to identify, assess and measure, steer as well as monitor and report risks. It is articulated on a Three Lines of Defence Model, in which the first line is the risk taker and owner. The second line consists of the three Independent Control Functions (Risk Management Function, the Compliance Function and the Actuarial Function), who act as risk controllers. The third line (Internal Audit) is the independent reviewer of the first and second lines.

The assessment of the Executive Committee on the corporate governance structure of DKV Belgium revealed a general result classified as good, both for design and performance. This indicates that management feels overall comfortable on the way the corporate governance structure is set up (design) and is functioning (performance). Improvements compared to previous assessment are seen, however, some further points of attention and further embedding of these points in the processes are indicated.

Risk Profile

The Risk Profile of the company provides an overview of all the risks to which the company is exposed to through its products and operations.

The key risks the company is exposed to include:

- *Underwriting risk*: Changes in the expected claims evolution could directly and noticeably affect DKV Belgium. The unlimited character of the supplementary covers makes the company highly sensitive to this evolution. Medical Trends in the market will be picked up in the medical index, but only with a certain delay. To that extent, the other players in the market are as sensitive as DKV Belgium.

- *Interest rate risk*: Interest rate risk is driven by the duration mismatch in the asset and liability structure of the company. The liabilities are mainly composed of lifelong contracts, which have a longer duration than the assets available on the market. This mismatch creates exposure for interest rate risk. The shift to risk premium products reduces the interest rate exposure. The effects of the de-risking strategy are monitored regularly by means of value of new business and Solvency II reporting, premium volumes and statistics on claims and policyholder behaviour. Discussion with asset management is continued on optimizing the asset allocation to find a suitable trade-off between long-term investment and sustainable returns.
- *Cyber risk*: To meet increasing cyber risk threats, DKV Belgium is in the process of implementing several projects in the Cyber Security Maturity Roadmap. Current work streams have already shown improvement of the cyber maturity level. In addition, IT security team is implemented, and further improvements will be achieved in 2022.
- *GDPR risk*: Focus is put on GDPR implementation and monitoring. DKV DPO has followed up on the adequate implementation of several projects in 2021.
- *Strategic Risk*: In our ambition to grow and consolidate the market leading position on the Belgian market, DKV Belgium installed several projects to ensure a digitisation of the business. Furthermore, quick response time to react to changes in market or regulator environment are key for maintaining the growth ambition, as well as the introduction of new risk premium products.
- *Sustainability Risk*: As part of the updated groupwide strategy, Munich Re and ERGO Group have expressed their ambitions in terms of sustainability with a related group-wide project. Amongst others, Munich Re and ERGO Group joined the Net-Zero Asset Owner Alliance. Together with ERGO Insurance n.v., DKV Belgium has also started initiatives in this direction in Belgium, aligned with the groupwide approach. This covers sustainability, in terms of impact on the product portfolio, on the investments made, and on the working as a company.

All risks are monitored on a regular basis, and risk capital is calculated and integrated in the solvency ratio of the company. Within the company, several risk mitigation techniques are used. To ensure effective and risk informed decision making, risks are made transparent to senior management through regular risk reporting.

Valuation for Solvency Purposes

The company's balance sheet comprises Assets, Technical Provisions and Other Liabilities. Technical Provisions are reserves for claims and premiums plus a risk margin. Assets, Technical Provisions and Other Liabilities are valued on a 'fair value' basis according to Solvency II requirements, meaning that the company’s financial strength is sensitive to movements in their value. Moreover, due to a difference in valuation methodologies, differences between Solvency II and BEGAAP accounts exist.

As from 2019, DKV Belgium applies the volatility adjustment in the valuation of the Best Estimate Technical Provisions.

Capital Management

The risk capital for DKV Belgium is calculated by the Solvency II Standard Formula approach, which is assessed as being adequate for the risk profile of DKV Belgium. Within the ORSA exercise, an additional capital requirement is added for the spread risk on government bonds. Under the current model assumptions and methodology, DKV Belgium shows a sufficient capitalisation with a solvency ratio of 370% (less than 0,2% lower without volatility adjustment) and a Minimum Capital Ratio of 1480%. The ORSA process confirms this conclusion as an adequate capitalisation to cover the risks arising from current and expected business activities is seen. Further analysis on risk mitigating measures is ongoing to reduce the inflation volatility in the current modelling approach. With respect to the risk capital calculation, some points of attention are raised in the calibration of the management actions and the calculation of the risk margin. These will be further investigated in the next year.

Major event: Covid-19

With the emergence of new Covid-19 variants, the pandemic remained a point of attention for 2021. The DKV Crisis and Emergency Management Committee continued to monitor the Covid-19 outbreaks, ensuring continuous managing of the situation without endangering business continuity.

The Covid-19 outbreak and the related financial turmoil since then also has resulted in inflation rising from very low levels at the beginning of the pandemic to very high levels in the present. This reemphasized the sensitivity of DKV Belgium's Solvency II valuation model to changes in inflation rates, leading to volatile medical trend assumptions and related projected cash flows. In 2021, model changes were also introduced in the modelling approach, with main focus to improve model stability and to reduce the inflation sensitivity of the model. A further follow-up and fine-tuning of these model changes will be performed during 2022.

A. Business & Performance

A.1 Business

DKV Belgium S.A./N.V. (DKV Belgium) is a public limited company registered under the laws of Belgium, member of ERGO International AG, with its registered office at 1000 Brussels, Loksumstraat 25, with company number 0414.858.607 and authorised by the National Bank of Belgium (NBB) under number 739 for branch 2 and branch 18 – respectively Health and Assistance –. The current activities of DKV Belgium relate to private stand-alone and complementary Medical expenses, Non-medical expenses (Long-term care) and Disability insurance products.

Since 1964, DKV has been offering innovative and qualitative health insurance products and services to its customers (retail, self-employed, small groups and corporates). It is the foundation of its mission, which is strongly supported by its entire staff, its shareholder and distribution partners.

DKV Belgium provides both retail and group contracts. Individual contracts are underwritten by natural persons whereas the group contracts are underwritten by companies or institutions, for the benefit of their employees.

DKV Belgium has a market-leading position in the Belgian health insurance market with a multichannel approach in sales. In this respect, DKV Belgium collaborates with brokers, small group of tied agents and insurers (to complete their health insurance offering). Additionally, DKV Belgium grows its direct business with a focus on strengthening the online presence through multiple digitalization projects.

The new strategy with its dimensions "scale", "shape" and "succeed" is applied throughout the Munich Re Group, whose group-wide strategy programme "Munich Re Group Ambition 2025" is supported by ERGO Group’s strategy programme ESP2. The International part of the ESP2 defines the strategy of ERGO International and encompasses the aspects described below.

By the end of 2020, ERGO International successfully completed the initiatives encompassing the strategic programme “ERGO Strategy Programme” (ESP), initiated in 2017.

During finalization of ESP, the “ERGO Strategy Programme 2” (ESP2) was developed as a successor and communicated in December 2020. With ESP2, ERGO Group has set an ambitious target to achieve a return on equity of 12-14% by 2025.

Goals and Levers

The ESP2 of ERGO International is based on overarching as well as market-specific initiatives. As part of ERGO International, DKV Belgium will contribute towards the achievement of group goals through its own individualised programme.

ERGO Strategy Programme 2 is organized along the dimensions of "scale", "shape" and "succeed”, the three guiding principles of the group-wide strategy programme "Munich Re Group Ambition 2025”.

DKV Belgium follows the Group approach by the implementation of the guiding principles:

Scale:

- Risk-oriented management of the product portfolio.
- Growth of distribution channels by combining digital and non-digital distribution models.
- Continuation of cost discipline and increase in process efficiency.

Shape:

- Systematic expansion of the product range by adding new risk-premium products and growing the corporate footprint.

- Harmonisation of platforms and introduction of digital technologies.
- Leveraging transnational synergies in different areas.

Succeed:

- Shareholders: Contribute to ERGO Group's success by generating sustainable growth & profitability.
- Customers: Develop customer-oriented and volume-enabling products which follow medical needs and evolutions.
- Employees: DKV Belgium considers itself to be an attractive employer in the local context, that promotes existing talent and develops new talent.
- Communities: As part of corporate social responsibility, DKV Belgium engages itself in local social. projects.

A.2 Performance of underwriting activities

The underwriting result of the company for the year 2021 is to be seen the table below:

In Mio €	YE 2021	YE 2020
Gross written premium	656,20	631,85
Net claims incurred	-356,79	-430,92
Delta other technical provisions	-172,24	-90,12

The gross written premium has grown by 3,85% compared to last year, mainly driven by portfolio increase and premium indexation.

The decrease of net claims incurred in 2021 was mostly due to the derecognition of claims provisions related to the Covid-19 situation. The Covid-19 lockdowns in 2021 continued in preventing hospitals to work at full capacity, resulting in postponements of treatments related to the health situation of 2020 and 2021 but to a lesser extent. Instead of building up higher claims provisions, an additional amount of Ageing Provisions has now been set for claims in future years since the postponed claims are no longer considered as claims occurred in the years 2020 and 2021 itself and additional claims due to the Covid-19 situation are expected to occur during several years.

The increase in ageing reserve in 2021 is mainly linked to this additional provision for claims in future years together with normal yearly increase (because of 1 year further in time, model & assumptions changes).

The financial planning for future years is mainly driven by indexation of premiums in line with claims development, new range of risk-premium products as well as increase of retail new business through stronger development of direct channel and increase of corporate new business through creation of Modular Group products to better meet employers' needs and budget. In addition, the financial planning is influenced by strict cost management, automation, and digitization of the business, to help to increase the profitability over the planning horizon.

A.3 Performance of investment activities

The decrease of investment result compared to 2021 is mostly coming from the realized losses increase mainly due to the sales of long-term maturities bonds, coupled with higher portfolio management costs.

Portfolio Earnings Structure (Mio. EUR):	2021(4Q)	2020(4Q)
Ordinary Interest income	40,08	40,56
Realised Gains	9,25	8,72
Realised Losses	-4,87	-1,83
Net result (before management costs)	44,46	47,45
Management Costs	-2,50	-2,32
(MEAG fee + CIA+ custody Caceis)		
Net Portf. result Local	41,96	45,13

DKV Belgium's asset portfolio has a negative Time – Weighted – Return (TWE) of 6,90% in 2021.

Investment performance can be affected by risk of changes in the financial markets and credit risk. The investment strategy of the company is however very conservative.

DKV Belgium has outsourced asset management to GIM & MEAG, the asset manager of Munich Re and ERGO Group. DKV Belgium fulfils its obligation to invest all its assets in accordance with the 'prudent person principle' through GIM Investment Management Agreement. DKV Belgium mandates GIM & MEAG to perform the following duties:

- To manage the assets in order to achieve the investment objectives as laid down in the mandate;
- To stay within the permitted investment universe and comply with all investment constraints and risk limits agreed;
- To monitor and follow risk controlling processes and to provide investment recommendations to address any trigger alert situations;
- To inform regularly about the performance and disposition of the mandate assets;
- To advise on asset allocation or on specific investments or investment strategies;
- To alert to important developments with respect to market, credit and default risks and advise accordingly.

In general, the investment strategy is aimed primarily at covering the expected claims payments with future premiums, coupon payments and maturities. Until the last quarter of 2021, the major part of the DKV Belgium asset portfolio (about 80%) was steered under a "buy-and-maintain"-approach and a smaller portion of the assets (about 20%) was steered relatively against a benchmark. In the last quarter of 2021, the steering approach was adjusted for DKV Belgium. Within the active portfolio, all assets are now managed under a "buy-and-maintain" approach. This change of the steering approach from relative to "buy & maintain" will give better control over result realization and cause less turnover.

The major part of the assets is invested in government bonds, leading to a low credit -spread- risk.

Investment performance is expected to increase constantly in the future years, mostly influenced by fresh cash coming from the operations expected to be invested mainly in assets with maturities fitting our liability structure. Ordinary income and very conservative projection for net realised result is foreseen in planning figures with the details given in the following table.

The rating of each investment is provided by external credit assessments (Standard & Poor's, Moody's and Fitch). Those ratings are used in order to evaluate and monitor the portfolio credit risk.

(Mio. EUR)	2022	2023	2024	2025
Ordinary income projection	38,48	38,29	38,47	38,78
Net realised result projection	1,13	1,59	1,90	2,59
Net result before mgmt. costs projection	39,61	39,88	40,37	41,37

A.4 Performance of other activities

Not applicable

A.5 Any other disclosures

Not applicable

B. System of Governance

B.1 Management structure, remuneration and shareholder ship

B.1.1 Management Bodies

The System of Governance is determined by the Board of Directors and its specialised committees with clearly defined roles and responsibilities. The most important organs in the System of Governance include: The Board of Directors, incl. its subcommittees (Nomination & Remuneration Committee and Audit & Risk Committee), and the Executive Committee.

B.1.1.1 Board of Directors

- *Composition*

As per 31 December 2021, the Board of Directors of DKV Belgium is composed of 8 members: i.e. 3 executive directors (CEO, CRO and CFO) and 5 non-executive directors, of which 2 directors meet the independence criteria specified in article 48 of the Solvency II Act (the former article 526ter of the Companies Code). During the year 2021, there was one change in the composition of the Board of Directors as regards to the position of an independent director (Mr. Edwin Schellens replaced Mr. Christian Defrancq).

Considering that DKV Belgium has been classified as a less-significant company, based on the size of the company and the risk profile of the company or expected changes in that risk profile, it is considered adequate to have 2 independent directors.

The Chairman of the Board of Directors is appointed by the members of the Board of Directors amongst the non-executive directors and is not the same person as the Chairman of the Executive Committee or the Chairman of the Audit and Risk Committee. If the Chairman is unable to attend a meeting, he will appoint a non-executive director to chair the meeting.

- *Roles and Responsibilities*

The Board of Directors is authorised to undertake all actions necessary to achieve the objectives of DKV Belgium, except for those acts for which by law only the General Assembly of Shareholders is competent. Besides exercising the powers prescribed by law or by the Articles of Association, the Board of Directors is in charge of (i) setting the general company strategy (including the implementation of the Risk Management System and integrity policy) and (ii) the supervision of the Executive Committee.

The general company strategy includes:

- The definition of the objectives and strategy of DKV Belgium (commercial strategy and structures);
- The main lines of DKV Belgium's organisational structures and internal control structures;
- The approval and validation of important policies on governance, such as the integrity policy (which establishes the company's fundamental ethical principles and includes rules on conflicts of interest, the Fit & Proper policy, the Compensation policy, the Outsourcing policy, the Internal Rules on External Functions, the IT security and Continuity policy, the Charters of the Independent Control Functions, rules on whistleblowing, the code of conduct, etc.
- The approval of important projects, reporting, budgets, structural reforms, etc.;
- The reports intended for the public (particularly the SFCR).

In relation to the **Risk Profile**, policy and effectiveness of the Risk Management System responsibilities include:

- Setting DKV Belgium level of risk appetite and related risk tolerance levels for all areas of business (risk appetite policy – risk strategy);

- Approving DKV Belgium’s general risk management policy and specific risk management policies;
- Taking front-line strategic risk decisions and being closely involved with the ongoing monitoring of DKV Belgium Risk Profile (the Board of Directors and the Audit and Risk Committee will be in possession of relevant and comprehensive information on the risks DKV Belgium faces);
- Approving the Regular Supervisory Report (RSR) and the Own Risk and Solvency Assessment (ORSA).

In relation to the **Supervisory function**: In accordance with article 42, § 1 1° of the Solvency Act, there is a clear separation between the actual management of DKV Belgium (“management function”), which is entrusted to the executive directors, and the supervision and monitoring of the management (“supervisory function”), which is entrusted to the non- executive directors and the independent non-executive directors.

The supervisory function is carried out through (i) the reporting of the Independent Control Functions, (ii) the effective use of the enquiry powers of the members of the Board of Directors (iii) the reporting of the Executive Committee and (iv) the minutes of the meetings of the Executive Committee.

In addition to the aforementioned, the Board of Directors of DKV Belgium will in accordance with article 77 of the Solvency II Act:

- Assess and report on, at least once a year, the effectiveness of the System of Governance and ensure that the Executive Committee takes the necessary measures to remedy any shortcomings;
- Verify periodically, and at least once a year, the proper execution of the four Independent Control Functions, through direct interactions and periodic reporting of the Independent Control Functions, but also through periodic reporting of the Executive Committee and supervising the measures taken by the Executive Committee to mitigate shortcomings. In addition, the Board of Directors is required to annually submit a report on the assessment of the proper functioning of the Compliance Function to the NBB;
- Determine which actions need to be taken following Internal Audit findings and ensure that such actions are executed properly;
- Regularly, and at least once a year, assess the general principles of the Compensation Policy and assess its implementation;
- Assume the ultimate responsibility for reporting and disclosing information, and more in particular approve a policy that guarantees an adequate and correct reporting to the NBB, the approval and updating of the Solvency and Financial Conditions Report (SFCR) and the Regulatory Supervisory Report (RSR);
- Assume responsibility for the integrity of the financial accounting and reporting systems, including the systems for operational and financial controls;
- Assess the functioning of the Internal Control System at least once a year and ensure that it provides a reasonable degree of certainty regarding the reliability of the information reporting process;
- Monitor the activities of the Executive Committee on important projects and change processes;
- Supervise the Executive Committee on the achievement of the objectives of DKV Belgium, the implementation of the overall business strategy, the internal risk mitigation and control systems, the financial reporting process and integrity therein, compliance with laws, regulations, internal policies and industry standards, and in general the overall functioning of the Executive Committee.

To enable the Board of Directors to fulfil its duty, both with regard to the overall business strategy (including the risk management and the integrity policy) and the supervisory function, the Executive Committee will regularly report to the Board of Directors. The Board of Directors may also at any time demand reports of the Executive Committee, the Independent Control Functions or the statutory auditor on all aspects of the insurance business that could have a significant impact on DKV Belgium. In general, the Board of Directors and its Chairman may request any relevant information or documents of any relevant party or advisor and carry out any inspection.

B.1.1.2 Specialised Sub-Committees of the Board of Directors

In order to strengthen the effectiveness of the supervisory function of the Board of Directors, an Audit and Risk Committee and a Nomination and Remuneration Committee were established. These committees are responsible for preparing the decisions of the Board of Directors in the respective areas, without removing its powers.

DKV Belgium ensures that the subcommittees are organised in such a way as to promote dynamic discussions by (i) the proportioned size of the relevant committee and (ii) avoiding permanent guests sitting on the relevant committees, except in duly justified situations. Independent Control Functions and (certain) members of the Executive Committee or Board of Directors, as well as Head offs or Managers (N-1) may however be invited to the subcommittees to report in their areas of responsibility.

B.1.1.2.1 Audit and Risk Committee

- *Composition*

The Board of Directors nominates the Audit and Risk Committee members and the chairman of the Audit and Risk Committee.

DKV Belgium combined the tasks of the Audit Committee and the Risk Committee in one single Audit and Risk Committee in compliance with the conditions of the Solvency II Act and the NBB Circular 2016_31. The NBB has been informed of this decision.

Currently, the Audit & Risk Committee comprises three members. All members of the Audit and Risk Committee are non-executive directors and the majority (2) of these non-executive directors fulfil the independence criteria specified in article 15, 94° of the Solvency II Act. At least one member of the Audit and Risk Committee is a director with an individual skill in accountancy and/or auditing.

All the members of the Audit and Risk Committee individually have the necessary knowledge, expertise, experience and proficiency needed to enable them to understand and fully grasp the company's strategy and risk tolerance. The presence of the CRO in the Executive Committee does not lessen the collective expertise regarding risk management expected of the non-executive directors.

The chairman of the Audit and Risk Committee is not the same person as the chairman of the Board of Directors.

- *Roles and Responsibilities*

As specified in its Charter, the roles and responsibilities of the Audit and Risk Committee cover the following domains:

- Corporate-Financial reporting;
- Risk management;
- Internal control and actuarial matters;
- Compliance with laws, regulations, internal policies and industry standards;
- Internal Audit; and;
- External audit.

These roles and responsibilities imply that the Audit and Risk Committee has, amongst others, the following tasks:

In relation to Audit:

- Notify the Board of Directors of the results of the statutory audit of the annual accounts, as well as clarifying the way the statutory audit of the annual accounts contributed to the integrity of the financial reporting, and specifying the role of the Audit Risk Committee in this process;
- Monitor the effectiveness of the Internal Control System and risk management system;
- Monitor the Internal Audit Function and its respective activities;
- Monitor the statutory audit of the annual accounts and consolidated annual accounts, including the follow-up of the recommendations by the statutory auditor and where appropriate, by the external auditor responsible for the statutory audit of the consolidated annual accounts;
- Assess and monitor the statutory auditors' independence, including in relation to the provision of non-audit services;
- Make recommendations to the Board of Directors with regard to the appointment of the statutory auditor and, where appropriate, of the external auditor responsible for the statutory audit of the consolidated annual accounts;
- Report regularly to the Board of Directors on the performance of its tasks, at least when the Board of Directors is establishing annual accounts, consolidated annual accounts and, where appropriate, summarised financial statements for publication purposes.

In relation to Risk Strategy:

- Give its opinion to the Board of Directors regarding the appropriate nature on the risk management measures put in place and the processes to monitor and report about risk (such as regarding the separation of the executive and controlling functions);
- Advise the Board of Directors on the current and future risk strategy and risk tolerance;
- Assists the Board of Directors when it is supervising the implementation of this strategy by the Executive Committee;
- Ensure that the strategic decisions taken by the Board of Directors in the areas of the set- up of technical provisioning, the determination of transfers on the basis of reinsurance, the investment policy, the asset and liability management and the liquidity management, take into account the risks borne by DKV Belgium given its business model and its risk strategy, in particular reputational risks likely to result from the types of products proposed to customers. The Audit and Risk Committee presents a plan of action to the Board of Directors when this is not the case;
- Determine the nature, volume, form and frequency of information on risks to pass on to the Board of Directors (Quarterly Risk reporting);
- Upon request of and in collaboration with the Nomination and Remuneration Committee, verify that the total amount of variable remuneration and performance objectives, provided for by the Compensation Policy, is in line with the risk profile of DKV Belgium and is according to the principles in the Compensation Policy;
- Ensure that Management has appropriate processes in place for identifying, assessing and responding to risks in a manner that is in accordance with the risk appetite of DKV Belgium and that those processes are operating effectively.

In relation to Risk Management:

- Examine the procedures by which DKV Belgium organises the hedging of risks with respect to its assets, its operations and its liabilities as a consequence of amended insurance policies;
- Gather all information necessary (at least the annual report) from the Risk Management

Function and stay informed about risk mitigation plans and the follow-up of this plan by the Risk Management Function;
- Hear the Chief Risk Officer, give advice to the Board of Directors about the organisation of the Risk Management Function and stay informed about its work programme;
- Request the Board of Directors, where appropriate, that the Risk Management Function carries out specific assignments.

The aforementioned tasks are further elaborated on in the Charter of the Audit and Risk Committee.

In performing its role, the Audit and Risk Committee is responsible for assisting the Board of Directors in overseeing the implementation of the three lines of defence, and in monitoring the statutory audit. In this context, the Audit and Risk Committee interacts with the Independent Control Functions and with the Executive Committee, and regularly reports to the Board of Directors.

B.1.1.2.2 The Nomination and Remuneration Committee

- *Composition*

The Nomination and Remuneration Committee is composed of three members. The members of the Nomination and Remuneration Committee are appointed by the Board of Directors and may be replaced at any time. All members shall be non-executive Directors and at least one of the members shall meet the independence criteria.

Unless planned otherwise, the Chairman of the Board of Directors is the Chairman of the Nomination and Remuneration Committee.

The CEO, Head of Legal and the Head of Human Resources may be invited to report to the Nomination and Remuneration Committee in an advisory and non-voting capacity. They will not attend the meeting during discussions concerning themselves.

The Chairman leads all meetings of the Nomination and Remuneration Committee, coordinates the evaluation of the performance of all the members of the Executive Committee and shall act as Secretary, although he can delegate this duty or parts thereof to other members of the Nomination and Remuneration Committee or to the Corporate Secretary of DKV Belgium.

- *Roles and Responsibilities*

The main task of the Nomination and Remuneration Committee is to act as an independent control and advice committee to the Board of Directors.

The Nomination and Remuneration Committee is responsible for:

- Making recommendations to the Board of Directors on appropriate Compensation and Benefit programs (in respect of both amounts and composition), and more in particular:
    - Advising the Board of Directors on the Compensation Policy of DKV Belgium as a whole. This includes, the members of the Board of Directors (executive and non-executive directors), the members of the Executive Committee, the heads of departments, the members of the company whose professional activities could have a material impact on the company's risk profile ('Risk Takers'), and the Independent Control Functions;
    - Ensuring that the remuneration levels take into account the risks involved, demands and time requirements of each role and relevant industry benchmarks;
    - Preparing the remuneration reporting to the stakeholders.
- Preparing decisions on remuneration, in particular decisions on remunerations that have an

impact on the risk management of DKV Belgium;

- Ensuring that the nomination of the members of the Board of Directors, Executive Committee and the independent Control Functions meets the fitness and propriety criteria, is professional and objective;
- Assessing frequently the level of knowledge, involvement, availability and independence of future and existing directors and members of the Executive Committee;
- Overseeing the search for appropriate candidates for appointment to the Board of Directors and Executive Committee, including identifying the needs and appropriate profiles for the Executive Committee and the Board of Directors, by taking into account, in addition to "fit & proper", certain other aspects such as the number of directors, their age, gender, combined number of mandates, the period and rotation of mandates, rules on conflicts of interest, etc.;
- Making recommendations to the Board of Directors in respect of recruitment or succession planning;
- Scheduling exit interviews with departing directors, members of the Executive Committee or second line functions (to the extent appropriate and necessary);
- Reviewing the Annual Targets/Objectives for executive members of the Board of Directors and members of the Executive Committee in order to finalise and approve the final Targets and Objectives of the Board of Directors;
- Advising the Board of Directors on the accomplishment of the targets set and consequently initiating a discussion in the Board of Directors, which eventually adjusts and/or approves the recommendations.

In performing its tasks, the Nomination and Remuneration Committee may interact with the Compliance Function or any other relevant person to provide an informed advice to the Board of Directors. The Board of Directors can, in the interest of DKV Belgium in general and the performance of the Nomination and Remuneration Committee in particular, amend the Charter of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall evaluate its performance on a periodic basis and shall, if needed, take the necessary steps to improve its effectiveness.

B.1.1.3 Executive Committee

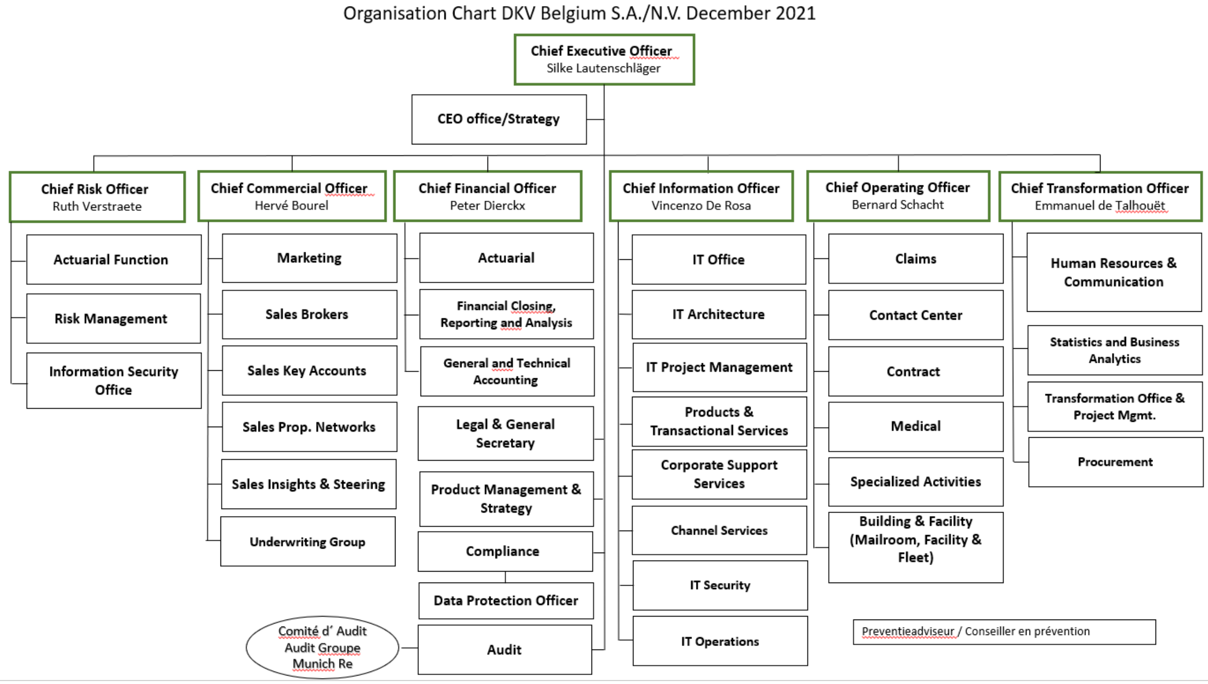
- *Composition*

The size of the Executive Committee is proportionate to the complexity of the company and the Executive Committee has less members than the Board of Directors.

The Board of Directors nominates the members of the Executive Committee and the Chairman of the Executive Committee. Only natural persons can be nominated as members of the Executive Committee. The Chairman of the Board of Directors cannot be nominated as member of the Executive Committee. The members of the Executive Committee may not be older than 67 years old.

The Executive Committee of DKV Belgium is composed of seven members: The Chief Executive officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Commercial Officer (CCO), the Chief Operating Officer (COO), the Chief Transformation Officer (CTO) and the Chief Information Officer (CIO). Currently the CEO, the CFO and the CRO are members of both the Executive Committee and the Board of Directors. The CCO, COO, CTO and CIO are only members of the Executive Committee and not members of the Board of Directors. There has been no change in the composition of the Executive Committee during the year 2021.

Any appointment or renewal of a member of the Executive Committee is assessed by the Nomination and Remuneration Committee which reports to the Board of Directors. They are appointed by the Board of Directors for the term of their mandate as director, or, if not a director, for another specified term. If the mandate as Executive Committee member ends, the mandate as director also ends. On the other hand, the mandate as director can end without ending the mandate as Executive Committee member.



- *Roles and Responsibilities*

The Executive Committee enhances the effectiveness of the four-eye supervision and the collegiality in decision-making on managing the business activity and operations. This management is done without any outside interference, within the framework of the general company strategy set by the Board of Directors.

In particular, the Executive Committee:

- Implements the strategy defined by the Board of Directors and ensures the actual and day-to-day management of DKV Belgium's business activities;
  - The implementation of the strategy defined by, and the Policy Framework approved by the Board of Directors by incorporating them into processes and procedures;
  - The management of DKV Belgium's activities in accordance with the strategic objectives determined by the Board of Directors and in line with the risk tolerance limits defined by the Board of Directors;
  - The supervision of line management and their compliance with the allocated competences and responsibilities;
  - The submission of proposals and opinions, and giving advice, to the Board of Directors with a view to shaping DKV Belgium's general policy and strategy.
- Implements the risk management system, including (without limitation):
  - The incorporation of the framework for risk appetite and the Risk Management Policy approved by the Board of Directors into processes and procedures;
  - The implementation of the necessary measures to manage the risks;
  - Ascertain, based on the reports of the Independent Control Functions, that all of the relevant risks to which DKV Belgium is exposed (including financial risks, insurance risks, operational risks, sustainability risks and other risks) are identified, measured, managed, controlled and reported in an appropriate manner;

    - Supervise the development of DKV Belgium's Risk Profile and monitor the effectiveness of the risk management system.

- Implements, monitors and evaluates DKV Belgium's organisational and operational structure, including (without limitation):

    - The implementation of an organisational and operational structure designed to support the strategic objectives and ensure conformity with the framework for risk appetite defined by the Board of Directors, in particular by specifying the powers and responsibilities of each department within DKV Belgium and by detailing reporting procedures and lines of reporting;
    - The implementation, steering and assessment (without prejudice to the supervision carried out by the Board of Directors) of appropriate internal control mechanisms and procedures at every level of the company and assess the appropriateness of these mechanisms;
    - The implementation of the framework necessary for the organisation and proper functioning of the Independent Control Functions and evaluate, based on the activities of these Independent Control Functions, the efficiency and effectiveness of the processes determined by DKV Belgium in the area of risk management, internal control and governance;
    - The implementation of the Policy Framework defined by the Board of Directors, including all policies, guidelines and procedures;
    - Supervise the proper implementation of DKV Belgium's Compensation Policy;
    - Organise an internal control system that makes it possible to establish with reasonable certainty the reliability of internal reporting and financial disclosure in order to ensure that the annual accounts are in compliance with the applicable regulations.

- Implementing all applicable policies, guidelines and procedures, among which the integrity policy established by the Board of Directors (covering in particular conflicts of interest, whistleblowing, rules on the prevention of money laundering and terrorist financing) by translating them into concrete procedures and processes;
- Reports to the Board of Directors and the National Bank of Belgium including:

    - Regular reporting to the Board of Directors (and as the case may be to one of the subcommittees of the Board of Directors) on relevant matters that are necessary to enable the Board of Directors to fulfil its tasks correctly, monitor DKV Belgium activities and take informed decisions.
    - Informing the regulators and the statutory auditor about the financial position and the governance structure, organisation, internal controls and Independent Control Functions, as well as regarding any other relevant matters;
    - providing the Board of Directors, the statutory auditor and the National Bank of Belgium a yearly report regarding the effectiveness of the System of Governance.

- Improves its performance: The Executive Committee's own performance, of individual members and collectively, has to be evaluated on a regular basis, at least once a year. Compliance with the rules specified in the charter of the Executive Committee has to be assessed and the findings have to be reported to the Board of Directors.

B.1.2 Compensation Policy

B.1.2.1 Overall compensation policy

The Compensation policy for DKV Belgium is set out to provide employees with a competitive overall level of compensation, relative to appropriate market benchmarks and reflective of the Company's success. The policy seeks to support the overall business and risk strategy, risk profile, objectives, values and sustainable long-term business interests and performance of the Company and include measures focused on avoiding conflicts of interest. It is formulated with the objective of attracting, motivating and retaining high calibre individuals.

Performance is expected and rewarded. DKV Belgium NV strives to be an employer of choice, where our employees are rewarded, motivated, and committed to making a clear positive difference to the Company, its clients, policyholders and shareholders.

On the other hand, the Compensation Policy also contributes to a sound and effective risk management and discourages risk-taking that exceeds the level of tolerated risk established by the company.

B.1.2.2 Practice of remuneration which is applicable to non-executive members of the Board of Directors

The mandate of the non-executive members of the Board of Directors is unpaid, except for that of the independent Directors.

B.1.2.3 Remuneration practice applicable to members of the Executive Committee

The Compensation policy is in accordance with the regulations and practices of the Belgian market and relies on the Group's Compensation policy.

Concerning the remuneration of members of the Executive Committee, the Compensation policy has as objective to:

- attract, develop, keep and motivate the best talents;
- encourage performance;
- align the levels of remuneration with the company's results in strict compliance with risk control.

It is guided by three governing principles:

- creating long-term value;
- internal equity, based on individual and collective performance;

As from 1 January 2021, the remuneration system for Executive Directors, members of the Executive Committee and Independent Control Functions was amended into a fixed remuneration system, with the exception of the Chief Commercial Officer who still receives a variable remuneration (based on sales and company results) within the thresholds of the Overarching Circular on Governance 2016-31, updated in May 2020. Therefore, as per 31 December 2021, all the Executive Directors only receive a fixed remuneration, with the exception of the Chief Commercial Officer, who still receives a fixed and a variable component.[1] The achievement of the variable component is determined by the Nomination & Remuneration Committee and in concertation with HR ERGO Group International:

- The fixed component is determined in line with the market practice and at a sufficient level to allow a flexible remuneration policy. The fixed part of the remuneration represents the total remuneration for all Executive Directors except for the CCO. For the CCO, the fixed remuneration also represents more than half of this total monetary remuneration.
- The variable component of the CCO is defined by an annual target amount of which:
    - 70% is paid the next year in accordance with the corresponding objective's success rate.

[1] The Executive Directors still receive the deferred portion of the variable remuneration (MTI) that was awarded in previous years, before the introduction of the fixed remuneration system.

- 30% is paid, the 4th year in accordance with the success rate evaluated by the Board of Directors after three years.

The annual objectives relate, on the one hand, to the collective and transversal result of the company's operational performance (in line with the strategic plan), and on the other hand, to the individual level of performance linked to the realisation of objectives in relation to the member of the Executive Committee's area of responsibility; and finally, to the exemplary nature of the leadership behaviour as defined by the company's values. Except for the CCO, these annual objectives are no longer linked to the remuneration of the Executive Directors.

B.1.2.4 Remuneration practice applicable to those in charge of Independent Control Functions

The Independent Control Functions (risk management function, actuarial function, audit function and compliance function) all receive a fixed remuneration and a fixed monthly premium. Since 1 January 2021, Independent Control Functions do no longer receive any variable remuneration.

B.1.2.5 Retirement plans

The retirement plan is an integral part of the remuneration strategy as it allows to create a long- term investment.

The non-executive members of the Board of Directors have no retirement plan provided by the company.

For the senior executives including the Independent Control Functions and the members of the Executive Committee, the pension plan is a defined contribution plan where the monthly contribution is defined by a percentage of the fixed gross salary. Defined benefit plans are no longer offered since January 2014. Former beneficiaries from before are a closed group.

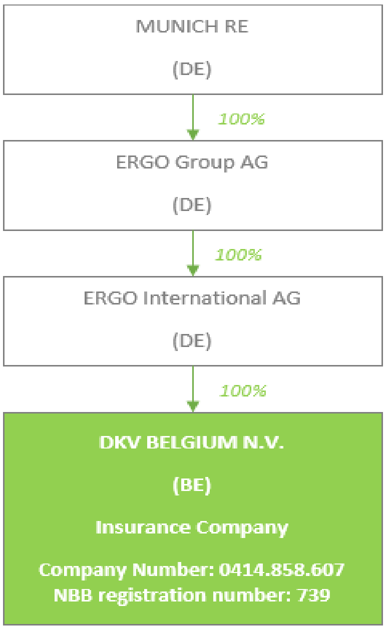
The plan is financed by a monthly contribution of the employer defined as a percentage of the fixed salary, with no employee contribution. The plan covers retirement and death.

There are no procedures of early retirement and/or complementary pension schemes for the members of the Board, members of the Executive Committee nor for the people responsible for the Independent Control Functions.

B.1.3 Shareholdership

DKV Belgium’s capital is represented by 770,000 no-par value registered shares. These shares are fully held by ERGO International AG, a company under German law, with registered office at 40477 Düsseldorf, Germany, ERGO-Platz 1.

The ownership structure of DKV Belgium is illustrated as follows:



B.2 Fit & Proper, external functions and transactions with executives

B.2.1 Fit & Proper Scope

B.2.1.1 Fit and Proper definition and application

The Fit and Proper Policy and the implementation framework of DKV Belgium set out the criteria and procedures that must be applied in order to ensure that all persons who conduct the effective and non-effective management of DKV Belgium, or who occupy Independent Control Functions, comply with the statutory and regulatory expertise and reliability requirements in the context of the Risk Management System (in accordance with the Solvency II Act, the NBB Circular 2018_25 Fit and proper[2], the Manual on assessment of fitness and propriety of September 2018 and the Overarching NBB Circular NBB 2016_31 on the System of Governance (updated in May 2020).

The framework ensures that the fit and proper requirements are applied when nominating members of the Board of Directors, members of the Executive Committee, as well as the Independent Control Functions.

The persons who occupy Independent Control Functions within DKV Belgium are:

- the Risk Management Function (CRO);
- (the head of) the Internal Audit Function;
- (the head of) the Compliance Function;
- (the head of) the Actuarial Function.

The Fit and proper consists of four parts:

- Fit and Proper requirements;
- Fit and Proper Policy;
- Procedure, application and control framework;
- Conduct and behavioural guidelines.

[2] The NBB Circular 2018_25 on the suitability of directors, members of the Executive committee, responsible persons of independent control functions and senior managers of financial institutions.

B.2.1.2 Fit and Proper Requirements

The following fit and proper requirements are applied at DKV Belgium:

Fitness requirements: A person will be considered “fit” if he or she has the necessary professional and formal qualifications, knowledge and expertise in the insurance sector and other financial sectors that enable him or her to conduct a business as prudently and as healthily as possible. A person must also be able to demonstrate professional conduct.

As part of this assessment, the qualities attributed to the position in question, as well as other relevant insurance-related, financial, accounting, actuarial and management qualities will be taken into account.

As a group, directors, Executive Committee members and representatives of Independent Control Functions must cover a sufficient diversity of qualifications, knowledge and relevant experience in order to ensure that DKV Belgium is managed and controlled in a professional manner.

In order to operate such an assessment of the fitness requirements, DKV Belgium implemented assessment criteria covering the requirements relating to:

- knowledge and experience (including collective qualification requirements for directors and senior managers);
- skills (including collective qualification requirements for directors and senior managers and specific individual criteria for the Independent Control Functions);
- professional behaviour (including collective qualification requirements for directors and senior managers);
- independence;
- conflicts of interest;
- availability, the amount of time invested by the Person Concerned (the latter criteria being applied for directors and senior managers only).

Propriety requirements: A person is deemed to meet propriety requirements if no facts indicating inadequate propriety are known.

Inadequate propriety is presumed if general experience of life indicates that personal circumstances justify the assumption that such circumstances could adversely affect the sound and prudent exercise of their mandate or function. Account is taken of the personal and professional conduct of the Person Concerned with regard to criminal, financial, proprietary and regulatory law. Of particular relevance are criminal or administrative offences, especially if in connection with corporate activities. Indications of inadequate propriety could include, for example:

- Regulatory action taken by the National Bank of Belgium now or in the past against the Person Concerned, or a company in which the Person Concerned was or is a director or member of the Executive Committee;
- Criminal offences in the area of finance or taxation, or particularly serious criminal acts or money-laundering offences;
- Infringements of administrative regulations;
- Conflicts of interest.

It is also assumed that the person in question, wherever possible, will avoid activities that might lead to conflicts of interest or that might arouse the appearance of conflicts of interest. Persons in charge of Independent Control Functions are generally bound by the interests of DKV Belgium. Consequently, they may not consider any personal interests in their decisions, nor may they make use of company opportunities based on their own interests. Each potential event is disclosed to the Compliance Function and a specific file is prepared by the Compliance Function and presented for decision.

DKV Belgium has implemented different assessment criteria in terms of propriety for members of the Board of Directors, of the Executive Committee and for the Independent Control Functions.

B.2.1.3 Fit and Proper Policy

DKV Belgium implements a Fit and Proper Policy that includes the following elements:

- a description of the functions that require a fitness and proprietary assessment and notification to the NBB/FSMA
- a detailed description of the full assessment of the fitness and propriety of the members of the Board of Directors, the Executive Committee, possible branch managers and the Independent Control Functions during their selection, i.e. prior to their appointment. In order to perform the assessment of the fitness of a person concerned, DKV Belgium has implemented assessment criteria covering the three requirements (knowledge and experience, skills and professional behaviour), as well as independence and conflicts of interest and the amount of time invested by the person concerned. In regard to the propriety requirements, DKV Belgium has also implemented different assessment criteria. All of these assessment criteria are defined in the annexes to the Fit & proper Policy;
- a description of the periodic reassessments of the members of the Board of Directors, the Executive Committee, possible branch managers and the Independent Control Functions and the possibility for *ad hoc* cases that give rise to a re-assessment of the requirements on fitness and propriety;
- a description of the annual self-declaration by the members of the Board of Directors, the Executive Committee, possible branch managers and the Independent Control Functions as well as a description of the annual organ self-assessment performed by the governing bodies (Board of Directors, Audit and Risk Committee, Nomination and Remuneration Committee and the Executive Committee);
- etc.

- *Executive and Non-Executive Directors and members of the Executive Committee*

The directors of DKV Belgium will at least collectively possess knowledge and experience in the areas of:

- Insurance, reinsurance and financial markets;
- the business' strategy and business model;

the System of the directors of DKV Belgium will at least collectively possess knowledge and experience in the areas of:

- Insurance, reinsurance and financial markets;
- the business' strategy and business model;
- the System of Governance;
- financial and actuarial literacy;
- the legal and regulatory context and requirements;
- the internal model (risk model);
- planning, controlling and reporting;
- non-life insurance technical knowledge;
- asset management;
- accounting and auditing;
- internal controls and risk management;
- marketing and sales;

- information and communication technology
- remuneration;
- organisation and change management;
- fitness and propriety;
- human resources management.

Collective qualification requirements have also been developed in the Fit & Proper policy in terms of skills and professional behaviour for the members of the governing bodies.

As regards to the criteria applicable to the members of the Executive Committee, they must make the appropriate decisions taking into account the business model, risk appetite and the markets in which DKV Belgium operates, and as regards to those applicable to the members of the Board of Directors, they must decide on strategy and be able to monitor the decisions taken by the Executive Committee in a constructive manner.

The qualities that are attributed to individual directors / Executive Committee members will ensure that there is appropriate diversity of qualifications, knowledge and relevant experience in place. This will contribute towards the company being managed and led in an appropriate manner.

If changes occur to the composition of the Board of Directors and/or Executive Committee of DKV Belgium, care is taken to ensure that the collective knowledge of the directors and Executive Committee members is assured at all times and at every level and that there is sufficient diversity.

- Independent Control Functions

Persons who occupy Independent Control Functions have the theoretical and practical knowledge required for the position in question (Risk Management Function, Compliance Function, Internal Audit Function and Actuarial Function). The knowledge required will vary according to the Independent Control Function. The technical knowledge is standard, based on regulatory requirements and most of the time on sectorial certification and mandatory continuous training. The experience is an additional mandatory requirement. It is assessed in proportion to the nature, scope and complexity of the risks inherent to DKV Belgium.

All internal control functions are employees, with the exception of the CRO, who is self-employed as she is a member of the Executive Committee and Board of Directors. There is thus no outsourcing of independent control functions in the meaning of Chapter 7 of the Overarching NBB Circular 2016_31 on the System of Governance, updated in May 2020 within DKV Belgium.

B.2.1.4 Fit and Proper Procedure, application and control framework

A Fit and Proper Procedure is in place for DKV Belgium, in line with the principles and requirements defined in the Fit and Proper Policy. The following aspects are organised by this procedure:

- Appointment of a new member of the Board of Directors, the Executive Committee or the Independent Control Functions can only be organised through a defined cycle: a “full fit and proper assessment” is conducted with a review by the Compliance Officer and submission to the Nomination and Remuneration Committee and the National Bank of Belgium;
- In case of renewal of a mandate, a file is also constituted, reviewed by the Compliance Officer and submitted to the Nomination and Remuneration Committee and the National Bank of Belgium;
- During the term of the mandates, periodic fit and proper assessment are also conducted (mid mandate): this reassessment is an abridged version of the ‘full assessment’ that takes place on appointment. It allows a check and confirmation that suitability requirements are met during the mandate and for the reappointment/re-election;

- New elements with regard to a person's fit and proper status are tracked, assessed and kept as part of the documentation, which could lead to a (partial) ad hoc reassessment of the fit and proper status/file.

A fit and proper assessment is done by the Nomination and Remuneration Committee before the appointment or renewal of a member of the Board of Directors, of the Executive Committee and of Independent Control Functions (NBB fit and proper file).

The assessment file is prepared by the Corporate Secretary in cooperation with the Chairman of the Board of Directors and the Chairman of the Executive Committee. The Compliance Function subsequently reviews the assessment file and reports to the Nomination and Remuneration Committee, in order for the Nomination and Remuneration Committee to take an informed decision.

Any subsequent information likely to influence a person's "Fit and Proper" status is also examined by the Corporate Secretary, the Compliance Function and the Nomination and Remuneration Committee. The supporting information of the 'Fit & Proper' assessment file and any status update can at all times be examined by the Compliance Function and the Nomination and Remuneration Committee. The concerned person can be invited to explain the change or development.

B.2.1.5 Controlling Fit and Proper requirements, Conduct and behavioural guidelines

A system or regular update and follow-up is in place to constantly monitor the application of the Fit and Proper requirements.

- *Ad-hoc re-evaluation signals*

A process is in place to monitor and evaluate the application of the Fit and Proper requirements. This includes a periodic evaluation, as well as an ad-hoc evaluation if necessary. The following situations will imply that a person is no longer deemed to be fit and proper:

- Annual self-declaration or facts, events or circumstances indicating that a person concerned no longer meets the fit or proper requirements;
- facts, events or circumstances indicating that a person, or its activities, is refraining or stopping DKV Belgium from carrying out its business activities in an ethical and professional manner, or in a way that allows compliance with the applicable legislation;
- facts, events or circumstances indicating that a person, or its activities, is creating, causing or significantly increasing the risk of potential financial misconduct, including potential money-laundering and the financing of terrorism;
- facts, events or circumstances indicating that the healthy and prudential operation of DKV Belgium is threatened.

In case a person would no longer be fit and proper, measured actions will be taken, which could include a replacement. For a full disclosure of events leading to an ad hoc evaluation and of possible actions, reference is made to the Fit and Proper Policy of DKV Belgium.

B.3 Risk management system

B.3.1 Risk Management System

The mission of risk management at DKV Belgium is to create and promote risk awareness and to strive for an efficient integration of risk management in all business activities. This comprehensive and integrated risk management approach gives a holistic view of all risks.

In addition to acting as a risk 'controller', risk management is expected to contribute to the development of business solutions within the defined risk appetite and hence act as a business enabler.

The risk management function (RMF) provides senior management with relevant, comprehensive and timely information about DKV Belgium's risk exposures and positions. The risk strategy, risk appetite and the risk position as well as the emergence of new risks need to be made transparent within the organisation. The risk management function is largely involved in defining the risk strategy of the company and all decisions which have a significant impact on the risk profile of the company.

The independent Risk Management function can directly or indirectly influence risk taking decisions. Risk management should be fully embedded in the operations and act as a business enabler whilst respecting the responsibilities of the business units (Risk takers). This way the risk awareness among the employees will be enhanced.

All risk types need to be adequately addressed at the appropriate level/part of the organisation. The risk management system itself is monitored and evaluated in terms of its adequacy and effectiveness on a regular basis. Every endeavour should be made to ensure that the risk management system as a whole is adequate and effective and that all types of risks are identified throughout the undertaking, i.e. that there are no gaps in the risk landscape and in the risk management process. All employees need to be aware of the risks they face when performing their functions. This awareness implies an openness to regularly monitor and, if necessary, challenge existing concepts, procedures, and rules. Risk awareness also includes that all employees are required to inform the Independent Control Functions of any material facts which are potentially relevant for the performance of their duties.

Risk management provides a Quarterly Risk Reporting and risk dashboard which describes material risks and provides the recipients with an evaluation of DKV Belgium's risk position. Risks are considered to be material when having potentially significant impact on DKV Belgium or when DKV Belgium's Risk Management rates a risk as noteworthy.

In general, the risk report describes following risks within DKV Belgium:

- Financial risks as:
    - Evolution of the Solvency II ratio;
    - Analysis of investments and asset-liability mismatch;
    - Liquidity Risk
    - Etc.
- Non-Financial risks as:
    - Governance aspects
    - Strategical / political risk
    - Compliance / legal risk
    - Operational risk
    - Cyber risk
    - Reputational risk
    - Etc.

Reporting on the Covid-19 situation was continued to the NBB until Q1 2021 (after which the NBB stated specific reporting was no longer necessary). However, the evolution & impact of the pandemic on DKV Belgium is still followed up within the local Risk Reporting towards local Management & ERGO Group.

B.3.2 ORSA process

The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long-term risks a (re)insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are always met. In other words, the ORSA process covers all pillars of Solvency II by bringing together business strategy, risk strategy and capital management, both as of the reporting date and for future periods in line with the business planning horizon.

The regular ORSA activities are aligned with the yearly financial & strategic planning process. Notwithstanding the quarterly monitoring of the risk and solvency position, the whole process contributing to the regular ORSA has a yearly frequency.

Changes in either internal and/or external factors, which lead to a significant change in the risk profile and/or own funds of DKV Belgium, trigger the need for an ORSA outside the regular timescale.

Events leading to such a non-regular ORSA are described in the ORSA policy installed within DKV Belgium.

Within the ORSA process, following topics are considered and documented:

- Assessment of the appropriateness of the standard formula with respect to DKV Belgium's risk profile;
- Assessment of the risks not covered in the standard formula;
- Assessment of the actual capital adequacy in a one-year horizon and over the business planning time horizon;
- Projections of the business (including business plans for a minimum of two years and projections of the economic balance sheet) are used to feed into the ORSA in order to enable the undertaking to form an opinion on its overall solvency needs and own funds. In order to account for uncertainties in the planning premises the results for the base case scenario are challenged at least with respect to the main assumptions concerning business profitability and the most relevant capital market factors (e.g. by performing a sensitivity analysis). The outcome of this challenge of the main assumptions underlying the business planning is documented in the ORSA report;
- Stress testing: several stress tests (sensitivity analysis, stress test scenario and reverse stress tests) are performed to gain more information on risks and their drivers and to derive potential risk mitigating effects.

The outcome of the ORSA process is reported to the Executive Committee and the Board of Directors on an annual basis. The information on the ORSA is submitted to the supervisor as integral part of the narrative reporting towards the regulator. The information to be reported shall be based on the internal documentation of the ORSA and include relevant information of the findings, conclusions and quantitative outcome of the ORSA process.

B.3.3 Risk Management Function

B.3.3.1 Status of the Risk Management Function

The risk management function needs the technical competence, business experience and authority to fully participate in the business decision-making process. The risk governance model intends to strengthen the risk function by being a key partner of the business to maximise value from the development of DKV Belgium's operations, and not only to be seen as a control function.

The risk management function commits itself to inform the top management on a regular basis about the significant risks, i.e. it will submit a risk report including risk status, recent changes in the risk landscape, measures planned or taken to mitigate risks and unmanaged risks. Risk management provides clarity of concept and definition and support in the implementation of risk culture supported by a suite of risk policies.

The risk management function within DKV Belgium has a direct communication line to the CEO and to the Chairman of the Board of Directors to ensure independence.

Within DKV Belgium, a Chief Risk Officer (CRO) function has been established, which is a member of the executive committee and the Board of Directors of the company, in line with the governance principles defined by the local regulator (NBB_2016_31 and update of 2018 in NBB_2018_23). The CRO is also the head of the Risk Management Function.

Risk Management is systematically informed of all important decisions and points of discussion through:

- The reports of the board of directors and sub-committees, of the executive committee and specialised committees such as the Product Board, and by means of all communication from the external auditor and the supervisor etc.;
- The direct involvement of the CRO in the local Board of Directors and Executive Committee.

In addition, DKV Belgium has installed a framework of regular exchange between the Solvency II control functions and the head of legal department. This is in line with the requirement expressed by the NBB in the circular, indicating that the control functions form a coherent overall framework, which necessitates coordination amongst the different functions. As these control functions are complementary in the total framework, they need to align their activities and install an adequate exchange of information.

Risk Management may, upon his or her own initiative, contact the Chairperson of the Board of Directors, the statutory auditor and the regulatory authorities directly, if for example shortcomings in the functioning of the company prevent the Risk Management Function from properly carrying out its duties.

The local risk management function at DKV Belgium reports to the ERGO Group risk management function. This can be used to mitigate the risk of conflicting interests if a staff member is responsible for risk management amongst other duties. In a conflict situation between the local risk management function and the local CEO, the local risk management function needs to escalate to the ERGP Group risk management function and the Chairman of the Board of Directors.

B.3.3.2 Organisation of the Risk Management Function

The Risk Management Function is led by the Chief Risk Officer (CRO). The CRO directly reports to the CEO and is a member of the Executive Committee and the Board of Directors. The CRO has a functional reporting line to the ERGO Group CRO. Besides the aforementioned, the Risk Management Function has a direct and independent reporting line to the Audit and Risk Committee and the Board of Directors on a quarterly basis.

DKV Belgium has a local, proportional to its size, risk management department. Risk officers, as members of the risk management department are bound to DKV Belgium by an employment contract and fall under the responsibility of the risk management function

In 2020, DKV Belgium decided to internalise the position of the ISO with a combined ISO-role for both DKV Belgium and ERGO Insurance NV to optimize synergies between both companies. The ISO also reports to the CRO.

The actuarial function as separate independent control function is also reporting to the CRO.

Competences, integrity and discretion of all risk management employees are crucial to ensure a good working of the department. The members of the risk management department have access to the necessary IT systems and applications.

DKV Belgium cooperates with the ERGO Group risk management to ensure that:

- All groups standards, limits and processes are followed. Furthermore, the risk management function must safeguard that all local requirements set out by the local supervisor are respected in the setup of the local risk management framework, based on the group risk management framework.
- Risk management in proportion to the size of DKV Belgium is of high quality;

- No adverse management decisions regarding the risk strategy or risk measures are taken, which could lead to financial losses.

These three above mentioned objectives are met by:

- Support by interdisciplinary teams of highly qualified staff;
- Extensive documentation, guidelines and instructions to ensure that risk managers at DKV Belgium's risk management department and the Group as a whole are sufficiently informed about our risk strategy, organisation and processes.

It needs to be remarked that the basic 'comply or explain'-principle applies, i.e. if DKV Belgium should deviate from group standards, then this must be explained by the risk management function (for example in case of other local requirements defined by the local supervisor).

B.3.3.3 Risk Management Policy

DKV Belgium is a risk-bearing entity within the ERGO Group and has established a local Risk Management Function as mirror function of the ERGO Group Risk Management Function. The local Risk Management Policy describes more detailed guidelines to the risk management framework at DKV Belgium, taking in to account specific and additional local regulation expressed by National Bank of Belgium.

The policy is reviewed and (if needed) updated based on regulatory and ERGO Group requirements on an annual basis by local risk management department and must be approved by the executive committee and the Board of Directors. After the formal approval, the policy is shared within the company.

B.4 Operational structure, internal control system, compliance function, integrity and IT-infrastructure

B.4.1 Internal control system

To optimise the effectiveness of operations, the reliability of financial reporting and compliance with laws and regulations, DKV Belgium's Internal Control System (ICS) systematically links effective controls to material operational risks.

The ICS embraces a process that starts from the risk strategy and a risk appetite, followed by identification and assessment of DKV Belgium's key risks. Based on DKV Belgium's control environment, controls are linked to each risk and assessed afterwards. Then, the net risks are compared with DKV Belgium's heat maps and excessive risks are managed through tolerating, treating, transferring, or terminating the risk. This process culminates in annual ICS reporting to the Executive Committee, the Audit and Risk Committee, the Board of Directors and the NBB in compliance to the

- NBB_2015_21 from 13 July 2015;
- Chapter 14 regarding the effectiveness of the System of Governance from 12 July 2016, reviewed in September 2018 (Announcement NBB_2018_23) and in September 2020 (Announcement NBB_2020_017)
- NBB_2017_27 from 12 October 2017 on the expectations of the NBB regarding the quality of the reported prudential and financial data.

The ICS, together with the associated risks and control responsibilities, must be documented and adapted quickly to relevant changes in circumstances.

B.4.1.1 Methodology

DKV Belgium's ICS framework assessments are performed on three levels: process level, entity level and IT level. For each of these levels a different basis is applied concerning categorisation fitting the level on which internal control assessments are required. In the following, general information is provided. To improve the overall ICS awareness company – wide and to steer on those controls that are highly required for managing a sound risk culture through the entire process structure, a “deep – dive approach” was introduced as of 2017 by DKV Belgium’s ICS Team. This approach indirectly facilitates for meeting the corporate’s strategic objectives and ensuring a more audit proof working environment (resulting in less high measures to be implemented). By introducing the new ICS methodology, this “deep – dive approach”, is being replaced by a recurrent and ad – hoc control sample testing by the 2nd line as part of the transition period for implementing the new ICS methodology.

Because of a review performed on the ICS methodology on ERGO Group level, the implementation of a new ICS methodology at DKV Belgium has been started as of end of Q1 2021. The main differences with the current ICS methodologies are:

- Identification and assessment of the risks and controls on ‘activity’ level instead of ‘process’ level;
- IT – related operational risks will follow the same approach as for the other processes (with risk and control mapping on activity level within the corresponding IT processes), however, still making the link to the CobIT objectives;
- Risk assessments are done both for inherent and residual risk impacts;
- Risk assessments are done considering ‘damage to reputation’, ‘errors in financial or regulatory reporting’, ‘breach of standards’ and ‘financial loss’;
- Measures will not only be linked to control failures/gaps but also to risk mitigation gaps (e.g. insufficient/inadequate mitigating controls), lack of process documentation, gaps detected by means of an audit, etc.

The implementation of the full new ICS methodology is still in transition phase since further clarification on some of the aspects are ongoing on Group level. As a precondition, a review on the documentation was needed, which resulted in the launch of a project ‘Process Documentation’. The roll – out of this project to DKV Belgium was launched in August 2020 and was finalized by end of Q1 2021 and some aftercare is still ongoing. The project focussed on a review of the process landscape, as well as the documentation of the key risks and key controls.

B.4.1.2 Structure and responsibilities

- *Structure*

Risk Control is organised along three “lines of defence”, based on the segregation of duties between performance and monitoring of risk control.

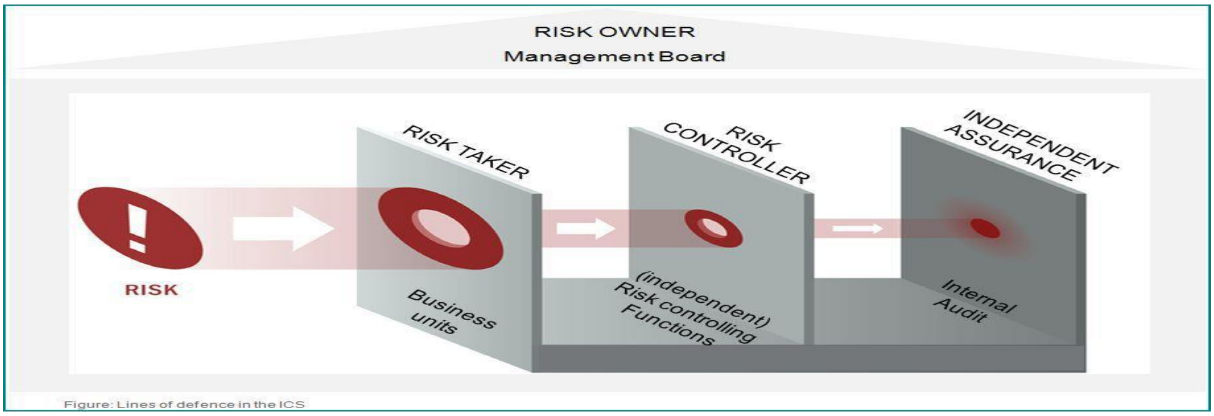


Figure 1: Three lines of defence

- *Responsibilities*

a) Executive Committee

The Executive Committee is responsible for:

- Approving the DKV Belgium ICS Policy
- Self-assessment of the effectiveness of the Internal Control System during the financial year and the summary of the measures to mitigate eventual shortcomings.

b) Board of Directors

The Board of Directors is responsible for Mandating the Audit and Risk Committee to assess the effectiveness of the internal control and risk management systems. The Board of Directors receives the from the executive committee information on the self-assessment of the effectiveness of the Internal Control System during the financial year and the summary of the measures to mitigate eventual shortcomings.

c) Audit and Risk Committee

The Audit and Risk Committee is responsible to assess the effectiveness of the internal control and risk management systems.

d) ICS Officers

The ICS Officers are responsible for:

- Planning (part of the cycle management), the preparation (including possible re – scoping of risks and controls), providing adequate training towards the 1st line involved with the self – assessment, conducting the 2nd line review on the self – assessment, conducting monitoring on the measures and conducting control testing (ad – hoc and during 2nd line review on the results of the self – assessments performed by the 1st line.
- Overseeing the progress of ICS within DKV Belgium so that ICS is performed as determined in the ICS policy and following the ERGO Group methodology;
- Reviewing the ICS policy on an annual basis;
- Preparing the self-assessment of the Internal Control System as part of the self – assessment on effectiveness of the governance system for the NBB and the summary of the measures to mitigate eventual shortcomings;
- Being the local point of contact for the Group ICS central team.

e) 1st line of defence

Process Owners are responsible for performing the annual self – assessments for the processes in scope of the ICS and the Business Risk Officer (BRO) supports the Process Owner and the Business Experts involved with performing the self – assessments. The BRO is also a contact person for sharing information from 1st line to 2nd line and from 2nd line to the 1st line. The Control Owners for performing the self – assessments in the context of the ELCA or on IT level. Further details on the responsibilities of the control owners and the Process Risk Officers are described within the local ICS Policy.

B.4.2 Compliance Function

B.4.2.1 Tasks

- *Description of the tasks and the implementation of the tasks of the compliance function in terms of principal tasks:*

  - Organise the implementation of the Group’s compliance guidelines;

- Define the main goals of the Compliance Management Systems (CMS) which must at least include:
    - the adherence to external and internal requirements;
    - the prevention of liability and criminal liability risks;
    - the prevention of reputational risks;
    - the adequate management of conflicts of interest;

- The adequate protection of customer interests:
  - Organise the implementation and transposition of legislative provisions and regulations related to the compliance topics;
  - Design and implement compliance trainings for employees of the company, follow up of accreditations;
  - Realise compliance assessments of new initiatives/projects impacting relationship/processes with clients and distributors, draft mitigating measures where needed and contribute to their implementation;
  - Detect compliance risks and update compliance heating map to safeguard the company; propose appropriate mitigation measures to first line of defence and contribute to their implementation;
  - Report to Management the holistic vision of compliance (heating map), alert any material issues and follow up effectiveness of mitigating action;
  - Support the first line of defence in its decision making;
  - Organise the “Governance meeting” of the Independent Control Functions as defined by Solvency II and coordinate actions with the other Independent Control Functions;
  - Person of contact with the FSMA;
  - Report to the Board and the Audit and Risk Committee;
- Monitoring of and contributing to the reconciliation of internal procedures with the Belgian legislative and/or regulatory rules regarding ethics and code of conduct and with the rules of conduct that apply within the Munich Re Group;
- Realizing gap analysis of compliance topics, assesses the materiality of the potential compliance risks, proposes mitigation actions where needed and follows up their implementation.

- *In terms of implementation:*

DKV Belgium has a local, proportional to its size, compliance department. Compliance officers, as members of the compliance department are bound to DKV by an employment contract and fall under the responsibility of the compliance function. In addition, since 2019, the DPO-office also falls under the Compliance Function.

The compliance department has:

- The right of initiative in relation to all tasks in the areas set out in the compliance charter;
- The right to define that the senior management and other corporate units must inform the Compliance function actively in a timely manner and, if necessary, on an ad hoc basis on all matters that are required for its duties;
- The right to be informed of all important decisions and points of discussion (via the reports of the Board of Directors and sub-committees, of the Executive Committee and its specialised committees such as the Product Board, and by means of all communication from the external auditor and the supervisor);
- The right to communicate with all staff members without restrictions in order to meet its

compliance tasks;

- The right to intervene and to require detailed information for actions or processes where compliance with legal, regulatory or internal rules appears to be endangered. This includes:
    - The right to initiate a legal examination by the legal function of the entity or external lawyers in case the local Compliance function has reasonable doubts concerning the compatibility of events/operations with legal or regulatory requirements;
    - The right to submit matters to the respective Board member or the respective management for decision taking in cases where other areas or Group companies failed to meet compliance requirements.
- The right to demand written statements or confirmations from all staff members, including board members and executive officers, concerning compliance purposes. This includes:
    - The declaration that received or awarded gifts/benefits were in line with the code of conduct
    - Other acknowledgements that internal and/or external rules were respected;
- The right to define mandatory trainings (e-learning and / or classroom sessions) for all employees including board members; Information on the statute of the compliance function and the organisation

The compliance department may, without prior consent, talk with any employee and inspect any and every document, activity, file or informative detail of the entity concerned, including minutes of recommendation-making and decision-making bodies, to the extent that this is necessary in the performance of the mission. Compliance thus has an unconditional right of information and disclosure with regard to the relevant information for the fulfilment of compliance duties for all areas and departments of the entities in its responsibility.

- *The compliance charter*

The compliance charter is published on the intranet and is subordinate to a yearly check. In case of significant changes, the document is reviewed and the amendment must be approved by the Executive Committee and the Board of Directors.

B.4.2.2 Independence and Objectivity

The independence and objectivity of the compliance function is safeguarded through numerous measures such as adequate positioning in the organisational structure, consistent segregation of duties and sufficient resources.

The compliance function belongs to the second line of defence and is directly subordinated to the CEO. The head of the compliance function has a dotted reporting line to the Regional Compliance Manager of ERGO International.

Within the operational services, there are Business Risk Officers who are the interlocutors for the compliance function.

Regular meetings are held with other key functions to ensure regular communication between the different Independent Control Functions of DKV Belgium. The results of compliance findings are also shared with the Risk Management function, the Actuarial function and the Internal Audit

B.5 Internal audit function

Internal Audit is one of the four Solvency II Independent Control Functions. The Internal Audit Charter states the position of the Internal Audit Function within DKV Belgium and defines its rights, duties and authorities. The internal audit function for DKV Belgium is being executed by an audit HUB (included in

DKV Belgium) and also provides services for ERGO Insurance n.v. and DAS Belgium (outsourcing agreement). The Head of the Audit HUB is the official Internal Audit function of ERGO Insurance n.v. and DKV Belgium.

B.5.1 Mission, Tasks and Methodology

The Internal Audit Function of DKV Belgium supports the Board of Directors in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. This includes the Risk Management System (RMS), the Internal Control System (ICS) and the three Independent Control Functions, the Compliance, Risk Management and Actuarial Function.

The core tasks of Internal Audit include:

Audit Performance: The Internal Audit Function audits the Governance System, consequently the entire business organisation, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of the Internal Audit Function must be carried out objectively, impartially and independently at all times. The audit area of the Internal Audit Function covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls;
- Adherence to external and internal standards, guidelines, rules of procedure and regulations;
- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system;
- Reliability of the IT systems;
- Nature and manner of performance of tasks by the employees.

Reporting tasks: A written report must be submitted promptly following each audit by the Internal Audit Function. At least once per year, the Internal Audit Function shall prepare a report compromising the main audit findings for the past financial year. Within the follow-up process, the Internal Audit Function is also responsible for monitoring the rectification of deficiencies.

Consulting tasks: The Internal Audit Function can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of the Internal Audit Function is ensured.

Internal Audit's work is based on a comprehensive risk-oriented audit plan, updated annually. The audit plan must be developed by applying a uniform risk-based approach used within the group. The planning is then reviewed on an ongoing basis during the year and, if necessary, adapted to the risk. As part of the planning discussions, the audit topics prioritised by Internal Audit are discussed with the responsible members of the Executive Committee and selected executives. The Board of Directors may, at any time, request additional audits within the framework of existing statutory or supervisory regulations.

ERGO Group Audit may request additional audits, in particular topics that are to be audited by all the Group's key companies based on the Group's responsibility of the Management Board of Munich Re AG.

B.5.2 Independence and Objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional standards of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organisational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of the Internal Audit Function is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of DKV Belgium. She has direct and unrestricted access to the Board of Directors of DKV Belgium and all subsidiaries. She is independent from all other functions of the company.

In order to ensure independence, the employees of the Internal Audit department do not assume any non-audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, the performance of audits, the evaluation of the audit results and the reporting of the audit results. The right of the Board of Directors to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal audit, the department has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of the auditing function by her behaviour.

During the reported period the independence and objectivity of the Internal Audit department was not impaired at any time.

B.5.3 Organisation

The Internal Audit department is an independent division. However, it operates within the framework of the standards applicable throughout the Munich Re Group. The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of DKV Belgium. It also has a so-called "dotted reporting line" to the Head of ERGO Group Audit.

The audit mandate of Internal Audit covers all units of DKV Belgium.

The Head of Internal audit fulfils the following fit and proper requirements:

- her professional qualifications, knowledge and experience is adequate to enable sound and prudent management (fit);
- she is of good repute and integrity (proper).

DKV Belgium shall notify the NBB of any changes to the identity of the members of the internal audit, along with all information needed to assess whether any new persons appointed to manage the company are fit and proper.

DKV Belgium shall notify the NBB if any of the persons referred to above have been replaced because they no longer fulfil the fit and proper requirements.

Regular meetings are held with other Independent Control Functions to ensure regular communication between the different Independent Control Functions of DKV Belgium. The results of audits are also shared with the Risk Management Function and the Compliance Function.

As a whole, the staff of Internal Audit must have the requisite skills and knowledge for effective and efficient audit work. In terms of the staffing of the Audit HUB Belgium the diversity of knowledge as well as the professional experience was taken into account. The manager and staff of the Audit HUB have had training in insurance, economy, accounting, law and commercial science. No budget limitations occurred in 2021, the financial resources were sufficient to perform the audit activities.

B.5.4 Internal Audit directive and charter

The principles for the Internal Audit Function are laid down in two documents: the "Group Audit Policy and the "Internal Audit Charter".

a) Group Audit Policy

The Group Audit Policy for Internal Audit was prepared by Munich Re Group Audit and was authorised by the Management Board of Münchener Rückversicherungs-Gesellschaft AG. The minimum requirements for Internal Audit within Munich Re Group as well as the tasks and rights of Munich Re Group Audit towards the audit units of the subsidiaries are set out here.

The Group Audit Policy lays down in detail the following topics:

- Addressees, scope and principles for the Internal Audit Function (all companies of the Munich Re Group);
- Processes and reporting lines;
- Policy updates.

ERGO Group Audit oversees and steers the functioning of the Internal Audit Units in the ERGO international Organisation as well as ensures the appropriate implementation of the Group Audit Policy at subordinated levels.

b) Internal Audit charter

The Internal Audit Charter specifies the general rules of the Group Audit Policy. In addition, with the Internal Audit Charter Solvency II requirements are implemented. It regulates in detail the following topics:

- Addressees and scope;
- Principles;
- Processes and reporting lines;
- Policy update;

c) Terms of Reference

The Terms of Reference define the role of ERGO Group Audit in relation to the Internal Audit functions of ERGO Group AG's affiliated companies.

The Internal Audit Charter of Internal Audit is reviewed annually by Internal Audit and, if necessary, adjusted. Proposed changes are submitted to the Board of Directors for approval. The Audit Charter was updated in 2021 and approved by the Board of Directors.

B.6 Actuarial function

B.6.1 Tasks and methodology

The purpose of the actuarial function - as an independent control function - is to provide the Executive Committee and the Board of Directors with a quality assurance measure of actuarial calculations and underlying methods and assumptions. More specifically, the Actuarial Function:

- Coordinate the calculation of technical provisions, i.e.;
    - Ensure the appropriateness of the methods and underlying models used as well as the assumptions made in the calculation of the technical provisions.
    - Assess the sufficiency and quality of the data and IT applications used for calculating the technical provisions.
    - Compare best estimates against experience.

- Express an opinion on the Solvency II technical provisions and on the BEGAAP Technical Provisions according to the Belgian Royal Decree 17/11/1994 on annual accounts of insurance and reinsurance companies.
- Express an opinion on the Profit Sharing & Rebates Policy according to the Article 59 of Belgian Solvency II Law 13/03/2016 and the Royal Decree 16/09/2016.
- Express an opinion on the general underwriting including the profitability and on the pricing policy.
- Express an opinion on the effectiveness and the appropriateness of reinsurance arrangements.
- Contribute to the effective implementation of the risk management system.
- Provide a written report for the administrative, management, group of supervisory body, at least annually.

As such, the actuarial function participates in the 3-line of defence model, in the second line, alongside the risk management and compliance function, which ensure that risks have been identified and managed by the business units in accordance with the rules and procedures provided for.

- *Principal tasks*

The tasks to be performed by the Actuarial Function are extensively described in the European and Belgian Solvency II regulation, especially in the circular NBB_2016_31. In pursuing its legal objectives, the Actuarial Function concerns itself with the following:

- Coordinating the calculation of the technical provisions (i.e. the sum of the best estimate of liabilities and the risk margin) what includes all of the following tasks:
    - Applying methodologies and procedures to assess the sufficiency of the technical provisions and to ensure that their calculation is consistent with the requirements set out in Articles 75 to 86 of Directive 2009/138/EC and Articles 123 to 139 of the Belgian Solvency II Law.
    - Assessing the uncertainty associated with the estimates made in the calculation of technical provisions.
    - Ensuring that any limitations of data used to calculate technical provisions are properly dealt with.
    - Ensuring, in accordance with Article 272 of the Delegated Regulation (EU) 2015/35, that the most appropriate approximations for the purpose of calculating the best estimate are used. Additionally, for Individual Health insurance, the Actuarial Function must verify that any deviations from the base case do not result in an underestimation of technical provisions as detailed in the Communication NBB_2020_043.
    - Ensuring that homogeneous risk groups of insurance and reinsurance obligations are identified for an appropriate assessment of the underlying risks.
    - Considering the relevant information provided by financial markets and generally available data on underwriting risks and ensuring that it is integrated into the assessment of technical provisions.
    - Comparing in the calculation of technical provisions from year to year and justifying any material differences.
    - Ensuring that an appropriate assessment is provided of options and guarantees included in insurance and reinsurance contracts.
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions and issue an opinion on the sources and the degree of uncertainty of the estimate of the technical provisions.
- Assessing the sufficiency and quality of the data and IT systems used in the calculation of

technical provisions and eventually make recommendations on the processes.

- Making sure that best estimates are compared against experience and that material differences are explained.
- Informing the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions, considering sensitivity results of underlying risks and explaining clearly any eventual concern on the technical provisions adequacy.
- Controlling the adequacy of the technical provisions as defined in the Royal Decree 17.11.1994 on the annual accounts of insurance and reinsurance companies (‘accounting decree’).
- In case of transfer of an insurance or reinsurance portfolio to another party, providing for a report on the Technical Provisions of the transferred portfolio and an assessment on the impact of this transfer on the total Technical Provisions of the undertaking.
- With respect to the underwriting and pricing policy, having regards to the tariff sufficiency to cover the future claims and expenses including the impact of options and guaranties, the effect of the inflation, the legal risk[3], the premium adjustment mechanism and the anti-selection:
    - Expressing an opinion on the pricing, the reserving and the reinsurance of new products or adaptation of products having an impact on the profitability.
    - Analysing annually the profitability of the portfolio based on prospective and retrospective (i.e. annual accounts) base.
    - Analysing the underwriting limits.
    - Making recommendations and providing advice with respect to risk acceptance.

  As part of this task, the Actuarial Function assesses in particular the consistency between the underwriting policy and the risk profile and risk appetite of the company, including with respect to the sustainability risks[4]; the adequacy of product pricing; the assumptions used to calculate the future profitability of the products to which the underwriting policy relates and the main risks determining the profitability of the business.
- Expressing an opinion on the adequacy of reinsurance arrangements considering the company’s risk profile and underwriting policy, the credit rating of the reinsurers, the expected cover under stress scenarios in relation to the underwriting policy and the calculation of the best estimate of the amounts recoverable from reinsurance contracts and special purpose vehicles.
- Contributing to the effective implementation of the risk management system on the ORSA with respect to the modelling of the risks and the assessment of the ORSA by acquiring input on the question of whether the company permanently complies with the requirements for the calculation of the technical provisions and establishing the potential risks arising from uncertainties relating to this calculation.
- According to the article 59 of the Belgian Solvency II Law, providing an opinion on Profit Sharing and Rebate Policy as well as on compliance with the legislation and regulations on the matter which consists in explaining that:
    - the amount of the profit-sharing is in line with the policy drawn up in writing and approved by the statutory governing body.

[3] The analysis of the legal risk occurs in consultation with the Legal and Compliance departments.

[4] Cf. paragraph 24 of the “Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD” published by EIOPA on 30 April 2019, which defines sustainability risks as follows: “sustainability risks should be understood as risks that could affect the insurance and reinsurance undertakings’ risk profile, on the investments and liabilities side, due to ESG factors, i.e. (i) Environmental (E) issues relate to the quality and functioning of the natural environment and natural systems; (ii) Social (S) issues relate to the rights, well-being and interests of people and communities; and (iii) Governance (G) issues relate to the governance of companies and other investee entities”.
The NBB Financial Stability Report 2019 formulates the recommendation to include climate-related risks in risk assessment.

  - correct account was taken of this written policy in the calculation of the best estimate.

- Reporting to the Board of Directors, Executive Committee, the ERGO Group Segment Actuarial Function and Supervisory Authority on the Actuarial Function Activities.

In addition, DKV Belgium Actuarial Function performs independent validations of model and assumption changes used in the Solvency II valuation of the Best Estimate of Liabilities.

Other ad hoc tasks can be assigned to the Actuarial Function by the Supervisor or the administrative bodies of the company provided they generate no conflict of interest and that the Actuarial Function does not have to express an opinion about its own work, work for which it is responsible or work that used to be performed by one of its members of staff.

- *Delegation*

  - From the Board of Directors and the Audit and Risk Committee to assess, monitor and report on technical provisions, underwriting policy and reinsurance policy;
  - From the management effort to fulfil the above-mentioned tasks in the respect of the governance.

- *Reporting lines*

  - Annual Actuarial Function Report: The Actuarial Function provides annually a report that documents all tasks that it performed and their results. This report:

    - Is presented at least once a year directly to the Board of Directors with information to the Executive Committee;
    - Clearly identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied, at least with respect to the technical provisions of the last accounting year, the underwriting policy, the reinsurance policy, the profit sharing and rebates policy and the follow-up of former Actuarial Function's recommendations;
    - Is prepared according to actuarial standards and is based on the structure of the Actuarial Function missions detailed in the circular NBB_2016_31/section 5.3.1;
    - Contains in the appendices of the version presented to the Board of Directors all relevant technical documents that includes the detailed analyses and tests that have been performed and on which the Actuarial Function assessment and tasks are based on;
    - Constitutes an annex to the RSR.

  - Other Actuarial Function Reports: The Actuarial Function provides regular reports, for instance:

    - On the reliability and adequacy of the calculation of the technical provisions under the Solvency II framework during the year.
    - On the tariffs, the reserving and the reinsurance of new products or adaptation of products having a material impact on the profitability.
    - On new reinsurance agreements.
    - When a formal opinion is given on the underwriting and the Profit Sharing & Rebate Policies.
    - On insurance or reinsurance portfolio transfers.
    - On the follow-up of Actuarial Functions' Recommendations.
    - When an event with a material effect occurs and requires the intervention of the validation of the Actuarial Function.

The Actuarial Function must, in all cases, inform the Executive Committee and the Board of Directors in the event of changes in the risks affecting or likely to affect the company, in particular to damage its reputation.

B.6.2 Organisation

DKV Belgium has an insourced Actuarial Function that is established in a fully separate organisational unit, ensuring its independence.

The head of the Actuarial Function reports hierarchically directly to the DKV Belgium's CRO who is member of the Board of Directors and the Executive Committee and responsible for the Risk Management Function. Operational business functions and independent control functions are clearly segregated at the level of the board of management. In addition, the Actuarial Function has a direct reporting line to the Board of Directors, eventually via the Audit & Risk Committee, with information to the Executive Committee. It reports at least once a year directly to the Board of Directors on the execution of its missions.

A 3 line of defence model is established in the company ensuring that there is no undue influence, control or constraint exercised on the control functions with respect to the performance of their duties by other operational functions. As such, the independent control functions are the Risk Management Function, the Compliance Function, the Internal Audit and the Actuarial Function. Independently of the organisational structure, the independent control functions are equally ranked side by side without being authorised to give instructions amongst themselves and therefore acting independently. The four independent control functions form a coherent whole of transversal independent control functions between which coordination is required. Given the fact that these independent control functions are connected, they harmonise their activity and ensure sufficient sharing of relevant information via quarterly Legal and Independent Control Functions meetings.

Additionally, the Actuarial Function interacts regularly with the 1st line, the Ergo Group persons of contact, the external auditors, and the Supervisor.

With respect to the resources dedicated to the Actuarial Function to enable it to perform its tasks:

- The Actuarial Function staff is composed of the head of the Actuarial Function, an Actuarial Function Officer, and Actuarial Function Validation Officer.
- The Actuarial Function has an unrestricted right to receive relevant information upon request according to DKV Belgium's Information and Communication Principle.
- The Actuarial Function has access to needed trainings to enhance and develop its actuarial knowledge.

The effectiveness of the Actuarial Function system is supported by:

- An adequate written charter, e.g. that include at least a definition and categorisation of the main objectives and responsibilities.
- Appropriate documented processes and procedures which enable the company to identify, assess, manage, monitor and report the planned and possible outcome.
- Appropriate reporting procedures and feedback loops that ensure that the information is actively monitored and managed by all relevant staff, management or supervisory body e.g. Actuarial Function Recommendations status report.
- Reports that are submitted to the administrative, management or supervisory.

It is annually assessed with the self-assessment exercise prepared for the Report on the Efficiency of the System of Governance (RESOG).

Practical details on the Actuarial Function are given and regularly updated in the Annual Actuarial Function Report.

B.6.3 Charter

The Actuarial Function Charter sets out how the Actuarial Function is implemented within DKV Belgium and specifies the Actuarial Function's structure and setup (positioning within the organisational chart, independence, resources, rights and prerogatives, etc.) and defines its main tasks, roles and responsibilities.

It is defined in accordance with the Ergo Actuarial Function Policy, internal and regulatory standards and based on the Belgian and European Solvency II regulations. In the event that the charter is in conflict with a Group rule or requirement, the former will prevail, and such conflict is reported to the Ergo Group Actuarial Function as soon as it arises.

The charter is to be reviewed annually by the local Actuarial Function in agreement with the local Chief Risk Officer and approved by the DKV Belgium's Board of Directors and Executive Committee. Simple editorial or minor changes to this charter are within the sole responsibility of the local Chief Risk Officer. Material changes to this charter such as changes or extensions in relation to responsibilities, significant procedural changes or changes of the scope of application of the Actuarial Function Charter are to be submitted to the Ergo Group for consultation and the DKV Belgium's Board of Directors and Executive Committee for approval.

B.7 Outsourcing

The outsourcing risk arises from activities, processes, process developments, or functions which are, for economy of scale, strategic or technical reasons, provided by a third party.

The following critical tasks are outsourced by DKV Belgium:

- Cloud solution for calculation in context of Solvency II, IFRS closing procedures
- Asset management;
- IT
    - system of data exchange regarding e-billing (with data storage)
    - Data Centre

The Outsourcing Risk Policy defines principles in order to maintain service providers and outsourced tasks under DKV Belgium's control. As from the launch of an outsourcing project, a plan must be elaborated, answering key questions like reason for outsourcing, costs, risks, criteria for the choice of the provider, performance objectives and measures to be applied in case the provider does not reach them, retrieval... The choice of the provider must follow a precise procedure. A written convention must be signed, defining rights and duties of both parties, amongst others regarding confidentiality, IT Security, audit and compliance, sub- outsourcing, local legal and regulatory framework, etc. For critical tasks, a risk assessment report must be elaborated.

B.8 Assessment on the adequacy of the System of Governance

The assessment of the Executive Committee on the corporate governance structure of DKV Belgium revealed a general result classified as good, both for design and performance. This indicates that management feels overall comfortable on the way the corporate governance structure is set up (design) and is functioning (performance). Improvements compared to previous assessment are seen, however, some further points of attention and further embedding of these points in the processes are indicated.

B.9 Other information

None

C. Risk profile

The exposure to risk and the willingness to accept some degrees of risks are translated in the risk strategy and risk appetite of the company.

The risk strategy helps the management to find an optimal balance between risk and return and promote a healthy risk environment in the organisation. The risk appetite is a high-level and overarching statement on the willingness of the Board of Directors to take risks in the pursuit of strategic objectives.

As DKV Belgium is a part of the ERGO Group, an overall risk strategy on group level has been defined. The following common objectives are set:

- Maintain the financial strength, thereby ensuring that the liabilities to the clients can be met;
- Protect and increase the value of the shareholders' investment;
- Safeguard the reputation of Munich Re, its sub-groups and each legal entity.

DKV Belgium is continuing with its de-risking strategy, as reflected in the Product Strategy. Implementation & monitoring of management actions result in positive effects on the company's profitability and Solvency II position, further strengthening the intention to continue applying the different de-risking measures.

The risk strategy is determined by defining the risk tolerances through a series of suitable risk criteria. The risk criteria can be classified into limits which have the character of a budget and trigger which act as early warning indicators in form of a traffic light system. Risk management processes can be differentiated into:

- Limit breach;
- Trigger in the red zone ("red trigger");
- Trigger in the yellow zone ("yellow trigger").

These risk tolerances are a binding specification for the planning process. The business plans will only be accepted if these requirements are met or if measures have been initiated to comply with these requirements. The objective is to ensure that the risks assumed are in-line with profit expectations.

Additional to the above-mentioned risk tolerances, risks are also steered in a qualitative form. This is particularly valid with regard to risks which are not explicitly modelled in the risk models. Due to the diversity and complexity of the business model of DKV Belgium, an appropriate risk culture plays a fundamental role in addition to qualitative risk management.

DKV Belgium has developed a Risk Management Policy which provides internal and external stakeholders with a classification and a comprehensive description of the risks considered material for DKV Belgium. A brief outline of the processes used to monitor and mitigate those risks is provided.

C.1 DKV Belgium's Risk Profile according to Standard Formula

DKV Belgium applies the Standard Formula to calculate the Solvency Capital Requirement, whereby those risk categories are taken up which can be quantified. The risk capital is calculated as the delta liability position before and after shock, where the level of the shock is defined by EIOPA in the application of the standard formula.

The table below is provided to show the repartition of DKV Belgium's SCR at year-end 2021.

S.25.01.01.01

Basic Solvency Capital Requirement

		Net solvency capital requirement
		C0030
Market risk	R0010	259.737.147,93
Counterparty default risk	R0020	6.397.410,91
Life underwriting risk	R0030	0,00
Health underwriting risk	R0040	318.804.619,75
Non-life underwriting risk	R0050	0,00
Diversification	R0060	-124.076.960,02
Intangible asset risk	R0070	0,00
Basic Solvency Capital Requirement	R0100	460.862.218,57

S.25.01.01.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0,00
Operational risk	R0130	24.093.300,87
Loss-absorbing capacity of technical provisions	R0140	0,00
Loss-absorbing capacity of deferred taxes	R0150	-121.238.879,86
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0,00
Solvency Capital Requirement excluding capital add-on	R0200	363.716.639,58
Capital add-on already set	R0210	0,00
Solvency capital requirement	R0220	363.716.639,58
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 Requirement for matching adjustment portfolios	R0430	0,00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0,00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	0,00

It can be noticed that Health Underwriting risk and Market risk are the main risk drivers behind DKV Belgium's SCR. More information about the risk drivers is provided within the following sub chapters.

C.2 Health Underwriting risk

Underwriting risk is defined as the risk of change in the value of insurance liabilities due to a deviation of the actual claims payments from the expected amount of claims payments. Of particular relevance are the lapse and biometric risks (i.e. risks related to human life conditions).

Health insurance business at DKV Belgium can be categorised into two major types of business. There is the **Similar to Life Techniques** business line on one hand and the **Non-Similar to Life Techniques** business line on the other hand.

The SLT business is driven by the individual contracts, which are underwritten by natural persons and which are lifelong contracts. The NSLT business consists of the premium provision for the corporate contracts and the claims provisions defined by the Chain Ladder method, applied to both individual and corporate business. These group contracts are yearly renewable and therefore have much shorter contract boundaries (in comparison to the SLT contracts)

A third risk category within DKV Belgium's Health Underwriting risk is catastrophe risk.

. In the following sections, the risk exposures for each component are described more in detail.

C.2.1 Underwriting risk – Similar to Life Techniques (SLT business)

C.2.1.1 Lapse risk

Lapse risk is defined as the risk of change in the value of insurance liabilities due to a deviation of the actual lapse rate from the expected lapse rate.

The overall impact of higher lapses than expected on DKV Belgium's profit will depend on the characteristics of the policyholder. The most important parameters are age attained, number of years since the underwriting of the contract and the sex.

The calculation of the lapse risk according to standard formula approach implies that no compensating effects are to be considered and so it is assumed that the non-profitable contracts stay longer or the profitable ones lapse more. This has a significant impact on DKV Belgium risk capital calculation. Therefore, the lapses are closely monitored by the management (in, among others, the Quarterly Risk Dashboard & Monthly Sales reporting). Also, a number of new projects have been launched to keep and to attract young persons (e.g. focus on digitalisation, the launch of life-cycle-products, etc.).

C.2.1.2 Expense risk

Expense risk is defined as the risk of change in value of the insurance liabilities due to a deviation of the administration expenses from the amount expected.

Clearly, this risk could lower DKV Belgium's profits. To mitigate this risk, DKV is actively monitoring the evolution of its costs.

C.2.1.3 Morbidity risk

Morbidity risk is defined as the risk of change in the value of insurance liabilities, due to a higher claims profile, burning cost and medical inflation than expected.

Hospitalisation insurance is the core business of DKV Belgium and paying back health-related claims is part of its business model. Hence, morbidity risk is very important for DKV Belgium.

As the hospitalisation contracts are supplementary to the Belgian social security, DKV Belgium's claims payments depend directly on the amount covered by the Belgian social security. If the Belgium social security pays less (e.g. due to budgetary reasons), DKV Belgium must pay more. This increases the uncertainty and therefore the morbidity risk.

As morbidity risk is one of the major risks for DKV Belgium, risk mitigation measures are taken from the start, namely at the underwriting of the contract. There are clear underwriting guidelines that specify how existing diseases should be dealt with (i.e. exclusion or extra premium).

C.2.1.4 Disability risk

Disability risk is defined as the risk of change in the value of insurance liabilities, due to a higher probability of becoming partially or totally disabled, or a lower probability of recovery than expected in the insured population.

As for the individual medical expense insurance contracts, disability risk is already mitigated from the start, at the underwriting of the contract using strict underwriting guidelines. Then, the claims department mitigates this risk further. Whenever an insured person gets disabled (and asks indemnification from DKV Belgium), then a doctor appointed by DKV Belgium will check the case.

C.2.1.5 Revision risk

Revision risk is defined as the risk of change in the value of insurance liabilities, resulting from variation of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

This risk is only relevant for the disability line of business. However, the disability portfolio is smaller in terms of number of contracts and premium volume, which reduces the importance of this revision risk.

Possible changes in the legal environment or litigations concerning the degree of disability are dealt with by the legal department. Reserves are constituted for cases in which DKV Belgium could be sentenced by the court. Possible changes in the state of health of the insured will also be checked by the appointed doctor of DKV Belgium.

C.2.1.6 Longevity risk

Longevity risk is defined as the risk of change in the value of insurance liabilities, due to a lower mortality rate in the insured population than expected.

This risk is material for DKV Belgium, because on average, the levelled premium charged for elderly persons is lower than the corresponding theoretical risk premium. Hence, if elderly persons live longer than expected, DKV Belgium’s profit will be lower.

C.2.1.7 Mortality risk

Mortality risk is defined as the risk of change in the value of insurance liabilities, due to a higher mortality rate in the insured population than expected.

Although DKV Belgium does not foresee any lump sum payment in case of death of an insured person, mortality risk could become material. Indeed, if an insured person dies, he will not pay any future premiums and therefore the profit of DKV Belgium could be lower than expected. This risk is most prevalent in case of unexpected death of insured persons benefitting from a recently underwritten insurance contract. For those persons, one expects the present value of future premiums to be higher than the present value of future cash outflows. Hence, if those persons die earlier than expected DKV Belgium’s profit will be lower.

On the other hand, a higher rate of mortality among the insured population leads to fewer future claims and larger-than-expected releases of ageing reserves. This would generate a larger profit for DKV Belgium. Obviously, this would also lead to fewer future profits due to the expiration (caused by the deceases) of the recently underwritten contracts but for the largest part of the portfolio, the releases of the ageing reserves combined with fewer future claims would overcompensate the loss in future profits.

C.2.2 Underwriting risk – Non-Similar to Life Techniques (NSLT business)

In contrast to individual contracts, the group contracts are annually renewable and premiums can be revised yearly based on loss ratio experiences. Consequently, the time horizon considered for measuring the risks for group business is only one year. As shown in QRT 26.04.01.03 in Annex, premium and reserve risk are solely driven by medical expenses insurance and proportional reinsurance.

C.2.2.1 Premium risk

Premium risk is defined as the risk that the premiums charged for a specific insurance year are not sufficient to cover expenses and future claims originated in that year.

As the premiums can only be adjusted at the anniversary date of the contract, there is a risk that claims and expenses change before premium adjustment can be incorporated. Premium risk also includes the risk resulting from the volatility of expense payments. To mitigate this risk, DKV Belgium strives for adequate pricing and/or adjustments in the coverage of the Group contracts.

C.2.2.2 Reserve risk

Reserve risk is defined as the risk that the claims reserves constituted at the end of a specific insurance year are not sufficient to cover the claims occurred during that particular year, but which are not fully paid yet.

The reserve risk also takes into account fluctuations in the timing and amount of claim settlements. The run-off pattern of the claims triangle is relatively short and stable for health insurance (more than 99,5% of all claims are paid within two years). This makes it relatively easy to determine the claims reserve with a high level of confidence, and therefore reduces reserve risk.

C.2.3 Catastrophe risk

The catastrophe risk is defined as the risk that an exceptional or extreme event of major magnitude leads to a deviation in actual claims payments from the expected claims amount.

The most important catastrophe risk for DKV Belgium is the outbreak of a pandemic. The importance of this type of risk is clearly visible within QRT s.26.04.01.07 in Annex, which provides more insights on the SCR catastrophic risk.

The Munich Re Group has installed an underwriting limit concerning pandemics. This limit is expressed as a percentage of the Group's risk-bearing capacity.

Catastrophe risks could also be the consequence of acts of terror or a disaster in a densely populated place (e.g. a disaster in an office from an insured group, a disaster in an arena with persons from individual and group contracts, etc.). Although the consequences of such a disaster would also be very negative, the impact would be (much) lower than a (widespread) pandemic.

C.3 Market & credit risk

Market risk is defined as the risk of change in value of the assets and liabilities due to a deviation of the level or volatility of market prices of financial instruments from their expected values.

It reflects the possibility of a fall in market values. Fixed-income securities account for the greater part of our investments. Therefore, movements of the interest rate term structure can have a considerable effect on the value of our investments. The investments constitute a very large part of our total assets.

DKV Belgium pursues a conservative investment strategy that is substantially based on the structure of our liabilities, though full congruence cannot always be achieved due to the lifelong liabilities. The aim is to extend the investment horizon according to the possibilities on the market.

The responsibility of investments of DKV Belgium is delegated to GIM (Group Investment Management of ERGO Group) in the management view. In the legal view however, the responsibility remains within DKV Belgium.

Credit risk is defined as the risk of financial loss due to changes in the financial position of a counterparty (such as an issuer of securities or other debtor) or its failure to meet contractual debt obligations.

C.3.1 Interest rate risk

Interest rate risk is defined as the risk of change in the value of the assets and liabilities due to a deviation of the level or volatility of the interest rate term structure from the expected values.

Over the last years, interest rates have decreased significantly and hence, the yield earned on the assets has also decreased. In the past, this situation has led to a decrease of technical interest rates and consequently to increases in the premiums. Currently, the flexibility to react on interest rate changes has been limited by law Verwilghen II, which clearly defines the rules for possible premium adjustments.

Changes in interest rates have an impact on both the assets (in fact the bonds) and the liabilities. The risk criterion that is traditionally used to measure interest rate risk, is duration. Duration is a measure of the sensitivity of the value of a portfolio of assets or liabilities to parallel movements of the interest rate curve. It also corresponds to the weighted average of time until cash flow payments.

DKV Belgium insures persons lifelong. As a consequence, the liabilities are also long term. Therefore, the relevant risk for DKV Belgium is the risk that the yield curve would go down. This would result in reinvestment risk for our bonds (i.e. we would have to invest in bonds with a lower yield to maturity).

C.3.2 Spread risk

Spread risk is defined as the risk of change in the value of assets and liabilities due to a deviation of the level or volatility of credit spreads over the risk-free interest rate term structure from their expected values.

DKV Belgium invests mainly in government bonds. The remaining bonds are covered bonds and corporate bonds and are well diversified. Overall, there is limited risk due to tightened spreads of the corporate bonds in the active portfolio and assets are mostly spread over the safer government bonds.

C.3.3 Other market risks

Other market risks could be for DKV Belgium are:

- Equity risk: defined as the risk of change in the value of assets and liabilities due to a deviation of the level or the volatility of market prices of equities from their expected values. This risk is not relevant for DKV Belgium as there are no equities in the asset portfolio;
- Property risk: defined as the risk of change in the value of assets and liabilities due to a deviation of the level or the volatility of market prices of real estate from their expected values. This risk is of low importance for DKV Belgium as real estate property is a minor part (2,0%) of the asset portfolio;
- Currency risk: defined as the risk of change in the value of assets and liabilities due to a deviation of the level or the volatility of market prices of exchange rates from their expected values. This risk is not relevant for DKV Belgium as the operating currency is euro and only very limited business is performed outside the Euro-zone (claims from expat business could be worldwide);
- Market concentration risk: defined as the risk of financial or economic loss due to an inadequately diversified asset portfolio. The bonds are by far the most important investments. DKV Belgium invests mainly in government bonds. These are diversified over the different European countries, with the biggest exposures in the less risky countries such as Germany. The remaining covered bonds and corporate bonds are well diversified. GIM & MEAG monitors the concentration risk for DKV Belgium.

C.4 Counterparty default risk

The counterparty default risk reflects possible financial or economic losses due to unexpected default, or deterioration in the credit standing of the counterparties and debtors of DKV Belgium. The counterparty default risk is split into two types, namely type 1 and type 2.

Type 1 relates to reinsurance and cash at banks. Munich Re is the preferred reinsurance partner and has an excellent credit rating. The default risk on reinsurance receivables is therefore relatively small.

The counterparty default risk concerning cash at banks is also mitigated by using different banks.

Type 2 counterparty default risks contain receivables from intermediaries and policyholder debtors. The receivables from intermediaries could again be split in receivables which are due for less than 3 months and receivables which are due for more than 3 months. These receivables due for more than 3 months have of course a larger capital charge than the others.

The SF results for DKV Belgium year – end 2021 are provided within s.26.02.01.01 in Annex, indicating that the Type 2 exposures is the main driver for Counterparty default risk.

Most people pay their premiums directly to DKV Belgium. Only a very small percentage of the insured persons pay their premium via a broker. Therefore, the counterparty default risk related to intermediaries is very small. The counterparty default risk related to policyholders is more important (e.g. the recoverables due to DKV Belgium paying in advance for non-covered treatments, materials, etc.). But these policyholders are well diversified, and therefore, the risk of losing a large amount due to policyholders not paying back, is relatively small. Of course, these recoverables (from policyholders and intermediaries) are monitored closely by the accounting department.

C.5 Liquidity risk

Liquidity risk is defined as the risk of being unable to meet its financial obligations as they fall as a result of insufficient access to liquid funds. DKV Belgium’s Liquidity Risk Policy is defining a clear framework for liquidity risk management. The main risk identified is a short time liquidity risk for ongoing claims payments.

To be able to fulfil its short-term needs, DKV Belgium holds a liquidity buffer in cash. A close monitoring of this buffer is done by the Finance department. In 2020 and 2021, particular attention was given to a possible impact of the Covid-19 pandemic.

Liquidity risk could also arise when a given asset cannot be traded quickly enough to serve operational expenses or claims above the liquidity buffer. However, DKV Belgium cash-flows are positive, and the company invests mainly in government bonds with a good rating.

Therefore, fluctuations in claims/expenses can be absorbed and if really necessary, assets could be sold quickly with minimum market impact.

C.6 Operational risk

Operational risk arises from the execution of a company's business functions and can be defined as potential losses resulting from inadequate internal processes, technical failure, human error or external events. These include fraud committed by employees or third parties, infringements of regulations, business interruptions, inaccurate processing of transactions, IT downtimes and cyber risks, non-compliance with reporting obligations and disagreements with business partners.

C.6.1 Internal Control System

DKV Belgium’s ICS methodology is set up so that the risks and related controls are identified, analysed, assessed and managed on different levels companywide: process level, IT level and entity level. On process level, a risk mapping on process activity highlights all relevant risk control points. This enables to clearly identify risks and define controls of the processes. On IT level, the IT processes have been put in scope of the risk and control identification and assessment on process activity level (process level). A mapping with the COBIT requirements is ongoing as part of the transition phase for the implementation of the new ICS methodology, while on entity level the methodology incurs a self – assessment considering the general requirements linked to System of Governance..

The self – assessments on all levels are done by the Process Owner (including the Business Risk Officer and/or Business Expert) for process level and by Control Owners for entity level and IT level. Their expert knowledge is utilised, leading to a high level of acceptance among staff for risk controls and risk management. DKV Belgium has a foundation for a uniform understanding of risk and is able to substantially improve its risk awareness as well as strengthen the risk culture. This includes willingness to learn from mistakes and to recognise them as opportunities for improvement in the future. The main results of the ICS exercise of 2020

- *RCA Results:*

Due to the implementation of the new ICS methodology during 2021 (whereby for 261 processes ICS self – assessments have been performed on the underlying risks and controls documented in Adonis on activity level in a process), the number of unique risks identified is 3 times higher compared to 2020. However, the percentage of those risks exceeding the net risk threshold is a bit lower (26% compared to 30%). This incurs that the operational risk profile of DKV Belgium within the ICS context remained overall unchanged in comparison with 2020.

The number of unique controls increased with less proportion than the increase in identified risks, which can be explained by the fact that majority of the controls documented in the ICS Framework before could be taken over. Control assessments showing weaknesses in design and/or performance remained rather stable compared with 2020. It can be noticed that the design in general is assessed better than the performance, but for both parts, there is a decrease in controls assessed with weakness, except for those assessed as 'very poor' for which the number increased.

An increase on defined open measures can be noticed. Although some measures have indeed been closed, further monitoring on implementation of the remaining ones is crucial. The reason explaining the increase of measures while there are less controls assessed with a weakness is that a significant number of controls imply an additional improvement, review or change in the Adonis documentation. This awareness of the PO's, BRO's and experts related to Adonis documentation is also a result from the TopICS Project.

- *ITCA Results:*

As part of the preparation for performing a potential linking with the COBIT 5 Objectives for the documented IT processes, a light self – assessment was performed considering the current situation. The COBIT 5 Objectives are divided into 3 Levels and together with IRM ERGO Group and Risk Management ERGO Insurance it was agreed to perform Level 2 as basis for performing the assessment, whereby 40 Level 2 Objectives have been assessed. The goal of the assessment was to whether for each Level 2 COBIT Objective the following information in the existing IT Framework could be mapped:

- Owner
- Business Process, Policy, Guideline, Manual
- Linking to a control documented in Adonis (if applicable).

For each Level 2 COBIT Objective it is assessed by different stakeholders from the 1st line whether the current design and performance of what is in place (processes, controls, etc.) are 'good, satisfactory, poor or very poor. In case a mapping to existing processes, controls could be done it is assessed that there is 'no gap' with the COBIT 5 Objectives.

This self – assessments result in the conclusion that no gaps have been detected when evaluating the mapping between current IT Framework and COBIT 5.

- *ELCA Results:*

With regards to the governance principles, tested by means of Entity Level Control Assessment, improvement is made between 2020 and 2021(applying the same approach and standardized template is used during former ICS cycles). Open measures are linked to controls assessed as "poor" or "satisfactory" for which further projects are ongoing to ensure complete and adequate implementation (e.g. data quality and further implementation of the GDPR requirements) but also to further improvements ongoing regarding the implementation of the ICS Framework linked to the new ICS methodology, improvements in the Outsourcing Policy and the Fit and Proper Policy. Discussions regarding the requirement to perform a yearly assessment for the Entity Level Controls are ongoing and being checked how they might fit within the new ICS methodology.

C.6.2 Other operational risks

On a quarterly basis operational risks are identified, analysed, monitored and reported within the DKV

Belgium's risk reporting. The following main operational risks were followed up in Q4 2021:

- Increasing workload in IT & operational projects, with high attention in 2021 being given to the quality of the DKV IT infrastructure.
- DKV Belgium is working on several projects to meet increasing cyber risk threats;
- In close collaboration with DPO, several GDPR processes have been redefined;
- The developments in the operational Service Level agreements and countering any emerging issues, independent of source, to maintain the level of service.
- As there is a trend in the Belgian market of growing absenteeism following Covid-19, DKV is monitoring the situation for its employees. No alarming issues were seen for 2021

C.6.3 Results of Standard Formula

The risk capital for operational risk is calculated according to the standard formula approach: based on a factor approach driven by premium volume of the company.

The result of operational risk capital based on Standard Formula can be benchmarked with the results of the ICS and other operational risk analyses (operational risk scenario assessments). After comparing these results, it can be stated that the corresponding amounts are all around the same large order, indicating that OpRisk SCR provides a good estimation for the operational risk within DKV Belgium.

C.7 Other material risk

C.7.1 Strategic risk

The main strategic risks currently identified are:

- the sustainability of the current cashflow model given the low interest rate environment and restrictions on premium adjustments and the high inflation sensitivity of the DKV model.
- The implementation of digitalisation (i.e. online platforms) and quick response time to react to changed market environment and customer expectations to foster the DKV growth ambition.
- Monitoring of changes within the evolving regulatory framework to ensure compliance with all applicable legislation.
- The ongoing discussions within the Belgian Government on the reform of the hospital financing, possibly changing the supplementary fees system.

In general, strategic risks are addressed in DKV Belgium's planning and decisions processes, especially during the financial planning process, the internal decision process and the business strategy development. Significant risks are identified, assessed and discussed by the Board of Directors (and Audit & Risk Committee) and if needed, appropriate measures are initiated on board level.

C.7.2 Reputational risk

DKV Belgium is vulnerable for reputational risk, being the market leader for private health insurance. Any negative publication, especially through sharing and reactions on social media, could entail a loss of customers and endanger profitability in the worst cases.

The main reputational risks for DKV Belgium are linked to inadequate customer service, possible IT security issues, data privacy topics and negative media attention. Mitigating measures are being taken to reduce potential reputational risk (e.g. Backlog reduction project, implementation of the necessary GDPR/CSMR processes, coherent business continuity strategies etc.). Additionally, monitoring is required on the perception of the company's external environment on the implementation of new de – risking strategy.

We consider the reputational risk sufficiently covered in the standard formula, which includes an important risk capital for mass lapse, calculated as the immediate lapse of 40% of the people insured for which discontinuance would result in an increase of technical provisions. Therefore, we are of the opinion that an additional capital is not needed.

C.7.3 Compliance/Legal risk

Legal or political risks are defined as the potential loss or gain resulting from lawsuits or changes in laws and regulations. The result may lead to unplanned additional payments to policyholders or to the fact that contracts would be settled on an unfavourable basis.

The biggest compliance related challenge comes from the necessary changes and additional requirements to be made for the implementation of the GDPR legislation.

C.7.4 Emerging risk

Emerging risks are either new or developing or changing risks. They include trends as well as potential shock events and are characterised by a high degree of uncertainty in terms of occurrence probability and loss amounts. Examples of such risks that could have impact on DKV Belgium's balance sheet include namely antibiotics overuse, nanotechnology, global warming, endocrine disrupting, compounds and chemicals, obesity, electromagnetic fields.

The Emerging risk framework aims at detecting at an early stage new trends and evolutions in healthcare and understanding the impact this might have on underwriting. Initiatives to have Group-wide Emerging risk are launched.

This risk is considered sufficiently monitored, as a consequence we do not allocate additional capital at this stage.

C.7.5 Sustainability Risk

Sustainability risks are defined as all events or conditions in the environmental, social or corporate governance areas (ESG) whose occurrence could have an actual or potential significant negative impact on the net assets, financial position, results of operations or reputation of a company. This definition includes climate-related risks in the form of physical risks and transition risks as well as the interdependencies between the two risks.

Sustainability risks are seen as a partial aspect of the known types of risk. They are hence not considered as separate risk type for sustainability risks, since sustainability risks affect all known risk types and it would be virtually impossible to distinguish between them.

From a risk perspective, sustainability aspects have already been anchored for the investment side. For example, the Responsible Investment Guideline (RIG) has now been adopted, which implements sustainability criteria for certain individual investments.

As part of our investment activities, ERGO Group committed to making the investment portfolio carbon neutral by 2050 by joining the Net-Zero Asset Owner Alliance. There are also exclusion criteria regarding sustainability in ERGO Group investments in shares and corporate bonds. Companies that generate 30% of their income from coal mining and coal-based power generation and companies that generate more than 10% of their income from oil sands mining are excluded from the investment portfolio.

Munich Re Group deals intensively with the increasingly important sustainability risks and their effects. The focus is currently on risks arising from the environment, especially climate change.

C.8 Stress tests and Scenario analysis

In line with article 45 of Directive 2009/138/EC and the NBB circular on ORSA (NBB_2019_30), the ORSA report of DKV Belgium includes a sensitivity analysis. The importance of these stress tests is to understand and manage risks which could unfavourably affect the overall financial situation of the company. For these stress tests, DKV Belgium uses the following general approach based on group directives:

Dimension	Options	ERGO's choice
Methodology of analysis	• Standard approach: setting parameters to be changed o Historical scenarios o Calibration for certain percentiles o Hypothetical scenarios (e.g. provided by risk assessment of top management) • Reverse Stress Testing o Analysis of scenarios that could lead to a critical solvency situation o Thereby, different limits could be considered: internal limits, SCR solvency ratio: 100%, MCR solvency ratio: 100%, OF=0.	Standard approach and reverse stress testing
Term of analysis	• Instantaneous (or step-wise) change of the situation at valuation date • Forward looking/multi-year: medium to long-term change	Instantaneous change and forward-looking if required, e.g. by local supervisor
Severity	• Regular, stress, worst case	ALL
Metrics to be considered in ST&SA	• SCR, MCR, OF, overall solvency needs • Economic measures like Embedded Value, VNB or economic combined ratio • Key figures under IFRS or local GAAP • Liquidity measures	SCR, MCR, and OF
Level of consolidation	• Group view • Solo legal entity view • Business segments	Solo legal entity view

The materiality thresholds are decided as followed:

- **Qualitative criterion**: The local entity expects that the risk driver will become increasingly important due to business policy and strategic decisions.
- **Quantitative criterion**: The risk driver contributes significantly to the SCR.
  This is the case, if the respective risk driver is needed[1] to fill the quota Q, which, depending on the coverage ratio cr (with transitionals, if applied for reporting), is defined as:

$$Q = \begin{cases} 75\% & \text{if cr} < 125\% \\ 50\% & \text{if } 125\% \leq \text{cr} \leq 300\% \\ 30\% & \text{if cr} > 300\% \end{cases}$$

For DKV Belgium with coverage ratio >300%: added risk to 30% of total sum of all risks based on YE 2021 results:

Risk	SCR	% in total SCR
Interest Rate Risk	241.831.466	27.1%
Lapse Risk	211.010.846	50.8%

The following table presents an overview of the stress testing program of the ORSA performed in 2021 (for more details: see the ORSA Report)

Stress testing program	Event
Sensitivities	No new business risk premium products
	Restatement lapse assumptions (*)
	Sensitivity on Horizon covers (transfers/lapses & profitability)
	Impact recalibrated clause (products in scope) on BEL Q4 2021
	Dividend payments
	No VA application
	Set of sensitivities performed on Q4 2021 model
Stress tests	Update SF approach: - change in calculation of the interest rate shock; - risk margin calculated with lambda factor and CoC of 5%; - alternative extrapolation method
	NBB stress test - Low yield scenario
	Government bonds are not risk-free
	Sensitivity on operational risk (internal model vs standard model)
	Strategical decision: stop disability segment
(Reverse) stress test	Inflation down stress test and reverse stress test on maximal inflation shock that can be absorbed (*)
Stress Test Scenario	Ukraine war (*)

(*) new or modified compared to last year

D. Valuation for Solvency purposes

D.1 Assets

The following table covers information about assets that is to be given in the Quantitative Reporting Template (QRT) SE.02.01.16 in Annex, which compares SII data and Belgian GAAP balance sheet for Q4 2021.

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Assets				
Goodwill	R0010		0,00	
Deferred acquisition costs	R0020		0,00	
Intangible assets	R0030	0,00	13.785.127,21	0,00
Deferred tax assets	R0040	0,00	0,00	0,00
Pension benefit surplus	R0050	0,00	0,00	0,00
Property, plant & equipment held for own use	R0060	11.630.919,43	2.128.450,15	0,00
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	2.401.817.949,23	2.039.603.466,51	0,00
Property (other than for own use)	R0080	0,00	0,00	0,00
Holdings in related undertakings, including participations	R0090	0,00	0,00	0,00
Equities	R0100	0,00	12.339.228,92	0,00
Equities - listed	R0110	0,00	0,00	0,00
Equities - unlisted	R0120	0,00	12.339.228,92	0,00
Bonds	R0130	2.384.140.800,83	2.022.266.788,80	0,00
Government Bonds	R0140	1.720.759.883,10	1.397.613.253,16	0,00
Corporate Bonds	R0150	631.606.687,50	594.901.249,25	0,00
Structured notes	R0160	30.231.871,12	28.215.148,10	0,00
Collateralised securities	R0170	1.542.359,11	1.537.138,29	0,00
Collective Investments Undertakings	R0180	17.677.148,40	4.997.448,79	0,00
Derivatives	R0190	0,00	0,00	0,00
Deposits other than cash equivalents	R0200	0,00	0,00	0,00
Other investments	R0210	0,00	0,00	0,00
Assets held for index-linked and unit-linked contracts	R0220	0,00	0,00	0,00
Loans and mortgages	R0230	5.560.634,83	5.297.000,00	0,00
Loans on policies	R0240	0,00	0,00	0,00
Loans and mortgages to individuals	R0250	0,00	0,00	0,00
Other loans and mortgages	R0260	5.560.634,83	5.297.000,00	0,00
Reinsurance recoverables from:	R0270	457.778,07	457.778,07	0,00
Non-life and health similar to non-life	R0280	0,00	0,00	
Non-life excluding health	R0290	0,00	0,00	
Health similar to non-life	R0300	0,00	0,00	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	457.778,07	457.778,07	
Health similar to life	R0320	457.778,07	457.778,07	
Life excluding health and index-linked and unit-linked	R0330	0,00	0,00	
Life index-linked and unit-linked	R0340	0,00	0,00	
Deposits to cedants	R0350	0,00	0,00	0,00
Insurance and intermediaries receivables	R0360	38.164.208,11	38.205.678,81	0,00
Reinsurance receivables	R0370	68.649,55	68.666,71	0,00
Receivables (trade, not insurance)	R0380	23.699.038,96	35.601.908,77	0,00
Own shares (held directly)	R0390	0,00	0,00	0,00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0,00	0,00	0,00
Cash and cash equivalents	R0410	12.162.176,85	12.162.176,85	0,00
Any other assets, not elsewhere shown	R0420	2.578.876,84	2.578.876,84	0,00
Total assets	R0500	2.496.140.231,87	2.149.889.129,92	0,00

According to Article 75(1)(a) of Directive 2009/138/EC, all assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, that means with their fair values. In the statutory accounts of DKV Belgium, assets are valued at their amortised costs without distinction. As the valuation basis is different, we explain the differences in more detail for the respective asset classes.

In addition to the different valuation methods, the structure of the solvency II balance sheet also differs from that of the Belgian GAAP balance sheet. Not all balance sheet items are therefore directly comparable. The differences are particularly significant for assets shown under investments. There are also differences in the classification of receivables, which are described under the individual items. For example, the acquired insurance portfolios are included in goodwill in the Belgian GAAP balance sheet, whilst on the Economic Balance Sheet they are shown in the other intangible assets.

D.1.1 Goodwill

No goodwill is shown on the Solvency II balance sheet.

To the contrary of Solvency II where they are accounted in other intangible assets, the acquired insurance portfolio is shown under goodwill in statutory accounts following Belgian GAAP rules. Acquired insurance portfolio are recognised at their acquisition costs and are amortised linearly during a period of 5 years in accordance with the Belgian law.

Both accounting methods show same value and amortised period.

D.1.2 Intangible assets

Other intangible assets are only shown in the solvency balance sheet if they are accounted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since DKV Belgium's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.

On the other hand, the **other intangible assets** in DKV Belgium’s IFRS reporting effectively consist of acquired insurance portfolios and self-developed and other software.

Acquired insurance portfolios are recognised at their present value on acquisition (PVFP – present value of future profits). This is determined as the present value of expected profits from the portfolio acquired without consideration of new business and tax effects. The acquired insurance portfolios are amortised in accordance with the realisation of the profits from the insurance portfolios underlying the PVFP calculation. They are regularly tested for impairment. For the moment, there is no acquired insurance portfolio to recognise on the SII balance sheet.

The other intangible assets are recognised at acquisition or production cost and depreciated on a straight-line basis over their planned useful life.

D.1.3 Deferred tax assets and liabilities

As there are no taxable differences on DKV Belgium’s statutory accounts, no recording of deferred taxes occurs locally.

Under Solvency II (general definition), the deferred taxes are ascertained in conformity with international accounting standards (IFRS) pursuant to IAS 12 in accordance with the liability method, i.e. balance sheet oriented.

Deferred tax assets must be recognised in cases where asset items must be valued lower, or liability items higher in the economic balance sheet compared to the local tax accounts of the company and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences).

The measurement of deferred tax items depends on whether the carrying amount of an asset is expected to be recovered through use or through sale. In practice, the two are often difficult to distinguish.

D.1.4 Property, plant and equipment held for own use

DKV Belgium doesn’t own any property.

For the purpose of Solvency II plant and equipment are - for reasons of simplification - measured with their statutory accounts value, this means at amortised costs, subject to scheduled depreciation over the course of their useful life in accordance with the decline in their utility to the necessity of unscheduled depreciation to a lower value.

D.1.5 Leasing (lease assets and liabilities)

The difference between local GAAP value and SII value in section “Property, plant and equipment” is caused by the right of use of our leasing contracts. For simplification purposes, the right of use asset is measured at (actualised) amortised cost on the SII Balance Sheet, as in IFRS 16. The costs of leasing are directly recognised as expenses in local GAAP.

Note that DKV Belgium is only a lessee.

D.1.6 Investments

- *Other financial assets*

All financial assets are valued at fair value in the solvency balance sheet. The fair value of a financial instrument is the amount for which a financial asset can be exchanged, or a financial liability settled, between knowledgeable willing parties in an arm's length transaction.

Where a price is quoted in active markets (i.e. a market value), it should be used. If no market value is available, valuation models are used in which observable market parameters are applied as far as possible.

In the Statutory accounts, financial assets are valued at their local book value (IFRS amortised cost value), except for constant maturity SWAP and infrastructure products which are accounted for at their nominal/par value.

- *Determining fair values: pricing method*

Since market values are not available for all financial instruments, IFRS has a valuation hierarchy with three levels. Though Solvency II does not explicitly name the levels, it does provide for equivalent differentiation in the assessment of the fair values used.

The allocation reflects whether a fair value has been derived from transactions in the market or the valuation is based on models because there are no market transactions.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets which DKV Belgium can refer to at the balance sheet date. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. The financial instruments allocated to this level usually comprise equities, investment funds (except property funds) and fixed-interest securities (bearer bonds) for which either a stock market price is available, or prices are provided by a price quoter based on actual market transactions. A marginal amount of futures might also be held to steer the benchmark portfolio (BMP) duration which is allocated to Level 1. At the end of 2021, there are no derivatives on the Solvency II balance sheet.

Assets allocated to Level 2 are valued using models based on observable market data. For this, directly or indirectly observable inputs in the market would be used, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole period. The financial instruments allocated to this level might comprise borrowers' note loans, Pfandbriefe, subordinated securities and derivatives not traded on the stock market.

For assets allocated to Level 3, valuation techniques not based on inputs observable in the market are used. This is only permissible insofar as no observable market data are available. The inputs used would reflect DKV Belgium's assumptions regarding the factors which market players would consider in their pricing. We would use the best available information for this, including internal company data.

At each quarterly reporting date, DKV Belgium assesses whether the allocation of investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation occurred – for instance, if a market is no longer active or the valuation was performed using parameters requiring a change to the allocation –the necessary adjustments are made.

- *Valuation categories according to Belgian GAAP*

Unlike the solvency balance sheet, there are two categories of financial instruments with differing valuation rules in local GAAP. The classification depends on the type and purpose of financial instrument and is determined when the instrument is acquired/issued.

Initially, all financial instruments are valued at acquisition cost.

For subsequent measurement, we may consider two categories of financial assets.

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost in accordance with the effective interest method. Write-downs for impairments are considered when repayment of a loan can no longer be expected.

It should be noted that DKV Belgium does not have any loans on its local balance sheet.

Fixed-interest securities are locally accounted for at amortised cost. Unlike IFRS, no unrealised gains or losses are calculated locally after deduction of deferred taxes and recognised directly in equity under “other reserves”.

The classification of investments in the Solvency II balance sheet is fundamentally different from that under local statutory accounts. Whilst for supervisory purposes there are sub- categories for types of investment based on the "Complementary Identification Codes" (CIC), financial reporting is subject to different valuation rules, so that the valuation differences are not readily evident from the differing balance-sheet structures.

- *Impairment*

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required. For the same reason, no unbundling or hedge-accounting rules are necessary either. In Belgian GAAP at each balance sheet date, we do assess whether there is any substantial and objective evidence of impairment requirement of a financial asset or group of financial assets. Impairments in value are recognised as an expense in the income statement. In the case of fixed-interest securities and loans, the main basis for establishing impairment is an indication of substantial financial difficulty on the part of the issuer, the current market situation or media reports on the issuer.

Bonds impairments considered sustainable, due to the deviation in the signature of the issuer, are deducted from the constituted margin. Furthermore, losses on corporate bonds will be subject to impairment considered sustainable when the loss in value will be definitive, with a recovery of the obligation value deemed impossible.

It should be noted that none of the DKV Belgium bonds suffered any impairment at Q4 2021 as the overall rating quality of bonds held is excellent.

D.1.7 Insurance and intermediaries’ receivables

In the Solvency II balance sheet Insurance & intermediaries’ receivables should be measured by their fair values. It means that the individual business partner’s credit risk is also considered which materialises in a small decline of the net receivables (counterparty default risk adjustment).

For Belgian GAAP, we recognise insurance & intermediary’s receivables at nominal value or acquisition cost. We do perform impairment tests in following cases:

- Bankruptcy;
- Subordinated receivable in such conditions that it appears clear that the unsecured creditors of the debtor will not be fully reimbursed;
- Based on a claims analysis at the litigation department and on management proposal when

receivables appear to be permanently lost.

D.1.8 Reinsurance receivables

In the Solvency II balance sheet reinsurance receivables must be measured with their fair values whilst in the local statutory accounts, these are measured at acquisition costs. Only receivables for reinsurance ceded are to be reported under this item.

D.1.9 Receivables (trade, not insurance)

Under Solvency II receivables (trade, non-insurance) include receivables from taxes as well as pension commitments. These receivables have to be measured at their fair values.

Receivables from taxes and other receivables are to be discounted considering the actual risk- free interest rate as well as relevant interest rate spreads. However, as all receivables are short term at DKV Belgium, no discounting is currently applied.

Under statutory accounts, we do recognise receivables at acquisition costs. the accrued interests on investments are included in this item in statutory accounts but not in Solvency II.

D.1.10 Cash and cash equivalents

For the purpose of Solvency II, fair value of cash is the par value. Transferable deposits are valued at amortised cost (usually this is the par value).

For Belgian GAAP, cash held is shown at face value.

D.1.11 Any other assets not shown elsewhere

Other assets not elsewhere shown cover all assets that cannot be allocated in any other asset class. These include prepayment assets.

As a basic principle, under Solvency II all other assets should be measured at fair value. However, similarly to Belgian GAAP, prepayments are calculated *pro rata temporis* and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due.

D.2 Technical provisions

D.2.1 Methodology used for solvency purposes

- *General requirements*

Insurance and reinsurance undertakings have to establish technical provisions with respect to all their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions shall be calculated in a prudent, reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

The technical provisions are calculated using established principles for actuarial valuation. A Manual of Methods for Technical Provisions ensures consistent valuation approaches throughout the Munich Re Group and is followed by DKV Belgium. In this context requirements regarding segmentation of business, data used, economic and non-economic assumptions as well as methods and models are set out.

- *Segmentation*

The insurance obligations are split up into homogeneous risk groups, and as a minimum by lines of business, when calculating technical provisions.

The insurance coverage consists of following lines of business:

- Health individual business: this line of business consists of the legacy portfolio with levelled premium and the new business generations with risk-premium products. Obligations for these contracts are modelled using similar to life techniques (SLT). Claims provisions for these products are calculated by using non-similar to life techniques;
- Health group business: this line of business considers annual renewable contracts without ageing reserves (Non-Similar to lifetechniques); claims provisions for these products are calculated by using non-similar to life techniques.
- Disability individual business: this product line foresees annuity payments in case of disability (similar to life techniques).

- *Covered business*

For the SLT obligations, DKV Belgium has developed a cash flow model (in Prophet software) which considers cash flow projection for 90 years. At that point in time, only a limited part of current portfolio is still in force. For that remaining part of the portfolio, the IFRS ageing reserves at that moment are considered as proxy for the best estimate for the remaining period.

- *Contract boundary*

Under Solvency II, the following contract boundaries are defined:

Individual premium contracts with levelled premiums	SLT contracts to which the law "Verwilghen" is applicable. As a consequence, the insurer has no unilateral right to amend the premiums payable under the contract	All future premiums belong to the contract since premiums cannot be amended to fully reflect the risks
Individual premium contracts with risk premiums	SLT contracts to which the law "Verwilghen" is applicable. Risk premiums are fixed at contract inception and the insurer has no unilateral right to amend the premiums payable under the contract	All future premiums belong to the contract insofar risk premiums can indeed not be amended to fully reflect the risks
Collective premium contracts	NSLT contracts to which the law "Verwilghen" is not applicable. Consequently, the insurer has an unlimited ability to amend the premiums. Premiums can be amended annually on policy level to fully reflect the risks.	All premiums and associated obligations beyond the next annual review date do not belong to the contract

- *Discounting*

The official EIOPA curves are used for discounting of the cash flows.

The actuarial assumptions regarding interest rates are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

- *Risk adjustment*

Solvency II prescribes an explicit risk adjustment (i.e. risk margin) calculated using a 6% cost of capital approach. By contrast, actuarial assumptions in line with local statutory requirements include some provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. No explicit risk adjustment is calculated.

- *Calculation of Best Estimate Liabilities SLT business*

The value of technical provisions is equal to the sum of a Best Estimate Liabilities (BEL) and a risk margin as set out below.

The best estimate liabilities correspond to the probability-weighted average of future cash- flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions and performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the best estimate takes account of all the cash in- and out-flows required to settle the insurance obligations over the lifetime thereof. In the calculation of the cash flows, the following is considered:

- all expenses that will be incurred in servicing insurance obligations, i.e. the total of the administrative expenses, claims handling expenses, commissions and investment expenses;
- inflation, including expenses and claims inflation;
- all payments to policyholders and beneficiaries, which insurance undertakings expect to make, whether or not those payments are contractually guaranteed, unless those payments fall under surplus funds authorised under national law. This future projection implies a cash flow model defined by the company, integrating a best estimate assumption on parameters (mortality, morbidity, lapses and expenses, as well as economic assumptions) and management rules on future premium development in line with the legal possibilities (law Verwilghen).

As of Q2 2019, DKV Belgium applies the volatility adjustment in the calculation of the Best Estimate Technical Provisions.

- *Calculation of Best Estimate Liabilities NSLT business*

The best estimate health non-similar to life is the sum of the premium provisions and claims provisions.

The claims provision is a provision for claims which have already occurred in the past, but which are not yet (fully) settled (due to late reporting of the claims or backlog). These values are calculated based on claims triangles and completion factors (Chain Ladder method).

The premium provision is a provision in order to be able to pay back all future claims and expenses.

- *Calculation of Risk Margin (SLT and NSLT business)*

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over the company, DKV Belgium, and meet its insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance obligations over the lifetime thereof. The calculation method applied by DKV Belgium is in line with the technical specifications set out by EIOPA.

The rate (Cost-of-Capital rate) used in the determination of the cost of providing this amount of eligible own funds follows the technical specifications of the EIOPA.

D.2.2 Methodology used for the valuation for Local GAAP purposes

The methodology for local GAAP Ageing Provisions is based on cash flow projection, which allows DKV Belgium to align its methodologies for Solvency II and local GAAP / IFRS reporting as much as possible. A review of actuarial parameters is performed on annual basis, as described in the assumption setting policy.

The Ageing Provisions Health and Disability, set up for covering future claims, are calculated on the portfolio at year end, considering assumptions, model and a BNR (Benefit Net Ratio) introduced earlier in that year.

The assumptions, model changes and resulting BNR set at the beginning of the year will remain fixed to calculate Ageing Provisions till year end. This means that assumptions / models to calculate the ageing provisions for year-end will not be updated for insights gained later in this year.

The BNR for the year aligns the reserves of the portfolio end of previous year (= reserves before model and assumption changes) with the Economic Value end of previous year (after model and assumption changes) of that portfolio.

If, at a certain moment, the BNR would hit 1, the portfolio Ageing Provisions would be considered as not sufficient anymore to cover for future obligations. In that case, additional reserves need to be added at once to bring the BNR to an acceptable level again. This situation needs to be avoided by management actions upfront.

The Claims Provisions, covering for current claims Health are calculated using Chain Ladder (completion factors) and Bornhuetter-Ferguson (BHF) methodology in line with Munich Re group standards. The methodology involves looking at the historical development of paid claims and is using this pattern to predict future claims developments. For claims incurred months which are under-developed, the Bornhuetter-Ferguson approach is used to allow an ultimate loss ratio or an ultimate burning cost to be set to avoid any random claims development patterns affecting the claims estimate.

The Claims Provisions, covering for current claims Disability, are set up for long term obligations and are therefore, just as the Ageing Provisions, based on cash flow projection and periodically reviewed parameters.

D.2.3 Uncertainty Associated with the Amount of Technical Provisions

In health insurance business there is a risk of insured benefits payable being higher than expected. Of paramount importance are the interest rate, biometric and lapse risks. We differentiate between risks that have a short-term effect and risks that have a long-term effect on our portfolio. Random annual fluctuations in insurance benefits can lead to short-term falls of the portfolio value. This applies particularly to claims payments which can rise as a result of exceptional one-off events such as a pandemic.

Changes in client biometrics or lapse behaviour are risks that have a long-term effect on the value of a portfolio, making it necessary to adjust actuarial assumptions. In health insurance, morbidity risks are understandably important.

D.2.4 Results for SII and local GAAP – YE 2021

Following table gives an overview of technical provisions and compares Solvency II and Statutory values:

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Liabilities				
Technical provisions - non-life	R0510	128.849.119,83	47.339.798,27	0,00
Technical provisions - non-life (excluding health)	R0520	0,00	0,00	
Technical provisions calculated as a whole	R0530	0,00		
Best Estimate	R0540	0,00		
Risk margin	R0550	0,00		
Technical provisions - health (similar to non-life)	R0560	128.849.119,83	47.339.798,27	
Technical provisions calculated as a whole	R0570	0,00		
Best Estimate	R0580	125.298.129,30		
Risk margin	R0590	3.550.990,53		
Technical provisions - life (excluding index-linked and unit-linked)	R0600	579.575.604,57	1.737.256.081,79	0,00
Technical provisions - health (similar to life)	R0610	579.575.604,57	1.737.256.081,79	
Technical provisions calculated as a whole	R0620	0,00		
Best Estimate	R0630	154.834.676,83		
Risk margin	R0640	424.740.927,74		
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0,00	0,00	
Technical provisions calculated as a whole	R0660	0,00		
Best Estimate	R0670	0,00		
Risk margin	R0680	0,00		
Technical provisions - index-linked and unit-linked	R0690	0,00	0,00	0,00
Technical provisions calculated as a whole	R0700	0,00		
Best Estimate	R0710	0,00		
Risk margin	R0720	0,00		
Other technical provisions	R0730		0,00	
Contingent liabilities	R0740	0,00	0,00	0,00
Provisions other than technical provisions	R0750	4.751.176,98	4.751.176,98	0,00
Pension benefit obligations	R0760	27.481.540,00	0,00	0,00
Deposits from reinsurers	R0770	68.666,71	68.666,71	0,00
Deferred tax liabilities	R0780	344.508.993,63	0,00	0,00
Derivatives	R0790	0,00	0,00	0,00
Debts owed to credit institutions	R0800	0,00	0,00	0,00
Debts owed to credit institutions resident domestically	ER0801	0,00		0,00
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0,00		0,00
Debts owed to credit institutions resident in rest of the world	ER0803	0,00		0,00
Financial liabilities other than debts owed to credit institutions	R0810	9.662.522,77	0,00	0,00
Debts owed to non-credit institutions	ER0811	9.662.522,77		0,00
Debts owed to non-credit institutions resident domestically	ER0812	9.662.522,77		0,00
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	0,00		0,00
Debts owed to non-credit institutions resident in rest of the world	ER0814	0,00		0,00
Other financial liabilities (debt securities issued)	ER0815	0,00		0,00
Insurance & intermediaries payables	R0820	39.876.288,49	39.877.156,32	0,00
Reinsurance payables	R0830	261.668,38	261.668,38	0,00
Payables (trade, not insurance)	R0840	15.174.407,03	15.197.805,74	0,00
Subordinated liabilities	R0850	0,00	0,00	0,00
Subordinated liabilities not in Basic Own Funds	R0860	0,00	0,00	0,00
Subordinated liabilities in Basic Own Funds	R0870	0,00	0,00	0,00
Any other liabilities, not elsewhere shown	R0880	0,00	0,00	0,00
Total liabilities	R0900	1.150.209.988,39	1.844.752.354,19	0,00
Excess of assets over liabilities	R1000	1.345.930.243,48	305.136.775,73	0,00

The main drivers for the liabilities are the technical provisions SLT and NLST, therefore, the focus on these components is made:

- *Differences in local GAAP values and SII figures for technical provisions SLT:*

The underlying models for calculation of the technical provisions for local GAAP and SII are aligned as both make use of a cash flow projection in Prophet. Nevertheless, the assumptions for future cash flow development are different. The model for local GAAP reserving doesn't consider any additional premium evolution nor future trend and indexation mechanism. The Solvency II model on the other hand considers future premium and claims development for the full run-off of the portfolio by means of management rules integrated in the model.

- *Differences in local GAAP values and SII figures for technical provisions NSLT:*

These are explained by an additional safety buffer added in the local GAAP values for claims provisions which is not integrated in the SII figures, as best estimate values are to be considered.

Under BGAAP, the technical provisions health similar to non-life consist of the IBNR reserves calculated for the corporate contracts. IBNR reserves for the other lines of business (disability and individual health contracts) are reported under BGAAP technical provisions health similar to life.

For SII reporting, the technical provisions health similar to non-life consist of the IBNR reserves for all lines of business (disability – individual and corporate) and the premium provisions for corporate contracts.

For both reportings, BGAAP and SII, the same amounts for IBNR reserves are used. The difference is hence only driven by different allocation in similar to life and non-similar to life.

Other components of balance sheet liability positions are:

- *Provisions other than technical provisions:*

Both in the solvency and the Belgian GAAP balance sheet, we produce a best estimate of the sum that would be required to settle the liabilities at balance sheet date which is the amount we would reasonably have to pay to satisfy them or transfer them to a third party at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the mid-point of the range is used. If the interest rate is a material factor we value the provision at the present value of the expected expenditure and if it is immaterial, we disregard it for Solvency II purposes.

If no valuation could be done on material parameters (e.g. for court cases provisions) we use all information available, e.g. letters received from lawyers with estimated amounts which should be due.

- *Pension benefit obligations*

In the Statutory accounts, no pension benefit obligations are shown in the balance sheet.

In the Solvency II balance sheet these obligations are valued and recognised according to IFRS rules (IAS19), using the projected unit credit method.

- *Deferred tax liabilities*

Please refer to section D.1.3.

- *Financial liabilities including derivatives*

According to Solvency II financial liabilities inclusive derivatives are to be measured at fair value. However, no subsequent adjustment to take account of the own credit standing of the insurance undertaking shall be made after initial recognition. Thus, financial liabilities shall be measured at their reporting date fair value without taking into account any upsides or downsides for the own credit risk of DKV Belgium. If for reasons of materiality the impact of such upsides or downsides is negligible, we do not adjust the fair values accordingly.

If available, we take the stock market prices as fair values. For the other financial liabilities, we determine the fair values using net present value methods with observable market parameters.

For the purposes of financial reporting under Belgian GAAP we value our financial liabilities at amortised cost (in fact not different from the historical cost or original book value), except for derivatives with a negative mark to market value, which are accounted for at fair value.

- *Insurance & intermediaries payables*

Under Solvency II, "insurance & intermediaries payables" must be recognised at fair value, for Belgian GAAP, at the amount actually required to redeem or settle them.

- *Reinsurance payables*

Under Solvency II reinsurance payables must be recognised at fair value. Under Belgian GAAP at the amount actually required to redeem or settle them.

- *Payables (trade, not insurance)*

In the Solvency balance sheet, the item “Payables” (trade, non-insurance) covers in particular Payables from taxes as well as other Payables. These payables (trade, not insurance) shall be measured at their reporting date fair value without taking into account any upsides or downsides for the own credit risk of DKV Belgium.

Insurance & intermediaries payables are shown as separate items in the solvency balance sheet as well as in statutory accounts. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, payables resulting from insurance contracts without significant risk transfer are not reported as payables but as part of the technical provisions.

E. Capital Management

E.1 Own funds

E.1.1 Differences between Belgian GAAP equity and SII excess of assets over liabilities

Material differences between equity in DKV Belgium's Belgian GAAP financial statements and excess of assets over liabilities as calculated for Solvency II purposes arise from different rules and regulations for valuation and consideration of balance sheet items, as detailed in the previous chapter.

As per Solvency II methodology, fair value principles are applied comprehensively. This means, either a market value is available and applicable (e.g. investments), or a predefined approach determines the fair value of assets and liabilities without an active market (e.g. best estimate and risk margin for technical provisions). The time value of money is taken into account under Solvency II and requires the discounting of cash flows which is only the case for selected technical provisions in Belgian GAAP. Most other investments are valued in the Belgian GAAP accounts at acquisition cost or the quoted price or market value as at the balance sheet date if lower.

E.1.2 Composition of own funds

S.23.01.01.01

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 2015/35						
Ordinary share capital (gross of own shares)	R0010	19.250.000,00	19.250.000,00		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	0,00	0,00			
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	1.326.680.243,48	1.326.680.243,48			
Subordinated liabilities	R0140	0,00		0,00	0,00	0,00
An amount equal to the value of net deferred tax assets	R0160	0,00				0,00
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	0,00
Total basic own funds after deductions	R0290	1.345.930.243,48	1.345.930.243,48	0,00	0,00	0,00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0,00			0,00	
Unpaid and uncalled preference shares callable on demand	R0320	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0,00			0,00	0,00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0,00			0,00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0,00			0,00	0,00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0,00			0,00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0,00			0,00	0,00
Other ancillary own funds	R0390	0,00			0,00	0,00
Total ancillary own funds	R0400	0,00			0,00	0,00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1.345.930.243,48	1.345.930.243,48	0,00	0,00	0,00
Total available own funds to meet the MCR	R0510	1.345.930.243,48	1.345.930.243,48	0,00	0,00	
Total eligible own funds to meet the SCR	R0540	1.345.930.243,48	1.345.930.243,48	0,00	0,00	0,00
Total eligible own funds to meet the MCR	R0550	1.345.930.243,48	1.345.930.243,48	0,00	0,00	
SCR	R0580	363.716.639,58				
MCR	R0600	90.929.159,90				
Ratio of Eligible own funds to SCR	R0620	3,7005				
Ratio of Eligible own funds to MCR	R0640	14,8020				

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) in combination with the own funds is to be seen in the QRT S.23.01.01 for Q4 2021. More detailed information per risk in the submodules is to be found in paragraph 3.

Under the current model assumptions and methodology, the YE2021 solvency position for DKV Belgium of 370% (less than 0.2% lower excluding volatility adjustment) shows a sufficient capitalisation. These results are mainly driven by the current economic situation (in particular the high inflation rates) and the positive contribution of new business. Further analysis on risk mitigating measures is on-going to reduce the inflation volatility in the current modelling approach. With respect to the risk capital calculation, some points of attention are raised in the calibration of the management actions and the calculation of the risk margin. These will be further investigated in the next year.

With regards to the MCR, we see a result of 1480%, indicating a comfortable capitalisation position compared to the minimum requirements (for more detail on the MCR, see QRT 28.01.01 in Annex).

The results of the base case projections performed in the ORSA exercise in 2021 allows to conclude that DKV Belgium is adequately capitalised to cover the risks arising from current and expected business activities.

The increase of own funds is mainly driven by profitable new business in line with the de-risking & product strategy of DKV Belgium with focus on risk premium products (and hence less asset intensive business).