Solvency and Financial Condition Report 2018

Nederlandsche Algemeene Maatschappij van Levensverzekering

"Conservatrix" N.V.

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SUMMARY

This Solvency and Financial Condition Report (SFCR) provides public quantitative and qualitative disclosures for Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. (Conservatrix) on Solvency II as required by the Solvency II legislation. Conservatrix already discloses most of the information that is required to be included in the SFCR in its Annual Report 2018 (Annual Report). As required by the Delegated Regulation (EU) 2015/35/Annex XX 'Structure of the Solvency and Financial Condition Report and Regular Supervisory Report', this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRTs). Conservatrix is required to submit the QRT to its supervisor Dutch Central Bank (DNB). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at December 31 2018, are included in the appendix to this SFCR.
The amounts disclosed in this SFCR are, consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

Chapter A 'Business and performance' describes the overall business profile and structure of Conservatrix. It also provides insight into the underwriting and investment performance of Conservatrix. Chapter B 'Governance system' explains the organizational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk Profile' analyses Conservatrix's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for Solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and Dutch Generally Accepted Accounting Principles (DGAAP'). Chapter E 'Capital Management' discusses the composition of available and Eligible Own Funds and the calculation of the Solvency Capital Requirement (SCR).

Material changes in 2018

By the end of 2017 the unbundling of Conservatrix from the former Group entities was completed, except for IT. Prior to the acquisition, a transfer services agreement was signed to secure the delivery of IT services for Conservatrix by the former shareholder. In the first half of 2018 Conservatrix setup her own IT department in line with the outsourcing of the IT infra structure, therefore we were able to have a limited number of headcounts to support the business in general. In May 2018 we finalized the project for unbundling the IT department as well. From that moment on the Conservatrix IT infrastructure is a fully cloud based IT infrastructure.

In the second half of 2018 the department responsible for relationship management and the operations department were combined into a Shared Service Center structure. All client orientated activities are now combined leading to a more effective and customer orientated service model.

During the transformation of the company, daily business was performed and necessary improvements were undertaken at the same time. In 2018, Conservatrix activated the remaining policyholders as part of the total program on investment insurance policies.

Due to the change we had an increase in headcounts in the first half of 2018 mainly consisting of temporarily staff to help us out in the ongoing process of realizing the right level of controlled and stable operations. At the end of 2018 we were on a headcount of 37 employees and a limited number of 3 temporarily staff.

Next to the improvements in the operational area, provisions for future expenses were increased. Shareholders' funds decreased to € 61.7 million from € 74.2 million last year, thanks to the right-sizing of amongst others the provision for future expenses and the addition to the provision of insurance liabilities due the changes in the Yield-curve and the Ultimate Forward Rate (UFR). The effect of the increase in provisions on the shareholders' funds was partly offset by the positive outflow of risk margin related to expiring policies.

The decrease of Shareholders' funds caused a reduction in eligible own funds to € 41.3 million, from € 47.7 million in 2017. In combination with an increased Solvency Capital Requirement (SCR to € 27.9 million, from € 25.4 million in 2017) -due to a changed asset allocation- this resulted in a Solvency II ratio of 148%, (188% in 2017) being 48% above the required 100%.

The Conservatrix' strategy is to turn the company around into a sustainable, well-organized, flexible and cost-efficient operation, to be ready to achieve growth in assets under management by acquiring companies, portfolios or incremental sales. We expect to handle this growth with the current staff numbers and without requiring new Equity. Conservatrix will make cost conscious investment decisions in IT-developments and the development of staff to improve the efficiency of client-based processes. The main external influence on this strategy is the current low-interest environment, for which we will further improve the balance-sheet management.

In general 2018 was a year of change and reorganization for the company and its employees. In 2018 the focus of the business was to obtain the right level of controlled and stable operations. At the end of 2018 Conservatrix reached, according to the Board, the right level of controlled and stable operations.

Eligible Own Funds

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

Eligible Own Funds

(In thousands of euros)	2018	2017
Tier 1	37,063	43,897
Tier 2	0	0
Tier 3	4,162	3,803
Total Eligible Own Funds	**41,255**	**47,700**

Eligible Own Funds decreased from € 47.7 million to € 41.3 million in 2018. This has been caused by a lower revaluation reserve and the right-sizing of eg. the provision for future expenses and the addition to the provision of insurance liabilities due the changes in the Yield-curve and the Ultimate Forward Rate (UFR).

Solvency Capital Requirement

(In thousands of euros)	2018	2017
Market risk	14,740	10,116
Counterparty default risk	12,777	15,692
Life underwriting risk	12,107	11,767
Diversification	-11,555	-10,775
Basic Solvency Capital Requirement	28,068	26,800
Operational risk	2,981	3,029
LACDT	-3,105	-4,475
Total Solvency Capital Requirement	**27,943**	**25,354**

The SCR increased from € 25.4 million to € 27.9 million in 2018 due to a change in asset allocation.

Solvency II Capital ratio

(In thousands of euros)	2018	2017
Eligible Own Funds (EOF)	41,255	47,700
Minimum Capital Requirement (MCR)	12,575	11,410
Solvency Capital Requirement (SCR)	27,943	25,354
Solvency II ratio (EOF/SCR)	148%	188%

Conservatrix was adequately capitalized at year-end 2018 with a Solvency II ratio of 148% based on the standard formula.

A. BUSINESS AND PERFORMANCE

A.1 Business

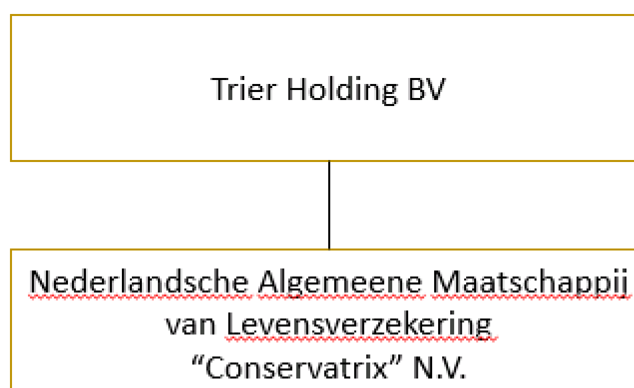
Conservatrix is a life insurer specialized in life insurances and mortgages with a history that dates back to 1872. Since May 15, 2017 Conservatrix is owned by Trier Holding B.V. As part of the agreement with DNB the new shareholder recapitalized the company above the envisaged minimum Solvency II ratio of 135% by injecting € 18.4 million capital directly and € 72.1 million indirectly via a reinsurance agreement with Colorado Bankers Life insurance Company, an affiliate company.

Conservatrix forms together with the direct shareholder Trier Holding B.V. a Fiscal Unity. Conservatrix has no subsidiaries.

The supervisory authority responsible for financial supervision of Conservatrix:
Dutch Central Bank (De Nederlandse Bank N.V.)
Westeinde 1
1017 ZN Amsterdam
The Netherlands

The contact details of Conservatrix's external auditor are:
W.J.P. Hoeve RA
BDO Audit & Assurance B.V.
Van Deventerlaan 101
3528 AG Utrecht
The Netherlands

Group Structure:
Legal structure of Trier Holding B.V. as per December 31, 2018.



Financial developments
The full-year 2018 result before tax decreased significantly to € -2.9 million from € 84.9 million in 2017. The positive one-off effect of the reinsurance agreement with Colorado Bankers Life Insurance Company increased the 2017 result. However, in 2018 there was no such one-off effect as in 2017. Conservatrix strengthened the provision for future expenses, with a negative effect on the result in 2018. These are the main causes of the decreased result.

Gross premiums earned decreased to € 26.3 million from € 29.4 million in the previous year, mainly due to the fact that Conservatrix does not sell new policies yet. Meanwhile gross claims and benefits paid increased to € 44.1 million from € 39.2 million in 2017 mainly due to expected expirations.

Operating expenses decreased to € 9.7 million from € 11.4 million in the previous year. The expenses were mainly caused by internal and external staff costs and other non-recurring expenses due to the disentanglement of the former companies and investments in the business to achieve a stabilized company. Each quarter of 2018 the operating expenses reduced.

Total shareholders' funds decreased to € 61.7 million from € 74.2 million last year, due to the above-mentioned addition to the provision for future expenses and the addition to the provision of insurance liabilities due the changes in the Yield-curve and the Ultimate Forward Rate (UFR). This increase was partly offset by the positive outflow of risk margin related to expiring policies.

The decrease of Shareholders' funds caused a reduction in eligible own funds to € 41.3 million, from € 47.7 million in 2017. In combination with an increased Solvency Capital Requirement (SCR) due to a changed asset allocation to € 27.9 million, from € 25.4 million in 2017, this resulted in a Solvency II ratio of 148%, (188% in 2017) being 48% above the required 100%.

In the second half of 2018 (and early 2019) the ultimate beneficiary owner of Trier and Conservatrix was mentioned in several publications. Conservatrix management has consulted international legal experts to verify whether the interests of policyholders are safeguarded in relation to the two reinsurance and collateral arrangements used as risk mitigator. Management considers the outcome of the different opinions sufficient.

A.2 Underwriting Performance

In thousands of euros	2018		2017	
Insurance premiums earned				
Gross premiums	26,265		29,448	
Outgoing reinsurance premiums	-231		-101,247	
Net premiums earned		26,034		-71,799
Claims and benefits paid				
Gross claims and benefits paid	44,121		39,183	
Reinsurers' share	-859		-1,812	
Net claims and benefits paid		43,261		37,371
Change in technical provisions				
Gross change in technical provision	-11,223		-19,931	
Reinsurers' share	-4,500		-150,109	
Net change in technical provision		-15,724		-170,040
Change in other provisions		0		-1,654
Operating expenses				
Staff, overhead and depreciation costs	9,284		10,859	
Acquisition costs	440		508	
Total operating expenses		9,724		11,367

Details of Income

Premiums (In thousands of euros)	2018	2017
Regular premiums	25,695	28,852
Single premiums	570	596
Outgoing reinsurance premiums	-231	-101,247
Premiums earned	**26,034**	**-71,799**

The premium income came entirely from insurance contracts concluded in the Netherlands.

Details of expenses

claims and benefits *(In thousands of euros)*	2018	2017
Benefits at death	1,672	1,938
Benefits on expirations	21,117	13,247
Annuity benefits	2,347	2,727
Pension benefits	6,503	6,754
Expenses on premium exemption	11	11
Reinsurers' share	-859	-1,812
Total claims and benefits paid	**30,791**	**22,865**
Surrenders	12,470	14,506
Total surrenders	**12,470**	**14,506**
Total claims and benefits paid	**43,261**	**37,371**

Operational expenses (*In thousands of euros)*	**2018**	**2017**
Salaries	3,151	2,142
Termination benefits	345	2,245
Social security contributions	351	275
Pension expenses	-316	364
Travel costs	213	136
External staff	1,462	2,217
Other staff costs	35	544
Withdrawal restructuring provision	0	-1,804
Allocated to group companies	0	-161
Staff costs	5,241	5,958
Office costs	1,913	1,261
Housing costs	259	208
Marketing costs	-169	686
Other costs	2,157	2,103
Overhead expenses	4,160	4,258
Depreciation	-117	643
Staff-, overhead- and depreciation costs	**9,284**	**10,859**
Acquisition costs	440	508
Total expenses	**9,724**	**11,367**

A.3 Investment Performance

Investment income (In thousands of euros)	**2018**	**2017**
Investment income		
Investment property	299	252
Other investments	13,459	14,669
Realized gains on investments	-620	18,964
Total investment income	13,137	33,885
Unrealized gains on investments	-4,230	464
Investment management expenses	568	553
Investment income attributable to non-technical account	-1,282	-1,232

Details of Income

In thousands of euros	**2018**	**2017**
Rental income	887	841
Operating expenses	-588	-589
Proceeds from land and buildings	**299**	**252**

In thousands of euros	**2018**	**2017**
Mortgage loans	10,818	12,788
Equity securities	537	424
Bonds	1,958	1,574
Other loans	107	171
Policy loans	0	5
Interest on bank accounts	0	36
Dividend	298	0
Paid interest	-259	-329
Income from other investments	**13,459**	**14,669**

In thousands of euros	2018	2017
Own risk	13,034	14,245
Policy holder	425	424
Income from other investments	**13,459**	**14,669**

In thousands of euros	2018	2017
Own risk	-112	18,942
Policy holder	-508	22
Realized gains on investments	**-620**	**18,964**

Investment income attributed to non technical account concerns the result of the technical investment income related to the average Shareholders' funds.

In thousands of euros	2018	2017
Own risk	-2,325	-574
Policy holder	-1,905	1,038
Unrealized gains on investments	**-4,230**	**464**
Investment management expenses	568	553
Investment income attributable to non-technical account	-1,282	-1,232

A.4 Performance of other activities

No performance of other activities is material.

A.5 Any other information

No other information is applicable.

B. SYSTEM OF GOVERNANCE

Introduction
This chapter of the SFCR contains information on the system of governance of Conservatrix, including relevant committees within the Supervisory Board, a description of the main roles and responsibilities of key functions and Conservatrix' approach to the 'fit and proper' requirements and to the Own Risk and Solvency Assessment.

B.1 General information on the system of governance

Risk management system
The Conservatrix' risk management system is in accordance with Solvency II requirements and covers the following areas:

a) underwriting and reserving
b) asset-and liability management
c) investment, in particular derivatives and similar commitments
d) liquidity and concentration risk management
e) operational risk management, including integrity and compliance risks
f) reinsurance and other risk-mitigation techniques

Conservatrix seeks an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks at an individual and at an aggregated level, to which they are or could be exposed and their interdependencies.

B.2 Fit and proper requirements

The management and key functions of Conservatrix should be 'fit and proper' according to the requirements of DNB, based on the Policy Rule on fitness 2012. To fulfill these requirements Conservatrix has an internal process to secure that candidates for the relevant positions meet the professional qualifications, have sufficient relevant knowledge, skills and experience required for sound and prudent management ('fit'), are of good reputation and have the right integrity attitude ('proper'). All candidates are selected on their skills and knowledge required for their position inside Conservatrix, amongst others they are tested on management, organization, communication, the products, services and markets of Conservatrix, sound and ethical business operations and balanced and consistent decision making. Only candidates that meet the required level are to the opinion of Conservatrix fit for the job.

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

Description of Conservatrix' risk management system.
Reference is made to section on 'Risk management' in the Annual Report 2018 of Conservatrix for a description of the risk management system comprising of strategies, processes and reporting procedures, and how Conservatrix is able to effectively identify, measure, monitor, manage and report, on a continuous basis, the risks on an individual and aggregated level, to which Conservatrix is or could be exposed. In the same section, a description is included of how the risk management system including the risk management function are implemented and integrated into the organizational structure and balanced decision-making processes of Conservatrix' Own Risk and Solvency Assessment ('ORSA').
Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the ORSA in synchronization with the yearly medium-term business plan. The ORSA report

supports the Executive Board in assessing the overall risk and capital profile of the business under several scenarios.

B.4 Internal control system

The Supervisory Board is responsible for supervising the Executive Board and the general course of affairs of the company and the business with it. The Supervisory Board has two committees, i.e. the Audit and Risk Committee and the Nomination and Remuneration Committee, that inform the Supervisory Board of any major development in the area of its responsibility. The Executive Board is responsible for the day-to-day management and the overall strategic direction of the company. In the design of its operations Conservatrix uses the “three lines of defense” model.

The business managers form the first line are responsible for the ownership and implementation of policies. The second line of defense are the Compliance Function, Actuarial Function and Risk Management Function, who monitor, support and challenge the first line to ensure that risks and controls are effectively managed. The Internal Audit function (3rd line of defense) controls the first and second lines in order to provide an independent assurance to the Executive Board and the Supervisory Board.

B.5 Internal audit function

Internal audit, as the third line, controls the first and second line in order to provide assurance to the Excecutive and the Supervisory Board. As the end of 2017 a broad skills set has been made available to Conservatrix by means of outsourcing. Internal audit evaluates the adequacy and effectiveness of the internal control system -including outsourced activities- and other elements of the system of governance. Furthermore, the internal audit function is objective and independent from the operational functions. There are meetings on a regular basis with the Executive Board, Chairman of the Audit and Risk Committee and/or the Chairman of the Supervisory Board.
The Internal audit function is outsourced to InAudit B.V.

B.6 Actuarial function

The second line consists of compliance, actuarial function—by means of outsourcing—and risk management. The second line is put in place to give countervailing power to the first line and to support management by bringing expertise, process excellence, and management monitoring alongside the first line to help ensure that risk and control are effectively managed. Policies provide support in areas such as risk, compliance, and control. There are meetings on a regular basis with the Executive Board and the Audit and Risk Committee. Furthermore, the second line functions have quarterly meetings with the Chairman of the Audit and Risk Committee and/or the Chairman of the Supervisory Board.
The actuarial function is outsourced to Triple A – Risk Finance Certification B.V.

B.7 Outsourcing

Conservatrix has outsourced some of its activities not limiting Conservatrix responsibilities and accountability for these activities and the power of influence remains with Conservatrix.

Stater contract

Conservatrix signed a contract with Stater Nederland B.V. for transferring and collecting monies in respect of the mortgage loans provided by the company to private individuals. A provision for handling arrears during the collection of amounts owed in respect of these loans was added to this contract. Any services are provided for in the account and risk of the company. The term of the contract is seven years. Should Conservatrix decide to cancel the contract prior to the end of its term,

there is an exit fee that decreases in accordance with an agreed upon sliding scale for each year of early termination.

Unit4
In 2018 Conservatrix outsourced the salary payment of the own employees to Unit4. The calculation and administration of the (periodical) payments is outsourced to Unit4, also.

B.8 Any other information

Other material information about the system of governance does not apply.

C. RISK PROFILE

Solvency II categorizes types of risks in order to calculate the SCR. This calculation can be performed with the SCR standard formula. The standard formula is intended to reflect the risk profile of most insurance undertakings. Conservatrix uses the standard formula and has no indication the standard formula should not adequately reflect the risk profile of Conservatrix.

Conservatrix assesses its risks and classifies the risks in two categories. First, risks that directly link to a SCR standard formula, including its submodules. Second, risks that cannot directly be linked to a SCR standard formula e.g. liquidity risk and reputational risk. Risks that do not directly link to a SCR standard formula will be assessed during the own risk and solvency assessment (ORSA) process and by the systematic integrity risk analysis (SIRA).

The standard formula discriminates between financial and non-financial risks. Financial risks are risks that come with the insurance and investment activities of Conservatrix. Non-financial risks are operational risks.

The appropriateness of the standard formula for SCR calculation is assessed in the ORSA process. In the last ORSA it has been shown that the standard formula is appropriate. In chapter E.2 the value of and the change in the SCR is discussed.

The reinsurance agreement with Swiss Re is ended per 1 January 2019, but this has no material impact on the SCR.

C.1 Underwriting risk

Underwriting risk means the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. This risk, entailing mortality risk and lapse risk, is intrinsic to life insurance undertakings.

The risks are monitored within the existing portfolio. For products both existing and envisioned, or product changes, the underwriting risk is assessed as part of the product approval and review process (PARP).

The underwriting risk is substantially mitigated with the use of reinsurance. See C.6.

a. Mortality risk

The mortality risk is calculated as increased mortality for that part of the portfolio that makes a loss on increased mortality.

b. Longevity risk

The longevity risk is calculated as decreased mortality for that part of the portfolio that makes a loss on decreased mortality. This is partly mitigated by the reinsurance agreements with CBL, as more payments in the retention period leads to shortening the retention period.

c. Invalidity and morbidity risk

The invalidity and morbidity risk are not calculated, as it is not material. The technical provisions for the waiver of premiums is not calculated using invalidity or morbidity rates or recovery rates. The risk is partly reinsured at Heco Re.

d. Unnatural lapse risk

The unnatural lapse risk is the highest effect of decreased lapse rates, increased lapse rates and mass lapse. Due to the reinsurance agreements with CBL, especially the termination clause, the effect of increased lapse rates is mitigated. Leading is the decrease of lapse rates.

e. Expense risk

The expense risk is a major risk within underwriting risk. The cost model has been revised, which has led to changes in the various components. The total costs have been estimated higher, which is related to the latest view on operating expenses. With higher estimated costs, the risk of exceeding estimated costs has decreased. But due to the standard formula, the SCR expense-underwriting has increased.

f. Revision risk

Conservatrix has no insurances where the total insured amount depends on the state of health of the insured nor on changes in the legal environment. Thus, this risk is nil.

g. Catastrophe risk

The life catastrophe risk is calculated as a one-year increased mortality for that part of the portfolio that makes a loss on increased mortality.

C.2 Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Conservatrix investment portfolio leads to an exposure to market risks, mainly on interest and credit spread.

The solvency capital requirement for market risk increased from € 10.1 million to € 14.7 million, mainly driven by the spread risk due to new investments.

C.3 Credit risk

The Counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following twelve months. The Counterparty default risk takes into account: risk-mitigating contracts such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures that are not covered under market risk. Conservatrix takes appropriate account of collateral or other security and the risks associated therewith.

Counterparty default risk consists of type 1 and type 2 risks. Type 1 risk relates to cash at banks and reinsurance arrangements. See also C.6 for the different reinsurance agreements.

The Counterparty default risk for the reinsurer Colorado Bankers Life Insurance company is nil due to the collateral provided and their adequate solvency ratio. The Counterparty default risk for Heco Re is dampened but not nil, because the collateral provided in combination with their solvency ratio doesn’t entirely cover the reinsured risk. Type 2 risk relates to the mortgage loan portfolio and to arrears.

For each residential mortgage loan, the amount in excess of the threshold corresponding to a 60% loan-to-value is subject to counterparty default risk. This applies to mortgages directly held by Conservatrix, as well as mortgages in funds Conservatrix may be invested in, as a result of the look-through approach.
The average loan-to-value 66%.

The value of the properties backing the mortgage loans on Conservatrix' balance sheet is monitored at least once every three years by means of a third-party statistical method or a third-party revaluation. The monitoring may result in an identification of property that needs revaluation. In addition to the fixed charge on the property, most mortgage loans also have a National Mortgage Guarantee—in Dutch: Nationale Hypotheek Garantie (NHG). NHG is a guarantee provided to the mortgage lender by a government-backed foundation, the Homeownership Guarantee Fund (Waarborgfonds Eigen Woningen). The guarantee decreases assuming the mortgage loan is a level payment mortgage, even if the guaranteed loan would have other terms of repayment e.g., interest only. When calculating the SCR for counterparty default risk, Conservatrix does not take into account the NHG guarantee.

Arrears that are more than three months outstanding are subject to counterparty default risk.
Arrears exist at mortgages, insurance intermediaries and policyholders.
The handling of arrears at mortgages is outsourced at Hypocasso for intermediaries and policyholders a provision is created in the past.

C.4 Liquidity risk
The liquidity risk is the risk that illiquid assets are forced to be sold for less than the market value. This risk does not contribute to the SCR. It is not part of the standard formulas. Regularly a liquidity prognosis is processed, containing among others expected cash flows as premiums, insurance payments, mortgage payments and payments of loans and bonds, and salary payments. Investment decisions are made, taking the liquidity and liquidity prognosis into account. Also, investments in listed bonds are a liquid part of our strategic asset mix, as it can be replaced by cash in a short notice.

C.5 Operational risk
Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk includes legal risks, and exclude risks arising from strategic decisions, as well as reputation and integrity risks.

C.6 Other material risks
a. Derivatives
Conservatrix does not have derivatives on her balance sheet. However, in investment funds (Apollo) derivates do exist. Here the currency risk is hedged, using forwards. Each week the hedge is reset, in a way that no currency risk remains at that moment.

b. Reinsurance
Reinsurance has a significant influence on the risk profile.

Most important is the reinsurance agreement with Colorado Bankers Life Insurance Company. Most of the Conservatrix life underwriting risk and a significant part of interest rate risk is now reinsured. The counterparty default risk (see C.4) is mitigated by means of collateral in a trust account.
This reinsurance covers for the cashflows of the DIL and part of the NGP-UL-portfolio, after a retention amount of cashflows. This retention amount of cashflows is yearly adjusted in such way

that the best estimate of the discounted retention does not change due to changes in the EIOPA-interest rate structure including VA and UFR.

A second reinsurance agreement is the reinsurance with Heco Re. The contract with Heco Re covers for pension liabilities for own personnel and for personnel of other former Conservatrix s.a.r.l. group companies. This contract was closed for new build-up from January 1st, 2017. Built-up pensions stay 100% reinsured, including conditional indexation on pensions of inactive and in-payment participants. The counterparty default risk (see C.4) is mitigated by means of collateral in a trust account.

The reinsurance agreement with Swiss Re is terminated per January 1st, 2019. It covered a surplus for mortality and disability and an 80% quota share on term life insurance. Due to the agreement with CBL entered into in 2017, these risks are already mitigated.

c. Other risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against Conservatrix' actual solvency capital position. The most important risks to which Conservatrix' is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (self-assessments of managers) approach. After assessment of the effectiveness of the mitigating measures, the risks with the highest 'Level of Concern' or 'LoC' are translated to the Conservatrix' risk priorities and relevant risk scenarios for the ORSA.

The following risks, outside the scope of the standard formula, are recognized by Conservatrix as being potentially material:

- Inflation risk
- Reputation risk
- Liquidity risk (see C.4)
- Legal environment risk
- Model risk
- Risks arising from non-insurance activities
- Strategic risk
- Integrity risk

As part of the appropriateness assessment of the standard formula mitigating measures regarding these risks are identified and evaluated. For integrity risk a SIRA is performed.

C.7 Any other information

As part of the Agreement concerning the transfer of shares of Conservatrix to Trier Holding B.V. on May 15th, 2017, DNB and Trier Holding B.V. and its shareholders, agreed to recapitalize Conservatrix to 135% and to maintain this solvency ratio as a minimum level. The excess above the 100% solvency capital requirement that is calculated with the standard formula, is assumed to be sufficient to cover both the above-mentioned risks that are not covered in the standard formula as well as the volatility of both the solvency capital requirement and the available solvency capital.

Based on its own analysis Conservatrix envisages the claim risk for investment linked policies (the so-called usury policy risk) to be immaterial. Conservatrix is compliant with the guidelines from AFM. Conservatrix received few complaints from policyholders and those that were escalated to the Kifid never had a verdict against Conservatrix.

D. VALUATION FOR SOLVENCY PURPOSES

Introduction
This chapter of the SFCR contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of Conservatrix. Both for the statutory accounts and for Solvency purposes the assets and liabilities are valued at fair value. Therefore, all differences are presentation difference.

Reconciliation Statutory Balance sheet to Solvency II Balance sheet

In thousands of euros	Statutory Accounts		Presentation difference	Valuation difference	Solvency II Accounts	
Investments						
Investment property		9,300				9,300
Financial investments						
Bonds	158,757		651		159,407	
Mortgages	264,075				264,075	
Other loans	4,791				4,791	
Investment funds	45,732		-15,796		29,936	
Total financial investments		473,355				458,209
Investments risk policyholders		11,557	15,951			27,508
Assets held for unit linked						
Reinsurance recoverables			191,259			191,259
Deferred tax assets		24,611				24,611
Short term receivables						
Reinsurers	751				1,819	
Policyholders	781				781	
Intermediaries	0				0	
Group companies	2,826				2,826	
Other receivables	411				411	
Total short-term receivables		4,769				4,769
Other assets						
Equipment	691				691	
Cash	49,276		-70		49,206	
Total other assets		49,967				49,897
Accrued income						
Accrued interest		651	-651			0
Accrued dividend		156	-156			0
Total Assets		**574,366**	**191,189**	**0**		**765,555**

In thousands of euros	Statutory Accounts		Presentation difference	Valuation difference	Solvency II Accounts	
Total shareholders' funds / Excess Assets over Liabilities		61,674				61,674
Insurance liabilities						
At own risk	683,577				683,577	
At policyholders' risk	8,321				8,321	
Gross insurance liabilities	691,898				691,898	
Reinsurers' share	-191,259		191,259		0	
Net insurance liabilities		500,639				691,898
Long-term liabilities						
Other long-term liabilities	28				28	
Total long-term liabilities		28				28
Short term liabilities						
Reinsurers	1,089				1,089	
Intermediaries	175				175	
Tax and social security contributions	8,678				8,678	
Other liabilities	1,658		-70		1,588	
Total short-term liabilities		12,025				11,955
Total Equity and Liabilities		**574,366**	**186,703**	**0**		**765,555**

D.1 Assets

Both for the statutory accounts and for Solvency purposes the assets are valued at fair value.

a. Fair value hierarchy

Financial assets and liabilities are categorized into the following fair value hierarchy.
Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Conservatrix uses brokers' quotes.

Published prices in active markets ('Level 1')

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

Measurement method based on significant observable market inputs ('Level 2')

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

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

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured

using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs ('Level 3')

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

b. Investment property

Investment property is held for long-term rental yields and is not occupied by Conservatrix. Investment property is measured at fair value, which is supported by market evidence, as assessed by a qualified external appraiser. This appraiser quote is challenged once a year by obtaining quotes from other appraisers as well. Changes in the fair value are recognized in the shareholders' funds within the other reserve. Investment property is presented under level 2.

c. Equipment

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

d. Bonds

Bonds are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described above. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the shareholder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement. When the fair value is below cost price, the revaluation is accounted for in the income statement in the period in which the value change occurs. Quoted bonds in active markets are measured at fair value level 1, unquoted are measured at fair value level 2.

e. Other loans

Private Loans are measured at fair value whereas discounted cash flows are calculated against the interest rate associated with the duration of that cash flow. This includes the use of an index and credit profile of comparable investments for each individual loan. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the shareholder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve into the income statement. When the fair value is below cost price, the revaluation is accounted for in the income statement in the period in which the value change occurs. This method is measured at fair value level 3.

f. Investment funds

Investment funds are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described above. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the share holder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement. When the fair value is below cost price, the revaluation is accounted for in the income statement in the period in which the value change occurs. Quoted investment funds in active markets are measured at fair value level 1. Investment funds that are not quoted in active market, but for which a valuation policy is in place to provide an objective, consistent and transparent basis for estimating the fair value of the investments held in the fund, are measured at the value provided by the fund in accordance to that policy.

g. Investments at policyholders' risk

Investments at policyholders' risk are equity securities and participations in investments institutes. For participations in these investment institutions these are required to be calculated against the last known price; these participations are listed on the stock exchange as common and preferred stocks. Changes in the fair value of investments at policyholders' risk are measured and classified at fair value through profit and loss.

h. Mortgages

Mortgages are recognized at fair value for which mortgages are divided between residential mortgages and commercial mortgages. The valuation of mortgages is done by a third party. The revaluation of the mortgages is recognized through share holder's funds within the other reserve.

i. Receivables and other financial assets

Receivables and other Financial assets are initially valued against fair value and are subsequently valued at amortized costs. (Discount) premium and the directly attributable transaction costs are included at first recognition. A provision is created in case debtors have financial difficulties on an individual basis. Receivables related to reinsurance contracts are short- and long-term receivables on reinsurance companies. These receivables are depended on the expected claims from the reinsurance contracts. The valuation is based on the same assumptions as for the gross technical provisions it corresponds with the individual agreements with the reinsurance company.

j. Cash

Cash is directly available funds at banks. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash are measured against fair value Level 1.

k. Cash equivalents

Cash equivalents are measured at the nominal value including accrued interest. Types of Securities are Treasury bills; agency discount notes; insured certificates of deposit and money market funds. The carrying value of cash equivalents is regarded as a good approximation of the fair value, as these assets are of short-term nature. Cash equivalents are measured against fair value Level 1.

l. Provisions for deferred taxes

Provisions for deferred taxes concern the tax claim that rests on all qualifying differences between commercial valuations and valuations for tax purposes of assets and liabilities, as well as the amount for which the reserves permitted for tax purposes have been created.
The provisions are created in relation to a lower valuation for tax purposes of equities, bonds, loans, and immovable property. The provision is calculated on the difference between the tax and commercial value of the asset multiplied by the rate of 20.5% which is applicable from 2021 onwards.

D.2 Technical Provisions

Both for the statutory accounts and for Solvency II purposes the liabilities are valued at fair value. Provisions are created for concrete or specific risks and obligations existing on the balance sheet date, whose magnitude is uncertain, but which can be reasonably estimated.

The technical provision for insurance liabilities as well as the reinsurance recoverable are calculated on the basis of the Solvency II principles.
The interest rate used for this purpose is based on the interest rate structure published by the regulatory authority EIOPA, adjusted for volatility (VA).

The technical provision is the sum of the best estimate and the risk margin.

The best estimate is the expected value equal to the present value of the future payments plus the future costs of the insurances minus the gross premiums, on the basis of best estimate assumptions. This includes the expected time value for options and guarantees (TVOG).

The risk margin is intended to ensure a failing insurer can transfer its liabilities to a third party if needed. It is based upon the calculated solvency capital requirement on the basis of the risks quantified for the company.

Insurance liabilities	**2018**	**2017**
At January 1	**703,122**	**723,053**
Addition	-11,224	-19,931
Gross technical provisions	**691,898**	**703,122**
Reinsurers’ share	-191,259	-186,759
At December 31	**500,639**	**516,363**

Insurance liabilities	**2018**	**2017**
Best Estimate	490,558	506,548
Risk margin	10,081	9,815
At December 31	**500,639**	**516,363**

	2018 (detail)	2018	2017 (detail)	2017
Best estimate at January 1		**506,548**		**662,456**
Reinsurers’ share		186,759		36,650
Best estimate at January 1		**693,307**		**699,106**
Change model primo		-602		2,549
Roll forward existing portfolio		-22,856		-10,654
Best estimate at December 31		**669,849**		**691,001**
Variance non-economical		-2,445		-2,346
Death	279		2,107	
Lapse	1,155		-7,673	
Expenses	10,251		7,517	
Adjustment non-economical assumptions		11,685		1,951
Inflation curve	-1,765		92	
Interest	4,494		2,609	
Variance economical		2,729		2,701
Best estimate at December 31		**681,818**		**693,307**
Reinsurers’ share		-191,259		-186,759
Best estimate at December 31		**490,558**		**506,548**

a. Reinsurance

The reinsurance recoverable at Heco Re is equal to the best estimate for the insured pensions amounts at PEP, as far as these amounts are built-up before January 1st, 2017.

b. Assumptions

The best estimate assumptions can be split into economic and non-economic assumptions.

Economic assumptions

The assumptions for interest rate, inflation, profit sharing, accrual on universal life and LAC DT are named economic assumptions.

Interest rate and inflation

For the calculation of the best estimate the risk-free interest rate structure is used. This interest structure contains a Credit Risk Adjustment (CRA), a Volatility Adjustment (VA) and the Ultimate Forward Rate (UFR) and is delivered by EIOPA each end of month. For the calculation of the risk margin the same interest rate structure but without VA is used.

The inflation curve, used to calculate the solvency capital requirement for expenses, is based upon the price of several European inflation linked swaps, and is taken from Bloomberg each quarter.

Profit sharing and accrual on savings

Accrual on savings for the universal life portfolio NGP is based upon the returns on the existing mortgage portfolio present on our balance sheet and the returns on future mortgage sellings of 5% of the mortgage portfolio. This portfolio has a guarantee on savings, based upon fixed interest rates. Therefor the calculation of a TVOG is performed: stochastic runs based upon swap rates with UFR and economic scenario's generated (for explanation see hereafter) and supplied by Triple-A Risk Finance with a model calibrated in such way that it is in line with the market conditions. New mortgages have an assumed prepayment rate of 5%. The TVOG is then the average present value of the estimated cashflows for all scenarios minus the present value of the best estimate cashflows of the deterministic scenario. The best estimate cash flows take into account the coupon on the existing mortgage portfolio and the coupon on future mortgages sellings using economic scenarios.

The "return variant" insurances have 26bp lower returns than the "interest variant" described above because costs concerning the administration of mortgages are deducted.

Accrual on Unit Linked, with investments for the risk of policyholders, is calculated using a curve equal to the interest rate structure.

On the traditional insurance portfolio profit sharing can be applicable. The development of the profit sharing is equal to the fictional returns on NGP. Guarantees can be given.

Economic scenario generator

The used calibration interest rate structure is the Zero swap curve. The projection interest rate structure is the EIOPA curve including VA. For sensitivities the Solvency II up and down shock are used. The number of scenarios is 1.000. In the first quarter of 2018 5.000 scenarios were used with 41 seeds to investigate the sensitivity of the number of scenarios. An overestimation was found, reason to use a factor of 0.83 on the outcomes. At end-of-year 2018 the overestimation was reassessed and confirmed. Steps per year is set at 12, the horizon is set at 100 years and 31 seeds are used.

For generating the future interest rates, the G2++ model is used. The G2++ model parameters are calibrated with the use of the swap curve and swaption prices. Thereafter, for the projection the swap curve is changed by the EIOPA curve including VA. The assumption is hereby made that the (non-existing) swaption prices based upon the EIOPA curve including VA contain the same volatilities as swaptions based upon the swap curve.

The EIOPA curve including VA, as well as the upside and downside shocked EIOPA curves including VA, are published by EIOPA. The other necessary information is taken from Bloomberg.

LAC DT
The loss absorbing capacity of deferred taxes (LAC DT) is set at 10%, which is lower than the maximum value of 25%. The substantiation is separately modelled, using the 2017YE figures and taking into account the decline of the tax level in the upcoming years. This model predicts the future profits and losses, based upon expected spreads and given run-off of the gross DTA and gross DTL, and applies loss carry back and loss carry forward. The results show that at first in the future the expected profits more than cover for the net deferred tax assets present. Secondly, a loss equal to the size of the SCR, with the composition adjusted to remove the diversification-effect, is largely covered by future profits. Although a higher level of LAC DT was possible, sensitivity analyses showed that a lower value should be used.

Non-economic assumptions
The non-economic assumptions consist of mortality rates, lapses and costs.

Mortality rates
The mortality rates in use have as basis the most recent published prognosis table of the Royal Actuarial Society, (Actuarieel Genootschap, AG), now being AG2018 from September 2018 replacing AG2016.

On top of this table experience rating is used. Only the traditional portfolio is large enough to analyse. For smaller portfolios the federation of insurance companies (Verbond van Verzekeraars, VvV) was contacted. They provided the ES-L2 experience rates for annuities and ES-P2 for pensions.

For traditional insurance experience factor for male of 97% and for female of 92% are used. The substantiation of these factors was done in 2018, using realised decease of the last five years. Until then the factors were 100%.
For universal life NGP and unit linked (not pensions) since 2015 an experience factor of 80% is used. This factor is based upon an investigation done by Triple-A Risk Finance, which showed that an experience factor of 65% up to 85%.
For sum-assurance in commercial pensions also the experience factor of 80% is used.
For Immediate annuities (DIL) the ES-L2 experience rates are used, and for the Pension own employees (PEP) ES-P2 experience rates.
For the HUVA-portfolio, funeral insurance reinsured with us, instead of experience rates an age correction of +4 applies.

Lapses
On traditional insurance, immediate annuities, PEP and HUVA no lapse is assumed. For universal life NGP with regular premiums the lapse is set on 4.4% for NGP original and 5.9% for NGP converted, as from second policy year. Both percentages are based upon yearly performed experience analysis. For NGP single premium a lapse rate of 1% is used. For commercial pensions an age dependent table with lapse rates is sued, which was elaborated in 2014.
Note that since 2015 no insurance is sold, but new participant on existing commercial pension insurance are still possible.

Costs
The performed calculations showed that these costs, yearly increased with inflation, are sufficient to be able to run-off the current portfolio. Therefore, the results of this investigation are used for the expected future costs.

c. Data

As part of the actuarial function for Conservatrix, Triple A – Risk Finance B.V. has assessed the quality of the data used to calculate the technical provisions. This assessment is based on article 48, paragraph 1 part c of the Solvency II Guideline (2009/138/EG). In line with this article, data is deemed of good quality if it is:

- Complete;
- Correct;
- Reliable.

d. Homogeneous risk groups

The insurance portfolio is split into several risk groups:

- Direct annuities almost fully reinsured at Colorado Bankers Life Insurance Company
- Traditional: funeral insurance
- Traditional: endowments and pure endowments
- HUVA, a reinsurance portfolio of funeral insurance.
- PEP, group pensions for the former companies of Conservatrix s.a.r.l., mainly reinsured at Heco Re
- NGP universal life, for a large part reinsured at Colorado Bankers Life Insurance Company
- Unit-Linked with investments for the risk of policy holders.
- Term Insurance

Direct annuities, NGP and PEP are split in a reinsured part and a non-reinsured part. The (present value of the) projected cashflows are calculated in total for each group and separate for the reinsured part of the group. The difference between both is for our risk.
Traditional and Unit-Linked are split into whether or not guarantees are given. These are separate groups.
In our Prophet models, the groups can be split further into single life and joint life, but the results are accumulated before further use in reporting.

e. Contract boundaries

For the contract boundaries, applied in the valuation of technical provisions, the end dates of the active contract are used, without considering renewal options. For the corporate pensions under sum-assurance, no renewals are effected. The contracts which reached the end date are ended, and the option of transferring the build-up sums is executed on the request of the employer.

f. Options and guarantees

Mainly on universal life NGP, but also on traditional insurances, guarantees are given.

For NGP, the accrual is based upon the average coupon on the mortgages, as written in chapter C. The guarantee is a certain percentage, of 3.5%, 4% or even 5%. The insured amount increases with the coupon, but when at lapse or at expiry the guaranteed capital is higher, then the guaranteed capital is paid out. The guarantee at lapse is lower than the guarantee at expiry. For the estimation,

all three capitals are run forward, based upon different scenarios for development of the average coupon.

On a part of the traditional insurance portfolio, profit sharing is applicable. This is based upon the same average coupon as for NGP. When the average coupon exceeds the tariffs interest rate plus a small margin, then the insured amount is increased.

The TVOG for traditional business is kept equal. The last time this was calculated was in 2014. Since then, the TVOG for NGP declined, but for reason of prudence this decline is not translated to the TVOG for traditional business. The profit sharing in both cases is based upon the average mortgage rate on mortgages at our balance sheet.

g. Long term measurements

As written before, the provisions for insurance liabilities are calculated using the EIOPA curve including VA. To assess the impact of the long-term measurements, the technical provisions, own funds and SCR are also calculated using the EIOA curve without VA, and again using the curve without VA and without UFR, as published by DNB. In both cases the risk margin is calculated using the same curve.

In 2018, investigation showed that using the curve without VA leads to more volatility in results and led to the conclusion the volatility in assets of Conservatrix do not differ much from the volatility in assets used to calibrate the VA.

Although the DNB curve without VA and UFR underestimates the future risk-free returns, the variant is calculated to show a more severe present value of insurance liabilities.

The effect of using different curves.

Interest rate structure	EIOPA	EIOPA	DNB
UFR	Yes, 4.05%	Yes, 4.05%	No
VA	Yes, 24 bp	No	No
Gross technical provisions	691.9 million	712.2 million	741.3 million
Reinsurance recoverables	186.8 million	206.9 million	217.5 million
Eligible own funds	41.2 million	36.9 million	18.7 million
SCR	27.9 million	29.0 million	29.9 million
Solvency ratio	148%	127%	63%

D.3 Other Liabilities

a. Long-term liabilities

The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.a This category is subject to the same valuation as the asset category Cash and Cash equivalents.

b. Short-term liabilities

Insurance and Intermediaries payables

The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.a This category is subject to the same valuation as the asset category Cash and Cash equivalents.

Trade payables (non-insurance)
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.a This category is subject to the same valuation as the asset category receivables.

Contingent liabilities are defined as:

- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are recognized on the balance sheet if there is a probability of >50% that the contingent liability leads to an ‘outflow of resources’. These liabilities are also recognized on the Solvency II balance sheet. Solvency II prescribes that all contingent liabilities be recognized on the Solvency II balance sheet. This covers cases where the amount cannot be measured reliably or when the probability is <50%. For these cases, a regular process is in place to determine whether contingent liabilities should be recognized on the Solvency II balance sheet.

D.4 Alternative methods for valuation

Not applicable. Conservatrix does not apply alternative methods for valuation.

D.5 Any other information

Other material information about valuation does not apply.

E. CAPITAL MANAGEMENT

Introduction
This chapter of the SFCR contains information on the capital management of Conservatrix, including Solvency II Own Funds and Conservatrix's Minimum Capital Requirement ('MCR').
The solvency ratio changed from 188% at year-start to 148% at year-end. At one hand the own funds decreased, on the other hand the Solvency Capital Requirement (SCR) increased.

E.1 Own Funds

The own funds at year-end and as expected in the near future are large enough to cover both SCR and MCR. In the next years there are no distributions to shareholders.

a. Year-end

Last year the amount of own funds changed with € 74.2 million to € 61.7 million. The table below shows the distribution into the different tiers.

In thousands of euros	**Year-end**	**Year-start**
Own funds	61,674	74,240
Tier 1 unrestricted	37,064	43,897
Tier 1 restricted	0	0
Tier 2 basic own funds	0	0
Tier 2 ancillary own funds	0	0
Tier 3	24,611	30,343
Total available own funds	**61,674**	**74,240**
Eligible own funds for SCR	**41,255**	**47,700**
Eligible own funds for MCR	**37,064**	**43,897**

The eligible own funds for SCR and MCR differ from the total own funds and from each other due to limits for the use of Tier 2 and Tier 3 in these eligible own funds. For the SCR at least 50% must be Tier 1, and within Tier 1 at least 80% must be unrestricted. Also, for the SCR no more than 15% may be Tier 3. For the MCR at least 80% must be Tier 1, and no Tier 2 ancillary own funds or Tier 3 are allowed.

Conservatrix has no capital that qualifies as Tier 2.

Tier 3 consists of the net deferred tax assets. During the financial year the percentage used to calculate the deferred tax asset of € 33.6 million and deferred tax liability of € 9.0 million is equal to 20.5%. The decrease in tax rate to 22.55% in 2020 and 20.50% in 2021 is taken into account, following Dutch regulations.

b. Expectations

In the ORSA predictions for the upcoming years are made. The ORSA shows that the eligible own funds will be enough to cover for the SCR and MCR in a base scenario. The analysis of different stress scenarios in the ORSA shows that when limits are breached, the possible measures will be suitable to recover within the time frame given by the Solvency II directive.
In addition to this, there is a recapitalization commitment from direct and indirect shareholders to replenish any shortfall in the SCR ratio.

c. Distributions to shareholders

Conservatrix does not provide dividend to the Shareholder for the first ten years after take-over. This period ends at May 15th, 2027. After this period, Conservatrix internal Capital Policy applies. The Capital policy does not allow for dividend payments to lower the own funds to a level that the solvency ratio breaches the internal limit of 150%.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR is the capital required to ensure that the insurance company will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. In addition to the SCR capital an MCR must be calculated which represents the threshold below which the national supervisor (regulator) would intervene. The MCR is intended to correspond to an 85% probability of adequacy over a one-year period and is bounded between 25% and 45% of the SCR.

In chapter C the risk profile is given, with the applicable amounts for SCR sub-risks.

The SCR is calculated using the standard formulas given by the Solvency II regulations, in the delegated acts. In the ORSA report, chapter 5, the appropriateness of using the Standard Model is indicated.

a. Year-end

The SCR changed from € 25.3 million to € 27.9 million.
The different sub-risks are declared in chapter C. Therefor only a minor resume is given here.

In thousands of euros	**2018**		**2017**	
Own funds		61,674		74,240
Tier 1		37,063		43,897
Tier 2		0		0
Tier 3		24,611		30,343
Total available own funds		**61,674**		**74,240**
Eligible own funds		**41,255**		**47,700**
Solvency capital required				
Market risk	14,740		10,116	
Counterparty risk	12,777		15,692	
Life underwriting risk	12,107		11,767	
Diversification	-11,555		-10,775	
BSCR		28,068		26,800
Operational risk		2,981		3,029
LACDT		-3,105		-4,475
Total solvency capital required		**27,943**		**25,354**
Minimum capital required		12,575		11,410
Solvency II ratio		148%		188%
Solvency II ratio internal minimum target level		135%		135%

b. Expectations

In the ORSA predictions for the upcoming years are made. The ORSA shows that the solvency ratio will not breach the 135% limit in a base scenario. The analysis of different stress show that, when limits are breached, the possible measures will be suitable to recover within the time frame given by the Solvency II directive.

In the ORSA base scenario the solvency ratio year-end was predicted at 154%. In reality this is 148%. The € 8.4 million higher liabilities higher and the € 6.9 million higher assets as well as in the asset mix and the timing of investments caused the lower solvency ratio.

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

Conservatrix uses the standard equity sub-module in calculation of the SCR. In the strategic asset mix equity is set at zero. Equity present is due to the investments in fixed income funds or high yield funds, wherein some investments classify as equity.

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

Conservatrix calculates the SCR and MCR using the Standard Formula. Conservatrix does not fully or partially use an internal model for the calculation of its SCR nor MCR.

E.5 Non-compliance with the MCR and non-compliance with the SCR

Conservatrix is compliant with both SCR and MCR. The Mid Term Plan shows that Conservatrix will stay compliant. If by any reason a stress situation appears and non-compliance with SCR or MCR arises, then the executive board will decide to carry out one or more measures as described in the capital policy. As our internal limits are set at 150%, 135%, 120% and 110%, and with the weekly proxy of the solvency ratio, measures will already be taken before non-compliance is reached.

E.6 Any other information

Fiscal unity

For corporate income tax purposes, until December 29, 2015, Conservatrix N.V. was part of the fiscal unity Conservatrix Groep B.V. From December 30, 2015 onwards, Conservatrix N.V. was part of the Nuvema N.V. tax group, until this fiscal unity was broken-up as a result of the transfer dated 15 May 2017. Since then, Conservatrix forms a fiscal unity with Trier Holding B.V.

Conservatrix has determined its fiscal position per transfer date based on best efforts, taking into account the advice from tax specialists and lawyers. When the Conservatrix shares were transferred, no agreements concluded about how to handle the tax positions. For tax purposes Conservatrix applies the Decree profit determination and technical reserves insurance companies 2001 (BWRV) and determines its technical provisions based on historical tariff rates. Conservatrix considers this a consistent approach, in line with Dutch legislation.

However, the former fiscal unity filed a request with the Dutch Tax authorities to change the tax base of the technical provisions, which would lead to an additional tax loss. Management considers this change to be incorrect and unlawful. In the unlikely event that the Dutch Tax authorities agree with this contra legal approach, this would have an effect on the realization of a part of the deferred tax assets as included in the 2018 financial statements for an amount of € 24.6 million. Management considers this risk as “remote”.

In addition, there is uncertainty about the tax treatment of the reinsurance construction with HECO including the deductibility of the paid reinsurance premiums to HECO during the existence of the old

Nuvema NV fiscal unity. It is uncertain whether and what impact this will have on the tax position. Currently no more premiums are being paid to HECO.

Pursuant to the Collection of State Taxes Act, Conservatrix and the other entities of the old fiscal unity with Nuvema N.V. are severally and jointly liable for the tax payable by the combination until May 15, 2017.

Current tax position is recognised in the intercompany position with Trier Holding BV. Tax losses are carried forward to a maximum of six years. The tax loss of the fiscal unity Trier is expected to be compensated within the available time frame. A provision for compensable taxable losses is therefore valuated at nil. Compensable losses are recognised at an amount of € 16,1 million.

Except for the intercompany position with Trier Holding BV. no loans are provided to affiliates.

Off-balance sheet commitments
Bank guarantees have been issued for the total amount of € 0.1 million (2017: € 0.4 million). This commitment has a duration between one and five years. Conservatrix has a non-cancellable office rental agreement of yearly € 0.2 million until August 2022.

Events after the balance sheet date
There were no significant events after the balance sheet date.