Baloise Life (Liechtenstein) AG

Solvency and Financial Condition Report

2016

Version 1.0

May 18, 2017

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CEO

Peter ZUTTER
President Board of Directors

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List of abbreviations

ALCO-RICO	Asset Liability and Risk Committee
AOF	Ancillary Own Funds
BOF	Basic Own Funds
CFO	Chief Financial Officer
ELC	Entity Level Control
EPIFP	Expected profits included in future premiums
FMA	Finanzmarktaufsicht Liechtenstein
GLWB	Guaranteed Lifetime Withdrawal Benefits
GMWB	Guaranteed Minimum Withdrawal Benefits
ICS	Internal Control System
IIA	Institute of Internal Auditing
ITGC	IT General Control
ORSA	Own Risk and Solvency Assessment
PGR	Local Liechtenstein accounting guidelines
PPP	Prudent Person Principle
SCR	Solvency Capital Requirement
SIIA	Swiss Institute of Internal Auditing
SST	Swiss Solvency Test
Undertaking	Baloise Life (Liechtenstein) AG
VA	Variable Annuities
VAT	Value Added Tax
VersAG	Liechtenstein Insurance Law
VersAV	Liechtenstein Insurance Ordinance
VLV	Investment-linked products

I. Executive Summary

I.1 Introduction

Baloise Life (Liechtenstein) AG is a life insurance company, part of, and strongly embedded in the Baloise Group (owned by Bâloise Holding Ltd, Switzerland, a Swiss based financial services provider, which offers insurance and pension solutions).

The purpose of this report is to satisfy the public disclosure requirements under the "Gesetz vom 12. Juni 2015 betreffend die Aufsicht über Versicherungsunternehmen (Versicherungsaufsichtsgesetz; VersAG)" including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure. The elements of the disclosure relate to business & performance, system of governance, risk profile, solvency valuation and capital management.

I.2 Highlights 2016

2016 was a successful year for Baloise Life (Liechtenstein) AG. We realised strong new business reflecting the customer trust in our products and services. Whilst this growth was achieved in the existing core markets, we also completed the development of a new product, SwissLIFE, for Switzerland, which will broaden our offering. In this way, a new unit-link product is offered on the Swiss market.

In more general terms, 2016 was significantly affected by uncertainty after the "Brexit" vote and the US presidential elections.

Despite the resulting market volatility and historically low interest rates, Baloise Life (Liechtenstein) AG holds a strong capital position of 142.8% of eligible to required capital. The capital position is reported for the first time under the supervisory regime of "Solvency II" which came into effect on 1.1.2016 and concluded one large effort to implement regulatory requirements to the insurance sector.

I.3 Business and Performance

Despite difficult conditions profitability has been achieved.

Baloise Life (Liechtenstein) AG is a limited company that is a wholly-owned subsidiary of Bâloise Holding Ltd in Basel, Switzerland. It is supervised by the Financial Market Authority (FMA) of Liechtenstein.

Baloise Life (Liechtenstein) AG offers life insurance products in two segments: Asset-linked life insurance, predominantly for High Net Worth Individuals and open to new business, as well as Variable Annuities, managed in a run-off portfolio.

In 2016, Baloise Life (Liechtenstein) AG was able to generate a profit despite challenging economic conditions. The presented figures were calculated under the LocalGAAP requirements. In the Chapter "Business and Performance", the results under Solvency II requirements are also presented and discussed.

in '000 CHF	2016
Premiums written	354,526.1
Annual Profit	595.8
Assets held for unit-linked funds	2,853,901.4
Technical provisions – index-linked and unit-linked	2,847,364.2

The strong capital position Baloise Life (Liechtenstein) AG is supported by strong operating performance, which is visible in the 2016 financial year result as well. The 2016 local-GAAP result increased to CHF 595.8 thousand despite of additional expense for mandatory external audit due to the implementation of the Solvency II requirements.

I.4 System of Governance

We practice sound, responsible corporate governance

As a company that adds value, Baloise Life (Liechtenstein) AG has always attached great importance to practicing sound, responsible corporate governance and continues this tradition today.

The system of governance in place at Baloise Life (Liechtenstein) AG is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel such as the adequacy of key functions implemented according to Solvency II regulation.

I.5 Risk Profile

All material risks are identified, assessed and managed.

All risks as defined in the Baloise risk map are assessed on a regular basis by taking into account risk mitigating measures in place. In a first step risks are assessed in a bottom-up process by the functional department responsibles (risk owner and risk controller). In a second step the assessments are aggregated at company level.

I.6 Valuation for Solvency purposes

Valuation principles and results are presented under both the Solvency II and local accounting guidelines (Local GAAP). Significant differences between these frameworks are documented. This not only comprises differences in valuation principles, but also differences in recognition and/or in classification of certain assets and liabilities.

S.02.01 Balance Sheet - Local GAAP and Solvency II Valuation

			2016.12
	Solvency II	LocalGAAP	Difference
CHF '000			
Total assets	2,976,263.1	2,927,927.4	48,335.7
Total liabilities	2,925,775.9	2,916,076.2	9,699.7
Excess of assets over liabilities	50,487.2	11,851.2	38,636.0

I.7 Capital Management

Despite of a difficult market environment Solvency II quotas are at a high level

Despite the difficult market environment the undertaking's Solvency II quota was reported at a good level of 142.8% at the end of 2016. The legal requirement to hold sufficient own funds to cover the solvency capital requirement has therefore been fulfilled. It should be precise that no volatility adjustment is used to compute the SII quota.

Solvency position	2016.12
CHF '000	
Total available own funds to meet the SCR	50,487.17
Solvency Capital Requirement	35,348.37
Ratio of Eligible Own Funds to Solvency Capital Requirement	**142.8%**

II. Business and performance

II.1 Business

II.1.1 General information

Baloise Life (Liechtenstein) AG (hereafter referred to as "BLL") with headquarters at Alte Landstrasse 6, 9496 Balzers, Liechtenstein, (www.baloise-life.com) is a limited company that is a wholly-owned subsidiary (100%) of Bâloise Holding Ltd in Basel, Switzerland, which is also the ultimate holding company.

BLL is supervised by the Financial Market Authority (FMA) of Liechtenstein

Financial Market Authority Liechtenstein

Landstrasse 109

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9490 Vaduz

Liechtenstein

Telephone +423 236 73 73

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E-Mail info@fma-li.li

and, as of 2016, has mandated Ernst & Young as its external auditor

Ernst & Young (Switzerland) AG

Aeschengraben 9

4002 Basel

Switzerland

Telephone: +41 58 286 8686

Fax: +41 58 286 8600

BLL does not own and does not participate in subsidiaries of its own.

II.1.2 Significant business and geographical coverage

Main business lines and geographical areas

BLL is a life insurance company under Liechtenstein law. BLL provides life insurance products under the freedom of services provisions in Austria, Italy, Belgium, Germany and Switzerland.

The portfolio consists of Variable Annuity (hereafter referred to as "VA") and Investment-linked (hereafter referred to as "VLV") products.

Between 2008 and 2013 Baloise Life developed and offered single premium Variable Annuity products in Switzerland, Germany, Austria and Italy. A Variable Annuity as offered by BLL is a combination of a unit linked investment with a guarantee of minimum periodic payments for a specified period or during the entire life. Policyholders have the ability to invest and benefit from various markets through the underlying investment fund, which can result in potentially higher, but variable, returns. BLL provides the guarantee to maintain the minimum payments even in case of unfavourable market conditions. Guaranteed payments during the entire life span are referred to as “Guaranteed Lifetime Withdrawal Benefits” (GLWB), while guaranteed amounts for a specific time span are referred to as “Guaranteed Minimum Withdrawal Benefits” (GMWB). Between late 2012 and the spring of 2013, BLL set the entire VA product line into run off.

The investment-linked business is open to new business and is developed in close collaboration with Baloise Luxembourg. BLL's current active markets are Germany, Austria and Italy, with Italy being the dominant market. The target audience for BLL's products are affluent, high net worth and ultra-high net worth individuals. Investment-linked products combine an investment component with certain additional minimum deaths benefits. The investment component allows customers to define their personal risk appetite and strategy to invest in bankable assets accordingly. In VLV products, all financial risk is borne by the customer. The death coverage is guaranteed by BLL and allows the customer to tap into the benefits of a life insurance policy. To maximize the clients' benefits, BLL has developed individual products for each market it operates in.

Significant business or other events

There have been no significant business events in 2016.

On the regulatory side, 2016 marked the start of the new European Solvency II-regulation and preparations for the regulation concerning "Markets in Financial Instruments Directive II" (commonly referred to as MiFID2), "Packaged Retail and Insurance-based Investment Products" (PRIIPs) and the "European Market Infrastructure Regulation" (EMIR).

II.2 Performance of underwriting activities

All numbers in this subsection stem from the local GAAP financial statements of BLL, unless otherwise stated. BLL prepares its financial statements according to the Liechtenstein Code of Commerce (Personen- und Gesellschaftsrecht, PGR).

BLL splits its overall financial performance according to PGR into underwriting and investment performance. The investment performance comprises of the net result of the returns from investments held on account of customers and the company on the one hand and all related financing expenses, including in particular the effect of unit linked asset performance on the total liability towards policyholders. By design of its products, the net contribution to the overall investment return for Baloise Life (Liechtenstein) AG is zero in any period, because all investment performance is fully borne by the policyholders. The underwriting component comprises all other aspects, including in particular providing and hedging the guarantee in VA products, as well as, providing mortality and longevity coverage, running the operation and writing new business.

The overall net result of 2016 was CHF 597.2 thousand. This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported. Thus, the focus in this report is to comment on the 2016 performance itself.

II.2.1 Underwriting performance against prior reporting period

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

The overall underwriting performance was CHF 597.2 thousand. This is the net position of Premium and Fee income of CHF 358,758.3 thousand of which CHF −7,941.8 thousand were used to reinsure certain guarantees provided by Baloise Life (Liechtenstein) AG. BLL also paid CHF −171,290.8 thousand as benefits to the policyholders and increased the reserves for future policyholder benefits by CHF −170,896.8 thousand. After accounting for various administration and acquisition expenses of CHF −7,980.3 thousand, an income tax of CHF −51.5 thousand was due.

II.3 Performance from investment activities

II.3.1 Review of current and prior period investment income and expenses

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Overview of the investment performance as per financial statements

The net investment performance of Baloise Life (Liechtenstein) AG in 2016 amounted to CHF −1.3 thousand. The negative return is mostly the result of negative interest rates on CHF account balances.

II.4 Performance of other activities

There are no activities of Baloise Life (Liechtenstein) AG which have not been reported in any of the previous subsections. Thus, this section is not applicable.

II.4.1 Review of current period and prior period other income and expenses

Not applicable to Baloise Life (Liechtenstein) AG.

II.5 Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

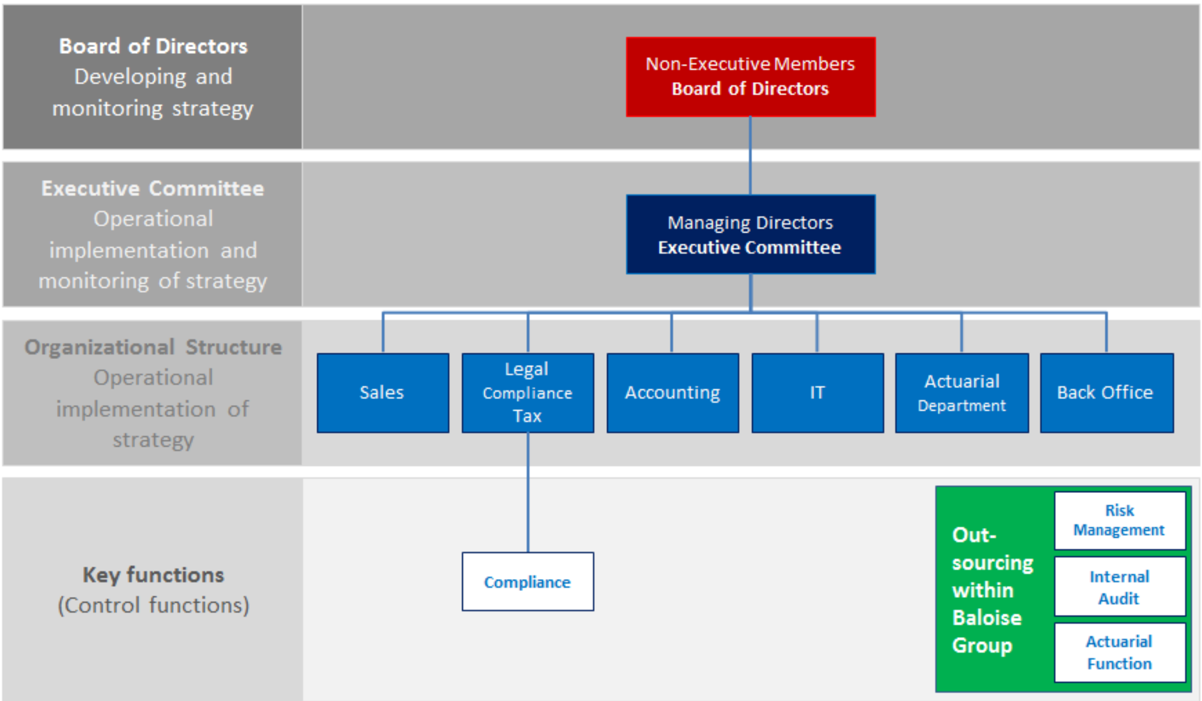
III. System of Governance

III.1 General information on the system of governance

III.1.1 Governance structure: overview and main changes

Good management is of great importance to Baloise Group and therefore also for the Liechtenstein subsidiary Baloise Life (Liechtenstein) AG. As a result the undertaking continuously challenges the appropriateness of its corporate governance.

The governance structure of Baloise Life (Liechtenstein) AG is illustrated in the chart below.



The responsibility of each function is described below

- The Board of Directors is responsible for defining general strategy and supervising the activities of the Executive Committee, as well as designating the members of that Committee and revoking them;

- The Executive Committee consists of two members and is responsible for managing the undertaking's insurance activities and thereby implementing the strategy as determined by the Board of Directors. The executive committee is responsible for the framework set up necessary for the implementation of the strategy.

- Baloise Life's Organizational Structure is divided into teams that implement the strategy in day to day business, including the necessary controls, documentations and fulfilling regulatory requirements.

- As key functions, the risk management function, actuarial function, compliance function and internal audit function carry out oversight responsibilities. Compliance is the only function that is part of the internal organization structure. The risk management, actuarial function and internal audit function are outsourced within the group, therefore assuring independency from the operational business through the direct access to the executive committee and board of directors.

In accordance with the legislation relating to the supervision of insurance companies prevailing in Liechtenstein, the company has a two-tier Board system with a clear division of responsibility between the two statutory governing bodies as stated Art. 344 Abs. 2 PGR in conjunction with Art. 13 Abs. 2 Bst. f VersAG.

Board of Directors

Composition of the Board of Directors

The Board of Directors consists of Non-Executive Directors that are selected for a renewable term of one year.

Non-Executive Directors have collective knowledge of all important company activities and are required to be individually sufficiently qualified and as a group have the necessary knowledge to perform their supervisory task.

Functioning of the Board of Directors

Board of Directors meetings

The Board of Directors meets at least three times a year. Additional meetings can be requested by the chairman or the Executive Committee at any time if it is required in the interests of the company. For each meeting, minutes covering all aspects of the discussion are prepared.

Main roles and responsibilities of the Board of Directors

The Board of Directors is responsible for the following tasks.

- Determination of the general policy and strategy, goals and values of the undertaking based on the overall objectives of Baloise Group;
- The approval and regular evaluation of the policy structure, the organization, internal controls and independent control functions of the undertaking;
- Regularly checking whether the undertaking has effective internal controls with respect to the financial reporting;
- The approval and regular evaluation of the risk management framework and strategy of the undertaking with respect to
    - Commercial policy and structure
    - Risk profile, policy and management

- Capital adequacy
- Outsourcing
- Integrity and acceptation policy
- Conflicts of interest

• Supervision of management;

• Taking notice of the important findings of independent control functions of the undertaking, of the Statutory Auditor, or FMA, or of specialized committees set up by the Board;

Decisions are taken by absolute majority of all members.

Main changes related to the Board of Directors

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

In 2016, there were no changes of member in the Board of Directors.

Board level Committees

Composition of the Board Committees

The Board of Directors can set up, when appropriate, specialized committees for advice. In such case, the Board of Directors approves internal guidance covering the role, composition and functioning for each committee.

For Baloise Life (Liechtenstein) AG no committees were put in place during the reporting period.

Executive Committee

Composition

The undertaking's Executive Committee has two managing directors, the Chief Executive Officer, Mrs. Angela Matthes, and the Head of Sales, Mr. David Moser Members are loyal to the decisions taken in the Executive Committee irrespective of their specific domains.

Every member of the Executive Committee has the necessary competences, knowledge and experience in all important activities of the undertaking, specifically with respect to the subjects under their direct responsibility.

Functioning of the Executive Committee

The Executive Committee normally meets weekly. Minutes are taken.

Roles and responsibilities of Executive Committees

The Executive Committee has the following tasks

- Taking the lead with respect to the current activities of the undertaking and the development of future business activities;
- Supervision of the reporting, the line management and the compliance towards dedicated tasks and responsibilities;
- Providing proposals and advice to the Board with respect to the general policy and strategy of the undertaking. They supply the Board with all relevant information in order to assist the Board in taking decisions;
- Responsibility for the organization and lead of the internal control function and procedures, in particular the independent controls;
- Setting up an internal control system that secures with a sufficient level of confidence the reliability of internal reporting and the financial reporting process;
- Informing the Board of Directors about the financial position and all aspects necessary in order to perform its tasks appropriately;
- Reporting of the financial situation and structure, the internal control and independent control functions to the FMA;
- Transforming the risk appetite or strategy defined by the Board of Directors into operational policies and guidelines;

Main changes related to the Executive Committee

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

Organizational Structure

The undertaking has a structural set up to cover day to day activities including controls, compliance, accounting, main actuarial activities and the creation of reports.

Key Functions

The undertaking has appropriate control functions.

- The board ensures their functioning and uses their conclusions and advices to constantly improve the organization and internal control system;
- They have an adapted statute with the necessary privileges, resources, expertise and access within the organization;
- They are independent of the operational activity that they control;

- They report to the Managing and Non-Executive Directors with respect to the prescribed procedures;
- Their remuneration related to the results of the company is not material.

The following key functions are in place at Baloise Life (Liechtenstein) AG:

- Internal Audit (outsourced within the group)
- Compliance
- Risk Management (outsourced within the group)
- Actuarial function (outsourced within the group)

Composition key functions

Internal Audit

The internal audit function is outsourced within the group. Therefore the group standards are applicable. The “Guidelines on Internal Auditing” of the Swiss Institute of Internal Auditing (SIIA) and the “Standards and Interpretations of the International Professional Practice Framework of Internal Auditing” and “Code of Ethics” of the Institute of Internal Auditing (IIA, global umbrella organization for internal auditing) constitute binding guidelines for the internal auditing structure. Additional internationally recognized standards are also applicable, depending on the specialist area to be audited and their suitability for the purpose.

Internal Audit works by assignment of and is authorized by the direction and Board of Directors and is under the prudential supervision of the FMA. In order to keep independency, Internal Audit can have direct access to the Executive Committee and the Statutory Auditor, without justifying its actions.

The cooperation with the Internal Audit of the Baloise Group allows for advice and group standards to provide the local Internal Audit function.

The range of the Internal Audit is preventative (emission of recommendations to set up new control systems), as well as detecting (punctual Audit missions to check correctness and efficiency of existing controls) and rectifying (formulate recommendations in case of necessary improvements).

The domain of Internal Audit is the whole organization and outsourced functions.

The audit and compliance functions are also reviewed by the Statutory Auditor, who reports to the Board of Directors.

Compliance

Baloise Life (Liechtenstein) AG defines the rights and obligations with respect to compliance through the group compliance policy, and a code of conduct. The code of conduct is available for all employees on the Intranet.

The policy and code of conduct describe the independent statute, assignment, competences, audit domain and methodology of the compliance department. The Compliance Officer works for and is authorized by the Executive Committee and Group Compliance.

The Legal, Compliance and Tax Department, especially the CCO is the contact with respect to information related to money laundering and towards the FIU. In order to underline independency, the compliance function has direct access to the Executive Committee, Board of Directors or Group Compliance without justifying her actions.

The compliance function is primarily orientated to the compliance of the undertaking with laws and regulations that are related to the integrity of the insurance business, including the code of conduct. One of the tasks of a Compliance Officer consists of checking and encouraging these values. In case of a breach of the CoC, the Compliance Officer is obliged to report such breach to the Executive Committee, or to the Board of Directors.

Special attention is given to the prevention and proactive operating realized by advising, awareness, stimulating and facilitating. These objectives are realized by making available all important procedures, legal information of the companies and extracts from the law.

Cooperation with the Baloise Group is strong, in particular because:

- The Baloise Group Compliance Officer sets up standards;
- The Baloise Group Compliance Officer maintains a network in which Compliance Officers can exchange their knowledge and experience;
- The Compliance Officer delivers her reports to the Group Compliance Officer.

The main tasks of the Compliance Officer are

- The protection against the dissemination of the consumer's information with respect to insurance;
- Application of the anti-money laundering regulation and the internal underwriting guideline;
- Preventing fiscal fraud by clients;
- Averting value manipulation;
- Professional code of conduct with respect to actions related to own staff and mandatory for the undertaking;
- Checking compliance with the privacy law, anti-discrimination regulation and data protection;
- Follow-up of changes in the group code of conduct and local implementation;
- Setting up and follow-up of Compliance rules.

The function is executed by one Compliance Officer.

Risk Management

The risk management function is outsourced within the group.

The Risk Manager supervises and monitors the different risks of the undertaking and reports regularly to the ALCO (Asset and Liability committee) and RICO (Risk Committee), the Executive Committee and the Board of Directors.

The risk management department is set up in line with the scale and size of the undertaking. The Risk Manager reports directly to the Executive Committee and can address himself directly to the Board of Directors when required. These privileges guarantee the independency of the risk management and prevent possible operational conflicts of interest.

With respect to the risk management, the undertaking applies the Group wide Risk Management Standards. These standards are related to organization, responsibilities, methodologies, rules, limits, controlling and reporting. The risk management is based upon these standards together with additional legal requirements requested by the supervisor.

The Risk Manager is responsible for the operational execution of the risk management policy. This includes

- Advising the Executive Committee with respect to the strategic set up of the risk policy;
- Executing concretely and watching over a forward-looking risk policy;
- The implementation of an integrated risk management model;
- Risk controls;
- Awareness and training of employees regarding risk management aspects;
- Reporting to ALCO, RICO, Executive Committee, Board of Directors and Baloise Group Risk Management.

Actuarial Function

The Actuarial Function is outsourced within the group. The function is established according to the Liechtenstein Insurance Law (VersAG) and the related Liechtenstein Insurance Ordinance (VersAV) which define detailed guidance on the role and responsibility of the Actuarial Function. The Actuarial Function assists the management by

- Advising on the actuarial methods used for pricing, the set-up of the technical reserves and reinsurance for the launch of a new product or repricing that can influence the profitability of these products;
- Giving annual advice on the profitability of the products, the technical provisions, reinsurance and profit sharing;
- Informing the Executive Committee and the Board of Directors of the reliability and adequacy of the calculation of Solvency II technical provisions;

- Producing a written report to be submitted to the Board of Directors on an annual basis. The report documents all tasks that have been undertaken by the actuarial function as well as their results, identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied.

The actuarial function also fulfils prudential tasks, for example it certifies the model and methods used in the company that serve for are communicated to the FMA.

Main changes related to key functions

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

III.1.2 Remuneration policy

Remuneration principles and objectives

Principles

The success of the company is materially dependent on the skills, capabilities and the performance of its employees. Therefore, it is vital to attract and develop well-qualified, competent and highly motivated employees and executives and retain them within the company. Baloise’s remuneration policy and system are derived from these superordinate principles. The Baloise Group has put in place a remuneration policy that is also implemented in the Liechtenstein subsidiary.

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise and to strengthen employees' and executives' loyalty and commitment to the organization.

Remuneration components

Baloise views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other material and non-material benefits such as pension contributions, additional benefits, and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median. In compliance with its code of conduct Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Short-term variable remuneration

Central factors that influence the amount of the short-term variable remuneration are individual performance and the overall result or, in other words, the economic value creation of the company. The connection thus created between the performance of the individual and the company’s success is intended to motivate employees to achieve outstanding results. The short-term variable remuneration is always paid together with the March salary of the following year. Baloise places great importance on the sustainable management of the business and on a high correlation between the interest of shareholders and management. For this reason, considerable proportions of the senior management's variable remuneration are paid in the form of shares, i.e. members of the executive can choose which proportion of the short-term variable remuneration they wish to receive in cash and which as shares. This choice is limited for the most senior management level; here a graduated obligation to subscribe shares exists: Members of the Executive Committee must draw at least 30 % of their short-term variable remuneration in the form of shares. These subscribed shares remain blocked for three years and are subject to market risks during this period. In particular, the mandatory emoluments ensure that as responsibility and total remuneration increase, a significant share of the remuneration is paid with a deferred effect. They also promote risk awareness and encourage an economical and sustainable work-ethic. There is a choice of two share subscription plans: Share Subscription Scheme and Employee Share Ownership Plan.

Performance remuneration

The performance remuneration considers each employee’s individual performance and compensates his respective contribution. To this end, together with their immediate subordinates, the supervising managers annually define an overall development of the undertaking and assess the degree of achievement by February of the following year at the latest. The target value for the performance remuneration depends on the basic salary and varies according to the hierarchical position. In principle, most senior managers of Baloise Life, are entitled to a performance remuneration.

Performance pool

The performance pool takes account of the entire Baloise Group's performance; its amount is determined by the Remuneration Committee after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis:

- Business performance
- Capital-markets perspective compared with competitors
- Risks taken
- Strategy implementation

The individual allocation for the members of the Group Executive Committee is set by the Remuneration Committee. In principle, the most senior management level of the whole Group, the majority of executives in Switzerland as well as the respective functions abroad are considered for the performance pool.

Long-term variable remuneration

The company additionally provides performance share units (PSU) to the most senior executives as a long-term variable remuneration component. The PSU program permits the most senior executive level to participate more intensively in the value development of the company and promotes the long-term retention of high performers.

Pension schemes

The undertaking offers its employees an attractive pension solution in form of defined contributions as part of the 2nd pillar, which fulfils the following objectives:

- It meets the requirements of the insured should the following risk events occur: old age, death or invalidity;
- It permits an appropriate maintenance of a lifestyle enjoyed to date with a sufficiently high substitution rate (1st and 2nd pillar benefits combined) to replace discontinued earnings.
- The employer makes an average contribution to financing of occupational pensions.
- It is forward-looking, sound, can be calculated and is reasonably priced.
- Defined contributions depending on age of insured as well as function within the organization.

Members of the Executive Committee are insured in the undertaking's pension scheme. The same terms apply to them as to all other insured staff. The members of the Board of Directors are not insured in the Pension scheme.

III.1.3 Material transactions

No loans or mortgages are granted to members of the Board of Directors and the Executive Committee.

III.2 Fit and proper requirements

III.2.1 Fit and proper: Policy and process

Fit and proper principles/objectives

The undertaking has a Fit and Proper Policy in place which defines the procedure for assessing the fitness and quality of persons who are effectively running the undertaking or have a key function.

The function-holders which are in scope of the policy include the members of the administrative and supervisory body, i.e. the Board of Directors and the Executive Committee, as well as the heads of risk management and compliance, the actuarial function and internal audit, together referred to as the management body.

Assessment process of key personnel

Fitness Check

Recruitment processes include application and assessment methodologies that ensure previous experience, qualifications, knowledge and skills are all taken into account, with specific references to the competences defined in the job description or role profile.

The overall goal is to be ensuring that the management body has the breadth of expertise and experience to understand and continually challenge the company's business operations, strategic initiatives and major transactions.

Thus the collective knowledge, competence and experience of the management body should at a minimum include awareness and understanding of:

- The wider business, economic and market environment in which Baloise operates;
- The firm’s business strategy and business model;
- The system of governance (risk management, oversight & controls);
- The financial and actuarial analysis (the ability to interpret the undertaking’s financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information);
- The regulatory framework, requirements and expectations relevant to it (also capacity to adapt to changes which stem from the regulatory framework without delay).

For external recruits and internal persons promoted to a position in scope of the Fit and Proper Policy, superiors and Human Resources assess their fitness according to the specific requirements set out in the job description. The superior makes the final decision on a person's required fitness.

Propriety Check

The propriety check verifies critical function holders to be honest, of integrity, financially sound and of good reputation.

The undertaking imposes a range of requirements at the recruitment stage for new employees or in case of internal promotions. All documentation related to the above verifications is requested and reviewed by Human Resources prior to the employment offer to be made. Formal notes of face-to-face interviews, during which characteristics of propriety are also verified, are prepared by the personnel conducting the interview.

The principles applicable at original appointment, to ensure the key function-holders are honest, financially sound and of good reputation, apply on an ongoing basis as well.

All critical function-holders are required to undertake a code of conduct training on subjects such as regulatory awareness, insider trading, anti-money laundering, and others. The Compliance function organizes regular trainings on the Code of Conduct.

The Fit and Proper Policy requires an initial and yearly assessment. They include a self-declaration, a sample of the criminal record, a copy of the passport and a Curriculum Vita.

III.3 Risk management system including the ORSA

III.3.1 Risk management system overview

Risk Management is one of the core competences of the Baloise Group. The undertaking has suitable processes, models and structures in place in order to fulfil the need to continuously develop the capabilities as the situation requires and to therefore achieve the optimal result for Baloise. Integrated risk management uses synergies across the group effectively.

Risk management is amongst others responsible for

- Risk measurement under consideration of group guidelines and local constraints;
- Regular risk reporting and ad-hoc escalation in case of critical risk occurrence;
- Conformance with regulatory requirements and the according dialogue

The decision-making body for all questions relating to Risk Management is the local Risk Committee.

Risk Strategy

The risk strategy is considered the cornerstone of the risk management organization. The aim of the risk strategy is to consciously steer the risks taken within defined ranges. Particularly, it aims to harmonize market based considerations on the one hand and strategic risk concerns on the other hand. Central to the risk strategy is the term "Risk Appetite" which defines the extent to which the undertaking is willing to take on risk in order to achieve strategic goals. Its main components are

- Compliance with regulatory requirements and capital protection
- Protection of the Profit and Loss statement of income

Risks considered as relevant for the undertaking are classified along the so-called "Risk Map" of the Baloise Group. The categorization is performed on three levels:

- Risk category
- Risk subcategory
- Risk type

RISK MAP

Business risks

Technical risks, Life
- → Parameter risks
- → Worst-case scenario

Technical risks, Non-Life
- → Premiums
- → Claims
- → Worst-case scenario
- → Creation of provisions

Reinsurance
- → Premiums / rating
- → Default
- → Active reinsurance

Investment risks

Market risks
- → Interest
- → Shares
- → Currencies
- → Real estate
- → Market liquidity
- → Derivatives
- → Alternative investments

Credit risks

Financial structure risks

Asset liability risks
- → Interest fluctuation risk
- → (Re) financing, liquidity

Concentration of risks
- → Accumulation risks
- → Cluster risks

Requirements for balance-sheet structure and capital
- → Solvency ratio
- → Other regulatory requirements

Business environment risks

Changes to regulations

Competitive risk

External events

Investors

Operational risks

IT and data security
- → Data
- → Software / hardware / network
- → Physical reliability
- → End User Computing

Personnel risks
- → Skills / capacities
- → Knowledge availability
- → Incentive systems

Legal risks
- → Contracts
- → Liability and litigation
- → Tax

Compliance

Business processes
- → Process risks
- → Project risks
- → In- / Outsourcing

Risk analysis and riskreporting
- → Risk analysis and risk assessment
- → Risk reporting

Management/ information risks

Structure of organisation

Corporate culture

Strategy
- → Business portfolio
- → Risk steering

Merger and acquisitions

External communication

Financial statement, forecast, plan

Project portfolio

Internal misinformation

In order to monitor and steer the risks listed in the Risk Map, Baloise has implemented an extensive group-wide risk management. A holistic approach of an integrated risk management in order to identify, administer and assess risks in the areas internal control, compliance and risk management as well as risk steering is pursued. In addition to purely financial risks, operational as well as strategic and reputational risks are captured and quantified. In this manner, risk management is consistently embedded in the decision making process. The effectiveness of the risk management becomes visible through amongst others the occurred risks and the effectiveness of the measures taken. The risk management and the respective systems and processes are further developed and revised on a continuous basis in order to guarantee long-term efficiency and continuous improvement.

III.3.2 ORSA process

ORSA compliance

The Own Risk and Solvency Assessment (ORSA) is a key element of the Solvency II guidance. In their ORSA, insurance companies make an independent assessment of their available capital and their risks. Such risk assessment based on the insurers' view of relevant risks and how they should be measured – i.e. in particular independent of the standard formula prescribed by Solvency II. The risk assessment per the ORSA must be forward looking over the business-planning horizon, i.e. 3 years for BLL, and thus covers also potential future risks.

ORSA Governance

The executive management has the overall responsibility for the execution of the ORSA and has to ensure that results are taken into account in the management of the undertaking. In addition, the board of directors is responsible to ensure and verify that the ORSA process is appropriately developed and implemented. After the approval of the ORSA by the Risk Committee, the board of directors receives and approves the ORSA report before it is submitted to the regulator.

ORSA process

The full ORSA reporting process is performed once a year and ORSA results are reviewed and approved by the board of directors. Despite the scheduled reporting process, ORSA as such is a continuous process in which risk management evaluates the impact of strategic decisions on the overall solvency needs. The process is tailored to fit into the undertaking's organizational structure and risk management system to assess its overall solvency needs. It is proportionate to the size and complexity of the company. In addition to the annual ORSA report, an ad-hoc reassessment is performed whenever the risk profile changes significantly.

BLL's own risk assessment is developed by the risk controllers who determine in collaboration with the risk owners the risk's probability of occurrence and the potential loss caused by a specific risk. Any risk is then classified according to group-wide limits. The risk grid ("Heat map") maps the standalone risks in connection with the limit system. In case of potential limit breaches, risk mitigating measures are developed and put in place in order to reduce the risk exposure.

Documentation

Any full ORSA is documented in a separate report, which contains integral management information that is essential for the review and approval by management.

The submission of the ORSA supervisory report to the regulator is required within two weeks after the approval by the Board of Directors.

Review and approval

The results of the ORSA are discussed in the risk committee and form part of the basis for decisions and actions, for which the risk management function will have to ensure the corresponding follow-up.

If the ORSA reveals that the risk profile is not appropriate for the undertaking, or the risk profile significantly deviates from the basic assumptions of the solvency capital requirements calculation, or the governance arrangements are inadequate, the risk committee has to set up appropriate action plans for remediation.

Interaction Capital management and Risk management system

On an annual basis a business plan is set up. The projection of the related Solvency Capital Requirements ("Forward Looking Solvency Position") is integrated in the business plan process. Risk increasing initiatives defined in the business plan process are reflected in the forward looking considerations. The undertaking is in the position to judge if the risks can be accepted without endangering its Solvency position.

III.4 Internal control system

III.4.1 Internal control system overview

The undertaking's internal control system covers the financial reporting as well as Compliance and Operational risks.

It pursues the objectives of compliance with laws and regulations, reliability of financial reporting and guaranteeing effective business processes in order to support obtaining company goals. With the implementation of the internal control system, the undertaking aims to raise risk awareness on all company levels and to focus on the identification and steering of essential risks that could threaten proper operational processes and therefore the undertaking's success.

The internal control system is established as a key component of the integrated risk management framework. Effectiveness, traceability and efficiency of the implemented measures as well as concentration on the relevant risks are considered as important principles for the design and application of internal control.

Depending on the risk type to be considered, the undertaking applies entity-wide controls (so-called entity level controls, ELC), general IT controls (so-called IT General Controls, ITGC) and process controls in its internal control system. These controls are integrated in the business processes and performed on all levels of the undertaking. The effectiveness is measured on a regular basis and appropriate measures are initiated in case of shortcomings identified.

For its implementation of the internal control system, BLL follows the Group’s approach for an effective internal control system, for which the Group’s board of directors is responsible. It defines the objectives, the scope as well as the expansion level of the internal control system. Furthermore, it has to assure an appropriate monitoring regarding the efficiency of the internal control system by the local executive committee and receives a regular reporting.

III.4.2 Compliance function

The undertaking's essential compliance themes are displayed in the Compliance Standards as referred to in the Baloise Group Compliance Policy. The Compliance Standards include specifications and control objectives for twelve different key topics (data protection and data security, insider trading, combating of money laundering, blacklisting, cartel law, fraud and code of conduct, archiving, duty of care in consulting, corruption, cross-border services, US persons and AEOI/FATCA) that constitute the basis for controlling and regular compliance reporting.

Objectives

The compliance function aims to ensure the undertaking's compliance with the laws and rules relating to the integrity of undertaking insurance business including the Baloise Code of Conduct. It is the Compliance Officer’s task to examine, assess and encourage this compliance.

Moreover, special attention is paid to prevention and acting proactively by amongst others providing advice and raising awareness.

Roles and responsibilities

The Board of Directors fosters honorable conduct. Within the framework of its supervisory duty, the Board of Directors regularly verifies whether the undertaking has a suitable Compliance policy and corporate values, as well as an appropriate independent compliance function.

At least once a year, the Board of Directors verifies whether the compliance risks are identified and controlled adequately and that the Compliance policy is suitable for the undertaking's activities.

The Executive Committee develops a Compliance policy and updates it regularly. This policy defines the undertaking’s objectives and identifies and analyses the risks that the undertaking runs in this domain.

The Compliance Officer is responsible for implementing the Compliance policy. It is the Compliance Officer’s duty to examine, assess and encourage the observance of the Compliance policy.

The Compliance Officer reports to the Executive Committee and provides a regular explanation about the implementation of the compliance policy to the Executive Committee. The Compliance Officer's tasks include proceeding from his expert and advice function, implementing the Compliance policy, reporting to third parties on compliance topics as well as reporting to the Executive Committee, as well as the Board of Directors and the Baloise Group Compliance Officer regularly.

The key aspects of the Compliance Policy are comprised, amongst others, of

- drawing up an annual action plan;
- assessing internal guidelines and procedures;
- raising awareness among all employees about the compliance policy and training them in this area;

- supervising and testing observance of the compliance rules; formulating compliance recommendations;

- investigating and following up infringements of laws, regulations and deontological codes; the observations are derived from sample checks and when the occasion arises in collaboration with Internal Audit;

- fulfilling the duties to report to third parties on compliance topics;

- reporting to the Executive Committee, Board of Directors and Baloise Group Compliance Officer (at least once a year);

Main activities of compliance function

The Compliance Officer works under the instruction of and is authorized by the Management and Board of Directors. In order to guarantee the function's independence, the Compliance Officer has direct access to the Executive Committee, the Chairman of the Board of Directors and the Statutory Auditor, without needing to give justification.

III.5 Internal audit function

III.5.1 Internal audit: organization and governance

Internal audit objectives and policy

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyze, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

The audit charter describes the governance of the Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with other control functions and quality control).

Internal audit organizational structure

Internal Audit is an element of Corporate Governance and an instrument of the Board of Directors. It supports the Board of Directors - the most senior corporate body - in performing its top-level management function. In this capacity, the Internal Audit performs its tasks on behalf of the Chairman of the Board of Directors.

Internal audit is outsources within the Baloise Group and therefore organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function.

Internal audit functioning, main roles and responsibilities

The Internal Audit responsibilities cover the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

Internal audit has extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments.

The “Guidelines on Internal Auditing” of the Swiss Institute of Internal Auditing (SIIA) and the “Standards and Interpretations of the International Professional Practice Framework of Internal Auditing” and “Code of Ethics” of the Institute of Internal Auditing (IIA) constitute binding guidelines for the internal auditing structure.

III.5.2 Independence of internal audit

Independence principles/criteria

Primarily the “independence” of control functions means that:

- They have an appropriate constitution with the necessary powers, resources, expertise and access within the organization;
- They are hierarchically and organizationally independent from the operational activity to which they relate;
- They report both to executive and non-executive boards in accordance with the established procedures;
- The remuneration of the persons entrusted with these functions is not connected with the profitability of the activity involved.

Internal Audit function position within the organization

Internal audit is outsourced within the Baloise Group and is therefore organizationally independent of any operating activities. The person carrying out the internal audit function does not assume any responsibility for any other function at Baloise Life (Liechtenstein) AG and is an independent assessor of the quality of the internal control system.

Reporting arrangements

Internal Audit has unrestricted access to the Chief Executive Officer and to the Board of Directors. Internal audit can escalate any conclusions to the Board of Directors.

III.6 Actuarial function

III.6.1 Organization and key responsibilities

Actuarial policy and objectives

Key objectives of the Actuarial Function are to

- ensure proper data, models and processes to calculate the technical provisions in accordance with Solvency II,
- comment on the appropriateness of an insurer's underwriting and pricing policy,
- comment on the appropriateness of an insurer's reinsurance program, and to
- contribute to risk management.

The Liechtenstein Insurance Law (VersAG) and the related Liechtenstein Insurance Ordinance (VersAV) establish detailed guidance on the role and responsibility of the Actuarial Function. Baloise Life (Liechtenstein) AG has implemented this model.

Organization structure

In 2016, the Actuarial function was held by the Appointed Actuary of Baloise Life (Liechtenstein) AG, by Group-internal outsourcing. Both roles, Appointed Actuary in accordance with Article 41 of the VersAG and Actuarial Function in accordance with Article 40 of the VersAG relate to the appropriateness of technical provisions and to providing an independent review thereof. Thus, there are substantial synergies between the two roles and there is no conflict of interest present.

Roles and responsibilities

The VersAV requires the Actuarial Function to report in writing to management at least once per year on the Function's key objectives as stated above. Any such report documents all tasks that have been undertaken by the actuarial function as well as their results, and clearly identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied.

III.7 Outsourcing

III.7.1 Outsourcing policy and key aspects

Overview of the outsourcing policy

The outsourcing process defined in the undertaking's outsourcing policy consists of the following four steps:

- Strategic Assessment
- Evaluation, selection, contract
- Manage relationship and contract
- Termination and Exit

If the Strategic Assessment led to the conclusion that a function or service is eligible for outsourcing, BLL conducts a series of additional evaluations, involving various stakeholders and departments, and specifically addressing among other thing whether the external service provider maintains adequate emergency plans. After the contract is signed, the relationship is actively managed, which includes regular situation analyses in order to examine service quality and impairments, if any. In addition, a regular review of goals and risk assessments is performed. In case the contract is terminated by either party, preparations for the transfer of work to another provider or for the return of these services to the undertaking commence immediately.

Critical outsourced functions

The undertaking outsources the key functions Risk Management, Internal Audit and the Actuarial function. The following critical services are outsourced.

Outsourced Activity	Location of Service Provider
Risk Management	Luxembourg
Internal Audit	Switzerland
Actuarial Function	Switzerland
Asset Accounting and Controlling VLV	Luxembourg
Asset Management	Switzerland
Corporate IT	Switzerland

All outsourced activities concern intragroup outsourcing.

III.8 Adequacy of the system of governance

The system of governance in place at Baloise Life (Liechtenstein) AG is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensures the adequacy of key personnel.

III.9 Any other information

No supplementary information or risks in addition to the information previously disclosed is considered material.

IV. Risk Profile

IV.1Underwriting risk

For Baloise Life (Liechtenstein) AG, underwriting risk covers the risk from providing life insurance coverage, such as mortality and longevity risk, the risk of higher or lower than expected termination of contracts by the policyholders (referred to as “lapse risk”) and the risk that the expenses for the ongoing management of the business exceed the expected amounts.

As of year-end 2016 Baloise Life (Liechtenstein) AG's capital requirements for underwriting risk amount to CHF 20,632.2 thousand as measured by the Solvency II standard formula. The underwriting risk is composed of mortality, longevity, lapse and expense risk which are described below in more detail.

Capital requirement for life underwriting risks	Gross SCR in '000 CHF
Mortality risk	1,241.0
Longevity risk	3,468.0
Disability-morbidity risk	-
Lapse risk	16,450.0
Life expense risk	4,840.0
Revision risk	-
Life catastrophe risk	62.0
Diversification within life module	−5,429.0
Total life underwriting risks	20,632.0

IV.1.1 Risk exposure

Life underwriting risk

Mortality risk

Mortality risk almost entirely stems from the contractual obligation to pay certain death benefits in excess of the account values for the VLV contracts. Such excess amount is typically referred to as “sum at risk”, and Baloise Life (Liechtenstein) AG charges a periodical fee to the account value in order to finance such a coverage, but bears the risk that the actual payments are higher than those anticipated and priced, e.g. because more individuals than expected died.

The main changes in the overall level of mortality risk result from changes in the business mix which is mostly driven by new business.

Mortality risk losses may result from a long-term deviation of expected from actual mortality. It also stems from so-called catastrophe risk, i.e. a one off event such as a pandemic that causes a temporary but significant increase in mortality.

Longevity risk

Longevity Risk stems from contracts where Baloise Life (Liechtenstein) AG pays fixed amounts over the remaining life span of the relevant policyholders and thus has to make more payments the longer the relevant individuals live. No new business including longevity risk is written so that this risk is gradually reducing for the undertaking.

Lapse risk

Lapse risk is any risk stemming from a policyholder option to cancel a contract or to withdraw partial rights and obligations of a contract. Lapses may have a favorable or adverse effect on the solvency position of a life insurer, depending on the nature of the business. Baloise Life (Liechtenstein) AG analyses the effect of lapses on each contract individually to determine whether higher or lower than expected lapse rates pose a risk, or whether a shock lapse scenario – i.e. a scenario where a substantial amount of policyholders lapse their policies at almost the same point in time – is of most relevance from a solvency perspective.

Disability-morbidity risk

Because of its product design, Baloise Life (Liechtenstein) AG is not exposed to disability-morbidity risk.

Expense risk

Expense risk is inherent in any business and refers to the risk that actual expenses are higher than those estimated when determining the pricing of the business and ultimately the solvency position of the company. Such cost overruns could e.g. be the result of extraordinary events, of ineffective processes or systems, or of higher than expected inflation.

Key risk factors for the undertaking's expense risk exposure other than unforeseeable external events (e.g. damage to office facilities after a windstorm) stem from extended regulation for e.g. tax or supervisory purposes. The key metric to assess expense risk is the amount of actually incurred costs to administer the undertaking's insurance portfolio.

IV.1.2 Risk concentration

Baloise Life (Liechtenstein) AG’s key market is Italy. This is due to a long-lasting broad and deep connection with various stakeholders in the Italian market. Thus, changes in the Italian market will affect the business of the company and its profitability. Key drivers of such risk are legislative changes to the extent they affect the attractiveness of insurance contracts as a means of protection and estate planning. In addition, substantial changes in Italian mortality would affect the expected and / or actual profits and losses of the company.

Key metrics to assess the risk concentration are the Assets under Management held by policyholder country of domicile as well as the expected respective P/L contribution from the business.

IV.1.3 Risk mitigation

Reinsurance is used as a key risk mitigation technique for underwriting risk: The undertaking uses various reinsurance partners to transfer mortality risk. The main goal of this risk transfer is to eliminate large individual risk exposures. As a result, the remaining coverage borne by the undertaking is smooth over the entire insurance portfolio, which substantially contributes to assuring a stable solvency position.

The lapse risk is fully borne by the undertaking but mitigated through product design such as flexibility of the products.

The company mitigates expense risk by clear and effective processes as well as ongoing expense analysis.

IV.1.4 Risk sensitivity

Baloise Life (Liechtenstein) AG applies various sensitivity and scenario analysis to those parameters that influence the underwriting risk. These analyses comprise the evaluation of the differing stress levels to each parameter according to Solvency II.

For each of the sensitivity investigated, one parameter is changed instantaneously in an unfavorable way (e.g. mortality rates are increased by 10% for business with mortality coverage) and this unfavorable change is maintained throughout the remaining coverage period of all contracts affected. For the scenario analysis, typically a one-off adverse effect is assumed to incur, e.g. the simultaneous cancellation of 40% of all profitable contracts.

Based on the analysis of the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the undertaking's life undertaking risk exposure is driven by lapse and expense risk.

IV.2Market risk

For Baloise Life (Liechtenstein) AG, market risk covers the risk of changes in interest rates, equity prices, real estate prices or the volatility of such prices. It also covers spread risk (including the risk of default on certain financial instruments, such as bonds) and the risk of adverse changes in foreign currency exchange rates (commonly referred to as FX risk).

Most types of market risk affect Baloise Life (Liechtenstein) AG to a different degree, depending on whether it holds assets at its own risk or whether the risks are borne by policyholders because price changes directly influence payments to them.

As of year-end 2016 Baloise Life (Liechtenstein) AG's capital requirements for market risk amount to CHF 21,817.5 thousand as measured by the Solvency II standard formula. The market risk is composed of interest rate, equity, property, spread, currency and concentration risk which are described below in more detail.

CHF '000	Gross SCR
Interest rate risk	650.0
Equity risk	9,451.0
Property risk	-
Spread risk	5,507.1
Market risk concentrations	-
Currency risk	13,217.8
Diversification within market risk module	−7,008.3
Risk-Module level values	21,817.5

IV.2.1 Risk exposure

Equity, property and spread risk

The undertaking is exposed to risks from price fluctuations on equity-type securities, including common stocks, equity unit trusts and private equity, common stocks portfolios backing participating-with-profit policyholder contracts.

Spread risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

The property risk arises from investments in real estate. The actual exposure to market risk differs substantially for VA and VLV contracts, due to the nature of the business.

For VLV contracts, funds are invested entirely at the risk of the policyholder who has the right to receive exactly the value of the individual account value. Thus, the immediate beneficiary of an increase in e.g. stock prices is the policyholder. In turn, if market values decrease, the account value decreases and thus the funds ultimately owned by the policyholder decrease. Policyholders may use options or other derivative instruments to protect their investments against losses, but the net performance is borne by them in any case.

For VA contracts, the policyholder benefits from positive performance of the underlying items as well. At the same time, by way of the Guaranteed Minimum Withdrawal Benefit (GMWB) feature, Baloise Life (Liechtenstein) AG guarantees that the policyholder will receive a certain series of cash amounts independent of the actual performance of the assets invested. A GMWB is a standard feature in VA contracts. By it, the insurer guarantees that the policyholder can make fixed minimum withdrawals of cash from its individual policy account even when no funds are left. The amounts, their timing and the term during which BLL may need to finance these withdrawals are fixed in the contract. Good performance of the underlying assets may trigger one off payments to policyholders or a permanent increase in the guaranteed amounts.

Thus, in essence, the company bears a substantial part of the downside market risk through the GMWB. Baloise Life (Liechtenstein) AG transfers this risk to a third party. The relevant contract has the legal form of a reinsurance contract but is in essence a financial derivative and is treated accordingly for Solvency II purposes. The hedge protection is determined for each insurance contract individually.

In order to deal with the counterparty default risk associated with the payments from the hedging agreement that may occur in the very far future only, Baloise Life (Liechtenstein) AG has agreed with the hedging partner on a collateralization scheme. According to the scheme, the party that has a net liability to the other party deposits cash amounts with its counterparty. The amount to be posted is basically derived from the fair value of the transaction and is updated each month.

In addition to the direct risk discussed so far, both VA and VLV products involve an indirect element of exposure to the market value of assets held for Baloise Life (Liechtenstein) AG. This is because the periodical fees for covering the ongoing administration of the business are charged as a percentage of the account value and thus lower account values lead to lower fee income.

Foreign currency risk

The foreign currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- Net foreign currency exposure, i.e., the balance between currency assets and liabilities;
- The volatility of the respective currencies;
- The correlations of currencies with other risk parameters in the portfolio context.

All insurance products of Baloise Life (Liechtenstein) AG are covered by assets exactly matching the currency of the benefits payable to policyholders and their beneficiaries (a so called natural hedge). Nonetheless, indirect foreign currency exposure remains, because the expenses Baloise Life (Liechtenstein) AG incurs to operate its business and service its contracts are typically payable in Swiss Francs whilst for the majority of the business the fees charged to cover these expenses are payable in Euro.

Interest Rate Risk

Interest rate risk – i.e. the risk that changes in the level of (risk-free) interest rates adversely affect the solvency position – is very limited for Baloise Life (Liechtenstein) AG. This is mostly because of the business model, which eliminates fixed guaranteed payments (VLV business) or transfers the related risk to a hedging partner (VA business).

Prudent Person Principle according to Article 132 of Directive 2009/138/EC

The Prudent Person Principle (also referred to as PPP) is established in Article 132 of the Solvency II Directive. It requires insurance companies to invest only in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs. In other words, it establishes a risk management framework for investments that insurers have to apply.

Baloise Life (Liechtenstein) AG holds most of its financial assets directly on behalf of the policyholder: In particular for VLV business, the investment risk is borne by the policyholders who have considerable degree of freedom to select assets, including hedging strategies. The undertaking meets the prudent person principle by implementing the policyholders' specific asset strategies. In addition, for regulatory reporting purposes and for assessing the indirect exposure to market risks as summarised above, the company tracks the policyholder investments position by position on a quarterly basis.

For VA business, there is direct exposure to downside market risk. Baloise Life (Liechtenstein) AG transfers most of this risk to a hedging partner. The remaining risk is a result of possible differences between the actual loss incurred and the contractually agreed basis for which the reimbursement for such losses is calculated (so-called basis risk). The undertaking manages the assets in a way to minimise the basis risk.

All in all, for assets backing insurance contract obligations, Baloise Life (Liechtenstein) AG follows the Prudent Person Principle.

The assets backing own funds, i.e. the economic equity of the company, are mainly working capital held in various bank accounts to which BLL applies best practice cash management procedures.

IV.2.2 Risk concentration

Market risk concentration can stem either from a lack of diversification in the asset portfolio or from large exposures to default risk by a single issuer of securities or a group of related issuers. When assessing the undertaking's market risk concentration as of year-end 2016 according to the Solvency II standard formula, no relevant risk concentration is reported.

In addition, a concentration risk exists in relation with the foreign currency exposure, almost entirely linked to the Euro / Swiss Franc exchange rate.

IV.2.3 Risk mitigation

For risk management purposes, Baloise Life (Liechtenstein) AG hedges the financial market risk in VA-contracts with a reinsurer by way of a risk transfer that economically is equivalent to a hedging instrument. Conceptually, the reinsurer will reimburse Baloise Life (Liechtenstein) AG for any payment owed to a policyholder because of the guarantee established by the GMWB. Thus, in essence, the main market risk in VA products is transformed into counterparty default risk risk with the reinsurance company. This risk is discussed in the next subsection. For practical reasons, the reinsurer calculates the reimbursement Baloise Life (Liechtenstein) AG based on an approximation of the actual payments to policyholders by Baloise Life (Liechtenstein) AG. The risk of differences between the two amounts (commonly referred to a basis risk) is borne by Baloise Life (Liechtenstein) AG. Differences between the approximation and actual amounts are determined each month and thus closely monitored. Baloise Life (Liechtenstein) holds an additional guarantee from Bâloise Holding Ltd to cover any obligations from the VA contracts to the policyholders.

The Market risk and interest rate risk inherent in VA contracts is transferred to the hedging partner, see above for details.

IV.2.4 Risk sensitivity

Very similar to the processes for analysing underwriting risk, Baloise Life (Liechtenstein) AG applies various sensitivity and scenario analysis to those parameters that influence the market risk.

Based on the analysis of the sensitivities on a standalone basis, i.e., when ignoring any diversification effects between the individual risks, the undertaking's market risk exposure is driven by foreign currency, equity and spread risk.

IV.3Counterparty default risk

For Baloise Life (Liechtenstein) AG, counterparty default risk (or just default risk) covers certain risks resulting from counterparties that are not or not fully able to pay their duties to the company. In accordance with Solvency II terminology, BLL separately analyses “Type 1” and “Type 2” default risk. Type 1 risks typically result from large individual and rated counterparties, such as reinsurers, hedging counterparties and banks. Type 2 risks cover smaller counterparties and those with no ratings, e.g. policyholders, sales partner and other counterparties from operations (hereafter referred to as “trade receivables”).

As of year-end 2016 the capital requirements for counterparty default risk amounts to CHF 6,095.0 thousand.

IV.3.1 Risk exposure

For Baloise Life (Liechtenstein) AG, Type 1 exposures comprise exposure to default by its reinsurers for mortality risk in VLV and the hedging partners for the VA guarantees. In line with Solvency II guidance, for such exposures default risk considers two elements: (a) the amount of payments currently due from the reinsurer, and (b) the additional capital requirement that could result temporarily because after a default of the counterparty there is no reinsurance or hedging in place until a new partner is found and contracts have been agreed on. In addition, Type 1 exposures stem from default exposure to banks, both directly through own capital held in bank accounts, and indirectly through policyholder funds held in bank accounts. For the latter risk, the actual exposure differs by product type: in VLV contracts, any loss from bank accounts as a result of a bank default is borne by the policyholder and there remains only indirect exposure to BLL via a reduction in fees (see Market Risk section for further details). For VA contracts, there is less relative exposure to banks, but the hedging arrangement does not cover counterparty default losses which are borne by Baloise Life (Liechtenstein) AG to the extent that funds are no longer available to make guaranteed annuity payments.

The type 2 exposures mainly result from receivables from policyholders and standard trade receivables which are both of limited relevance to the undertaking's risk profile.

IV.3.2 Risk concentration

The main risk concentration is with type 1 risks and within type 1 risks it stems from the two main areas of exposure to Baloise Life (Liechtenstein) AG: For the VA business, the underlying funds invest into cash positions and these positions are spread across just few banking partners. As explained in the previous section, Baloise Life (Liechtenstein) AG bears the majority of the counterparty default risk from the default of these banks and thus a concentration of default risk with the relevant banking partner results. Any loss from such bank deposits would contribute to basis risk under the hedge.

The second key exposure is from the hedging of the risks in VA products. For Baloise Life (Liechtenstein) AG, the hedge combines the risk of non-payment of amounts due by the hedger and the loss of the actual hedging benefit for this highly effective instrument. Thus, even though the collateralisation agreement substantially reduces the non-payment risk, there remains a substantial concentration of risk from the potential temporary loss of protection.

IV.3.3 Risk mitigation

The main risk mitigation instrument is the collateral agreement in the hedging contract significantly limiting the undertaking's net loss in case of a full default of the counterparty, which limits the net loss in case of a full default of the counterparty to a fixed amount.

IV.3.4 Risk sensitivity

Overall, in terms of the capital position of Baloise Life (Liechtenstein) AG, measured according to the standard formula applicable according to Solvency II the exposure by type of counterparty risk amounts to CHF 5,924.8 thousand for Type 1 exposure and CHF 224.5 thousand for Type 2 exposure.

IV.4 Liquidity risk

Typically, liquidity risk is referred to as the risk that directly transferable funds, such as cash or bank account amounts, are not available or not available at acceptable cost to an entity when needed to make due payments.

IV.4.1 Risk exposure

For a life insurance entity like Baloise Life (Liechtenstein) AG, which is offering only unit linked contracts, liquidity risk is usually not a key risk. This is because the main payments to be made by such an entity stem from obligations from insurance contracts, such as endowment benefits, annuities or payments due on (partial) surrender. However, all of these payments are directly covered by the account values held on behalf of the policyholder and payments generally equal the proceeds from the sale of any position in those accounts.

However, there is some liquidity risk introduced by the hedging agreement: As described above in the section on default risk, the hedging contract for VA business includes a collateralisation agreement. Depending on market factors, either party may have to post collateral in cash, which might pose cash requirements to Baloise Life (Liechtenstein) AG.

Finally, liquidity requirements stem from actual operations, i.e. for salaries and social security contributions, rent, license fees etc. However, these are stable amounts and thus easy to predict.

IV.4.2 Risk concentration

The main liquidity risk concentrations in terms of regional exposure stem from mortality risk in the Italian market. In terms of indirect exposure through counterparty risk, there is a risk concentration with the main reinsurance and hedging partner, respectively. See the section on default risk for details.

IV.4.3 Risk mitigation

Baloise Life (Liechtenstein) AG's key tool to risk mitigation for liquidity risk is to deposit those assets that are not invested on behalf of the policyholder in short term bank deposits. Thus, all funds required for operations and margin calls are immediately available and transferable.

Further, all reinsurers and the hedging partner have an excellent financial and business rating. Consequently, there is a high probability that they will pay timely all amounts due from them which reduce the net liquidity strain on BLL.

The central risk mitigation tool for the liquidity risk stemming from collateral requirements is an internal analytical tool that projects movements in value of the hedge. Thus, the tool helps to understand the impact of market changes and makes liquidity needs plannable. Moreover, under current market conditions, Baloise Life (Liechtenstein) AG does not need to place collateral at all and if conditions remain at current levels this risk remains low. The risk also naturally reduces because of the run-off of the VA portfolio.

IV.4.4 Risk sensitivity

Because liquidity risk is already captured in its material parts by counterparty default risk and operational risk, no sensitivities for liquidity risk needs to be calculated in addition.

IV.5 Operational risk

IV.5.1 Risk exposure

For Baloise Life (Liechtenstein) AG, operational risk covers the risk of financial losses arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also includes legal and compliance risks. Management and information risks (including strategy risks) as well as business and environment risks represent separate categories of risk.

Management regularly identifies, assesses, controls and steers operational risks via the "Own Risk and Solvency Assessment" process. Internal processes deal with a variety of tasks, including the writing of new insurance contracts, administering existing contracts and their underlying investments, preparing documents required by regulatory and tax authorities and preparing financial reporting for Baloise Life (Liechtenstein) AG. Typically, IT systems support these processes, and such systems may not work or not work properly, causing stalled processes or e.g. wrong data or documents. Human error may as well affect the correct execution of business processes.

IV.5.2 Risk concentration

Baloise Life (Liechtenstein) AG has not identified any risk concentration with respect to operational risk during the reporting period.

IV.5.3 Risk mitigation

Baloise Life (Liechtenstein) AG mitigates its operational risks by various techniques to make processes and systems as robust as possible. This includes ongoing training for employees, clear process descriptions and responsibilities, back-up solutions and double signatures for all key decisions. Regular key risk indicator reporting ensures regular monitoring and timely detection of operational risks gaining importance. These process related measures are accompanied by state of the art IT systems.

IV.5.4 Risk sensitivity

Baloise Life (Liechtenstein) AG bases its quantification of operational risk on the standard formula according to Solvency II. This approach assumes some flat-rate losses in proportion to premium volume and size of the business portfolio.

As of year-end 2016 Baloise Life (Liechtenstein) AG's capital requirements for operational risk amount to CHF 892.0 thousand as measured by the Solvency II standard formula which represents the negative impact for the undertaking if all of the negative impacts described would happen at the same time.

IV.6 Other relevant information (including other material risks)

Major other material risks include business and environment risks, management and information risks as well as emerging risks.

Business environment risks and management and information risks arise directly or indirectly through the business environment or the strategic activities of a company.

Emerging risks are new or foreseeable risks, which cannot or cannot easily be quantified (for example due to the lack of historical data), but which might have a major financial impact. Within Baloise, emerging risks are identified and analyzed according to an early warning system and assessed by grouping them along a risk radar. Identified emerging risks include for example cyber risk and digitalization.

V. Valuation for solvency purposes

The purpose of this section is to explain the differences between the balance sheet according to local accounting guidelines (referred to as **PGR** – the Liechtenstein commercial code – or the **statutory value**) and the accounting guidelines relevant for Solvency II. The explanation is provided for each major group of balance sheet positions and provides both a description of the Solvency II measurement method and a comparison between the PGR balance and the balance according to Solvency II.

V.1 Assets

V.1.1 Basis, methods and assumptions for the valuation of each material class of assets

For assets other than recoverables from reinsurers, Solvency II incorporates the measurement approach according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Baloise Life (Liechtenstein) AG applies these principles already for its contribution to the group financial statements of its ultimate holding company, Baloise Group. Recoverables from reinsurers are measured by the same principles that apply to technical provisions, which are discussed in detail in the following subsection.

S.02.01 Balance Sheet: Assets under Local GAAP and Solvency II Valuation

			2016.12
Assets	**Solvency II**	**LocalGAAP**	**Difference**
CHF '000			
Property, plant & equipment held for own use	106.8	106.8	0
Investments (other than assets held for index-linked and unit-linked contracts)	48,335.7	0	48,335.7
Assets held for index-linked and unit-linked contracts	2,853,901.4	2,853,901.4	0
Insurance & intermediaries receivables	1,496.7	1,496.7	0
Receivables (trade, not insurance)	349.6	347.3	2.3
Cash and cash equivalents	68,292.6	68,294.9	−2.3
Other	3,780.3	3,780.3	0
Total assets	2,976,263.1	2,927,927.4	48,335.7

Intangible assets

Intangibles assets comprise items such as certain past acquisition costs, acquired licences, the value of self-developed software. The statutory value of intangible assets is determined by reducing the acquisition values by the accumulated regular amortizations according to PGR guidance. As of December 31, 2016 the position is composed solely of software licenses. Since none of these licences meet the strict Solvency II conditions for recognition as an asset, the Solvency II value of intangible assets is zero.

Property, Plant and Equipment

Property plant and Equipment for own use is a minor position. It covers office equipment and hardware. The amounts reported equal the acquisition values reduced by the accumulated regular amortizations according to IFRS guidance.

Investments (other than assets held for index-linked and unit-linked funds)

Baloise Life (Liechtenstein) AG hedges certain financial risks resulting from the guarantees included in the Variable Annuity (VA) products, see for example Section IV.2 on the Risk Profile for details. The hedging instruments used have the legal form of a reinsurance contract but are in essence derivatives as they exclusively cover market risks. In order to reflect their economic substance for Solvency II purposes properly, the Insurer reports them as derivatives in line with the specific guidance for these instruments. Thus, the claim against the counterparty is reported as an item within investments.

The measurement approach follows general IAS 39 / IFRS 9 level 3 guidance. The underlying stochastic model takes into account current market data as well as the contractual terms that determine the cash flows due by either party to the transaction. The amounts recognised in the Solvency II Balance Sheet are those as reported by the so-called valuation agent of the transaction, which in the case of the hedging agreements is the reinsurer, i.e. the counterparty to the transaction.

Readers are advised that for statutory reporting the title to payments from the hedging instrument is not recognized as part of the investments. Instead it is included in the position “Technical provisions – life (excluding health and index-linked and unit-linked)” after being adjusted for PGR reserving principles. Thus, in the statutory accounts the claim against the hedging partner is netting off the gross liability for the VA products, which is the usual statutory approach for claims from reinsurance ceded.

Assets held for index-linked and unit-linked funds

The investments for the benefit of life insurance policy-holders who bear the investment risk are presented with the market value as reported by the respective custodian.

Insurance & intermediaries receivables, any other assets, not elsewhere shown

These assets comprise accruals for prepaid amounts, accrued interest and transitory accounts for unit linked business. As for statutory reporting, all amounts are reported at their nominal value since currently BLL does not recognise any impairment-risk.

Receivables (trade, not insurance)

Trade receivables are very short term and generally with associated companies within the Baloise Group. Thus, they are measured for both the PGR balance sheet and the Solvency II balance sheet at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank accounts, mainly covering the own funds of the Insurer and the collateral provided by the reinsurer for the hedging of variable annuities. Cash is reported at nominal value.

V.1.2 Reconciliation to financial reporting

The differences in methodology between the statutory balance sheet and the Solvency II values are already explained in the previous paragraph.

V.2 Technical provisions

V.2.1 Technical provisions valuation

Technical provisions by line of business: overview

Technical provisions comprise all amounts that are directly related to payments for rights and obligations from insurance contracts. Thus they are the largest single item on an insurance undertaking's balance sheet, meaning an undertaking's financial strength is sensitive to movements in their value.

The tables below provide an overview of the composition of the technical provisions per line of business.

Life technical provisions

in '000 CHF	Life insurance	Index-linked and	Other life insurance	Reinsurance	Total
Total Statutory technical provisions	**-**	**2,847,364.0**	**-**	**-**	**2,847,364.0**
Total Best Estimate (Gross of Recoverables)	**-**	**2,865,247.0**	**-**	**-**	**2,865,247.0**
Risk Margin	-	11,822.0	-	-	11,822.0
Total Provisions incl. Risk Margin	-	2,877,069.0	-	-	2,877,069.0
Recoverables	-	-	-	-	-
Total Provisions (Net of Recoverables)	**-**	**2,877,069.0**	**-**	**-**	**2,877,069.0**

Valuation of the best estimate and risk margin: methods and key assumptions

Best estimate

Solvency II guidance on technical provisions requires calculations gross of reinsurance and using a cash flow basis. Any payments associated with reinsurance for the undertaking's business must allow for a separate explicit calculation on the same measurement basis. Life insurance obligations are segmented according to minimum requirements established under Solvency II. All business of Baloise Life (Liechtenstein) AG is "Index-linked and Unit-linked insurance".

All business of BLL is single premium business. No assumption is made about future new premiums. Any voluntary "addition" to a policy is recognized only when paid in.

In contrast to statutory accounting, the assumptions used to derive future cash flow estimates must not include margins for conservatism. As a result, the margin in the statutory technical provisions is released for the best estimate component of technical provision for Solvency II purposes. That said, a general Risk Margin is added, see below for details.

Cash flows must be discounted in order to reflect the time value of money. The yield curves to be used are supplied by EIOPA and are fixed for each valuation date.

BLL does not apply a Volatility Adjustment, nor does it apply any transitional measure for determining its insurance liabilities.

Reinsurance

All technical provisions are calculated on a gross basis. Where applicable, reinsurance ceded is calculated separately following the same principles. The measurement of reinsurance receivables makes allowance for expected non-payment whether caused by default by the reinsurer or by dispute with the reinsurer.

As of 31.12.2016, the Insurer does not recognise any material reinsurance contract. This is the case even though the Insurer entered into contracts that have the legal form of a reinsurance contract. However, these contracts solely cover financial risk and are thus treated as derivatives. ~~(see 2.1.1).~~

Expenses

Assumptions about future expenses are required in order to cover the full range of future cash flows stemming from the portfolio of insurance contracts. Since the undertaking is an established enterprise operating with stable annual expenses, the starting point for expectations about future expenses is the costs incurred in the most recent period. These expenses are allocated to the main lines of business and then run-off over the remaining term of individual contracts and groups of contracts.

Uncertainty

Where relevant, cash flows for the (gross) insurance business and any ceded portion adequately recognize the uncertainty inherent within them by way of stochastic modelling.

In this context, allowance for uncertainty refers to the consideration of the variability of the cash-flows necessary to ensure that the best estimate represents the mean of the full distribution of those cash-flows. Allowance for uncertainty does not suggest that additional margins are included within the best estimate.

Causes of uncertainty in the cash-flows that are taken into consideration in the estimation of the best estimate and the application of the valuation technique, where relevant, may include the following:

- Uncertainty in policyholder behavior;
- Path dependency for guaranteed benefits as a function of economic scenarios.

Risk Margin

Solvency II guidance requires insurers to calculate the technical provision at an amount equivalent to the theoretical level at which they could be transferred to another insurance undertaking without further funding. Consequently, the best estimate of the present value of future net cash flows from insurance contracts is adjusted for the price market participants are expected to charge for bearing the risk. For all of BLL's business such a “risk margin” is calculated separately using a cost of capital approach. By this approach, 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 current obligations over their lifetime. BLL currently makes use of the simplifications specified in EIOPA's "Guidelines on the valuation of technical provisions" (EIOPA-BoS-14/166).

Assumptions

Assumptions used within the calculation of Solvency II technical provisions are consistent with both financial market information and the Insurer’s data. Where the Insurer’s data is not credible to derive explicit assumptions (e.g. because of too short a history or too small in-force basis) market data is used. All assumptions are regularly validated, updated and documented.

Changes since last reporting period

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

V.2.2 Reconciliation to financial reporting

The following table displays the technical provisions according to the statutory balance sheet and the technical provisions according to Solvency II, which were determined on the basis described in the previous subsection. All amounts are net of reinsurance.

in '000 CHF	Total Statutory	Total SII Provisions
Life insurance	-	-
Index-linked and Unit-linked insurance	2,847,364.0	2,877,069.0
Other life insurance	-	-
Reinsurance	-	-
Total	**2,847,364.0**	**2,877,069.0**

The Solvency II calculations are based on the projection of future cash in- and out-flows, which are discounted by applying the relevant interest rate curves provided by EIOPA. Solvency II projections make full allowance of future profits (or losses) expected from the current portfolio of insurance contracts. An explicit Risk Margin is included in the Solvency II provisions.

The main differences between Solvency II and statutory valuation levels are:

- Recognition of future profits in the Solvency II approach
- Replacement of the implicit margin in statutory liabilities by a (lower) explicit margin (the Risk Margin) for Solvency II

The valuation difference is due to the different accounting and valuation principles.

V.3 Other liabilities

V.3.1 Basis, methods and assumptions used for valuing other liabilities

Classes of other liabilities	Solvency valuation	Statutory valuation	Difference	Valuation for solvency purposes: basis, methods, assumptions
in '000 CHF				
Contingent liabilities	-	-	-	
Provisions other than technical liabilities	699.0	699.0	-	Valuation of provisions is in accordance with IAS 37 i.e. best estimate of the expenditure required to settle the present obligation at the balance sheet date.
Pension benefit obligations	-	-	-	
Deposits from reinsurers	38,420.0	38,420.0	-	
Deferred tax liabilities	1,506.0	-	−1,506.0	
Derivatives	-	-	-	
Debts owed to credit institutions	-	-	-	
Financial liabilities other than debts owed to credit	-	-	-	
Insurance and intermediaries payables	6,537.0	6,537.0	-	In accordance with IFRS
Reinsurance payables	-	-	-	
Payables (trade, not insurance)	773.0	773.0	-	In accordance with IFRS.
Subordinated liabilities	-	-	-	
Subordinated liabilities not in Basic own funds	-	-	-	
Subordinated liabilities in Basic own funds	-	-	-	
Any other liabilities	772.0	1,222.0	450.0	In accordance with IFRS and statutory classification.
Total other liabilities	**48,707.0**	**47,651.0**	**−1,056.0**	

Deferred tax liability

Deferred taxes are the result of differences between the measurement basis that applies to assets and liabilities for determination of the taxable income and the Solvency II measurement basis. For example, the valuation of technical provisions under the tax relevant statutory requirement requires explicit margins, which will become taxable profit in the future. The lower valuation of liabilities for Solvency II implies the immediate anticipation of such future gains. Thus, the related future taxes have to be anticipated as well.

Baloise Life (Liechtenstein) AG evaluates the measurement differences on each position in the Solvency II balance sheet and determines the net position of any future tax benefits and obligations. This assessment takes into account all relevant features of the Liechtenstein tax law.

Pension Liability

In the Solvency II balance sheet the obligation for the Insurer's pension plan is recognized at the same value that is used for IFRS group accounts.

Other

The most relevant position among the remaining other liabilities relates to the deposit by the hedging partner. As already discussed in detail under the hedging agreement for VA-business the party that has a net obligation under the hedge is required to post cash with the other party. Currently, the hedge has a positive value for Baloise Life (Liechtenstein) AG. The amount is measured at its nominal value under both statutory and Solvency II accounts.

Trade and insurance payables are also reported at their nominal value for either balance sheet.

The remaining other liabilities is related to an uncertain obligation which is valued at best estimate for solvency purpose and conservatively for local GAAP.

V.3.2 Reconciliation to financial reporting

Classes of other liabilities	Solvency valuation	Statutory valuation	Difference	Valuation for solvency purposes: basis, methods, assumptions
in '000 CHF				
Contingent liabilities	-	-	-	
Provisions other than technical liabilities	699.0	699.0	-	Valuation of provisions is in accordance with IAS 37 i.e. best estimate of the expenditure required to settle the present obligation at the balance sheet date.
Pension benefit obligations	-	-	-	
Deposits from reinsurers	38,420.0	38,420.0	-	
Deferred tax liabilities	1,506.0	-	−1,506.0	
Derivatives	-	-	-	
Debts owed to credit institutions	-	-	-	
Financial liabilities other than debts owed to credit	-	-	-	
Insurance and intermediaries payables	6,537.0	6,537.0	-	In accordance with IFRS
Reinsurance payables	-	-	-	
Payables (trade, not insurance)	773.0	773.0	-	In accordance with IFRS.
Subordinated liabilities	-	-	-	
Subordinated liabilities not in Basic own funds	-	-	-	
Subordinated liabilities in Basic own funds	-	-	-	
Any other liabilities	772.0	1,222.0	450.0	In accordance with IFRS and statutory classification.
Total other liabilities	**48,707.0**	**47,651.0**	**−1,056.0**	

V.4 Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

VI. Capital Management

VI.1Own funds

VI.1.1 Capital management: objectives, policy and processes

Capital is a scarce and strategic resource, thus Baloise Life (Liechtenstein) AG applies a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. Its approach balances the needs and requirements of stakeholders including shareholders, regulators, employees and customers.

Objectives

Baloise Life (Liechtenstein) AG's main objectives in capital management are the following:

- to fulfil the solvency requirements defined by the regulatory framework;
- to ensure business continuity and the capacity to develop its activity;
- to determine impact on pricing policies which are consistent with risk levels of each activity sector and,
- to create value to shareholders.

The undertaking has to comply with local laws and regulations and/or local supervisory authorities requirements regarding a minimum capital level in order to fulfill its insurance obligations. At any point in time during the financial year 2016, BLL met this minimum capital requirement.

Policy

The undertaking has in place a Capital Management policy that sets forth the principles and guidelines that it applies when managing own funds. In particular, it provides the overall definition of capital and of adequate capital ratios. The policy also covers the different activities for an effective and optimized capital management: capital planning, capital contingency plans (for situations where the minimum capital requirement is not met) and capital allocation.

Additionally, the policy describes the governance structure supporting capital management, in particular the roles and responsibilities as well as the reporting requirements.

Processes

The main goal of BLL's capital management process is to optimize the structure, composition and allocation of capital within the undertaking. The process also ensures continued eligibility of own fund items through close monitoring of the eligibility criteria, i.e. the regulatory criteria that define whether individual items of available may be used to cover capital requirements.

Capital planning is done over the entire business planning horizon of three years and takes into account the following:

- The requirements for capital, linked to the risk appetite and the resulting expected level of risk according to the risk assessments;
- Projections of own funds;
- The capital level the undertaking wants to hold, taking into account:

  - Legal requirements, and anticipated changes;

  - Growth ambitions, and future capital commitments;

  - Security buffers to ensure that obligations according to the Risk Appetite Policy are met,
- Dividend policy (and future capital raising).

BLL allocates its capital based on the following principles:

- Capital (re)allocation based strategic and performance objectives;
- Allocation takes into account optimizing expected value creation, risk and capital use.

VI.1.2 Own funds analysis

Own funds overview

Under Solvency II, own funds represent those funds of the entity that are available to compensate the financial impact of adverse scenarios for the insurer. An insurer needs to hold certain amounts of own funds covering specific capital requirements (SCR and MCR, see next section).

Own funds are categorized into three different “Tiers”: Tier 1 is the highest class, typically characterized by unconditional availability of the funds in case of losses by the insurer. Funds in Tier 2 and Tier 3 respectively generally have limitations as to the amount of funds available, the conditions for availability or the period during which they are available. Accordingly, an insurer may only use Tier 1 own funds to cover capital requirements without restrictions, subject to certain limitations for specific instruments.

The own funds of Baloise Life (Liechtenstein) AG entirely consist of Tier I funds.

Own funds structure and composition

Solvency II guidance further distinguishes own funds by the way they are provided: Generally speaking, “basic own funds” are fully paid in, whilst “ancillary own funds” are only available by an insurer on demand. All own funds of Baloise Life (Liechtenstein) AG are basic own funds.

Basic own funds (BOF)

The basic own funds are composed of the following items which are explained below in more detail:

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
CHF '000						
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated						
Ordinary share capital (gross of own shares)	R0010	7,500.0	7,500.0			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	1,997.6	1,997.6			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	0	0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	40,989.5	40,989.5			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as	R0180	0	0			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0			
Total basic own funds after deductions	R0290	50,487.2	50,487.2			0

Ordinary share capital

This item represents the subscribed capital of Baloise Life (Liechtenstein) AG of CHF 7,500 thousand divided into 75,000 shares without a designated nominal value. No share premiums were paid.

Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings

This item comprises the net balance of additional capital paid in and the cumulated annual results according to PGR, the Liechtenstein local GAAP. Together with ordinary share capital, these initial funds reconcile with the equity according to the statutory accounts.

Subordinated liabilities

As at 31 December 2016, Baloise Life (Liechtenstein) AG has not issued subordinated liabilities.

Reconciliation reserve

For Baloise Life (Liechtenstein) AG the reconciliation reserve currently represents the difference between the equity according to local GAAP and the excess of assets over liabilities according to Solvency validations guidelines. It would be adjusted for foreseeable dividends and own shares held, if any. The main driver of this difference is the revaluation of technical provisions, other relevant effects result from deferred taxes.

VI.1.3 Transitional arrangements

All own funds items of Baloise Life (Liechtenstein) AG are standard instruments, so no transitional arrangements exist.

VI.1.4 Eligible amount of own funds to cover the SCR and MCR

Eligible Own funds

Since the total own funds of Baloise Life (Liechtenstein) AG are Tier 1 (unrestricted) funds, the own funds are entirely eligible for covering the capital requirements. Accordingly, the solvency ratios can be determined straightforward. They amount to 142.8% for SCR and 317.4% for MCR.

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
CHF '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	50,487.2	50,487.2		0	0
Total available own funds to meet the MCR	R0510	50,487.2	50,487.2			
Total eligible own funds to meet the SCR	R0540	50,487.2	50,487.2	0	0	0
Total eligible own funds to meet the MCR	R0550	50,487.2	50,487.2	0	0	
SCR	R0580	35,348.4				
MCR	R0600	15,906.8				
Ratio of Eligible own funds to SCR	R0620	142.8%				
Ratio of Eligible own funds to MCR	R0640	317.4%				

VI.2SCR and MCR

VI.2.1 SCR and MCR: overview and key changes

Solvency position

Baloise Life (Liechtenstein) AG clearly meets the Solvency capital requirements. As of year-end 2016 the Solvency Capital Requirement (SCR) of BLL amounts to CHF 35,348.4 thousand. This amount is split over the different risk modules of the Solvency II standard formula as illustrated in the table below.

In '000 CHF		Gross solvency capital requirement
		C0110
CHF '000		
Market risk	R0010	21,817.5
Counterparty default risk	R0020	6,095.0
Life underwriting risk	R0030	20,632.2
Health underwriting risk	R0040	
Non-life underwriting risk	R0050	
Diversification	R0060	−12,582.5
Intangible asset risk	R0070	0
Basic Solvency Capital Requirement	R0100	35,962.1
Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	892.0
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	−1,505.7
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	35,348.4
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	35,348.4

SCR and MCR analysis

The SCR and its components are discussed in Chapter Risk Profile in full detail. The SCR is calculated according to the standard formula and the adverse scenarios specified by it, which could affect the capital position of an insurer, after allowance for diversification between the risks.

The Minimum Capital Requirement (MCR) aims to ensure that an insurer holds an absolute minimum amount of capital. It also represents a trigger point for severe regulatory measures that come into effect once an insurer is holding less capital than the MCR.

Due to the business volume of Baloise Life (Liechtenstein) AG, the absolute minimum capital requirement covered by the MCR is met anyways. Consequently, the MCR equals its maximum relative amount which is determined as 45% of the SCR.

Material changes in SCR and MCR

This report concerns the first reporting in the current form under the Solvency II framework. Changes since the last reporting period are therefore not yet reported.

VI.2.2 Simplified calculations and entity specific parameters

Baloise Life (Liechtenstein) AG does not use entity specific parameters in its SCR calculation based on the Solvency II standard formula, but applies the parameters as specified in the regulation. It also does not make use of any simplification that is provided by the Delegated Act. However, for operational reasons the assets held on behalf of policyholders in VLV contracts are mapped into generic classes of assets which are represented by certain instruments. The mapping is done in a prudent way by choosing risky representatives which most likely leads to an overstatement of the capital requirement.

VI.2.3 Use of the duration-based equity risk sub-module for SCR calculation

According to Article 304 for specific business, insurers may have an option to apply an amended version of the equity risk module. Baloise Life (Liechtenstein) AG is not eligible for this option as it does not write business qualifying for it.

VI.3Non-compliance with the MCR and the SCR

VI.3.1 Amount of non-compliance

Baloise Life (Liechtenstein) AG has been compliant with the Solvency II Minimum Capital Requirements and the Solvency Capital requirements during the entire reporting period.

VI.3.2 Explanations of causes, effects and remedial actions

Not relevant.

VI.4Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

Annex

S.02.01.02. Balance sheet: assets

CHF '000		Solvency II value C0010
Assets		
Property, plant & equipment held for own use	R0060	106.8
Investments (other than assets held for index-linked and unit-linked	R0070	48,335.7
Assets held for index-linked and unit-linked contracts	R0220	2,853,901.4
Insurance and intermediaries receivables	R0360	1,496.7
Receivables (trade, not insurance)	R0380	349.6
Cash and cash equivalents	R0410	68,292.6
Other		3,780.3
Total assets	R0500	**2,976,263.1**

S.02.01.02. Balance sheet: liabilities

CHF '000		Solvency II value C0010
Liabilitites		
Technical provisions – index-linked and unit-linked	R0690	2,877,069.3
Provisions other than technical provisions	R0750	698.8
Deposits from reinsurers	R0770	38,420.0
Deferred tax liabilities	R0780	1,505.7
Insurance & intermediaries payables	R0820	6,537.2
Payables (trade, not insurance)	R0840	772.9
Other		771.9
Total liablitites	R0900	**2,925,775.9**
Excess of assets over liabilities	R1000	**50,487.2**

S.05.01.02. Premiums, claims and expenses by line of business: Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
CHF '000										
Premiums written										
Gross	R1410			354,526.1						354,526.1
Reinsurers' share	R1420			7,941.8						7,941.8
Net	R1500			346,584.3						346,584.3
Premiums earned										
Gross	R1510			12,197.7						12,197.7
Reinsurers' share	R1520			0						0
Net	R1600			12,197.7						12,197.7
Claims incurred										
Gross	R1610			171,254.8						171,254.8
Reinsurers' share	R1620			0						0
Net	R1700			171,254.8						171,254.8
Changes in other technical provisions										
Gross	R1710			185,831.5						185,831.5
Reinsurers' share	R1720			0						0
Net	R1800			185,831.5						185,831.5
Expenses incurred	R1900			6,456.9						6,456.9
Other expenses	R2500									1,748.8
Total expenses	R2600									8,205.7

S.05.02.01. Premiums, claims and expenses by country: life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		ITALY	GERMANY	AUSTRIA	SWITZERLAND	BELGIUM	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
CHF '000								
Premiums written								
Gross	R1410	0	294,515.6	28,329.2	26,909.3	4,760.3	11.7	354,526.1
Reinsurers' share	R1420	0	0	315.3	4.0	7,622.6	0	7,941.8
Net	R1500	0	294,515.6	28,013.9	26,905.3	−2,862.3	11.7	346,584.3
Premiums earned								
Gross	R1510	0	5,616.6	1,349.8	493.3	4,726.4	11.7	12,197.7
Reinsurers' share	R1520	0	0	0	0	0	0	0
Net	R1600	0	5,616.6	1,349.8	493.3	4,726.4	11.7	12,197.7
Claims incurred								
Gross	R1610	0	146,192.3	5,312.9	686.7	19,062.9	0	171,254.8
Reinsurers' share	R1620	0	0	0	0	0	0	0
Net	R1700	0	146,192.3	5,312.9	686.7	19,062.9	0	171,254.8
Changes in other technical provisions								
Gross	R1710	0	−144,746.8	−29,854.3	−35,193.7	23,963.3	0	−185,831.5
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	−144,746.8	−29,854.3	−35,193.7	23,963.3	0	−185,831.5
Expenses incurred	R1900	6,456.9	0	0	0	0	0	6,456.9
Other expenses	R2500							1,748.8
Total expenses	R2600							8,205.7

S.12.01.02. Life and Health SLT Technical Provisions (part 1 of 4)

			Index-linked and unit-linked insurance			Other life insurance		
		Insurance with profit participation	All contracts Index-linked and unit-linked	Contracts without options and guarantees	Contracts with options or guarantees	All contracts Other life insurance	Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
CHF '000								
Technical provisions calculated as a whole	R0010							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020							
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030			2,543,815.1	321,431.9			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			0	0			
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			2,543,815.1	321,431.9			
Risk Margin	R0100		11,822.4					
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110							
Best estimate	R0120			0	0			
Risk margin	R0130							
Technical provisions - total	R0200		2,877,069.3					

S.12.01.02. Life and Health SLT Technical Provisions (part 2 of 4)

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0090	C0100	C0150
CHF '000				
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020			
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030			2,865,247.0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			2,865,247.0
Risk Margin	R0100			11,822.4
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			0
Risk margin	R0130			
Technical provisions - total	R0200			2,877,069.3

S.12.01.02. Life and Health SLT Technical Provisions (part 3 of 4)

		Health insurance (direct business)		
		All contracts Health insurance (direct business)	Contracts without options and guarantees	Contracts with options or guarantees
		C0160	C0170	C0180
CHF '000				
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020			
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			
Risk Margin	R0100			
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200			

S.12.01.02. Life and Health SLT Technical Provisions (part 4 of 4)

		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0190	C0200	C0210
CHF '000				
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020			
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			
Risk Margin	R0100			
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200			

S.17.01.02.01 Non-Life Technical Provisions

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.19.01.21.01: Non-life insurance claims

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.22.01.21.01: Impact of long term guarantee measures and transitionals

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
CHF '000						
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	7,500.0	7,500.0			
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	1,997.6	1,997.6			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	0	0			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	40,989.5	40,989.5			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0			
Total basic own funds after deductions	R0290	50,487.2	50,487.2			0

S.23.01.01. Own funds: ancilliary own funds

The Quantitative Reporting Template is not relevant for the undertaking and therefore omitted from the report.

S.23.01.01. Own funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
CHF '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	50,487.2	50,487.2		0	0
Total available own funds to meet the MCR	R0510	50,487.2	50,487.2			
Total eligible own funds to meet the SCR	R0540	50,487.2	50,487.2	0	0	0
Total eligible own funds to meet the MCR	R0550	50,487.2	50,487.2	0	0	
SCR	R0580	35,348.4				
MCR	R0600	15,906.8				
Ratio of Eligible own funds to SCR	R0620	142.8%				
Ratio of Eligible own funds to MCR	R0640	317.4%				

S.23.01.01. Own funds: reconciliation reserve

		C0060
CHF '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	50,487.2
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	9,497.6
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	40,989.5
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	0

S.25.01.21. Solvency Capital Requirement for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
CHF '000				
Market risk	R0010	21,817.5		
Counterparty default risk	R0020	6,095.0		
Life underwriting risk	R0030	20,632.2	None	
Health underwriting risk	R0040		None	
Non-life underwriting risk	R0050		None	
Diversification	R0060	−12,582.5		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	35,962.1		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	892.0
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	−1,505.7
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	35,348.4
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	35,348.4
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01. Minimum Capital Requirement: MCRL result

Linear formula component for life insurance and reinsurance obligations

		C0040
CHF '000		
MCRL Result	R0200	20,091.7

S.28.01.01. Minimum Capital Requirement: total capital at risk

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
CHF '000			
Obligations with profit participation -	R0210	0	
Obligations with profit participation - future	R0220	0	
Index-linked and unit-linked insurance	R0230	2,865,247.0	
Other life (re)insurance and health	R0240	0	
Total capital at risk for all life (re)insurance	R0250		49,963.3

S.28.01.01. Minimum Capital Requirement: Overall MCR calculation

Overall MCR calculation

		C0070
CHF '000		
Linear MCR	R0300	20,091.7
SCR	R0310	35,348.4
MCR cap	R0320	15,906.8
MCR floor	R0330	8,837.1
Combined MCR	R0340	15,906.8
Absolute floor of the MCR	R0350	3,969.8
Minimum Capital Requirement	R0400	**15,906.8**