



Euromex NV

Solvency and Financial Condition Report

2017

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This report has been prepared solely to fulfill the obligations arising from the supervisory reporting (Solvency and Financial Condition Report under Articles 51 et seq. of the SII Directive 2009/138 / EC in conjunction with Articles 290 et seq. of Delegated Regulation (EU) 2015 / 35 of the Commission of 10 October 2014). Unless otherwise indicated in this report, all statements and information contained herein are based on facts and knowledge as at the reference date of the report. The same applies to all forward-looking statements and information contained in this report, such as f.e. forecasts, expectations, developments, plans, intentions, assumptions, beliefs or outlooks. Forward-looking statements are subject to many factors, and no assurance, warranty or guarantee is given that the forward-looking statements will take place or be fulfilled as expected. Furthermore, new factors with a significant impact on forward-looking statements may arise at any time. It can not be predicted what these factors are and what influence they have individually or in combination with other circumstances. It is not intended to update any of these forward-looking statements and information due to changed circumstances or new knowledge unless expressly required by applicable laws or regulations.

A Executive Summary

A.1 Introduction

Euromex is a mono branch Belgian insurance company specialized in legal protection since 1948. It operates under the legal form of a "Public Limited Company ('Naamloze Vennootschap)". Euromex is part of, and strongly embedded in the Baloise Group (owned by Baloise Holding Ltd, Switzerland). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions.

The purpose of this report is to satisfy the public disclosure requirements under the law of 13/03/2016 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.

A.2 Highlights 2017

Euromex is operating in a rapidly changing environment characterized by innovations and new risks (cyber risks, green energy, telematics, the risk of changing operating models in legal protection services...), which are impacting the product offering, an economic situation with upcoming disruptive business models, changing customer behaviour towards self-servicing, consolidation and internationalization of the corporate customer market, a competitive market with continuous pressure on premium, an insurance distribution with hampered growth of sustainable enterprise broker channel due to consolidation, and European and Belgian legislation with specific attention on distribution, transparency and consumer protection.

Euromex is relying on innovation, agility and an entrepreneurial culture – without neglecting our core insurance business.

Innovation can be found within the product gamma of Euromex. On a recurring basis the company assesses the products she offers and adapts them to the current client needs. In this mission we want to listen to the voice of the customer by offering a client based approach that fits our core values of client focus, simplicity and transparency.

During 2017, Euromex was focused on full and further implementation of Solvency II. The already existing sound system of governance was further enhanced especially in the area of operational excellence via the internal control system. In this system of governance the important role of the risk management function has been further formalized. Euromex continued embedding risk management in the company and decision taking processes. The solvency ratio, including VA, of Euromex increased from 118,8% to 191,7% (191,0% without VA).

In 2017 Euromex focused on process optimization and profitable growth with simple, transparent products and services, customer focus resulting in the best service for our clients through the broker distribution channel.

Profiling Euromex the following actions were taken

- We focused on better listening to the voice of the customer resulting in projects on process optimization and adapting our mindset and behavior to current client needs,
- We adapted a holistic vision on ICT in collaboration with the mother company and formulated an IT strategy until 2020.
- We started up strategic projects in order to improve our business continuity and to stay up to date with current client servicing standards.
- We expanded our product gamma in order to better service our clients.

Thanks to this mindset Euromex was to produce a BGAAP underwriting result over 2017 of 9,8 Mio EUR (8,1 Mio EUR after Reinsurance).

A.3 Business and Performance

Strong profit despite uncertain economic situation

Euromex generated a strong net profit in 2017 of 7,4 Mio EUR (in accordance to the Belgian Accounting Standards BGAAP). The year was shaped by economic uncertainties stemming from the French elections and the escalating conflict between the US and North Korea. From an operating perspective, the focus at Euromex was on maintaining the strong technical result that she performed the previous years and control the expenses. This resulted in an annual technical result of 9,8 Mio EUR, as mentioned above, with a combined ratio of 84,5%.

A.4 System of Governance

We practice sound, responsible corporate governance.

As a company that adds value, Euromex attaches great importance to practicing sound, responsible corporate governance.

The system of governance in place at Euromex is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. This is confirmed by the Board of Directors of Euromex. Adequacy is deducted from the governance principles and framework in line with regulatory requirements. Furthermore, the Fit and proper process applied, together with the company's Code of Conduct ensure the adequacy of key personnel such as the adequacy of key functions implemented according to Solvency II regulation.

A.5 Risk Profile

All material risks are identified, assessed and managed.

All risks as defined in the Baloise risk map - consisting of insurance, investment, financial structure, environment, operational and strategic risk - are assessed on a regular basis by taking into account risk mitigating measures in place. On a yearly basis risks are assessed in a bottom-up and top down process by the functional department responsables (risk owner and risk controller), the executive committee and validated by the risk management function. The process also considers emerging and strategic risks.

A.6 Valuation for Solvency Purposes

Valuation principles and results are presented under both the Solvency II and local accounting framework. 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. Due to these differences the local GAAP own funds mount up to 45 Mio EUR, where in Solvency II an extra gain of 14 Mio EUR resulting in SII own funds of 59 Mio EUR. The main differences find their origin in the different valuation of the technical provisions and the capital gains on the bonds.

A.7 Capital Management

Despite the difficult market environment the Solvency II quote for the Euromex was 191,7% at the end of 2017. The legal requirement to hold sufficient own funds to cover the solvency capital requirement has therefore been fulfilled.

Solvency II Ratio

	2016	2017
	Total	Total
EUR '000		
Total available own funds to meet the SCR	47,790.4	55,185.0
Solvency Capital Requirement	40,212.8	28,790.4
Solvency II Ratio	118.8%	191.7%

A.8 Material Changes over the Reporting Period

Over 2017 Euromex received approval for the use of undertaking specific parameters. This resulted in an important increase in Solvency II ratio compared to year end 2016.

The governance system has been slightly adapted where the Board of Directors' now has two independent members.

The now yearly risk assessment has been enriched with an overview of the most important emerging and strategic risks of the company.

No changes have been applied in the valuation methodology of assets and liabilities, nor in the capital management principles.

B Business and performance (Article 51(1)(a))

B.1 Business

B.1.1 General information

Euromex is a mono branch Belgian insurance company specialised in legal protection since 1948. It operates under the legal form of a Limited Liability Company ('Naamloze vennootschap'). The 'Nationale Bank van België' ('NBB') represents the responsible supervisory authority. The external auditor is Ernst & Young Bedrijfsrevisoren CV, De Kleetlaan 2, 1831 Diegem, represented by mrs. C. Wymeersch..

Baloise Belgium NV, (with registered office at Posthofbrug 16 2600 Berchem, BELGIUM) is the main (99,82%) shareholder of Euromex. 0,18% is owned by Merno-Immo NV (with registered office at Posthofbrug 16 2600 Berchem, BELGIUM). Euromex is part of, and strongly embedded in the Baloise Group (owned by Baloise Holding Ltd¹, at 21, Aeschengraben, 4002 Basel, SWITZERLAND). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions.

At the end of 2017, in addition to its Swiss and Belgian activities, the group has relevant foreign operations in Germany, Luxemburg and Liechtenstein.

An active interaction is established between Baloise Belgium NV and Euromex, based on, a.o. the presence of Baloise Belgium representatives Euromex' Board of Directors, and the extensive management reporting procedures. Important synergies exist, a.o., in financial reporting, asset management, actuarial services and in risk management.

In 2017, Euromex realized a total business volume of 63,3 Mio EUR in premium earned. This is an increase compared to 2016 in which 60,7 Mio EUR premium was earned.

B.1.2 Significant business and geographical coverage

B.1.2.1 Main business lines and geographical areas

In 2017, Euromex realized a BGAAP gross earned premium volume of 63,3 Mio EUR, that is the sum of inclusion and separate production.

Per 31/12/2017, the corresponding BGAAP technical provisions amounted to 112,5 Mio EUR (105,6 Mio EUR at YE 2017) concerning the external claims payments and the internal claims costs.

As a mono branch insurer Euromex provides service in the legal expenses insurance business

¹ Baloise Group's supervisor is the Swiss 'Financial Market Supervisory Authority ('FINMA')', and can be contacted at Laupenstrasse 27 – CH-3003 Bern.

The premium volume is almost fully realised in Belgium with highest concentration in the Flemish part of the country.

B.1.2.2 Significant business or other events

In 2017, the Board of Directors' expanded her members, in order to respect the governance circular of the NBB and has now 2 independent Directors.

The company continues to invest in a profitable growth via brokers.

Even though the non-life insurance business is less susceptible to the low interest rate environment, the company closely monitors the market evolutions with respect to the interest and spread risk and invests in high quality assets.

In general, external developments like technological changes, access to big data, use of portable devices by customers, service providers offering legal protection other than insurance companies... are more and more impacting the insurance market. Euromex is closely monitoring these evolutions, and is actively exploring the opportunities these developments offer.

Finally, regulatory changes (IDD, Assurmifid, GDPR, Solvency II...) are also heavily impacting the way insurers conduct their businesses and interact with their customers, resulting in strong market competition. The company's customer centricity approach perfectly fits within these developments.

B.2 Performance of underwriting activities

B.2.1 The overall performance under BGAAP

The following table summarizes the P&L account of Euromex under BGAAP, as disclosed in the annual reporting, over the actual and the previous reporting period. There have been no major changes in the range of activities (like mergers, or transfers of material insurance portfolio's) during the reporting period, hence, as such, the comparison between both data is meaningful.

The next subsection will further analyze the underwriting component of the technical results.

S.05.01. Premiums, claims and expenses - Non-Life aggregated

	2016		2017	
	Gross	Net	Gross	Net
EUR '000				
Premiums earned	60,696.9	58,118.7	63,338.1	59,780.1
Claims incurred	23,942.8	22,003.9	25,355.6	23,513.5
Changes in other technical provisions	0	0	0	0
Total Expenses	28,535.3	28,535.3	28,177.3	28,177.3
Annual underwriting result	8,218.8	7,579.5	9,805.3	8,089.3
Combined ratio	86.5%	87.0%	84.5%	86.5%

B.2.2 The underwriting performance of the non-life activity under BGAAP

The underwriting performance is considered at the portfolio level. In addition to the underwriting related P&L elements (i.e. premiums, claims incl. changes in reserves and expenses), the usual ratio is a relevant indicator for the assessment of the underwriting performance. Both the situations before and after reinsurance are considered.

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Changes in other technical provisions	0	0	0	0
Total Expenses	28,535.3	28,535.3	28,177.3	28,177.3
Annual underwriting result	8,218.8	7,579.5	9,805.3	8,089.3
Combined ratio	86.5%	87.0%	84.5%	86.5%

With a gross underwriting result of 9,8 M EUR, the non-life underwriting activity clearly provides a large contribution to the company's total result. The gross combined ratio of 84,5 % confirms the profitability of the non-life activity as a whole. It confirms the adequacy of the company's pricing policy. The results are comparable to the results of last year highlighting the stability of Euromex as an insurance company. This reflects the company's efforts to reduce its costs and to focus on efficient processes. Moreover, a strict follow up of the underwriting result allows the company to identify unfavorable risks, and to take appropriate action wherever needed. Further, reinsurance had a negative contribution to the total result.

B.2.3 The underwriting performance of the life activity under BGAAP

Not applicable

B.3 Performance of investments activities

B.3.1 Overview of the investment performance as per financial statements and current income

In 2017, financial markets were further characterized by persistently low interest rates, even though we have known the French elections and the tensions between the USA and North Korea, equity markets performed very well. Euromex did not significantly change its asset allocation, and kept the large majority of its assets invested in bonds. However, it continuously fine-tuned its investment mix in view of investment opportunities which offer optimal return with acceptable risk.

In this way, a slight increase of the fraction of corporate bonds was realized in detriment of government bonds.

Under the given asset allocation, the large majority of Euromex investment income (100%) are recurring, as is clear from the table below. For the bonds portfolio, this recurring income corresponds

to earned interest as well as changes in the book value of the bonds w.r.t. amortization of agio/disagio's and provides a stable income.

Thanks to the low interest rate climate, in 2017, Euromex had a large amount of available capital gains, of which a limited fraction was realized to contribute to the investment income.

Income and expenses from investments by asset class

	Bonds	Equities	Other	Charges & Expenses	Total
EUR '000					
Income and expenses from investments					
Investment income	3,045.3	339.7	-15.0	-272.4	3,097.6

B.3.2 Gains and losses recognized directly in equity

Under BGAAP, there are no gains or losses that are recognized directly in equity.

B.3.3 Investments in financial instruments based on repackage loans

At YE2017, Euromex has no investments in SSL's (Senior Secured Loans).

B.4 Other significant income and expenses

In addition to the elements discussed in the sections about underwriting and investment performance, a few other elements with significant impact on the company's profit and loss have to be mentioned.

The company's P&L account was impacted by 'other costs' for an amount of 1,4 Mio EUR.

Euromex has no material lease contracts.

B.5 Other relevant information

No further information

C System of Governance (B – Article 51(1)(b))

C.1 General information

C.1.1 Governance structure : overview

C.1.1.1 Board of Directors

The Board of Directors is composed of executive and non-executive directors appointed by the General Shareholders Meeting for a renewable term of each at most six years.

The Board of Directors meets at three times a year and every time the interest of the company demands. The Board of Directors has i.a. the following missions:

- Definition of general policy and strategy, goals and values of the company;
- Approve and regularly evaluate the policy structure, organization, internal control and independent control of the company;
- Regularly check whether the company has an effective internal control system concerning the reliability of the financial reporting process;
- Approve and regularly evaluate the lines of the general policy and strategy of the company, including with respect to:
 - Commercial policies and structures
 - Risk profile, policies and management
 - Capital Adequacy
 - Outsourcing
 - Business continuity
 - Integrity and customer acceptance conflicts
 - Supervise the management;
- Take note of the important findings of the independent control of the company, the auditor and the NBB and FSMA, where appropriate through specialized committees set up by the Board.

C.1.1.2 Executive Committee

The managing directors make up the Executive Committee responsible for the effective management of the enterprise.

The Executive Committee meets weekly. Periodic reports are submitted to this committee on the main issues and business risks. This committee acting as a collegial, subject to the allocation of specific responsibilities to individual Managing Directors.

The Executive Committee forms a college that jointly - preferably by consensus, if not a majority - comes to decisions. The members are loyal to the decisions taken.

The Executive Committee has i.a. the following missions:

- Responsible for the management of the enterprise activity and the development of the governance and management structure;
- Monitor the line management and compliance with the assigned competences and responsibilities, as well as the reporting;
- Do proposals to the Board for determining general policy and strategy of the company and the communication the board of all relevant information about the taken decisions;
- Responsible for the organization and management of the internal control system and procedures, in particular the independent control;
- Organize a system of internal controls that provides reasonable assurance regarding the reliability of the internal reporting as well as the financial reporting process so that the financial statements are in accordance with the applicable accounting rules;
- Report to the Board on the financial position of the company and all the aspects that are necessary for the board to fulfill its tasks properly;
- Report to the National Bank regarding the financial situation, structure; internal controls and independent control functions (internal audit and compliance).

Notwithstanding the collective responsibility of the executive committee specific tasks are assigned to the different members.

C.1.1.3 Specialized Committees of the Board of Directors (composition, functions, working)

The Board appointed an Audit and Risk Committee and a Remuneration Committee.

The Audit and Risk Committee is composed of two non-executive directors, including one independent director. The Audit and Risk committee meets at least twice a year and reports to the Board of Directors.

The **Audit Committee** has the following tasks:

- Overseeing the financial reporting process and the integrity of the financial statements;
- Monitoring the effectiveness of the systems and functions for internal control and risk management;
- Monitoring the internal audit and relevant activities, including the audit plan, take note of the audit reports, to ensure that the Executive Committee shall take appropriate steps to remedy the shortcomings which have adopted by the internal auditors;
- Monitor the statutory audit of annual accounts and consolidated accounts, including the compliance with the questions and recommendations formulated-taught by a certified public accountant;
- Reviewing and monitoring the independence of the statutory auditor, with particular attention to the supply of additional services to the company or to a person with which it has close links;
- Report regularly to the Board on the exercise of his tasks, at least on the annual and consolidated financial statements and periodic information at the end of the financial year and at the end of the first half.

- Provide the Board of Directors recommendations on the appointment and reappointment of the auditor's independence and remuneration.

The **Risk Committee** has the following tasks:

- Provide advice to the Board on the current and future risk tolerance and risk strategy;
- The Board of Directors to assist in the exercise of monitoring the implementation of the risk strategy by the Executive Committee;
- Monitoring the effectiveness of the governance systems and risk management function.

The Audit and Risk Committee can receive specific missions from the Board of Directors, is completely independent in the execution of these missions, and reports regularly to the Board of Directors until the completion of the assignment.

The **Remuneration Committee** has been appointed to determine the fixed and variable remuneration of the members of the Executive Committee in accordance with its approved remuneration policy. The Remuneration Committee is composed of two non-executive directors, including one independent director.

The Remuneration Committee has the following tasks:

- The advice on the remuneration policy to be adopted by the Board of Directors and any amendment on it;
- The preparation of decisions regarding remuneration, particularly those which have implications for the risk management of the company and which the Board of Directors have to decide; in the preparation of such decisions, the Remuneration Committee taken into account the long-term interests of shareholders, investors and other stakeholders of the company, as well as the general interest.
- The preparation of decisions regarding the remuneration of the persons responsible for the independent control;
- Monitor the remuneration of those responsible for the independent control.

C.1.1.4 Other Key functions

Alongside the aforementioned functions observed by the (executive and non-executive) Directors, the company has also created a number of appropriate independent control functions which are also key functions.

Management monitors the implementation and organization of these functions, and uses their findings and recommendations to strengthen the administrative structure, organization and internal control.

Independence of these control functions mainly involves the following elements:

- They have an appropriate statute guaranteeing all necessary powers, resources, expertise and access within the organization;
- They are independent of the hierarchical and organizational levels of the operational activity they have to control;
- They report both to the executive and non-executive directors accordance to the established procedures;

- Remuneration of persons responsible for those functions is from a material point of view not related to the profitability of the activity.

The different control functions are

- Compliance
- Risk management
- Internal Audit
- Actuarial function

They are discussed further below in this report.

C.1.1.5 The Policy framework

A key element in the company's governance framework is its policy framework. This framework contains all documents (policies) within the context of Solvency II which contain the high level principles according to which the company organizes its working. Policies typically contain general, more abstract rules and guidelines which are further translated into processes and procedures. The policy framework is itself also subject to detailed governance rules, which guarantee a.o. the periodic review of these documents.

C.1.2 Remuneration Policy

The general remuneration policy is consistent with and contributes to a healthy and effective risk management. The remuneration policy and the remuneration practices are adopted and implemented in accordance with the business and risk strategy, risk profile, objectives, risk management practices and the long-term interests and performance of the company as a whole. Policy and practices include measures aimed at preventing behavior or decisions in conflict with these interests.

The remuneration of the executive directors is based on creation of value and has been determined according to the concept of remuneration as adopted by the Remuneration Committee of Bâloise Holding.

Where remuneration includes a variable component, the remuneration policy aims for a balance between fixed and variable parts, so that the fixed or guaranteed part of the total remuneration package is sufficient to avoid employees becoming too dependent on the variable component, while it still enables the company to introduce an appropriately flexible bonus policy. The fixed part of the remuneration package depends on job market conditions while the variable part is performance related. The appropriate balance of remuneration components may vary across staff members, according to market conditions and the specific context in which Euromex operates.

Individual and corporate objectives are determined annually and include qualitative and quantitative criteria. Qualitative criteria reflect contribution to the corporate culture and the company's values in action. Quantitative criteria are related to the company's strategic orientations and are specified in terms of result, growth rates, combined ratio's etc.

In assessing individual performance, financial and non-financial criteria are applied.

Definition of objectives, assessment of the performance and determination of variable remuneration are all integrated in the performance management process. Individual and corporate objectives are determined annually and include qualitative and quantitative criteria.

The Company provides its employees with an attractive occupational pension solution (Pillar 2) that meets the following objectives:

- It covers the needs of its insured employees' needs in the event of old age, death or disability and mitigates the resultant financial consequences by offering an occupational pension scheme based on the principle of social partnership.
- It enables its retirees to maintain the standard of living to which they are accustomed by providing them with a sufficiently high level of income replacement (combination of Pillar 1 and Pillar 2 benefits) to compensate for their loss of earnings.
- The employer makes an important contribution to the funding of its occupational pension scheme.

The members of the Executive Committee are insured under the pension scheme run by Baloise Belgium. The other members of the Board of Directors have never been entitled to have contributions paid to the pension fund, nor have such contributions been paid to them.

C.1.2.1 Changes to the remuneration policy

No changes with respect to the remuneration policy are to be reported.

C.1.3 Shareholders

C.1.4 Group Structure – shareholders with a qualified participation

The shareholders of Euromex are

- Baloise Belgium NV,
- Merno-Immo NV

Euromex is part of, and strongly embedded in the Baloise Group (owned by Baloise Holding Ltd, Switzerland). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions.

As a Swiss financial group the Baloise Group is under control of the Swiss supervisor FINMA.

C.1.4.1 Loans to Directors

Not applicable

C.1.4.2 Transactions with shareholders

Euromex' reinsurance is made within the Baloise Group. This resulted in a net contribution to the company's P&L account of 0,1 Mio EUR, and a balance sheet amount of (intra group) reinsurance recoverables and receivables of 6,3 Mio EUR.

Operating expenses, paid to Baloise Belgium amounted to 0,1 Mio EUR, and covered IT, risk management, actuarial and audit services and asset management services provided by group divisions.

C.2 Fit and proper requirements

Euromex complies with all regulatory 'Fit and Proper' requirements. According to its 'Fit and Proper policy', the executive committee has put in place all necessary processes to guarantee the required 'fit and proper' status of its key function holders. These requirements are checked whenever such a function is taken up, and further on an annual basis by means of a declaration by the function holder, but also with a periodic evaluation process conducted by the company.

C.2.1 Fit & Proper Policy

Euromex ensures that the members of the Board of Directors and the Executive Committee and those responsible for independent control functions have sufficient expertise, and taking into account the respective tasks assigned to individuals, to provide appropriate diversity of skills, knowledge and to ensure relevant experience, so the company is managed professionally and is monitored professionally. The Board of Directors collectively has the appropriate qualifications, experience and knowledge relating to at least the insurance and financial markets, business strategy and business model, the system of governance, financial and actuarial analysis, the regulatory framework and regulatory requirements.

On the basis of antecedents can be verified whether one can reasonably assume that a person will perform duties entrusted to him in an honest, dedicated, independent, ethical and integrity.

C.2.1.1 Assessment

With a view to ensuring a permanent suitability the following measures are taken

- Self-Assessment
- Requirement for a written statement at the start when taking up the function in which the latter confirms the prejudice to respect applicable Fit & Proper standards for that function and will promptly communicate any circumstance that may be relevant in this context;
- Annual declaration of the persons assumed fit and proper that they are not aware of any relevant and material change regarding their compliance with the Fit & Proper standard.
- Euromex challenges the self-assessments and documents its results.

C.2.1.2 Transactions with leaders

Not Applicable

C.3 Risk management system including the ORSA

C.3.1 The risk management system

A key methodological element in Euromex risk management system is the Risk Map, in which risks are categorized at different levels of aggregation. It provides the basic taxonomy along which the company organizes the identification, assessment, monitoring and mitigation of the risks to which it is exposed. The high level of granularity supports a deep and broad integration of the risk management activity throughout the different levels and domains of Euromex' activities. The risks are categorized under the following building blocks

- Business risks
- Investment risks
- Financial structure risks
- Business environment risks
- Operational risks
- Information/Leadership risks

In order to monitor and manage the risks listed in the Risk Map, Euromex has implemented a comprehensive risk management system throughout its whole organization. Herein, Euromex follows a holistic approach to an integrated risk management for risk identification, management and evaluation in the areas of ICS, compliance and risk management. In addition to purely financial risks, operational and strategic risks as well as reputation risks and compliance risks are also recorded and assessed. The yearly risk assessment process along the risk map involves representatives of the operational departments, as the "first line of defense", for the identification, assessment, monitoring, mitigation and reporting of the risks the company is exposed to. The assessment also considers emerging risks. More detailed information on how the different risks are specifically managed, can be found in the chapter 'Risk Profile'. The risk management function, as the "second line of defense" controls and integrates the reported risk position and guarantees further reporting to the Executive Committee and the Board of Directors. Annually, the risk management function thoroughly reviews the assessments by the 'first line' operators.

Since 2017 a top down risk assessment is added to the yearly cycle, where top management assesses the risks they consider as important and strategic.

Adequate reporting processes, covering the aforementioned procedures as well as the extensive internal control system, are in place, guaranteeing that the Board of Directors, the executive committee, the risk management function and the Asset Liability and Risk Committee (ALCO-RICO) always receive all relevant information allowing to follow up the company's risk position.

Furthermore, the solvency II standard formula, which is used by the company for regulatory purposes, provides an additional framework which is in particular useful for measurement of risks, from the point of view of the quantitative risk management at the level of the higher aggregations of risks and the capital management in relation to the company's overall risk position.

The strategic choices concerning risk and capital management are integrated into the business strategy. When defining the business strategy and its translation into business practice, eg. In the business plan, the principles of risk management and risk tolerance limits are taken into account. The Executive Committee, which includes the Risk Management function is represented by the CEO, monitors compliance with the conditions for the types of risks to endorse the company is willing, on profitability of conduct, and on the above-mentioned limit system.

The strategy for managing the individual risks based on the risk map is fully integrated into the organizational structure.

The established procedure for decision-making procedure ensures compliance with the various elements of the risk management system. ALCO-RICO plays as a central advisory crucial: representatives of different business sectors lay there all decisions with potentially significant impact on the risk position of the company for.

Risk management is thus embedded in the decision-making processes. The effectiveness of the risk management system is confirmed by the incurred risks and by the effectiveness of the risk managing and mitigating measures taken. Risk management and related systems and processes are continually being further developed and revised in order to guarantee their long-term efficiency and to enhance them on an ongoing basis.

The appropriate governance for risk management is supported by the company's governance framework in its policy framework. This framework contains all written documents (policies) within the Solvency II framework providing the high level principles according to which the company organizes its working, both in addressing the risks it is exposed to, and in organizing its activities in general. These policies furthermore fully comply with Standards and Policies issued at the level of the Baloise Group.

Euromex' policies typically contain general rules and guidelines which are further translated into processes and procedures.

The policy framework is itself also subject to detailed governance rules, which guarantee a.o. the periodic review of these documents.

C.3.2 ORSA process

In the ORSA process, the company documents its current and derives its future capital needs in function of its future risk exposure, as projected in line with the company's business planning assumptions. In turn, these projected capital needs provide crucial input in the development of the company's business strategy and planning, which also includes capital planning.

The principles underlying the ORSA process are inscribed in the company's ORSA policy. The regular ORSA process is performed on an annual basis by the risk management function, the results are

presented in a written ORSA report which is discussed with, and reviewed and approved by the Executive Committee and the Board of Directors. The process includes, a.o.,

- The verification of the continuous compliance with the regulatory requirements regarding technical provisions and required capital, as well as with the company's own risk appetite, and this under normal and stressed conditions;
- The assessment of the own solvency needs given the company's risk profile, both from a 'point in time' and a 'forward looking' point of view;
- The assessment of the sensitivity of the solvency position to specific factors and circumstances,
- The assessment of the appropriateness of the determination of the current solvency requirements

During the ORSA process, systematic interaction takes place between the risk management function and the management, e.g. in view of the ongoing business planning activities and w.r.t. stress testing. The validated results are disclosed to, and discussed with all stakeholders within the company.

On top, the ORSA process provides the company's solvency needs as the maximum of both the regulatory Solvency II capital requirement using the standard formula, and the amount that is required under SST regulation, and calculated using the (internal) risk model of the Baloise Group.

C.3.3 The risk management function

Euromex' risk management function, which operates directly under the responsibility of the CEO, has the following responsibilities :

- To detect, measure, manage and report all significant risks to which the company is exposed
- To participate actively in the definition of the risk strategy in alignment with the group strategy
- To participate in all management decisions which have a significant impact on the company's risk position
- To provide a complete overview of the risk to which the company is exposed.

This further includes

- The assistance of the Board of Directors, the Executive Committee and the other functions in view of the efficiency of the risk management system
- The definition and implementation of risk measurement methodologies and control processes in compliance with the regulatory requirements and in line with the group approach.
- The monitoring of the company's risk management system and general risk profile
- The regular reporting on the company's risk exposure and the ad hoc escalation in case of critical risks
- Advising the Board of Directors and the Executive Committee in risk related matter
- The identification and assessment of new and emerging risks
- The fulfilment of regulatory requirements and the contacts with the supervisor.

C.4 Internal control system

C.4.1 Internal control system overview

Within the company's integrated and companywide risk management approach, the Internal Control System (ICS) is one of the most important components. Effectiveness, traceability and efficiency of the implemented control processes are important principles underlying the design and implementation of the internal control.

The Board and executive committee are responsible for the implementation of an adequately functioning internal control system with the required level of development. Strategy and objectives are defined in the company's internal control policy. The Board of Directors is responsible for ensuring an adequate control over the effectiveness of the ICS by the management, and annually assesses the results of the scoping of the ICS.

The policy concerning the internal control system includes a set of measures that should allow with reasonable assurance for the responsibility of the management of the insurance company that:

- Business is organized with well-defined objectives;
- The resources are used economically and efficiently;
- The laws, regulations, and general policies, plans and internal regulations are complied with
- The risks are known and are adequately controlled to protect the assets;
- Financial and management information is honest and trustworthy;

Hence the company's internal control system covers not only the financial reporting but also the compliance and operational risks at entity, process and IT level.

Euromex has assigned an ICS officer. He reports annually on the current ICS situation (points of improvement, risk situation). He is responsible for the communication within the company. He supervises the entire ICS system, is responsible for its quality, including staff training, and its continuous improvement.

C.4.2 Compliance function

As a key function within Euromex integrated risk management, the compliance function, which acts under the responsibility of the CEO, monitors and promotes compliance with the company standards and regulations necessary for the preservation of the public trust, integrity and good reputation of the company. By monitoring the company's remaining exposure to compliance risks, it contributes to the company's entity wide risk management.

The principles on which the organization and implementation of this function are based, are inscribed in the company's compliance policy. Essential in executing its functions are its independence, its preventive and proactive approach, its strong integration in the company's general governance framework and its interaction with the other control functions like risk management, actuarial function and internal audit.

As a key function, the Compliance Officer has direct access to the Board of Directors, the Executive Committee, the Audit and Risk Committee or the auditor, without having to justify it. The compliance function reports to the Board and the Executive committee.

Assessment of the residual exposure to compliance related risks is made on a regular basis, and in methodologically integrated is the company wide risk assessment process. The assessment at YE2017 confirmed that all compliance related risks were adequately managed.

C.5 Internal audit function

C.5.1 Internal audit: organization and governance

Euromex' Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the company's processes and of the corresponding elements of risk management, control and governance. On the one hand, the internal Audit function 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 efficiency and profitability of these processes. The principles governing the company's internal audit approach are inscribed in the company's Internal Audit Policy.

Internal Audit is authorized to perform audits throughout the complete Euromex' organization. Internal Audit possesses extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments. A system of close follow up of its recommendations guarantees the effective remediation of identified issues.

The establishment of the audit planning is essentially risk driven, and takes into account input obtained from sources like half yearly risk assessments, interviews with executive directors, an 'Internal audit Watchlist' and external benchmarking.

Although Euromex has outsourced its internal audit function to Baloise Belgium, the final responsibility, including the necessary control procedures remains at Euromex.

C.5.2 Independence of the internal audit function .

The Internal Audit function is organizationally independent from the operational business activities. Internal Audit functionally reports to the chairman of the Executive Management and has unrestricted access to the Executive Committee, and the Board of Directors / Audit Committee.

C.6 Actuarial function

Within Euromex' governance framework, the actuarial function has several responsibilities which include the coordination of the calculation of the technical provisions and the assessment of the overall underwriting policy and the reinsurance program. More generally, it contributes to the effective implementation of the Risk Management System .

The principles on which the organization and implementation of this function are based, are inscribed in the company's actuarial function policy.

The Actuarial Function is independent of hierarchical and organizational levels of the activity lines, business units and the revenue-generating departments of Euromex they have to control.

It undertakes its duties in an objective and fair manner, and is also subject to the company's Fit & Proper requirements.

The actuarial function works in close collaboration with the other control functions. It has direct access to the Board of Directors and the Executive Committee, to which it also provides its opinions.

Although Euromex has outsourced its actuarial function, the final responsibility, including the necessary control procedures on the external service provider remains at Euromex.

C.7 Outsourcing

Euromex considers that the outsourcing of some of its services, activities or functions can, under certain conditions be beneficial for the company. However, outsourcings are always subject to strict conditions which are specified in the company's Outsourcing policy.

According to this policy, each possible outsourcing of critical or important services of activities has to be thoroughly analyzed before the decision to outsource can be taken, and a strict procedure and governance have to be complied with, both during the preparation and execution phase of the outsourcing.

For strategic activities, the approval of the Board of Directors is required, and in all cases, Euromex remains responsible for the provided services and activities. External service providers must not only prove their financial and operational solidity, they must also have reliable internal control procedures and the quality of their processes and systems should guarantee compliance with Euromex' requirements in terms of IT security, data protection and confidentiality. A list with the critical outsourced functions can be found below.

Outsourced function	Area	Internal/ External	Jurisdiction of service provider
Internal Audit	Contr. Function	Internal	Belgium
Actuarial function	Contr. Function	Internal	Belgium
Planning and Controlling, Actuarial services	Finance	Internal	Belgium
Accounting and Reporting	Finance	Internal	Belgium
Asset and cash Management	Finance	Internal	Belgium
Asset and cash Management	Finance	Internal	Switzerland
HR reporting & Admin	Gen. Services	Internal & External	Belgium
Sap Reporting	Finance	Internal	Belgium
ICT Support and Architecture	IT	External	Belgium
Underwriting mandated insurer	Business	Internal & External	Belgium

C.8 Any other Information

The Company has assessed its corporate governance system and has concluded that all relevant information with respect its system of Governance in view of its regular disclosure reporting has been communicated in the other sections of the chapter 'System of Governance' of the current report.

C.9 Material changes

In order to be compliant with the Solvency II regulation, Euromex appointed a second independent Director.

No other material changes are to be reported with respect to the system of governance.

D Risk Profile (Article 51(1)(c))

Overview

Euromex is a mono branch insurer legal assistance that provides access to the legal system to her insured policyholders. Largest risk for the company is an incorrect pricing of the future insurance risk and an excess of legal expenses when settling a case.

Given the company's strategy to highly match the cash flow structure of its assets with that of its liabilities, the net exposure to the interest rate is limited (i.e. in terms of changes in the own funds due to changes in interest rates). The most substantial market risk is then the credit spread risk, which is followed up very closely, and for which ample measures like limits w.r.t. the quality or rating of the counterparties hold.

Further, the company has well mitigated its exposure to equity risk by using derivatives.

D.1 Underwriting risk

D.1.1 Non-Life

Euromex mainly underwrites insurance risks of individuals and small and medium-sized enterprises. However, the company is also further expanding its activities in the south of the country..

Euromex' underwriting activities are strongly embedded in its general risk governance. Starting from the company's general risk strategy and risk appetite, clear underwriting instructions and underwriting guarantees have been developed in terms of which types of risks qualify for acceptance, and in terms of underwriting limits with respect to amounts insured. This, together with an adequate reinsurance plan, will guarantee that exposure to underwriting risk stays well in line with the company's size and risk capacity.

Written documents like policies and procedures formalize these instructions and provide further guidance for the processes that have to be followed, and for the responsibilities that are assigned to the respective staff members.

At YE 2017 the underwriting risk for Euromex mounted up to 23,7 Mio EUR. This is strong decrease compared to YE 2016 (36,6 Mio EUR) as Euromex received approval for the use of undertaking specific parameters.

D.1.1.1 Risk Exposure

As a legal protection insurance company Euromex provides access to the law for the insured policyholders. In case of a conflict the company provides the policyholder with advise, the necessary legal assistance provided, possibly by a lawyer, and the technical expertise of an expert. Due to the nature of the business written the company is not exposed to catastrophe risk.

D.1.1.2 Risk Concentration

Under the concentration risk, a cumulative accumulation of individual occurrences of incentives is considered, which can lead to a significant burden on the insurance business. As provider of legal services in case of a conflict Euromex is only affected by a risk concentration in a second order in case of natural catastrophe or disaster. Therefore Euromex is in this case not impacted by catastrophes. Clumping and concentration risks can occur both on the active and on the liability side. As an example, the insurance of a customer from the industry and the investment in shares of the same company is mentioned. Euromex counteracts risks of this kind by diversifying its business in both areas. It cannot be forgotten that Euromex is a mono branch insurance company. Any event, internal or external, most probably hits the entire company and cannot be compensated by other business lines.

D.1.1.3 Risk mitigation

Reinsurance is the main risk mitigating technique for the company's exposure to the non-life underwriting risk exposure and the related concentration risk. The active reinsurance program of Euromex is incorporated in the Baloise Belgium reinsurance program and consists of a quota share and an excess of loss.

D.1.1.4 Risk sensitivity

As a monobranch insurer it is clear that the company is sensitive with respect to concentration risk on its business. Within the ORSA process Euromex performs stress test relating to disappointing business volumes or unforeseen technical results are foreseen and also projected in the future. None of the performed stress tests could jeopardize the solvency II ratio.

D.1.2 Underwriting risk Life

Due to the nature of the business written by Euromex, she is not susceptible to the life underwriting risk.

D.2 Market Risk

According Euromex' risk strategy and risk appetite statement, the company only accepts a low level of market risk with respect to its investment assets. It complies with the prudent person principle in its investment decisions.

Below we discuss the different components of market risk one by one and the way they are specifically managed by Euromex. We mention also that all material aspects of the market risk are the object of Euromex general risk management process, and are hence monitored, and assessed within the yearly risk assessment process.

As of year-end 2017, the gross Solvency Capital Requirement for the market risk of the undertaking amounts to 11,2 Mio EUR. It is mainly driven by the interest rate risk and the spread risk. Other market risks are less dominant. Compared to year end 2016 an increase can be observed resulting from increase in spread risk due to the proportional increase in corporate bonds and equity risk explained by increase in shock and exposure.

Market risk components

	2016.12	2017.12
in TEUR		
Interest rate risk	4,196.8	4,149.4
Equity risk	2,916.6	3,858.5
Property risk	48.0	48.0
Spread risk	6,575.4	7,199.1
Concentration risk	-	-
Currency risk	-	-
Diversification	-3,804.5	-4,020.0
Market risk	9,932.3	11,235.0

The following sections specifically address the interest rate risk, foreign currency risk, equity risk, spread risk, and property risk that are relevant for the undertaking.

D.2.1 Risk exposure

D.2.1.1 Interest rate risk

Interest-rate risk is the risk that the undertaking's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest- rate sensitive products may decline (asset-price effect).

Within Euromex assets, the bonds portfolio is the largest interest sensitive class with a market value of 150,9 Mio EUR at YE2017. Other interest sensitive assets are essentially the reinsurance recoverables, while at the liabilities side, the value of the technical provisions also depends on the used discount curve, and hence of the interest rate level. Even though the balance sheet increased the interest rate risk stayed stable as a result of a better duration matching.

D.2.1.2 Currency risk

Currency risk is the risk that changes in exchange rates lead to decreases of the company's own fund position. The exposure to the effective currency risk depends on :

- The net volume of the exposure, i.e. the balance of foreign currency assets and liabilities
- The volatility of the exchange rate of the foreign currency in question
- The correlation of the currencies with other risk factors

No currency risk can be detected in the balance sheet of Euromex.

D.2.1.3 Spread risk

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. As of year-end 2017 the spread sensitive exposure of our own assets amounts to 150,9 Mio EUR, from which 52 Mio EUR government bonds. The increase in investment in corporate bonds results in an increase in spread risk compared to year end 2016.

D.2.1.4 Property risk

Property risk is the risk that negative developments of the value of the company's property portfolio lead to decreases of the company's own fund position.

A small amount of property risk, equal to the amount at the end of 2016, is to be accounted for with exposure of 0,192 Mio EUR, related to land.

D.2.1.5 Equity risk

Equity risk is the risk that negative developments of the value of the company's equity portfolio lead to decreases of the company's own fund position.

An amount of equity risk, increased due to market evolution compared to previous year, is to be accounted for with exposure of 9,4 Mio EUR.

D.2.2 Risk concentration

Market risk concentration risks can stem either from 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 2017 according to the Solvency II standard formula, no relevant risk concentration is reported. All own assets from the equity, spread risk and property risk sub-modules are considered.

D.2.3 Risk mitigation

In order to limit and monitor the undertaking's exposure to market risk, several mitigating measures are in place.

A conservative policy on asset allocation is applied. Regular reporting on the evolution of the undertaking's assets allows for a close monitoring of the risk exposure.

As part of the Baloise Group-wide Risk Management Standards, investment planning and appropriate asset and liability management ensure that any divergence in maturities and the interest-rate risk incurred are managed within the risk capacity available. Stress tests are also designed and run for this purpose on a regular basis acting as an early warning system.

Euromex' active ALM policy can be considered as its main risk mitigating technique with respect to the management of the interest risk. The undertaking manages its equity risk as part of the overall investment risk management process, and applies limits as expressed in policies and guidelines. Specifically, the risk is mitigated by a meaningful diversification of risks across countries, industries and companies.

In order to limit the spread risk, the investment in a single issuer or debtor is restricted sufficiently.

D.2.4 Risk sensitivity

The company's general approach to measuring its risk sensitivity is to integrate this in its general stress testing and scenario analysis. Based on specific calibration in relation with the asset mix of the company the impact on her solvency position is measured.

The conclusion of this analyses is that the stress testing do not put the solvency ratio under de limit of 100 %

D.3 Counterparty default risk

D.3.1 Risk exposure

Counterparty default risk relating to assets held by insurance companies refers to the total potential downside risk arising from deterioration in the credit quality of a borrower or issuer. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

The risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardize an entire group of otherwise unrelated counterparties.

The counterparty default risk takes into account the following components:

- Type 1: Counterparty default risk exposures where diversification is low and the counterparty is likely to be rated. For the undertaking the exposure is driven by its reinsurance balance as well as the cash account balance.
- Type 2: All remaining counterparty default risk exposures, such as insurance receivables arising from intermediaries.

As of year-end 2017, the gross solvency capital requirements for counterparty default risk amount to 1,1 Mio EUR, staying stable compared to year end 2016.

D.3.2 Risk concentration

No significant risk concentration with regards to Counterparty default risk is observed.

D.3.3 Risk mitigation

In order to account for the significance of credit risk stemming from spread and counterparty default risk, the undertaking tracks counterparty exposure at all times and monitors credit risk from a global point of view.

To restrict the credit or accumulation risk in the undertaking, the proportion that may be invested in a single issuer or borrower is strictly limited.

Permitted Reinsurers normally possess a minimum rating of "A-" from Standard & Poor's. This rule excludes captives and pools of reinsurers which are usually not rated.

To limit the counterparty default risk exposure stemming from intermediaries and policyholders, an adequate procedure for the recovery of receivables is in place.

D.3.4 Risk sensitivity

Overall, in terms of the capital position of Euromex, measured according to the standard formula applicable according to Solvency II, the exposure by type of counterparty risk amounts to are rather limited and comparable to the previous reporting period. The sensitivities considered do not result in a Solvency II ratio below 100%.

D.4 Liquidity risk

Liquidity risk is the risk that, especially in circumstances where sudden large cash outflows occur, the company is unable to realize the necessary investments and other assets, or to find alternative refinancing in order to settle its financial obligations.

D.4.1 Risk exposure

Hence, Euromex considers its exposure to the liquidity risk as very low. Moreover, almost the complete portfolio of its investments qualify as 'liquid assets' according to the NBB's criteria, while the risk is further mitigated by large net annual cash inflows, thanks to its sustainable growth strategy.

D.4.2 Risk concentration

The undertaking is not exposed to significant liquidity risk concentration. On top she has an EPIFP of 6,1 Mio EUR.

D.4.3 Risk mitigation

In addition to local regulation requirements, a central liquidity planning is required by the Group-wide Risk Management Standards. Adequate investment planning and appropriate asset and liability

management ensure that the exposure is monitored and managed on a regular basis. Limits for acceptable liquidity risk are defined in the undertaking's Liquidity policy and follow-up on a regular basis via the undertaking's key risk indicator reporting.

D.4.4 Risk sensitivity

Due to the limited exposure, the undertaking does not specifically calculate risk sensitivities for liquidity risk.

D.5 Operational risk

D.5.1 Risk Exposure

Operational risk stems directly or indirectly from the business operation of a company and includes 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 are considered as separate categories of risk.

The risks are regularly identified, assessed, controlled and steered 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 Euromex. 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.

D.5.2 Risk concentration

Euromex has not identified any risk concentration with respect to operational risk during the reporting period.

D.5.3 Risk mitigation

Euromex mitigates its operational risks by various techniques to make processes and systems as robust as possible. These includes information security procedures, business continuity planning, ongoing training for employees, clear process descriptions and responsibilities, back-up solutions (where possible) and double signatures for all key decisions.

In addition, process risks resulting from lack of application of procedures or application of inadequate procedures are mitigated by the undertaking's effective internal control system.

D.5.4 Risk sensitivity

The undertaking bases its quantification of operational risk on the standard formula according to Solvency II. This approach assumes some flat-rate losses on premium volume and size of business portfolio.

As of year-end 2017 the capital requirements for operational risk amounts up to 3,0 Mio EUR as measured by the Solvency II standard formula which represents the negative impact for the undertaking if all of the impacts described would happen at the same time. The considered sensitivity does not result in a Solvency II ratio below 100%.

D.6 Other material risks

Major other material risks include business environment risks, leadership 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.

In the period under review, all business environment risks and leadership and information risks have been assessed as low or medium risks by the corresponding risk owners and risk controllers during the half yearly risk assessments.

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 the Baloise Group emerging risks are identified and analyzed according to an early warning system and assessed by grouping them along a risk radar. Emerging risks include for example robotics, artificial intelligence and blockchain.

D.7 Material changes

The most important change in the risk profile of Euromex as already mentioned above is the change in the underwriting risk where Euromex received approval for USP. This severely impact the Solvency II ratio that amounts up to 192%, compared to 121% previous year.

E Valuation for solvency purposes (Article 51(1)(d))

When establishing the market consistent, or fair value balance sheet for (Solvency II) solvency purposes, assets and liabilities are evaluated on a 'fair value' basis. For this purpose, Euromex aligns its valuation principles with the regulatory requirements as formulated in law of the 13th of March 2016 (the "Solvency II law") and related regulation. In practice, this means that in general, the company uses either observable market values or values based on accepted methods and models.

For corporate reporting purposes, Euromex also values its assets and liabilities according to (local) Belgian general accounting principles (BGAAP).

In the following sections, Euromex further documents the valuation principles it applies for solvency purposes, and it highlights relevant differences with the valuation under BGAAP. First this will be done for the assets, then for the technical provisions, and finally for the other liabilities.

E.1 Assets

E.1.1 Basis, methods and assumptions for the valuation

E.1.1.1 Valuation of assets for solvency purposes: general principles

Asset valuations are set at, or based on market price ('marking to market'), insofar as the corresponding active market requirements (e.g. enough transactions in terms of frequency and volume have to take place between willing, knowledgeable parties) are met. For the company's complete bonds portfolio and the largest part of its equity portfolio, quoted market prices from such active markets are readily available.

If no relevant market prices are available, generally accepted models of mathematical finance will be used if available, e.g. for property.

In subordinated order, other valuation principles which comply with the regulatory requirements will be considered.

For some items at the asset side of the balance sheet, e.g. for cash and short term receivables (from insurance and intermediaries), the valuation will be based on the nominal value.

Compared to previous period no material changes are to be reported.

E.1.1.2 Significant differences between asset valuation for solvency purposes and for financial statements

The most significant differences between both valuation approaches are identified with bonds and reinsurance recoverables.

➤ Bonds

Under SII, bonds are valued at market value ('marking to market'). Under BGAAP, valuation

is based on the 'actuarial return' method, which corresponds to the discounting of future cash flows at the actuarial return rate (as determined at acquisition date of the bond), with the application of impairments under adverse circumstances. The difference in value between both approaches amounts to 7 Mio EUR. The substantial difference between Solvency II and BGAAP valuation is explained by the sensitivity of market values (as used in Solvency II) to interest rate movement, as opposed to the BGAAP values which typically remain unaffected by such movements. Furthermore, under SII, accrued interests on bonds are reported as a part of the 'bonds' item, while under BGAAP, these are reported under a separate item ('receivables – not insurance'). Compared to previous period the reporting period a decrease in unrealized gains can be observed due to an increase in the risk free interest rate curve.

- For quoted equities, BGAAP is based on historic cost unless the observed market value drops significantly below historic cost (while under SII, valuation corresponds to the market value). Due to market evolution an increase in unrealized gains can be observed.

- Reinsurance recoverables

The valuation of reinsurance recoverables under SII is based on a valuation method which is largely similar to (and based on common assumptions with) that of the best estimate of the corresponding direct insurance liabilities. For calculating the best estimate, all relevant cash flows are projected, and then discounted at the risk free discount curve, to which a volatility adjustment is added. Further, for reinsurance valuation purposes, a correction for expected losses due to default of the reinsurer is applied. Under BGAAP, valuation of reinsurance recoverables (or 'the reinsured share of the technical provisions') is based on the same principles as the BGAAP valuation of the corresponding parts of the direct provisions. These, in turn, are essentially based on the undiscounted estimates of the projected cash flows (in non-life). The difference between both approaches for the valuation of reinsurance recoverables amounts to 1,3 Mio EUR comparable to previous period.

Further differences in valuation are observed for the following material asset classes :

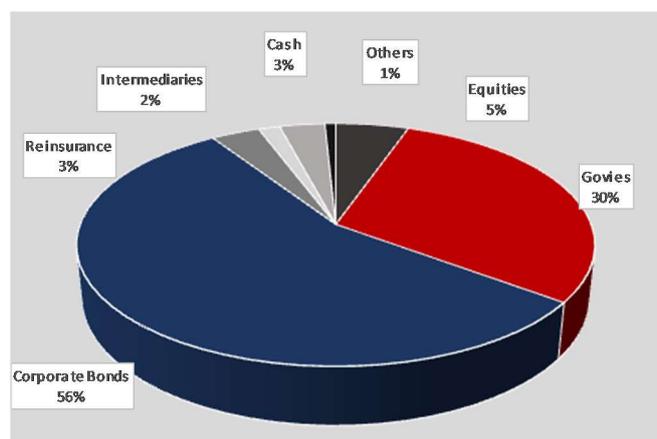
E.1.2 Reconciliation to financial reporting

E.1.2.1 Overview

Valuation of the company's assets according to the Solvency II and Local Gaap principles at the current (31/12/2017) annual valuation date has given the results show in the table below.

Assets under Local GAAP and Solvency II Valuation

	2017.12		
Assets	Solvency II	LocalGAAP	Difference
EUR '000			
Equities	9,434.1	7,642.8	20.6
Government Bonds	52,727.2	49,327.2	3,400.0
Corporate Bonds	98,167.5	94,484.5	3,683.1
Assets held for index-linked and unit-linked contracts	-	-	
Loans & mortgages	-	-	
Reinsurance recoverables from:	6,288.8	7,565.4	-1,276.6
Insurance & intermediaries receivables	2,786.3	2,786.3	0
Cash and cash equivalents	5,869.4	5,869.4	0
Other	1,399.5	1,304.2	1,865.9
Total assets	176,672.7	168,979.8	7,692.9



A more detailed overview of the company's total asset valuations, including a further breakdown of some of the aforementioned material asset classes and the 'other assets' item, can be found in the table 'S.02.01.01 in the annexes.

Balance Sheet: Assets Year - to - Year Solvency II Valuation

Assets	Solvency II Valuation		
	2016.12	2017.12	Difference
EUR '000			
Intangible assets	-	-	
Deferred tax assets	-	-	
Pension benefit surplus	-	-	
Property, plant & equipment held for own use	1,036.3	1,024.8	-11.6
Investments (other than assets held for index-linked and unit-linked contracts)	154,035.2	160,520.6	6,485.5
Property (other than for own use)	192.0	192.0	0
Holdings in related undertakings incl. participations	-	-	
Equities	359.4	363.1	3.6
<i>Equities - listed</i>	359.4	363.1	3.6
<i>Equities - unlisted</i>	-	-	
Bonds	144,948.3	150,894.7	5,946.4
<i>Government Bonds</i>	54,161.6	52,727.2	-1,434.4
<i>Corporate Bonds</i>	90,786.7	98,167.5	7,380.8
<i>Structured notes</i>	-	-	
<i>Collateralised securities</i>	-	-	
Collective Investments Undertakings	8,486.4	9,070.9	584.5
Derivatives	49.0	-	
Deposits other than cash equivalents	-	-	
Other investments	-	-	
Assets held for index-linked and unit-linked contracts	-	-	
Loans & mortgages	-	-	
<i>Loans on policies</i>	-	-	
<i>Loans & mortgages to individuals</i>	-	-	
<i>Other loans & mortgages</i>	-	-	
Reinsurance recoverables from:	6,132.3	6,288.8	156.5
Non-life and health similar to non-life	6,132.3	6,288.8	156.5
<i>Non-life excluding health</i>	6,132.3	6,288.8	156.5
<i>Health similar to non-life</i>	-	-	
Life and health similar to life, excluding health and index-linked and unit-linked	-	-	
<i>Health similar to life</i>	-	-	
<i>Life excluding health and index-linked and unit-linked</i>	-	-	
Life index-linked and unit-linked	-	-	
Deposits to cedants	-	-	
Insurance & intermediaries receivables	2,622.1	2,786.3	164.2
Reinsurance receivables	-	-	
Receivables (trade, not insurance)	13.8	28.4	14.6
Own shares (held directly)	-	-	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-	
Cash and cash equivalents	4,686.2	5,869.4	1,183.2
Any other assets, not elsewhere shown	44.5	154.4	109.9
Total assets	168,570.5	176,672.7	8,102.2

E.2 Technical provisions

E.2.1 Basis, methods and assumptions for the valuation

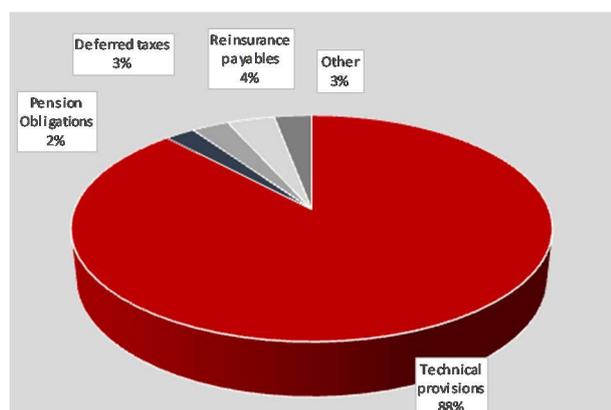
In contrast to the assets side of the balance sheet, there are generally no market prices available for the balance sheet items on the liabilities side. The main part of the liabilities is the technical provisions. The valuation of these items for solvency purposes ("Best estimates of Liabilities") takes into account appropriate market parameters and is made by using methods of mathematical finance and actuarial models. For certain balance sheet items on the liabilities side, such as non-technical provisions and payables, the nominal value or the IFRS carrying value is recognized for valuation.

E.2.2 Reconciliation to financial reporting

We first provide an overview of the valuation of the technical provisions under both valuation frameworks

Liabilities under Local GAAP and Solvency II Valuation

Liabilities	2017.12		
	Solvency II	LocalGAAP	Difference
EUR '000			
Technical provisions – non-life (excluding health)	103,594.9	112,530.2	-8,935.3
Technical provisions - health (similar to non-life)	-	-	-
Technical provisions - health (similar to life)	-	-	-
Technical provisions – life (excluding health and index-linked and unit-linked)	-	-	-
Technical provisions – index-linked and unit-linked	-	-	-
Deposits from reinsurers	20.1	20.1	0
Insurance & intermediaries payables	4,430.8	4,430.8	0
Other	9,692.0	7,224.3	2,467.7
Total liabilities	117,737.7	124,205.3	-6,467.6



Differences in the value of the technical provisions between Solvency II and BGAAP (9,0 Mio EUR) can be explained by structural differences in valuation methodology : under Solvency II all relevant expected cash flows are projected and then discounted based on an extensive set of model assumptions, parameters and , above all, interest rates scenario's reflecting market expectations, in order to obtain the best estimates. Next, an additional margin (the 'risk margin') is added to the best

estimates. Compared to the previous period the URG on technical provisions increased as the risk margin could be calculated using undertaking specific parameters and a decrease in the best estimate premium provisions.

The BGAAP technical provisions are based on a 'case by case' assessment of the expected claims, without application of any discounting added with a reserve for IBNR. Under Solvency II, on the other hand, the best estimate is again the expected discounted value of all relevant cash flows, based on a 50% confidence interval, and to which a risk margin is added.

In its valuation of the technical provisions (for solvency purposes) at YE2017, the company has applied the transitional measure of volatility adjustment according to the specifications provided by EIOPA. If this volatility adjustment had not been used, the value of the technical provisions would have increased from 103,5 Mio EUR to 103,7 M EUR, while the Solvency Capital Requirement (SCR) stayed stable, and the MCR is barely impacted.

The basic own funds (also available for covering the MCR) also stayed almost the same and the SCR ratio will show a limited decrease from 191,7 % to 191,0 %.

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

	2017.12		
Liabilities	LocalGAAP	Solvency II	Difference
EUR '000			
Technical provisions – non-life	112,530.2	103,594.9	-8,935.3
Technical provisions – non-life (excluding health)	112,530.2	103,594.9	-8,935.3
<i>Technical provisions calculated as a whole</i>	-	-	-
<i>Best Estimate</i>	-	98,732.4	-
<i>Risk margin</i>	-	4,862.5	-
Technical provisions - health (similar to non-life)	-	-	-
<i>Technical provisions calculated as a whole</i>	-	-	-
<i>Best Estimate</i>	-	-	-
<i>Risk margin</i>	-	-	-
Technical provisions - life (excluding index-linked and unit-linked)	-	-	-
Technical provisions - health (similar to life)	-	-	-
<i>Technical provisions calculated as a whole</i>	-	-	-
<i>Best Estimate</i>	-	-	-
<i>Risk margin</i>	-	-	-
Technical provisions – life (excluding health and index-linked and unit-linked)	-	-	-
<i>Technical provisions calculated as a whole</i>	-	-	-
<i>Best Estimate</i>	-	-	-
<i>Risk margin</i>	-	-	-
Technical provisions – index-linked and unit-linked	-	-	-
Technical provisions calculated as a whole	-	-	-
Best Estimate	-	-	-
Risk margin	-	-	-
Other technical provisions	-	-	-
Contingent liabilities	-	-	-
Provisions other than technical provisions	1,365.2	1,365.2	0
Pension benefit obligations	24.7	2,779.1	2,754.4
Deposits from reinsurers	20.1	20.1	0
Deferred tax liabilities	-	3,463.3	-
Derivatives	-	-	-
Debts owed to credit institutions	-	-	-
Financial liabilities other than debts owed to credit institutions	-	-	-
Insurance & intermediaries payables	4,430.8	4,430.8	0
Reinsurance payables	-	-	-
Payables (trade, not insurance)	5,536.9	1,786.9	-3,750.0
Subordinated liabilities	-	-	-
Subordinated liabilities not in Basic Own Funds	-	-	-
Subordinated liabilities in Basic Own Funds	-	-	-
Any other liabilities, not elsewhere shown	297.4	297.4	0
Total liabilities	124,205.3	117,737.7	-6,467.6
Excess of assets over liabilities	44,774.5	58,935.0	14,160.5

Compared to the previous period only the effect of the interest curve is noticeable.

E.3 Other liabilities

The table below shows the differences in valuation between the Solvency II environment and BGAAP for the remaining liabilities.

Classes of other liabilities

Liabilities	2017.12		
	Solvency II valuation	Statutory Valuation	Differences
EUR '000			
Contingent liabilities	-	-	
Provisions other than technical provisions	1,365.2	1,365.2	0
Pension benefit obligations	2,779.1	24.7	2,754.4
Deposits from reinsurers	20.1	20.1	0
Current tax liabilities			0
Deferred tax liabilities	3,463.3	-	
Derivatives	-	-	
Debts owed to credit institutions	-	-	
Financial liabilities other than debts owed to credit	-	-	
Insurance & intermediaries payables	4,430.8	4,430.8	0
Reinsurance payables	-	-	
Payables (trade, not insurance)	1,786.9	5,536.9	-3,750.0
Subordinated liabilities not in Basic Own Funds	-	-	
Subordinated liabilities in Basic Own Funds	-	-	
Any other liabilities, not elsewhere shown	297.4	297.4	0.0
Total liabilities	14,142.8	11,675.1	2,467.7

We distinguish the following items with material differences in valuation :

- The most significant difference is found for the 'Pension benefit obligations'. Under Solvency II, by far the largest part of this item is related to the company's obligations with regard to pension benefits of the defined benefit type for its own staff. For these obligations, the company has to take into account all future benefits earned up to that date. Valuation of this liability is based on the principles underlying the IAS19 valuation in IFRS. For the estimation of the present value of future obligations at YE2017, prudent assumptions with regard to annual increase of effective and reference salaries as well as a discount rate have been used by the company.
- Other parts of the SII value of 'Pension benefit obligations' represent the company's obligations resulting from 'defined contribution' benefit plans for the own staff. Under BGAAP, the corresponding IAS19 related liability is not recognized.
- Deferred tax liabilities are not recognized under BGAAP.
- Concerning derivatives at the liabilities side of the balance sheet, the same principles with regard to valuation hold for each of the two valuation frameworks as for the derivatives at the asset side.

F Capital management

F.1 Own funds

The following section provides an overview of the main objectives of Euromex capital planning. It provides information on the amount and structure of the own funds reported in the regular disclosure reporting. In addition, the differences in the amount and composition between the own funds assessed for solvency purposes (i.e. at fair value) and the equity as observed under BGAAP are presented.

F.1.1 Capital management: objectives, policy and processes

The overarching conditions regarding the company's capital needs are set on the one hand by regulatory requirements and on the other hand by internal risk management guidelines. While the regulatory requirements primarily concern the protection of the policyholder, the internal guidelines are derived in particular from the risk-oriented management of the business activity.

The objective of Euromex is the long-term and sustained securing of sufficient capitalization and the fulfillment of all supervisory requirements. Capital management supports the risk-based business strategy and ensures an efficient use of capital at all times, while fulfilling the aforementioned boundary conditions. In the context of the Solvency II based legislation, (legal requirement since January 1, 2016), Euromex determines its own funds and the capital requirement, the latter by use of the 'Solvency II standard formula. Compliance with the local Solvency II based requirements and with internal risk appetite based criteria will have a close relationship with the company's dividend capacity. The responsible risk owners and risk controllers within the organization are involved in a regular reporting process. The reporting, which contains key figures for Solvency II, is made available on a quarterly basis and is discussed in the risk committee. If the key criteria are not met, appropriate measures are immediately initiated. The solvency situation is monitored promptly and the basis for risk-based management decisions is integrated in the entire organization. In addition, Euromex is able to meet external reporting requirements at any time.

F.1.2 Own funds analysis

Based on the information commented in chapter 'Valuation for Solvency purpose' the own funds of Euromex are shown in the following table :

Balance Sheet - Local GAAP and Solvency II Valuation

			2017.12
	Solvency II	LocalGAAP	Difference
EUR '000			
Total assets	176,672.7	168,979.8	7,692.9
Total liabilities	117,737.7	124,205.3	-6,467.6
Excess of assets over liabilities	58,935.0	44,774.5	14,160.5

More specifically Euromex reported the following own funds position in its statutory annual report (according to BGAAP principles) :

Statutory Own funds

	BGAAP
EUR '000	
Share capital	2,712.0
Issue Premiums	6,296.0
Retained earnings	35,766.6
TOTAL	44,774.5

At year-end 2017, Euromex statutory own funds consist of share capital, issue premiums, revaluation surplus, capital reserves and retained earnings.

F.1.3 Transitional arrangements

S.22.01.21. Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of volatility adjustment set to zero
EUR '000		
Technical provisions	103.594,9	131,5
Basic own funds	55.185,0	-92,5
Eligible own funds to meet Solvency Capital Requirement	55.185,0	-92,5
Solvency Capital Requirement	28.790,4	46,6
Eligible own funds to meet Minimum Capital Requirement	55.185,0	-92,5
Minimum Capital Requirement	12.955,7	21,0

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

Under valuation of assets and liabilities for (SII) solvency purposes, Euromex obtained a total amount of basic own funds of 55,2 Mio EUR, which belongs completely to 'tier 1 –unrestricted'. This amount is composed of the following components :

Own funds: eligible own funds and capital requirements

	2016	2017		
		Total	Total	Tier 1 - unrestricted
			C0010	C0020
EUR '000				
Available and eligible own funds				
Total available own funds to meet the SCR	R0500	47,790.4	55,185.0	55,185.0
Total available own funds to meet the MCR	R0510	47,790.4	55,185.0	55,185.0
Total eligible own funds to meet the SCR	R0540	47,790.4	55,185.0	55,185.0
Total eligible own funds to meet the MCR	R0550	47,790.4	55,185.0	55,185.0
SCR	R0580	40,212.8	28,790.4	
MCR	R0600	13,785.8	12,955.7	
Ratio of Eligible own funds to SCR	R0620	119%	192%	
Ratio of Eligible own funds to MCR	R0640	347%	426%	

The situation is comparable to last year.

The main differences between BGAAP statutory own funds and the own funds valued for SII solvency purposes are, as described in the Chapter "Valuation", explained by different valuation approaches for both assets and liabilities, and to a lesser extent, by differences in the recognition of balance sheet items.

The SII based own funds can be obtained by adjusting the BGAAP statutory own funds for the 'Differences in valuation' as mentioned in the table below.

Euromex has no deductions to make for ineligible elements from this own funds amount. Moreover, all of Euromex' own funds qualify for the highest level of quality (i.e. they are of tier 1), so they can be used without restriction to cover the company's capital requirement.

The reconciliation reserve is determined as follows :

Own funds : reconciliation reserve

	2016.12	2017.12
EUR '000		
Excess of assets over liabilities	50,790.4	58,935.0
Foreseeable dividends, distributions and charges	3,000.0	3,750.0
Other basic own fund items	9,007.9	9,007.9
Reconciliation reserve	38,782.5	46,177,1

F.2 SCR and MCR

The quantitative results and information on the own funds and the solvency capital requirement presented in this report correspond to those submitted to the NBB in virtue of the regular supervisory reporting requirements. All the terminology used corresponds to the definitions in accordance with the Belgian legislation and regulation with respect to. the statute and the supervision of insurance and reinsurance companies.

F.2.1 Solvency model

F.2.1.1 Introduction

As a modern solvency regime for insurance companies, the newly implemented Solvency II framework guarantees an improved coverage of the economic risk situation of insurance companies. The objective of this regulatory framework is, a.o., to protect the insured against the consequences of the insurer's insolvency.

In a first step, the insurer determines its available capital (AC). For this purpose, a value is assigned to each item on the asset side and the liability side of the balance sheet. The valuation under Solvency II is market based.

In a second step the capital is corrected for different elements, for example the future planned dividend,...)

In a third step, it is assessed whether the capital thus determined satisfies the SII requirements, i.e. whether sufficient capital is available to meet the guaranteed insurance liabilities, even in unfavorable scenarios. To this end, the insurer must be aware of the risks involved in his balance sheet and how these risks can affect the available capital.

The regulatory capital requirement (called 'SCR' or 'Solvency Capital Requirement') is set at such a level that an insurer only becomes unable to absorb the loss with his own funds due to negative events that occur no more than once every two hundred years. Moreover, an absolute minimum capital level is defined (MCR or minimum capital requirement) which triggers additional supervisory procedures in case of non-compliance.

The own funds are assigned to different tiers according to the quality of the capital. Rules have been defined to determine how the capital requirements can be covered by the different tiers. These rules might limit the capital that can be used to cover the requirements and reduce the own funds to the eligible own funds used to cover the capital requirements.

The SII solvency ratio is then defined as the ratio between own funds and the SCR, where this ratio has to reach 100% in order to fulfill the regulatory capital requirement.

$$SII\ Ratio = \frac{Eligible\ Own\ Funds}{SCR}$$

F.2.1.2 Description of the model

For the calculation of its solvency capital requirement, Euromex uses the 'Solvency II Standard Model' except for the underwriting risk where Euromex received approval to use undertaking specific parameters. For the other risks the standard model essentially provides a predefined set of reference calibrations for the derivation of the SCR.

These predefined calibrations have been chosen with reference to a fictitious 'average' or European insurance company. Insurers do not need an a priori authorization by the supervisory authority to use this standard model with its predefined calibrations, however they have to assess regularly whether their own risk profile is compatible with the assumptions underlying the standard formula.

In the Solvency II approach, the available capital and the capital requirement (SCR) have to be determined. The calculation of the best estimate of liabilities is central to the determination of the available capital.

To calculate the required capital (SCR), the changes in the available capital over a time horizon of one year are estimated. For this purpose, a combination of simulations and analytic formulas is used according to the aforementioned standard model.

Due to the business written no capital requirements for the life underwriting risk have been determined. The derivation of the capital requirement for the non-life underwriting risk is performed analytically using USP. The capital requirement is calculated by aggregating separate underlying capital requirements which resp. cover the premium and reserving risk, and the catastrophe risk. Evidently, the impact of reinsurance is reflected in the obtained capital requirement component.

According to the SII standard formula, the calculation of the capital requirement for market risk is broken down into a series of separate risk submodules, which cover risks like interest risk, equity risk, property risk, spread risk, currency risk and concentration risk. For most of these risks, the standard formula again provides a factor based analytic approach. For the interest risk, which not only captures the interest sensitivity of the assets but also of the technical provisions, the derivation involves additional simulations of assets and liabilities via ALM.

Further, capital requirements for counterparty default risk and operational risk are also based on specific factor based procedures and analytic formulas.

Finally, aggregation of the different components of the SCR, and application of correction for loss absorbing capacity of technical provisions and deferred taxes lead to the total SCR value.

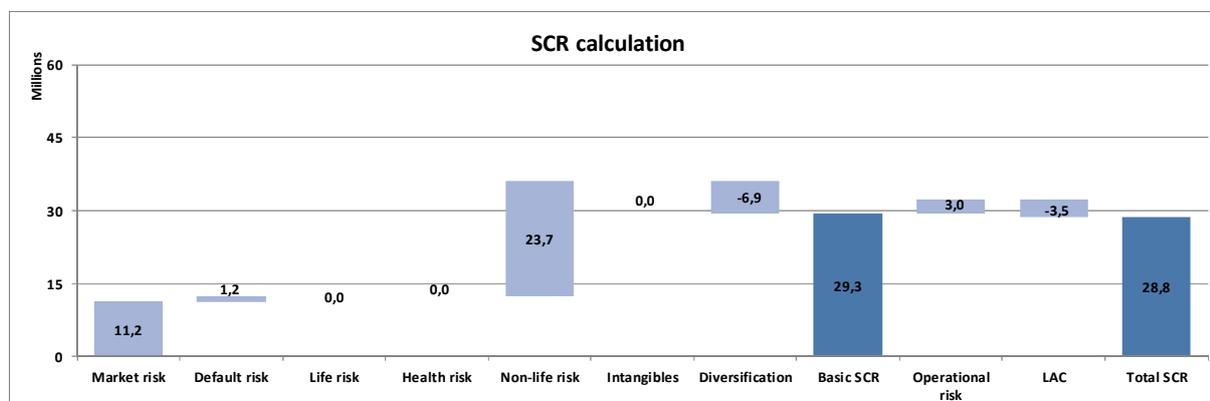
F.2.2 SCR and MCR Overview

The table below shows how the total capital requirement is composed in function of its main components. A decrease is reported thanks to the approval of USP's

Solvency Capital Requirement — for undertakings on Standard Formula

	2016.12	2017.12
EUR '000		
Market risk	9,932.3	11,235.0
Counterparty default risk	1,129.4	1,227.7
Life underwriting risk	-	-
Health underwriting risk	-	-
Non-life underwriting risk	36,617.4	23,690.0
Diversification	-6,818.7	-6,860.9
Intangible asset risk	-	-
Basic Solvency Capital Requirement	40,860.4	29,291.8

Calculation of Solvency Capital Requirement		
Operational risk	2,809.4	2,962.0
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-3,457.0	-3,463.3
Solvency capital requirement excluding capital add-on	40,860.4	28,790.4



F.2.2.1 Breakdown of the capital requirement for underwriting risk

As mono branch insurer with respect to legal expenses, the non-life risk only consists of the premium and reserve risk. No catastrophe risk is to be accounted for. Compared to previous period we observe a strong decrease resulting from the approval to use USP.

S.26.05.01.02 Non-life premium and reserve risk

	Total
EUR '000	
Non-life premium and reserve risk	23,690.0

F.2.2.2 Breakdown of the capital requirement for investment risks

The capital requirement for market risks is composed as in the table below :

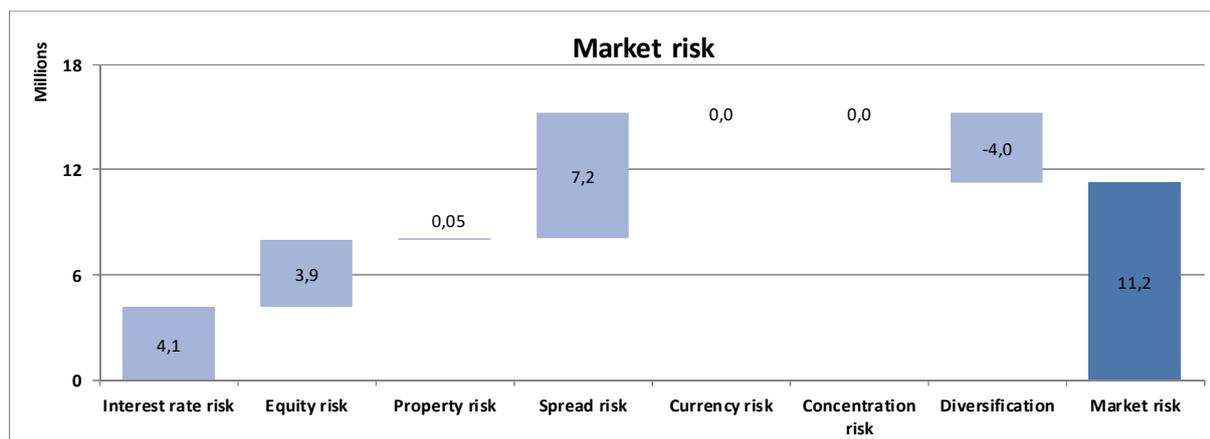
Spread risk remains the main source of risk within the market risk cluster related to the proportionally high investments in corporate bonds that has even increased compared to last period

The interest rate risk is related to the duration gap between the assets and liabilities.

Compared to the previous year the equity exposure is no longer limited by an option.

S.26.01 Market risk components

	2017 Capital requirements
in TEUR	
Interest rate risk	4,149.4
Equity risk	3,858.5
Property risk	48.0
Spread risk	7,199.1
Concentration risk	-
Currency risk	-
Diversification	-4,020.0
Market risk	11,235.0



F.2.2.3 Minimum capital requirement

Under SII, the calculation of the absolute minimum capital takes into account a number of business related quantities like technical provisions and premiums.

As show in the table below Euromex' minimum capital requirement (MCR) amounts to 13 Mio EUR. Hence the own funds amount to 426% of the MCR. This is an increase compared to the previous period as the undertaking specific parameters positively influence both the MCR and the own funds.

S.28.02.01. Minimum Capital Requirement

	2017.12
	MCR
EUR '000	
MCR components (life) - Non-life activities	12,955.6
MCR components (life) - Life activities	0
Minimum Capital Requirement	12,955.6

F.2.3 Simplified calculations and entity specific parameters

In the calculation of the SCR at 31/12/2017, the company did not apply any simplified calculations.

F.2.4 Use of the duration-based equity risk sub-module for SCR calculation

In the calculation of the SCR at 31/12/2017, the company did not use the duration based approach to calculate the Capital requirement for equity risk.

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

The company has the necessary processes in place to monitor its compliance with its MCR and SCR on a continuous basis. Over the considered reporting period (YE2016-YE2017) the company continuously complied with all regulatory and internal, risk appetite based capital requirements.

F.4 Difference between the standard formula and any internal model used

As per the reporting date, Euromex did not use any internal models, hence this section is without object.

F.5 Other relevant information

The company considers that all relevant information with respect to its capital management in view of its regular supervisory reporting has been communicated in the other sections of the chapter 'Capital Management' of the current report.

QRT reference	Template Name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.17.01	Non-Life Technical Provisions
S.19.21	Non-Life Insurance Claims
S.22.01	Impact of long term guarantees measures and transitionals
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

Basic Information - General

		C0010
Undertaking name	R0010	Euromex NV
Undertaking identification code	R0020	LEI/54930007D9SMDQUVMF20
Type of undertaking	R0040	Non-Life undertakings
Country of authorisation	R0050	BELGIUM
Language of reporting	R0070	English
Reporting submission date	R0080	31/12/2017
Reporting reference date	R0090	31/12/2017
Regular/Ad-hoc submission	R0100	Regular reporting
Currency used for reporting	R0110	EUR
Accounting standards	R0120	Local GAAP
Method of Calculation of the SCR	R0130	Standard formula
Use of undertaking specific parameters	R0140	Don't use undertaking specific parameters
Ring-fenced funds	R0150	Not reporting activity by RFF
Matching adjustment	R0170	No use of matching adjustment
Volatility adjustment	R0180	Use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	R0200	No use of transitional measure on technical provisions
Initial submission or re-submission	R0210	Initial submission

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	1,024.8
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	160,520.6
Property (other than for own use)	R0080	192.0
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	363.1
Equities - listed	R0110	363.1
Equities - unlisted	R0120	-
Bonds	R0130	150,894.7
Government Bonds	R0140	52,727.2
Corporate Bonds	R0150	98,167.5
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	9,070.9
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	6,288.8
Non-life and health similar to non-life	R0280	6,288.8
Non-life excluding health	R0290	6,288.8
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	2,786.3
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	28.4
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	5,869.4
Any other assets, not elsewhere shown	R0420	154.4
Total assets	R0500	176,672.7

S.02.01.02. Balance sheet: liabilities

EUR '000		<u>Solvency II value</u>
		C0010
Liabilities		
Technical provisions – non-life	R0510	103,594.9
Technical provisions – non-life (excluding health)	R0520	103,594.9
<i>Technical provisions calculated as a whole</i>	R0530	-
<i>Best Estimate</i>	R0540	98,732.4
<i>Risk margin</i>	R0550	4,862.5
Technical provisions - health (similar to non-life)	R0560	-
<i>Technical provisions calculated as a whole</i>	R0570	-
<i>Best Estimate</i>	R0580	-
<i>Risk margin</i>	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
<i>Technical provisions calculated as a whole</i>	R0620	-
<i>Best Estimate</i>	R0630	-
<i>Risk margin</i>	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
<i>Technical provisions calculated as a whole</i>	R0660	-
<i>Best Estimate</i>	R0670	-
<i>Risk margin</i>	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	0
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	1,365.2
Pension benefit obligations	R0760	2,779.1
Deposits from reinsurers	R0770	20.1
Deferred tax liabilities	R0780	3,463.3
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	4,430.8
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	1,786.9
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	297.4
Total liabilities	R0900	117,737.7
Excess of assets over liabilities	R1000	58,935.0

S.05.01.02.Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 2 of 3)

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0070	C0080	C0090	C0100	C0110	C0120
EUR '000							
Premiums written							
Gross - Direct Business	R0110	-	-	-	64,074.9	-	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	-	-	-	3,573.5	-	-
Net	R0200	-	-	-	60,501.4	-	-
Premiums earned							
Gross - Direct Business	R0210	-	-	-	63,338.1	-	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	-	-	-	3,558.0	-	-
Net	R0300	-	-	-	59,780.1	-	-
Claims incurred							
Gross - Direct Business	R0310	-	-	-	25,355.6	-	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	-	-	-	1,842.0	-	-
Net	R0400	-	-	-	23,513.5	-	-
Changes in other technical provisions							
Gross - Direct Business	R0410	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	26,822.3	-	-
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02.01 Premiums, claims and expenses by line of business: Non-Life & Accepted non-proportional reinsurance (part 3 of 3)

Line of Business for: accepted non-proportional reinsurance

		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
EUR '000						
Premiums written						
Gross - Direct Business	R0110	-	-	-	-	64,074.9
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	3,573.5
Net	R0200	-	-	-	-	60,501.4
Premiums earned						
Gross - Direct Business	R0210	-	-	-	-	63,338.1
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-
Reinsurers' share	R0240	-	-	-	-	3,558.0
Net	R0300	-	-	-	-	59,780.1
Claims incurred						
Gross - Direct Business	R0310	-	-	-	-	25,355.6
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	1,842.0
Net	R0400	-	-	-	-	23,513.5
Changes in other technical provisions						
Gross - Direct Business	R0410	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-
Net	R0500	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	26,822.3
Other expenses	R1200	-	-	-	-	1,355.1
Total expenses	R1300	-	-	-	-	28,177.3

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

	Home country	Top 5 countries (by amount of gross premiums written) — non-life obligations					Total for top 5 countries and home country (by amount of gross premiums written)	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			BELGIUM					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
EUR '000								
Premiums written								
Gross - Direct Business	R0110	-	64,074.9	-	-	-	-	64,074.9
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	3,573.5	-	-	-	-	3,573.5
Net	R0200	-	60,501.4	-	-	-	-	60,501.4
Premiums earned								
Gross - Direct Business	R0210	-	63,338.1	-	-	-	-	63,338.1
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	-	3,558.0	-	-	-	-	3,558.0
Net	R0300	-	59,780.1	-	-	-	-	59,780.1
Claims incurred								
Gross - Direct Business	R0310	-	25,355.6	-	-	-	-	25,355.6
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	1,842.0	-	-	-	-	1,842.0
Net	R0400	-	23,513.5	-	-	-	-	23,513.5
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	-	26,822.3	-	-	-	-	26,822.3
Other expenses	R1200							1,355.1
Total expenses	R1300							28,177.3

S.17.01.02. Non-Life Technical Provisions (part 2 of 3)

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
EUR '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	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	-	-	-	5,726.4	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-1,206.3	-	-
Net Best Estimate of Premium Provisions	R0150	-	-	-	6,932.7	-	-
Claims provisions							
Gross	R0160	-	-	-	93,006.1	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	7,495.1	-	-
Net Best Estimate of Claims Provisions	R0250	-	-	-	85,511.0	-	-
Total Best estimate - gross	R0260	-	-	-	98,732.4	-	-
Total Best estimate - net	R0270	-	-	-	92,443.7	-	-
Risk margin	R0280	-	-	-	4,862.5	-	-
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	R0320	-	-	-	103,594.9	-	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	6,288.8	-	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	-	-	97,306.1	-	-

S.19.01.21. Non-life insurance claims: gross claims paid by accident year

Total non-life business

Accident year

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year										In current year	Sum of years	
		0	1	2	3	4	5	6	7	8	9	10 & +		
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160	C0170	C0180
Prior	R0100											8,812.7	403.1	8,812.7
N-9	R0160	-	-	-	-	1,105.9	1,153.5	707.0	251.4	194.9	148.4		148.4	3,561.0
N-8	R0170	-	-	-	1,594.7	1,446.6	1,025.9	352.8	230.1	181.8			181.8	4,831.9
N-7	R0180	-	-	3,394.7	2,138.3	1,484.0	721.5	412.2	386.9				386.9	8,537.7
N-6	R0190	-	4,624.5	4,018.3	2,196.3	1,295.7	866.5	679.5					679.5	13,680.8
N-5	R0200	1,008.7	5,783.1	3,552.3	1,785.9	1,386.7	889.6						889.6	14,406.3
N-4	R0210	1,505.0	5,954.2	3,924.1	2,092.2	1,625.9							1,625.9	15,101.4
N-3	R0220	1,413.8	6,722.8	3,784.4	2,028.2								2,028.2	13,949.3
N-2	R0230	1,662.5	6,336.0	3,800.9									3,800.9	11,799.3
N-1	R0240	2,177.3	6,811.8										6,811.8	8,989.2
N	R0250	2,220.4											2,220.4	2,220.4
Total	R0260												19,176.5	105,889.9

S.22.01.21. Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
EUR '000						
Technical provisions	R0010	103,594.9	-	-	131.5	-
Basic own funds	R0020	55,185.0	-	-	-92.5	-
Eligible own funds to meet Solvency Capital Requirement	R0050	55,185.0	-	-	-92.5	-
Solvency Capital Requirement	R0090	28,790.4	-	-	46.6	-
Eligible own funds to meet Minimum Capital Requirement	R0100	55,185.0	-	-	-92.5	-
Minimum Capital Requirement	R0110	12,955.7	-	-	21.0	-

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
EUR '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	2,712.0	2,712.0	-	-	-
Share premium account related to ordinary share capital	R0030	6,296.0	6,296.0	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
Reconciliation reserve	R0130	46,177.1	46,177.1	-	-	-
Subordinated liabilities	R0140	-	-	-	-	-
An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	-	-	-	-	-
Total basic own funds after deductions	R0290	55,185.0	55,185.0	-	-	-

S.23.01.01. Own funds: ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-

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
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	55,185.0	55,185.0	-	-	-
Total available own funds to meet the MCR	R0510	55,185.0	55,185.0	-	-	
Total eligible own funds to meet the SCR	R0540	55,185.0	55,185.0	-	-	-
Total eligible own funds to meet the MCR	R0550	55,185.0	55,185.0	-	-	
SCR	R0580	28,790.4				
MCR	R0600	12,955.7				
Ratio of Eligible own funds to SCR	R0620	191.7%				
Ratio of Eligible own funds to MCR	R0640	426.0%				

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

		Gross solvency capital requirement	USP		Simplifications	
			C0110	C0080	C0090	
EUR '000						
Market risk	R0010	11,235.0				
Counterparty default risk	R0020	1,227.7				
Life underwriting risk	R0030	-				
Health underwriting risk	R0040	-				
Non-life underwriting risk	R0050	23,690.0				
Diversification	R0060	-6,860.9				
Intangible asset risk	R0070	-				
Basic Solvency Capital Requirement	R0100	29,291.8				
Calculation of Solvency Capital Requirement		C0100				
Operational risk	R0130	2,962.0				
Loss-absorbing capacity of technical provisions	R0140	-				
Loss-absorbing capacity of deferred taxes	R0150	-3,463.3				
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-				
Solvency capital requirement excluding capital add-on	R0200	28,790.4				
Capital add-on already set	R0210	-				
Solvency capital requirement	R0220	28,790.4				
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: MCRNL result

Linear formula component for non-life insurance and reinsurance obligations

C0010

EUR '000

MCRNL Result

R0010

14,396.1