Solvency and Financial Condition Report

2020

achmea

Achmea 2020

Single Group Wide

Solvency and Financial Condition Report

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1. SUMMARY

1.1. INTRODUCTION

Achmea's approach to the Solvency and Financial Condition Report

Achmea Group (hereafter 'Achmea') discloses its solvency position, governance and risk management practices by means of a Single Group-Wide Solvency and Financial Condition Report (SGW-SFCR). The information in the SGW-SFCR consists of the solvency position of Achmea B.V., the supervised insurance and reinsurance entities and all other legal entities belonging to Achmea.

The Quantitative Reporting Templates ('QRTs'), which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2020, are included in the appendix to this SFCR.

All amounts in this report and in the tables are presented in millions of euros, unless stated otherwise. Due to this, rounding differences may occur.

Achmea Partial Internal Model (PIM)

Entities within Achmea and Achmea as group are using either the Standard Formula or a Partial Internal Model[1]. The Dutch Health insurance entities, Union Poist'ovňa A.S. (Slovakia), Eureko Sigorta A.S. (Turkey) and Interamerican Hellenic Life Insurance Company S.A. (Greece) are using the Standard Formula. The other insurance entities and the group are using a Partial Internal Model (PIM). Achmea Bank N.V. uses the standardised approach as laid down in the Capital requirements Directive and Regulation.

The scope of the Partial Internal Model:
- Non-Life Underwriting Premium and Reserve Risk stemming from the Greek and Dutch Non-Life insurance activities. Achmea Reinsurance Company N.V. does not use an internal model for Non-Life underwriting Premium and Reserve Risk.
- NSLT Health Underwriting Premium and Reserve Risk stemming from the Greek and Dutch Non-Life insurance activities.
- Non-Life Natural Catastrophe Risk stemming from the Greek and Dutch insurance activities (excluding external incoming reinsurance contracts, only business stemming from entities within Achmea B.V.).
- Health Underwriting Risk SLT stemming from the Dutch Non-Life insurance activities.
- Interest Rate Risk, Equity Risk, Property Risk and Spread Risk for the Dutch insurance entities[2] and Achmea B.V. (Group) (stemming from the entities using an internal model for Market Risk, Market Risk stemming from the legal entity Achmea B.V. and Market Risk stemming from the Dutch Health insurance entities is included in the consolidated data).

Other risks and risk types are calculated using the Standard Formula (SF).

Mixed Financial Holding Company

There was a new Q&A issued by The Dutch Central Bank (DNB) regarding the treatment of banking entities within a Mixed Financial Holding Company such as Achmea B.V. The capital requirements of our banking and investment entities (CRD entities) are, as of year-end 2020 fully included in the calculation of the Group solvency ratio. Achmea has included this change as "Change in methodology" and the comparison figures were not restated.

1.2. BUSINESS AND PERFORMANCE

The solvency ratio decreased to 208% in 2020 from 219% in 2019. The solvency ratio is based on the approved PIM. From 2020 Q4 the legal entities subject to the CRD-legislation (Achmea Bank, Achmea Investment Management and Syntrus Achmea Real Estate & Finance(SAREF)) are taken into account in the group solvency position (SII effect -/- 8%). Excluding those entities, the group solvency position would have been 216%. The group solvency position at year-end 2020 includes foreseeable dividends. This was not the case at year-end 2019. In line with the statements made by EIOPA and DNB to not pay dividends or defer payments until the consequences of the Covid-19 pandemic would be more clear and the uncertainties reduced, the dividend decision was postponed. If the dividend payments of year-end 2019 had not been suspended, the solvency ratio would have been 214%.

[1] The Standard Formula is the Solvency Capital Requirement calculated by means of the method embedded in the Solvency II legislation and which is available to all insurers across Europe. The partial Internal Model is a methodology which is unique for the insurer which complies with all the principles of Solvency II and which can only be used after explicit endorsement of the supervisor(s).

[2] For Dutch health entities no Partial Internal Model for Market Risk is used at an entity level.

Summary

Despite the challenging circumstances Achmea realised growth in among others premiums and income in a number of strategically important areas. Last year, our Centraal Beheer, Interpolis and FBTO brands welcomed a large number of new customers who opted for the best online service. Our strategy of far-reaching digitisation results, next to a high appreciation of our customers, in an increase in premiums both in the retail and the commercial market. In our international business we also focus on online service to our customers which last year led to an overall growth in premium income at Non-Life of 4%.

At Health, based on current insights, a contribution from the statutory catastrophe scheme has more than compensated for the higher Covid-19-related expenses and continuity contributions. In combination with a lower demand for regular healthcare, this has led to a higher result and higher reserves. In setting the premiums for 2021 Achmea used €136 million from the reserves in order to reduce the increase in health insurance premiums. Achmea will also consider allocating capital to curb increases in premiums each time health premiums are set in future years.

At Non-Life claims have increased for e.g. event and cancellation insurance. This is offset by lower claims relating to mobility and home insurance. Overall this leads to a lower cost of claims and - on top of further operational improvements - a higher result. Simultaneously Achmea lowered the operational expenses by 2% and also declined the number of FTE in the Netherlands. Our investment results declined due to the uncertainty on the financial markets in the first half of last year in particular.

Pension & Life primarily manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. In addition, Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. Pension & Life's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction. The total Technical Provisions are evolving in line with the natural development of the portfolio, but at the same time are affected by market developments and short-term volatility. Due to the decrease in interest rates the Technical Provisions increased by 2% to €47 billion in 2020. The impact of Covid-19 on the Pension & Life business is limited.

IFRS Result
The net IFRS result increased in 2020 to €642 million (2019: €481 million). The gross written premiums increased slightly in 2020 to €20,175 million (2019: €19,949 million).

Full details on Achmea's business and performance are described in chapter A Business and performance and the Annual report of 2020[3].

Covid-19 and Solvency II
In 2020, the Covid-19 pandemic had a major impact on Achmea. The outbreak resulted in various government measures in the countries in which Achmea is active. These measures have had a major impact on society, as well as on Achmea's operational management. The Covid-19 pandemic affects our customers and impacts Achmea's insurance and market risks. In order to monitor and control the impact of Covid-19, Achmea established a corona crisis team in early March 2020, which includes the entire Executive Board. This crisis team is directing the various workflows.

The impact of Covid-19 in 2020 and the measures taken by government authorities to curb its spread have had a major economic impact. The size of that impact and when it will become visible is uncertain. In the second half of 2020, a number of economic indicators recovered, including stock market prices. With the availability of a vaccine, a slow economic recovery is expected in 2021 and will continue in the following years.

A great deal of attention has been given to the developments within the healthcare sector, where, on the one hand, there is a significant drop in demand for care and, on the other hand, certain healthcare institutions are faced with higher costs for the treatment of Covid-19 patients. Healthcare insurers, including Achmea, have made efforts to prevent the provision of care from being unnecessarily burdened with financial uncertainties or administrative burdens, so that care providers could focus on providing the necessary Covid-19 care while at the same time maintaining their normal care capacity as much as possible. Achmea, together with other health insurers, has made various agreements and arrangements to ensure the continuity of care in the form of continuity contribution to cover the ongoing expenses and additional expenses resulting from Covid-19.

The Covid-19 pandemic has been designated a catastrophe within the meaning of Section 33 of the Health Insurance Act (emergency scheme). This ensures an additional contribution from the health insurance equalisation fund, provided that the total medical expenses resulting from the Covid-19 pandemic exceed certain thresholds for a period of two years (2020 and 2021). In addition,

[3] part 1 Annual Report, chapter our objectives & results, how we create financial value, paragraph our results in 2020

health insurers have agreed to compensate the consequences of Covid-19 by means of a solidarity scheme. This scheme ensures a proportional division of the catastrophe burden and the catastrophe contribution between the health insurance companies.

The Dutch government has decided to tighten the measures under the lockdown, which has continued into 2021, from mid-December 2020. In preparing the 2020 financial statements, estimates and assumptions were made taking into account the most recent developments and insights concerning the Covid-19 pandemic, to the extent that these provide further information about the situation at the balance sheet date.

The most important consequences and uncertainties for Achmea's solvency position have been included in chapters C, D and E.

Achmea believes, based on the currently available information, including the insights from the various scenario analyses, the measures taken and current liquidity and solvency, that there is no material uncertainty regarding its continuity underlying these financial statements.

Due to the Covid-19 related developments and the appeal from EIOPA and DNB to preserve capital and follow prudent dividend policies, Achmea decided in April 2020 to temporarily suspend dividend distributions and to reassess the decision to distribute dividends in the second half of 2020. Achmea decided in September 2020, to distribute the postponed dividend after considering her financial position.

The impact of Covid-19 on the Liabilities related to insurance contracts varies per segment. The main impacts that have arisen in the segments are explained below.

The Non-Life Netherlands segment has seen an increase in the cost of claims, particularly in event and income protection insurance, which has been offset by a decrease in the cost of claims of other products such as motor vehicle insurance and home contents insurance due to lower damage frequency and claims.

Achmea sees a large impact in the Health segment as a result of Covid-19. These include additional expenses as a result of Covid-19, the cancellation of healthcare, the details of schemes for the continuity of healthcare (Continuity Contribution), the legal emergency scheme for health insurance companies from the government and the solidarity scheme among health insurance companies.

The balance sheet value of Liabilities related to insurance contracts for certain life insurance contracts is influenced by changes in the value of investments. These have been affected in 2020 by the Covid-19 pandemic. The other effects of Covid-19 on the Pension & Life segment in the Netherlands are not material and are only marginally visible in the mortality results.

In the International segment we see similar effects as in relation to Non-Life insurance and health insurance.

1.3. SYSTEM OF GOVERNANCE

There have been no material changes to the objectives or policies relating to the System of Governance over the period. The governance arrangements in place are regularly reviewed to ensure they remain effective.

1.4. RISK PROFILE

The composition of the risk profile and the identified material risk remained relatively unchanged in 2020. However, in the context of Covid-19 developments, part of the equity portfolio was temporary reduced. There have been no other material changes to the Risk Profile over 2020 compared to 2019. Full details on Achmea's Risk Profile are described in Chapter C. Risk Profile.

1.5. VALUATION FOR SOLVENCY PURPOSES

Achmea values its Solvency II Balance Sheet items on a basis that reflects their economic value. In case the IFRS valuation principles are consistent with Solvency II requirements, Achmea follows IFRS as endorsed by the European Union for valuing assets and liabilities.

The composition of Own Funds under the Solvency II legislation is not the same as equity for IFRS purposes. For the calculation of the group solvency under Solvency II, the Own Funds from banking activities and asset management are deducted. In addition there are valuation differences and restrictions. The table below presents the composition of Eligible Own Funds (EOF) under Solvency II and equity under IFRS.

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS € MILLION

	2020	2019
Equity Financial statements	10,559	10,191
Solvency II valuation and classification differences	951	775
Available Own Funds Solvency II	**11,510**	**10,966**
Not qualifying equity and foreseeable dividends	-814	-511
Equity in banking- and investment institutions (CRD IV)	0	-920
Eligible Own Funds Solvency II	**10,696**	**9,535**

Full details on Achmea's Eligible Own Funds are described in Chapter D. Valuation for solvency purposes.

1.6. CAPITAL MANAGEMENT

The following table presents the solvency ratio of Achmea at year-end 2020 and year-end 2019.

SOLVENCY RATIO € MILLION

	2020	2019	Δ
Eligible Own Funds	10,696	9,535	1,160
Required Capital	5,153	4,352	801
Surplus	5,543	5,184	359
Ratio (%)	**208%**	**219%**	**-11%-pt**

1.6.1. ELIGIBLE OWN FUNDS

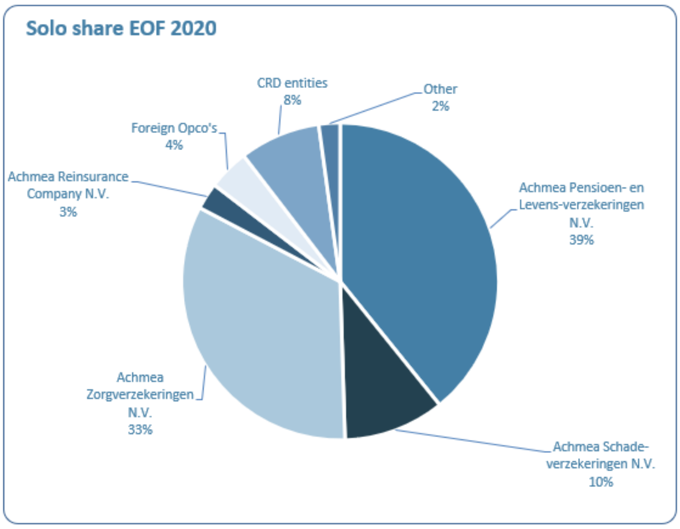
The following table presents the EOF of Achmea at year-end 2020 and year-end 2019.

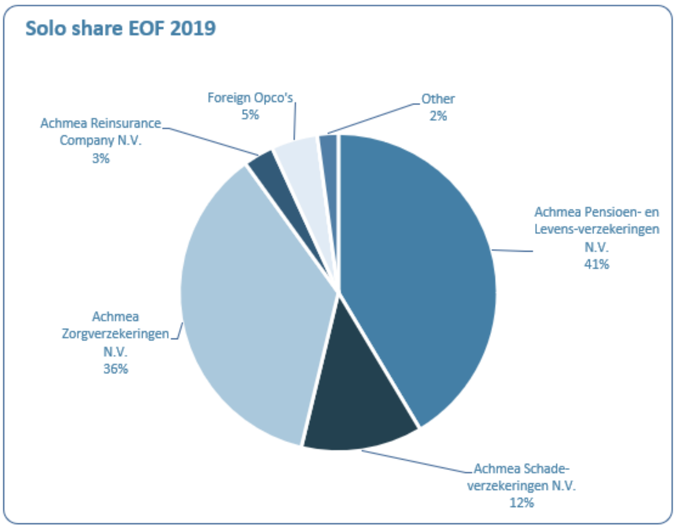
ELIGIBLE OWN FUNDS € MILLION

	2020	2019	Δ
Tier 1	8,444	7,567	877
Tier 2	1,699	1,580	120
Tier 3	552	388	164
Total Eligible Own Funds	**10,696**	**9,535**	**1,160**

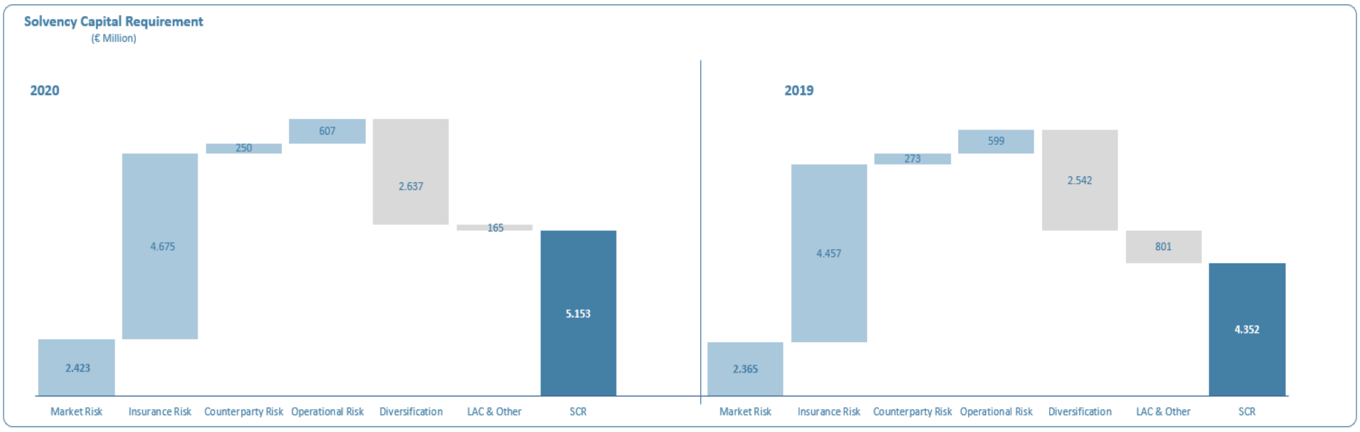
The change in the value of the Eligible Own Funds mirrored the development of the Covid-19 crisis and the financial markets. In 2020, the change in the treatment of the CRD-entities resulted in an increase in the Tier 1 capital. In 2019, the value of the CRD-entities was subtracted from the group's Own Funds. Furthermore, in 2019, no foreseeable dividends were recognised. The decision to distribute any capital was deferred to the second half of 2020. In 2020 Q3, Achmea did distribute capital to the holders of the capital components. For 2020, foreseeable distributions are recognised. Due to the increase in the economic value of Tier 2 capital instruments at year-end and the increase in the Net Deferred Tax Assets, a small Relegation of Tier 2 + Tier 3 is recognised.

The EOF can be divided to the various legal entities of Achmea:





1.6.2. SOLVENCY CAPITAL REQUIREMENT



In 2020 the SCR has increased by €801 million, mainly due to the inclusion of banking and investments entities subject to the CRD-legislation in the Group's solvency position. This impact is presented as part of the "LAC & Other" capital requirements.

The SCR for Market Risk increased by €58 million. In 2020, Achmea changed the investment portfolio according to the Investment Plan and because of mitigating effects to curb the volatility and uncertainty during the year in the financial markets. This mitigated the effect of a decrease in interest rates.

The capital requirement for Insurance Risk increased by €218 million. The lower yield curve resulted in an increase of the Best Estimate and subsequently in an increase of Life Underwriting Risk. Catastrophe Risk increased because of a major change of the model for Natural Catastrophe Risk. The expected contribution to the Covid-19 costs from the Dutch health equalisation fund led to a decrease in Health Underwriting Risk and partly mitigated the increase in Insurance Risk.

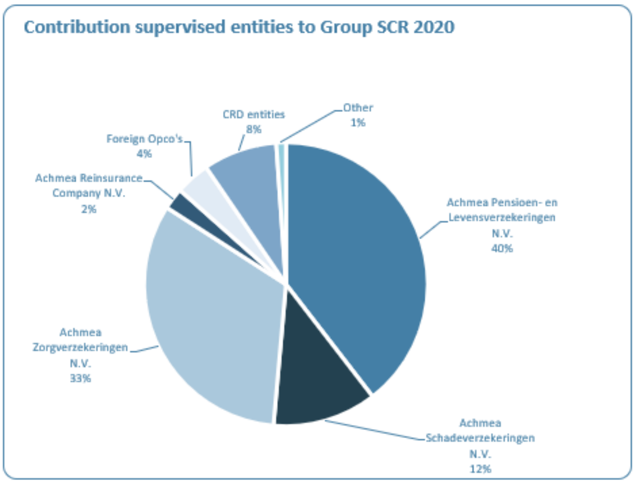
The SCR for Counterparty Default Risk decreased by €23 million. Risk decreased due to improved payment behaviour of policyholders and as a result of less regular health care due to the Covid-19 pandemic.

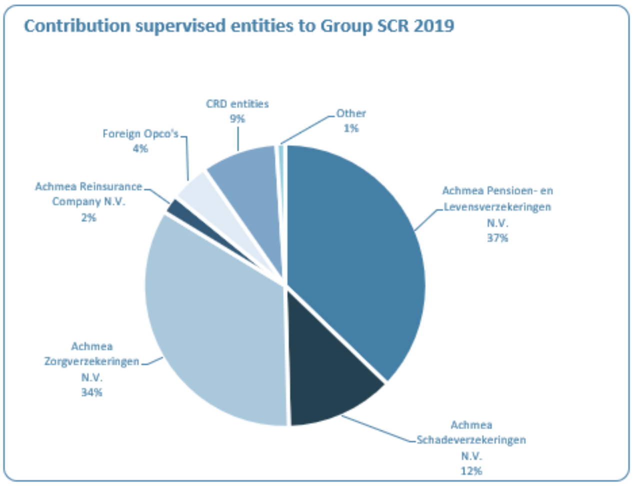
Operational Risk is calculated based on the most onerous scenario of earned premiums or Technical Provisions. Achmea is sensitive to the scenario based on earned premiums. The increase of €8 million is a consequence of increased premium volumes in 2020 due to the expected contribution on Covid-19 costs of the Dutch health equalisation fund.

The LAC & Other capital requirement increased by €636 million compared to 2019. The capital requirement increased mainly due to the inclusion of the CRD-entities in the Solvency II position of Achmea as a Mixed Financial Holding Company.

Solvency Capital Requirement per major legal entity

Similar to 2019, Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Zorgverzekeringen N.V. contributed the most with respect to the group Solvency Capital Requirements[4]. The relative share of the former increased due to the impact of the lower relevant risk-free interest rate.





Solvency Position excluding the use of the Volatility Adjustment

Achmea applies the Volatility Adjustment (VA[5]). The VA is not applied by the Dutch Health insurance legal entities, Achmea Reinsurance Company N.V. and Interamerican Assistance General Insurance Company S.A. (based on proportionality reasons). Applying the VA in Turkey is not allowed in accordance with the applicable Solvency II Regulation, therefore the VA is not applied by Eureko Sigorta A.S.

For those entities where the VA is used and where a Partial Internal Model for Market Risk is used, a Dynamic Volatility Adjustment (DVA[6]) is included with the calculation of the capital requirement for Spread Risk.

IMPACT OF VOLATILITY ADJUSTMENT ON SOLVENCY RATIO

€ MILLION

	INCLUDING VOLATILITY ADJUSTMENT	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Eligible Own Funds	10,696	10,502	193
Required Capital	5,153	6,540	-1,387
Surplus	5,543	3,963	1,580
Ratio (%)	208%	161%	47%-pt

The VA is published by EIOPA and endorsed by the European Commission. Ultimo 2020, a VA of 7 bps (2019: 7 bps) has been applied. Compared to 2019, the impact of the VA on the Solvency II ratio of Achmea decreased from -54%-pt to -47%-pt, due to the inclusion of the CRD-entities in the Solvency II consolidation. The use of the VA has an impact on the value of the Best Estimate of the Insurance obligations. Not using the VA results in a higher value of the Best Estimate. The increase of the insurance liabilities also increases the Deferred Tax Asset (DTA). Both effects partly offset each other. The overall effect on the EOF is negative. Not using the VA has an increasing impact on the capital requirements for Market Risk. Not using the VA, also causes the DVA to disappear.

[4] The 2019 comparable SCR figures are adjusted for the inclusion of the CRD-entities.
[5] The Volatility Adjustment is a mechanism to mitigate the exaggeration of bond spreads. The mitigation is done by an adjustment of the relative risk free interest rate. The Volatility Adjustment reflects the Asset- and Liability management of an insurer. The VA is published by EIOPA and is based on the Solvency II legislation.
[6] The Dynamic Volatility Adjustment has the same function as the VA, but is calculated based on the 1:200 year scenario, similar to the principles of all the Solvency Capital Requirements.

Excluding the VA and DVA would result in changes of the characteristics of the assets and liabilities due to the adjusted discounting curve. As a result, the asset mix is not aligned with the insurance liabilities leading to a disproportionate increase of the capital requirement for Market Risk. Furthermore, the risk profile of the government bonds and mortgage loans are not in line with the capital requirements i.e. the capital requirements are extremely high compared to the actual risks embedded in these exposures. Therefore, Achmea is of the opinion that the resulting Capital Requirement without VA and DVA is not an appropriate reflection of the risk profile.

1.6.3. MINIMUM CAPITAL REQUIREMENT

The following table presents the Minimum Capital Requirement (MCR) of Achmea.

MINIMUM CAPITAL REQUIREMENT PIM

€ MILLION

	2020	2019	Δ
SCR	5,153	4,352	801
MCR	2,447	2,374	73
MCR/SCR (%)	47%	55%	-8%-pt

The group MCR is the sum of the solo MCR without taking into account any diversification benefits of Intra-Group transactions. The increase in MCR is caused by an increase in the underlying MCR of Achmea Pensioen- en Levensverzekeringen N.V. and by a decrease in the underlying MCR of Interamerican Property & Casualty Insurance Company S.A. and Eureko Sigorta A.S.

IMPACT OF VOLATILITY ADJUSTMENT ON THE MCR

€ MILLION

	INCLUDING VA	EXCLUDING VA	IMPACT VA
SCR	5,153	6,540	-1,387
MCR	2,447	2,513	66
MCR/SCR (%)	47%	38%	9%-pt

Applying the VA has an impact on the MCR because the value of the Best Estimate is higher when the VA is not applied (lower discount rate).

1.6.4. SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

€ MILLION

	2020			2019		
	REQUIRED CAPITAL	ELIGIBLE OWN FUNDS	SOLVENCY II RATIO	REQUIRED CAPITAL	ELIGIBLE OWN FUNDS	SOLVENCY II RATIO
Achmea Pensioen- en Levensverzekeringen N.V.*	2,505	4,152	166%	2,291	3,779	165%
Achmea Schadeverzekeringen N.V. *	752	1,092	145%	763	1,126	148%
N.V. Hagelunie *	53	204	384%	44	194	444%
Achmea Reinsurance Company N.V. *	156	289	186%	133	284	214%
Achmea Zorgverzekeringen NV consolidated	2,072	3,515	170%	2,102	3,311	158%
Achmea Zorgverzekeringen N.V.	783	3,514	449%	774	3,311	428%
Zilveren Kruis Zorgverzekeringen N.V.	1,466	2,138	146%	1,481	2,129	144%
FBTO Zorgverzekeringen N.V.	86	138	159%	91	132	146%
Interpolis Zorgverzekeringen N.V.	71	125	176%	70	122	175%
De Friesland Zorgverzekeraar N.V.	206	324	157%	209	317	152%
Union Poist'ovňa A.S.	17	36	217%	17	25	143%
Eureko Sigorta A.S.**	56	98	175%	66	117	178%
Interamerican Hellenic Life Insurance Company S.A.	104	138	133%	100	126	126%
Interamerican Assistance General Insurance Company S.A.	10	17	170%	12	16	131%
Interamerican Property & Casualty Insurance Company S.A.*	61	152	249%	78	145	187%

* Legal entities using a Partial Internal Model

** Based on local capital requirement

At year-end 2020, Achmea and its entities are sufficiently funded in accordance with statutory requirements. See Chapter E.1.5 for details on the developments.

1.7. MATERIALITY AND SUBSEQUENT EVENTS

Materiality

Achmea published its Solvency II position of 208% on 12 March 2021. This Solvency position is based on the aggregation of the data of all underlying legal entities and related parties.

Subsequent events

No new information has emerged since the publication of the Solvency position which may result in a material different Solvency position for Achmea as calculated for the reference date of 31 December 2020.

1.8. FORWARD LOOKING STATEMENT

Development next year

Achmea expects the Solvency position at the end of 2021 to be above the internal target limits. The expected Solvency II ratio per year-end 2021 under the assumption of constant financial markets based on year-end 2020 is equal to 205%. The outcome will be dependent on developments of the Covid-19 pandemic and economic recovery afterwards and the development of the financial markets.

Savings mortgages
In the course of the year, the supervisory authority, De Nederlandsche Bank, issued additional guidelines on subjects that provide further clarification on the application of the Solvency II guidelines. However, at the end of the year, a number of topics were still under investigation and are expected to be finalised in 2021. An ongoing investigation concerns, for example, the request made to the sector by DNB regarding information and consultation on the treatment of savings mortgages under Solvency II.

Contract boundaries
A discussion currently takes place on the contract boundary applicable for disability. The outcome could have a negative impact on the solvency position of Achmea Schadeverzekeringen N.V. and therefore on the solvency position of Achmea Group. A Q&A is expected to be issued by DNB in 2021. The precise content and implementation requirements are still uncertain and subject to dialogue between the Dutch Association of Insurers and DNB.

Acquisition Poštová poisťovňa
On 11 December 2020 Achmea announced the acquisition of Poštová poisťovňa to extend its market position in the Slovak market. The acquisition will be finalised in the first half of 2021.

Covid-19 and Solvency II
The environment in which Achmea operates is rapidly changing. Despite the positive development of the financial and solvency results over 2020 and earlier periods, challenges exist in the markets in which Achmea operates. Achmea assesses the Covid-19 outbreak and the impact of this outbreak on the operation of Achmea, the insurance liabilities and other balance sheet items and on the solvency position on group and subsidiary level. Markets are still volatile and several uncertainties still exist. It is still unclear how countries will emerge in 2021 from the lockdowns and various other restrictions.

Impact on assets: Many governments have taken significant measures to support the economy. Those measures have had a negative impact on the interest rate curve which has even become negative over longer durations. The developments in interest rates combined with spread developments (decrease) have resulted in a significant increase in the value of equities. Apart from possible temporary discounts on rents paid on property it is unclear how Covid-19 will impact the value of especially commercial property. Uncertainty exists how these developments will evolve over 2021, whether the increased expected economic activities will drive inflation of interest rates and the reaction of the ECB.

Impact on liabilities: The increase in mortality in the various countries where Achmea operates could have an impact on the mortality tables used to determine the Best Estimate of the insurance liabilities. However, there are possible opposing effects. Whether the mortality rates will increase or decrease is still in balance. Once more information becomes available, Achmea will use this information. As countries will emerge from their lockdowns and restrictions, the claim patterns within the Non-Life insurance lines of business will likely revert back to normal patterns. However, any change in the behaviour of employees and employers will have an impact. As soon as the trends have materialised, Achmea will use these in its assumptions. As the Covid-19 crisis is still continuing, the impact on the Health business remains uncertain. It is widely not known what the impact of all deferred health care will have on society. Another uncertainty is the extent in which infected people are recovering and the long-term effects of this. The Covid-19 crisis had a net positive impact on the results of the Achmea Health insurance entities as a result of the balance of the lower claims due to deferred claims and the additional claims for Covid-19 health care and the contributions of the catastrophe scheme embedded in the Dutch Health Act. These developments will continue in 2021 including the overall net impact.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

LEGAL FORM

Achmea B.V. is a private company with limited liability incorporated in The Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group comprises Achmea B.V. and the entities it controls. Achmea is a financial services provider with insurance activities in the field of Non-Life, Health, Income and Life. Furthermore Achmea offers banking services, asset management and pension management services, and other services.

DNB is responsible for the Group prudential supervision of Achmea. Each supervised legal entity has a local prudential supervisor.

The external auditor of the Group Achmea is PricewaterhouseCoopers (PwC). The information disclosed in this SGW-SFCR is unaudited. The following Quantitative Reporting Templates of Achmea Group are audited:

- S.02.01. Balance Sheet
- S.05.01. Premiums, Claims and Expenses by Line of Business
- S.23.01. Own Funds
- S.25.02. Solvency Capital Requirement SF and PIM

SHAREHOLDERS OF ACHMEA B.V. AT 31 DECEMBER 2020

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFS)
Vereniging Achmea directly and via Stichting Administratie-Kantoor Achmea [1]	The Netherlands	251,481,012	64.48%	60.75%
Coöperatieve Rabobank U.A.	The Netherlands	116,993,237	30.00%	28.27%
Fundo de Pensões de Grupo Banco Comercial Português	Portugal	10,651,756	2.73%	2.57%
Stichting Beheer Aandelen Achmea	The Netherlands	3,665,253	0.94%	0.89%
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.53%	0.50%
Gothaer Finanz Holding AG	Germany	2,370,153	0.61%	0.57%
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.71%	0.67%
Total ordinary shares [2]		**390,002,712**	**100.00%**	
Achmea Tussenholding B.V. (preference shares)	The Netherlands	23,904,060		5.78%
Total ordinary shares and preference shares		**413,906,772**		**100.00%**

1. *Including 1 A-share.*
2. *Excluding 20,817,462 units of own shares held by Achmea B.V.*

LEGAL STRUCTURE (SUMMARY)

Achmea B.V.

Achmea Pensioen- en Levensverzekeringen N.V.	Achmea Bank N.V.	Inshared Holding N.V.	Eureko Sigorta A.S.
Achmea Schadeverzekeringen N.V.	Achmea Interne Diensten N.V.	Achmea Investment Management N.V.	Interamerican Hellenic Life Company S.A.
N.V. Hagelunie	Achmea Services N.V.	Achmea Pensioenservices N.V.	Union Poist'ovňa A.S.
Achmea Zorgverzekeringen N.V.	Zilveren Kruis Health Services N.V.	Syntrus Achmea Real Estate & Finance B.V.	Union Zdravotná Poist'ovna A.S.
Achmea Reinsurance Company N.V.		Achmea Innovation Fund B.V.	Onlia Holding INC

OUR MISSION

A healthy, safe and future-proof society

Achmea aims to provide solutions for risks faced by individuals and by society. We do so based on our mission to contribute to a healthy, safe and future-proof society. In particular, we wish to distinguish ourselves in five strategic domains:

- Good health closer to everyone
- Clean, safe and smart mobility
- Safe and sustainable home and living environments
- Carefree enterprise and good employment practices
- Financial solutions for now, tomorrow and later

These were selected based partly on insights derived from the dialogue we conduct with our stakeholders and based on our environmental analysis.

In line with and in addition to these, Achmea wants to contribute to the United Nation's Sustainable Development Goals (SDGs). These 17 SDGs form the 2030 Agenda for Sustainable Development. We believe it is important to participate in this agenda. In 2018, we selected three focus SDGs: SDG 3 (Good health and well-being), SDG 11 (Sustainable cities and communities) and SDG 13 (Climate action). These SDGs are closely related to the five strategic domains, close to the core of our company and can encourage innovation and growth.

Relevant to customers and trendsetting

We aim to help customers by providing them insights into risks, an overview of their situation, options for preventing risks and a plan of action in order that they can make choices aligned with their options. The world around us is changing quickly and contains new uncertainties. We want to respond to this by providing modern products and services. This enables us to remain relevant to our customers. We aim to be trendsetting by making our propositions accessible via modern distribution channels, with digital and personal interaction. We strive for innovation through the use of innovative technology and data. Convenience and comprehensibility are an inherent part of this. In addition to insurance, we offer solutions that provide for or contribute to social goals.

Cooperative shareholders

Nearly 65% of our ordinary shares are owned by Vereniging Achmea, while 30% are owned by the cooperative Rabobank. The remainder of the ordinary shares are held by similarly-minded, mainly cooperative financial institutions elsewhere in Europe. This means that our cooperative identity is guaranteed among our shareholders as well. Together with Vereniging Achmea, which represents the collective interests of all Achmea customers, we are building further on an inspiring complementary range of cooperative features, values and communications. Expertise is an important basis here. This is why we continue to invest in the personal development of our employees and in improving our services.

Climate change

Climate change is a key sustainability theme containing major social, economic and financial challenges. It also touches on all three focus SDGs. The effects of climate change are visible all around the world, from bushfires in Australia and California to lengthy periods of drought and extreme precipitation in the Netherlands. It is essential to restrict the increase in global warming temperatures to 1.5-2 °C in order to avoid us facing uncontrollable risks. Contributing to a healthy, safe and future-proof society means that we also want to assume responsibility for achieving global climate goals. As an insurer and service provider, we wish to contribute to resilience to the risks posed by climate change and support the energy transition. As an investor we aim to reduce our carbon footprint of our portfolio and in our own business operations we are seeking to achieve climate neutrality in 2030.

Our core values

Our core values – Empathising, Innovating and Delivering – are an important foundation for the way we work. We want to know what matters to our customers and what our customers and society need. Achmea gives substance to this by involving customers and partners in developing appropriate insurance policies and services (co-creation). We aim to create an even more customer-driven organisation that communicates using methods customers want and at a time that is convenient to them. This means that we are constantly adjusting and renewing our processes. Living up to our promise to our customers is crucial: our customers need to be able to rely on us being here when they need us.

OUR STRATEGY

The Sum of Us

Achmea focuses on creating value for our customers and for society via our 2025 'The Sum of Us' strategy. One prerequisite for this is earning responsible returns in order to be able to continue investing in further strengthening our company and boosting our competitive position. Over the next few years, we will reinforce our cooperative identity and aim to benefit from our unique combination of insurer, service provider and asset manager.

Where do our challenges lie?

The Covid-19 pandemic broke out shortly after we had set out our new strategy. The impact on both society and the economy is enormous. The advent of a vaccine brings hope, but uncertainty persists with regard to how the virus will evolve and how it will affect the economy. Our strategy has proven to be robust, even in the context of Covid-19. At the same time, digitisation, renewing business models and scaling up new activities still demand our attention. We are developing new working methods and practices that are in keeping with the present circumstances.

This all requires considerable effort and investment. Furthermore, we seek to achieve a balance between long-term value creation and complying with short-term financial constraints.

The focus of our strategy

Over the next few years, we will carry on putting the spearheads and focus areas of our strategy into practice. We are finetuning our social goals and developing initiatives aimed at giving our cooperative identity a fresh impetus.

A broad value programme will help us remain relevant to our customers and realise our social ambitions. The aim is to consolidate our balance sheet and create greater capacity for absorbing setbacks, allowing us to reinvest on behalf of our customers and society.

Growth strategy

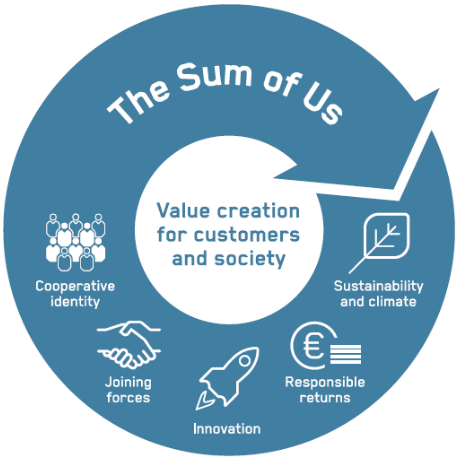
Our explicit ambition is to achieve growth. In this respect we anticipate major contributions from Centraal Beheer in the retail customer and SME markets, as well as from FBTO in the retail customer property & casualty market. At Interpolis we are boosting our position in the retail customer and SME markets via Rabobank. The focus at Retirement Services is on autonomous and non-autonomous growth in the institutional market, while we are working to achieve growth in the open book at Pension & Life. At Health, our aim is a market share of 5 million policyholders. Outside the Netherlands we are focusing on growth in those countries in which we already operate and exploring new markets.

Financial strategy

Customers, employees, shareholders, regulators and rating agencies expect us to occupy a robust financial position. We seek to further improve our financial results, generate more capital and - backed up by balance sheet optimisation - free up a larger amount of capital. The aim here is to create greater financial capacity for renewing our company and absorbing setbacks. This will allow us to remain financially robust, flexible and resilient, yet still take into account who we are. All the while applying enough caution to withstand volatility on the financial markets and in our results.

The pillars of our strategy

We aim to implement our 'The Sum of Us' strategy via five pillars (see figure). These pillars are explained in brief below.



Joining forces

No other financial service provider in the Netherlands has such a unique combination of products and services as Achmea. We can better serve our customers and connect domains by working more closely together within Achmea and with our partners. Using the full breadth of our products, services and distribution strength enables us to develop new products and services at the interface where income and health, healthcare and living, and financial solutions meet.

We work together with partners in order to assist customers better and accomplish social ambitions together. To do so, we are creating an even broader range of products and services, as well as boosting our future distribution capacity. This will also allow us to play a more significant role on the platforms that customers use.

Rabobank is and will remain an important partner for us. Via Interpolis we aim to become even more relevant to Rabobank customers. We are using our partnership even more widely in order to consolidate our joint position in the market.

Cooperative identity

Together with Vereniging Achmea we give a modern twist to our cooperative identity and to those of our brands. We do so along the following lines: value for customers, value for society and the values that form the basis for our actions.

Value creation for customers is achieved using the latest in modern propositions. We offer the option of risk sharing in our insurance policies. Via our asset management and (financial) services, we provide customers with appropriate solutions that go beyond insurance.

We create value for society in six domains in which we want to make a difference for our customers and for society. The ambitions we have set each set a tangible long-term goal of the social changes to which we wish to contribute (see figure below). These are long-term ambitions and we cannot achieve them alone. New partnerships, including some which have not yet been fully developed, will help us to do this.

Moreover, we have spent years contributing to achieving social goals outside our focus areas. We take our cooperative values as a basis for our actions and aim to realise long-term value creation. This combination will enable us to make a difference to our customers and to society in a very modern way; it is a combination that makes us unique.

Sustainability & climate

Our activities influence the desired transition to a sustainable society. This is why we have signed up to the goals set out in the Dutch National Climate Agreement. Via our products and services we help our customers to become more sustainable and to prevent damage or loss caused by climate change wherever possible. We want to be a more sustainable investor and we contribute to making homes, offices and business premises more sustainable and we invest in 'green' initiatives.

In addition, we are accelerating the sustainability of our internal business operations, fleet of vehicles and offices.

Responsible returns

We aim to earn responsible returns in order to invest in renewal and in our social ambitions. In doing so, we seek to strike a balance between short-term results and long-term continuity. Robust financial results are important to being able to invest in our social ambitions. We launched the 'value makers' programme with a view to doing things more smartly and efficiently, further optimising our balance sheet management and reducing the amount of capital that is currently tied up. In tandem with this, we are strengthening our performance management in order to be able to make timely and targeted adjustments in the event of setbacks.

We invest in innovation and growth, in keeping with our cooperative identity and the social impact we aim to achieve. All this is summarised in our value creation model.

Innovation

Innovation is essential to the implementation of our strategy. This primarily involves the ongoing digitisation of all aspects of our company. We plan to make smarter use of new technology and data in order to structure our processes more efficiently. Innovation also helps us to further improve our services and offer our customers greater convenience. A good example of this is conducting some healthcare services remotely. In doing so, we feel a responsibility to apply great care and transparency when dealing with the personal details and data entrusted to us. We are developing new business and distribution models or seeking to align ourselves with initiatives elsewhere.

Developing the organisation and our employees

The commitment and enthusiasm of all our colleagues is crucial to accomplishing our strategy. We provide opportunities for learning, aim to improve employee skills in data and technology and enhance awareness of our cooperative identity. By doing so we encourage creativity and innovation that derive from our stated purpose. Furthermore, we are developing new working methods in order to facilitate working from home.

A.2. UNDERWRITING PERFORMANCE

The Non-Life business in the Netherlands consists of the entities:
- Achmea Schadeverzekeringen N.V.
- N.V. Hagelunie

The Health business in the Netherlands consists of the entities:
- Achmea Zorgverzekeringen N.V.
- De Friesland Zorgverzekeringen N.V.
- FBTO Zorgverzekeringen N.V.
- Interpolis Zorgverzekeringen N.V.
- Zilveren Kruis Zorgverzekeringen N.V.

The Life and Pension business in the Netherlands consists of the entity Achmea Pensioen- en Levensverzekeringen N.V.

Our International business consists of the entities:
- Interamerican Assistance General Insurance Company S.A. (Non-Life) – Greece
- Interamerican Property & Casualty Insurance Company S.A (Non-Life) – Greece
- Interamerican Hellenic Life Insurance Company S.A. (Composite) – Greece
- Union Poist'ovňa A.S. (Composite) – Slovakia
- Eureko Sigorta A.S. (Non-Life) – Turkey

We refer to these entities when we mention these businesses.

Achmea Reinsurance Company N.V. is mentioned separately.

The enormous impact of the Covid-19 outbreak on society, including our customers and business operations, dominated 2020. The operational result increased to €630 million in 2020 (2019: €547 million). This financial result was also significantly affected by Covid-19. The cost of claims on event and sickness insurance increased, while the negative trends on the financial markets, especially in the first half of the year, had a negative impact on the investment results. These effects were more than compensated for by the result of our health business and the lower cost of claims in the mobility and home insurance portfolios.

The operational result at Non-Life Netherlands increased to €260 million in 2020 (2019: €178 million). The combined ratio improved from 95.0% in 2019 to 92.9% in 2020. The impact of Covid-19 varied across business lines. The lower cost of claims from a decline in the number of traffic accidents and break-ins was partly cancelled out by a higher cost of claims on event insurance. The result on the sickness insurance portfolio was also negatively affected by Covid-19. Moreover, a larger amount was allocated to the reserve for injury claims from previous years. The investment results were lower due to the less positive trends on the financial markets and impairments.

The Dutch Health business earned a result of €235 million in 2020 (2019: €62 million). The results on basic and supplementary health insurance were positive, although the result on other healthcare services and activities was negative. The Covid-19-related medical expenses for basic health insurance were partly compensated for by the additional €238 million contribution from the statutory catastrophe scheme paid from the Health care insurance fund ("Zorgverzekeringsfonds"). Furthermore, €136 million in reserves were used to minimise the increase in premiums for 2021. Overall this led to a positive result for basic health insurance of €75 million (2019: €26 million negative). Supplementary health insurance accounted for €166 million of the operational result from the health business (2019: €86 million). The higher result is due to lower medical expenses caused by a decrease in the offer and use of regular healthcare services because of the Covid-19 pandemic.

The operational result on our Dutch Pension & Life business was €253 million in 2020 (2019: €363 million). The decrease was primarily driven by the turbulence on the financial markets triggered by the Covid-19 outbreak in the first half of the year. This led to a drop in investment income of €73 million as a result of lower realised gains and higher impairments on equities and real estate investments. Furthermore, in 2019 there was a recalibration of the provision for insurance liabilities with a significant positive impact. In line with our service-book strategy, written premiums decreased and expenses are declining in line with expirations in the portfolio. On balance, Covid-19 has had a limited impact on the technical result.

The operational result for Retirement Services decreased to €22 million in 2020 (2019: €38 million). This can largely be attributed to a one-off positive transaction result of €18 million in 2019 from the acquisition of a mortgage portfolio by Achmea Bank. In underlying terms, the result has increased, while additional investment has been made in further growth by combining our mortgage activities and developing a new IT platform for pension administration.

The total operational result for International activities of €23 million in 2020 is in line with that of 2019 (€22 million). The cost of claims arising from natural disasters in Australia and Greece (total impact of €12 million in 2020) and shortfalls in the healthcare system in Slovakia are compensated for by a lower cost of claims at Mobility and Health in Greece, and in Turkey by the reduction in mobility movements caused by Covid-19 Lock downs and other (travel) restrictions.

The result on Other activities decreased by €47 million to €163 million negative (2019: €116 million negative). The lower operational result is mainly due to the result of Achmea Reinsurance having decreased by €31 million. This is partly because of three major corporate fire claims and the impact of Covid-19 on the incoming reinsurance. In addition, financing expenses were €8 million higher due to the timely issue of a bond to refinance an existing bond that was repaid in November. As the newly-issued bond pays a lower rate of interest, this will lead to lower financing expenses in future. The result on our Other activities is negative, as some of the expenses from the holding company and shared service activities, as well as financing expenses, are shown in this segment.

Uncertainty remains regarding the further evolution, duration and intensity of the Covid-19 pandemic and its impact on the markets in which we operate, as well as on our products and customers. We profit here from the wide variety of our activities and corresponding diversification. Our current estimates take account as much as possible of the impact as known at present. This applies to the situation on the financial markets and therefore our investment results, as well as to insurance-related trends within Health. We are closely monitoring developments relating to Covid-19 in 2021 and its potential effects. On top of all this, we continue to keep track of the impact on our business models of external developments, such as long-term low interest rates, the use of new technology and the risk of a growing number of claims arising from climate change and extreme weather.

Net result

The net result increased to €642 million in 2020 (2019: €481 million). The regular tax rate was about 13%. The deviation from the nominal tax rate of 25% (€169 million negative) was primarily caused by regular deviations, such as unrecognised tax losses at Achmea Australia and Onlia Canada (€11 million), the deduction of the interest paid on perpetuals that was accounted through equity (€14 million negative) and the statutory exemption of healthcare activities from income tax (€62 million negative).

On balance the effective tax rate over 2020 was -1.8% (€12 million benefit). The one-off lower effective tax rate is due to our having adjusted the provision for deferred taxes downwards in 2018 (charge of €141 million) after a reduction in the corporate income tax rate was announced. This planned tariff reduction was first delayed in 2019 and further reversed last year, leading to a reversal of the reduction in the provision for deferred taxes in 2020 (revenue of €92 million in 2020).

Income

Gross written premiums increased slightly by 1% to €20,175 million in 2020 (2019: €19,949 million).The decline in premiums from the closed-book Life portfolio was compensated for by the growth in premiums at Non-Life and Health.

Premiums from our Dutch Non-Life insurance grew by €104 million (3%) thanks to an increase in the number of customers and adjustments to premiums. Premiums from our international Non-Life insurance increased by €11 million (2%), mainly due to growth in Greece and Australia.

Overall, premiums within the Dutch Health business increased, partly as a result of the contributions from the catastrophe and solidarity scheme. Premiums from our international Health business grew by €54 million, primarily thanks to an increase in the number of health insurance policyholders in Slovakia.

Premiums from Pension & Life insurance activities in the Netherlands decreased by 14%. This decrease is in line with our service-book strategy. Premiums in the open-book portfolio noted a small increase.

We are increasingly evolving from being a traditional insurer into a broad financial service provider. As a result, we receive a growing portion of our income from sources other than insurance premiums. This income has grown by €36 million to €378 million (2019: €342 million) within the Retirement Services segment. This increase is being driven by higher revenues at Achmea Bank, Achmea Investment Management, Achmea Pension Services and SAREF. Our service propositions also continue to evolve. With these services we not only contribute to a healthy, safe and future-proof society through means such as damage prevention, we also expand our business model.

GROSS WRITTEN PREMIUMS IN THE NETHERLANDS AND ABROAD (€ MILLION)

	2020	2019	Δ
Non-Life	4,258	4,104	4%
Health	14,839	14,582	2%
Life	1,078	1,263	-15%
Gross written premiums	20,175	19,949	1%

Operating expenses

Gross operating expenses were €34 million lower in 2020 than in 2019 (2020: €2,058 million; 2019: €2,092 million). The lower expenses can partly be attributed to a smaller external workforce thanks to efficiency improvements and to lower expenses due to the Covid-19 outbreak. External contractor and marketing expenses were also lower in 2020. These effects more than compensated for an underlying increase in internal HR expenses, primarily from higher pension charges as a result of a lower notional interest rate.

The total number of employees has declined slightly to 16,327 FTEs (year-end 2019: 16,391 FTEs). In the Netherlands, the number of FTEs decreased to 13,300 (year-end 2019: 13,414 FTEs). The largest decrease was at Health, as a result of further integration of the health business, and at Pension & Life due to the decrease in activities in line with the service-book strategy.

In line with the realised growth, the total number of employees outside the Netherlands increased slightly to 3,027 FTEs (year-end 2019: 2,977 FTEs).

Covid-19

The first Covid-19 patient was diagnosed in the Netherlands in February 2020, after which the virus quickly spread around the country. Zilveren Kruis and the other Dutch health insurers rapidly set to work to offer healthcare providers financial assistance in light of the enormous decrease in offer for certain types of care, as well as for financing care related to Covid-19. This enabled healthcare providers to survive these tough times and guaranteed continuity of healthcare for our policyholders.

At the start of the outbreak, our international medical, travel and breakdown assistance provider Eurocross made a valuable contribution to the repatriation of Dutch nationals stranded abroad. Moreover, Eurocross actively supported public health services in source and contact tracing for Covid-19. In addition, we helped our customers with a sustainable return to work, also after they had recovered from Covid-19 and where required.

DEVELOPMENTS IN NON-LIFE INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS (€ MILLION)

	2020	2019	Δ
Gross written premiums	3,668	3,564	3%
Operating expenses	901	890	1%
Operational result	260	178	46%

NON-LIFE NETHERLANDS	2020	2019	Δ
Claims ratio	67.8%	69.0%	-1.2 %-pt
Expense ratio	25.1%	26.0%	−0.9 %-pt
Combined ratio	92.9%	95.0%	-2.1 %-pt

GENERAL INFORMATION

Achmea is the market leader in the Netherlands in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as mobility-, home-, liability- and travel insurance. In addition, we offer sickness and disability insurance. We assist our customers via innovative services that, for example, give them insight into the risks to which they are exposed. In doing so, we help our customers to prevent or restrict damage as much as possible. We distribute our products and services directly through our brands Centraal Beheer, FBTO and InShared, which gives us a strong position in the retail market. Interpolis is the brand for Rabobank customers and via Avéro Achmea we have an excellent partnership with Intermediaries. Our focus is on a high level of customer satisfaction, innovative services and digitisation of processes. Customers can communicate with us more often, at any time, and in the way that they want.

Gross written premiums

Gross written premiums increased by 3% to €3,668 million in 2020 (2019: €3,564 million). This growth was partly prompted by an increase in the number of customers and the high levels of customer satisfaction and retention of existing customers, who award high scores to our strong and mainly online market propositions. Premium adjustments also contributed to the increase in written premiums.

Gross written premiums from our property & casualty insurance business increased by 2% to €3,021 million (2019: €2,948 million) based on strong online distribution and customer service in both the retail and commercial lines.

Gross written premiums from the income protection insurance business increased by 5% to €647 million (2019: €616 million) as a result of growth in the portfolio and premium adjustments.

Operating expenses

Operating expenses increased slightly to €901 million in 2020 (2019: €890 million) due to higher commission expenses as a result of the growing portfolio. The expense ratio decreased to 25.1% (2019: 26.0%) in the wake of increased revenue and further cost control based on digitisation of operations in, among others, the claims and underwriting processes.

Operational result

The operational result at Non-Life increased to €260 million in 2020 (2019: €178 million). The combined ratio improved from 95.0% in 2019 to 92.9% in 2020, which also increases the underwriting result. This is due to lower traffic intensity due to Covid-19, volume growth, managing the cost of claims and operational cost control. In line with the trend of the past few years, underwriting performance has continued to evolve positively. The investment results were lower due to the less favourable trends on financial markets and impairments.

The result on property & casualty increased to €238 million in 2020 (2019: €164 million). This led to an improvement in the combined ratio for the property & casualty insurance business to 92.2% (2019: 94.8%). The result was positively impacted by fewer reported claims caused by a decrease in the number of traffic accidents and break-ins. On the other hand, we have seen a higher cost of claims for cancellation and event insurance arising from the Covid-19 pandemic. Moreover, a larger amount was allocated to the reserve for injury claims from previous years.

The operational result from our income protection insurance business was €22 million over 2020 (2019: €14 million). The result was negatively affected by a much higher number of claims and longer recovery periods in our sickness insurance portfolio, which was related to Covid-19. Despite this, the underlying underwriting result improved due to growth, premium adjustments and lower expenses. The combined ratio stood at 96.9% (2019: 96.3%).

BREAKDOWN OF NET PROFIT ASNV AND HU

	2020		2019	
	ASNV	HAGELUNIE	ASNV	HAGELUNIE
Gross written Premiums	3,627	104	3,526	91
Reinsurers' Share	191	46	183	42
Net written Premiums	3,437	58	3,343	49
Change in Provision unearned Premiums	35	7	79	1
Net earned Premiums	3,402	51	3,264	48
Gross Claims Incurred	2,519	28	2,433	27
Reinsurers' Share	115	10	63	10
Net Claims Incurred	2,403	18	2,370	17
Investment Income Technical Account	0	0	0	0
Other Technical Income/ Expenses	2	0	3	0
Profit Sharing and Rebates	0	0	0	0
Operating Expenses	899	14	885	17
Result on Technical Account	101	19	13	15
Investment Income Non-Technical Account	114	3	134	3
Other Income and Expenses	-4	0	-11	0
Profit before Tax	211	21	135	19
Taxes	66	7	37	4
Net Profit	145	15	98	14

**For a breakdown of premiums, claims and expenses per major line of business see appendix 3*

DEVELOPMENTS IN HEALTH INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS

(€ MILLION)

	2020	2019	Δ
Gross written premiums	14,284	14,082	1%
Operating expenses	477	515	-7%
Operational result	235	62	279%
Result current year	260	147	77%
Result prior years[13]	-25	-85	71%

BASIC HEALTH	2020	2019	Δ
Claims ratio	97.6%	98.0%	–0.4 %-pt
Expense ratio	1.8%	2.2%	–0.4 %-pt
Combined ratio	99.4%	100.2%	-0.8 %-pt

SUPPLEMENTARY HEALTH	2020	2019	Δ
Claims ratio	76.0%	82.3%	-6.3 %-pt
Expense ratio	10.6%	10.5%	0.1 %-pt
Combined ratio	86.6%	92.8%	-6.2 %-pt

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Interpolis and Pro Life offer basic and supplementary health insurance. Emergency response centre Eurocross Assistance Company provides healthcare services worldwide.

Under the Dutch healthcare system, basic health insurance is mandatory for all on the basis of the solidarity principle and insurers have a duty to accept all applicants. The government determines the substance of this basic health insurance. In addition supplementary insurance is offered. Participation in this is voluntary, and there is no duty to accept applicants. To ensure that healthcare remains affordable in the future, Achmea focuses on preventing illness and promoting a healthy lifestyle. Zilveren Kruis and Achmea's other health insurance brands aim to bring good health closer to everyone. Our ambition is to be able to provide healthcare online and at customers' homes. This will reduce the impact of treatments, improve the quality of life and helps keep premiums affordable. Initiatives such as Gezond Ondernemen (Healthy Enterprise) and the Actify lifestyle platform enable us to help our customers to work and live more healthily. Organising solidarity between customers and uniting various interests in healthcare are objectives aligned with Achmea's cooperative identity. This is one way we give substance to our role in society.

About 4.8 million people in the Netherlands opted to be insured by one of our health insurance brands in 2021, which constitutes a slight drop compared to 2020. With a market share of 28%, Achmea is the market leader in healthcare.

Covid-19

Since the beginning of Covid-19, as a health insurer we have enabled healthcare providers to survive these tough times and guaranteed continuity of healthcare for our policyholders. Those healthcare providers that have experienced a decrease in income due to postponed treatment or a decrease in care offer during the Covid-19 pandemic were eligible for a continuity contribution to cover their fixed expenses. The total amount paid by Achmea in continuity contributions was around €1 billion. Hospitals were given appropriate compensation from health insurers for lost income. Furthermore, in consultation with the health insurer, healthcare providers were also able to charge additional expenses incurred for providing care related to Covid-19. These might relate to providing care to an individual policyholder or a group of policyholders. Examples include additional expenses for extra personal protective equipment or expenses incurred through having to separate patients who are (potentially) infected with Covid-19 from other patients. The support measures amounted to several billion euros nationwide. Health insurers used premiums, the equalisation contribution, including the contribution from the catastrophe scheme, and, if necessary, their reserves for this purpose.

Based on the catastrophe scheme provided by law, Covid-19-related costs incurred by healthcare insurers in the Netherlands are partly compensated by additional contributions from the Health Insurance Equalisation Fund. Based on how the second wave of Covid-19 infections unfolded, it became clear by the end of 2020 that Covid-19-related expenses driven by the second wave were well above the own risk threshold. As a result, health insurers will receive compensation for the Covid-19 expenses incurred above this threshold up to a certain maximum. The catastrophe scheme applies to Covid-19 expenses incurred in two years (2020 and 2021) combined. Based on this legislation, the contribution is to be distributed over 2020 and 2021 in proportion to the claims submitted.

With the approval of the Netherlands Authority for Consumers & Markets, health insurers have also agreed to jointly absorb the consequences of Covid-19, and to share the expenses resulting from Covid-19 and the compensation from the catastrophe scheme based on their market share for 2020.

Gross written premiums

Gross written premiums from basic and supplementary health insurance were slightly higher at €14,284 million than in 2019 (2019: €14,082 million). Gross written premiums from basic health insurance amounted to €13,064 million (2019: €12,834 million). Premiums rose about 2% due to additional expected contributions from the catastrophe scheme and the solidarity scheme related to the Covid-19 pandemic (€251 million in total). Gross written premiums excluding the expected contributions from the catastrophe scheme and solidarity scheme were about the same as in 2019 due to the increase in the premium for basic health insurance in 2020 with fewer policyholders.

Gross written premiums from supplementary health insurance decreased slightly to €1,220 million (2019: €1,248 million) due to a decline in the number of policyholders compared to 2019.

Operating expenses

The total operating expenses of our health activities decreased to €477 million (2019: €515 million). This can largely be attributed to lower restructuring expenses and lower staff expenses due to fewer FTEs as a result of ongoing efficiency improvements.

Operational result

The operational result from our health business amounted to €235 million in 2020 (2019: €62 million). The results on basic and supplementary health insurance were positive, although the result from other activities was negative.

Basic health insurance
The operational result from basic health insurance amounted to €75 million over 2020 (2019: €26 million).

The operational result in the current underwriting year amounted to €107 million (2019: €66 million). The positive result in basic health insurance can mainly be explained by the expected contribution from the catastrophe scheme and the solidarity scheme (€251 million in total). In addition, reserves (€136 million) were deployed to limit the increase in basic health insurance premiums in 2021. The result from prior years amounted to €32 million negative (2019: €92 million negative).

In line with the overall trend in results, at 99.4% the combined ratio for basic health insurance is lower compared to 2019 (100.2%).

Supplementary health insurance
Supplementary health insurance policies account for €166 million of the operational result from the health business (2019: €86 million); €159 million of the result derives from the current underwriting year (2019: €79 million). There was also a positive result from previous underwriting years of €7 million (2019: €7 million). The higher result is due to lower medical expenses caused by a decrease in the offer and use of healthcare and partly postponed or cancelled treatment of regular healthcare services due to the Covid-19 pandemic. Very little of this postponed treatment has since taken place.

The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2020 at around 76%.[15] The combined ratio of supplementary health insurance policies improved to 86.6% in 2020 (2019: 92.8%), mainly as a result of the postponement of care due to the Covid-19 pandemic.

Other (healthcare offices and services)
The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies, particularly Eurocross, aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result from the Other category amounted to €6 million negative in 2020 (2019: €2 million). The lower operational result is mainly caused by the drop in revenue at healthcare providers due to the absence of care required in foreign countries in the wake of the Covid-19 pandemic. This has only been partly offset by lower operating expenses.

BREAKDOWN OF NET PROFIT HEALTH INSURANCE

€ MILLION

	2020				
	ZILVEREN KRUIS ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ACHMEA ZORGVERZEKERINGEN	FBTO ZORGVERZEKERINGEN	DE FRIESLAND ZORGVERZEKERINGEN
Gross written Premiums	10,450	513	1,220	618	1,483
Reinsurers' Share	1	0	0	0	0
Net written Premiums	10,449	512	1,220	618	1,483
Change in Provision Unearned Premiums	103	4	-0	1	11
Net earned Premiums	10,346	508	1,220	618	1,472
Gross Claims Incurred	10,103	491	928	596	1,440
Reinsurers' Share	0	0	0	0	0
Net claims Incurred	10,103	491	928	596	1,440
Investment Income Technical Account	0	0	0	0	0
Other Technical Income/ Expenses	-32	-1	-9	-1	1
Profit Sharing and Rebates	0	0	0	0	0
Operating Expenses	182	13	129	14	25
Result on Technical Account	29	3	154	6	8
Investment Income Non-Technical Account	25	1	91	-0	5
Other Income and Expenses	1	0	-1	0	-3
Profit before Tax	54	4	244	7	10
Taxes	0	0	0	0	0
Net Profit	54	4	244	7	10

BREAKDOWN OF NET PROFIT HEALTH INSURANCE

€ MILLION

	2019				
	ZILVEREN KRUIS ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ACHMEA ZORGVERZEKERINGEN	FBTO ZORGVERZEKERINGEN	DE FRIESLAND ZORGVERZEKERINGEN
Gross written Premiums	10,280	483	1,248	623	1,448
Reinsurers' Share	1	0	0	0	0
Net written Premiums	10,279	483	1,248	623	1,448
Change in Provision Unearned Premiums	0	3	0	-1	-5
Net earned Premiums	10,279	480	1,248	624	1,454
Gross Claims Incurred	10,046	478	1,027	634	1,421
Reinsurers' Share	1	0	0	0	0
Net claims Incurred	10,046	478	1,027	634	1,421
Investment Income Technical Account	0	0	0	0	0
Other Technical Income/ Expenses	-22	0	-8	0	-1
Profit Sharing and Rebates	0	0	0	0	0
Operating Expenses	208	13	132	17	43
Result on Technical Account	2	-11	81	-26	-11
Investment Income Non-Technical Account	12	1	-17	-1	4
Other Income and Expenses	4	0	-1	1	1
Profit before Tax	18	-10	63	-26	-7
Taxes	0	0	0	0	0
Net Profit	18	-10	63	-26	-7

DEVELOPMENTS IN PENSION AND LIFE INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS

(€ MILLION)

	2020	2019	Δ
Gross written premiums	1,005	1,164	-14%
Operating expenses	149	155	-4%
Operational result	253	363	-30%

GENERAL INFORMATION

Pension & Life primarily manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. In addition, Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. Pension & Life's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction. The total Technical Provisions are evolving in line with the natural development of the portfolio, but at the same time are affected by market developments and short-term volatility. Due to the decrease in interest rates the Technical Provisions increased by 2% to €47 billion in 2020.

Gross written premiums

In 2020, total gross written premiums decreased by 14% to €1,005 million (2019: €1,164 million). Of this amount, €742 million came from the service book and €263 million from the open book.

In 2020, total written premiums on our service-book pension portfolio amounted to €136 million (2019: €244 million). Total premiums on our service-book life insurance portfolio amounted to €606 million (2019: €680 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in the premium income is in accordance with expectations and the result of natural portfolio development.

The open-book portfolio saw a slight increase in written premiums from term life insurance policies to €58 million (2019: €57 million). Production of individual annuities and pensions amounted to €205 million in 2020 (2019: €183 million).

Operating expenses

In 2020 the operating expenses amounted to €149 million and are therefore lower than they were in 2019 (€155 million). Expenses are evolving in line with expectations, with previous cost-cutting initiatives and IT investments having led to a reduction in expenses.

Operational result

The operational result decreased to €253 million in 2020 (2019: €363 million). This decrease was driven primarily by the turbulence on the financial markets in the first half of 2020, triggered by the Covid-19 outbreak. This led to a fall in investment income and the interest result.

The investment result decreased by €73 million in 2020 compared to the same period in the previous year, mainly due to lower realisations and impairments as a result of negative developments on the stock markets and impairments on commercial real estate (mainly retail and offices).

The technical result decreased by €55 million in 2020 compared to the same period last year. This difference was mainly caused by a recalibration of the provision for insurance liabilities carried out in 2019 and other one-off effects that had a positive impact of €45 million. The technical result was also affected by lower risk premiums due to the run-off in the (active) portfolio. On balance, Covid-19 has had a limited impact on the technical result.

BREAKDOWN OF NET PROFIT ACHMEA PENSIOEN- EN LEVENSVERZEKERINGEN N.V. — € MILLION

	2020	2019
Gross Written Premiums	1,009	1,165
Reinsurers' Share	21	25
Net Written Premiums	**988**	**1,140**
Gross Claims Incurred and Changes in Insurance Liabilities	1,966	2,931
Reinsurers' Share	4	7
Net Claims Incurred and Changes in Insurance Liabilities	**1,962**	**2,923**
Investment Income Technical Account	2,896	2,972
Other Technical Income/ Expenses	0	1
Profit Sharing and Rebates	1,676	1,916
Operating Expenses	147	158
Result on Technical Account	**100**	**116**
Investment Income Non-Technical Account	130	217
Other Income and Expenses	4	-2
Profit Before Tax	**234**	**331**
Taxes	59	-17
Net Profit	**292**	**314**

INTERNATIONAL ACTIVITIES

RESULTS — (€ MILLION)

	2020	2019	Δ
Gross written premiums	1,104	1,041	6%
Operating expenses	242	240	-
Operational result	23	22	5%

GROSS WRITTEN PREMIUMS PER COUNTRY	2020	2019	Δ
Slovakia	487	442	10%
Greece	351	341	3%
Turkey	232	231	-
Australia	35	27	30%

GENERAL INFORMATION

Achmea's international activities focus on non-life, health and agricultural insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge and digital expertise gained in the Netherlands. This expertise is used selectively and in a capital-light manner in specific international markets. We focus on growth in existing and new market segments.

Gross written premiums

Gross written premiums increased by 6% to €1,104 million (2019: €1,041 million). Adjusted for exchange rate effects, the increase amounts to 12%.

In Slovakia, the health business performed well, with a premium growth of 13%, while the property & casualty business noted a decrease of 3% caused by the decline in premiums in the travel portfolio due to Covid-19. The announced acquisition of Slovakian insurer Poštová poisťovňa is in line with our strategy aimed at consolidating our market position by boosting distribution capacity and the size of property & casualty and healthcare activities via the online and banking distribution channels.

In Greece, Interamerican posted growth of 3% at an aggregate level in what was a shrinking market due to Covid-19. Interamerican's direct online channel, Anytime, was again an important driver behind this growth in 2020, in both Greece (9%) and Cyprus (23%). Interamerican saw growth in excess of 5% in its property & casualty business versus 2019, partly because of its leading role in creating a mobility ecosystem, and in doing so has strengthened its position as market leader. Within the Health business, Interamerican noted growth in gross written premiums of 1%, largely thanks to the BeWell modular healthcare product.

In Turkey, gross written premiums increased by 25% in local currency, partly as a result of high inflation, to TRY1,835 million (2019: TRY1,467 million). The devaluation of the Turkish lira caused that gross written premiums remained the same in euros. In line with our strategic goals, the home and healthcare portfolios displayed robust growth. Profitable growth was achieved in the health business, partly thanks to active use of the long-term partnership with Garanti BBVA and its network.

In Australia, gross written premiums grew in local currency by 32% to AUD57 million (2019: AUD43 million) owing to its unique 'All-in-One Farm Pack'. This premium growth is supported by partnerships with Rabobank and Angus Australia.

In Canada, the strong growth at Onlia demonstrates that the online business model is gaining ground in the Canadian insurance market particularly at this time. Partly by broadening the focus to home insurance and actively encouraging customers to provide input, Onlia succeeded in more than quadrupling the number of policies sold and earned an NPS of 65.

Operating expenses

Operating expenses totalled €242 million in 2020 and despite the premium growth were in line with those of 2019 (2019: €240 million).

Operational result

The total operational result of €23 million in 2020 is in line with that of 2019 (€22 million), even though Australia and Greece were hit by natural disasters (total impact of €12 million in 2020) and the healthcare system in Slovakia experienced shortfalls caused by the impact of Covid-19. The positive contribution is mainly related to a lower cost of claims in Mobility and Health in Greece and Turkey due to the reduction in road traffic and a drop in regular hospital treatments because of Covid-19.

ACHMEA REINSURANCE COMPANY N.V.

BREAKDOWN OF NET PROFIT ACHMEA REINSURANCE COMPANY N.V. € MILLION

	2020	2019
Gross Written Premiums	289	271
Reinsurance premiums	155	149
Movement in insurance liabilities for net unearned premiums	**10**	4
Net Earned Premiums	**124**	**118**
Gross Claims Incurred and Changes in Insurance Liabilities	111	133
Reinsurers' Share	64	68
Net Claims Incurred and Changes in Insurance Liabilities	**47**	**65**
Investment Income Technical Account	-27	27
Operating Expenses	51	58
Result on Technical Account	**-1**	**21**
Investment Income Non-Technical Account	3	11
Profit Before Tax	**2**	**33**
Taxes	1	8
Net Profit	**1**	**24**

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance coverage to the Dutch and foreign insurance entities within Achmea. As such, it serves as the principal centre of excellence. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Gross written premiums amounted to €289 million, an increase compared to 2019 (€271 million). This mainly derives from growth in the incoming reinsurance portfolio for third parties, both for life and other selected risks. Achmea Reinsurance's total risk profile remained broadly unchanged.

The operational result was €2 million in 2020 (2019: €33 million). Compared to 2019, this result was negatively affected by a higher cost of claims from three major corporate fire claims in the Achmea portfolio, a higher cost of claims on incoming life and non-life insurance policies arising from Covid-19 and lower investment income due to the turmoil on the financial markets.

A.3. INVESTMENT PERFORMANCE

In the table below, the direct investment income on the investment portfolio of Achmea is reported. The direct investment income is divided into three parts: received dividends on equity and similar investments, received rent on property and received interest on fixed income securities such as bonds and loans.

INVESTMENT INCOME € MILLION

	2020	2019
Dividends	92	124
Rent	57	62
Interest	1,233	1,301
Bonds	440	456
Mortgages and loans	221	231
Derivatives	283	261
Other	289	353

Compared to 2019, dividend income decreased with €32 million in the year 2020. This is mainly caused by large dividend payouts by participations received in 2019 (Achmea Bank N.V.: €29 million; SAREF : €11 million; Union Zdravotna Poist'ovňa A.S.: €10 million; Staal Beheer N.V.: €7.5 million). In 2020, received dividends from these participations was €7.6 million (Achmea Investment Management B.V.: €4,0 million; Staal Beheer N.V.: €3.6 million). Under the EBS group of Solvency II, the above mentioned entities are included as participation because they are either CRD IV covered entities, or IORP entities or non-ancillary entities. The first two categories are not included in the IFRS financial statements as participation but line-by-line. Therefore, the dividend received differs under Solvency II. In the table, Achmea has included the distributions from group companies towards the ultimate parent. Where distributions has been made, similar adjustments has been made in the table where Achmea presents the “gains and losses”. In total, the net impact is zero. The negative effect on the valuation of the participations are presented in the table ‘Gains and Losses’ under Equity investments in the table below.

Dividends received from regular equity investments, mostly quoted on a stock market, declined, mainly due to effects caused by Covid-19. Equity exposure was temporarily lowered by 25% in June 2020 to limit the impact of Covid-19 on the investment portfolio. In the last quarter of 2020 8% was repurchased. Furthermore, as a result of Covid-19, companies are more reserved in paying dividends to shareholders since future profits are becoming more uncertain.

The decrease in rental income is partly caused by a decrease in direct property exposure during 2020 according to the Achmea Investment Plan. Furthermore, rental income declined because of an increase vacancies in office and commercial properties, as a result of Covid-19.

Interest income decreased in 2020. The received interest on bonds decreased due to derecognition and recognition of bonds during the year combined with decreasing interest rates. Received interest on mortgages and loans decreased, mainly due to lower mortgage interest rates. Interest income from Derivatives mainly consists of interest received from Interest Rate Swaps (IRS). The exposure to receiver IRS is larger compared to payer IRS. Therefore, as a result of declining swap interest rates in 2020, interest income from derivatives is higher than in 2019. Other interest income declined and is mainly caused by lower interest income from savings relating to mortgage products.

The table below presents the investment gains and losses of Achmea. Both unrealized and realized gains and losses are presented.

GAINS AND LOSSES

€ MILLION

	2020	2019
Equity investments	411	1,414
Bonds	724	1,130
Loans and Mortgages	97	529
Other	702	1,531

From the gains and losses in equity investments €436 million is attributed to Achmea Pensioen- en Levensverzekeringen N.V. The gains and losses in 2020 are less positive compared to 2019, as a result of less performing equity markets in 2020. Within this decline, an amount of €-637 million can be attributed to investment funds that are held for unit linked or index linked contracts.

Achmea holds many participations which pay out dividend on an irregular basis. In 2020, this comprises an amount of €8 million (2019: €92 million) which is presented in the table ‘Investment income’ under dividends. Since these dividend payouts decrease the net asset value of the participation, the payouts are presented as a negative figure in the table ‘Gains and Losses’ under Equity investments.

Gains and losses on bonds are primarily caused by decreased interest rates in 2020. The gains and losses are €406 million lower compared to 2019, because in 2019 tightening credit spreads caused large positive revaluations in corporate bonds. This effect is less visible in 2020 because credit spreads mostly remained unchanged.

From the gains and losses on bonds, an amount of €694 million can be attributed to bonds held by Achmea Pensioen- en Levensverzekeringen N.V., of which €2 million is generated by bonds held for unit linked or index linked contracts. An amount of €37 million is held in the portfolio owned by Achmea Schadeverzekeringen N.V.

Gains and losses on loans and mortgages are €432 lower compared to 2019. This is caused by the mortgage portfolios where mortgage rates did not change much in 2020, where in 2019 these rates showed significant declines, causing positive revaluations. The gains and losses on loans and mortgages in 2020 are mainly present in entities Achmea Woninghypotheken II B.V. (€56 million) and Achmea Pensioen- en Levensverzekeringen N.V. (€48 million).

Finally, gains and losses on other investments are €829 lower compared to 2019. This is partly caused by the ending of a reinsurance deposit held by Achmea Reinsurance Company N.V. (€-468 million), which has an equal positive result in the technical insurance gains and losses. Furthermore, revaluations of Interest Rate Swaps (IRS) and mortgage savings deposits both held by Achmea Pensioen- en Levensverzekeringen N.V. are €168 million and €326 lower respectively compared to 2019.

A.4. PERFORMANCE OF OTHER ACTIVITIES

RETIREMENT SERVICES

RESULTS* (€ MILLION)

RETIREMENT SERVICES	2020	2019	Δ
Total Income	368	360	2%
Of which: administration and management fees pension administration	235	217	8%
Operating expenses[16]	346	322	7%
Operational result	22	38	-42%

ACHMEA BANK	2020	2019	Δ
Net interest margin[17]	142	127	12%
Fair value result[18]	-8	18	n.m.**
Operating expenses	106	105	1%
Changes to loan loss provisions	-3	3	n.m.**

	31-12-2020	31-12-2019	Δ
Common Equity Tier 1 ratio	20.4%	19.2%	1.2%-pt

(€ BILLION)

ASSET UNDER MANAGEMENT[19]	31-12-2020	31-12-2019	Δ
Achmea Investment Management	203	147	56
Syntrus Achmea Real Estate & Finance*	37	23	14
Total Asset under Management* **	**227**	**161**	**66**

** As of 1 January 2020, SAREF has been reclassified from the Other activities segment to the Retirement Services segment. The comparative figures for 2019 have been adjusted accordingly. As of 1 January 2020 assets under management includes part of Achmea Bank's mortgage portfolio.*

***n.m.: not meaningful*

**** Total assets under management after eliminations*

GENERAL INFORMATION

Through Retirement Services, Achmea provides (financial) solutions for institutional and retail customers for now, tomorrow and later. Achmea Pension Services offers services to company, occupational and exempt sectoral pension funds and to the Centraal Beheer General Pension Fund (APF). Achmea Investment Management manages the assets of Achmea Group and pension funds, including the Centraal Beheer APF, and retail customers, alongside capital accrual products and strategic and portfolio advice. Retail customers in the third and fourth pillars can choose from a wide range of (financial) services. These products and services are primarily distributed through the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension & Life and SAREF. As of 2020, the latter forms part of our Retirement Services segment following the announcement of the bundling of the mortgage activities at the end of 2019. SAREF manages €37 billion in real estate and mortgages on behalf of over sixty pension funds and other institutional investors. This means that the task of attracting investors for real estate and mortgages is part of Retirement Services too.

Operational result

The operational result for Retirement Services decreased to €22 million in 2020 (2019: €38 million). This decrease can largely be attributed to a one-off positive transaction result of €18 million in 2019 from the acquisition of a mortgage portfolio by Achmea Bank. The result has increased in underlying terms, while additional investments have also been made in further growth.

Retirement Services saw revenue grow by €36 million to €378 million in 2020 due to growth in assets under management, primarily owing to new customers and the acquisition of mortgage portfolios. At the same time, the level of investment was raised for developing a new platform for pension administration (RAP platform), leading to the result of Achmea Pension Services remaining the same on balance.

ACHMEA BANK

Achmea Bank's result decreased by €15 million to €35 million (2019: €50 million). The result over 2019 included non-recurring income of €18 million from the acquisition of a mortgage portfolio. When adjusted for this one-off effect, the result increased by €3 million in 2020. The higher interest results are partly due to the acquisition of a portfolio from a.s.r. bank. An increase in the amount of interest compensation deriving from early repayments on mortgages, as well as mortgage conversions, also had a positive impact on the result.

Mortgage production amounted to €1,581 million in 2020 (2019: €1,774 million), of which €890 million was for Achmea Pension & Life (2019: €1,037 million).

As of 31 December 2020, the Common Equity Tier 1 ratio stood at 20.4% (year-end 2019: 19.2%). This represents an increase caused by the addition of the result over 2019 and a slight reduction in the size of the portfolio.

ACHMEA INVESTMENT MANAGEMENT

As of 31 December 2020, assets under management at Achmea Investment Management totalled €203 billion (year-end 2019: €147 billion). The increase can largely be attributed to the acquisition of new customers. Despite the turbulence on the financial markets at the beginning of 2020, the value of our customers' assets increased by the positive investment return earned over 2020. Also because of the growth in our customer portfolio and assets under management, Achmea Investment Management's contribution to the result increased to €12 million (2019: €6 million).

At an ICAAP ratio of 169%, the capital position is robust and solid. From this strong capital position we are investing continually in improvement projects to further develop as a leading Dutch asset manager.

ACHMEA PENSION SERVICES

The operational result of Achmea Pension Services remained stable in 2020 at €26 million negative (2019: €26 million negative). In 2020, revenue growth and lower ongoing expenses were used to raise the level of investment. Over the past few years, Achmea Pension Services has made significant progress on transforming itself into the best digital pension provider in the Netherlands. It has acquired InAdmin RiskCo in partnership with pension fund PGB. This means that the RiskCo Administration Platform (RAP) can be used as a basis for further development into a state-of-the-art pension platform for the entire sector. An investment programme has been set up for this development and will be rolled out further over the coming years. This move enables us to create a strong and broadly accessible model from which the entire pension sector will be able to profit. The idea is to achieve scale and cost benefits in the long term for participants, pension administrators and pension funds. In 2020 Achmea Pension Services has attracted two major new clients: the Ahold Delhaize company pension fund and the sectoral pension fund for general practitioners. Both funds will join starting from 1 January 2022.

In 2020 the Centraal Beheer APF continued its strong growth thanks to the confidence and accession of a number of new employers and pension funds. The Centraal Beheer APF is one of the biggest APFs in terms of assets under management and a market leader measured in terms of the number of affiliated pension funds, employers and (active) participants.

SYNTRUS ACHMEA REAL ESTATE & FINANCE

The results at SAREF decreased in 2020 due to higher one-off (project) expenses relating to the bundling of mortgage activities and a decline in revenue from the property portfolio, partly caused by the Covid-19 outbreak and the ongoing debate on the environment and health (PFAS) that has led to delays at a number of construction projects. This caused a decrease in the result to €1 million (2019: €7 million).
Assets under management in real estate and mortgages increased to €37 billion in 2020 (2019: €23 billion), partly thanks to the centralisation of mortgage activities within Achmea (€11 billion) as well as the expansion of existing mandates for real estate and mortgages. This growth was achieved in spite of the turbulence and uncertainty on the real estate market. As part of the bundling of mortgage activities within Achmea from 1 October 2020, the separate account platform that forms the basis for the further centralised growth of mortgages at Achmea went live in the final quarter of 2020.
At an ICAAP ratio of 127%, the capital position is robust and sufficiently solid to allow SAREF to continue its investment and growth to develop itself as a leading asset manager specialising in real estate and mortgages.

B. SYSTEM OF GOVERNANCE

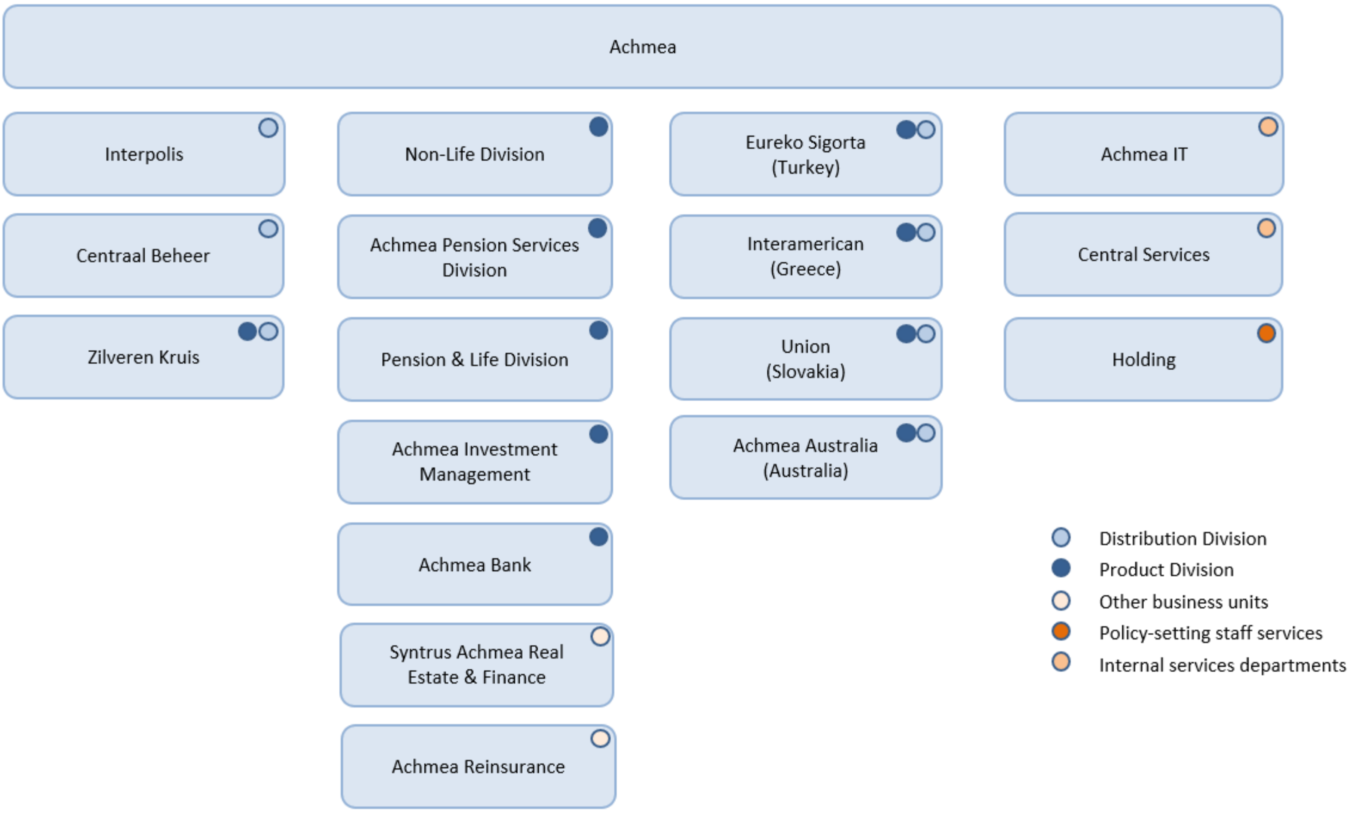
B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Organisational structure

Achmea has an organisational set-up with a divisional structure. This operational organisational model contains distribution divisions, product divisions, shared services centres, policy-making departments and other business units that all report to the Achmea Executive Board. The divisions are organisational units within which the legal entities belonging to Achmea work together.

All activities of the distribution divisions, product divisions, shared services centres, policy-making departments and other business units are carried out at the risk and expense of a legal entity. Critical and important functions/activities are being carried out on the basis of a cooperation agreement or an outsourcing agreement.

The figure below represents Achmea's general organisational model. The figure shows which distribution divisions, product divisions, policy-making departments, shared services centres and other business units are recognised in the organisational model.



Management within Achmea

The Achmea Executive Board is responsible for the group management of Achmea on the basis of the operational model. Given the statutory responsibilities, the Management Boards of the group companies within Achmea are responsible for the legal entities. In the organisational model the members of the Management Boards of the group companies are usually members of the product division boards as well or members of the local supervisory boards.

If there is a conflict of interests or positions between group companies and business units, the Achmea Executive Board will facilitate a process that should lead to decision-making based on consensus between all the parties involved (including the Achmea Executive Board). If this proves impossible, the Achmea Executive Board has the decisive vote.

At strategic level there are supplementary management bodies, that support decision making by the executive board or the statutory boards of the group companies:

- Group Committee (GC): The objective of the Group Committee is to increase Achmea's group strengths, to supervise the programmes and issues with significant strategic or financial impact that exceed the level of division or group company and to achieve coordinated management;
- Group Risk Committee (GRC): The Group Risk Committee is an executive and advisory committee within the policy framework as set forth by the Achmea Executive Board, consisting of the policy makers of Achmea. The objective of the Group Risk Committee is to manage and advice on the policy frameworks and risk management system including internal control and the identification, review and monitoring of the main risks;
- Asset Liability Committee (ALCO): The Asset Liability Committee is an executive and advisory committee, consisting of the policy makers of Achmea. The ALCO focuses on market risk (including interest rate- and currency hedging), counterparty risk (including collateral management and concentration risk) and liquidity risk. The objective of the Asset Liability Committee is to monitor the aforesaid risks as well as to optimize the capital- and liquidity position and investments of Achmea, within the policy framework as set forth by the Group Risk Committee (GRC) and the Achmea Executive Board;
- Management team Distribution & Innovation (Directieteam Distributie & Innovatie) is a composed team of an Executive board member, the chairman of Centraal Beheer, the chairman of Interpolis, the Commerce director of Zilveren Kruis, the chairman of Achmea Corporate Relations & Partnerships, the financial director of the distribution division, the IT director of the distribution divisions and the manager Martket strategy & Innovation. The objective of this management team is to fully exploit the strengths of several Achmea brands with a joint distribution strategy, to be able to provide services which meet the evolving needs of our customers. Furthermore, this team stimulates the development of new propositions across divisions;
- Management team Finance (DT Financiën): The Management team Finance is the platform of financial policy makers within Achmea. The Management team Finance focuses on the execution of the financial strategy of the Achmea and its group companies as set forth by the Achmea Executive Board;
- Management team Generic Services (DT Generieke Diensten) The objective of the Management team Generic Services is to supervise the business operations and to realize the joint business functions for the various business chains with the group. This teams also focuses on the execution of the strategy regarding the IT-projectportfolio of the Achmea group with the framework as set by the Achmea Executive Board.

For a more detailed outline of the management within Achmea and the responsibilities under the articles of association, please refer to the Main Outlines of the Organisation and Management of Achmea.

Achmea Remuneration

The members of the Executive Board are directors of Achmea B.V., holding key management positions at Group level.

The remuneration of the Executive Board is related to the content and responsibilities of their respective positions. The various positions are weighted on aspects such as impact and nature of the responsibilities of the position, complexity of the managerial context in which they operate and the necessary knowledge, experience and competencies.

For more detailed information, reference is made to the Annual report of 2020[7].

Transactions with shareholders

In September 2020, a distribution was made from other reserves to holders of ordinary shares in the amount of €150 million (2019: €118 million), and to holders of preference shares in the amount of €20 million (2019: €20 million). Achmea BV received €3 million (2019: €3 million) thereof on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding.

B.2. FIT AND PROPER REQUIREMENTS

Statutes on supervision, such as the Dutch Financial Supervision Act (see ss. 3:8/3:9 and 4:9/4:10) and the Dutch Pension Act, require Supervised Companies to do the following before an appointment may actually be effectuated:

- Intended appointments of day-to-day policymakers, co-policymakers and members of supervisory bodies must be notified to the supervisory authorities the DNB and/or the Autoriteit Financiële Markten ('AFM') (depending on which authority supervises the company).
- The supervisory authorities DNB and/or AFM must ascertain the dependence of the day-to-day policymakers, co-policymakers and members of supervisory bodies.

[7] part 2 Year Report, note 33 Related Parties Transactions, paragraph Remuneration of the Executive Board

- The supervisory authorities DNB and/or AFM must ascertain the suitability of day-to-day policymakers, co-policymakers and members of supervisory bodies.
- The supervisory authorities DNB and/or AFM must ascertain the dependence of key officers (those with ultimate responsibility for key functions) and the institution itself must ascertain their suitability.

Achmea complies with the abovementioned requirements by notifying the supervisory authorities and by effectuating appointments after receiving the approval of the supervisory authorities.

Supervised Companies outside the Netherland are required by local law to follow similar rules and regulations regarding fit and proper requirements and procedures before appointing day-to-day policymakers, co-policymakers and members of supervisory bodies. Where applicable, these Supervised Companies comply with these specific local law requirements'.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESMENT

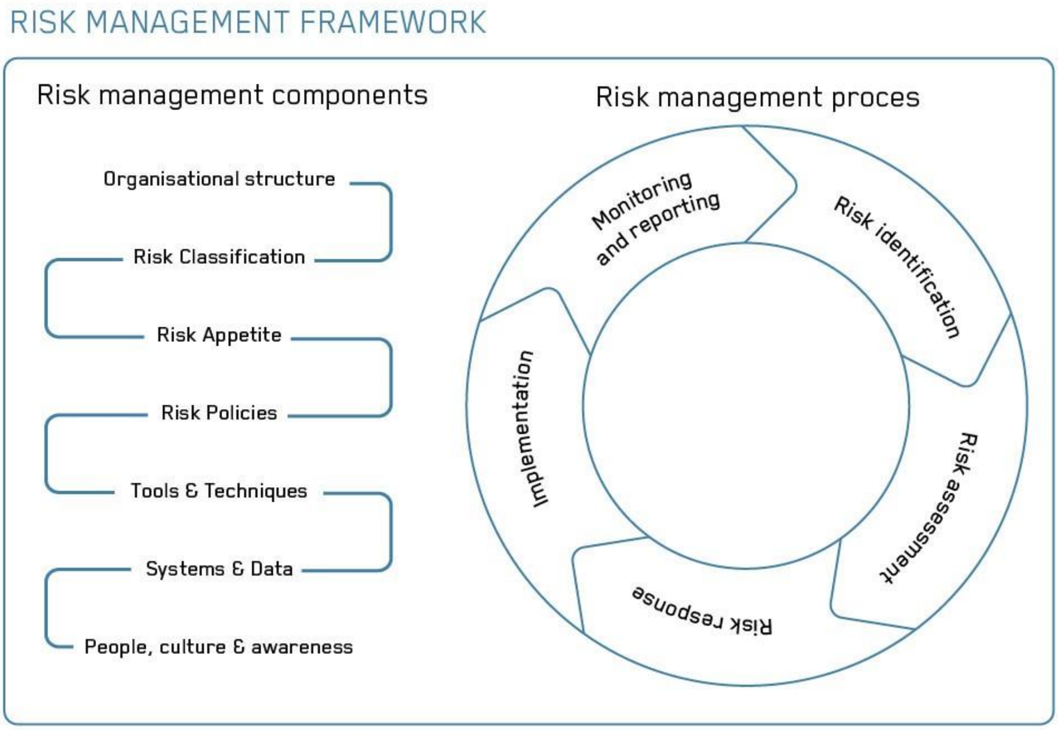
The Achmea risk management system including the Own Risk and Solvency Assessment (ORSA) and the Internal Capital Adequacy Assessment Process (entities subject to CRD-legislation) sets out how the risks at Achmea level and for each main risk are managed. Capital management forms an integral part thereof.

For an adequate risk management system at Achmea, there needs to be understanding and clarity of the key principles for risk management in the organisation, with these principles being followed uniformly and completely. The Achmea risk strategy sets out the main principles:
- Principles pertaining to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea to meet its obligations, now and in the future.
- Principles pertaining to the risk management structure and the chosen integrated approach for the management of risks. Achmea assesses the various risk types and the risks inherent in the various operating companies and supervised entities in conjunction with another.
- Principles pertaining to the culture such as the encouragement by the Achmea Executive Board and management of an open culture in which risks can be openly discussed and where decision making is based on an appropriate balance between risk, capital and expected return.

The Integrated Risk Management Framework (IRMF) describes the risk management system of Achmea and sets out in more detail the principles of the risk strategy.

INTEGRATED RISK MANAGEMENT FRAMEWORK

The IRMF describes how the risks at Achmea are managed in the endeavour to realise the business objectives. The IRMF ensures that risk information is generated and reported correctly and that it is used as the basis for decision making and accountability at all relevant organisation levels. The IRMF also supports Achmea in managing its risks effectively by applying the risk management process at different levels and within specific contexts in the Achmea organisation.



The IRMF consists of seven risk management components that support the risk management process in the necessary steps to identify, assess, mitigate, monitor and report the risks of all risk categories on a permanent basis.

THREE LINES OF DEFENCE MODEL

Achmea's governance structure is based on the 'Three Lines of Defence' model, the main features of which are set out in the diagram below.

FIRST LINE	SECOND LINE	THIRD LINE
IMPLEMENTATION AND MANAGEMENT - Executive Board and risk committees at Group level - Business management and decentralised risk committees within the business units	SUPPORT, MONITORING AND CONTROL - The Compliance, Risk Management and Actuarial departments safeguard the compliance, risk management and actuarial function under Solvency II at group level and for the Dutch supervised insurance entities. - International insurance entities have their own compliance, risk management and actuarial functions under Solvency II - Some entities have their own compliance and risk management departments due to different legal requirements, specific knowledge or efficiency.	ASSESSMENT AND REVIEW • The Internal Audit staff department works at both group and business unit level.

Achmea's line organisation, the first line of defence, is primarily responsible for risk management. The Executive Board ensures a sound basis for the design and execution of the risk management system. The presence of a Chief Risk Officer on the Executive Board helps ensure a permanent focus on risk management in our business operations. The Executive Board renders account to the Supervisory Board and the general meeting of shareholders of Achmea. The first line is supported by the second line, which also monitors the execution by the first line and reports periodically on Achmea's risk profile. The third line complements these activities by carrying out periodic testing of the effectiveness of internal control, governance and risk management and reporting on this.

RISK COMMITTEES

Achmea has Risk Committees both at Group level and within the business units:
- The Audit & Risk Committee assists the Supervisory Board in its supervision of, amongst other things, financial, administrative organisational and compliance matters, as well as on the risk profile and the effectiveness of the risk management system.
- The Group Risk Committee (GRC) provides a framework and advises the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and the key function holders of Compliance, Risk Management and Actuarial for the management, monitoring and advising with regard to the Achmea risk management system, including the internal control and key risks.
- The GRC has instituted as subcommittees the Model Approval Committee (MAC), the Privacy Board and the Information Security Board. The MAC has a delegated responsibility for approving risk models.
- The Asset Liability Committee (ALCO) is an executive and advisory committee of the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and staff departments for the optimisation and monitoring of the composition of assets and liabilities of Achmea within the policy frameworks set by the GRC and the Executive Board.
- Aligned with the GRC at group level, there are Risk Committees within the operating companies that discuss and manage risks, possibly complemented by specific committees such as the Product Approval and Review Processes (PARP) Committees, the Underwriting Committee at Achmea Reinsurance Company N.V. and the Asset & Liability Committee and the Credit Committee at Achmea Bank N.V.

RISK MANAGEMENT WITHIN OUR CRD ENTITIES

The entities subject to CRD-legislation are managed in a similar manner as the insurance entities and are included in the IRMF. As Achmea is a Mixed Financial Holding Company and Financial Conglomerates, the various sectoral based legislation is applied at solo level and integrated at the group level.

Risk governance and risk management committee structure

The Executive Board is responsible for defining and executing the Bank's strategy. An important element of the Bank's strategy is risk management for liquidity risk, counterparty risk, credit risk, interest rate risk, foreign currency risk, operational risk and capital management.

The Executive Board is responsible for setting up effective processes that enable the Bank to hold sufficient capital and liquidity with respect to its objectives and the regulatory capital and liquidity adequacy requirements. Within this scope, the Executive Board delegated specific tasks to different committees (F&RC, Credit Committee, ALCO and Technical Committee).

The Credit Committee, ALCO and the Technical Committee are sub-committees of the Finance & Risk Committee, which is the ultimate decision-making body for new and amended policies regarding financial risks. At least one of the Executive Board members have a seat in all of these committees.

The ALCO focuses on the management of interest rate risk, foreign currency risk, professional counterparty risk (retail counterparty risk is the focus of the Credit Committee), liquidity risk, funding risk and capital management. The ALCO bases its decisions partly on standard reports in which actual as well as forecasted figures with several (stress) scenarios are presented. In addition, the ALCO supervises compliance with the relevant regulatory guidelines, especially with regard to capital, funding, liquidity and market risk. The ALCO is chaired by the CFRO of Achmea Bank. Other members of the ALCO are representatives of Balance Sheet Management & Financial Risk, Control, (Group) Corporate Finance and (Group) Treasury.

SOLVENCY II KEY FUNCTIONS

The 'Three Lines of Defence' model has been set up for all supervised entities. The compliance function, the risk management function, the actuarial function and the internal audit function have been set up in line with the Solvency II requirements at group level and for the insurance entities under supervision.
- At group level the compliance, risk management and actuarial functions are fulfilled within the departments Compliance, Risk Management and Actuarial. These functions report to the Chief Risk Officer of the Executive Board, but also have direct access to the business, the Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairperson of the Executive Board, the Audit & Risk Committee and the Supervisory Board.

- The internal audit function at group level is fulfilled by the Internal Audit department. This function reports to the chairman of the Executive Board, has a formal information and escalation line to the chairpersons of the Audit & Risk Committee and the Supervisory Board, and has direct and unlimited access to business units.
- The compliance, risk management, actuarial and internal audit functions have also been established for the insurance entities under supervision. In the case of the Dutch insurance entities, these functions are performed by the relevant staff departments. Additionally, Achmea Reinsurance Company N.V. has its own risk management and compliance department. These functions report to the entities' boards of directors and have a formal information and escalation line to the chairs of the Audit & Risk Committee and the Supervisory Board as well as direct, unlimited access to all operating companies.

The key functions on compliance, internal audit and actuarial are described in more detail in respectively section B.4. Internal Control System, section B.5. Internal audit function and section B.6. Actuarial function.

Risk management function

For the risk management function for the insurance activities a distinction is made between the Group and the Dutch and foreign supervised undertakings:

- The risk management function on group level and for the Dutch supervised undertakings is carried out by the Risk Management department at group level with the exception of Achmea Reinsurance Company N.V. which has its own risk management and compliance department.
    - The director Risk Management is the Risk Management Function Holder at group level. The Risk Management Function Holder reports to the Chief Risk Officer in the Achmea Executive Board but also has direct access to the business, the entire Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairpersons of the Executive Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
    - Senior managers of the Risk Management department are the Risk Management Function Holders for the Dutch supervised entities with the exception of Achmea Zorgverzekeringen N.V. for which the director Risk Management is also the Risk Management Function Holder. They report to the chairperson of the Statutory Board but also have direct access to the business, the entire management, as well as a formal escalation line to the chairpersons of the Statutory Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
- For the foreign supervised undertakings within the EEA the risk management function is implemented locally. The Risk Management Function Holder for the supervised undertaking/operating company has direct access to the business, the Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board of the supervised undertaking. Eureko Sigorta A.S., as a non-EEA insurance entity, does not require a Risk Management Function Holder.

The risk management function is defined in the Charter Compliance, Risk Management & Actuarial of Achmea. The risk management function has the following main tasks:

1. Management and communication related to the Integral Risk Management Framework (IRMF). Elements of this are:
    - To facilitate and provide advice regarding the risk strategy and risk appetite statements at group level and for the individual supervised undertakings.
    - Management of and advice on the IRMF policy documents at Group level and supporting documents such as guidelines with respect to risk management.
    - Design, implementation, documentation, evaluation and communication on the performance and validation of the partial internal model for Solvency II
2. Support the Executive Board and line management in their execution of the risk management process, consisting the identifying and assessing risks, risk response and implementing the risk control measures and the monitoring and reporting on the risks in the business units.
3. Responsible for the identification and assessment of emerging risks.
4. The following responsibilities apply to monitoring and reporting:
    - Monitoring the execution of the IRMF;
    - Monitoring the general risk profile;
    - To report to the Executive and Supervisory Boards (and the A&RC of the Supervisory Board), the supervised undertakings, the Group Risk Committee, the management and internal and external stakeholders including regulatory authorities about:
        - the consolidated risk profile;
        - the effectiveness of the IRMF;
        - developments in risk management and in the area of expertise.
    - To support the Executive Board and Statutory Boards of the supervised undertakings in preparing the SGW Own Risk and Solvency Assessment (ORSA) Report with a review role on the underlying processes of the ORSA.

5. To provide solicited and unsolicited review/expert assessments on important decisions and developments with respect to risk management issues including strategic matters such as the strategy of the company, mergers and acquisitions and important projects and investments.
6. To increase risk awareness within the organisation.
7. Functional steering of the decentral second line function with respect to risk management. Monitoring the execution of the second line role. Advice and support if necessary.
8. Anticipate on developments in the risk management practice area, best practices and (inter)national rules and regulations with respect to risk management.

MODEL GOVERNANCE

The Model Management and Validation Policy sets out that the development, management and change of models (such as value and capital models) with respect to, amongst other things, risk measurement, financial and business management calculations is subject to strict model governance. This ensures that the models are managed properly. The risk profile of models is assessed and it is compulsory for the models with a high gross risk to be documented, implemented, tested and periodically validated by the independent model validation function of the staff department Risk Management and approved by the MAC. Part of the management is that model changes are implemented and approved in accordance with a controlled change procedure. This model governance is already operational for the partial internal model for Solvency II and is being implemented gradually for all other models within Achmea classified as high gross risk.

Besides the approval in the MAC the partial internal model Solvency II is also approved by the Executive Board, the boards of the entities that use the model, the Audit & Risk Committee and the Supervisory Board. After the internal governance is completed newly developed models will be submitted for approval to the College of Supervisors. Following approval by the MAC, major model changes will be submitted to the College of Supervisors for approval and are only used for determining Achmea's capital position after approval.

RISK APPETITE

Risk appetite reflects Achmea's attitude to taking risks and gives an indication of its willingness to accept a high or a low risk level. Risk appetite consists of a number of principles as part of the risk strategy with an elaboration in qualitative statements and corresponding Key Risk Indicators (KRIs) to monitor whether the risk profile is within the limits of the risk appetite.

An overview is given below of the risk appetite principles as part of Achmea's risk strategy and their translation into KRIs.

Financial	Principles	KRIs
Result and volatility	Achmea realises a sustainable result that ensures a continuous access to the capital market. Extreme fluctuations in the economic result are avoided.	• Fixed Charge Coverage Ratio
Capital	Achmea has a strong capital position.	• Solvency ratio Solvency II • Capital surplus S&P • Capital Surplus Fitch • Economic solvency Achmea Pensioen- en Levensverzekeringen N.V. • Debt ratio • Double leverage ratio
Liquidity	Achmea's current and future liquidity position is sufficient to meet its obligations.	• Available liquidity in a going concern situation • Liquidity capacity after a stress situation
Financial Risk Policy	Achmea knows as an insurer its financial risks and pursues an adequate financial risk policy that aims to avoid undesired risk concentrations. Achmea utilises an important part of its risk capital for insurance risk.	• Market Risk budget variance • Impact interest rate shock Solvency II • Impact interest rate shock Economic solvency Achmea Pensioen- en Levensverzekeringen N.V • Counterparty limit breaches • Amount of SCR for insurance risks

		• Deviation from expected annual result due to catastrophic events

Non-Financial	Principles	KRI'S
Product quality and services	Achmea offers a secure and transparent solution to clients that continuously meet the clients' needs, at a fair price.	• Certification Customer Oriented Insurer • Achmea KBC customer interest Dashboard
Operational risk / internal control	Achmea knows as an insurer and service provider its Operational Risks and has an adequate Operational Risk policy aimed at the prevention of material financial losses due to insufficient or failing internal processes or personnel and systems or external events.	• Internal Control Framework • Reputational score • Financial loss because of Operational Risks • Very urgent issues • Disruption of business-critical chains
Compliance	Achmea has an adequate compliance policy to comply with laws and regulations. Employees, clients, suppliers and other partners of Achmea operate with integrity.	• Violations of laws and regulations • Implementation of laws and regulations • Integrity violations
Corporate social responsibility	Achmea realises its corporate objectives in a socially responsible manner and aims at providing a demonstrable social added value through its insurance and investment activities. Achmea remains relevant on this topic by reacting adequately to social developments.	• MSCI ESG rating • Benchmark of the Dutch Association of Investors for Sustainable Development • Inquiries of the 'Eerlijke Verzekeringswijzer'

Risk appetite is explored here in terms of the perspectives of the financial and non-financial statements, with the principles of the financial statements giving substance to the financial perspective and the principles of the non-financial statements giving substance to the other perspectives of Achmea's strategy map. Risk appetite also covers all the main risks in Achmea's risk classification.

RISK MANAGEMENT PROCESS

In the risk management process, risks are identified, assessed, mitigated, monitored and reported. Risks are analysed in a number of risk assessments, both at individual risk level and various levels of aggregation.

This section provides more information on the risk assessments performed during the year and on the process of monitoring and reporting. The risk response is described in more detail below and the main risks are detailed.

During the year various risk assessments are performed:
- Risk Self Assessments focus on areas such as strategy, projects and operational risks. This includes, amongst others, a qualitative risk assessment with the boards of the operating companies and the Executive Board, in which the key risks are identified and assessed.
- Achmea uses risk models to make a quantitative estimate of the risk profile, including the Solvency II partial internal model. These risk models are among those used in the planning & control cycle, product development and pricing, determining the reinsurance programme, preparing the investment plan and balance-sheet management.
- Finally, scenarios and stress tests provide insight into what happens under extreme circumstances or when several factors occur simultaneously. These scenario and stress tests are used as part of the periodic monitoring of the risk profile. Annually, they are used to analyse the key risks in greater depth.

The Strategic Risk Analysis is performed annually at group level and for the operating companies, with a qualitative assessment by management of the key risks. The insights from this Strategic Risk Analysis are used to manage the specifically identified key risks, to reassess the stress and scenario set for the ORSA and to review the Achmea Preparatory Crisis Plan, and may be reason for re-evaluation of the strategy. Additionally, a detailed insight into Achmea's integrated risk profile, supervised entities and business units is obtained by consolidating the output of all risk management processes, instruments and techniques used at Achmea on strategic, tactical as well as operational levels and by assessing them in relation to one another in the Integrated Risk Analysis.

Achmea's risk profile is monitored periodically, and on the basis of that aggregate-level reports are drawn up for the Executive Board, the Audit & Risk Committee and the Supervisory Board. For the main risk types, line management periodically verifies that the risk is still within the risk limits set on the basis of the risk appetite. Line management also monitors the management of the key risks. Finally, an Internal Control Framework is used to systematically monitor key controls throughout the organisation. Cross-references are included in the framework to among other things information security and Solvency II.

OWN RISK & SOLVENCY ASSESSMENT (ORSA)

In addition to the periodic monitoring of our risk profile, a group-wide Own Risk and Solvency Assessment (ORSA) report is prepared annually. The report is provided annually to the college of supervisors and local regulators for the non-Dutch entities.

The Single Group-Wide (SGW) Own Risk and Solvency Assessment (ORSA) report sheds light on and evaluates the company's current and future risk profile and developments in solvency and liquidity during the planning period. The ORSA is consistent with our regular processes and the reporting is the final stage in the process, as it looks for coherence between strategy, risk and capital. All these elements are combined in this report.

The appropriateness of the PIM is also assessed in the ORSA.

For a description of the material risks identified and the strategy and main outcomes of the scenario and stress testing reference is made to section C.6 Other Material Risks.

PREPARATORY CRISIS PLAN

Achmea's Preparatory Crisis Plan provides insight on the effectivity of the measures which both Achmea as a Group and the individual supervised entities can apply in response to severe (financial) developments.

B.4. INTERNAL CONTROL SYSTEM

Internal Control Framework

For identified risks and control measures an Internal Control Framework is used, which is based on the COSO model and common market standards and uses key risks and key controls. Annually, after the risk analyses are performed, the key risks and key controls of the framework are updated. Subsequently the framework is used to systematically monitor the effectiveness of control measures throughout the organisation. Cross-references are included in the framework to information security of DNB and Solvency II. In addition an organisation-wide systematic issue and incident management process has been set up.

Compliance Function

Compliance Risk is the risk of diminishing reputation or current of future threats to the capital or result of an organisation as a result of a failure to comply with laws and regulations, and insufficient adherence to values, norms and (supervisory) rules. Failing to comply may result in legal or regulatory sanctions, material financial loss, or reputational damage.

As described in section B.3. the compliance function is part of the second line of defence in our three lines of defence system.

For the compliance function for the insurance activities a distinction is made between the Group and the Dutch and foreign supervised undertakings:

- The compliance function on group level and for the Dutch supervised undertakings is carried out by the Compliance department at group level with the exception of Achmea Reinsurance Company N.V. which has its own risk management and compliance department.
    - The director Compliance is the Compliance Function Holder at group level. The Compliance Function Holder reports to the Chief Risk Officer in the Achmea Executive Board but also has direct access to the business, the entire Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairpersons of the Executive Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
    - Senior managers of the Compliance department are the Compliance Function Holders for the Dutch supervised entities. They report to the chairperson of the Statutory Board but also have direct access to the business, the entire management, as well as a formal escalation line to the chairpersons of the Statutory Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.

- For the foreign supervised undertakings within the EEA the compliance function is implemented locally. The Compliance Function Holder for the supervised undertaking/operating company has direct access to the business, the Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board of the supervised undertaking. Eureko Sigorta A.S., as a non-EEA insurance entity, does not require a Compliance Function Holder.

The reporting of the compliance function is part of the quarterly risk & compliance reporting process. Additionally an annual Compliance report is prepared which provides an integrated overview of the compliance risks at group level.

The compliance policy describes how compliance risk is managed. Additional policies and regulations are available specific compliance topics such as CDD (Customer Due Diligence), privacy, competition, whistle blower regulations and insider regulations. Compliance is closely involved in monitoring compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), the Sanctions Act 1977, privacy dilemmas and compliance with the General Data Protection Regulation (GDPR), including big data initiatives and ethical issues associated with artificial intelligence. The integrity risk as part of compliance risk is set out in the Achmea Code of Conduct and the Integrity & Fraud Policy. In that code of conduct the core values, core qualities and rules of conduct of Achmea are recorded. These general rules of conduct are applicable to all Achmea employees. The Integrity & Fraud Policy contains the principles on which substance is given to controlling integrity risks in operational management, such as: anti-corruption, gifts, side-line activities, contracting third parties and the execution of the Systematic Integrity Risk Analysis. The effectiveness of fraud control measures is assessed on a quarterly basis using the Internal Control Framework.

In 2020 specific attention was paid to the lockdown situation caused by the Covid-19 pandemic. An additional risk analysis was performed from a business perspective, in which relevant compliance risks were also taken into account, such as fraud, operation of our products and propositions for our customers and also the working conditions of our employees. Where necessary adequate measures were taken in the interest of servicing our customers (on product- and proposition levels) and (limited) to mitigate fraud risks and risks regarding working conditions.

Annually risk analyses are performed to identify the compliance risks within Achmea. Important risk analyses performed by Compliance are the Integrated Risk Analysis (IRA), which forms the basis for the annual plan, and the annual Systematic Integrity Risk Analysis (SIRA). Also during the year risk analyses are conducted at various levels and on various topics. With regard to compliance with laws, regulations and internal rules of conduct, the most important legal provisions are translated into risks. For the internal control of the identified risks and control measures an Internal Control Framework and issue and incident management process are used in accordance with the operational risk management.

Achmea's Laws & Regulation Committee identifies new legislation and forthcoming amendments and determines the impact on the organisation. Implementation is the responsibility of operational management. In case of profound impact on Achmea, the committee will advise the Executive Board to start a comprehensive implementation project. Achmea ensures detection of developments in laws and regulations through a specific module in the Internal Control Framework and monitors proper and timely implementation.

Supervisory investigations have a major impact on the business. These investigations arise not only from local regulations but also from international legislation such as EU legislation on the duty of care, outsourcing, CDD and sustainability. Much effort is required to assist the regulators in their investigations and this is coordinated by an internal supervising team.

Privacy, CDD and duty of care were the main focus areas for the compliance function in 2020. Short-cycle monitoring is used to monitor compliance with laws and regulations. Any compliance issues identified by this monitoring are addressed by the responsible management, to be handled within the established frameworks for the defined compliance and integrity risk appetite.

B.5. INTERNAL AUDIT FUNCTION

As described in section B.3. the internal audit function is the third line in the three lines model. At Group level the staff department Internal Audit covers the internal audit function. The Internal Audit Director is the Internal Audit Function Holder at Group level and reports to the chairman of the Achmea Executive Board, has a formal information and escalation line to the chairpersons of the Audit & Risk Committee and Supervisory Board and direct, unlimited access to all business units. For the Dutch supervised undertakings the role of Internal Audit Function Holder is delegated to the responsible member of the management team. For the foreign supervised undertakings this role is executed locally.

Internal Audit is an independent department within Achmea. Its independence is guaranteed as Internal Audit does not form part of the (daily) internal control measures and safeguarding of assets/liabilities. Internal Audit is not responsible for the design and implementation of measures related to risk management, compliance and internal control. Senior management may request Internal Audit to give an opinion on the internal control measures which are implemented or should be complied with.

After discussion with the management concerned, Internal Audit reports on the outcome of its investigation directly to both the responsible management and/or the Achmea Executive Board and its Chairman, depending on the circumstances. At least once a year, Internal Audit reports by means of the Audit Memorandum on the internal control of high risks. Internal Audit provides an overview of the outcome of audits on a quarterly basis, including the most important findings noted in the recent period and the progress and adequacy of the implementation of the recommendations noted by Internal Audit, external accountant and/or regulators.

The internal audit function is defined in Achmea's Internal Audit Charter. In this charter Internal Audit's mission, function, independence, objectivity and expertise as well as the scope, authorities and responsibilities are defined. The charter also defines the applicable behaviour and professional conduct rules and the relationship with external parties, as well as the current international standards for the professional practice of internal auditing and the requirements set by the external regulators for the internal audit function. The charter is reviewed annually and updated if necessary. Based on the most recent review, some minor adjustments are made.

To fulfil this task Internal Audit systematically evaluates the processes related to governance, risk management and internal control and thereby has a pro-active signalling role with regard to the risks. In this way Internal Audit contributes to the improvement of the business operations and the achievement of the strategic and other objectives of Achmea.

The assessment by Internal Audit focuses, against the background of the risk profile of Achmea, on the following:
- The defined risk appetite and the determination thereof.
- The design and effectiveness of the governance, including the effectiveness of risk management. Within the framework of evaluating the functioning of the governance structure, the functioning of the Achmea Executive Board and senior management is evaluated. Here the example set by the directors (tone at the top) is explicitly looked at. Where it is possible and desirable, the functioning of the Supervisory Board can also form part of the evaluation of the governance structure.
- The internal control over critical business processes and projects, in particular management of the identified key risks associated with these processes and/or projects by making use of the defined key controls.
- The effectiveness and reliability of data processing processes aimed specifically at the Achmea Executive Board, important (financial) management information for senior management and key (external) reporting.
- Compliance with laws and regulations including the functioning of the compliance function.
- Internal control is supported by appropriate behaviour and culture for Achmea.
- Safeguarding the assets of Achmea.

The scope of Internal Audit covers all entities and processes of Achmea, including outsourced activities. Internal Audit has a functional line with the local internal audit functions.

B.6. ACTUARIAL FUNCTION

As described in section B.3. the actuarial function is part of the second line of defence in our three lines of defence system:
- The staff department Compliance, Risk Management & Actuarial at Group level covers the actuarial function for the group and for the supervised undertakings in the Netherlands. The Director for Actuarial is the Actuarial Function Holder (AFH) at Group level and the senior managers are the AFH's for the supervised undertakings in the Netherlands. The AFH's have a formal escalation line to the chair persons of the Achmea Executive Board, Audit & Risk Committee and Supervisory Board, based on the independent role of the actuarial function;
- For Achmea International entities within the EEA, the actuarial function is implemented locally. Eureko Sigorta A.S., as a non-EEA insurance entity, does not require an AFH.

The actuarial function prepares a report on the Solvency II results on a quarterly basis. On an annual basis an Actuarial Function Holder Report is prepared at Group level and for the supervised undertakings. This report provides an overview of the actuarial work performed and the main findings.

The actuarial function is defined in Achmea's Actuarial Function Policy. This policy defines the scope, duties, responsibilities and position of the actuarial function, with references to methods, techniques and processes.

In line with Solvency II the actuarial function has four tasks:
1. Coordination and supervision of the calculation of the Technical Provisions, including the following specific tasks:
   - Ensuring the appropriateness of the methodologies and underlying models used and of the assumptions made in the calculation of Technical Provisions;
   - Assessing the sufficiency and quality of the data used in the calculation of Technical Provisions;
   - Comparing Best Estimates with actual outcomes, making checks in the form of back-testing;
   - Sensitivity testing and change analysis;
   - Expressing an opinion on the reliability and adequacy of the calculation of the Technical Provision;
2. Expressing an opinion on the overall underwriting policy;
3. Expressing an opinion on the reinsurance policy and programme;
4. Contributing to the effective implementation of the risk management system, in particular with regard to calculation of the SCR, MCR and ORSA.

As part of this role, the actuarial function performs an assessment of the RSR and the associated QRT's.

The actuarial function also provides an actuarial opinion and second-line assessment on:
- The Economic Balance Sheet;
- The SCR and therefore the solvency position;
- All constituent parts of the SCR
- The prospective solvency position, using stress tests and scenario tests in the area of Technical Provisions and ALM;
- Distribution of dividends in relation to discretionary benefits;

The group actuarial function performs all these tasks at the level of Achmea Group and has a specific responsibility to provide advice and an actuarial opinion on asset/liability aspects.

B.7. OUTSOURCING

Achmea has an outsourcing policy that applies to all Dutch legal entities, international entities and majority interests of Achmea. A distinction is made between Critical or Important Outsourced functions or processes (COI), standard outsourcing or no outsourcing. The policy applies to internal and external outsourcing.

For all outsourcings to service providers within the Achmea the following outsourcing policy is:
- Each Achmea process / activity which is intended to be outsourced has a contract owner and sourcing director. In consultation with Legal Affairs contracts are to be classified as: COI, Standard or Purchase.
- Depending on the classification, requirements are applicable to the outsourcing.
- An outsourcing goes through four phases: analysis, initiation, management and evaluation.
- In the analysis phase, a business case must be made, a risk assessment must be carried out and a service provider must be selected. In case of cloud/external hosting an extra risk assessment is mandatory.
- During the initiation phase, contract partners must agree on the contract, a Service Level Agreement and, if applicable of a security- and privacy agreement. In addition, in some cases a separate business continuity plan and an exit plan are mandatory.
- In the management and evaluation phase the above-mentioned contract agreements are to be monitored and evaluated on a regular basis.

As mentioned in section B.1, Achmea has outsourced several internal operations. The main reasons for outsourcing are efficiency, specialisation or quality considerations of long-term services. The requirements imposed on internal outsourcing are in line with those applicable to external outsourcing. In addition to that group relations should be considered in order to take advantage of synergy-elements within the Achmea-group. Procurement is a centralised staff department and supports the contracting of most of the COI and Standard outsourcing contracts in association with Legal Affairs. Achmea has a central administration of the contracts in place within the Procurement department.

B.8. ANY OTHER INFORMATION

The System of Governance is assessed periodically and if necessary adjustments are made. In particular, all policies of our risk management system are reviewed and adjusted if necessary at least once per year, with a view to every substantial change in the external environment or in the field that it pertains to.

There is no other material information regarding our System of Governance that should be explicitly mentioned in this section.

C. RISK PROFILE

Achmea uses a combination of a PIM and the SF to determine the SCRs. The following table provides a summary per insurance legal entity.

PIM – SF

	MARKET RISK(*)	LIFE RISK	NON-LIFE RISK	HEATLH RISK	COUNTERPARTY DEFAULT RISK	OPERATIONAL RISK
Achmea B.V.	PIM	SF	PIM	PIM	SF	SF
Achmea Pensioen- en Levensverzekeringen N.V.	PIM	SF	n.a.	n.a.	SF	SF
Achmea Zorgverzekeringen N.V and subsidiaries	SF	n.a.	n.a.	SF	SF	SF
Achmea Reinsurance Company N.V.	PIM	SF	PIM	SF	SF	SF
Achmea Schadeverzekeringen N.V.(**)	PIM	n.a.	PIM	PIM	SF	SF
N.V. Hagelunie	PIM	n.a.	PIM	n.a.	SF	SF
Interamerican Property & Casualty Insurance Company S.A.	SF	n.a.	PIM	SF	SF	SF
Interamerican Hellenic Life Insurance Company S.A.	SF	SF	n.a.	SF	SF	SF
Interamerican Assistance General Insurance Company S.A.	SF	n.a.	SF	SF	SF	SF
Union Poist'ovňa A.S.	SF	SF	SF	SF	SF	SF
Eureko Sigorta A.S.	SF	n.a.	SF	n.a.	SF	SF

* *For Interamerican Property & Casualty Insurance Company S.A. Market Risk is still determined by the Standard Formula. Inflation Risk is assessed on a stand-alone basis whether the Interest Rate Risk scenario has to be adjusted. If the assessment present a too significant deviation, a capital correction is added to the outcome of the Market Risk calculations.*

** *Within Achmea Schadeverzekeringen N.V. several insurance portfolios are classified in the Lines of Business Income Protection. This is also included in the Health NSLT section. For this Line of Business the Internal Model is used*

The risk taxonomy as presented in the graph in chapter E.2.2 is used.

C.1. UNDERWRITING RISK

For a description of Underwriting Risk, including Life Risk, Non-Life Risk and Health Risk, we refer to the Achmea Year Report 2020, section E Insurance Risk.

C.2. MARKET RISK

For a description of Market Risk, including Interest Rate Risk, Equity Risk, Property Risk, Spread Risk and Currency Risk, we refer to the Achmea Year Report 2020, section F Market Risk.

C.2.1. PRUDENT PERSON PRINCIPLE

Achmea complies with the prudent person principle as set out in the Solvency II regulation. Additionally to setting the Market Risk budget and the asset optimization as described in the former section the Market Risk Policy contains principles on:
- investment plan
- mandate asset managers
- selection and monitoring of asset managers
- new asset classes or instruments

Furthermore, the Counterparty Risk Policy contains specific principles for OTC derivative contracts and Special Purpose Vehicles.

C.2.2. INTEREST RATE RISK

The sensitivity of the solvency position under Solvency II to various changes in the underlying assumptions is included below.

SENSITIVITIES

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	10,696	5,153	208%	219%
Without Volatility Adjustment	10,502	6,540	161%	165%
Ultimate Forward Rate 3.50% (level applicable from 1 January 2022)	10,523	5,165	204%	n/a
Ultimate Forward Rate 3.60% (level applicable from 1 January 2021)	10,592	5,159	205%	n/a
Last liquid point 30 years	8,583	5,345	161%	166%

SENSITIVITIES INTEREST

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	10,696	5,153	208%	219%
Interest -100 bps	11,370	5,478	208%	217%
Interest +100 bps	9,852	4,928	200%	217%
Interest -50 bps	11,046	5,304	208%	219%
Interest +50 bps	10,248	5,018	204%	219%

In appendix 2, the relevant sensitivities per insurance legal entity are presented.

C.2.3. EQUITY RISK

SENSITIVITIES EQUITY

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	10,696	5,153	208%	219%
Equity prices -20%	10,130	5,072	200%	213%

C.2.4. PROPERTY RISK

SENSITIVITIES PROPERTY

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	10,696	5,153	208%	219%
Property Prices - 20%	10,388	5,154	202%	214%

C.2.5. SPREAD RISK

SENSITIVITIES SPREAD

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	10,696	5,153	208%	219%
All Spreads -50bps	11,170	5,218	214%	226%
All Spreads +50bps	10,449	5,082	206%	218%

SENSITIVITIES SPREAD

	OWN FUNDS
Baseline	10,696
Mortgage loans -50 bps	11,029
Mortgage loans +50 bps	10,338
Spreads Government -50 bps	11,039
Spreads Government +50 bps	10,636

C.2.6. MARKET CONCENTRATION RISK

Market Concentration Risk is the risk of loss resulting from the lack of diversification in investments and liabilities for Market Risk or due to an increased sensitivity to bankruptcy of an individual counterparty or group of affiliated counterparties.

The balance sheet of Achmea does not comprise any material Market Concentration Risks above the thresholds as used by the Solvency II legislation.

C.2.7. LOAN PORTFOLIO

For detailed information on the loan portfolio reference is made to Chapter D.1.6. Under the Loan portfolio Achmea includes loans and mortgages provided to individuals and companies. The loan portfolio recognised on the Economic Balance Sheet is backing the cash flows of the Technical Provisions.

C.2.8. COLLATERAL ARRANGEMENT

Within Achmea all derivative transactions and the related collateral postings have to adhere to the requirements and restrictions of the Counterparty Risk Policy. This policy is frequently updated and in line with the current EMIR-regulation regulation (European Market Infrastructure Regulation). In practice this means that Achmea is engaged mostly in bilateral OTC-agreements (ISDA contracts including CSA's) with financial institutions and through Central Clearing (LCH-Clearnet and appointed banks as Clearing Members). For further details on collateral management, see C.6.1. use of derivatives.

Regarding mortgages, Achmea receives collateral in the form of residential property.

The total amount of collateral:

COLLATERAL

€ MILLION

	2020	2019
Collateral held	24,524	23,365
Collateral pledged	957	783

C.2.9. SECURITIES LENDING

In 2020, there were no changes in the security lending program of Achmea. The value of the lended securities remained stable at €4,053 million (2019: €4,243 million). Mostly government bonds and credits were lend to selected counterparties.

C.2.10. BORROWING TRANSACTIONS

In 2020 refinancing took place of €750 million senior unsecured debt. For more details, we refer to the Achmea Year Report 2020, notes to the consolidated financial statements, note 7 Financial Liabilities, Unsecured loans and borrowings.

C.2.11. OTHER MARKET RISKS

There are no other Market Risks identified within Achmea.

C.3. COUNTERPARTY DEFAULT RISK

For a description of Counterparty Default Risk we refer to the Achmea Year Report 2020, section G. Counterparty Default Risk.

Derivatives are described in more detail in section C.6.2. Use of derivatives.

C.4. LIQUIDITY RISK

For a description of Liquidity Risk we refer to the Achmea Year Report 2020, section H Liquidity Risk.

Expected profits in future premiums

Expected profits in future premiums (EPIFP) is defined as that part of future premiums Achmea expects to obtain from the policyholders over the remaining duration of the contracts which relates to the profit margin. If the policyholder lapses or discontinues the contractual relationship before maturity Achmea will not receive any of these profits. In principle the EPIFP exists only for those contracts which have a recurring premium over the duration of the contract.

The EPIFP is calculated by assessing the impact on profitability if no more premiums are received.

EPIFP € MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	611	698
Achmea Schadeverzekeringen N.V.	90	87
Other Entities	153	145
Group EPIFP	855	930
EPIFP % Tier 1 EOF	10%	13%

The decrease at Achmea Pensioen- en Levensverzekeringen N.V., is a result of the closed-book portfolio.

C.5. OPERATIONAL RISK

For a description of Operational Risk we refer to the Achmea Year Report 2020, section I Operational Risk.

C.6. OTHER MATERIAL RISKS

Below the other material risks are described, although not in a specific order of priority. Annually these risks are identified and the measures taken are assessed with the boards of the operating companies and the Executive Board. These risks are characterised by their specific nature and can have a major impact if they were to materialise without any risk management measures having been taken.

Achmea monitors these risks closely, as part of the periodic monitoring of the risk profile and the annual ORSA (Own Risk and Solvency Assessment) report.

Key themes	Details
Future revenue model	It is important for Achmea to update its processes, products and services promptly and to adapt to new trends. New developments include sustainability and climate change, the possibility that other providers will launch new distribution, product and/or service models, and the possibility of a decrease in the insurance requirement for Property & Casualty insurance due to the fact that, as a result of technological developments, certain risks do not occur or occur less frequently. Specifically, the Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy, which (alongside opportunities) may also negatively affect Achmea's business and its commercial position. The aforementioned developments are being closely followed, whereby central control takes place on Achmea's innovation portfolio.
Leveraging Achmea's combined strength	It is important for Achmea as a Group to use the Group's scale to be able to provide a full range of products and services and cost benefits. More so than in the past, Achmea works with partners across supply chains, domains, brands and distribution channels. Due to the speed of the changes affecting our company, we need to be able to quickly adjust expenses.
Distribution partners	Achmea makes use of several distribution partners for the sale of its products, such as Rabobank. The parties' mutual expectations are consistently aligned to ensure that the products and services developed match what the distribution partners wish to sell.

Laws and regulations and political developments.	Laws and regulations have a significant impact on Achmea as a company. There is a risk that Achmea's business operations, revenue model and, more specifically, the Solvency Requirements will be affected by political developments and changes in tax-related and other laws and regulations and/or by changes in how the principle of societal solidarity is applied. This risk affects all Achmea product ranges. In addition, Achmea is exposed to reputational risk when it fails to comply with (forthcoming) laws and regulations. However, since any changes in laws and regulations are closely monitored, this can be adequately anticipated upon. Main areas for attention are the compliance themes related to Know Your Client and privacy, for which improvements are being implemented.
Sustainability and climate change	Sustainability and climate change have to be distinguished in physical risks and transition risks in Achmea's insurance, investments and business operations, with the risk of not fully exploiting the opportunities compared to the competition. For the risks related to climate change, the initiatives in the sub-areas have been brought together in one central approach, by which ensuring completeness and consistency in the measures to be taken. Extra attention is paid to the increase in (EU) regulation of sustainability which will be application from 2020 through 2025. The analysis and implementation thereof is complex and has varying impact on different business units. A project organization and expert group support the business units in this. Part of this is the timely adaptation of the product and service offering to the theme of sustainability and climate change for the future earnings model.
Longevity Risk	Given the long-term nature of pension and life insurance contracts, Achmea is exposed to Longevity Risk. For example, breakthroughs in medical science and changing lifestyle habits could have a significant impact on the future pay-out patterns of the life and pension activities. Longevity Risk is managed through active product management in order to ensure diversification of the life insurance and pension portfolios and through periodic assessment of the possible transfer of a portion of the risk.
Non-Life and Income Protection	Catastrophes due to (extreme) weather events, such as storms and hail, can have a major impact on the Non-Life portfolio. Climate change may cause changes in frequency, times of year and intensity. The risk of these types of natural hazards (known as 'Catastrophe Risk') occurring is largely mitigated by reinsurance. A great deal of attention is paid to keeping the internal models for determining the relevant risks, such as catastrophes, up to date. In 2020 Achmea modified its internal model for storm risk, incorporating the latest insights on storm risk in the quantification of the risk. Achmea has close contact with the companies that develop the catastrophe models and with universities and the Royal Netherlands Meteorological Institute (KNMI). In this way Achmea is keeping close track of climate change and evaluating the impact. Setbacks may manifest in the Income Protection portfolios due to differences in the estimated disability and rehabilitation probabilities, resulting in higher claims than provided for by the current reserves. This is kept in check through claims monitoring, with a specific focus on claims management and changes in laws and regulations and case law.
Volatility in health results	Fluctuations in the profitability of the Achmea Group and Achmea Zorgverzekeringen N.V. as a result of major fluctuations during the year and also between years in the healthcare expenses estimate and equalization system. If the volatility in medical expenses causes premiums to diverge too much from those of competitors, this may have an impact on portfolio turnover. This risk is controlled by periodic monitoring, including aiming to have a representative policyholder portfolio, which reduces dependency on changes in the equalization system.
Financial markets	As a financial services provider with an investment portfolio, products with minimum guarantees, and profit-sharing provisions, Achmea has substantial exposure to the financial markets. Due to political/geopolitical instability, global economic trends and decisions by financial authorities can cause volatility in the financial markets, having implications for the valuation of our investments and liabilities. A specific risk is that investment returns remain permanently lower due to narrower spreads and lower excess returns, making it impossible to recoup the Volatility Adjustment used in the valuation of insurance liabilities on the Economic Balance Sheet. Specific attention is paid to the impact of the energy transition on our investment portfolio. This risk is managed by having a robust investment plan in place, resulting in a diversified investment portfolio and active management of the various financial positions. See the section on Market Risk for further information.

Prolonged low or lower interest rates	If interest rates remain low for an extended period of time or decline even further, this will result in lower investment income in the future. Particular attention is paid to the valuation of the Technical Provisions under Solvency II and the liability adequacy test under IFRS. The valuation of the liabilities is based on a rise in interest rates (through the use of the UFR) to a level higher than the current market interest rate. This is why we have put additional monitoring in place to ensure that the current investment portfolio generates a sufficient return. We pursue an active Interest Rate Risk policy in order to manage this risk – see the section on Market Risk for further details.
Cybercrime	Cybercrime is an increasingly important social issue, including for Achmea. 'Cybercrime' refers to the risk of material damage arising from, for example, loss of data or unauthorised data processing, prolonged disruption of business operations, and hardware disruptions as a result of inadequate security measures. It also includes the risk of Achmea developing a negative reputation as a result of incidents on social media and/or loss or theft of privacy-sensitive data. A specific maturity model is used for cyber security to identify the level of security, which also involves the use of scenario analyses. An integrated security approach has been implemented for control purposes, with a strong focus on awareness and outsourcing. Achmea's reputation is monitored on an ongoing basis, and in addition Achmea has taken out its own cyber-risk insurance. Through information security and privacy protection measures, the key security and privacy risks are managed through a control framework.
Duty of care	This refers to the risk that Achmea is required to pay or compensate a larger amount of money due to potential liability claims. Achmea monitors customer feedback and social and legal trends with regard to the duty of care. Key areas of focus in terms of the duty of care are product development, customer advice, and advertising and website communications.

C.6.1. USE OF DERIVATIVES

Achmea makes use of interest rate derivatives (swaps and swaptions) for the mitigation of Interest Rate Risk. For the mitigation of Currency Risk, Achmea uses foreign exchange contracts, see also the chapters C.2.2 and C.2.7.

Derivative transactions are only initiated with counterparties that meet Achmea's rating requirements and collateral requirements. ISDA master agreements (International Swaps and Derivative Association) are in place between Achmea entities and its derivative counterparties. The Counterparty Default Risk Policy defines collateral requirements that must be specified in the individually negotiated Credit Support Annexes (CSA).

Only 'prime collateral' is accepted, comprised of government bonds issued by highly rated countries and cash collateral in euros, US dollars, British pounds and Swiss francs. Independent valuation of derivatives, daily settlement of collateral and improved valuation adjustments related to remaining maturity of the collateral received, further reduces the Counterparty Default Risk.

C.6.2. USE OF REINSURANCE AND FINANCIAL MITIGATION TECHNIQUES

Achmea Reinsurance Company N.V.

Achmea Reinsurance Company N.V. (hereinafter Achmea Reinsurance) is the reinsurance company of the group. As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. Achmea Reinsurance provides reinsurance cover to the Dutch and foreign insurance entities within Achmea. Part of the reinsurance contracts are retroceded to the external reinsurance market. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Achmea has a Reinsurance Policy which is part of the Group Policy framework. The Reinsurance policy contains an overview of all responsibilities regarding the reinsurance process. Within the reinsurance process for the external Non-Life Group Reinsurance program there are specific roles: the Dutch entities decide on the level of retention within their risk appetite and the Underwriting Committee of Achmea Reinsurance decides on the retention for Achmea Reinsurance. After approval by the Reinsurance Delegates Committee and the Executive Board respectively the Group Non-life reinsurance program is placed in the market. Given a close cooperation between Achmea Reinsurance and the reinsurance departments of the non-Dutch entities, Achmea Reinsurance participates in parts of their reinsurance programs as a risk carrier.

The Group Non-Life reinsurance program mainly consists of catastrophe excess-of-loss contracts and per risk excess-of-loss contracts. Individual risks that exceed the treaty limit of the 'per risk' programmes are covered on a facultative basis.

Dutch supervised undertakings

In general, Achmea has a Reinsurance Policy which is part of the Group Policy framework. The Reinsurance policy contains an overview of all responsibilities regarding the reinsurance process. Reinsurance also has a link to the Counterparty Risk Policy as the credit worthiness of reinsurance counterparties is monitored according to this policy.

Reinsurance is used to limit Mortality and Catastrophe Risk within the SCR for Life Underwriting Risk. Achmea Reinsurance has a quota-share agreement with Achmea Pensioen- en Levensverzekeringen N.V. Part of this quota-share is placed in the reinsurance market.

Reinsurance is used to limit the impact of weather-related events, natural disasters, major fires, large claims in general and motor third-party liability within the SCR for Non-Life Underwriting Risk. Part of the retention is maintained at Achmea Reinsurance.

For SLT Health Risk reinsurance is used to protect capital and earnings. Achmea Reinsurance has WIA quota-share and stop-loss excess of loss agreements with Achmea Schadeverzekeringen N.V., which are placed in the reinsurance market.

Foreign supervised undertakings

Reinsurance is used at all Achmea's foreign supervised undertakings to mitigate Underwriting Risk, in particular for Non-Life Catastrophe Risk. The level of Non-Life Catastrophe Risk is determined annually by the Reinsurance committee of the foreign supervised undertaking in accordance with the minimum requirements specified in the local Reinsurance Policy and risk appetite Statements of the foreign supervised undertaking. Each foreign supervised undertaking has its own risk appetite Statement that sets the level of desired Underwriting Risk relative to other risk types. The credit worthiness of reinsurance counterparties is monitored according to the local Counterparty Risk Policy. Achmea Reinsurance Company N.V. takes a small participation in some of the Non-Life catastrophe reinsurance programmes of the foreign supervised undertakings.

C.6.3. USE OF FUTURE ACTIONS

Within the determination of the Loss-Absorbing Capacity of Deferred Taxes (LACDT), the various legal entities, describe Future Management Actions. Based on the underlying scenarios which constitutes the LACDT-shock, senior management of the legal entities and Achmea are committed to include the following major Future Management Actions to recover the Solvency position:

- Executing the Committed Credit Line arrangements
- Providing excess liquidity to the entities in need of capital
- Issuing a debt instrument on the level of the holding and subsequently providing capital to the entities in need of capital contingent on the severity of the market stresses
- Premium measures
- Cost measures
- De-risking of Market Risk
- De-risking of Underwriting Risk

Senior management has assessed the appropriateness, realism and availability of the measures and concluded the Future Management Actions to be fit for use in the case of the emergence of the combination of the underlying scenarios as described in the calculations of the LACDT.

C.6.4. SIGNIFICANT RISK CONCENTRATIONS WITHIN THE GROUP

The main exposure (value of the exposure) by counterparty and by type of exposure outside the scope of the re/insurance group. Significant exposure is exposure that supersedes a threshold of 10% of the SCR of Achmea €515 million (2019: €435 million).

SIGNIFICANT RISK CONCENTRATIONS

€ MILLION

COUNTERPARTY	TYPE	EXPOSURE
Coöperatieve Rabobank U.A.		8,149
	Assets – Bonds	13
	Assets – others	8,136
The Kingdom of The Netherlands		9,889
	Assets – Bonds	5,307
	Assets – others	4,582
Bundesrepublik Deutschland		1,467
	Assets – Bonds	1,467
Direction générale du Trésor		1,200
	Assets – Bonds	1,198
	Assets – Equity	2
Republik Österreich		516
	Assets – Bonds	515
	Assets – Equity	1
Total		21,221

The majority of our risk concentration is related to exposures in government bonds (the Netherlands and Germany) and our relationship with the Rabobank (mortgage saving products, distribution channel, and shareholder). For the mortgage saving insurance products, Achmea and the Rabobank agreed on so called Cession/retrocession and sub-participation contracts. The transactions ensured that policyholders of the mortgage saving insurance contracts are even better protected in adverse circumstances which would affect the Rabobank as a counterparty of Achmea Pensioen- en Levensverzekeringen N.V.

C.6.5. RISKS WITHIN THE CRD ENTITIES

Achmea Bank identifies the following types of material risks:

- Solvency risk: Solvency risk defines the risk that the Bank cannot meet maturing obligations because it has a negative net worth, causing the market to lose its confidence in the bank;
- Liquidity risk: Liquidity risk is defined as the risk that the bank fails to fulfil its short and long-term liabilities. This includes the risk that the bank is not able to attract funding with appropriate maturities or at appropriate interest rates and the risk that the bank fails to liquidate assets at a reasonable price or within a reasonable period of time;
- Credit risk: Credit risk is defined as the risk that a counterparty cannot (fully) meet its obligations to Achmea Bank and comprises retail credit risk and the credit risk related to exposures to professional counterparties;
- Interest rate risk on banking book: Interest rate risk is the present or future risk of a decline in equity or income due to changes in market interest rates;
- Operational risk: Operational risks are possible losses as a result of inadequate or defective internal processes and systems, inadequate or incorrect human actions or external events and fraud;
- Strategic risk: Strategic risk is defined as risk that affects an entity’s vital interests or execution of chosen strategy, whether imposed by external threats or arising from flawed or poorly implemented strategy.

C.7. ANY OTHER INFORMATION

Not applicable.

D. VALUATION FOR SOLVENCY PURPOSES

CONSOLIDATED ECONOMIC BALANCE SHEET

The following Economic Balance Sheet information represents the entire Achmea Group including the legal entities consolidated by means of the sectoral requirements (CRD/IORP). Where any of the disclosures consist of a different consolidation circle this will be highlighted.

For detailed Economic Balance Sheet information for each Dutch legal entity, please refer to the public Quantitative Reporting Templates (for hyperlinks, see appendix 1).

ECONOMIC BALANCE SHEET[8]

€ MILLION

ASSETS	2020	2019
Intangible assets	0	0
Deferred Tax Assets	607	397
Property, plant & equipment held for own use	466	472
Investments (excl. Index-Linked and Unit-Linked funds)	51,828	50,518
Assets held for Index-Linked and Unit-Linked funds	9,032	9,101
Loans and mortgages	10,030	8,852
Reinsurance recoverables	614	562
Deposits to cedants	5	5
Insurance and intermediaries receivables	2,466	2,819
Reinsurance receivables	5	3
Receivables	1,869	1,821
Own shares (held directly)	506	479
Cash and cash equivalents	1,014	737
Any other assets, not elsewhere shown	262	276
Total assets	78,705	76,042

ECONOMIC BALANCE SHEET

€ MILLION

LIABILITIES	2020	2019
Technical Provisions – Non-Life (excluding Health)	3,560	3,307
Technical Provisions - Health (similar to Non-Life)	4,479	4,754
Technical Provisions - Health (similar to Life)	2,895	2,912
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	38,208	38,000
Technical Provisions – Index-Linked and Unit-Linked	8,507	8,558
Provisions other than Technical Provisions	97	112
Pension benefit obligations	955	952
Deposits from reinsurers	1	2
Deferred Tax Liabilities	44	37
Derivatives	2,413	1,453
Debts owed to credit institutions	45	46
Financial liabilities other than debts owed to credit institutions	931	946
Insurance & intermediaries payables	1,218	1,198
Reinsurance payables	27	66
Payables (trade, not insurance)	423	288
Subordinated liabilities in Basic Own Funds	2,231	2,053
Any other liabilities, not elsewhere shown	3,391	2,445
Total liabilities	69,425	67,129
Excess of assets over liabilities	9,280	8,913

[8] Asset management is done in conformity with the sustainability statements such as no investments in carbon heavy and fossil fuel companies.

D.1. ASSETS

D.1.1. KEY ASSUMPTIONS USED BY ACHMEA

Discount rate for non-insurance assets and non-insurance liabilities

Achmea uses the zero curve in order to calculate the economic value of non-insurance assets and non-insurance liabilities. The curve used for Solvency II purposes equals the curve used for IFRS purposes.

Achmea will extrapolate after the last liquid point[9] by means of a constant 1-year forward and basing the zero rates on this forward rate.

D.1.2. INTANGIBLE ASSETS

Goodwill, deferred acquisition costs and intangible assets obtained by means of a business combination are valued at nil.

D.1.3. PROPERTY, PLANT AND EQUIPMENT HELD FOR OWN USE

"Property for own use" and "Equipment" are measured at their economic value. Achmea uses the values as reported in the IFRS Financial Statements as a proxy for the economic value. For more detailed information, Achmea refers to the Annual report of 2020[10].

"Equipment and lease" is measured at acquisition cost minus amortisation. Achmea assumes the amortisation amount to reflect the economic wear-down of the equipment in normal economic use.

PROPERTY, PLANT & EQUIPMENT FOR OWN USE

€ MILLION

	2020	2019
Equipment and lease	65	62
Property for own use	401	409
Closing balance	466	472

EQUIPMENT AND LEASE

%.

	2020	2019
The Netherlands	85	82
Greece	10	12
Turkey	2	4
Slovakia	3	2
Total	100	100

In the Netherlands "Equipment" has been recognised mainly in Ancillary Service Entities.

PROPERTY FOR OWN USE

%.

	2020	2019
The Netherlands	90	89
Greece	8	7
Turkey	1	3
Slovakia	1	1
Total	100	100

In the Netherlands, "Property for own use" has been recognised in Ancillary Service Entities, while in Turkey and Greece the "Property for Own use" is recognised in the insurance entity.

[9] The Last Liquid Point is 50 years for the discount rate applicable to cashflows nominated in euro.

[10] part 2 Year Report, note 15 Property for own use and equipment

D.1.4. INVESTMENTS

Achmea measures all investments at their economic value. The value is derived using the economic value hierarchy. Investments are either held directly or indirectly. Derivatives are shown for their net exposure including liabilities.

INVESTMENTS € MILLION

	PROPERTY (OTHER THAN FOR OWN USE)	HOLDINGS IN RELATED UNDERTAKINGS	EQUITIES	BONDS	COLLECTIVE INVESTMENTS UNDERTAKINGS
Closing Balance	973	1,059	1,178	29,126	1,077

INVESTMENTS € MILLION

	DERIVATIVES (INCL LIABILITIES.)	DEPOSITS	OTHER	TOTAL 2020	TOTAL 2019
Closing Balance	6,543	206	9,253	49,415	49,065

Investments have increased with €350 million mainly due to the effect of decreasing interest rates and tightening risk premiums on fixed income (including interest rate derivatives) (€1,423 million) and net derecognitions (€1,075 million).

The investments presented are recognised in the various insurance legal entities, Ancillary Service Entities and the Holding (excluding Intra-Group transactions). For an overview of the investments of the Dutch (re)insurance entities we refer to appendix 4.

D.1.4.1. PROPERTY (OTHER THAN FOR OWN USE)

Achmea uses the property values as reported in the IFRS financial statements as a proxy for the economic value, which is based on an independent revaluation carried out annually (or more frequently if market conditions are volatile). Investment property which is still under construction and land is measured at the economic value. However in the rare cases that the fair value cannot be established continuously for the investment property, Achmea measures the investment property at cost. For more detailed information Achmea refers to the Annual Report of 2020.

Most (99%) of the direct property instruments are located in the Netherlands. Indirect property relates to exposure in investment funds and can be located anywhere in the world.

The table below presents the actual exposure to property based on a look-through basis.

PROPERTY (OTHER THAN FOR OWN USE) € MILLION

	2020	2019
Total direct Property	973	1,104
Total indirect Property	261	206
Total Investment Property	1,234	1,310

Certain property investments funds or property participations which are subject to a leverage of more than 20% are not shocked as part of the Property Risk module, but are considered to resemble equity investments and shocked accordingly.

Investment property is mainly recognised within Achmea Pensioen- en Levensverzekeringen N.V. (€930 million) (2019: €1,199 million) and Achmea Interne Diensten N.V. (€36 million) (2019: €38 million).

D.1.4.2. HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

For Solvency II purposes Achmea identifies the following 3 types of participations:

1. Subsidiaries which are legal entities subject to the Capital Requirement Directive (CRD IV), Institutions for Occupational Retirement Provisions legislation (IORP) or similar prudential legislation.
2. Participations where Achmea holds voting rights of more than 20% and less than 50%.
3. Other subsidiaries under the control of Achmea but which are not insurance or reinsurance entities or Ancillary Service Entities.

On the Economic Balance Sheet all these entities are presented in the balance sheet item “Participations”, but in order to calculate their capital requirements these are treated differently.

The participations are classified as level 3 category in the valuation hierarchy. “Participations” classified in all but the first category are measured at their economic value using the economic value hierarchy. If no quoted price in an active market exists, the economic value will be derived by means of the “adjusted equity method” or net asset value. The balance sheet of the participation is measured at the economic value, and Achmea’s equity interest in the participation is then applied to derive the adjusted equity value. If Achmea is not able to derive the Economic Balance Sheet, it uses the net asset value as recognised under IFRS while zeroing goodwill and non-eligible intangible assets. The valuation of “Participations” in the first category is based on principles as laid down in the local sectoral prudential regimes.

In the solo entities, Achmea Pensioen- en Levensverzekeringen N.V., Achmea Schadeverzekeringen N.V. and Achmea Zorgverzekeringen N.V., investment exposures are managed in specific legal entities. On the statutory Balance Sheet these are presented as participations. In the Group Economic Balance Sheet these investment related entities are fully consolidated.

CRD/IORP/SIMILAR LEGAL ENTITIES (CATEGORY 1)

Achmea has control over the following entities which are governed by the CRD/CRR, IORP or similar (national) regime. The valuation of these entities is based on their sectoral valuation principles. Intra-Group transactions between the entity and Achmea are not eliminated in the consolidation in order to maintain the link with the disclosures made for prudential basis. This has no impact on the value of the Excess of Assets over Liabilities.

CRD IV / IORP / SIMILAR LEGISLATION

€ MILLION

	ASSET	LIABILITY	2020	2019
Syntrus Achmea Real Estate & Finance B.V.	70	24	46	45
Achmea Investment Management B.V.	63	17	46	41
Achmea Bank N.V.	13,854	13,001	853	834
Union Zdravotná Poist'ovňa A.S.	164	139	26	30
Total CRD IV/ IORP/ SIMILAR LEGISLATION			971	950

The CRD/IORP/Similar legal entities increased in value in 2020 due to an increase of the net asset value of these entities.

PARTICIPATIONS (CATEGORY 2)

Achmea has significant influence over the following entities.

PARTICIPATIONS

€ MILLION

	SHARE %	STRATEGIC	2020	2019
Life Sciences Partners II B.V.	30	N	5	3
Health Innovation Fund I B.V.	35	N	0	1
Zorgmatch B.V.	50	N	0	0
Grendel games B.V.	25	N	0	0
I-Cane Social Technology B.V.	40	N	n.a.	0
Laevo B.V.	28	N	0	0
Mofixx B.V.	45	N	0	0
Nextgen Ventures B.V.	25	N	1	1
On(t)roerend goed B.V.	25	N	0	0
PA Imaging Holding B.V.	31	N	0	0
Stroke2prevent B.V.	26	N	0	0
Money Market Insurance Brokers S.A.	48	Y	0	0
Megatrust Olympic Business Consultants	20	N	0	0
De Vereende N.V.	20	Y	5	0
Catventures Games B.V.	40	N	0	0
Verheijen Resins Beheer B.V.	30	N	0	0
Total Participations			13	7

Participations in which Achmea has significant influence increased in value for an amount of €6 million. This is mainly caused by De Vereende N.V. In 2020 Achmea bought a 20% share in De Vereende N.V. (€5 million). De Vereende is a party in the Dutch insurance market for the insurance of special risks and has a broad safety net function in the market.

OTHER SUBSIDIARIES (CATEGORY 3)

The participation is considered to be strategic if Achmea does not have the intention - based upon investment policy - to sell the participation in the near future, nor the market value showed less volatile movements compared to peer investments of the same risk type over the last years and the entities are included in the strategy of one or more insurance legal entities or Achmea Group.

Achmea has control over subsidiaries in the following countries.

OTHER SUBSIDIARIES

	2020	2019
Other subsidiaries in The Netherlands	61	47
Other subsidiaries in Ireland	3	3
Other subsidiaries in Greece	0	0
Other subsidiaries in Canada	11	11

In 2020 Other subsidiaries presented a total movement of €14 million mainly due to a takeover bid at the beginning of November 2020 on Kiadis Pharma, which is an underlying asset of Life Science Partner B.V. In 2020 Achmea bought a 50% share in InAdmin RiskCo.

D.1.4.3. EQUITY INVESTMENTS

Equity investments are valued at their economic value, using the economic value hierarchy. For those investment, where no quoted price in an active market exists, a valuation technique is used. The majority of listed equities are valued by their quoted prices (valuation hierarchy level 1), an amount of €7 million is reported as valuation hierarchy level 2 as a result of staleness of prices in the last month. Valuation of unlisted equities is based on the adjusted equity method. Changes in economic assumptions of the underlying investments result in changes in the net asset value of the investment fund. This valuation technique is classified under valuation hierarchy level 3 (an amount of €59 million). All investment property (both direct property and property in investment funds) are classified as fair value level 4. Within unlisted equities are also classified the ‘Stadsherstellen’, city restoration funds. These funds are valued using the acquisition price (valuation hierarchy level 4). This is deemed to be a good proxy for the economic value because additional value created by the fund is not forwarded to the shareholders.

The table below presents all financial instruments which are used as input to derive the capital requirement for Equity Risk. Achmea identifies the following categories:
1. equity investments directly held;
2. equity investments held within Collective Investment Undertakings which meet the criteria of the UCITS framework;
3. participations, where the main risk driver is equity;
4. equity derivatives, where the economic value is derived from its underlying assets which have an Equity type exposure;
5. other, which comprises equity investment funds which do not meet the criteria of the UCITS framework.

The values for equities listed and unlisted reconcile with the values in the Economic Balance Sheet. The other categories are part of the line items Collective Investment Undertakings, Participations, Other Subsidiaries and Other Investments in the Economic Balance Sheet.

EQUITY INVESTMENTS

€ MILLION

	2020	2019
Equities	1,178	1,341
Equities, listed	1,056	1,186
Equities, unlisted	122	155
Equities in Investment Funds	530	864
Equity Participations	88	18
Equity Derivatives	-18	-18
Other	586	654
Total Equity Investments	2,364	2,859

As a result of the Covid-19 crisis, Achmea temporarily sold part of the equity exposure. In 2020 Q4, Achmea started to re-risk the investment portfolio by buying equities. The re-risking exercise will continue in 2021 until the equity allocation of 2020 Q2 is reached. Some of the equity exposures are denominated in foreign currencies. The foreign currency exchange rate between the US dollar and euro deteriorated which reduced the value of those equity exposures. The asset management activities in accordance with the Investment Plan caused a net decrease of total equity exposures.

The comparative figures for 2019 for the items Equity in investments funds included Debt Funds for €270 million. For the Debt Funds the main risk driver is not equity. In 2020 exposure within the investment funds decreased with €334 million to €530 million.

Investments in equities (listed and unlisted) are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V. (€392 million), Achmea Zorgverzekeringen N.V. (€342 million), Achmea Schadeverzekeringen N.V. (€219 million), Achmea Reinsurance Company N.V. (€75 million), Achmea B.V. (€66 million), N.V. Hagelunie (€15 million) and Interamerican Greece (€11 million) and Eureko Sigorta A.S. (€1 million).

Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. also invested in the Achmea IM Global Defensive Equity Fund (€57 million).

The categories Equities in Investment funds, Equity participations, Equity derivatives and Other will be discussed in their respective paragraphs.

Achmea uses foreign exchanges contracts for its hedging strategy to minimise the net currency exposure. These developments are discussed in the 'Derivatives' section D.1.4.6.

D.1.4.4. BONDS

Bonds held by Achmea comprise three investment categories; government bonds, corporate bonds and collateralised securities. The majority of the bonds are valued using a quoted market price on debt markets (valuation hierarchy level 1). If no quoted price in an active market is available Achmea uses the last known traded price in the market (valuation hierarchy level 2). The last known traded price is received from the custodian (BNY Mellon), and checked with Bloomberg prices. If the deviation of the two prices is more than 3%, the delivered price of the custodian is challenged, and additional information is requested. Achmea challenges the received price, and contacts the concerning asset manager (M&G in the case of collateralised securities such as ABS, CMBS and RMBS), who use different pricing sources (Bloomberg, IDC and Markit). The detailed information on how the price has been derived, is judged by Achmea's department Balance Sheet Management. Based on this information, Achmea decides whether the price and fair value used is appropriate. If the assessment shows that the information does not yield an appropriate price, adjustments to price and market values are made.

The specification of the bond portfolio is as follows:

BONDS

€ MILLION

	2020	2019
Government Bonds and related exposures	13,262	13,712
Corporate Bonds (including convertibles)	15,576	14,127
Collateralised Securities	288	958
Total Bonds	29,126	28,797

The bonds portfolio increased with €329 million in 2020. The main reason for this consists of revaluation amounting to €736 million due to falling interest rates (10-year German state bonds -42 bps and 30-year -50 bps) and tightening credit spreads (corporate -1 bps, financials - 1 bps). The remainder mainly consisted of net derecognitions of €-366 million and negative foreign exchange results for €-42 million, mainly from positions in US dollar.

In accordance with the Investment Plan, a major shift has taken place from government bonds and collateralised securities to corporate bonds and mortgages.

Investments in bonds are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V. (€18,392 million), Achmea Schadeverzekeringen N.V. (€5,334 million), Achmea Zorgverzekeringen N.V. (€3,197 million), Achmea Reinsurance Company N.V. (€300 million), N.V. Hagelunie (€194 million), Achmea B.V. (€590 million), Interamerican (€732 million), Eureko Sigorta A.S. (€59 million) and Union Zdravotná Poist'ovňa A.S. (€80 million).

Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. have invested in the Achmea IM Green Bond Fund (€84 million) and Achmea IM Euro Corporate Bond Fund (€104 million). Achmea Pensioen- en Levensverzekeringen N.V., N.V. Hagelunie, Achmea Zorgverzekeringen N.V. and Achmea Reinsurance Company N.V. have invested in the Achmea IM Grondstoffen Fonds (€61 million).

D.1.4.5. COLLECTIVE INVESTMENT UNDERTAKINGS

When determining the capital requirements for Market Risk Achmea uses the "look-through approach" with respect to Collective Investment Undertakings (CIU's). In certain instances the look-through information is not readily available. In these instances Achmea will allocate the CIU to the investment classes as guided by the mandates. If the mandate does not provide sufficient information Achmea will apply the most onerous equity shock when calculating the capital requirement for Market Risk.

The table below presents the classification of CIU's to its respective type and is based on the classification in the List of assets QRT (S.06.02).

COLLECTIVE INVESTMENT UNDERTAKINGS

€ MILLION

	2020	2019
Equity Funds	433	517
Debt Funds	286	270
Asset Allocation Funds	11	13
Real Estate Funds	261	206
Alternative Funds	0	0
Private Equity Funds	54	59
Infrastructure Funds	24	0
Other	9	6
Total Investment Funds	1,077	1,070

In 2020, the exposure to Collective Investment Undertakings – which meet the UCIT criteria – is in line with the exposure at the end of 2019.

The largest exposure within equity funds is the Robeco QI Institutional Emerging Markets Enhanced Index Fund and has a market value of €341 million. This fund is listed and is therefore classified as level 1 in the valuation hierarchy. While stock prices change constantly whenever the markets are open, the net asset value of a mutual fund (which reflects the prices of whatever stocks it owns) is calculated only at the close of each business day. The main risk exposure is Equity Risk.

The debt funds and asset allocation funds are not daily quoted in an active market (valuation hierarchy level 2). The largest exposure is to M&G Active Euro Loan Fund (€284 million). The main risk exposure is Spread Risk.

The real estate funds (valuation hierarchy level 4) mainly comprise of several funds managed by SAREF (€239 million). The main exposure is Property Risk.

Private equity funds, where the underlying value is not quoted on a stock exchange (valuation hierarchy level 3) comprises mainly of LSP Health Economics Fund C.V., Robeco Feeder Responsible and Triodos SI O. Org. Growth Fund.

Collective Investment Undertakings are recognised within the legal entities Achmea Pensioen- en Levensverzekeringen N.V. for €545 million, Achmea Schadeverzekeringen N.V. for €287 million, Achmea Zorgverzekeringen N.V. for €155 million, Achmea Reinsurance Company N.V. for €53 million, N.V. Hagelunie for €24 million, Interamerican for €12 million and Union Poist'ovňa A.S. for €0.2 million.

D.1.4.6. DERIVATIVES

These instruments are valued at their economic value using the economic value hierarchy. Achmea holds derivatives for risk mitigation purposes.

The specification of the derivatives into the individual risk categories is as follows:

DERIVATIVES

€ MILLION

	2020		2019	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest Rate Derivatives	8,922	2,370	6,340	1,425
Currency Derivatives	33	24	21	11
Equity Derivatives	0	19	0	18
Credit Default Swaps	0	0	0	0
Other	1	0	0	-0
Total Derivatives	8,956	2,413	6,362	1,453

The derivative portfolio is mainly held by the Dutch legal entities and for a small amount by the Greek legal entities. The interest rate derivatives are mainly held by Achmea Pensioen- en Levensverzekeringen N.V. for €6,551 million which comprise plain vanilla interest rate swaps and swaptions. Net currency derivatives consists mainly of Stichting Achmea Zorgverzekeringen Beleggingen for €5 million, Achmea Pensioen- en Levensverzekeringen N.V. for €2 million and Achmea Schadeverzekeringen N.V. for €2 million. Net equity derivatives consist of Eureko Claims Centre B.V. for €-19 million. Currency derivatives and a large part of the interest derivatives are classified as valuation hierarchy level 2, since the valuation techniques are based on freely observable market inputs. Achmea also owns interest rate and equity futures, which are presented under interest rate derivatives and equity derivatives respectively and are classified as fair value level 1, since these futures have a quoted price in an active market.

In 2020, the total net amount of derivatives (excluding collateral) increased by an amount of €1,634 million. This is mainly visible in interest rate derivatives, where receiver interest rate swaps and receiver swaptions benefited from decreasing swap interest rates. Another positive effect on the market value is the derecognition of interest rate derivatives with a negative market value. This caused the net market value to increase in value. Currency derivatives experienced positive revaluations mainly due to a weaker US dollar (and GBP). Since the most of these contracts have a duration of three months, these positive revaluations are derecognised, causing a decrease in net market value.

Achmea both has pledged and received collateral amounting to €957 million and €24,524 million respectively. A breakdown of the assets pledged/received is presented in the following table.

COLLATERAL

€ MILLION

	PLEDGED		RECEIVED	
	2020	2019	2020	2019
Cash	15	9	2,893	2,060
Government Bonds	942	775	6,961	5,095
Corporate Bonds	0	0	39	57
Equity Investments	0	0	1,180	2,414
Property	0	0	13,451	13,739
Total Collateral	957	783	24,524	23,365

In 2020, the collateral received related to mortgages to individuals was 85% of the market value (execution value). This is presented on balance. In 2019 the market value was presented on balance.

Achmea and its counterparties received and pledged collateral as assurance for the values on interest rate swaps, swaptions, futures, security lending, reinsurance arrangements and loans and mortgages.

Achmea pledged €942 million in government bond securities. The pledged collateral consists of Achmea Pensioen- en Levensverzekeringen N.V. (€937 million) and Achmea Schadeverzekeringen N.V. (€5 million). Achmea pledged an on-balance cash collateral of €15 million. The pledged cash collateral consists of Achmea Pensioen- en Levensverzekeringen N.V. (€9 million), Achmea Schadeverzekeringen N.V. (€4 million) and Achmea Zorgverzekeringen N.V. (€2 million).

The on balance received cash collateral was €2,888 million within Achmea Pensioen- en Levensverzekeringen N.V. and €5 million off balance received cash collateral within Stichting Achmea Zorgverzekeringen Beleggingen by the end of 2020. The collateral received (granted claims on bonds in the portfolio of Achmea's counterparties) increased to €7,000 million (2019: €5,152 million). Main driver is the decrease in interest rates (for example long-term swap). As a result the market value of fixed-income securities (including swaps) increased. To mitigate Counterparty Default Risk, Achmea claims to receive more collateral (on and off balance) as assurance.

The received off-balance collateral can be divided in the received collateral for the loans, mortgages (€11,111 million), security lending programme (€4,311 million), over-the-counter derivatives (€3,824 million), Rabobank savings (€2,340 million), reinsurance arrangements (€42 million) and for Friesland Campina (€7 million). The received collateral mainly consisted of Achmea Pensioen- en Levensverzekeringen N.V. (€19,465 million), Achmea Schadeverzekeringen N.V. (€2,164 million) and Achmea Zorgverzekeringen N.V. (€6 million).

D.1.4.7. DEPOSITS (OTHER THAN CASH EQUIVALENTS)

These assets are fixed-income instruments where, given the short-term duration, the nominal value accumulated with accrued interest is deemed to be a good proxy for the economic value.

DEPOSITS - DURATION

€ MILLION

	2020	2019
Less than 1 month	122	198
Between 1 month and 3 months	67	85
Between 3 months and 1 year	16	90
More than 1 year	0	0
Other	0	468
Total Deposits	206	842

Achmea transfers the surplus on liquidities from insurance activities to short-term deposits. Therefore, the exposure to deposits can deviate largely throughout the year. Changes in the deposits portfolio are mainly recognised due to recognitions and derecognitions. A net amount of €626 million was derecognised in 2020. Furthermore, there was a decrease of €10 million caused by foreign exchange results from Turkish lira deposits within Eureko Sigorta A.S. portfolio.

The line item Other refers to a deposit (€468 million) which is part of a contract with a British life insurer. This contract was settled in 2020. Economic value changes in this deposit were reflected in the Technical Provisions Life with opposite figures, resulting in a negligible net result of the total insurance arrangement. Before settlement the deposits decreased in value due to the depreciation of the GBP against the euro.

Deposits are recognised within the legal entities Eureko Sigorta A.S. for €55 million, Achmea B.V. for €36 million, Zilveren Kruis Zorgverzekeringen N.V. for €35 million, Achmea Zorgverzekeringen N.V. for €27 million, Interamerican for €21 million, Achmea Schadeverzekeringen N.V. for €15 million, Achmea Australia for €15 million, Athinaiki Clinic for €1 million and Interassistance Road Assistance Services for €1 million.

D.1.4.8. OTHER INVESTMENTS

Some investments are not readily classified into one of the categories mentioned above. For these exposures Achmea uses the category “Other investments”.

OTHER INVESTMENTS

	2020	2019
Saving mortgage Rabobank U.A.	7,855	8,479
Saving mortgage Achmea Bank. N.V.	807	845
Saving Mortgage NIBC Bank N.V.	3	3
Saving mortgage ABN AMRO N.V.	1	4
	0	0
Non UCITS Investment Funds	586	654
Total Other Investments	9,253	9,986

Achmea classifies all savings related to mortgage products and investment funds which do not meet the UCITS criteria in the balance sheet item as “Other Investments”.

The “Saving mortgage” line items comprise the investment items (i.e. receivables) on the balance sheet related to “mortgage saving insurance products” and are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V. Due to legislation these products are not issued anymore. The amounts presented are linked with part of the Technical Provision. The nominal cash flows of the assets and liabilities offset each other.

Non-UCITS funds are recognised within the legal entities Achmea Pensioen- en Levensverzekeringen N.V. (€512 million) and Achmea Schadeverzekeringen N.V. (€60 million), Achmea Reinsurance Company N.V. (€13 million) and Achmea Zorgverzekeringen N.V. (€1 million).

Rabobank savings

At the end of December 2018, Achmea entered into a transaction with the Rabobank which removed the possible systemic risk related to Counterparty Default Risk. For the mortgage saving insurance products, Achmea and the Rabobank agreed on so called Cession/retrocession and sub-participation contracts. The transactions ensured that policyholders of the mortgage saving insurance contracts are even better protected in dire and adverse circumstances which would affect the Rabobank as a counterparty of Achmea.

These transactions have an impact on the valuation of the saving parts of these products and the related capital requirements. The value of the liabilities is calculated based on cash flows from prophet that are discounted with the EIOPA curve including VA, CRA and UFR. The assets are also valued using the same EIOPA curve, whereby a reduction is still applicable for expected credit losses. Achmea has been using the mark-to-model method for both Rabobank and Achmea Bank since 2018 Q4. This is a bottom-up method based on model-based surcharges and reductions for expected credit losses (expected loss) and reflection on the degree of marketability (illiquidity). The expected loss component in this approach is modelled as the product of the probability of bankruptcy (Probability of Default, PD) and the loss in the event of bankruptcy (Loss Given Default, LGD).

Achmea Bank savings

For Achmea Bank savings a so-called sub-participation contract was already in place. In 2019 Achmea and Achmea Bank agreed on so-called cession/retrocession contracts. The economic value of Achmea Bank N.V. savings has therefore been determined in a similar manner as used for the Rabobank savings.

D.1.5. ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

Investments backing linked liabilities comprise mainly of investments funding Unit-Linked life insurance policies and investments to cover obligations under policies where the benefits are index-linked (performance-linked contracts or “Gesepareerde Beleggings Depots” (GBD)). Investments presented under this category have the specific feature that the Market Risks associated with them are borne by Achmea. The assessment should be made against the host insurance contracts (without assessing any additional options and guarantees).

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

€ MILLION

	PROPERTY (OTHER THAN FOR OWN USE)	HOLDINGS IN RELATED UNDERTAKINGS	EQUITIES	BONDS	COLLECTIVE INVESTMENTS UNDERTAKINGS
Closing Balance	0	0	7,101	1,161	0

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

€ MILLION

	DERIVATIVES	DEPOSITS	LOANS & MORTGAGES	OTHER	TOTAL 2020	TOTAL 2019
Closing Balance	86	227	0	457	9,032	9,101

Exposure of assets held for Index-Linked and Unit-Linked funds have decreased with €69 million mainly to derecognition of €482 million. Positive revaluations of the AIM funds due to the effect of increasing stock markets and decreasing interest rates of the underlying equity and fixed income securities had an effect of €412 million.

ACHMEA PENSIOEN- EN LEVENSVERZEKERINGEN N.V.

€ MILLION.

	2020	2019
Achmea IM Funds management	7,215	7,324
GBD investments	1,143	1,079
Non UCITS equities	456	468
Closing balance	8,814	8,871

FOREIGN ENTITIES

€ MILLION.

	2020	2019
Equities	218	230
Closing balance	218	230

Interamerican Hellenic Life Insurance Company S.A. had in total investments in these categories for €208 million (2019: €221 million) and Union Poist'ovňa A.S. for €10 million (2019: €9 million), both invested in equities.

D.1.6. LOANS AND MORTGAGES

Loans and mortgages are valued at their economic value using the economic value hierarchy.

Valuation of the mortgage portfolio is based on an economic value determined using an exit price, which results in a market-based, rather than an entity-specific measurement. The mortgage loans are valued using a discounted cash flow model where the cash flows are determined per mortgage loan part and discounted using the relevant discount rate. The discount rate using the top down approach is based upon the relevant mortgage rates in the market and characteristics of the loan part (maturity, LTV, etc.). Several parameters are used in the mortgage loan portfolio valuation model. The following section contains a summary of these parameters:

- The discount rate is determined via the average of the top six primary market rates for each combination of loan to market value (i.e. the ratio of the mortgage loan balance and the market value of the property backing the mortgage loan), fixed rate period, amortisation type, and whether or not the loan is backed by NHG is determined by sorting the primary market rates for each combination in ascending order and by excluding action rates. The resulting rates are termed “processed market rates”.
- A downward adjustment of 10 bps (2019: 10 bps) is made to the processed market rates to account for the interest rate option – pipeline risk - that is priced into these primary market rates.
- A constant prepayment rate (CPR) of 3.89% (2019: 3.70%) is applied to account for the expected pre-payments.
- For non-NHG mortgage loan parts with a current loan to indexed market value above 106% there are no, or limited, primary market mortgage loan rates available. Therefore, for mortgage loan parts with a current loan to indexed market value (CILTMV) above 106% the interest rate charged to Dutch borrowers for unsecured personal loans is used for discounting the CILTMV part above 106%.
- Arears are distributed across 5 buckets and per bucket a probability of default is set (0-30 days: 7%, 30-60 days: 12%, 60-90 days: 25%, 90-120 days: 55%, >120 days: 100%). No indexation is applied for incomes and the NHG compliance ratio is set at 85%.

LOANS AND MORTGAGES

	2020	2019
Loans on policies	11	13
Loans and mortgages to individuals	8,575	7,924
Other Loans and Mortgages	1,445	916
Loans	1,445	916
Mortgages	0	0
Other	0	0
Total Loans and Mortgages	10,030	8,852

For an overview of the Loans and Mortgages of the Dutch (re)insurance entities we refer to appendix 4.

Achmea Pensioen- en Levensverzekeringen N.V. has €9,071 million of the €10,030 million in investments. This mainly consists of investments in loans and mortgages to individuals for €7,704 million and other loans for €1,371 million. The mortgage loans are included in “Investment Related Undertakings (IRU)” which are controlled by Achmea Pensioen- en Levensverzekeringen N.V. These IRU’s are Achmea Woninghypotheken I B.V. having invested €4,378 million and Achmea Woninghypotheken II B.V. having invested €2,923 million. Within Achmea Pensioen- en Levensverzekeringen N.V., a mortgage portfolio of €403 million is invested.

The Loans and Mortgages of Achmea Schadeverzekeringen N.V. consist of €871 million of Loans and Mortgages to individuals. The mortgage loans are included in Achmea Woninghypotheken III B.V. (IRU).

Eureko Claims Centre B.V. has investments in loans and mortgages of €57 million, Eureko Sigorta A.S. of €5 million Interamerican Greece of €12 million, Achmea Zorgverzekeringen N.V. of €7 million and Achmea B.V. of €2 million. Within other legal entities, the investments amount to €5 million in total.

The loans portfolio comprises mainly of the following components: senior real estate debt (€117 million, 2019: €171 million), “Waarborgfonds Sociale Woningbouw” (WSW) Loans (€1,171 million, 2019: €616 million), ECA loans (€80 million, 2019 €33 million and Other loans (€77 million, 2019: €96 million). WSW loans are investments in loans to housing associations guaranteed by WSW. Weighted average maturity date of the loans in WSW portfolio is May 2044. The senior real estate debt and WSW loans are mainly held by Achmea Pensioen- en Levensverzekeringen N.V.

Criteria for impairing a mortgage loan are: arrears greater than four months in combination with economic mortgage loan value lower than nominal value. These criteria were applied and no significant impairments were processed.

The discount rate within the mortgage portfolio decreased due to decreased interest rates. The weighted average coupon rate also decreased due to lower interest rates on new production. Adjustment of the constant repayment rate to 3.89% (until Q3 2020: 3.70%).

LOANS TO VALUE

€ MILLION

	2020	2019
< 80%	7,137	6,274
80% - 100%	1,416	1,605
> 100%	22	45
Total	8,575	7,924

The loan to value (LTV) ratio expresses the ratio of a loan to the value of an asset purchased. The higher the ratio, the riskier the loan is for Achmea. In the table above only mortgage loans are included.

D.1.7. DEPOSITS TO CEDANTS

These instruments are valued at economic value using the economic value hierarchy. These assets are not rated and are valued using a “discounted cash flow” method using the discount rate for non-insurance assets and liabilities. This discount rate is adjusted with a credit spread based on either market observable information or prior published solvency ratios.

The deposits to cedants consists of Achmea Reinsurance Company N.V. and Achmea Schadeverzekeringen N.V.

D.1.8. RECEIVABLES

“Receivables” are measured at economic value including the adjustment for expected default of the counterparty.

“Receivables from direct insurance (policyholder receivables)” which are not due are not included in Receivables as they are still included in the Best Estimate cash flows of the insurance obligations.

Under “Other” Achmea has included cash provided to counterparties as “cash collateral”. These assets are not directly on demand for Achmea.

RECEIVABLES

€ MILLION

	2020	2019
Receivables from direct insurance	365	433
Receivables from salvage and subrogation	0	0
Contribution from Dutch health insurance fund	2,146	2,386
Receivables on reinsurance	5	3
Investment receivables	74	77
Prepayments to healthcare providers	982	994
Receivables from healthcare providers	595	572
Other	175	177
Total	4,341	4,643

Receivables are recognised within all legal entities. For the main contribution to the receivables we refer to appendix 4.

The contribution from the Dutch Health Insurance Fund includes the current account of Zorginsitituut Nederland (ZIN). The current account ZIN mainly exists of the ex-ante budget contribution to be received from ZIN and the claims in relation to ZIN. The balance of these two items mainly concerns a timing difference: ZIN pays the budget spread over 24 months, while Achmea Zorgverzekeringen N.V. processes this in 12 months in the result and current financial account. With this chosen payment frequency ZIN aims to follow the actual claims declaration flow.

Following the Solvency II principles, receivables are in principle discounted, using the discount rate for non-insurance assets and liabilities. However, receivables with a payment term less than three months are not discounted (proportionality reasons). If discounting is more material, Achmea will apply a discounting. This concerns the prepayments to hospitals, to mental healthcare institutions and other healthcare providers.

The paid amounts above contractual agreements with healthcare providers are presented as part of the receivables. These receivables are discounted with a duration that has been set at 3 years from the year in which the claim arose.

In case of a negative net position, where the prepayments exceeds the amount of work in progress, the prepayments should not only be discounted with the risk free curve for the non-insurance assets, but a surcharge is calculated. The related prepayments are discounted with the risk free curve for the non-insurance assets and a surcharge reflecting the adjustment for expected defaults is added.

“Other receivables” are expected to be recovered within 3 months after reporting date. The current carrying amount is a reasonable approximation of the economic value.

Please note that the “Reinsurance recoverables” are described as part of the “Technical Provisions”.

D.1.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash, bank balances and call deposits. This asset category is valued at the nominal amounts.

Cash provided as “Cash collateral” is not included as part of “Cash and cash equivalents” but is included as “Other receivables”.

CASH AND CASH EQUIVALENTS

€ MILLION

	2020	2019
Cash and bank balances	1,014	737
Call deposits	0	0
Total	1,014	737

Cash and cash equivalents are mainly held with counterparties with an A / AA rating.

D.1.10. OWN SHARES

The valuation of the "Own Shares" will be based on the economic value using the valuation hierarchy. For the shares of Achmea no quoted price in an active market is available.

Achmea has two types of shares: ordinary shares and preference shares.

Ordinary shares

Achmea will use the net adjusted equity value as the basis for the valuation of the "Own shares". The adjusted equity value following the consolidated Balance Sheet from Achmea will be the basis (excluding subordinated liabilities). This basis will be recalculated to resemble 100% of the shares. Achmea's holding of the own shares will then be calculated. In this calculation, the economic value of the preference shares should be subtracted.

Preference shares

For the preference shares, Achmea will discount the expected dividend payments over the perpetual lifetime of the preference shares. The discount rate will be based on the swap curve adjusted with a relevant spread reflecting the risk of Achmea.

D.1.11. ANY OTHER ASSETS

All other asset balance sheet entries are presented under this heading. This includes "Prepayments" (not related to "Investments" or "Investment property").

"Other assets" are measured at economic value. Achmea considers the value as presented in the IFRS Financial Statements to be a good proxy for this economic value.

ANY OTHER ASSETS

€ MILLION

	2020	2019
Prepayments and accrued income	257	270
Other assets	5	7
Total	**262**	**276**

"Prepayments and accrued income" includes accrued commission costs. The term is less than one year.

"Any other assets" are recognised within all legal entities. For the main contribution to "Any other assets" we refer to appendix 4.

D.2. TECHNICAL PROVISIONS

PARAMETERS SET BY EIOPA AND KEY ASSUMPTIONS USED BY ACHMEA

Basic risk-free interest rate term structure

When determining the Best Estimate of the (re-)insurance liabilities Achmea has to use the risk-free interest rate (RFR) as endorsed by the European Commission in an Implementing Act. This RFR is based on information as provided by EIOPA.

Achmea uses the following RFR:

RISK FREE INTEREST RATE

CURRENCY	CURVE	CREDIT RISK ADJUSTMENT	LAST LIQUID POINT	CONVERGENCE POINT	ULTIMATE FORWARD RATE
Euro	Swap	10 bps	20	60	3.75%
TLira	Swap	35 bps	9	60	5.50%
US Dollar	Swap	17 bps	50	90	3.75%
UK Pound	Swap	11 bps	50	90	3.75%

The methodology for deriving the basic risk-free interest rate 2020 and the underlying assumptions have not changed compared with year-end 2019. The Credit Risk Adjustment above is the one as determined by EIOPA at year-end 2020. One of the major underlying assumptions is the use of the Ultimate Forward Rate. Currently, an Ultimate Forward rate of 3.75% is used (2019: 3.90%).

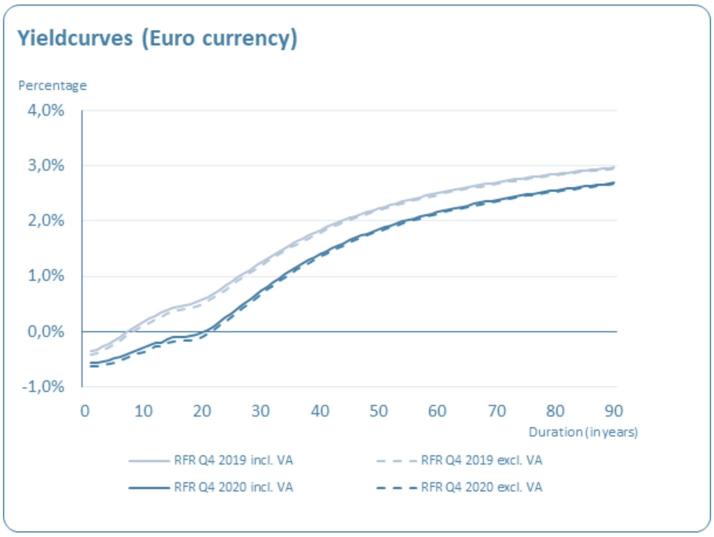
Volatility adjustment

Achmea uses the VA when determining the Best Estimate of several insurance portfolios stemming from underlying legal entities. The VA adjusts the risk-free interest rate used by Achmea.

Insurance entities within Achmea apply the VA. However, based on the proportionality principle or the duration of the insurance liabilities an insurance entity can opt not to apply the VA.

The VA for the euro at year-end was determined by EIOPA at 7 bps (2019: 7 bps).

Graphically the following discount rates were used for in euro denominated Technical Provisions and directly related assets:



Risk Margin

The Risk Margin of the individual entities within Achmea is calculated by determining the cost of providing an amount of EOF equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of EOF is called Cost-of-Capital rate. This rate is set at 6% by EIOPA. Within the individual entities the projection of the SCR is based on the “approximation approach”. For this purpose the entities use appropriate risk drivers like future Best Estimates or premiums.

The Capital Requirement is calculated based on the relevant yield curve excluding VA. The Risk Margin of Achmea Group is equal to the sum of the Risk Margin of the individual legal entities before elimination of the intercompany positions.

BUSINESS SPECIFIC PARAMETERS AND ASSUMPTIONS USED

BEST ESTIMATE

Contract boundary

The contract boundary represents the end of the insurance contract based on an economic perspective. The contract boundary is that point in time where a changed risk profile of the insurance contracts can result in a change in premiums or benefits payable to the policyholder.

- Health insurance contracts
  For the Dutch health insurance contracts, valued according to Non-Life actuarial techniques (NSLT), the contract boundary has been determined to be one year. Within the Health policies in Turkey the contract boundary is equal to the contractual end-date. For the Dutch health contracts which are valued according to SLT techniques (SLT) the contract boundary is in general one year. The contract boundary for insurance contracts where the legal term exceeds one year is generally the legal term except in the case Achmea has an unlimited ability to change the premium and conditions during the contract term. In that case the contract boundary is limited to one year.

- Non-life insurance contracts
  For the Non-Life insurance contracts including SLT Health the majority of the contracts have a contract boundary of one year, besides a few specific exceptions in the Netherlands, for those insurance contracts the contractual maturity is used as contract boundary. The covers bundled with Motor policies in Greece have a clearly described duration. There are no commitments to extend the policy at a certain price. Within Marine (transportation) policies in Turkey single shipment policies insure a single shipment for the time shipment takes and the contract bound-is assumed to be three months.

- Life insurance contracts
  In general the contract maturity is used as contract boundary. For group contracts in the Netherlands the contract boundary restraint is used. Only the premiums till the end of contract date are taken into account in the calculations of the liabilities. Riders attached to the Life insurance host contract have generally the same duration as the host life insurance contract. For the Dutch mortgage saving life insurance product (“spaarhypotheken”) the contract boundary will be derived by the terms and conditions as embedded in the contracts. The interest rate review period has no effect on the specific contract boundary.

- Unit-linked contracts
  In general the contract maturity is used as contract boundary.

Life insurance and SLT health insurance: mortality tables

- The Netherlands
  For mortality / morbidity within Achmea Pensioen- en Levensverzekeringen N.V. the assumptions combine an assumption for general population mortality (AG2020 as published by the Dutch Royal Actuarial Association in September 2020) with an assumption for experience rate mortality to allow for different mortality in our own portfolio.
  For all products the assumption for mortality experience rates are derived from the observations in our own portfolio.

  Within Achmea Schadeverzekeringen N.V. the provision for periodic claim payments AOV, WIA and WAO is calculated on a case-by-case based cash-flow method using mortality and recovery probabilities. For the WIA recovery probabilities and transition rates between WIA regimes the ‘Verbondsmodel 2019’ is used, where the level of the rates is calibrated based on experience data of Achmea. The AOV recovery probabilities are entirely calibrated on experience data of Achmea.

- Greece
  In Greece the mortality Best Estimate assumptions are derived by an investigation carried out separately for males and females for all ages, and for protection and saving business. The assumption is expressed as a percentage of the GR2005 tables. The mortality Best Estimate assumptions for Traditional and UL Individual business are derived by an investigation carried out for the period 2001-2019. For Group business, the investigation has been carried out for the period 2006-2019.

- Slovakia
  On a regular basis Slovakia performs a mortality analysis by comparing the expected mortality (based on the Slovak population mortality rates 1990-1994 or 1995-2003 depending on specific products) and the actual mortality. The experienced mortality remained stable on 25% in 2020 (2019: 25%).

Expense assumptions

- The Netherlands
  The basis for the expense assumptions of Achmea Pensioen- en Levensverzekeringen N.V. is the business plan for the period 2020-2023. The business plan was approved by the Board. The expense level of 2023 is the basis for the expense projection after the year 2023 for both Life and Pension products. An inflation curve is used. The investment expenses are calculated as the value of 6.8 basis points per year over the Best Estimate liabilities and the Risk Margin.

  The Best Estimate provision for claim handling expenses of Achmea Schadeverzekeringen N.V. is determined on the basis of the paid-to-paid methodology. This implies that the incurred claims handling per calendar year is expressed as a percentage of the claim payments. These are then multiplied by the provision for periodic claim payments.

- Greece
  The expenses used are based on the endorsed budget 2021, allowing for future cost inflation.

- Slovakia
  Expenses are split into: back office and front office, where front office expenses (acquisition costs) are treated as initial costs and back office expenses (administration costs) as renewal costs. In 2020 the expense assumptions decreased for segment Traditional savings. The expense assumptions for segment Risk, Unit Linked, All non-annuity business and Annuities increased. The expense inflation increased (2020: 3.37%; 2019: 3.31%).

- Turkey
  The expenses are allocated to distribution channels, products and lines of business based on predefined allocation keys. The allocation keys per expense type are determined based on an allocation study. The allocation of the expenses are carried out on a quarterly basis.

Lapse assumptions

- The Netherlands
  The lapse assumptions used by Achmea Pensioen- en Levensverzekeringen N.V. are based on a yearly lapse investigation, which is carried out for the life products and for the pension products. The Lapse research is done on portfolio level. A distinction has been made between surrender, lapse and paid up. No relevant assumptions have been made about policyholder behaviour within Achmea Zorgverzekeringen N.V. Every policyholder (and Achmea Zorgverzekeringen N.V.) is basically bound by its contract until year-end. The exceptions (e.g. due to death or movement to a foreign country) lead to a lapse that is negligible.

- Greece
  The lapse assumptions are determined by taking into account the previous years' experience and the management expectations according to the latest business plan. The most recent lapse study is used (31 October 2020). The assumptions are determined per homogeneous risk group or per product where appropriate.

- Slovakia
  Union calculates lapse rates on a quarterly basis. Calculation is segmented into contract type - frequency of premium - distribution channel combination. Lapse rates in a first, second and third policy year are based respectively on the last 4, 5 and 6 years' experience. For all other policy years (4+) all historical data are used. Single premium contracts have an exception due to low volume. All historical data is used also for a 1st to 3rd policy year and for other policy years there is just one lapse rate calculated; it is a weighted average of lapse rates in remaining years (4+). This is to avoid high fluctuation in higher policy years.

- Turkey
  The lapse assumptions are based on the annual business plan and the previous year's lapse experience included in the data cube of the Finance Department.

D.2.1. TECHNICAL PROVISIONS ACHMEA GROUP

In the following table the gross Technical Provisions of Achmea Group are presented, including a specification to the several entities within the Group. The gross Technical Provisions are excluding intercompany positions with the exception of the Risk Margin.

TECHNICAL PROVISIONS ACHMEA GROUP (EXCLUDING INTERCOMPANY)

€ MILLION

	BEST ESTIMATE	RISK MARGIN	GROSS TECHNICAL PROVISIONS	REINSURANCE	GROSS TECHNICAL PROVISIONS EXCLUDING REINSURANCE
Achmea Pensioen- en Levensverzekeringen N.V.	44,307	1,827	46,134	96	46,038
Achmea Schadeverzekeringen N.V.	5,851	154	6,005	156	5,849
N.V. Hagelunie	40	3	43	0	43
Achmea Reinsurance Company N.V.	105	33	139	169	-31
Achmea Zorgverzekeringen N.V.	73	14	87	0	87
Zilveren Kruis Zorgverzekeringen N.V.	3,151	109	3,260	0	3,260
FBTO Zorgverzekeringen N.V.	184	6	191	0	191
Interpolis Zorgverzekeringen N.V.	130	5	135	0	135
De Friesland Zorgverzekeraar N.V.	389	15	404	0	404
Union Poist'ovňa A.S.	99	5	104	3	101
Eureko Sigorta A.S.	225	26	251	164	87
Interamerican Hellenic Life Insurance Company S.A.	602	28	630	0	630
Interamerican Assistance General Insurance Company S.A.	4	1	5	0	5
Interamerican Property & Casualty Insurance Company S.A.	242	20	262	25	237
Total	55,401	2,247	57,648	614	57,034

D.2.2. TECHNICAL PROVISIONS NON-LIFE (EXCLUDING HEALTH)

A specification of the Technical Provisions into the several segments is as follows:

TECHNICAL PROVISIONS – NON-LIFE (EXCL. HEALTH)

€ MILLION

	2020	2019	Δ
Best Estimate	3,385	3,145	240
Risk Margin	175	162	13
Total Gross Technical Provisions	3,560	3,307	253

BEST ESTIMATE NON-LIFE (EXCL. HEALTH)

€ MILLION

	2020	2019	Δ
Gross Best Estimate premium provision	338	320	18
Gross Best Estimate claim provision	3,047	2,825	222
Total Best Estimate Non-Life	3,385	3,145	240

The increase in the Best Estimate is mainly due to developments within Achmea Schadeverzekeringen N.V. (€263 million) and Interamerican Property & Casualty Insurance Company S.A. (€-18 million). The increase within Achmea Schadeverzekeringen N.V. is due to an increase in premium provision by €20 million in 2020 due to less profitable business. This concerns all lines of business except for Motor TPL. The claim provision increased by €243 million mainly in the lines of business Motor and General TPL due to an increase in the bodily injury claim provisions and Fire due to large claims, weather related claims and an additional provision for home insurance. For the home insurance portfolio the increase in the claims provisions was mitigated by decreased burglaries and mobility claims as a result of Covid-19. The increase in claim provisions for bodily injuries is based on several reserving studies and was effected by the decreased yield curve. Especially the long-tail claims such as bodily injury are interest-sensitive. The decrease within Interamerican Property & Casualty Insurance Company S.A. is mainly caused by the implementation of a model change for the calculation of the cash flows and due to the impact of updated claims experience. Within Eureko Sigorta A.S. casco reserves were lower due to Covid-19.

The increase in Risk Margin is caused by Achmea Schadeverzekeringen N.V. (€11 million), Achmea Reinsurance Company N.V. (€6 million), Eureko Sigorta A.S. (€-2 million) and Interamerican Property & Casualty Insurance Company S.A. (€-2 million) in line with the underlying risks. The Risk Margin increased by €2 million due to the decreased yield curve.

D.2.3. TECHNICAL PROVISIONS HEALTH NSLT

TECHNICAL PROVISIONS – HEALTH (NSLT)

€ MILLION

	2020	2019	Δ
Best Estimate	4,318	4,575	-257
Risk Margin	161	179	-18
Total Gross Technical Provisions	4,479	4,754	-275

BEST ESTIMATE HEALTH NLST

€ MILLION

	2020	2019	Δ
Gross Best estimate Premium provision	781	658	124
Gross Claim provision	3,537	3,918	-381
Total Best Estimate Health NSLT	4,318	4,575	-257

The Best Estimate premium provision consists mainly of the amount of premium paid in advance and the expected result for the coming period of the Dutch Health insurance entities. Ultimo 2019 there was an expected future profit for accident year 2020. Ultimo 2020 there is an expected future loss for accident year 2021, explaining an increase of the premium provision. The amount of premiums paid in advance decreased from FYR 2019 to FYR 2020, explaining a decrease of the premium provision. The remaining impact is due to the expected improved margin in the Dutch absenteeism portfolio. This margin is included in the premium provision for the bounded contracts and leads to a decrease of the premium provision.

The Best Estimate claim provision decreased mainly caused by developments in the Best Estimate claim provision within the Dutch Health insurance entities (€-390 million). The decrease is mainly caused by the expected contribution for the Covid-19 costs paid by the health equalisation fund and its expected redistribution among health insurers. Also the payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been.

The remaining development in claim provision is caused by an increase within Achmea Schadeverzekeringen N.V. (€3 million) and Achmea Reinsurance Company N.V. (€4 million). The increase within Achmea Schadeverzekeringen N.V. is mainly caused by a lower discount rate. Especially the bodily injury claims are interest-sensitive. The expected claims related to the absenteeism portfolio is caused by the Covid-19 pandemic as there is a higher level and longer duration of absenteeism. The higher than expected claims relating to the absenteeism portfolio and also bodily injury claims are almost totally compensated by the re-assessment of Best Estimate claim provision of the accident portfolio. The increase in 2020 within Achmea Reinsurance Company N.V. is mainly due to new contracts, causing the Best Estimate to increase. Within Eureko Sigorta A.S. health reserves were lower due to Covid-19.

The Risk Margin decreased in 2020 due to the decrease within the Dutch Health insurance entities by €15 million and Achmea Schadeverzekeringen N.V. by €3 million. The main drivers of the decrease within the Dutch Health insurance entities is the decrease of the capital requirement for Health Underwriting Risk (€1 million) and the decrease of the Best Estimate Health NSLT (€14 million). The decrease within Achmea Schadeverzekeringen N.V. by €3 million is due to the decrease in the underlying capital requirements.

D.2.4. TECHNICAL PROVISIONS HEALTH SLT

TECHNICAL PROVISIONS – HEALTH (SLT)

€ MILLION

	2020	2019	Δ
Best Estimate	2,833	2,852	-19
Risk Margin	61	60	1
Total Gross Technical Provisions	2,895	2,912	-17

The Best Estimate Health SLT of Achmea Group decreased due to lower provisions of the “AOV” and other WIA products where the outflow was better than expected. The intensive case management of Achmea Schadeverzekeringen N.V. led to a 35% higher chance of recovery and 40% more partial recovery than at the UWV. Within Interamerican Hellenic Life Insurance Company S.A. the morbidity assumptions for the health product and for the Waver of Product are updated.

The Risk Margin increased due to Interamerican Hellenic Life Insurance Company S.A. in line with the increase in the underlying capital requirements.

D.2.5. TECHNICAL PROVISIONS LIFE

TECHNICAL PROVISIONS – LIFE (EXCL. HEALTH AND UNIT-LINKED) € MILLION

	2020	2019	Δ
Best Estimate	36,412	36,463	-51
Risk Margin	1,795	1,538	257
Total Gross Technical Provisions	38,208	38,001	207

The impact of the change in the economic assumptions was an increase of the Technical Provisions of €2,578 million. This includes the unwinding of discount, the decrease in yield curve, the adjustment of the UFR from 3.90% to 3.75% and the changes in volatilities, which has an impact on the Time Value of Options and Guarantees.

Change in non-economic assumptions had an effect of €-333 million and include changes in mortality, lapse, expense and investment expense assumptions. The change is mainly in the portfolio of Achmea Pensioen- en Levensverzekeringen N.V.

The Best Estimate decreased by an amount of €15 million due to model changes. The remaining impact (€-2,281 million) is mainly the impact of (closed) book (portfolio) developments and the addition of new business.

The Risk Margin for the traditional Life portfolio increased and was mainly caused by developments within Achmea Pensioen- en Levensverzekeringen N.V. (€257 million), Interamerican Hellenic Life Insurance Company S.A. (€2 million) and Achmea Reinsurance Company N.V. (€-1 million). The increase is mainly due to the decrease of the yield curve, partly compensated by the impact of the closed book portfolio.

D.2.6. REINSURANCE RECOVERABLES

D.2.6.1. REINSURANCE RECOVERABLES NON-LIFE (EXCLUDING HEALTH)

REINSURANCE RECOVERABLES – NON-LIFE (EXCL. HEALTH) € MILLION

	2020	2019	Δ
Recoverables reinsurance premium provision	79	75	4
Recoverables reinsurance claim provision	221	212	9
Total reinsurance recoverables Non-Life	300	287	14

The increase is mainly due to the change of the yield curve and several events in 2020 with regards to incoming business causing the Reinsurance Recoverables to increase.

D.2.6.2. REINSURANCE RECOVERABLES HEALTH (NSLT)

REINSURANCE RECOVERABLES HEALTH NLST € MILLION

	2020	2019	Δ
Recoverables reinsurance Premium provision	0	0	0
Recoverables reinsurance Claim provision	1	1	0
Total reinsurance recoverables Health NSLT	1	2	0

D.2.6.3. REINSURANCE RECOVERABLES - HEALTH (SLT)

REINSURANCE RECOVERABLES HEALTH SLT € MILLION

	2020	2019
Closing Balance	145	106

The increase is mainly caused by the increased impact of the WGA/WIA contract.

D.2.6.4. REINSURANCE RECOVERABLES - LIFE (EXCLUDING INDEX- AND UNIT-LINKED)

REINSURANCE RECOVERABLES LIFE (EXCL. HEALTH AND UNIT-LINKED)

€ MILLION

	2020	2019
Closing Balance	167	167

D.2.7. TECHNICAL PROVISIONS EXCLUDING THE VOLATILITY ADJUSTMENT

Achmea Group applies the VA when determining the Best Estimate of the insurance contracts. For the Technical Provisions of the following legal entities the VA is not applied:

- The Dutch health insurance entities;
- Achmea Reinsurance Company;
- Interamerican Assistance General Insurance Company;
- Eureko Sigorta A.S.

The Solvency II Regulation does not allow the VA to be applied in Turkey. Ultimo 2020 a VA of 7 bps (2019: 7 bps) has been applied.

Not applying the VA results in a higher Best Estimate due to a higher present value of cash flows, especially in the case of the long-tail liabilities (Life excluding Index-Linked and Unit-Linked). The VA is not applied when determining the Risk Margin.

IMPACT OF VOLATILITY ADJUSTMENT ON TECHNICAL PROVISIONS (GROSS)

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Technical Provisions (gross)	57,648	57,970	-321
Technical Provisions - Non-Life (excluding Health)	3,560	3,568	-8
Technical Provisions - Health (similar to Non-Life)	4,479	4,479	-1
Technical Provisions - Health (similar to Life)	2,895	2,909	-15
Technical Provisions - Life (excluding Health and Index-Linked and Unit-Linked)	38,208	38,501	-293
Technical Provisions - Index-Linked and Unit-Linked	8,507	8,512	-5

IMPACT OF VOLATILITY ADJUSTMENT ON RECOVERABLES FROM REINSURANCE

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Recoverables from Reinsurance	614	616	-2
Technical Provisions - Non-Life (excluding Health)	300	301	0
Technical Provisions - Health (similar to Non-Life)	1	1	0
Technical Provisions - Health (similar to Life)	145	147	-1
Technical Provisions - Life (excluding Health and Index-Linked and Unit-Linked)	167	167	0
Technical Provisions - Index-Linked and Unit-Linked	0	0	0

IMPACT OF VOLATILITY ADJUSTMENT ON TECHNICAL PROVISIONS MINUS RECOVERABLES FROM REINSURANCE

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Technical Provisions minus Recoverables from Reinsurance	57,034	57,354	-320
Technical Provisions - Non-life (excluding Health)	3,260	3,267	-8
Technical Provisions - Health (similar to Non-Life)	4,477	4,478	-1
Technical Provisions - Health (similar to Life)	2,749	2,763	-13
Technical Provisions - Life (excluding Health and Index-Linked and Unit-Linked)	38,041	38,334	-293
Technical Provisions - Index-Linked and Unit-Linked	8,507	8,512	-5

D.3. OTHER LIABILITIES

D.3.1. TECHNICAL PROVISIONS - INDEX-LINKED AND UNIT-LINKED

TECHNICAL PROVISIONS – UNIT- AND INDEX-LINKED

€ MILLION

	2020	2019	Δ
Best Estimate	8,452	8,506	-54
Risk Margin	55	52	3
Total Gross Technical Provisions	8,507	8,558	-51

The change of the yield curve had an effect of €15 million on the Unit-Linked portfolio. The yield curve only affects the future profits.

The impact of changes in assumptions for mortality, lapse, expense and investment expenses was €14 million on the Best Estimate. The remaining impact is mainly caused by the (closed book) portfolio developments and the change in the value of the Unit-Linked funds.

The Risk Margin for the Unit-Linked portfolio increased due to developments within Achmea Pensioen- en Levensverzekeringen N.V. in line with the variance analysis on the Best Estimate.

D.3.2. PROVISIONS OTHER THAN TECHNICAL PROVISIONS

The recognised “Other provisions” does resemble the ”Other provisions” as described in the IFRS Financial Statements of Achmea. The values are the same and based on the present value. Achmea did not discount the “Other Provisions” which are deemed to be current. See for more details the IFRS Financial Statements of Achmea[11].

OTHER PROVISIONS

€ MILLION

	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPOYMENT BENEFITS)	OTHER	2020	2019
Opening balance	47	11	0	37	17	112	200
Closing balance	25	14	0	41	18	97	112

For the contribution to the Other provisions we refer to appendix 4.

D.3.3. CONTINGENT LIABILITIES

The following non-material contingent liabilities are identified:

- Achmea B.V. and companies forming part of Achmea are involved in lawsuits and arbitration proceedings. These proceedings relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Although it is not possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcomes of the actions will have a material, negative impact on the financial position of Achmea B.V.
- Achmea B.V. has issued guarantees on behalf of subsidiaries that relate to the activities of these subsidiaries, carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Achmea B.V. also issued guarantees and indemnities for third parties under sales transactions.
- The Netherlands-based insurance companies of Achmea provided the ‘Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.’ with guarantees to a maximum of €39 million (2019: €41 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks related to terrorism. In 2020 no terrorism claims incurred, therefore no liabilities are present to be recognised.
- Achmea provides mortgage loans for its own account and for the account and risk of its clients (pension funds). In this capacity Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers Achmea is obliged to provide

[11] part 2 Year Report, note 19 Other Provisions

mortgage loans in the amount of €717 million (2019: €645 million). This commitment is offset by a received guarantee of €143 million (2019: €155 million).
- Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parent of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities. The possible maximum exposure of this indemnity has been estimated be nil (2019: €14 million). The probability of occurrence of the triggering event is also nil.
- Achmea B.V. has given guarantees that the liquidity and solvency of three subsidiaries will be sufficient to continue their operations (Achmea Investment Management B.V., Achmea Pensioenservices N.V., SAREF). We note that the probability of occurrence of the triggering event is near nil.
- Achmea B.V. has issued guarantees that two subsidiaries will fulfil their contractual payment obligations (Achmea Investment Management B.V., Achmea Pensioenservices N.V.).
- Autoriteit Financiële Markten (AFM) has set an indemnity for Stichting PFV Particuliere hypothekenfonds as a condition of being both a provider of mortgage loans and a custodian of an Alternative Investment Fund (AIF). Normally, an AIF custodian may not have other roles / activities than being the legal owner of the assets, in this case, mortgage receivables. This is in order not to expose the custodian’s task to additional risks. Because these tasks cannot be separated in the case of this fund, AFM has set this condition. The consequence is that the indemnity given by SAREF must be maintained until the moment the fund is liquidated or Stichting PFV Particuliere hypothekenfonds is no longer a custodian or the law is amended on that point.
- Achmea B.V. issued guarantees as mentioned in Section 403 of Book 2 of the Dutch Civil Code, in respect of two investment companies within the group.
- Frexit Holding B.V. and Inshared Holding B.V. issued guarantees as mentioned in Section 403 of Book 2 of the Dutch Civil Code, in respect of 7 companies within the group (Frexit Assurandeuren B.V., Frexit Assurantiën B.V., respectively H.I. Services B.V., Inshared Nederland B.V., Inshared Services B.V., Legal Shared B.V. and Online Claims Services B.V.).
- Achmea B.V. has taken out directors’ liability insurance for Executive Board and Supervisory Board members of Achmea B.V. and its subsidiaries. Some board members are also indemnified against financial loss based on third-party claims, under certain conditions, insofar as this loss exceeds the insured cover.

The abovementioned contingent liabilities are classified as “remote” and have no material effect. Therefore these contingencies are currently not recognised on the Economic Balance Sheet.

D.3.4. PENSION BENEFIT OBLIGATIONS

Employee benefits are all obligations of the employer to the employee or former employee. Examples are post-employment benefits and retirement packages or long term remuneration packages.

Achmea presents the short-term employee benefits (such as salaries, already declared bonuses) with an expected settlement less than 1 year as part of the “Other liabilities”; long term remuneration packages (such as option schemes) are presented as part of “Other provisions”. All other employee benefits (such as pension schemes) with an expected settlement of more than 1 year are presented as part of this balance sheet entry.

The economic value of employee benefits is currently Best Estimated by reference to the value according to IAS 19R, which is included in the IFRS financial statements.

PENSION BENEFIT OBLIGATIONS

€ MILLION

	2020	2019
Opening balance	**952**	**860**
Interest on defined benefit obligations	9	14
Change in actuarial assumptions	27	110
Paid benefits	-33	-32
Closing balance	955	952

Achmea has a pension scheme for the major part of its employees. The pension scheme executed by Stichting Pensioenfonds Achmea, applicable to the major part of the 11,000 employees in the Netherlands, is a so-called Collective Defined Contribution (CDC) scheme. The obligation of Achmea related to the pension scheme is limited to payment of the agreed premium for the current year of service. In 2020 contributions paid to the CDC scheme amounted to €256 million (2019: €204 million). The contribution is determined as the actuarially required contribution for the acquired pension rights in that year, taking into account current interest rates.

Achmea's defined benefit obligation is mainly related to the accrued rights of a number of (former) employees under former defined benefit plans. These defined benefit plans were maintained in The Netherlands, and for a limited amount in Greece. Benefits related to medical costs are not included in these plans. The accrued rights of a number of (former) employees under former defined benefit schemes in the Netherlands have been insured with Achmea Pensioen- en Levensverzekeringen N.V. and so Achmea continues to hold the financial and actuarial risks. The investments related to the insurance contracts are accounted for as Investments (and do not qualify as Investments backing defined benefit obligation).

D.3.5. DEPOSITS FROM REINSURERS

For the contribution to the deposits from reinsurers we refer to appendix 4.

D.3.6. DEBTS OWED TO CREDIT INSTITUTIONS

Debts owed to credit institutions include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. Financial liabilities are valued at economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date. When the economic value is determined Achmea adds this fixed 'initial' spread to the risk-free interest rate at the reporting date.

For very small loans (< €1 million) with a limited remaining time to maturity (< 3 years) Achmea has not discounted the cash flows but retained the amortised cost value. Considering the discount rate this has a very small impact on the value of the Own Funds.

DEBTS OWED TO CREDIT INSTITUTIONS € MILLION

	SECURED LOANS	UNSECURED LOANS	OTHER	2020	2019
Closing balance	0	0	46	45	46

D.3.7. FINANCIAL LIABILITIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS

Financial liabilities other than debts owed to credit institutions include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. Financial liabilities are valued at economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date. When the economic value is determined Achmea adds this fixed 'initial' spread to the risk-free interest rate at reporting date.

FINANCIAL LIABILITIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS € MILLION

	2020	2019
Opening balance	946	63
Closing balance	931	946

Financial liabilities other than debts owed to credit institutions consists of a unsecured loan of €750 million (economic value amounts to €760 million) and a lease liability of €169 million. The financial liability from Achmea Pensioen- en Levensverzekeringen N.V. (€2 million) is furthermore related to transferred pension obligations to other insurance companies.

D.3.8. PAYABLES

Payables are measured at economic value. The value according to the IFRS Financial Statements is deemed to be an adequate proxy for the economic value.

PAYABLES

€ MILLION

	2020	2019
Payables from direct insurance	1,218	1,198
Payables on reinsurance	27	66
Creditors	92	122
Taxes	300	139
Other	31	27
Total	1,668	1,551

Payables are recognised within all legal entities. For the main contribution to the payables we refer to appendix 4.

D.3.9. SUBORDINATED LIABILITIES NOT IN BASIC OWN FUNDS

Any subordinated liabilities which do not qualify as being part of the EOF are presented as a separate Balance Sheet item. These subordinated liabilities are valued according to their economic value. The cash flows are discounted using the discount rate as used by Achmea including a credit spread as agreed at the inception date. This credit spread remains constant over time.

At the end of 2020 Achmea had no such subordinated liabilities (2019: nil).

D.3.10. ANY OTHER LIABILITIES

All other liability balance sheet entries are presented under this heading. This includes "Accruals" (not related to "Investments" or "Investment property") and "Other" as presented as part of the IFRS Financial Statements (not related to insurance contracts).

"Other liabilities" are measured at economic value. Achmea considers the value as presented in the IFRS Financial Statements to be a good proxy for this economic value.

ANY OTHER LIABILITIES

€ MILLION

	2020	2019
Accruals and deferred income	156	173
Other	3,235	2,272
Total	3,391	2,445

The total amount of "Other" consists mainly of repayment obligations of collateral received in the form of cash due to the EMIR regulation be operational, processed collateral for certain OTC derivatives on the balance received. Achmea receives an amount of cash collateral depending on the current market value of the derivative. The economic value of the repayment obligation of collateral is €2,888 million (2019: €2,006 million).

"Any other liabilities" are recognised within all legal entities. For the main contribution to "Any other liabilities" we refer to appendix 4.

D.3.11. DEFERRED TAXES

In the Economic Balance Sheet the principles as defined by IAS 12 are applied. The amounts already recognised on the IFRS Financial Statements are deemed to be recoverable. Due to the valuation principle employed by Solvency II, amounts are added to the Deferred Tax Assets/Liabilities following the Solvency II valuation principles. Achmea assesses the recoverability of these additions, in conjunction with the changes in the DTL and the Loss LACDT (recoverability analysis, in order to avoid double counting) per legal entity. Each addition to the deferred tax due to the valuation differences is calculated as that change in valuation multiplied by the enacted tax rate of the appropriate fiscal regime applicable to the Member State in which Achmea operates.

DEFERRED TAXES (ASSET = + ; LIABILITY = -)

€ MILLION

	OPENING BALANCE	CLOSING BALANCE
Intangible assets	11	5
Property for own use and equipment	0	0
Investments	-3,345	-4,001
Other assets	-18	-8
Insurance liabilities	3,758	4,509
Other provisions	3	7
Pension benefit obligations	-7	-24
Other liabilities	37	65
Loss carry-forwards	-80	10
Total	360	563
Of which Deferred Tax Assets	397	607
Of which Deferred Tax Liabilities	-37	-44

DEFERRED TAXES (ASSET = + ; LIABILITY = -) PER COUNTRY

€ MILLION

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILTIES	TOTAL	PART OF FISCAL UNITY ACHMEA B.V.
Achmea Interne Diensten N.V.	-16	0	-16	Y
Achmea B.V.	43	0	43	Y
Achmea Schadeverzekeringen N.V.	-113	18	-131	Y
Achmea Pensioen en Levensverzekeringen N.V.	588	0	588	Y
Achmea Reinsurance Company N.V.	-6	0	-6	Y
N.V. Hagelunie	0	15	-15	N
InShared Holding B.V.	11	0	11	N
Consolidation	44	0	44	N
Total Netherlands (25%)	**551**	**33**	**518**	
Turkey (22%)	14	0	14	
Greece (24%)	42	11	31	
Total	**607**	**44**	**563**	

D.4. ALTERNATIVE METHODS FOR VALUATION

For some investment exposures Achmea has to use alternative methods for valuation in case a quoted price in an active market is unavailable. Where possible Achmea uses best practice valuation approaches as described in the various sections of this SFCR. For some exposures own techniques or expert judgment is used as a basis for the valuation. This section of the SFCR describes these alternative valuation approaches in more detail.

Property for own Use and Investment Property

The Property for own use is valued using a discounted cash flow technique. The cash flows for the coming twenty years are projected and discounted. In this projection information and parameters are used as suggested by the National association of appraisers (NVRT), for example the inflation scenario. After twenty years the terminal value is predicted which is subject to expert judgment. The valuation is performed by an external party. The value of the Property is also compared to recent transactions in the same geographical area. Based on differences in location and characteristics of the building adjustments are made. This valuation is also benchmarked with the so-called “capitalisation method”. The outcomes of both methods may not differ significantly. If this is the case the external party and Achmea will have to make appropriate adjustments in necessary.

For Investment Property the main method is the capitalisation method which is benchmarked by the discounted cash flow method.

All the external parties involved have to adhere to the ISAE3402, a professional standard. Each quarter 25% of the whole portfolio has to be appraised by the external party. The remainder of the portfolio is updated to reflect the circumstances at the reference date. Every three years the contracted external parties will rotate and another external party will be involved. In the valuation approach of the external parties recent transactions are taken into consideration.

For Investment Property related to residential property the highest value of continuous exploitation or direct sale is used. The appraisal value is benchmarked with at least three reference objects with similar characteristics.

Equity participations

For venture capital investments and private equity, Achmea uses the valuation principles as published by the European Foundation for Venture Capital and private equity association (EVCA).

In certain instances a discounted cashflow value cannot be determined. Alternatively, the economic value is based on the net asset value, adjusted for goodwill and intangibles. For several participations in companies, an Economic Balance Sheet is not readily available at the reference date. In these instances reference is made towards the net asset value based on an earlier balance sheet date not exceeding one year and subject to expert judgement regarding possible adjusting intermediate events. Where appropriate the not-current net asset value of the participations is adjusted with a relevant index benchmark reflective of the nature of the participation.

Bonds, loans and receivables

Achmea invests in certain types of exposures where no market information is readily available to truly reflect the economic valuation. In these instances, Achmea uses the discounted cash flow method. The cash flows are projected and discounted with the swap curve adjusted with an adjustment for default risk. Achmea uses the same method as laid down for the economic valuation of “amounts ceded to reinsurers” (Article 42 of Regulation 2015/35). Based on the Loss Given Default of the exposure and the probability of default a “through-the-cycle” adjustment is calculated.

D.5. ANY OTHER INFORMATION

Information about the valuation of assets and liabilities is stated in the notes to the Economic Balance Sheet.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

E.1.1. CAPITAL ADEQUACY POLICY

The Achmea Capital Adequacy Policy is applicable for the Achmea Group and its subsidiaries. Starting point for this policy is the Achmea risk appetite. The main principles of this policy are as follows:

- The Executive Board of Achmea is responsible for the solvency position at Group level and the statutory boards are responsible for the solvency position of the legal entities;
- The Executive Board is responsible for capital allocation between the legal entities;
- All entities must be adequately funded, which involves having a buffer at entity level that is above the statutory minimum that is sufficient to be able to absorb setbacks;
- Achmea aims to keep a capital buffer at Holding level. This will enable the Group to solve possible capital shortages of legal entities by simply transferring capital within the Group;
- Solvency II is the leading capital regime for Achmea. The Solvency II capital limits are defined for the PIM approved by the College of Supervisors.

At Group level, the minimum level is defined as the level where all entities are capitalised at 100% SCR based on the approved PIM.

On legal entity level, a buffer above the 100% SCR level is kept to absorb ”normal” volatility. Around the target level a bandwidth is defined and the lower boundary of the bandwidth is the real internal limit, below which measures to improve the solvency position are required. With a solvency level of 208% (2019: 219%) Achmea is in the green zone of the risk appetite. No action is required.

For the Dutch Operating Companies except the health entities, the bandwidth is 5%-pt. For the non-Dutch Operating Companies and the Dutch health entities the bandwidth is 10%-pt. At Group level, Achmea strives to achieve a target Solvency II ratio of 165%.

Achmea monitors the solvency position and takes measures to restore solvency ratios within predefined time periods and to prevent solvency ratios from falling below the minimum levels. Applicable contingency plans will especially focus on the Group. For the insurance legal entities, in principle the entities need to identify stand-alone recovery measures. One of these measures can be a possible capital injection by Achmea B.V. to restore the capital above the internal limit levels. In the case specific trigger levels are breached, crisis governance comes into effect.

E.1.2. ELIGIBLE OWN FUNDS

The Solvency II ratio decreased by 11%-pt to 208% (2019: 219%). The decrease in the capital position resulted from a combination of an increase of €1,160 million in the Solvency II Eligible Own Funds to €10,696 million (2019: €9,535 million) and an increase of €801 million in the Solvency Capital Requirement to €5,153 million (2019: €4,352 million).

ELIGIBLE OWN FUNDS – GROUP

€ MILLION

	2020	2019	Δ
Tier 1 restricted	842	784	58
Tier 1 unrestricted	7,602	6,783	819
Tier 2	1,699	1,580	119
Tier 3	552	388	164
Total Eligible Own Funds	10,696	9,535	1,161

Tier 1 capital mainly increased due to the inclusion, in line with new guidance from DNB, of banking and investments entities in the Group’s solvency position. The financial results for 2020, the adjustments of the mortality assumptions and the development of interest rates and spreads also led to an increase in the EOF. In the spring of 2020 no dividend was paid out due to uncertainties surrounding Covid-19, which meant that no foreseeable dividends were taken into consideration by the calculation of the EOF as per year-end 2019. However this was the case as regards the EOF as per year-end 2020, resulting in a decrease of the EOF. The increase in economic value of Tier 2 capital from 2019 to 2020 is mainly linked to the decrease of the swap curve. The increase is Tier 3 capital is mainly related to the regular tax effects as a result of the individual changes in the EOF and the effect of the change in the Dutch tax legislation. The planned tariff reduction was first delayed in 2019 and further reversed last year, leading to a reversal of the reduction in the provision for deferred taxes. Due to the increase in the economic value of Tier 2 capital in 2020 and the amount of Deferred Tax Assets, there is a small relegation of Tier 2 and Tier 3 capital.

Tier 1

Tier 1 consists of an unrestricted and a restricted part. The restricted part of Tier 1 may not exceed 20% of the unrestricted part and includes two capital instruments issued by Achmea B.V.:

- €356 million Preference shares 5.5% (2019: €356 million; nominal value: €311 million, grandfathered), issued in December 2003, having a coupon reset date every 10 years, with no option to call. Buy-in of preference shares is possible on a yearly basis;
- €531 million Capital security 4.625% (2019: €473 million; nominal value: €500 million), issued in September 2019, no maturity date (perpetual), issuer call option annually, first call option is 24 March 2029.

Tier 2

The capital components included within Tier 2 consist of the following instruments issued by Achmea B.V.:

- €545 million Note 6% (2019: €551 million; nominal value: €500 million, grandfathered) 6% until April 2023, issued in 2013, having the maturity date in April 2043, issuer call annually, first call option in April 2023;
- €892 million Note 4.25% (2019: €790 million; nominal value: €750 million) 4.25% fixed rate up to February 2025, issued in 2015, no maturity date (perpetual), issuer call option annually, first call option in February 2025;
- €262 million Capital security 2.5% (2019: €240 million; nominal value: €250 million) 2.5% issued in September 2019, having a maturity date in September 2039, issuer call annually, first call option in June 2039.

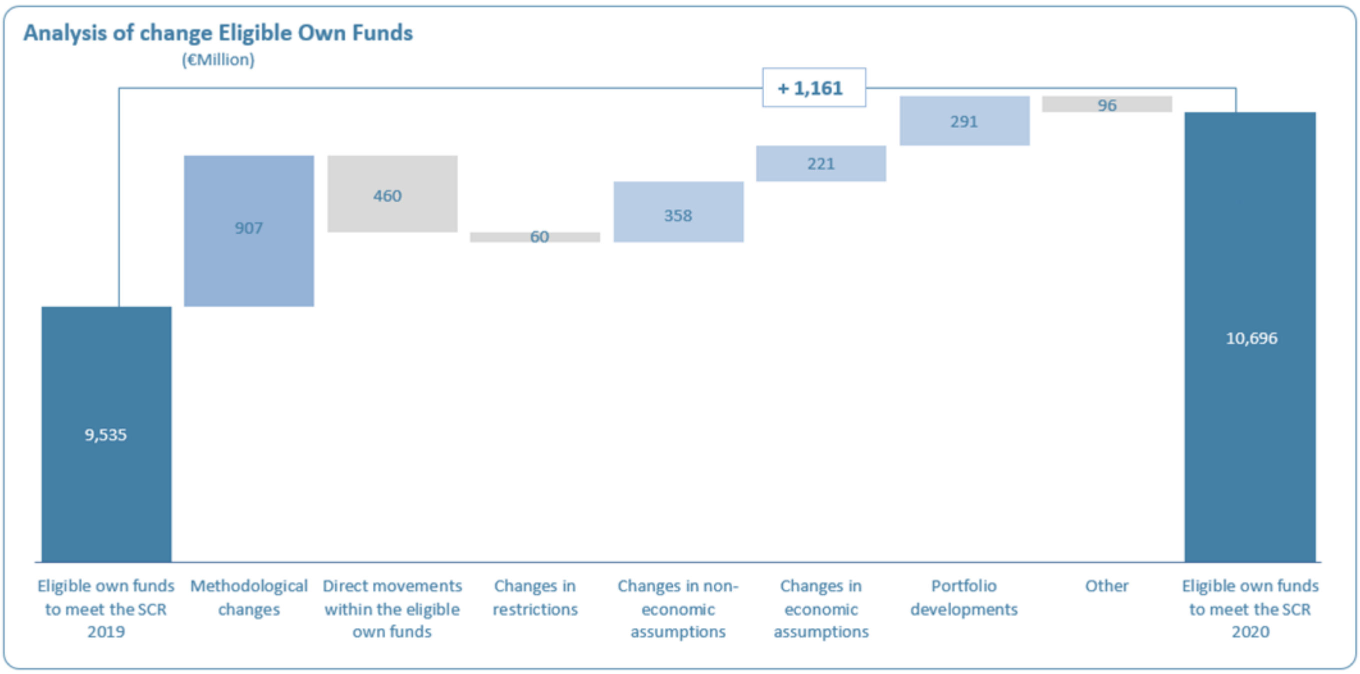
Tier 3

Within Tier 3 Achmea includes the net DTA as recognised on the Economic Balance Sheet maximised at 15% of the SCR. Any amounts exceeding this threshold are considered not eligible for covering the SCR. Also any amounts of Tier 2 + Tier 3 exceeding 50% of the SCR are considered not eligible for covering the SCR. Achmea defines this as “Relegation of Tier 3”. For the year-end 2020 an amount of €47 million is not recognised as part of the Eligible Own Funds (2019: nil).

Own Funds to cover the Minimum Capital Requirement

Achmea also has to assess whether the capital components are able to cover the Group MCR. The calculation of the Group MCR is determined by simply adding all the solo MCR, which implies that the Group MCR is calculated gross of intra group transactions and without diversification benefits. Compared to the SCR, Tier 3 capital is not eligible to cover the MCR and Tier 2 capital components may not exceed 20% of total eligible capital. For covering the MCR the relegation of Tier 2 was €1,210 million (2019: €1,105 million).

ANALYSIS OF CHANGE IN THE ELIGIBLE OWN FUNDS



Methodological changes

In 2020, the manner in which the CRD-entities were included in the Solvency figures changed. Achmea no longer has to deduct the Own Funds of the CRD-entities based on their sectoral guidelines. On the opening balance, the Eligible Own Funds increased by €920 million.

Annually, Achmea recalibrates assumptions used in the Best Estimate calculations based on back testing and forward-looking assessments. This led to changes in the Technical Provisions in the Netherlands and Greece. The impact on the EOF is €-13 million.

Direct movements within the Eligible Own Funds

Year-end 2019 Achmea decided to suspend dividend distributions to shareholders until there was greater clarity regarding the impact of the Covid-19 pandemic. The payment of the deferred dividend in 2020 Q3 on ordinary shares and the payment of the coupons on preference shares and hybrid capital resulted in a decrease in the Eligible Own Funds of €242 million.

The foreseeable dividends on ordinary shares, coupon payments on preference shares and hybrid capital resulted in a decrease of €218 million in the Eligible Own Funds.

Impact of changes in restrictions including relegation of Tiers

At year-end 2020, the Tier 2 + Tier 3 limit (max 50% of the SCR) was breached. This was the result of the increase in the economic value of the Tier 2 capital instruments and the increased amount of the net Deferred Tax Assets. An amount of €47 million was subject to the Relegation of Tiers and not included as part of Tier 3 in the Eligible Own Funds.

The change in restrictions was the result of the decrease of the restricted capital for the Australian insurance activities, capital not available to Achmea. This restriction increased by €11 million compared to year-end 2019. The reduction of the internal capital led to an equally large increase of the restricted capital.

Higher non-distributable Own Funds of the Dutch care administration offices (‘zorgkantoren’) led to an increase in the restrictions (€-2.3 million).

Impact of changes in non-economic assumptions

The developments in the non-economic assumptions were related to an adjustment in mortality assumptions, revision of the inflation curve, cost assumptions, lapse assumptions and diversification effects.

The development in the non-economic assumptions relates to Achmea Pensioen- en Levensverzekeringen N.V. (€322 million), Achmea Interne Diensten N.V. (€19 million), Interamerican Hellenic Life Insurance Company S.A. (€14 million) and Achmea Reinsurance Company N.V. (€3 million).

Impact of changes in economic assumptions

The impact in the EOF as a result of developments in the economic assumptions is a combination of effects on mainly the financial investments and Technical Provisions. On the Economic Balance Sheet of Achmea, different discount rates are required to be used for interest rate sensitive financial instruments and insurance liabilities. Achmea anticipates on this difference in the investments strategy. Despite this, changes in the discount rate and spreads have a different impact on the value of the financial instruments and insurance liabilities.

The Covid-19 crisis had a profound effect on economic variables to which Achmea is sensitive. The massive governmental interventions resulted in a further decrease of the relevant risk free interest rates. For many tenor points the discount rate is negative. The Covid-19 uncertainty resulted during the year 2020 in a lot of volatility and erratic behaviour of stock markets and spreads. However, at year-end the markets have calmed down and the volatility has reduced. As a response to the volatility and uncertainty in the markets (especially in the first half), Achmea de-risked part of the investment portfolio. In 2020 Q4, Achmea started to re-risk the investment portfolio again.

In 2020, the UFR was reduced further from 3.90% to 3.75%. The annual recalibration of the UFR by EIOPA had an increasing impact on the value of the Technical Provisions of the life insurance liabilities and therefore a negative impact on the Own Funds.

The various economic developments also had an effect on the exchange rates of some major currencies against the euro. The strengthened euro against the US dollar had a negative impact on the investments denominated in US dollars, as a small part of the exposure is not hedged. The devaluation of the Turkish lira had a negative impact on the contribution of the Turkish subsidiary and participation to the group Own Funds.

The entities which contributed to a positive impact on the EOF of the Group are:

Achmea Pensioen- en Levensverzekeringen N.V. contributed positively to the development of the EOF (€197 million). The lower interest rates, the developments in the Volatility Adjustment during the year, the decrease of the UFR and tightened credit spreads had a combined effect of €129 million on the EOF. Also the return on investments due to favourable market conditions contributed positively to the EOF (€68 million).

Achmea Zorgverzekeringen N.V. contributed positively to the development of the EOF (€22 million). The effect of changes in economic assumptions by Achmea Zorgverzekeringen N.V. was mainly driven by the increase in equity prices, tightened credit spreads, decreased interest rates and an appreciation of the euro. The developments in Technical Provisions had a negative influence on the Eligible Own Funds due to the decreased interest rate.

Achmea Schadeverzekeringen N.V. contributed positively to the development of the EOF (€19 million). The decrease in the discount rate in combination with the developments regarding the credit, sovereign and mortgages spreads, together with the investment results generated a positive impact on the EOF.

Other effects (€-34 million) with influence on the changes in the economic assumptions were mostly related to the valuation of Garanti Emeklilik denominated in euro (€-32 million). The valuation in Turkish lira remained almost the same as per year-end 2019. The foreseeable dividend distributions and the devaluation of the Turkish lira were the contributors to the decrease in the Eligible Own Funds.

Impact of portfolio developments

The portfolio developments had a positive contribution to the EOF. The main drivers were Covid-19 related effects, such as positive expected results in health business and decrease in the claim frequency in non-life business. Also the decrease of Risk Margin in life business due to portfolio run-off, changes in the valuation of the reinsurance contracts and the investment results contributed to the increase in the EOF. The portfolio developments mainly relate to Achmea Zorgverzekeringen N.V. (€181 million), Achmea Schadeverzekeringen N.V. (€122 million), Achmea Pensioen- en Levensverzekeringen N.V. (€59 million), N.V. Hagelunie (€23 million) and other entities (€-94 million).

Achmea Zorgverzekeringen N.V. contributed positively to the increase of the EOF of Achmea, mostly due to the development in the expected result of 2020, mostly due to the contribution from the catastrophe scheme for Covid-19). The development in the expected result of 2021, the result of prior years, investment results and the decrease in the Risk Margin impacted the EOF as well.

Achmea Schadeverzekeringen N.V. contributed positively to the increase of the EOF of Achmea Group (€122 million). An important impact on the portfolio developments is Covid-19 related. A decrease in the claim frequency of especially mobility insurance, partly compensated by increased claim frequency of travel cancellation, event, legal and income insurance (absenteeism for employers and self-employed) resulted in a positive effect on the EOF. Other portfolio effects were the positive results in the disability portfolio and lower than expected large claims due to fire. These effects were partly offset by losses due to storms and the run-off effects.

The positive portfolio developments of Achmea Pensioen- en Levensverzekeringen N.V. are mainly the result of the portfolio run-off leading to a release in the Risk Margin (€72 million). This effect is partly offset by the difference between actuals expenses and the release of expenses in the Best Estimate with an impact €-13 million.

At N.V. Hagelunie the positive portfolio developments consist of Underwriting performance (€24 million). Part of the underwriting result originated from a change in the valuation of reinsurance contracts. As of 2020 the commission related to the Quota Share contract is included in the valuation of the reinsurance contracts, increasing the Reinsurance Recoverable and Best Estimate.

Impact of other changes

The other changes are mostly related to the regular tax effects as a result of the individual changes in the EOF, the effect of the change in the Dutch tax legislation and other changes. The other changes consist of movements which cannot be categorised in the above building blocks.

E.1.3. BRIDGE OWN FUNDS FINANCIAL STATEMENTS – ECONOMIC BALANCE SHEET

RECONCILIATION EQUITY FINANCIAL STATEMENTS - BASIC OWN FUNDS SII

€ MILLION

	2020	2019	Δ
Equity Financial statements	10,559	10,191	368
Subordinated liabilities in Basic Own Funds	-1,250	-1,250	0
Own shares (held directly)	335	335	0
Total Financial statements excess of assets over liabilities (IFRS adjusted)	9,644	9,276	368
Intangible assets	-707	-717	10
Investments	299	366	-67
Deferred Tax Assets	92	-9	102
Deferred acquisition costs	-41	-40	-1
Banking Credit Portfolio	0	0	0
Reinsurance recoverables	-121	-81	-40
Receivables	7	-2	10
Other assets	168	142	26
Technical Provisions	304	68	236
Other provisions	0	0	0
Deferred Tax Liabilities	-117	-19	-98
Financial liabilities	-250	-77	-173
Payables	0	0	0
Other liabilities	6	12	-6
Total delta valuation Financial statements - SII	-358	-357	-2
Other	-7	-7	0
Total excess of assets over liabilities	9,280	8,913	367

1. *The subordinated liabilities in Basic Own Funds of 1,250 million are the subordinated liabilities eligible for IFRS and are therefore deducted to calculate Total excess over liabilities.*

The starting point for the Economic Balance Sheet is the IFRS consolidated balance sheet of Achmea Group. Some IFRS line items are reclassified according to the presentation in the Economic Balance Sheet. All balance sheet items are verified according to Solvency II valuation principles and adjusted accordingly. The “Excess of assets over liabilities” has been calculated net of any Intra-Group positions except for the Intra-Group positions included in the entities which are classified as participations on the Economic Balance Sheet, such as the Credit institutions and Other entities within the meaning of the Capital Requirements Directive, the Institutions for Occupational Retirement Provisions (IORPs) and Non Ancillary Entities.

Intangible assets

All recognised intangible assets are valued at their economic value. Achmea uses the value as presented in the IFRS financial statements for such intangibles as a proxy for the value in the Economic Balance Sheet. Notwithstanding this definition, goodwill and intangible assets obtained by means of a business combination are valued at nil. The intangible assets in the IFRS Financial Statements are recognised within the legal entities Achmea B.V., Achmea Interne Diensten N.V., Inshared Holding B.V., Eureko Sigorta A.S, Union Poist'ovňa A.S and Interamerican entities.

Investments

The investments are (re)-classified in the Economic Balance Sheet according to their characteristics and risk profile (look-through principle). In the Consolidated IFRS financial statements, Achmea either measures or discloses the fair value of its investments. For most of the financial investments, the fair value is deemed to be a good proxy for the economic value.

For some of the investments the IFRS value are adjusted to reflect the economic value. The remeasurement regards mainly:

- the Rabobank savings: For IFRS purposes, Achmea applies an adjustment to the mortgage savings based on covered bond spreads association with the counterparty as a proxy for the default risk of the instruments. Under Solvency II this is approximated by using the VA and a LGD*PD adjustment determined based on the discounting cash flow method;

- The unlisted equity investment in Garanti Emeklilik: Under IFRS Garanti Emeklilik is deemed to be a participation and measured on a net asset value basis. Under Solvency II, Garanti Emeklilik is classified as an investment and measured accordingly.

Deferred Acquisition Costs

The deferred acquisition costs are valued nil.

Receivables

The receivables and other assets 'due' are discounted based on their expected cash flows.

Other assets

Solvency II recognises "Own Shares" as a separate asset. The own shares that are measured at cost in the IFRS balance sheet are revalued at their economic value.

Financial liabilities

Financial liabilities that are measured at amortised cost in the IFRS balance sheet are revaluated at their economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date.

Payables and Other liabilities

The remeasurement refers to insurance payables and other (related to insurance) liabilities which are "not due" are recognised as part of the Best Estimate.

Deferred Tax Assets and Liabilities

Because of the valuation principle applied by Solvency II, amounts are added to the Deferred Tax Assets/Liabilities following the Solvency II valuation principles. Achmea assesses the recoverability of these additions, in conjunction with the changes in the Deferred Tax Liability and the LACDT (recoverability analysis, in order to avoid double counting). Each addition to the deferred tax due to the valuation differences is calculated as that change in valuation multiplied by the enacted tax rate of the appropriate fiscal regime applicable to the member state in which Achmea operates.

Technical Provisions and Reinsurance Recoverables

The main differences between IFRS and Solvency II Technical Provisions and reinsurance recoverables are given by:

- The Solvency II Technical Provisions are based on Best Estimates and a Risk Margin. IFRS takes into account a provision and a prudency margin based on IFRS accounting principles.
- For Achmea Pensioen- en Levensverzekeringen N.V. the IFRS accounting principles include a reserve for capital gains on fixed interest assets.
- The Solvency II Technical Provisions are discounted with a yield curve whereas IFRS Technical Provisions are in general either discounted with a fixed interest rate or are not discounted.
- The IFRS Technical Provisions do not take lapses, expenses, future profit sharing to the expiration date into account, where Solvency II does.
- The following are all included under line item "Other":
    - The Solvency II Fair value valuation of savings mortgages.
    - Premiums paid in advance are an element of the Premium Provision under Solvency II.
    - IFRS only reports expected loss in the Technical Provisions while under Solvency II the expected result (profit/loss) is reported.
    - The outcome from the catastrophe scheme and solidarity scheme of the Dutch health entities, which are recognised in accident year 2020, are incorporated in the Claims Provision. The outcome from the catastrophe scheme and solidarity scheme recognised in accident year 2021 is incorporated in the Premium Provision as an incoming or outgoing cash flow.
    - Dutch health care institutions receive prepayments if they have (technical) problems with invoicing. These prepayments are temporary in nature and are generally short-term. They have been netted in the IFRS balance sheet with the Technical Provisions. Under Solvency II, however, netting with the Technical Provisions is not permitted.
    - The Dutch ministry of VWS (Health, Welfare and Sport) receives a discount for a number of expensive medicines (VWS arrangements). This discount is to be received by all health insurers. Netting in the IFRS balance sheet with the Technical Provisions is not permitted. Since there is a direct relation between the Technical Provisions and the discount netting with the Technical Provisions under Solvency II is permitted.

Solvency II principles, parameters and assumptions are based on Best Estimate assumptions.

BRIDGE TECHNICAL PROVISIONS IFRS-SII

€ MILLION

	2020	2019
IFRS Technical Provisions	58,626	58,004
Prudency margin	-3,658	-3,156
Discounting	698	670
Risk Margin	2,247	1,991
Assumptions	0	4
Other	-266	19
SII Technical Provisions	**57,648**	**57,532**

E.1.4. SOLVENCY RATIO

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	10,696	9,535	1,160
Required Capital	5,153	4,352	801
Surplus	5,543	5,184	359
Ratio (%)	208%	219%	-11%-pt

E.1.4.1. ALTERNATIVE SCENARIOS

SOLVENCY POSITION EXCLUDING THE USE OF THE VOLATILITY ADJUSTMENT

Achmea applies the VA. The VA is not applied by the Dutch Health insurance legal entities, Achmea Reinsurance Company N.V. and Interamerican Assistance General Insurance Company S.A. (based on proportionality reasons). Applying the VA in Turkey is not allowed in accordance with the applicable Solvency II Regulation, therefore the VA is not applied by Eureko Sigorta A.S.

IMPACT OF VOLATILITY ADJUSTMENT ON SOLVENCY RATIO

€ MILLION

	INCLUDING VOLATILITY ADJUSTMENT	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Eligible Own Funds	10,696	10,502	193
Required Capital	5,153	6,540	-1,387
Surplus	5,543	3,963	1,580
Ratio (%)	208%	161%	47%-pt

The VA is published by EIOPA and endorsed by the European Commission. Ultimo 2020, a VA of 7 bps (2019: 7 bps) has been applied. Compared to 2019, the impact of the VA on the Solvency II ratio of Achmea decreased from -54%-pt to -47%-pt, due to the inclusion of the CRD-entities in the Solvency II consolidation.

The use of the VA has an impact on the value of the Best Estimate of the Insurance obligations. Not applying the VA results in a higher value of the Best Estimate. The increase of the insurance liabilities also increases the Deferred Tax Asset (DTA). Both effects partly offset each other. The overall effect on the EOF is negative. Not applying the VA has an increasing impact on the capital requirements for Market Risk. Not applying the VA also causes the DVA to disappear. Excluding the VA and DVA would result in changes of the characteristics of the assets and liabilities due to the adjusted discounting curve. As a result, the asset mix is not aligned with the insurance liabilities and the capital requirements without using the DVA are not a true reflection of the risk profile of the fixed income securities (such as government bonds and mortgage loans). Both leading to a disproportionate increase of the capital requirement for Market Risk.

SENSITIVITIES ULTIMATE FORWARD RATE

The UFR is part of the relevant risk-free interest rate used to discount the Best Estimate. In the calculations per 31 December 2020 an UFR of 3.75% is used. The UFR will be lowered to 3.60% per 1 January 2021. As part of risk management activities the sensitivity of the Solvency position related to the underlying assumptions of the relevant risk-free interest discount rate is assessed (UFR 3.60% and UFR 3.50%).

The impact on the solvency ratio of using an UFR of 3.60% and 3.50% or not using an UFR is presented below.

IMPACT UFR SOLVENCY RATIO

€ MILLION

	ULTIMATE FORWARD RATE 3.75%	ULTIMATE FORWARD RATE 3.60%	ULTIMATE FORWARD RATE 3.50%	NO ULTIMATE FORWARD RATE
Eligible Own Funds	10,696	10,592	10,523	7,987
Required Capital	5,153	5,159	5,165	6,879
Surplus	5,543	5,433	5,357	1,107
Ratio (%)	208%	205%	204%	116%

The higher value of the Best Estimate has an increasing impact on the SCR. The impact of the UFR is mainly visible in the Life insurance portfolio (long-tail business in Life Underwriting Risk). The impact on the deferred taxes and SCRs also has an impact on the size of the LACDT.

E.1.5. SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

Achmea determines a Solvency position for each individual supervised legal entity. The following Solvency positions are calculated for the supervised entities of Achmea.

LIFE INSURANCE ENTITY

Achmea Pensioen- en Levensverzekeringen N.V.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	4,152	3,779	373
Required Capital	2,505	2,291	214
Surplus	1,647	1,488	159
Ratio (%)	166%	165%	1%-pt

The EOF increased in 2020 by €373 million to €4,152 million, mainly due to changes in non-economic assumptions with an impact of €322 million. The change in mortality assumptions used for the calculations of the Technical Provisions had a positive impact on the EOF. This was partly mitigated by the adjustments in cost assumptions. Other developments, such as the developments on financial markets and the change of the local tax rate, had on balance a positive impact on the EOF.

The decrease in the relevant risk-free interest rate led to higher capital requirements for Life Underwriting Risk and Market Risk. Due to the increased sub-risks within the Basic SCR (BSCR), the diversification effect increased. Furthermore, the LACDT increased, mainly as a result of the higher corporate income tax rate, which led to a lower capital requirement.

NON-LIFE INSURANCE ENTITIES

Achmea Schadeverzekeringen N.V.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	1,092	1,126	-34
Required Capital	752	763	-11
Surplus	340	363	-23
Ratio (%)	145%	148%	-3%-pt

The Eligible Own Funds decreased on balance due to a dividend payment, a positive result of the insurance portfolio, increased restricted capital Achmea Australia (and decreased Eligible Own Funds), a positive investment result and other capital effects mainly related to the corporate income tax. Due to Covid-19 a decrease in the claim frequency of especially mobility, partly compensated by increased claim frequency of event, legal and income insurance (absenteeism for employers and self-employed) resulted in a positive effect on the EOF.

The decrease in Required Capital was due to a lower Market Risk, a lower Counterparty Default Risk (lower volumes) and a higher LACDT. The decrease was offset by an increase in Non-Life Underwriting Risk, a decrease of the diversification effect and a lower expected profits.

N.V. Hagelunie

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	204	194	9
Required Capital	53	44	9
Surplus	151	151	0
Ratio (%)	384%	444%	-60%-pt

The EOF mainly increased as a result of positive underwriting result and positive return on investments offset by a paid-out dividend of €10 million and regular corporate income tax effects. Part of the underwriting result originates from a change in the valuation of reinsurance contracts. From 2020 the commission related to the Quota Share contract is included in the valuation of the reinsurance contracts, increasing the Reinsurance Recoverable and the Best Estimate.

In 2020, the Required Capital increased due to an increase in Market Risk, Non-Life Underwriting Risk, Counterparty Default Risk and a lower Loss Absorbing Capacity of Expected Profits (LACEP). This was partly offset by a higher diversification and a higher LACDT. The increase in Market Risk was due to a more volatile stock market and an expansion of the corporate bond portfolio. Non-Life Underwriting Risk increased due to the growth of the Canadian portfolio, which led to an increase in Catastrophe Risk. The decrease in LACEP is explained mostly due to the increase of the Reinsurance Recoverable. The profit N.V. Hagelunie expects to earn in 2021 is part of the EOF.

Eureko Sigorta A.S.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	98	117	-19
Required Capital	56	66	-10
Surplus	42	51	-9
Ratio (%)	175%	178%	-3%-pt

The solvency ratio based on Turkish prudential legislation denominated in euro decreased.

Due to the devaluation of the Turkish lira, the available capital in euro showed a decrease while denominated in Turkish lira it showed an increase. The available capital in Turkish lira increased due to good operational and investment results. Casco and health reserves were lower due to Covid-19. The positive effects were partly offset by the higher overall claims reserves in commercial fire, engineering and liability.

Interamerican Property & Casualty Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	152	145	7
Required Capital	61	78	-16
Surplus	91	68	23
Ratio (%)	249%	187%	62%-pt

The EOF increased due to improved profitability of the motor portfolio due to Covid-19. Interamerican Property & Casualty Insurance Company S.A. expects a dividend payment of €14 million to Interamerican Hellenic Life Insurance Company S.A. in 2021. This, together with the pre-paid dividend of €8 million in 2020, reduced the EOF per year-end 2020.

The decrease in required capital is mainly driven by developments of Inflation risk and Non-Life Underwriting Risk. Inflation risk decreased as a result of the updated inflation analysis, including an update of the assumptions, based on the existing methodology.

Non-Life Underwriting Risk decreased due to the updated Premium and Reserve Risk calibration process. More in detail, this movement is mainly driven by Reserve Risk and specifically by Motor Bodily Injury.

Interamerican Assistance General Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	17	16	1
Required Capital	10	12	-2
Surplus	7	4	3
Ratio (%)	170%	131%	39%-pt

The EOF increased due to company performance. Interamerican Assistance General Insurance Company S.A. expected a dividend payment of €1.5 million to Interamerican Property & Casualty Insurance Company S.A. in 2020. This reduced the EOF per year-end 2020.

The Required Capital of Interamerican Assistance General Insurance Company S.A decreased due to a decrease in Non-Life Underwriting Risk driven from updated premium shock factor for Assistance Homogeneous Risk Group (SF calibration).

HEALTH INSURANCE ENTITIES

In the Netherlands basic and supplementary health care insurance is offered via dedicated entities. Achmea manages these entities via one organisational division (division Zilveren Kruis). In this respect the consolidated solvency position of Achmea Zorgverzekeringen N.V. is calculated via a look-through approach (sub-consolidation).

Within Achmea Zorgverzekeringen N.V. the following insurance entities are consolidated: FBTO Zorgverzekeringen N.V., De Friesland Zorgverzekeraar N.V., Interpolis Zorgverzekeringen N.V. and Zilveren Kruis Zorgverzekeringen N.V., which offer basic health care insurance only. Achmea Zorgverzekeringen N.V. is the parent and offers supplementary health care insurance and is not deemed to be an Insurance Holding Company.

The SCR is calculated with the SF and no VA has been applied. No Internal Model is used.

Achmea Zorgverzekeringen N.V. (Consolidated)

The following table presents the solvency ratio of Achmea Zorgverzekeringen N.V. at year-end 2020 and year-end 2019.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	3,515	3,311	204
Required Capital	2,072	2,102	-30
Surplus	1,443	1,209	234
Ratio (%)	170%	158%	12%-pt

The increase of the Eligible Own Funds was mainly due to the developments of the expected result 2020 and changes in economic assumptions (mainly increased value of the equity investments).

The required capital for Market Risk decreased by €22 million due to a decreased Equity Risk (mainly due to the sale of equity investments), a decreased Spread Risk (mainly due to the sale of credits and asset backed securities) and an increased Interest Rate Risk.

The SCR Health Underwriting Risk decreased with €26 million mostly due to the expected contribution for the Covid-19 costs from the catastrophe scheme (article 33 of the Dutch Healthcare Insurance Act) and its expected redistribution among health insurers. Also the payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been.

The SCR Counterparty Default Risk decreased due to a decrease in type 2 exposures and the SCR Operational Risk increased mostly due to the expected contribution 2020 for the Covid-19 costs from the catastrophe scheme which increased the premium volume factor.

The solvency ratios of the individual insurance legal entities of Achmea Zorgverzekeringen N.V.:

SOLVENCY RATIO'S INDIVIDUAL HEALTH ENTITIES

ENTITY	2020	2019
Achmea Zorgverzekeringen N.V.	449%	428%
FBTO Zorgverzekeringen N.V.	159%	146%
De Friesland Zorgverzekeraar N.V.	157%	152%
Interpolis Zorgverzekeringen N.V.	176%	175%
Zilveren Kruis Zorgverzekeringen N.V.	146%	144%

%

Achmea Zorgverzekeringen N.V. (non-look-through)

The solvency ratio increased by 21%-pt to 449%.

The Eligible Own Funds increased by €203 million in 2020. This was mainly due to the deferral of certain health care and temporary closure of some health care providers due to Covid-19 restrictions resulting in less health care claims in 2020 and thereby a higher expected result for 2020, but also due to a positive regular expected result for 2021.

The SCR of Achmea Zorgverzekeringen N.V. (non-look-through) increased by €9 million compared year-end 2019.
The SCR Market Risk increased by €14 million. The main reasons were purchase of commodities and an increase of the value of the strategic insurance participations which are shocked within Market Risk.

The SCR Health Underwriting Risk decreased by €6 million due to a lower premium volume (lower number of insured) and lower claim provisions due to a quicker run off. The payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been. Lower volume measures for Reserve Risk led to a decrease in the SCR Health Underwriting Risk as well. This was mostly due to the expected contribution for the Covid-19 costs from the catastrophe scheme and its expected redistribution among health insurers. Also the payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been.

The SCR Operational Risk increased with €6 million mostly due to the expected contribution 2020 for the Covid-19 costs from the catastrophe scheme which increased the premium volume factor.

FBTO Zorgverzekeringen N.V.

The solvency ratio increased by 14%-pt to 159%.

The Eligible Own Funds increased with €6 million to €138 million. This was mainly due to portfolio developments (due to the expected result 2020 and prior years) and changes in economic assumptions (mainly increased value of the equity investments).

The SCR of FBTO Zorgverzekeringen N.V. decreased by €4 million to €86 million.

The SCR Counterparty Default Risk decreased by €1 million due to a decrease of type 2 exposures.

The SCR Underwriting Risk decreased by €4 million. The premium volume decreased due to a decrease in the number of insured. The volume measure for Reserve Risk decreased mostly due to the expected contribution for the Covid-19 costs from the catastrophe scheme and its expected redistribution among health insurers. Also the payments due to the continuity arrangements were invoiced quicker than the actual (discontinued) health care would have been.

De Friesland Zorgverzekeraar N.V.

The solvency ratio increased by 5%-pt to 157%.

The Eligible Own Funds increased with €7 million to €324 million. This was mainly due to portfolio developments (mainly due to the expected result 2020) and changes in economic assumptions (mainly increased value of the equity investments).

The SCR of De Friesland Zorgverzekeraar N.V. decreased by €2 million to €206 million.

The SCR Market Risk decreased by €5 million. Equity Risk decreased due to the sale of a part of the equities in 2020 Q2 to lower the risk of the portfolio, despite positive performance of equities in 2020. Spread Risk decreased by €2 million, mainly as a result of an average lower duration and the sale of a part of the securitisations portfolio.

The SCR Health Underwriting Risk decreased by €1 million. The volume measure for Reserve Risk decreased mostly due to the expected contribution for the Covid-19 costs from the catastrophe scheme and its expected redistribution among health insurers. Also the payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been.

Interpolis Zorgverzekeringen N.V.

The solvency ratio increased by 1%-pt to 176%.

The Eligible Own Funds increased with €4 million to €125 million. This was mainly due to portfolio developments (mainly due to the expected result 2020 and prior years) and changes in economic assumptions (mainly increased value of the equity investments).

The SCR of Interpolis Zorgverzekeringen N.V. increased by €2 million to €71 million. The SCR Market Risk increased by €1 million, mostly due to an increase in Market Concentration Risk.

Both SCR Underwriting Risk and SCR Operational Risk increased by €1 million, mostly due to the expected contribution 2020 for the Covid-19 costs from the catastrophe scheme which increased the premium volume factors.

The SCR Operational Risk increased by €1 million mostly due to the expected contribution 2020 for the Covid-19 costs from the catastrophe scheme which increased the premium volume factor.

Zilveren Kruis Zorgverzekeringen N.V.

The solvency ratio increased by 2%-pt to 146%.

The Eligible Own Funds increased by €9 million to €2,138 million. This was mainly due to changes in economic assumptions (mainly increased value of the equity investments), while negative portfolio developments had a negatively influence on the Eligible Own Funds. The decrease due to portfolio developments is related to the expected result of 2021.

The SCR of Zilveren Kruis Zorgverzekeringen N.V. decreased by €15 million to €1,466 million. The SCR Market Risk decreased by €18 million, mainly due to the sale of part of the equities in 2020 Q2 to lower the risk of the portfolio. This sale was partly reversed in 2020 Q4 and also partly offset by positive performance of equities in 2020.

The SCR Counterparty Default Risk increased by €15 million due to an increase of both type 1 and type 2 exposures.

COMPOSITE INSURANCE ENTITY

Interamerican Hellenic Life Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	138	126	11
Required Capital	104	100	4
Surplus	34	26	8
Ratio (%)	133%	126%	7%-pt

The increase in the EOF was mainly due to the positive effect of the company’s and its subsidiaries’ performance and from actions to manage value destroyers surrenders. The positive effects were partially offset by the change in Risk Margin and from the decrease due to changes in economic assumptions including the effect of changes in interest rate (risk free and volatility adjustment) and stock markets in both asset and liability side.

The Required Capital increased. Market Risk decreased by €1 million driven by lower Spread Risk. Life Underwriting Risk increased by €2 million due to higher Lapse Risk caused by the impact of the decrease in yield curves in pension/savings products. Health

Underwriting Risk increased by €5 million mainly due to the Waiver of Premium lapse risk first time recognised in 2020 and by the increase in morbidity risk for the health products. The increase was partially offset by the increase of diversification effect.

Union Poisťovňa A.S.

SOLVENCY RATIO — € MILLION

	2020	2019	Δ
Eligible Own Funds	36	25	11
Required Capital	17	17	-1
Surplus	19	8	12
Ratio (%)	217%	143%	74%-pt

Eligible Own Funds increased. This was mainly driven by a capital injection of €12 million as part of a M&A project. Specifically, negative portfolio development reflected negative actual experience in non-life mainly due to loss of profitable travel business because of the Covid-19 pandemic. The decline of yield curve had impact on both Own Funds and Required Capital. However, the impact on Own Funds was negligible. Finally, the increase of Life UWR had an impact also on the Risk Margin which increased.

Required Capital slightly decreased. This was mainly due to increases of Life Underwriting Risk and Counterparty Default Risk compensated by a decrease in Market Risk and Non-Life Underwriting Risk. An offsetting effect was also provided by movement in LACDT due to amortisation of losses in 5 years instead of 4 years (change in the legislation) and using new budget figures.

REINSURANCE ENTITY

Achmea Reinsurance Company N.V.

SOLVENCY RATIO — € MILLION

	2020	2019	Δ
Eligible Own Funds	289	284	5
Required Capital	156	133	23
Surplus	133	152	-18
Ratio (%)	186%	214%	-28%-pt

The increase in the EOF was the outcome of positive developments throughout the year, both on the insurance and financial portfolio, partly offset by developments due to the Covid-19 pandemic.

The Solvency Capital Requirement for Non-Life Underwriting Risk increased by €37 million. This increase was due to an increase of the Non-Life Catastrophe Risk. The main causes of this increase were portfolio developments (renewal, new contracts) and the impact of the major change in the internal model for Natural Catastrophe Risk. Premium Risk increased as a result of higher premium volumes due to market hardening, growth of underlying exposure and to new contracts. Reserve Risk increased as a result of higher reserves due to the Covid-19 pandemic and other claims. Diversification mitigated the effects mentioned.

The Loss Absorbing Capacity of Expected Profits Underwriting Risk increased. The decrease was due to lower expected claims within the Reinsurance Recoverable and less costs within Non-Life Group's business.

SOLVENCY POSITION LEGAL ENTITIES SUBJECT TO THE CAPITAL REQUIREMENTS DIRECTIVE

Within Achmea, three legal entities are subject to requirements of the Capital Requirements Directive (CRD): Achmea Bank N.V. as credit institution, and two as asset managers (SAREF and AIM).

CRD RATIO'S 2020 — € MILLION

ENTITY	RWA	TCR	CET 1-RATIO	CAPITAL REQUIREMENTS	OWN FUNDS
Syntrus Achmea Real Estate & Finance B.V.	223	13.3%	13.3%	18	30
Achmea Investment Management B.V.	232	15.9%	15.9%	19	37
Achmea Bank N.V.	3,954	20.4%	20.4%	498	808

CRD RATIO'S 2019

€ MILLION

ENTITY	RWA	TCR	CET 1-RATIO	CAPITAL REQUIREMENTS	OWN FUNDS
Syntrus Achmea Real Estate & Finance B.V.	151	30.1%	29.6%	12	45
Achmea Investment Management B.V.	210	19.4%	17.2%	17	36
Achmea Bank N.V.	4,042	19.2%	19.2%	509	777

Achmea Bank uses the standardised approach to determine its credit risk. The Total Capital Ratio based on CRD IV/CRR increased from 19.2% in 2019 to 20.4% in 2020, which was related to the acquisition of the portfolio of Dynamic Credit Hypotheken partly compensated the regular decrease of the existing mortgage portfolio. The Risk Weighted Assets of SAREF and AIM are determined based on 25% of the fixed costs of the entities and a BIS target of 8%.

In the group capital requirement, Achmea includes the capital requirement as determined by the sum of the Pillar I, Pillar II and the Combined Buffer Requirement. At this moment, for Achmea Bank this is 15.1% of the Risk Weighted Assets based on the latest Supervisory Review and Evaluation Process (SREP) communication of DNB (8.0% Pillar I, 4.6% Pillar II, 2.5% Combined Buffer Requirement). For SAREF and AIM, Achmea applies the minimum requirement (8.0%).

SOLVENCY POSITION OF LEGAL ENTITIES SUBJECT TO THE IORP OR SIMILAR ENTITIES

In Slovakia, Achmea has two subsidiaries: Union Poisťovňa A.S. and Union Zdravotná Poist'ovňa A.S. The first is the composite insurer as described above, the second is a legal entity dedicated to Health insurance. The local Slovakian Ministry of Finance has decided that the Health entity (and similar entities within Slovakia) is not subject to Solvency II legislation but to local capital requirements as determined by Slovakian law.

Union Zdravotná Poist'ovňa A.S.

SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	26	30	-4
Required Capital	17	17	0
Surplus	9	13	-4
Ratio (%)	154%	179%	-25%-pt

The Own Funds maintained with Union Zdravotná Poist'ovňa A.S. at year-end 2020 were €26 million. The local capital requirements year-end 2020 were €17 million and is a fixed legal amount.

NOTIONAL SOLVENCY POSITION

For any Mixed Financial Holding Company, Insurance Holding Company or Financial Holding Company a notional capital requirement (as if the Solvency II legislation would be used) has to be calculated. These holding companies are individually not subject to supervision. However, they are subject to group supervision.

The notional capital position is calculated, based on the company Economic Balance Sheet and resulting notional SCR as if the Solvency II legislation would be used. In this approach all subsidiaries are presented as participations and intragroup positions are not eliminated. The participations of Achmea B.V. are included in the notional SCR under Market Risk based on the Standard Formula.

Achmea B.V.

NOTIONAL SOLVENCY RATIO

€ MILLION

	2020	2019	Δ
Eligible Own Funds	11,026	10,495	531
Required Capital	2,394	2,361	33
Surplus	8,632	8,134	498
Ratio (%)	461%	444%	17%-pt

The Notional Capital Requirement of Achmea B.V. consists mainly of a Notional Capital Requirements Market Risk. Notional Capital Requirements Market Risk remained constant at €2.4 billion year-end 2020. Market Risk of the Notional Capital Requirement is dominated by Equity Risk on the strategic participations of Achmea (€2.4 billion).

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

More detail regarding the Solvency Capital Requirements of the Dutch insurance legal entities can be found in the public Quantitative Reporting Templates (see appendix for hyperlinks).

E.2.1. KEY ASSUMPTIONS APPLIED OR USED BY ACHMEA

HRES Parameters

Achmea applies the HRES parameters (Health Risk Equalisation System) when determining the capital requirement for Premium- and Reserve Risk for the Line of Business Medical Expense. The HRES parameters are based on the Implementing Technical Standards that have been published by the European Commission. The HRES parameters are only applied to Dutch basic health insurances. For Premium Risk 2.7% is applied, for Reserve Risk it is 5.0%. The use of the HRES parameters is accompanied by the requirement to use the “broad premium” definition e.g. all premiums and payments received by Achmea for the basic health insurance obligations, including payments made by Zorginstituut Nederland, are deemed to be premiums.

Commitments to invest in future exposures

In certain instances, Achmea provides commitments to counterparties to invest in issuance of equity or debt investments. Based on the contractual agreements, Achmea already has committed an economic value for these future investments. On the Economic Balance Sheet these commitments are not recognised e.g. the underlying exposure is not recognised. For the determination of the capital requirement, Achmea includes these commitments as input for the various sub-risk modules.

Proxies Foreign Insurance Entities

In order to determine Achmea’s Solvency position an extensive consolidation process is required. Achmea publishes its Solvency position earlier than required by the Solvency II legislation. Currently the Greek supervised entities were not fully capable of providing the data in a timely manner for this publication. In order to be able to include all entities in the Group data, Achmea used proxies to estimate various parts of the SCR of these entities. Scaling has been used based on the third-quarter 2020 data. When presenting individual data of the Greek insurance entities reference is made towards the Solvency information as submitted to the individual supervisory authorities. Achmea has assessed any deviations between the SCR determined using proxies and the full calculations. The impact on the Solvency position of Achmea B.V. is not significant.

Economic assumptions

At the end of 2020 the application ratio used for the several legal entities using the Dynamic Volatility Adjustment is:

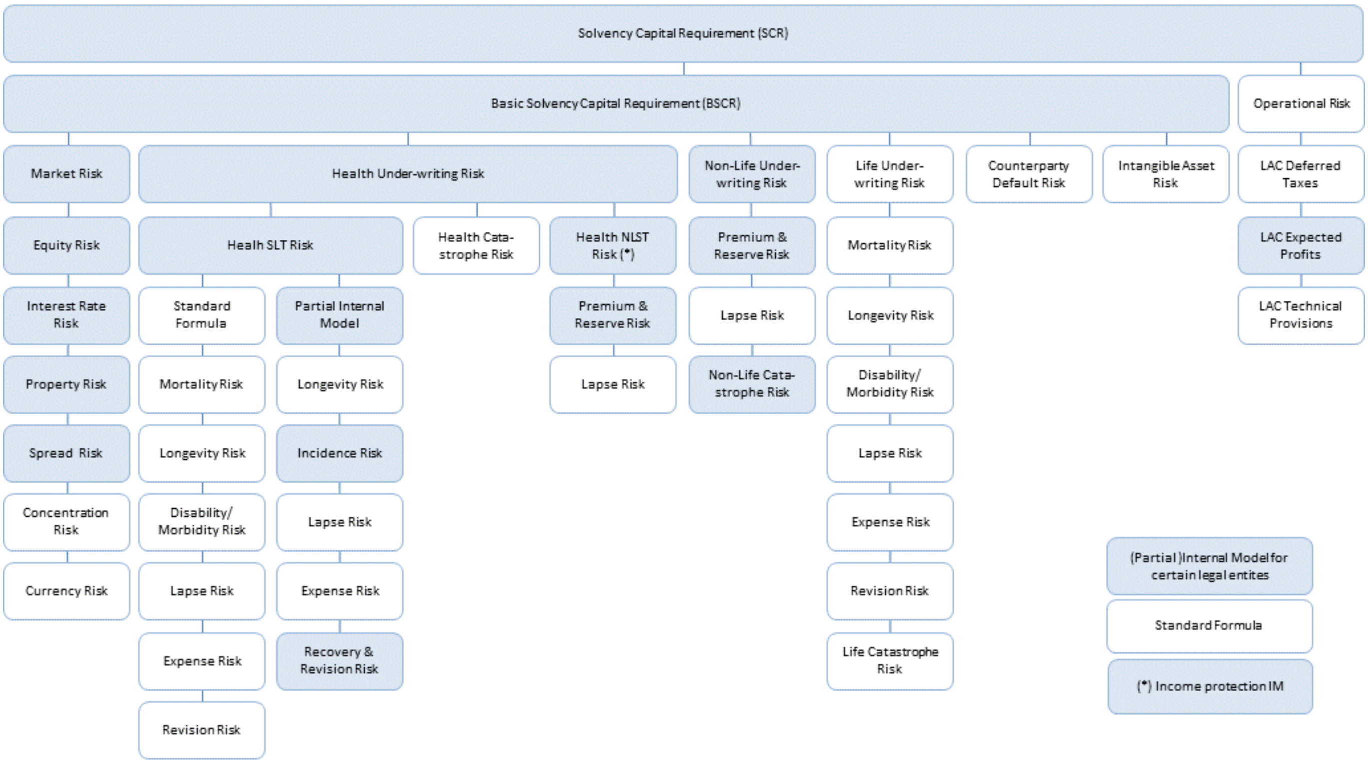
- Achmea Schadeverzekeringen N.V. and N.V. Hagelunie: 65% (2019: 65%);
- Achmea Pensioen & Levensverzekeringen N.V.: 63% (2019: 64%).

The discount rate used to calculate the Interest Rate Risk within the PIM for Market Risk is the German bund curve (Euro Core).

E.2.2. STANDARD FORMULA VERSUS PARTIAL INTERNAL MODEL

Achmea uses an internal model for:
- Non-Life Risk the Premium and Reserve Risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.
- Non-Life Risk the Natural Catastrophe Risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A., Achmea Reinsurance Company N.V. (excluding incoming reinsurance contracts) and Achmea B.V.
- Health Risk (Health Not Similar to Life Techniques, NSLT) the Premium and Reserve Risk for sickness and accident insurance of Achmea Schadeverzekeringen N.V., Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.
- Health Risk (Health Similar to Life Techniques, SLT) the risks relating to disability, rehabilitation and revision percentages of Achmea Schadeverzekeringen N.V. and Achmea B.V.

- Market Risk the risks related to Interest Rate, Equity, Property and Spread Risk of Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Achmea Reinsurance Company N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea B.V.



Achmea uses a PIM[12] to calculate the SCR. The SF components and Internal Model components are aggregated into a single SCR. The aggregation is done by means of 1) the "Default approach (use of the correlations as provided by the SF at the level of the main risk types and most sub-risk types; 2) the "Implicit correlation" approach for SLT Underwriting Risk and Non-Life Premium and Reserve Risk; and 3) "Simulation approach" to aggregate the Equity Risk/Property Risk/Interest Rate Risk and Spread Risk of those entities not using the PIM for Market Risk. For some sub-risk types Achmea aggregates data at a lower level than applied in the SF. Here the correlations are based on Achmea's data and expert judgment.

In addition to the Internal Model components Achmea has added a capital correction for Inflation Risk to the Interest Rate Risk within Market Risk for Interamerican Property & Casualty Insurance Company S.A. Achmea excluded the Inflation Risk from the Internal Model for Non-Life Underwriting and Health SLT Underwriting Risk. In order to capture this risk in the SCR, Achmea has determined a capital requirement in "Pillar II" associated with this risk. Within "Pillar I", the SCR for Inflation Risk is added at the level of "Interest Rate Risk" by means of the "simulation approach".

The SCR Counterparty Default Risk is impacted due to the Internal Model for Non-Life Catastrophe Risk and Market Risk.

Following the differences between the SF and the PIM used, the outcome of the LACDT under the PIM differs from the outcome of the SF.

Within the SF the LACEP is not applicable, because it is assumed that the impact is already included in the various SF parameters as laid down in the Solvency II legislation. In Achmea's PIM an adjustment factor for LACEP is applied to take future profitability into account within the PIM[13].

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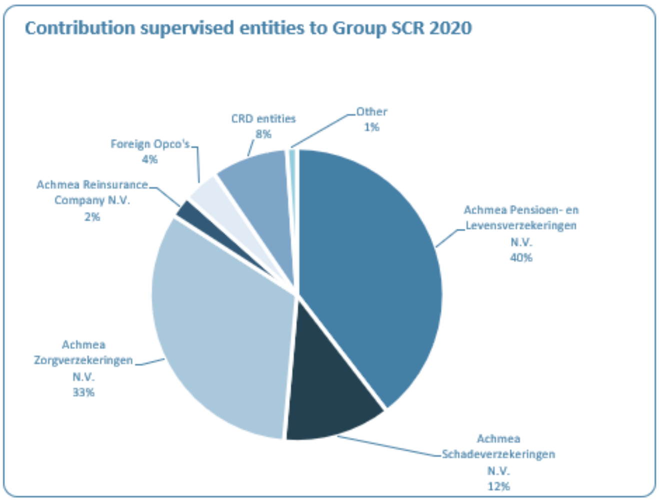
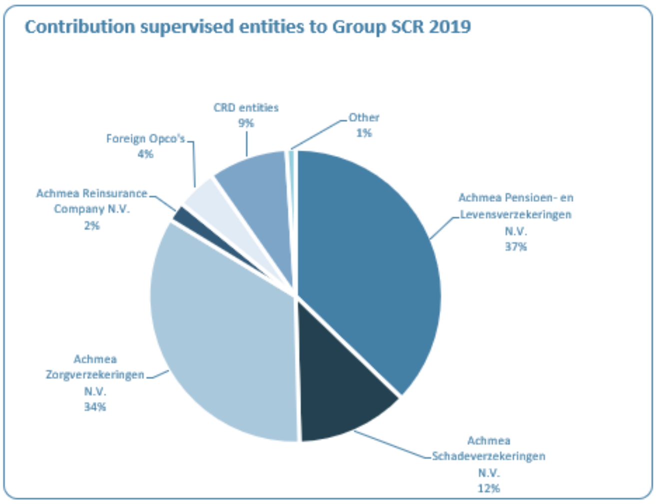
[12] Within Non-Life Cat Risk Man-made Risk is not included. For Union and Eureko Sigorta no Internal Model is used for Premium and Reserve Risk.
[13] For Achmea's Non-Life Premium- and Reserve and Market Risk calculated using the Partial Internal Model, the capital requirements are calculated as possible (99.5%) deviations from the expected figures. These capital requirements reflect (unexpected) deviations from the expected change in Own Funds for the forthcoming one-year period. The expected change in Own Funds serves as a first buffer to absorb unexpected deviations.

E.2.3. SOLVENCY CAPITAL REQUIREMENT

E.2.3.1. SOLVENCY CAPITAL REQUIREMENT

Solvency Capital Requirement according to major legal entities[14]:





The contribution from the main legal entities is fairly stable compared to 2019.

The main SCR results based on the Partial Internal Model are:

SOLVENCY CAPITAL REQUIREMENT

€ MILLION

	2020	2019	Δ
Market Risk	2,423	2,365	57
Counterparty Default Risk	250	273	-23
Life Underwriting Risk	1,977	1,791	186
Health Underwriting Risk	1,746	1,773	-28
Non-Life Underwriting Risk	953	892	60
Diversification	-2,637	-2,542	-95
Intangible Asset Risk	0	0	0
Basic Solvency Capital Requirement	4,710	4,553	157
Operational Risk	607	599	8
Loss-Absorbing capacity of expected profits Underwriting Risk	-56	-73	17
Loss-Absorbing capacity of expected profits Market Risk	-132	-148	16
Loss-Absorbing Capacity of Technical Provisions	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-659	-619	-41
SCR Other Financial Sectors & Other Entities	682	39	643
Solvency Capital Requirement	5,153	4,352	801

Due to new guidance of DNB on the treatment of CRD-entities within a MFHC the CRD-entities (Achmea Bank, AIM and SAREF) are included in the Solvency II consolidation for Achmea Group as of Q4 2020.

The Solvency Capital Requirement of the individual entities on the situation as at 31 December 2020 is included in the following table.

14 Foreign OpCo's = supervised insurance entities outside the Netherlands.

SOLVENCY CAPITAL REQUIREMENT INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	2,505	2,291
Achmea Schadeverzekeringen N.V.	752	763
Interamerican Assistance General Insurance Company S.A. (99.89%)	10	12
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	61	78
N.V. Hagelunie	53	44
Achmea Zorgverzekeringen N.V.	783	774
Interpolis Zorgverzekeringen N.V.	71	70
Zilveren Kruis Zorgverzekeringen N.V.	1,466	1,481
De Friesland Zorgverzekeraar N.V.	206	209
FBTO Zorgverzekeringen N.V.	86	91
Union Poist'ovňa A.S. (99.97%)	17	17
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	104	101
Achmea Reinsurance Company N.V.	156	133
Achmea Bank N.V.	597	0
Syntrus Achmea Real estate & Finance	18	0
Achmea Investment Management	19	0
Total individual entities	6,904	6,064
Diversification, mixed financial holding company, investment related entities and ancillary entities[15]	-1,751	-1,712
Total	5,153	4,352

The anticipated SCR of Achmea over its business planning time period based on the business strategy is given below. The small effects of the SCR are amongst others linked to the decrease of the Life portfolio in the Netherlands, partly mitigated by the increase of Non-Life Risk and Health NSLT Insurance Risk because of an increase of Health insurance claims. In this projection the consequences of the legislative changes due to the EIOPA review 2020 are not included.

DEVELOPMENT SCR OVER SII BUSINESS HORIZON

	2020	2021	2022	2023	2024	2025
Solvency Capital Requirements	5,106	5,112	5,170	5,151	5,130	5,110

E.2.3.2. MARKET RISK

Achmea uses a Partial Internal Model for the calculation of the Solvency Capital Requirements for Market Risk.

MARKET RISK

€ MILLION

	2020	2019
Interest rate	1,401	1,265
Equity	1,254	1,255
Property	406	345
Spread	1,305	1,318
Currency	124	114
Concentration	0	0
Diversification	-2,068	-1,931
SCR Market Risk	2,423	2,365

In 2020, the capital requirement for Market Risk increased by €57 million which was driven by the lower interest rates and increased volatility. The increase is partly compensated by the annual calibration of the Economic Scenarios which resulted in a decrease of the capital requirements.

[15] Eureko Sigorta A.S. is not subject to SII European legislation (Non-EEA entity). The legal entity is under control of Achmea. In the group calculations the impact of Eureko Sigorta A.S. is included by applying the Solvency II principles and is part of the line Diversification.

MARKET RISK INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	1,700	1,608
Achmea Reinsurance Company N.V.	81	78
Achmea Schadeverzekeringen N.V.	462	495
Achmea Zorgverzekeringen N.V.	674	660
Athinaiki Clinic	0	0
De Friesland Zorgverzekeraar N.V.	28	33
Eureko Sigorta A.S.	42	50
FBTO Zorgverzekeringen N.V.	11	10
Interamerican Assistance General Insurance Company S.A.	1	1
Interamerican Hellenic Life Insurance Company S.A.	50	51
Interamerican Property & Casualty Insurance Company S.A.	12	17
Interassistance Commercial Company of Automobile and Tourism S.A.	0	0
Interassistance Road Assistance Services	0	0
Interpolis Zorgverzekeringen N.V.	10	9
Mentor	0	0
Modern Private Medical Group Practice	0	0
N.V. Hagelunie	27	21
Union Poist'ovňa A.S.	2	3
Zilveren Kruis Zorgverzekeringen N.V.	133	150
Total individual entities	3,232	3,189
Diversification	-809	-823
Total	2,423	2,365

Interest Rate Risk

The capital requirement for Interest Rate Risk is mainly recognised within Achmea Pensioen- en Levensverzekeringen N.V. Interest Rate Risk within the other supervised insurance entities is limited because of the Interest Rate Risk policy employed, such as duration matching and absolute limits used.

The capital requirement for Interest Rate Risk.

INTEREST RATE RISK

€ MILLION

	ECONOMIC VALUES BEFORE SHOCK				SCR		
	2020		2019		2020	2019	Δ
	ASSETS	LIAB.	ASSETS	LIAB.			
Interest Rate Risk	54,381	57,957	51,901	57,411	1,401	1,265	137

Achmea has included the Risk Margin in the calculation of the Interest Rate Risk (contrary to the Standard Formula) by modelling the Risk Margin as a separate cash flow. Interest Rate Risk increased caused by changes in volume and duration. During 2020 Achmea changed the capital hedge. This increased the Interest Rate Risk.

Equity Risk

The capital requirements for Equity Risk is mainly driven by the Dutch legal entities. On a solo perspective Interamerican Hellenic Life Insurance Company S.A. and Interamerican Property and Casualty Insurance Company S.A. have recognised Equity Risk. However, the equity exposures are mainly the participation in subsidiaries.

Achmea has investments in so-called "Property investment funds". If the leverage included in these funds exceeds 20% the investment fund is not included as part of Property Risk but is included within Equity Risk. This has been the case for funds with an economic value of €38 million. These funds are recognised within the portfolio of Achmea Pensioen- en Levensverzekeringen N.V.

The capital requirement with respect to participations classified as “Other entities” is presented in a separate component, SCR Other. This is presented as a separate line item part of the Solvency Capital Requirement. The capital requirement is added to the Solvency Capital Requirement, no diversification effects are recognised.

EQUITY RISK

€ MILLION

	Economic values before shock				SCR		
	2020		2019		2020	2019	Δ
	Assets	Liab.	Assets	Liab.			
Equity Risk	2,841	4,227	3,189	4,358	1,254	1,255	-1

The capital requirements for Equity Risk are sensitive to changes in the equity markets. During 2020 a major change was implemented in Equity and Property model concerning the volatility index to better reflect the risk profile of the equity property portfolio, especially in the relevant parts of the risk distributions.

Equity Risk decreased by €1 million in 2020. The implied volatility (VIX) is fixed at 27 from 2020 Q3 onwards. The increase in the VIX from 14 in 2019 Q4 to 27 in 2020 Q4 increased Equity Risk. The de-risking in June and re-risking in the fourth quarter decreased the Equity Risk.

Property Risk

Achmea has investments in so called “Property investment funds”. If the leverage included in these funds is lower than 20% the investment fund is included as part of Property Risk.

Achmea has certain Unit Linked insurance contracts where the fee earned by Achmea depends on the fund value (assets). These are shocked according to the scenarios and the adjusted value of the fee income is determined. The lower discounted value of the fee income is added to the capital requirements.

PROPERTY RISK

€ MILLION

	Economic values before shock				SCR		
	2020		2019		2020	2019	Δ
	Assets	Liab.	Assets	Liab.			
Property Risk	1,592	187	1,656	188	406	345	61

The capital requirements for Property Risk are sensitive in the volatility.

Property Risk increased in 2020.The higher implied volatility not only applied to equity but also to property in PIM. This higher VIX and the annual calibration of the economic scenario generator increased Property Risk by €81 million. Sales in the property portfolio reduced Property Risk with €19 million.

Spread Risk

Achmea applies the Partial Internal Model for Spread Risk for all bonds and loans, government bonds and related exposures and for mortgage loans.

Within the Partial Internal Model for Spread Risk Achmea determines the following components of the model: Credit Spread Risk, Migration and Default Risk and Dynamic Volatility Adjustment (DVA).

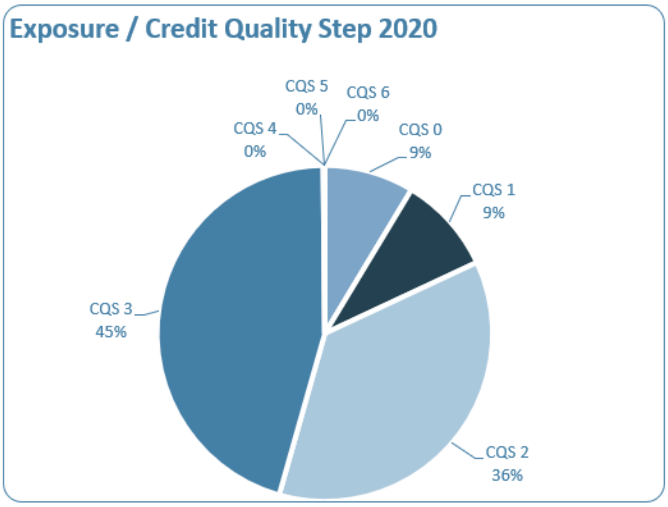
Credit Spread Risk is the risk that spreads increase, while the ratings remain unchanged. Migration and Default Risk address the risk of downgrades and defaults. The DVA is a (dynamic) adjustment to the basic risk free curve to avoid pro-cyclical investment behaviour.

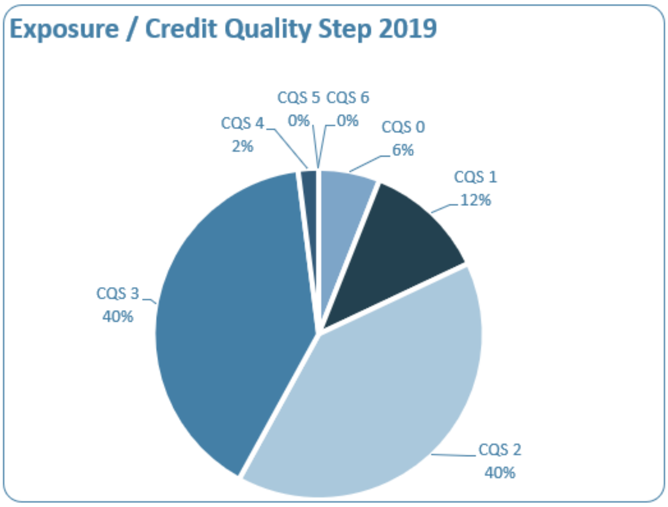
SPREAD RISK

€ MILLION

	Economic values before shock				SCR		
	2020		2019		2020	2019	Δ
Spread Risk	45,213	54,460	41,899	54,004	1,305	1,318	-14

The following graphs present the quality of the bond and loan portfolio (hence excluding Government bonds).





The average duration of the bond and loan portfolio increased from 3.1 to 3.9 years.

Spread Risk decreased in 2020. Lower credit spreads and the annual calibration of the economic scenario generator lowered Spread Risk by €187 million. In line with the Investment Plan there was a shift from government bonds to credits and mortgages leading to higher Spread Risk. In total €633 million of credits and €708 of mortgages was shifted out of government bonds. Lower interest rates leading to higher market values also increased Spread Risk. The net result of these effects was an increase of Spread Risk by €160 million. The mitigating effect of the swap spread hedge increased by €15 million (2020: €-129 million vs 2019: €-144 million).

Within the Spread Risk sub risk, Achmea includes the DVA. The DVA results in a lower capital requirement. Achmea's DVA depends on the actual information regarding the fundamental spread at t=0 as published by EIOPA and Achmea's own application ratio.

Market Risk Concentrations

A capital requirement for Market Concentration Risk is only recognised when the exposure to a single name exceeds the thresholds set by the Solvency II legislation. Government bonds and related exposures, exposures subject to the Counterparty Default Risk module, unit-linked related exposures and certain legal entities part of the Group are not subject to this capital requirement.

At the end of 2020, Achmea had no exposure to any counterparty that exceeded the Concentration Risk threshold. Therefore the SCR Market Concentration remained zero.

The Dutch Health entities and part of the legal entities outside the Netherlands have Concentration Risk on the level of the solo capital requirements.

Currency Risk

The capital requirement for Currency Risk increased by €11 million to €124 million at the end of 2020, mainly due to due to more unhedged FX exposure in commodities and emerging markets equity.

The main unhedged exposures to foreign currencies are related to the subsidiary Eureko Sigorta A.S. and an investment in Garanti Emeklilik VE Hayat A.S.

Most foreign currency exposures in insurance and investment portfolios are hedged using currency derivatives. Achmea Reinsurance Company N.V. has exposures in several currencies because of their incoming reinsurance activities outside the Eurozone. Achmea Schadeverzekeringen N.V. has Currency Risk related to the Australian dollar because of branch selling insurance products in Australia. N.V. Hagelunie has Currency Risk in Canadian dollar related insurance products sold in Canada. The other legal entities have some Currency Risk based on exposures denominated in other currencies than the euro embedded in the investment portfolio.

E.2.3.3. COUNTERPARTY DEFAULT RISK

The exposures to Counterparty Default Risk are the result of normal operations within Achmea and the result of risk mitigation of risk assumed by Achmea and its subsidiaries.

The following table specifies the SCR for the CDR.

COUNTERPARTY DEFAULT RISK

€ MILLION

	2020	2019	Δ
Reinsurance arrangements	23	25	-1
Derivatives	66	60	6
Other non-risk mitigating exposures	53	51	2
Commitments depending on the credit standing of the counterparty	39	48	-9
Diversification	-27	-26	-1
SCR CDR on Type 1 exposures	154	157	-3
Insurance and Intermediaries Receivables	15	21	-6
Other Credit exposures (excl. Mortgage Loans)	98	114	-16
Mortgage loans	0	0	0
SCR CDR on Type 2 exposures	113	135	-22
Diversification	-17	-19	2
SCR Counterparty Default Risk	250	273	-23

The decrease of the SCR CDR on Type 1 exposures is due to a lower exposure of the securities lending portfolio as a result of an increased value of the underlying collateral and a decreased impact of Achmea's reinsurance program. The decrease is partly offset by an increase of the exposure on derivatives. The decrease of the commitments depending on the credit standing of the counterparty is due to the closed book character of the mortgage saving products portfolio.

The decrease of the SCR CDR on Type 2 exposures is due to developments within the Dutch health insurance entities caused by a lower debtor position, a lower position of claims under a deductible, fewer policyholders and improved payment behaviour of policyholders. Furthermore there was a decrease in the exposure of intermediaries receivables, also as a result of the decrease in policyholders and less regular health care due to the Covid-19 pandemic. Within the Non-Life insurance business type 2 exposures decreased due to lower volumes in "exercising rights to recoveries" and payables regarding intermediary provisions.

Derivatives

Derivatives are used to hedge undesirable risks in the investment portfolio and for efficient portfolio management. For interest management, Interest Rate Swaps and Swaptions are used to hedge interest rate risks arising from the insurance liabilities. Forward exchange contracts (FX forwards) are used for hedging currency risk. In line with the Counterparty Policy, positions in derivatives are collateralised. Daily collateral is exchanged with the relevant counterparties. For OTC contracts, only high rated government bonds are accepted as collateral. For positions cleared through Central Clearing the variation margin is settled in cash.

The capital requirement related to derivatives increased. Derivatives which are centrally cleared are subject to different capital requirements than derivatives which are not centrally cleared.

VOLUME DERIVATIVES

€ MILLION

	2020	2019	Δ
Type 1	2,916	2,014	902
Type 2			0
Type 3	3,658	2,854	804
Type 4	-1	-6	5
Total derivatives subject to CDR module -type 1	6,573	4,862	1,710

The derivatives are classified in four types. Type 1 derivatives consists of cleared interest rate swaps. Type 2 derivatives are comparable with type 1, but Achmea is not required to be protected from losses in the event that the clearing member and another client of the clearing member jointly default. Type 4 derivatives consists of bond futures and all the other derivatives are classified as type 3 derivatives. The above table shows the distribution over the different types.

COUNTERPARTY DEFAULT RISK INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	111	113
Achmea Schadeverzekeringen N.V.	54	62
Interamerican Assistance General Insurance Company S.A. (99.89%)	1	1
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	7	7
N.V. Hagelunie	11	10
Achmea Zorgverzekeringen N.V.	12	12
Avéro Achmea Zorgverzekeringen N.V.	0	0
Interpolis Zorgverzekeringen N.V.	2	3
Zilveren Kruis Zorgverzekeringen N.V.	49	35
De Friesland Zorgverzekeraar N.V.	3	3
FBTO Zorgverzekeringen N.V.	2	3
Union Poist'ovňa A.S. (99.97%)	5	3
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	6	6
Achmea Reinsurance Company N.V.	12	13
Total individual entities	276	272
Diversification, mixed financial holding company, investment related entities and ancillary entities	-26	1
Total	250	273

The impact of diversification includes the change in the intercompany positions within the Dutch health insurance entities with regard to the continuity contribution as a result of Covid-19.

E.2.3.4. LIFE UNDERWRITING RISK

The following table sets out the composition of Achmea's Life Underwriting Risk. This relates both traditional and Unit-Linked policies. For the calculation of Life Underwriting Risk Achmea uses a simple sum to aggregate the outcomes of the legal entities by using a correlation 1, with the exception of Lapse Risk. When determining the Lapse Risk the various scenarios are aggregated. The most onerous scenario is used to determine the capital requirement, which regards mass lapse. Within Achmea Life Underwriting Risk is based on the Standard Formula.

LIFE UNDERWRITING RISK

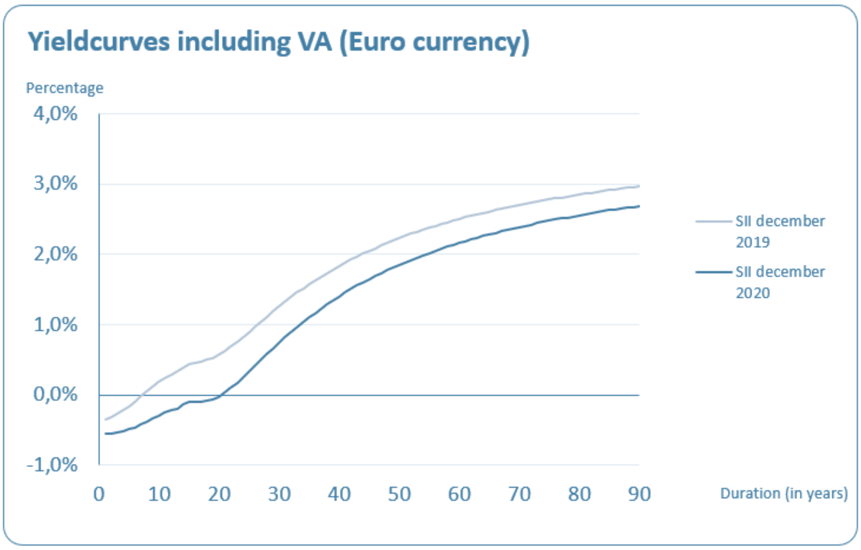
€ MILLION

	2020	2019	Δ
Mortality Risk	185	183	2
Longevity Risk	1,537	1,347	190
Disability/ Morbidity Risk	14	25	-11
Lapse Risk	287	338	-51
Expense Risk	681	600	81
Revision	0	0	0
Catastrophe Risk	129	140	-11
Diversification Risk	-857	-843	-15
SCR Life	1,977	1,791	186

Approximately 96% of Life Underwriting Risk is recognised within Achmea Pensioen- en Levensverzekeringen N.V., 2% within Achmea Reinsurance Company N.V. and 2% within Interamerican Hellenic Life Insurance Company S.A.

Life Underwriting Risk increased due to the lower yield curve leading to an increase of the Best Estimate and an increase of the required capital. The capital requirement decreased due to the decreasing insurance portfolio in the Netherlands, partly compensated by an update of the mortality assumptions and cost assumptions. The cost assumptions include investment expenses, based on a Q&A of EIOPA. This inclusion of investment expenses was a reversal of the methodology change implemented in 2019.

The Life Underwriting Risk is very sensitive to movements in the relevant Risk-free interest rate. A change will result in a change in the Best Estimate, which will influence the capital requirements for Life Underwriting Risk. In 2020, the relevant Risk-free interest rate decreased. Ceteris paribus other developments, this results in a higher value of the Best Estimate and related capital requirements, because the average duration of Achmea's Life portfolio is 12.4 years (2019: 12.1 years).



UNDERWRITING RISK LIFE INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	2,006	1,810
Union Poist'ovňa A.S. (99.97%)	5	5
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	44	43
Achmea Reinsurance Company N.V.	45	45
Total individual entities	2,101	1,902
Diversification	-124	-111
Total	1,977	1,791

Diversification includes mainly the impact of the Pension Benefit Obligations and the impact of other intra group transactions. In Greece and Slovakia, the Lapse down has the most onerous outcome of all the three scenarios. At Group level, the mass lapse scenario applies.

Mortality Risk

The SCR for Mortality Risk is determined by calculating the liabilities with mortality rates which are increased by 15% for future years.

The SCR for Mortality Risk has increased by €2 million to €185 million and is mainly driven by Achmea Pensioen- en Levensverzekeringen N.V. The increase in Mortality Risk is mainly caused by changes in non-economic assumptions due to an update of mortality assumptions, model changes and portfolio developments. The decrease was partly offset by an increase due to the decrease in interest rate levels. Reinsurance of Mortality Risk within Achmea Reinsurance Company N.V. has only a small effect on Mortality Risk.

Longevity Risk

The SCR for Longevity Risk is determined by calculating the liabilities with mortality rates that are decreased by 20% for future years.

The SCR for Longevity Risk increased by €190 million to €1,537 million. The increase is caused by changes in economic assumptions, non-economic assumptions and portfolio developments. The change in non-economic assumptions was mainly due to the update of the mortality assumptions. The decrease due to portfolio developments is mainly caused by the closed book character of the portfolio.

Disability/Morbidity Risk

For the Disability/Morbidity Risk in the Netherlands the capital requirements are determined using an approximation agreed by AFH. The approximation is based on information provided by Achmea Schadeverzekeringen N.V. for portfolios with a similar risk type. The information is adjusted for differences in contract conditions and the portfolio.

The SCR for Disability/Morbidity Risk decreased by €11 million to €14 million. The Disability Risk decreased due to portfolio developments. Because of the closed book character of the portfolio the premium income for disability is decreasing.

Lapse Risk

LAPSE RISK - LIFE

€ MILLION

	2020	2019	Δ
Lapse Increase	87	117	-30
Lapse Decrease	70	66	4
Mass Lapse	287	338	-51
Scenario Used	Mass	Mass	

In line with recent years mass lapse is the dominant scenario for the life portfolios on the level of the Group.

The outcome of the Mass lapse scenario decreased due to a decrease within Achmea Pensioen- en Levensverzekeringen N.V. The decrease in lapse shock is caused by the decreasing portfolio. An update of the lapse assumptions caused a decrease. The decrease in interest rate levels had an increasing impact. The mass lapse scenario is the most onerous within all entities, except for Interamerican Hellenic Life Insurance Company S.A. and Union Poistóvňa A.S. (for both entities the downward shock is the most onerous).

Expense Risk

The SCR for Expense Risk increased by €81 million to €681 million. Expense Risk is determined by calculating the impact on the liabilities where the expenses are increased by 10% and the inflation rate has increased by 1%. The increase in Expense Risk is driven by the developments within Achmea Pensioen- en Levensverzekeringen N.V. The decrease in interest rate levels caused an increase in Expense Risk. Changes in non-economic assumptions caused an increase, mainly due to the increase in expense levels. As of the fourth quarter of 2020 the investment expenses are also shocked to calculate the Expense Risk. This was a reversal of the methodology change implemented in 2019. This change caused an increase of €38 million. Experienced variance/portfolio developments caused a decrease in Expense Risk.

Revision Risk

Revision Risk only applies to annuity payments related to claims for damage insurance. There are no such insurances in the Achmea portfolio. Accordingly, the Revision Risk is nil.

Catastrophe Risk

The SCR for Catastrophe Risk decreased by €11 million to €129 million. Catastrophe Risk is mainly driven by developments within Achmea Pensioen- en Levensverzekeringen N.V. (€-10 million) and Achmea Reinsurance Company N.V. (€-1 million). For the individual model the Catastrophe Risk is calculated according to a simplification, which is 0.15% of the Capital at Risk. The prescribed method is to increment the mortality rates in the first projection year by 0.15%. For the group model it is calculated according to prescribed method, i.e. increasing the mortality in the first year by 0.15%.

The decrease within Achmea Pensioen- en Levensverzekeringen N.V. is mainly due to experienced variance and portfolio developments, partly offset by the change in economic assumptions. Catastrophe Risk within Achmea Pensioen- en Levensverzekeringen N.V. is mitigated by a reinsurance contract with Achmea Reinsurance Company N.V.

Diversification Effects

The impact of diversification effects between sub-risks increased in 2020 by €15 million due to the increase of the underlying sub-risks.

E.2.3.5. HEALTH UNDERWRITING RISK

Health Underwriting Risk consists of three components: Health Similar to Life (SLT), Health Similar to Non-Life (NSLT) and Health Catastrophe Risk. The Line of Business Health insurance is related to Health SLT. The Lines of Business Medical Expenses, Income Protection and Worker's Compensation are related to Health NSLT.

The Health SLT portfolio uses internal models for the Dutch disability portfolio for Disability/Morbidity and Revision Risk. This only relates to the legal entity Achmea Schadeverzekeringen N.V. The risk taxonomy of the Partial Internal Model (PIM) deviates from the risk taxonomy of the Standard Formula for Health SLT Underwriting Risk. Achmea first determines the SCR Health SF SLT and the SCR Health PIM SLT. These two outcomes are aggregated by means of implicit correlations.

For the Dutch Basic Health Insurance Obligations, Achmea used the HRES-parameters as put forward in the Implementing Technical Standard. For NSLT Premium Risk, the parameter/standard deviation is 2.7% and for Reserve Risk 5.0%.

HEALTH SLT

The Health SLT portfolio uses internal models for the Dutch disability portfolio for Disability/Morbidity and Revision Risk. This only relates to the legal entity Achmea Schadeverzekeringen N.V.

HEALTH UNDERWRITING

€ MILLION

	2020	2019	Δ
Mortality	1	1	0
Longevity	30	28	2
Disability/Morbidity/Revision	208	220	-12
SLT Lapse	22	14	8
Expense	35	31	5
Diversification	-85	-78	-7
SCR UR Health SLT	210	215	-5
NSLT Lapse	17	13	4
Premium and Reserve	1,617	1,642	-25
Diversification	-17	-13	-4
SCR UR Health NSLT	1,617	1,642	-25
Health catastrophe	50	50	0
Diversification	-132	-134	2
SCR UR Health	1,746	1,773	-28

UNDERWRITING RISK HEALTH INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	0	0
Achmea Schadeverzekeringen N.V.	267	270
Interamerican Assistance General Insurance Company S.A. (99.89%)	0	0
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	1	1
N.V. Hagelunie	0	0
Achmea Zorgverzekeringen N.V.	187	193
Interpolis Zorgverzekeringen N.V.	52	51
Zilveren Kruis Zorgverzekeringen N.V.	1,097	1,116
De Friesland Zorgverzekeraar N.V.	152	153
FBTO Zorgverzekeringen N.V.	64	68
Union Poist'ovňa A.S. (99.97%)	2	2
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	42	38
Achmea Reinsurance Company N.V.	16	15

Total individual entities	1,880	1,907
Diversification	-135	-134
Total	1,746	1,773

The diversification includes the impact of intra group transactions and the impact of diversification within NSLT Premium and Reserve Risk.

Mortality Risk SLT

There were no material portfolio developments within Interamerican Hellenic Life Insurance Company S.A. As a result Mortality Risk has remained €1 million.

Longevity Risk SLT

Longevity Risk increased by €2 million due to an increase within Achmea Schadeverzekeringen N.V. The new WIA ("Wet Werk en Inkomen naar Arbeidsvermogen") premium rates 2021 increased risk on the IVA ("Inkomensvoorziening Volledig Arbeidsongeschikten") portfolio.

Disability/Morbidity/Recovery Risk SLT

Disability/Morbidity Risk (incidence + recovery) decreased by €12 million to €208 million. Within the WIA portfolio of Achmea Schadeverzekeringen N.V. Incidence Risk SLT decreased by €2 million and Recovery Risk SLT decreased by €10 million.

Incidence and Recovery Risk decreased which is mainly driven by the further fulfilment of the 50% Quota Share reinsurance "WIA". At year-end 2019, only accident year 2019 was reinsured and at year-end 2020 both accident years 2019 and 2020 are reinsured. This impact is partly offset by a higher volume due to the decreased yield curve both for Incidence and Recovery Risk. Incidence Risk decreased as a result of a lower expected volume of the WIA self-insured portfolio.

Lapse Risk SLT

In line with 2019, the "lapse decrease scenario" is the dominant scenario for Lapse Risk Health SLT in 2020 on Group level. Lapse Risk increased by €8 million due to a higher risk in the waiver of premium portfolio of Interamerican Hellenic Life Insurance Company S.A.

Expense Risk SLT

Expense Risk SLT increased by €4 million due to an update of the cost assumptions within Achmea Schadeverzekeringen N.V.

HEALTH NSLT

Health NSLT consists of three lines of business, Medical Expenses, Income Protection and Workers' compensation. Achmea applies an Internal Model for Income Protection. Medical Expenses accounts for the vast majority of the required capital of Health NSLT.

Lapse Risk NSLT

Lapse Risk increased by €4 million caused by the increased profitability of the recognised portfolio, especially absenteeism. Due to DNB guidelines for LoB Medical Expenses Lapse Risk does not have to be taken into account for Achmea Zorgverzekeringen N.V. (consolidated) and its subsidiaries.

Premium and Reserve Risk Health NSLT

The increase of Health NSLT Premium and Reserve Risk mainly consists of the Dutch Health insurance business (€-26 million) and Achmea Schadeverzekeringen N.V. (€1 million). All the changes in the Premium and Reserve Risk arise from development of the portfolio, changes in expected cash flows and methodology and its effect on the discounting.

The increase in the premium volume as compared to FYR 2019 is mostly due to the inclusion of the expected Covid-19 contribution.

The volume measure for Reserve Risk decreased as a result of derecognition that is larger than the recognition. The recognition is mainly due to the expected contribution for the Covid-19 costs from the catastrophe scheme and its expected redistribution among health insurers. Also the payments due to the continuity arrangements are invoiced quicker than the actual (discontinued) health care would have been. The recognition in the volume measure of Reserve Risk is due to increased provisions for absenteeism mostly due to Covid-19. This is partly offset by a decreasing volume of the accident portfolio partly due to a re-assessment of the provisions. The impact of the accident portfolio volume change is more severe due to the higher risk factor.

HEALTH CATASTROPHE RISK

HEALTH CATASTROPHE RISK

€ MILLION

	2020	2019	Δ
Mass Accident Risk	16	14	2
Accident Concentration Risk	22	20	2
Pandemic risk	42	44	-1
Diversification	-30	-27	-3
SCR CAT Risk Health	50	50	0

The impact of the mass accident scenario increased due to higher accepted risks in the portfolio of Achmea Reinsurance Company N.V. The impact of the concentration risk scenario increased due to an increased share of the “WIA-Excedent” portfolio and a higher insured sum. These effects are compensated by the lower impact of the pandemic risk scenario due to a decrease of the number of insured and a lower average sum insured.

NON-LIFE UNDERWRITING RISK

The legal entities with a Partial Internal Model for Non-Life Premium and Reserve Risk are Achmea Schadeverzekeringen N.V., N.V. Hagelunie and Interamerican Property & Casualty Insurance Company S.A. The legal entities with a Partial Internal Model for Non-Life Catastrophe Risk (Natural) are Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Interamerican Property & Casualty Insurance Company S.A. and Achmea Reinsurance Company N.V. The other legal entities within Achmea and the other (sub)Risks are based on the Standard Formula. In terms of PIM SCR 83% (2019: 78%) of Non-Life Underwriting Risk is based on the Partial Internal Models (before diversification).

For reinsurance contracts issued in Turkey with Turkish counterparties where a Credit Quality Step lower than 3 is applicable, the risk mitigation capacity of these reinsurance contracts is not taken into consideration. Based on the Solvency II legislation (article 211 Regulation 2015/35) these reinsurance contracts may not be considered as effective risk mitigation.

Achmea has used the “implicit correlation” approach to aggregate the capital requirements on Group level.

NON-LIFE UNDERWRITING RISK

€ MILLION

	2020	2019	Δ
Lapse	139	132	7
Premium and Reserve	644	590	54
Catastrophe	546	525	21
Diversification	-376	-355	-21
SCR UR Non-Life	953	892	60

Approximately 43% of Non-Life Underwriting Risk is driven by Achmea Schadeverzekeringen N.V., 21% by Achmea Reinsurance Company N.V., 20% by Eureko Sigorta A.S., 11% by N.V. Hagelunie, 4% by Interamerican Property & Casualty insurance Company S.A. and 1% by Union Poisťovňa A.S.

UNDERWRITING RISK NON-LIFE INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Schadeverzekeringen N.V.	623	605
Interamerican Assistance General Insurance Company S.A. (99.89%)	8	10
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	66	77
N.V. Hagelunie	50	47
Union Poist’ovňa A.S. (99.97%)	13	14
Achmea Reinsurance Company N.V.	145	108
Total individual entities	904	861

Diversification	48	31
Total	953	892

The diversification includes the impact diversification within Non-Life Premium and Reserve Risk, Non-Life Catastrophe Risk and the impact of intra group transactions.

Lapse Risk

The SCR of Non-Life Lapse Risk is modelled according to the SF. In the Netherlands, Lapse Risk increased by €4 million within N.V. Hagelunie due to the increased impact of reinsurance. The already paid reinsurance premiums for these contracts cannot be refunded. Within Achmea Reinsurance Company N.V. Lapse Risk increased by €2 million due to the inclusion of brokerage and commissions in the calculation. The remaining impact is due to an increased portfolio within Achmea Schadeverzekeringen N.V. (€1 million) and Eureko Sigorta A.S. (€1 million).

Premium & Reserve Risk

The most important reason for the increase of Premium and Reserve Risk in the Netherlands is the increase in volumes. The development in Premium and Reserve Risk is mainly caused within Achmea Schadeverzekeringen N.V. (€48 million) and Interamerican Property & Casualty Insurance Company S.A. (€-11 million) where Premium and Reserve Risk is modelled according to the internal model of Achmea. The impact within Achmea Reinsurance Company N.V. is €25 million where Premium and Reserve Risk is modelled according to the SF. The change is mainly caused by increased volume factors.

The most important reason for the increase of Premium and Reserve Risk within Achmea Schadeverzekeringen N.V. is the increase in Premium Risk, mainly due to increased volumes. The Reserve Risk also increased due to higher provisions for injuries and Covid-19. The impact within Achmea Reinsurance Company N.V. is only caused by a change in volume factor. The insurance obligations increased mainly due to increased reserves for the line of business Property, due to several catastrophe and fire losses in 2020. Premium Risk increased due to new contracts incoming business signed during the renewal. Premium and Reserve Risk within Interamerican Property & Casualty Insurance Company S.A. (€-11 million) decreased mainly due to an updated calibration process.

Catastrophe Risk

Achmea has developed an internal model for Natural Catastrophe Risk in which the Greek and Dutch Non-Life Natural Catastrophe Risk are included. Turkey and Slovakia are included for Earthquake Risk according to the Standard Formula[16].

CATASTROPHE RISK NON-LIFE

€ MILLION

	2020	2019	Δ
Natural	406	360	46
Catastrophe Risk Non-Proportional Property Reinsurance	52	48	4
Man-Made	297	331	-34
Other	6	6	0
Diversification between sub-modules	-215	-219	4
SCR Catastrophe Risk Non-Life	546	525	21

The major model change of the internal model Natural Catastrophe Risk had an impact of €77 million increase on the required capital. This effect is partly offset by the reinsurance renewal in July 2020 of the effect of indexation of the private buildings and residential portfolio. This led to a decrease of risk by €42 million. The update in the reinsurance share of Kibar by Eureko Sigorta A.S. led to a decrease of made-made risk. There has been an update in the reinsurer structure of the policy in 2020.

E.2.3.6. INTANGIBLE ASSET RISK

INTANGIBLE ASSET RISK

€ MILLION

	2020	2019	Δ
Intangible Asset Risk	0	0	0
SCR Intangible Assets	0	0	0

[16] Man-made and Other is modelled according to the Standard Formula.

Intangible Risk is equal to 80% of the value of the intangible assets and the intangible assets decreased to almost €0 million.

E.2.3.7. OPERATIONAL RISK

OPERATIONAL RISK

€ MILLION

	2020	2019	Δ
SCR OR based on Technical Provisions	413	412	1
SCR OR based on Earned Premiums	596	588	8
Charge before Capping	596	588	8
CAP BSCR	1,413	1,366	47
Charge after capping	596	588	8
Expenses Unit Linked Business	45	46	-1
Charge related to Expenses Unit Linked Business (25%)	11	12	0
SCR Operational Risk	607	599	8

In line with recent years the calculation for Achmea is based on the dominant Premium Risk component, where the BSCR constraint is not hit.

Operational Risk increased as a consequence of the increased premium volumes in 2020 in the Health insurance portfolio due to the expected contribution on Covid-19 costs of the Dutch health equalisation fund. The decrease of the expenses in Unit-Linked business causes a decrease in the Operational Risk.

OPERATIONAL RISK – SENSITIVE SCENARIO

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	Provision	Provision
Achmea Schadeverzekeringen N.V.	Premium	Premium
N.V. Hagelunie	Premium	Premium
Achmea Reinsurance Company N.V.	Premium	Premium
Achmea Zorgverzekeringen N.V. (consolidated)	Premium	Premium
Achmea Zorgverzekeringen N.V. (non-look through)	Premium	Premium
Zilveren Kruis Zorgverzekeringen N.V.	Premium	Premium
Interpolis Zorgverzekeringen N.V.	Premium	Premium
FBTO Zorgverzekeringen N.V.	Premium	Premium
De Friesland Zorgverzekeraar N.V.	Premium	Premium
Interamerican Hellenic Life Insurance Company S.A.	Premium	Premium
Interamerican Property & Casualty Insurance Company S.A.	Provision	Provision
Interamerican Assistance General Insurance Company S.A.	Premium	Premium
Union Poist'ovňa A.S.	Premium	Premium
Eureko Sigorta A.S.	Provision	Provision

During 2020 no entities changed in sensitive scenario.

OPERATIONAL RISK INDIVIDUAL ENTITIES

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	177	169
Achmea Schadeverzekeringen N.V.	112	103
Interamerican Assistance General Insurance Company S.A. (99.89%)	1	1
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	7	9
N.V. Hagelunie	3	3
Achmea Zorgverzekeringen N.V.	37	37
Interpolis Zorgverzekeringen N.V.	15	14
Zilveren Kruis Zorgverzekeringen N.V.	314	308
De Friesland Zorgverzekeraar N.V.	45	43
FBTO Zorgverzekeringen N.V.	18	19
Union Poist'ovňa A.S. (99.97%)	2	2
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	5	5
Achmea Reinsurance Company N.V.	10	8
Total individual entities	745	720
Diversification	-138	-121
Total	607	599

In line with recent years the calculation for Achmea is based on the dominant Premium Risk component. The calculation of Operational Risk of most entities within Achmea is based on the premium based component, except for Achmea Pensioen- en Levensverzekeringen N.V., Interamerican Property & Casualty Insurance Company S.A. and Eureko Sigorta A.S. In line with last year this caused the impact of diversification on Group level.

E.2.3.8. LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS

LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS

€ MILLION

	2020	2019	Δ
LACEP Underwriting Risk	-56	-73	17
LACEP Market Risk	-132	-148	16
Total LACEP	-188	-221	33

With the introduction of the PIM for Market Risk, Achmea introduced a Loss-Absorbing Capacity of Expected Profits related to Market Risk. The capital requirements calculated for several parts of Market Risk are based on the “Profit-at-Risk”. The SCR is based on the “Value-at-Risk”. The adjustment to arrive from “Profit-at-Risk” to “Value-at-Risk” is included as part of the LACEP.

The impact of the LACEP Underwriting Risk decreased caused by an expected decreased future profitability of the renewed and new business, partly as a result of the lower interest rates.

The impact of the LACEP Market Risk decreased due to the sale of Equity in 2020 and a decrease in interest rates.

Within the SF the LACEP is not applicable due to the fact that it is assumed that the impact is already included in the various SF parameters as laid down in the Solvency II legislation.

LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS INDIVIDUAL ENTITIES

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	-85	-81
Achmea Schadeverzekeringen N.V.	-93	-87
Interamerican Assistance General Insurance Company S.A. (99.89%)	0	0
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	-1	-1
N.V. Hagelunie	-7	-3
Achmea Zorgverzekeringen N.V.	0	0
Interpolis Zorgverzekeringen N.V.	0	0
Zilveren Kruis Zorgverzekeringen N.V.	0	0
De Friesland Zorgverzekeraar N.V.	0	0
FBTO Zorgverzekeringen N.V.	0	0
Union Poist'ovňa A.S. (99.97%)	0	0
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	0	0
Achmea Reinsurance Company N.V.	-9	-5
Total individual entities	-194	-177
Diversification, mixed financial holding company, investment related entities and ancillary entities	-27	-29
Total	-221	-206

E.2.3.9. LOSS ABSORBING CAPACITY OF TECHNICAL PROVISIONS

The Loss-Absorbing Capacity of Technical Provisions (LACTP) is negligible as was the case in 2019.

E.2.3.10. LOSS-ABSORBING CAPACITY DEFERRED TAXES

The amount recognised as LACDT has been based on the Solvency II legislation and local additional guidance submitted by National Supervisory Authorities, including the supervisory guidance (EIOPA: BoS-14/177, DNB: Q&A published in December 2020 which replaced previous issue Q&As) and the outcomes of the supervisory dialogue.

The LACDT is determined on the level of the individual legal insurance entities and based on Solvency II legislation and local fiscal legislation. On Group level the solo determined LACDT is aggregated taking the diversification effects into account.

LOSS-ABSORBING CAPACITY OF DEFERRED TAXES

€ MILLION

	2020	2019	Δ
SCR Loss-Absorbing Capacity of Deferred Taxes	-659	-619	-41

The following LAC_{DT}-outcomes were recognised on solo level:

RECOGNISED ADJUSTMENT FACTOR ON SOLO LEVEL (ADJDT) PIM

€ MILLION

	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	569	543
Interamerican Hellenic Life Insurance Company S.A.	0	0
Achmea Schadeverzekeringen N.V.	251	234
Eureko Sigorta A.S.	0	0
Interamerican Assistance General Insurance Company S.A.	0	0
Interamerican Property & Casualty Insurance Company S.A.	15	16
N.V. Hagelunie	18	15
Union Poist'ovňa A.S.	4	3
Achmea Reinsurance Company N.V.	41	41
Total without applying guideline 22	**898**	**851**
Total recognised	**659**	**619**

The adjustment based on the diversification effect recognised at Achmea Group level is 73.4% (2019: 72.7%). The increase of the impact of the LACDT Achmea Group is mainly caused by an increase of the LACDT for the Dutch insurance entities, especially Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. This is mainly the result of an increase of the applicable SCR and an increase in average corporate income tax rate to 25.0%.

E.2.3.11. OTHER COMPONENTS OF THE GROUP REQUIREMENTS

OTHER FINANCIAL SECTORS

SCR OTHER FINANCIAL SECTORS & OTHER ENTITIES

€ MILLION

	2020	2019	Δ
CRD entities	633	0	633
De Vereende	3	0	3
Non Ancillary Entities	29	22	6
Union Zdravotná Poist'ovňa AS	17	17	0
Other	0	0	0
Total SCR Other financial sectors & Other Entities	682	39	643

Due to new guidance of DNB on the treatment of CRD-entities within a MFHC the CRD-entities (Achmea Bank, AIM and SAREF) are included in the Solvency II consolidation for Achmea Group. This is the main reason for the increase in the capital requirement for Other Financial Sectors en Other entities(Achmea Bank: €596 million, AIM: €18 million and SAREF: €18 million). The capital requirement also increased due to an increased share of Achmea in 'De Vereende' to 20%. The included capital requirement of €3 million is equal to 20% of the SII capital requirement of 'De Vereende'. The Non Ancillary Entities are entities which are part of Achmea but perform no activities supporting the insurance entities. These entities are classified as a Non Ancillary service entity. The capital requirement for these entities increased caused by an increase of the underlying adjusted net asset value of the participations and the acquisition of Inadmin RiskCo. The capital requirement of Union Zdravotná Poist'ovňa A.S. has remained unchanged. The capital requirement is equal to the legal minimum requirement in Slovakia for a health insurance company.

E.2.4. MINIMUM CAPITAL REQUIREMENT

The following table shows the Minimum Capital Requirement (MCR) of Achmea at the end of 2020 and 2019.

MINIMUM CAPITAL REQUIREMENT PIM (EXCL. D&A/OFS)

€ MILLION

	2020	2019	Δ
SCR	4,471	4,313	158
MCR	2,447	2,374	73
MCR/SCR (%)	55%	55%	0%

The MCR for Achmea Group is equal to the sum of the solo MCR's of all insurance entities (excluding Other Financial sectors). No diversification effects between the insurance entities are taken into account. This is based on Solvency legislation imposed by EIOPA. The MCR of Eureko Sigorta A.S. is equal to 1/3 of the local SCR, also based on EIOPA guidance.

Achmea has not eliminated the Intra-Group positions (with regards to premiums and Technical Provisions) influencing the volume-factors with regards to the solo MCR calculations.

The increase in MCR is mainly caused by an increase in the underlying MCR of Achmea Pensioen- en Levensverzekeringen N.V. Within Achmea Pensioen- en Levensverzekeringen N.V. the increase was mainly the result of the increase of the SCR, which resulted in an increase in the cap of the MCR. In 2020, the MCR for Achmea Pensioen- en Levensverzekeringen N.V.is below the cap of 45% of the SCR, while in 2019 the MCR was capped at 45% of the SCR.

MINIMUM CAPITAL REQUIREMENT (RE)INSURANCE ENTITIES

€ MILLION

	2020	2019	Δ
Achmea Pensioen- en Levensverzekeringen N.V.	1,111	1,031	80
Achmea Schadeverzekeringen N.V.	339	343	-4
N.V. Hagelunie	13	11	2
Achmea Reinsurance company N.V.	39	35	4
Achmea Zorgverzekeringen N.V. (Consolidated)	857	859	-2
Union Poist´ovňa A.S.	9	10	-1
Eureko Sigorta A.S.	19	22	-3
Interamerican Assistance General Insurance Company S.A.	4	4	0
Interamerican Property & Casualty Insurance Company S.A.	30	34	-4
Interamerican Hellenic Life Insurance Company S.A.	26	25	1

IMPACT OF VOLATILITY ADJUSTMENT ON THE MCR (EXCL. D&A/OFS)

€ MILLION

	INCLUDING VA	EXCLUDING VA	IMPACT VA
SCR (Consolidated)	4,471	5,858	-1,387
MCR	2,447	2,513	66
MCR/SCR (%)	55%	43%	-12%

The use of the VA has an impact on the MCR because the value of the Best Estimate is higher when the VA is not used (lower discount rate).

E.3. USE OF THE DURATION BASED EQUITY SUB-MODULE IN THE CALCULATION OF THE SCR

Achmea does not use the duration-based Equity sub-module.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

For a description of the differences between the Standard Formula and the Internal Models, please refer to the key assumptions set out by Achmea in paragraph E.2.2.

The structure of the Internal Model is described in C. Risk profile.Non-compliance with the MCR and non-compliance with the SCR

Per 31 December 2020, solvency levels of the Achmea Group and all legal entities under supervision met the prudential requirements. All solvency levels were above 100%.

E.5. ANY OTHER INFORMATION

Achmea Group has no other information to disclose which would be relevant in this chapter.

APPENDIX 1: SFCR ENTITIES ACHMEA GROUP

A number of legal entities within Achmea Group disclose a Solvency and Financial Condition report. Underneath the link to the individual reports.

SFCR SUPERVISED ENTITIES ACHMEA GROUP

	REFERENCE	PUBLICATION DATE
Achmea Group	https://www.achmea.nl/investors/publicaties	12 April 2021
Interamerican Helenic Life Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2021
Interamerican Property & Casualty Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2021
Interamerican Assistance General Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2021
Union Poisťovňa A.S.	https://www.union.sk/sprava-o-solventnosti-a-financnom-stave	8 April 2021

APPENDIX 2: SENSITIVITIES

As part of risk management practices Achmea assesses the sensitivities of the Technical Provisions, Basic Own Funds and solvency position to changes in the underlying assumptions of the risk-free discount rate for those insurance entities sensitive to these assumptions. Achmea currently assesses the following sensitivities:
- use of the VA
- change in UFR
- change in the Last Liquid Point (30 years)

The baseline is the calculation of the solvency position based on the application of PIM and the use of the VA (where applied within the group).

As part of its risk management practices Achmea assesses the sensitivities of the Economic Balance Sheet, Basic Own Funds and solvency position to changes in the economic variables. Achmea currently assesses the following sensitivities:
- A change in equity prices (-20%)
- A change in property prices (-20%)

Compared with the baseline the relevant risk-free interest rate is lower which, increases the value of the Best Estimate. The higher Best Estimate of the Technical Provisions subsequently results in higher capital requirements where the Best Estimate is used as volume factor. The higher value of the Best Estimate and the higher capital requirements result in a higher Risk Margin. Where relevant these changes also have an upward impact on the net Deferred Tax Assets and this also has a negative impact on the value of the LACDT. All these changes together result in a negative impact on the solvency position.

The scenario with respect to “equity prices” are only related equity investments and not “Equipment”. In the baseline “Equipment” is shocked as part of “Type 2” exposures. A decrease in equity or property values will result in a reduction in solvency ratios, mainly as a result of a reduction in the Available Own Funds.

Achmea Pensioen- en Levensverzekeringen N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	47,080	4,152	2,505	165.8%	164.9%
Last Liquid Point 30 years	49,289	1,975	2,719	72.6%	76.0%
Equity prices -20%	47,080	3,871	2,517	153.8%	155.7%
Property prices -20%	47,080	3,925	2,517	156.0%	153.2%

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	47,080	47,385	-305
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	38,801	39,101	-300
Technical Provisions – Index-Linked and Unit Linked	8,279	8,284	-5
Recoverables from reinsurance	143	143	0
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	143	143	0
Technical Provisions – Index-Linked and Unit Linked	0	0	0
Technical Provisions minus recoverables from reinsurance	46,937	47,242	-305
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	38,658	38,958	-300
Technical Provisions – Index-Linked and Unit Linked	8,279	8,284	-5

Appendix 2: Sensitivities

IMPACT ULTIMATE FORWARD RATE ON SOLVENCY CAPITAL REQUIRMENT

€ MILLION

	UFR 3,60%	UFR 3.50%
Market Risk	1,677.372	1,669.424
Counterparty Default Risk	111.451	111.451
Life Underwriting Risk	2,018.855	2,027.709
Diversification	-841.041	-840.490
Basic SCR	**2,966.637**	**2,968.094**
Operational Risk	177.600	177.863
LACTP	-75.442	-75.442
LACDT	-561.851	-557.949
Solvency Capital Requirement	**2,506.943**	**2,512.566**

Achmea Schadeverzekeringen N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	6,011	1,092	752	145.2%	147.5%
Equity prices -20%	6,011	1,008	738	136.5%	140.7%
Property prices -20%	6,011	1,072	751	142.8%	146.3%

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	6,011	6,033	-22
Technical Provisions – Non-Life (excluding Health)	2,881	2,889	-7
Technical Provisions – Health (similar to Non-Life)	341	342	-1
Technical Provisions – Health (similar to Life)	2,788	2,802	-14
Recoverables from reinsurance	348	350	-1
Reinsurance recoverables – Non-Life (excluding Health)	125	125	0
Reinsurance recoverables – Health (similar to Non-Life)	1	1	0
Reinsurance recoverables – Health (similar to Life)	223	224	-1
Technical Provisions minus recoverables from reinsurance	5,663	5,683	-21
Technical Provisions – Non-Life (excluding Health)	2,756	2,763	-7
Technical Provisions – Health (similar to Non-Life)	341	342	-1
Technical Provisions – Health (similar to Life)	2,565	2,578	-13

N.V. Hagelunie

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	43	204	53	384.2%	443.6%
Equity prices -20%	43	198	52	381.7%	440.6%

Appendix 2: Sensitivities

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	43	43	0
Technical Provisions – Non-Life (excluding Health)	43	43	0
Recoverables from reinsurance	32	32	0
Reinsurance recoverables – Non-Life (excluding Health)	32	32	0
Technical Provisions minus recoverables from reinsurance	11	11	0
Technical Provisions – Non-Life (excluding Health)	11	11	0

Achmea Reinsurance Company N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	234	289	156	185.6%	214.3%
Equity prices -20%	234	268	154	173.9%	199.3%

Achmea Zorgverzekeringen N.V. (consolidated)

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	4,077	3,515	2,072	169.7%	157.5%
Equity prices -20%	4,077	3,415	2,045	167.0%	154.5%

Achmea Zorgverzekeringen N.V. (solo)

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	87	3,514	783	448.9%	428.0%
Equity prices -20%	87	3,479	761	457.4%	434.7%

Interpolis Zorgverzekeringen N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	135	125	71	175.9%	174.6%
Equity prices -20%	135	122	71	173.4%	171.9%

Zilveren Kruis Zorgverzekeringen N.V

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	3,260	2,138	1,466	145.8%	143.8%
Equity prices -20%	3,260	2,089	1,455	143.6%	141.3%

Appendix 2: Sensitivities

De Friesland Zorgverzekeraar N.V.

SENSITIVITIES

€ MILLION.

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	404	324	206	157.0%	151.9%
Equity prices -20%	404	315	204	154.4%	148.9%

FBTO Zorgverzekeringen N.V.

SENSITIVITIES

€ MILLION.

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2020	SOLVENCY RATIO 2019
Baseline	191	138	86	159.5%	145.9%
Equity prices -20%	191	135	86	157.2%	143.5%

APPENDIX 3: PREMIUMS, CLAIMS AND EXPENSES BY MAJOR LINE OF BUSINESS

Non-Life

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY LINE OF BUSINESS

€ MILLION

	2020					
	MEDICAL EXPENSE INSURANCE	FIRE AND OTHER DAMAGE TO PROPERTY INSURANCE	MOTOR VEHICLE LIABILITY INSURANCE	OTHER MOTOR INSURANCE	OTHER	TOTAL
Gross written Premiums	14,417	1,256	920	594	1,089	18,277
Net earned Premiums	14,286	1,116	882	590	976	17,850
Claims Incurred (net)	13,570	576	662	291	701	15,800
Expenses Incurred	483	374	247	195	368	1,668

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY LINE OF BUSINESS

€ MILLION

	2019					
	MEDICAL EXPENSE INSURANCE	FIRE AND OTHER DAMAGE TO PROPERTY INSURANCE	MOTOR VEHICLE LIABILITY INSURANCE	OTHER MOTOR INSURANCE	OTHER	TOTAL
Gross written Premiums	14,198	1,160	884	612	1,075	17,929
Net earned Premiums	14,198	1,044	826	584	962	17,614
Claims Incurred (net)	13,619	561	632	347	596	15,755
Expenses Incurred	535	361	238	195	378	1,707

For a breakdown of the line of business medical expense insurance to the Dutch health entities we refer to A.2. Underwriting performance.

In table below only the major lines of business of the Dutch Non-Life entities Achmea Schadeverzekeringen N.V., N.V Hagelunie and Achmea Reinsurance Company N.V. are stated:

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY MAJOR LINE OF BUSINESS

€ MILLION

MOTOR THIRD PARTY LIABILITIY	2020			2019		
	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	788	0	0	753	0	0
Net earned Premiums	754	0	0	699	0	0
Claims Incurred (net)	596	0	0	562	0	0
Expenses Incurred	215	0	0	203	0	0
Other Expenses		0			0	
MOTOR OTHER	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	527	0	0	539	0	0
Net earned Premiums	517	0	0	509	0	0
Claims Incurred (net)	248	0	0	295	0	0
Expenses Incurred	179	0	0	178	0	0
Other Expenses		0			0	
FIRE	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	950	104	56	899	91	28
Net earned Premiums	865	51	50	822	48	29
Claims Incurred (net)	503	16	15	480	15	37
Expenses Incurred	301	16	15	299	19	9
Other Expenses		361			0	

Appendix 3: Premiums, claims and expenses per line of business

Life

Achmea Pensioen- en Levensverzekeringen N.V. contributes 67% to the life line of business in the Netherlands. The remaining part is contributed by Achmea Schadeverzekeringen N.V. (health insurance life) for 26% and Achmea Reinsurance Company N.V. (life reinsurance) for 7%.

PREMIUMS, CLAIMS AND EXPENSES LIFE BY LINE OF BUSINESS

€ MILLION

	2020					
	HEALTH INSURANCE	INSURANCE WITH PROFIT PARTICIPATION	INDEX-LINKED AND UNIT-LINKED INSURANCE	OTHER LIFE INSURANCE	OTHER	TOTAL
Gross written Premiums	303	91	434	529	133	1,491
Net earned Premiums	272	86	432	527	62	1,379
Claims Incurred (net)	262	297	905	868	8	2,340
Expenses Incurred	98	59	61	86	29	333

PREMIUMS, CLAIMS AND EXPENSES LIFE BY LINE OF BUSINESS

€ MILLION

	2019					
	HEALTH INSURANCE	INSURANCE WITH PROFIT PARTICIPATION	INDEX-LINKED AND UNIT-LINKED INSURANCE	OTHER LIFE INSURANCE	OTHER	TOTAL
Gross written Premiums	366	87	522	608	85	1,668
Net earned Premiums	340	82	522	608	3	1,555
Claims Incurred (net)	272	406	1,801	785	58	3,322
Expenses Incurred	107	60	63	96	29	355

APPENDIX 4: COMPANY ECONOMIC BALANCE SHEET DUTCH (RE)INSURANCE ENTITIES

ECONOMIC BALANCE SHEET

ASSETS	2020 ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Intangible assets	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	854	0	0	0	0	0	0	0	0
Property, plant & equipment held for own use	0	0	1	0	0	0	0	0	0
Investments (other than assets held for Index-Linked and Unit-Linked contracts)	38,820	450	5,903	238	3,535	380	179	150	2,277
Property (other than for own use)	898	0	0	0	2	0	0	0	0
Holdings in related undertakings, including participations	1,650	0	188	0	2,740	2	0	0	0
Equities	377	75	210	15	100	34	12	11	187
Bonds	17,658	300	5,130	194	595	328	163	134	1,977
Collective Investments Undertakings	529	60	279	28	69	14	5	5	75
Derivatives	8,581	2	9	0	2	1	0	0	3
Deposits other than cash equivalents	0	0	30	0	27	0	0	0	35
Other investments	9,127	13	57	0	0	1	0	0	0
Assets held for Index-Linked and Unit-Linked funds	8,814	0	0	0	0	0	0	0	0
Loans and mortgages	8,648	0	1,041	0	3	27	0	0	3
Reinsurance recoverables	97	169	348	11	0	0	0	0	0
Deposits to cedants	0	6	0	0	0	0	0	0	0
Insurance and intermediaries receivables	47	0	115	6	5	256	91	71	1,842
Reinsurance receivables	0	0	0	7	0	0	0	0	0
Receivables	177	5	37	0	76	150	80	55	1,466
Cash and cash equivalents	289	25	99	5	22	32	42	30	176
Any other assets, not elsewhere shown	6	11	117	4	1	2	0	0	2
Total assets	57,752	668	7,662	272	3,642	847	392	306	5,766

Appendix 4: Company Economic Balance Sheet Dutch (re)insurance entities

ECONOMIC BALANCE SHEET

	2020								
LIABILITIES	ACHMEA PENSIOEN LEVENSVE RZEKERING EN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZ EKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEK ERINGEN (SOLO)	DE FRIESLAND ZORGVERZEK ERAAR	FBTO ZORGVERZEK ERINGEN	INTERPOLIS ZORGVERZEK ERINGEN	ZILVEREN KRUIS ZORGVERZEK ERINGEN
Technical Provisions – Non-Life (excluding Health)	0	234	2,881	43	0	0	0	0	0
Technical Provisions – Health (similar to Non-Life)	0	5	341	0	87	404	191	135	3,260
Technical Provisions - Health (similar to Life)	0	106	2,788	0	0	0	0	0	0
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	38,801	8	0	0	0	0	0	0	0
Technical Provisions – Index-Linked and Unit-Linked	8,279	0	0	0	0	0	0	0	0
Provisions other than Technical Provisions	2	0	8	2	0	0	0	0	4
Deposits from reinsurers	0	1	0	0	0	0	0	0	0
Deferred Tax Liabilities	0	6	119	15	0	0	0	0	0
Derivatives	2,289	1	7	0	1	0	0	0	1
Financial liabilities other than debts owed to credit institutions	2	0	1	0	0	0	0	0	0
Insurance & intermediaries payables	734	4	140	0	0	43	24	14	240
Reinsurance payables	6	1	12	0	0	0	0	0	0
Payables (trade, not insurance)	71	1	130	8	10	47	39	31	68
Subordinated liabilities not in Basic Own Funds	0	0	0	0	0	0	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0	0	0	0	22	0	0
Any other liabilities, not elsewhere shown	2,938	12	120	0	18	4	0	0	55
Total liabilities	53,122	379	6,548	68	116	498	276	181	3,628
Excess of assets over liabilities	4,630	289	1,114	204	3,526	349	116	125	2,138

Appendix 4: Company Economic Balance Sheet Dutch (re)insurance entities

ECONOMIC BALANCE SHEET

	2019								
ASSETS	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Intangible assets	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	715	0	0	0	0	0	0	0	0
Property, plant & equipment held for own use	0	0	1	0	0	0	0	0	0
Investments (other than assets held for Index-Linked and Unit-Linked contracts)	37,083	896	5,837	224	3,355	320	151	119	2,493
Property (other than for own use)	1,027	0	0	0	3	0	0	0	0
Holdings in related undertakings, including participations	1,437	0	153	0	2,711	2	0	0	1,393
Equities	472	84	255	17	111	39	13	12	0
Bonds	17,692	262	5,015	187	445	264	119	88	1,066
Collective Investments Undertakings	511	69	317	20	69	12	4	4	0
Derivatives	6,095	1	7	0	1	0	0	0	0
Deposits other than cash equivalents	0	468	24	0	15	0	15	15	35
Other investments	9,850	13	66	0	0	4	0	0	-0
Assets held for Index-Linked and Unit-Linked funds	8,870	0	0	0	0	0	0	0	0
Loans and mortgages	7,613	0	928	0	4	28	0	0	0
Reinsurance recoverables	126	133	239	3	0	0	0	0	0
Deposits to cedants	0	6	0	0	0	0	0	0	0
Insurance and intermediaries receivables	41	32	123	2	17	285	104	79	2,053
Reinsurance receivables	0	1	0	1	0	0	0	0	0
Receivables	156	2	38	5	58	138	83	51	1,295
Cash and cash equivalents	199	14	111	11	43	34	37	20	100
Any other assets, not elsewhere shown	6	28	120	3	1	6	0	0	9
Total assets	54,810	1,113	7,399	249	3,479	811	375	270	5,950

Appendix 4: Company Economic Balance Sheet Dutch (re)insurance entities

ECONOMIC BALANCE SHEET

	2019								
LIABILITIES	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Technical Provisions – Non-Life (excluding Health)	0	192	2,607	36	0	0	0	0	0
Technical Provisions - Health (similar to Non-Life)	0	1	344	0	134	429	220	139	3,493
Technical Provisions - Health (similar to Life)	0	81	2,757	0	0	0	0	0	0
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	38,126	482	0	0	0	0	0	0	0
Technical Provisions – Index-Linked and Unit-Linked	8,321	0	0	0	0	0	0	0	0
Provisions other than Technical Provisions	5	0	8	1	0	0	0	0	0
Deposits from reinsurers	0	2	0	0	0	0	0	0	0
Deferred Tax Liabilities	0	10	159	11	0	0	0	0	0
Derivatives	1,363	1	12	0	0	0	0	0	0
Financial liabilities other than debts owed to credit institutions	2	0	1	0	0	0	0	0	-0
Insurance & intermediaries payables	699	5	137	0	0	24	23	9	289
Reinsurance payables	2	32	57	0	0	0	0	0	0
Payables (trade, not insurance)	79	5	99	2	5	14	0	0	32
Subordinated liabilities not in Basic Own Funds	0	0	0	0	0	0	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0	0	0	0	21	0	0
Any other liabilities, not elsewhere shown	2,064	18	83	4	20	2	0	0	11
Total liabilities	50,660	829	6,266	55	159	469	265	149	3,825
Excess of assets over liabilities	4,150	284	1,133	194	3,320	342	111	122	0 2,125

APPENDIX 5: SOLVENCY CAPITAL REQUIREMENT DUTCH (RE)INSURANCE ENTITIES

SOLVENCY CAPITAL REQUIREMENT

€ MILLION

2020	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Market Risk	1,700	81	462	27	674	28	11	10	133
Counterparty Default Risk	111	12	54	11	12	3	2	2	49
Life Underwriting Risk	2,006	45	0	0	0	0	0	0	0
Health Underwriting Risk	0	16	267	0	187	152	64	52	1,097
Non-Life Underwriting Risk	0	145	623	50	0	0	0	0	0
Diversification	-844	-96	-439	-19	-126	-21	-9	-8	-127
Intangible Asset Risk	0	0	0	0	0	0	0	0	0
Basic Solvency Capital Requirement	**2,972**	**203**	**966**	**68**	**746**	**162**	**68**	**56**	**1,152**
Operational Risk	177	10	112	3	37	45	18	15	314
Loss-Absorbing Capacity of Expected Profits	-75	-16	-75	-1	0	0	0	0	0
Loss-Absorbing Capacity of Technical Provisions	0	0	0	0	0	0	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-569	-41	-251	-18	0	0	0	0	0
Other Deductions & Additions	0	0	0	0	0	0	0	0	0
Solvency Capital Requirement	**2,505**	**156**	**752**	**53**	**783**	**206**	**86**	**71**	**1,466**

SOLVENCY CAPITAL REQUIREMENT

€ MILLION

2019	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Market Risk	1,608	78	495	21	660	33	10	9	150
Counterparty Default Risk	113	13	62	10	12	3	3	3	35
Life Underwriting Risk	1,810	45	0	0	0	0	0	0	0
Health Underwriting Risk	0	15	270	0	193	153	68	51	1,116
Non-Life Underwriting Risk	0	108	605	47	0	0	0	0	0
Diversification	-788	-87	-450	-16	-129	-24	-9	-8	-128
Intangible Asset Risk	0	0	0	0	0	0	0	0	0
Basic Solvency Capital Requirement	**2,743**	**171**	**983**	**62**	**736**	**165**	**72**	**55**	**1,173**
Operational Risk	176	11	107	3	37	43	19	14	308
Loss-Absorbing Capacity of Expected Profits	0	-9	-93	-7	0	0	0	0	0
Loss-Absorbing Capacity of Technical Provisions	0	0	0	0	0	0	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-543	-41	-234	-15	0	0	0	0	0
Other Deductions & Additions	0	0	0	0	0	0	0	0	0
Solvency Capital Requirement	**2,291**	**133**	**763**	**44**	**774**	**209**	**91**	**70**	**1,481**

APPENDIX 6: PUBLIC DISCLOSURE QUANTITATIVE REPORTING TEMPLATES

QUANTITATIVE REPORTING TEMPLATES ACHMEA GROUP

QRT	DESCRIPTION
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.22.01	Impact of long term guarantees measures and transitionals
S.23.01	Own Funds
S.25.02	Solvency Capital Requirement - SF and PIM
S.32.01	Undertakings within the scope of the group

QUANTITATIVE REPORTING TEMPLATES SUPERVISED ENTITIES

QRT	DESCRIPTION
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.05.02	Premiums, claims and expenses by country
S.12.01	Life and Health SLT Technical Provisions
S.17.01	Non-Life Technical Provisions
S.19.01	Non-Life Insurance Claims Information
S.22.01	Impact of long term guarantees measures and transitionals
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – only SF
S.25.02	Solvency Capital Requirement – SF and PIM
S.28.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

APPENDIX 7: GLOSSARY

The glossary as presented below is reflecting the most common definitions of terminology used in the context of the Solvency and Financial Condition Report.

A

- "Administrative, management or supervisory body" shall mean, where a two-tier board system comprising of a management body and a supervisory body is provided for under national law, the management body or the supervisory body or both of those bodies as specified in the relevant national legislation or, where no body is specified in the relevant national legislation, the management body.
- "Ancillary services undertaking" means a non-regulated undertaking the principal activity of which consists of owning or managing property, managing data-processing services, health and care services or any other similar activity which is ancillary to the principal activity of one or more insurance or reinsurance undertakings.

B

- "Basic risk-free interest rate term structure" means a risk-free interest rate term structure which is derived in the same way as the relevant risk-free interest rate term structure to be used to calculate the Best Estimate but without application of a matching adjustment or a volatility adjustment.

C

- "Capital requirement" means the amount of capital an insurance undertaking has to hold in relation to a certain risk.
- "Catastrophe risk" means the risk of loss or of adverse change in the value of insurance liabilities, arising from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.
- "Central clearing party". Reference is made to the definition included at "Qualifying central counterparty".
- "Collateral arrangements" means arrangements under which collateral providers do one of the following: (a) transfer full ownership of the collateral to the collateral taker for the purposes of securing or otherwise covering the performance of a relevant obligation; (b) provide collateral by way of security in favour of, or to, a collateral taker, and the legal ownership of the collateral remains with the collateral provider or a custodian when the security right is established.
- "College of Supervisors" is a multilateral groups of relevant supervisors, national competent authorities, that is formed for the collective purpose of enhancing efficient, effective and consistent supervision of financial institutions operating across borders.
- "Composite insurance entity" means an insurance undertaking which insures both Life and Non-Life risks.
- "Concentration risk" means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.
- "Control" means the relationship between a parent undertaking and a subsidiary undertaking, as set out in Article 1 of Directive 83/349/EEC
  ((a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking); or
  (b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking; or
  (c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions; or (d) is a shareholder in or member of an undertaking, and:
  (aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights; or
  (bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders' or members' voting rights in that undertaking.), or a similar relationship between any natural or legal person and an undertaking.
- "Counterparty default risk". Reference is made to the definition included at "Credit risk".

- "Credit institution, a financial institution or an ancillary banking services undertaking" means a legal entity within the meaning of Article 4(1), (5) and (21) of Directive 2006/48/EC respectively (an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account).
- "Credit quality step (CQS)" is a risk weighted credit rating as defined by EIOPA. The CQS is derived from credit ratings issued by ECAIs or, when the counterparty is an insurance undertaking which is not rated by an ECAI, the solvency position of the counterparty.
- "Credit risk" means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.
- "Currency risk" means the risk of loss or of adverse change in the financial situation, arising from changes in currency exchange rates.

D

- "Deep market" means a market where transactions involving a large quantity of financial instruments can take place without significantly affecting the price of the instruments.
- "Disability/Morbidity risk" means the risk of loss or of adverse change in the value of the insurance liabilities, resulting from changes in the level, trend of volatility of disability and morbidity rates.
- "Discontinuance" of an insurance policy means surrender, lapse without value, making a contract paid-up, automatic non-forfeiture provisions or exercising other discontinuity options or not exercising continuity options.
- "Diversification effects" means the reduction in the risk exposure of insurance and reinsurance undertakings and groups related to the diversification of their business, resulting from the fact that the adverse outcome from one risk can be off set by a more favourable outcome from another risk, where those risks are not fully correlated.

E

- "Earned premiums" means the premiums relating to the risk covered by the insurance or reinsurance undertaking during a specified time period.
- "EIOPA"means the European Insurance and Occupational Pensions Authority.
- "Eligible Own Funds" are those components of the Available Own Funds which can be used to cover the Solvency Capital Requirement.
- "EMIR"means the European Market Infrastructure Regulation, which imposes requirements to improve transparency and reduce the risks associated with the derivatives market.
- "Equity risk" means the risk of loss or of adverse change in the financial situation, arising from changes in equity prices.
- "Equity transitional" is a mandatory transitional measure for the Standard Formula. The Equity Transitional implies that an insurance undertaking is to use a reduced equity shock for all equity exposures which were recognised on the Economic Balance Sheet on or before 31 December 2016. For the next seven years the equity shocks will increase linearly with the equity shocks as laid down in the Solvency II legislation (Type 1: 39%; Type 2 49%).
- "Events after the reporting period" are those events, favourable and unfavourable, that occur between the statement of solvency and financial position date and the date when the financial statements are authorised for issue. Two types of events can be identified: (a) those that provide evidence of conditions that existed at the statement of financial and solvency position date (adjusting events after the reporting period); and (b) those that are indicative of conditions that arose after the statement of financial and solvency position date (non-adjusting events after the reporting period).
- "Existing insurance or reinsurance contract" means an insurance or reinsurance contract for which insurance or reinsurance obligations have been recognised.
- "Expected profit included in future premiums" means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.
- "Expense risk" means the risk of loss or of adverse change in the financial situation, arising from the variation in the expenses incurred in servicing insurance and reinsurance contracts.
- "External credit assessment institution" ("ECAI") means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009 (Regulation on Credit Rating Agencies) or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009. The ECAI is included in the list as endorsed as Delegated Act.

F

- "Future discretionary bonuses" and "future discretionary benefits" mean future benefits other than index-linked or unit-linked benefits of insurance or reinsurance contracts which have one of the following characteristics: (a) they are legally or contractually based on one or more of the following results: (i) the performance of a specified group of contracts or a specified type of contract or a single contract; (ii) the realised or unrealised investment return on a specified pool of assets held by the insurance or reinsurance undertaking; (iii) the profit or loss of the insurance or reinsurance undertaking or fund corresponding to the contract; (b) they are based on a declaration of the insurance or reinsurance undertaking and the timing or the amount of the benefits is at its full or partial discretion.

G

- "Group" means a group of undertakings that: (i) consists of a participating undertaking, its subsidiaries and the entities in which the participating undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship as set out in Article 12(1) of Directive 83/349/EEC ((a) that undertaking and one or more other undertakings with which it is not connected, are managed on a unified basis pursuant to a contract concluded with that undertaking or provisions in the memorandum or articles of association of those undertakings; or (b) the administrative, management or supervisory bodies of that undertaking and of one or more other undertakings with which it is not connected, consist for the major part of the same persons in office during the financial year and until the consolidated accounts are drawn up); or (ii) is based on the establishment, contractually or other wise, of strong and sustainable financial relationships among those undertakings, and that may include mutual or mutual-type associations, provided that: — one of those undertakings effectively exercises, through centralised coordination, a dominant influence over the decisions, including financial decisions, of the other undertakings that are part of the group; and, — the establishment and dissolution of such relation ships for the purposes of this Title are subject to prior approval by the group supervisor, where the undertaking exercising the centralised coordination shall be considered as the parent undertaking, and the other undertakings shall be considered as subsidiaries.
- "Group supervisor" means the supervisory authority responsible for group supervision.

H

- "Health insurance obligation" means an insurance obligation that covers one or both of the following: (i) the provision of medical treatment or care including preventive or curative medical treatment or care due to illness, accident, disability or infirmity, or financial compensation for such treatment or care, (ii) financial compensation arising from illness, accident, disability or infirmity.
- "Health reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering health insurance obligations.
- "Home Member State" means any of the following: (a) for Non-Life insurance, the Member State in which the head office of the insurance undertaking covering the risk is situated; (b) for Life insurance, the Member State in which the head office of the insurance undertaking covering the commitment is situated; or (c) for reinsurance, the Member State in which the head office of the reinsurance undertaking is situated.
- "Income protection insurance obligation" means an insurance obligation that covers the financial compensation arising from illness, accident, disability or infirmity other than the financial compensation for preventive or curative medical treatment or care due to illness, accident, disability or infirmity.
- "Income protection reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering income protection insurance obligations.
- "Institutions for occupational retirement provision" means institutions within the meaning of Article 6(a) of Directive 2003/41/EC of the European Parliament and of the Council (an institution, irrespective of its legal form, operating on a funded basis, established separately from any sponsoring undertaking or trade for the purpose of providing retirement benefits in the context of an occupational activity on the basis of an agreement or a contract agreed:
- - individually or collectively between the employer(s) and the employee(s) or their respective representatives, or
- - with self-employed persons, in compliance with the legislation of the home and host Member States,
- and which carries out activities directly arising therefrom).
- "Insurance holding company" means a parent undertaking which is not a mixed financial holding company and the main business of which is to acquire and hold participations in subsidiary undertakings, where those subsidiary undertakings are

exclusively or mainly insurance or reinsurance undertakings, or third-country insurance or reinsurance undertakings, at least one of such subsidiary undertakings being an insurance or reinsurance undertaking.

- “Insurance undertaking” means a direct life or Non-Life insurance undertaking which has received authorisation from the supervisory authorities. “Intangible assets risk” means the risk of loss or of adverse change in the financial situation, arising from two risks in relation to the intangible assets:
- - Market risks, derived from the decrease of prices in the active markets
- - Internal risks, inherent to the specific nature of these elements.
- “Interest rate risk” means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in interest rates. Interest rate risk exists for all assets and liabilities for which the net asset value is sensitive to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures and to on-balance sheet and off-balance sheet items.
- “Internal Model” means a model developed by an insurance undertaking to calculate its Solvency Capital Requirements (instead of using the Standard Formula). The reason for using an internal model is that there may be some cases where the standardised approach does not adequately reflect the very specific risk profile of an undertaking.
- “Intra-group transaction” means any transaction by which an insurance or reinsurance undertaking relies, either directly or indirectly, on other undertakings within the same group or on any natural or legal person linked to the undertakings within that group by close links, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.

L

- “Lapse risk” means the risk of loss or of adverse change in the financial situation, due to a change in the expected exercise rates of policyholder options.
- “Last liquid point” means the last maturity for which markets for bonds are still deep, liquid and transparent.
- “Liquid market” means a market where financial instruments can readily be converted through an act of buying or selling without causing a significant movement in the price.
- “Liquidity risk” means the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.
- “Long-term guarantees (LTG) measures” were introduced in the Solvency II Directive to ensure an appropriate treatment of insurance products that include long-term guarantees. The long-term guarantees are the following:
    - The extrapolation of risk-free interest rates
    - The matching adjustment
    - The volatility adjustment
    - The extension recovery period in case of non-compliance with the Solvency Capital Requirement
    - The transitional measure on the risk-free interest rates
    - The transitional measure on technical provisions
- “Longevity risk” means the risk of loss or of adverse change in the financial situation, arising from a decrease in mortality rates.
- “Loss Absorbing Capacity of Deferred Taxes (LACDT)” means the possibility to have a loss absorbency related to the possibility to recover the capital requirement as part of the deferred taxes.
- “Loss Absorbing Capacity of Expected Profits” means the expected change in Own Funds which can serve as a first buffer to absorb the capital requirements (in cases where an insurance undertaking uses an internal model to determine a capital requirement).
- “Loss Absorbing Capacity of Technical Provisions” means the ability of an insurer to defer payments relating to discretionary participation features embedded within the insurance liabilities.

M

- "Market risk" means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
- "Medical expense insurance obligation" means an insurance obligation that covers the provision or financial compensation of medical treatment or care including preventive or curative medical treatment or care due to illness, accident, disability or infirmity.
- "Medical expense reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering medical expense insurance obligations.
- "Minimum Capital Requirement (MCR)" is a minimum level of security (lower than the Solvency Capital Requirement) below which the amount of insurance undertakings" financial resources should not fall, otherwise supervisory authorities may withdraw authorisation.
- "Mixed financial holding company" means a mixed financial holding company as defined in Article 2(15) of Directive 2002/87/EC" (a parent undertaking, other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the Community, and other entities, constitutes a financial conglomerate).
- "Mortality risk" means the risk of loss or of adverse change in the financial situation, arising from an increase in mortality rates.

N

- "NSLT Health obligations" means health insurance obligations that are assigned to the lines of business for Non-Life insurance obligations.

O

- "Operational risk" means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- "Outsourcing" means an arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself.

P

- "Parent undertaking" means a parent undertaking within the meaning of Article 1 of Directive 83/349/EEC (any undertaking governed by its national law to draw up consolidated accounts and a consolidated annual report if that undertaking (a parent undertaking):
  (a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking); or
  (b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking; or
  (c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions. A Member State need not prescribe that a parent undertaking must be a shareholder in or member of its subsidiary undertaking. Those Member States the laws of which do not provide for such contracts or clauses shall not be required to apply this provision; or
  (d) is a shareholder in or member of an undertaking, and:
  (aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights; or
  (bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders' or members' voting rights in that undertaking. The Member States may introduce more detailed provisions concerning the form and contents of such agreements).
- "Partial Internal Model" means that the Solvency Capital Requirement is partly based on capital requirements for certain
- Risk or sub-risk types based on an Internal Model and for the remaining risk or sub-risk types on the Standard Formula.

- "Participation" means the ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an undertaking.
- "Pooling arrangement" means an arrangement whereby several insurance or reinsurance undertakings agree to share identified insurance risks in defined proportions. The parties insured by the members of the pooling arrangement are not themselves members of the pooling arrangement.
- "Premium and reserve risk" combines a treatment for the two main sources of underwriting risk, premium risk and reserve risk.
  Premium risk results from fluctuations in the timing, frequency and severity of insured events.
  Reserve risk results from fluctuations in the timing and amount of claim settlements.
- "Property risk" means the risk of loss or of adverse change in the financial situation, arising from changes in prices of property.
- "Prudent person principle" means that insurance undertakings shall only invest in assets whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs.

Q

- "Qualifying central counterparty" means a central counterparty that has been either authorised in accordance with Article 14 of Regulation (EU) No 648/2012 (authorised Central Clearing Party) or recognised in accordance with Article 25 of that Regulation (recognised Third-Party Central Clearing Party.

R

- "Regulated market" means either of the following:
  (a) in the case of a market situated in a Member State, a regulated market as defined in Article 4(1)(14) of Directive 2004/39/EC
  (a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly); or
  (b) in the case of a market situated in a third country, a financial market which fulfils the following conditions:
  (i) it is recognised by the home Member State of the insurance undertaking and fulfils requirements comparable to those laid down in Directive 2004/39/EC; and
  (ii) the financial instruments dealt in on that market are of a quality comparable to that of the instruments dealt in on the regulated market or markets of the home Member State.
- "Regulated undertaking" means "regulated entity" within the meaning of Article 2(4) of Directive 2002/87/EC of the European Parliament and of the Council (a credit institution, an insurance undertaking or an investment firm).
- "Relegation of Tier 3" implies a situation where the insurance undertaking has recognised a net Deferred Tax Asset which exceeds the Tier 3 limit of 15% of the SCR. An excess above this 15% is deemed not eligible to cover the Solvency Capital Requirement.
- "Reinsurance" means either of the following: (a) the activity consisting in accepting risks ceded by an insurance undertaking or third-country insurance undertaking, or by another reinsurance undertaking or third-country reinsurance undertaking; or (b) in the case of the association of underwriters known as Lloyd's, the activity consisting in accepting risks, ceded by any member of Lloyd's, by an insurance or reinsurance undertaking other than the association of under writers known as Lloyd's.
- "Reinsurance undertaking" means an undertaking which has received authorisation to pursue reinsurance activities.
- "Related undertaking" means either a subsidiary undertaking or other undertaking in which a participation is held, or an undertaking linked with another undertaking by a relationship as set out in Article 22(7) of Directive 2013/34/EU
  ((a) that undertaking and one or more other undertakings are managed on a unified basis in accordance with:
  (i) a contract concluded with that undertaking, or
  (ii) the memorandum or articles of association of those other undertakings; or
  (b) the administrative, management or supervisory bodies of that undertaking and of one or more other undertakings to which it is not related consist in the majority of the same persons in office during the financial year and until the consolidated financial statements are drawn up)

- "Reporting currency", unless otherwise required by the supervisory authority, shall be: (a) for individual disclosure, the currency used for the preparation of the insurance or reinsurance undertaking's financial statements; (b) for group disclosure, the currency used for the preparation of the consolidated financial statements.
- "Required capital". Reference is made to the definition included at "Capital requirement".
- "Risk Free Interest discount rate". Reference is made to the definition included at "Basic risk-free interest rate tem structure".
- "Revision risk" means the risk of loss or of adverse change in the value of insurance liabilities, arising from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.
- "Risk-mitigation techniques" means all techniques which enable insurance and reinsurance undertakings to transfer part or all of their risks to another party.

S

- "Scope of an internal model" means the risks that the internal model is approved to cover; the scope of an internal model may include both risks which are and which are not reflected in the standard formula for the Solvency Capital Requirement.
- "SLT Health obligations" means health insurance obligations that are assigned to the lines of business for life insurance obligations.
- "Solvency Capital Requirement (SCR)" is a level of financial resources that enables insurance undertakings to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due.
- "Standard Formula" means the standard formula as defined in the Solvency II regulations to determine the Solvency Capital Requirement and is intended to reflect the risk profile of most insurance and reinsurance undertakings.
- "Subsequent events". Reference is made to the definition included at "Events after the reporting period".
- "Supervisory authority" means the national authority or the national authorities empowered by law or regulation to supervise insurance or reinsurance undertakings.
- "Surrender" means all possible ways to fully or partly terminate a policy, including the following: (i) voluntary termination of the policy with or without the payment of a surrender value; (ii) change of insurance or reinsurance undertaking by the policy holder; (iii) termination of the policy resulting from the policy holder's refusal to pay the premium.
- "Symmetric adjustment" means an adjustment mechanism to be applied to the standard calculation of the equity risk capital requirement. This symmetric adjustment mechanism allows the equity shock to move within a band of 10% on either side of the underlying standard equity stress. In times of rising equity markets the dampener will increase the capital charge, and in times of falling equity indices the dampener will reduce the capital charge.

T

- "Tiering" refers to the categorisation of the Eligible Own Funds into three Tiers which present the quality characteristics of the components of the Eligible Own Funds. Tier 1 is the capital with the highest quality. The three components are subject to sub limits. Tier 1 should exceed 50% of the SCR, while Tier 3 may not exceed 15% of the SCR. Tier 1 is further divided into an unrestricted and restricted part. The restricted part may not exceed 20% of the total amount of Tier 1.
- "Transparent market" means a market where current trade and price information is readily available to the public, in particular to the insurance or reinsurance undertakings.

U

- "Ultimate Forward Rate (UFR)" means a calculated level that the term structure for maturities exceeding the last liquid point grows towards. Insurance undertakings use the term structure for converting long-term liabilities to the economic value.
- "Underwriting risk" means the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

V

- "Valuation hierarchy" means the grouping of assets into levels based on the inputs used in determining the economic value.

- "Volatility Adjustment" is an adjustment to the relevant risk-free interest rate to cover for changes in spread risk not related to changed default probabilities and to reduce the volatility of the whole Economic Balance Sheet. The Volatility Adjustment is determined by EIOPA according to endorsed legislation. The Volatility Adjustment is the same for all insurance undertakings in a specific currency zone based on a reference portfolio. For the euro a so-called country layer can be recognised to reflect local circumstances.

W

- "Written premiums" means the premiums due to an insurance or reinsurance undertaking during a specified time period regardless of whether such premiums relate in whole or in part to insurance or reinsurance cover provided in a different time period.