Annual Report

Achmea Reinsurance Company N.V. 2020

Achmea Reinsurance Company N.V. is registered at the Dutch Chamber of Commerce no: 18024166

BOARD OF DIRECTORS REPORT

Board of directors report ***3***

SUPERVISORY BOARD REPORT

Supervisory board report ***14***

FINANCIAL STATEMENTS

Statement of financial position ***18***

Income statement ***19***

Statement of comprehensive income ***20***

Statement of changes in equity ***21***

Statement of cash flows ***22***

Notes to significant balance sheet and income statement items ***23***

1. Accounting policies *23*
2. Capital and risk management *27*
3. Investments *48*
4. Liabilities related to insurance contracts and amounts ceded to reinsurers *51*
5. Fair value hierarchy *56*
6. Net earned premiums *59*
7. Investment income *60*
8. Net expenses from insurance contracts *61*
9. Operating expenses *61*

Other notes ***63***

10. Receivables and accruals *63*
11. Cash and cash equivalents *63*
12. Equity *64*
13. Financial liabilities *64*
14. Deferred Tax liabilities *65*
15. Other expenses *66*
16. Income tax expenses *66*
17. Net other comprehensive income *67*
18. Hedge accounting *68*
19. Contingencies *68*
20. Credit quality financial assets *69*
21. Related party transactions *72*
22. Statutory domicile *79*
23. Proposal for appropriation of result *79*
24. Subsequent events *79*

Authorisation of the financial statements ***79***

OTHER INFORMATION

Provisions in the articles of association regarding profit appropriation ***80***

Independent auditor's report ***81***

BOARD OF DIRECTORS REPORT

GENERAL

The activities of Achmea Reinsurance Company N.V. support the goals of the Achmea Group. As Achmea's reinsurance expert, Achmea Reinsurance Company N.V. has three roles: advisor, purchaser and risk carrier. In its role as Group reinsurer and risk carrier, Achmea Reinsurance Company N.V. provides reinsurance coverage to the Dutch and foreign insurance entities of Achmea. As such, it serves as the principal centre of excellence. The reinsurance portfolio on behalf of third parties was created to diversify insurance risk and to increase earnings for Achmea.

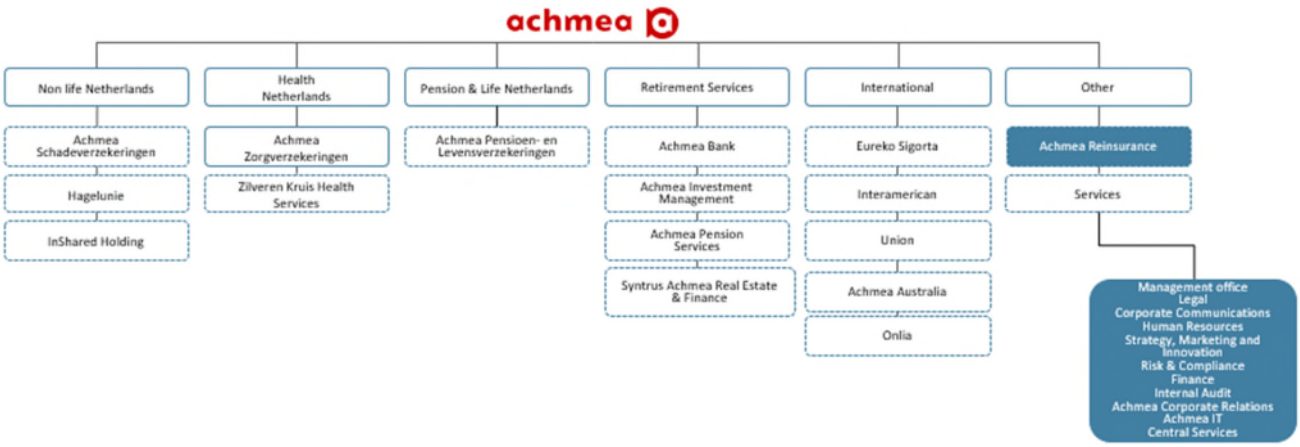
ORGANISATIONAL STRUCTURE

Legal structure

Achmea Reinsurance Company N.V. is part of the Achmea Group and is domiciled in Tilburg, the Netherlands. Achmea B.V. owns 100% of the shares of Achmea Reinsurance Company N.V. At year-end 2020, 43.5[1] full-time equivalents (FTEs) worked for Achmea Reinsurance Company N.V. (2019: 42.7[2] FTEs). All employees are employed by Achmea Interne Diensten N.V.

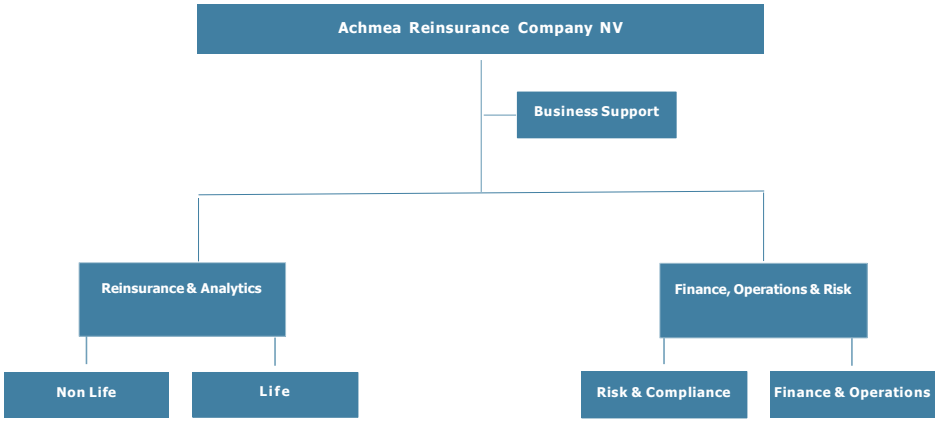
Organisational structure

The following chart gives an overview of how the Achmea Group's activities are organised. These include the activities for Achmea Reinsurance Company N.V. Support services such as IT, administration and facility services are carried out by executive staff and shared service centres. This also applies to support activities for personnel.



The following chart gives an overview of how Achmea Reinsurance Company N.V. is organised. Day-to-day activities are performed by the Reinsurance & Analytics and Finance, Operations & Risk teams. The Reinsurance & Analytics team is fully focused on the client (client intimacy) while the Finance & Risk team focusses on finance and risk (operational excellence).

[1] 2020: 43.5 FTEs exclusive hiring of external personnel
[2] 2019: 42.7 FTEs exclusive hiring of external personnel



STRATEGY

Achmea Group's strategy

Based on its 2025 'The Sum of Us' strategy, Achmea is focusing on creating value for its customers and for society. One prerequisite for this is earning responsible returns so that we can continue investing in further strengthening Achmea as a company and boosting its competitive position. Over the next few years, Achmea will reinforce its cooperative identity and aim to reap the rewards of its unique combination of insurer, service provider and asset manager. Achmea also continues to implement the focal points and focus areas of the strategy, especially in the areas of 'Health closer to everyone', 'Clean, safe and smart mobility', 'Safe and sustainable living environment', 'Carefree business and good employment', and '(Financial) solutions for now, soon and later'.

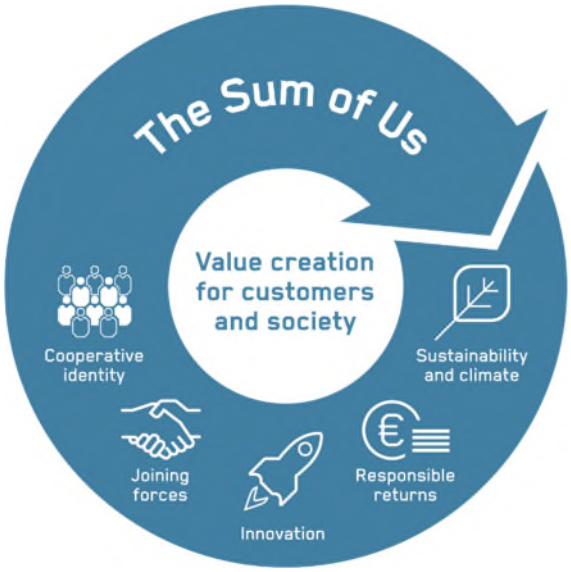
The Covid-19 outbreak began shortly after Achmea had introduced its new strategy. The pandemic continues to have an enormous impact on both society and the economy and while the arrival of a vaccine offers hope, uncertainty over how the virus will develop and its continuing impact on the economy remains.

Achmea's 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. Achmea is developing new working methods and practices that are in keeping with these circumstances, which together require considerable effort and investment. Additionally, Achmea works to achieve a balance between long-term value creation while meeting short-term financial requirements.

Over the next few years Achmea will continue to put the spearheads and focus areas of our strategy into practice. Achmea is fine-tuning its social goals and developing initiatives aimed at giving its cooperative identity a fresh impetus.

Achmea is focusing specifically on growth in its various markets. In addition, Achmea seeks to further improve its financial results, generate more capital and – backed by balance sheet optimisation – free up larger amounts of capital. The aim here is to create greater capacity to invest in renewing the company and absorbing setbacks. This will ensure that Achmea remains financially sound, flexible and resilient, while exercising enough caution to withstand volatility on the financial markets and in its results.

Achmea aims to implement its 'The Sum of Us' strategy based on the following five pillars (see figure).



The commitment and enthusiasm of Achmea's many colleagues is crucial to accomplishing our strategy. Achmea provides opportunities for learning, and aims to improve employee skills in data and technology and enhance awareness of its cooperative identity. Achmea promotes entrepreneurship and innovation based on its purpose. Moreover, Achmea is developing new working methods to facilitate working from home.

Strategy of Achmea Reinsurance Company N.V.

Achmea Reinsurance Company N.V. is the competence centre in the field of reinsurance within the Achmea Group. The key to our success is the experience and expertise of our specialists in many fields of reinsurance. Our main purpose is that of Group reinsurer. Because of our composite license, we are the only entity within Achmea that can make use of the inherent diversification between life, non-life and health risks. We primarily serve Achmea Group companies. We also offer reinsurance to a select number of third parties to further diversify our book of business and enhance the profitability of Achmea. As the reinsurance competence centre for the Achmea Group, we have three functional roles: advisor, risk carrier and reinsurance buyer.

Our activities support the Achmea Group's goal of being relevant to its customers and leading in the market. The know-how of Achmea Reinsurance Company N.V. ensures that the Achmea Group is able to fulfil its (long-term) commitments to its customers. Our activities contribute to the continuity of the Group by creating long-term financial value for Achmea through reinsurance, in particular by contributing to capital management and insurance risk management and by contributing to Achmea's profit growth objectives with third-party reinsurance.

As an advisor, we advise our internal clients – the Achmea Group and its individual insurance entities – on the development and implementation of the reinsurance policy. We do this by advising on reinsurance purchases, play a leading role in several Expert Panels Modelling Catastrophe Risk under the Partial Internal Model (PIM) and by being actively involved in various Achmea Group committees and other bodies. In our role as risk carrier, we assemble all reinsurance demands of the Dutch insurance entities and those of the insurance entities abroad. As well as offering them protection against the volatility of results, this yields diversification benefits that create capital efficiency for the Group.

Progress

Achmea Reinsurance Company N.V. in its role as advisor

In our role as an advisor to the Achmea Group and its main legal entities, in 2020 we focused on offering guidance about optimal reinsurance schemes and helping to ensure solid reinsurance protection by hedging risks internally and externally. In support of Achmea Schadeverzekeringen N.V. and N.V. Hagelunie, Achmea Reinsurance Company N.V. participated as a full member of their joint Reinsurance Committee. The Reinsurance Committee plays a central role in discussing the reinsurance needs of the Dutch Non-

Life entities. In addition, Achmea Reinsurance Company N.V. supports and advices these entities day-to-day with regard to special acceptances and facultative business.

Achmea Reinsurance Company N.V. advises the Executive Board of Achmea through a special committee – the Reinsurance Delegates – which is composed of the CRO, CFO and Director Actuarial of Achmea Group and the Managing Director of Achmea Reinsurance Company N.V. This committee decides on relevant reinsurance matters concerning Group reinsurance protection. Despite the pressure of Covid-19 on the 1 July renewal[1], Achmea Reinsurance Company N.V. was able to continue a reinsurance programme structure that found a good balance between capital optimisation and earnings protection in terms of potential volatility reduction.

Achmea Reinsurance Company N.V. aims to support the reinsurance departments of the operating companies abroad by sharing know-how and making use of the purchasing power and large network of Achmea Reinsurance Company N.V. In 2018, this led to the integration of parts of the reinsurance schemes of the operating companies in the Achmea Reinsurance Company N.V. programme, which was extended in 2019.

In co-operation with the operating companies, Achmea Reinsurance Company N.V. has initiated a steering committee to discuss further opportunities to integrate the various reinsurance programmes.
However, as the Covid-19 pandemic brought new uncertainties, the 2020 plans and ambitions had to be adjusted, which meant we decided to renew our reinsurance programme without significant changes.

The same applied to the renewals of the operating companies. In 2020, we continued to act as an advisor to the Reinsurance Committees of the operating companies and gave as much support and advice as possible, especially in the context of the hardening reinsurance market due to Covid-19.

In 2020, Achmea Reinsurance Company N.V. participated in the expert panels on modelling catastrophe risks for the Achmea Group and Interamerican Greece. These expert panels advise the Group Risk Committee with regard to the calibration of catastrophe models. In addition, Achmea Reinsurance Company N.V. is closely involved in the management of internal models for the natural catastrophe risk.

Since 2019, Achmea Reinsurance Company N.V. has reinsured the disability portfolio of Achmea Schadeverzekeringen N.V. for the line of business 'WIA/WGA' (Wet Inkomen en Werk naar Arbeidsvermogen, the law on income protection and labour). In 2020, Achmea Reinsurance Company N.V. organised online meetings in co-operation with Achmea Schadeverzekeringen N.V. to inform the reinsurers about the development of the portfolio, claims figurers and underwriting strategy.

During the year, Achmea Reinsurance Company N.V. was involved in a study analysing the severity and frequency of precipitation in the Netherlands. The outcome of this study provides Achmea Schadeverzekeringen N.V. insights into the (potential) financial damage in case of severe rainfall, i.e. cloud burst. The study was carried out in co-operation with Nelen & Schuurmans.

Achmea Reinsurance Company N.V. in its role as risk carrier

Being the Group reinsurer, Achmea Reinsurance Company N.V. participates as risk carrier in some of the Cat and Non-Cat reinsurance programmes of Achmea Group and operating companies abroad. In line with the development to have greater earnings protection, Achmea Reinsurance Company N.V. took measures to reduce its own volatility.

With regard to third-party reinsurance, we managed to expand our business in both Life and Non-Life whilst maintaining underwriting discipline.

Achmea Reinsurance Company N.V. in its role as buyer[1]

From 1 July 2020, the structure of the reinsurance programme remained broadly the same as the 2019 programme. Given the uncertainty of the impact of Covid-19 on the 1 July renewal, the decision was made early in the renewal process to renew reinsurance programmes without significant changes. This was done by working closely, and to our full satisfaction, with our three contracted reinsurance brokers. Achmea Reinsurance Company N.V. sponsored the issuance of a catastrophe bond by Windmill Re II DAC, which provides the company with multi-year risk transfer capacity of €100 million to protect itself against Windstorm risks in the Netherlands. This transaction is Achmea Reinsurance Company N.V.'s third sponsored catastrophe bond and the first under Rule 144A of the US Securities Act.

[1] See section 'Achmea Reinsurance Company N.V. in it role as buyer' for more information.

Impact of Covid-19 on the business and continuity of Achmea Reinsurance Company N.V.

The year 2020 will inevitably be synonymous with the global Covid-19 crisis, a pandemic that continues to impact our daily lives. This annual report would not be complete without an impact assessment of Covid-19 on Achmea Reinsurance Company N.V.. But before we dive into this, we would like to start with the conclusion: that the continuity of Achmea Reinsurance Company N.V. was never at stake because of Covid-19. The impact assessment of Covid-19 on Achmea Reinsurance Company N.V. can be subdivided in three main elements: the insurance portfolio, the investment portfolio and the operational impact.

The Covid-19 pandemic is an ongoing event, which makes it difficult to estimate its impact on the insurance portfolio. We see a slight increase in mortality numbers in some areas of our incoming life portfolio, but at the same time we are aware that the full effect is still unclear. In respect of our incoming non-life portfolio it is also difficult to estimate the final impact of Covid-19. Due to the government-imposed lockdowns, business interruptions emerged during 2020, which could lead to insured losses in some jurisdictions.

Achmea Reinsurance Company N.V. joined a working group that was asked by the national association of insurers to investigate whether the insurance industry could offer coverage against future pandemic outbreaks – in particular for business interruption. Due to the enormous accumulation of losses, the lack of diversification with other lines of business, between geographical areas and with the asset side of the balance sheet, we concluded that there is hardly any (re)insurance capacity available for the exposures involved.

Regarding the impact on the investment portfolio, we saw a steep drop in the financial markets as a reaction to the Covid-19 outbreak during the first half of 2020. In the second half of the year, the financial markets recovered mostly but not entirely. Achmea Reinsurance Company N.V. is fully hedged against interest and currency movements but is relatively sensitive to movements in equities and investment spreads. Overall, the 2020 investment income was below the expected long-term results.

Finally, the Covid-19 pandemic has had – and continues to have – an operational impact. Since 9 March 2020, all employees of Achmea Reinsurance Company N.V. have worked from home. Consequently, the renewal of the Achmea Group reinsurance programme from 1 July 2020 was an extraordinary test for the staff of Achmea Reinsurance Company N.V. This was particularly challenging because we were unable to see reinsurers for technical market visits. However, using creativity and improvisation, and with excellent support from our brokers, we were able to hold the technical market visits by video conferences, which lead to a smooth renewal process of the Achmea Group reinsurance programme.

Other developments

To reduce the vulnerability of the organisation in the field of knowledge, it is important to ensure that specialist knowledge is shared widely among colleagues. In addition, the average age of Achmea Reinsurance Company N.V. employees is relatively high, with a number of employees due to retire in the coming years.

To transfer the – often tacit – knowledge of these key employees to other colleagues within Achmea Reinsurance Company N.V., a programme has been set up in co-operation with a specialised external agency. Achmea Reinsurance Company N.V. has also drawn up a list of employees who have the profile to potentially work at Achmea Reinsurance Company N.V. when vacancies arise due to the departure of key personnel.

RESULTS AND DEVELOPMENTS IN 2020

Key results

The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), including the International Accounting Standards (IAS) and interpretations as adopted by the European Union (EU-IFRS).

The result before taxes of Achmea Reinsurance Company N.V. decreased by €31 million from €33 million to €2 million, mainly because of claims on the Group programme on per risk (mainly property), the inclusion provisions for the potential impact on the portfolio of the Covid-19 pandemic, and lower investment income caused by turbulence on the financial markets.

Gross written premiums of €289 million represent an increase of €18 million compared to 2019, most of which derives from a contract for income protection and growth in the incoming reinsurance portfolio for third parties, both for Non-Life and other selected risks.

The main developments in 2020 are explained in more detail in the following paragraphs.

BREAKDOWN OF NET RESULT

(X €1,000)

	NON-LIFE	LIFE	OTHER NON TECHNICAL	TOTAL 2020	NON-LIFE	LIFE	OTHER NON TECHNICAL	TOTAL 2019
Gross written premiums	232,166	56,446	-	288,612	187,310	83,718	-	271,028
Reinsurance premiums	-139,969	-14,593	-	-154,562	-129,291	-19,912	-	-149,203
Movement in insurance liabilities for net unearned premiums	-8,708	-942	-	-9,650	-4,180	41	-	-4,139
Net reinsurance premiums	**83,489**	**40,911**	**-**	**124,400**	**53,839**	**63,847**	**-**	**117,686**
Investment income	-4,458	-22,652	2,847	-24,263	2,023	24,873	11,442	38,338
Other income	-	-	776	776	-	-	113	113
Total income	**79,031**	**18,259**	**3,623**	**100,913**	**55,862**	**88,720**	**11,555**	**156,137**
Net expenses from insurance contracts	53,512	-6,491	-	47,021	22,603	42,581	-	65,184
Operating expenses	22,919	27,717	-	50,636	13,445	44,790	-	58,235
Other expenses		446	1,045	1,491	-	-	38	38
Total expenses	**76,431**	**21,672**	**1,045**	**99,148**	**36,048**	**87,371**	**38**	**123,457**
Result before taxes	**2,600**	**-3,413**	**2,578**	**1,765**	**19,814**	**1,349**	**11,517**	**32,680**
Taxes	**-**	**-**	**512**	**512**	**-**	**-**	**8,204**	**8,204**
Net result	**2,600**	**-3,413**	**2,066**	**1,253**	**19,814**	**1,349**	**3,313**	**24,476**

Developments Non-Life business

The 2020 Non-Life portfolio result before taxes was €2.6 million (2019: €19.8 million).

The result before taxes of Achmea Reinsurance Company N.V. Non-Life business decreased mainly because of claims on the Group programme on per risk (mainly property) and the inclusion of an IBNER provision for the potential impact on the portfolio of the Covid-19 pandemic.

Gross written premiums for the Non-Life business in 2020 were €232.2 million (2019: €187.3 million).

Premiums increased in 2020 due to a contract for income protection and growth in the incoming reinsurance portfolio for third parties in line with our strategic ambition. In addition, the underlying premium growth was the result of growing exposure in existing contracts, hardening of the market and new business with a number of strategic partners.

Developments Life business

The result of the Life business was lower in 2020, with a negative result before taxes of €3.4 million compared to a €1.3 million positive result in 2019. The decrease was mainly due to the addition of provisions for the potential impact on the portfolio of the Covid-19 pandemic.

Life gross written premiums decreased to €56.4 million in 2020 (2019: €83.7 million). This was due to reducing exposure in a quota share contract.

The total claims result is disclosed partly under investment income (foreign exchange result) and partly under the technical provisions, which are reported in the gross incurred claims. The net foreign exchange result is due to the hedging of the expected foreign exchange.

Developments in non-technical items

The result before tax decreased by €8.9 million, mainly because of the lower result on investments.

Compared to 2019, the investment income account other non-technical decreased to €1.8 million in 2020 (2019: €11.5 million), due to lower realised results in the investment portfolio.

ABRIDGED STATEMENT OF THE FINANCIAL POSITION

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Investments	449,818	427,893
Deposits with assignors		459,033
Amounts ceded to reinsurers	176,178	138,905
Other assets	106,757	109,160
Total assets	**732,753**	**1,134,991**
Total equity	289,316	285,993
Liabilities related to insurance contracts	390,606	764,159
Other Liabilities	52,831	84,839
Total liabilities	**732,753**	**1,134,991**

Deposits with assignors

The amounts deposits with assignors decreased to nil (2019: €459.0 million). This decrease was due to the settlement of a contract with a life insurer.

Amounts ceded to reinsurers

The amounts ceded to reinsurance was €176.2 million, an increase of €37.3 million (2019: €138.9 million) mainly due to the conclusion of a contract within income protection (€35.7 million).

Equity

In 2020, equity increased to €289 million (2019: €286 million) mainly due to a positive net result of €1.3 million and positive result in the revaluation reserve of €2.1 million.

Liabilities related to insurance contracts

The Liabilities related to insurance contracts decreased to €390.6 million (2019: €764.2 million), mainly due to the settlement of a contract with a life insurer (€459 million) and partly mitigated due to the reserve of a contract within income protection (€35.7 million) and claims on the Group programme on per risk (mainly property).

Capital and risk management

As a financial services provider, Achmea Reinsurance Company N.V. is exposed to a wide variety of risks, including insurance risk, market risk, counterparty default risk, liquidity risk, operational risk, compliance risk and strategic risk. Effective capital and risk management ensures that Achmea Reinsurance Company N.V. identifies risks on time, manages them carefully and has sufficient capital.

SOLVENCY RATIO

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Eligible own funds Solvency II	288,819	284,151
Solvency Capital Requirement	155,621	132,598
Surplus	**133,198**	**151,553**
Ratio (%)	186%	214%

At year-end 2020, Achmea Reinsurance Company N.V. had a solid capital position under Solvency II, evidenced by a Solvency Ratio of 186%. The qualitative composition of the risk profile and the key risks identified in achieving the strategy remained largely unchanged in 2020.

Note 2 Capital and risk management in the financial statements contains a more detailed description of Achmea Reinsurance Company N.V.'s risk profile and capital and risk management policy.

CORPORATE GOVERNANCE

General

Achmea Reinsurance Company N.V. is part of the Achmea Group in which Achmea B.V. is the ultimate parent company.

Achmea B.V. is a private company with limited liability, with its statutory seat in Zeist. While Achmea Group is governed, organised and managed in the same manner as many listed organisations, its origins as a co-operative contribute to the way corporate governance is structured at the Supervisory Board and shareholder levels. Achmea adheres to the following relevant corporate governance codes: the Dutch Insurers' Code and the relevant provisions of the Dutch Corporate Governance Code.

Standing data of the company

Achmea Reinsurance Company N.V. is a public limited company with its statutory seat in Tilburg and its principal place of business at Spoorlaan 298 in Tilburg, the Netherlands. The objective of the company is to transact reinsurance business within the meaning of the Dutch Financial Supervision Act. The company's authorised share capital amounts to €18,160,000 and consists of 40,000 shares with a nominal value of €454, of which 10,000 are issued and fully paid-up shares (the issued share capital is €4,540,000). The shares are registered. No share certificates are issued. The shareholder of Achmea Reinsurance Company N.V. is Achmea B.V.

CORPORATE GOVERNANCE CODES

Insurers' Code of Conduct

The Insurers' Code of Conduct includes a number of principles relating to the careful treatment of customers and the life-long education of directors and internal supervisors. This Code of Conduct (the most recent version dates from 2018) combines existing and new self-regulation of the sector with general provisions, including core values and rules of conduct. Based on the Code of Conduct, insurers give more depth to their public role, drawing on their own corporate vision. Achmea is doing this by means of, for example, the identity and the strategy map, and has integrated this into its processes and the Achmea Code of Conduct. For information about the embedding of the principles of careful customer treatment, please refer to the chapter 'Our customers' of the Annual Review of Achmea. Details on how life-long education of directors and internal supervisors is embedded are included in the relevant sections of this chapter.

Dutch Corporate Governance Code

Since 1 January 2004, listed companies in the Netherlands are required to report on compliance in their Directors' report with the Dutch Corporate Governance Code on a 'comply or explain' basis. The purpose of the Code is to facilitate – with or in relation to other laws and regulations – a sound and transparent system of checks and balances within Dutch listed companies and, to that end, to regulate relations between the Executive Board, the Supervisory Board and the General Meeting.

Compliance with the Code contributes to confidence in the good and responsible management of companies and their integration into society. The Code was first adopted in 2003 and amended in 2008. The ongoing developments, the spirit of the times and overlap with legislation provided cause for amending the Code at the end of 2016. Although Achmea is not a listed company it has voluntarily adopted and embedded the majority of the Code's principles in its governance structure. Where applicable, Achmea is almost fully in compliance with the principles and best practices. Corporate governance is primarily determined at Group level and has been arranged by setting up and organising a Group-wide governance structure and through the formulation of a Group-wide policy. For further details and an explanation of Achmea's compliance to the Dutch Corporate Governance Code, reference is made to the latest Achmea annual report on the Achmea website at www.achmea.com. To a significant degree, Achmea Reinsurance Company N.V.'s corporate governance is subject to the scope of operations of Achmea's corporate governance. Wherever relevant, specific points that are of importance in implementing corporate governance for Achmea Reinsurance Company N.V. are explained in more detail in the next section.

Code of conduct

Achmea aims to be a leader in terms of its own rules of conduct and in anticipating current and new regulations. For example, Achmea decided that all employees take a special oath or affirmation for the financial industry, which is in line with Achmea's identity. Active control, exercised to foster integrity and prevent integrity violations and fraud, limits any negative impact on trust, returns and the cost of claims. Achmea has therefore drawn up an Achmea Code of Conduct to ensure ethical conduct in accordance with Achmea's values and standards.

By recording duties and responsibilities in the area of fraud, risk management and checks, the control over and limitation of fraud is secured. Should an integrity violation or fraud incident nevertheless occur, this can be reported on a confidential basis. A whistleblower policy is in place for this purpose.

As part of the Achmea Group, Achmea Reinsurance Company N.V. fully complies with the general Code of Conduct drawn up at Achmea Group level. The Achmea Code of Conduct and whistleblower policy can be found at www.achmea.com.

BOARD OF DIRECTORS

The Board of Directors of Achmea Reinsurance Company N.V. is responsible for managing the company, and is responsible for and has the authority to make decisions concerning Achmea Reinsurance Company N.V.'s day-to-day business in accordance with the principles set out in the articles of association. The Board of Directors maintains a set of regulations that govern the specific duties and activities of – and the division of duties between – the individual members, as well as the decision-making process within the Board of Directors. The entire Board is involved in risk management. Involvement in risk management is evidenced by, among other things, the fact that the Board of Directors and the senior manager Finance and Risk (the Management Team) have a seat on the Finance & Risk Committee of Achmea Reinsurance Company N.V. and that risk management and compliance topics are regularly discussed in Management Team meetings.

Composition and diversity

The Board of Directors consists of Messrs E.C. Bom (chairman) and H.Chr. Mentink. The members of the Board of Directors are appointed by Achmea B.V. The members of the Board of Directors match the general profile for board members and have been approved by the Dutch regulator (De Nederlandse Bank) in terms of their suitability and reliability. The daily management of Achmea Reinsurance Company N.V. is in the hands of the two statutory directors and the senior manager Finance & Risk, Ms T.L. van Staten. The members are selected based on their proven experience and competence in the (re)insurance industry. They provide a good mix of specific (re)insurance experience (non-life, pension & life), as well as in areas such as finance and risk management. Achmea Reinsurance Company N.V. acknowledges the importance and benefits of diversity.

Permanent education

It is important to keep abreast of the continuous changes in the financial sector and to respond appropriately. The members of the Board of Directors maintain and broaden their level of knowledge and expertise through tailor-made programmes and workshops in such fields as finance, corporate governance, risk management, compliance and audit.

Mr. Bom and Mr. Mentink attended various permanent education sessions in 2020. They attended two online sessions organised by Achmea; one on Financial Risk Management and the other on the strategic impact of the new ESG-legislation. Furthermore, both directors joint the Achmea masterclass 'internal model' in the context of the so-called Use Test.

CORPORATE GOVERNANCE AT THE LEVEL OF ACHMEA REINSURANCE COMPANY N.V.

Responsibilities and role in corporate governance.

The Supervisory Board is responsible for supervising and advising the Board of Directors on its conduct and general management of the business. Supervisory Board approval is required for important business-related decisions, strategic decisions, transfer of a significant part of the business, entering into or terminating a long-term partnership, major participations and investments, and termination of the employment of a considerable number of employees. This applies irrespective of the fact that fundamental and large-scale strategic changes or investments must have the approval of the majority of the votes in the General Meeting. The Supervisory Board and its individual members have a responsibility to obtain all relevant information required to perform their duties. These requirements are communicated to the chairman of the Supervisory Board. Information sources are usually the Board of Directors, the Company Secretary, the internal auditor, the actuarial department and the external auditor. However, if deemed appropriate by the Supervisory Board, information can also be obtained from corporate officers of Achmea Reinsurance

Company N.V. or Achmea B.V. and external advisers who can be invited to attend Supervisory Board meetings or provide permanent education. The Supervisory Board consists of members who, although they are appointed by Achmea B.V., act in the interest of the company as a whole in the performance of their duties. All members of the Supervisory Board participate in meetings with no reference to or prior consultation with the parties that nominated them.

Composition and diversity

The Supervisory Board consists of Mr. M.A.N. Lamie (chairman) and Ms. L.T. Suur-van Schagen, who was appointed as member of Achmea Reinsurance Company N.V. Supervisory Board as per 27 January 2020 (both are members of the Executive Board of Achmea), and Ms. M.G. van Ee, who is an external board member. As per 27 January 2020, Mr. R. Otto stepped down as member of the Supervisory Board of Achmea Reinsurance Company N.V. The General Meeting (re)appoints members of the Supervisory Board. In 2020, the Supervisory Board had three members. In filling these positions, the company's objective is to maintain a balanced mix of skills in the Supervisory Board while at the same time ensuring that the newly appointed member also has the required (re)insurance, financial and risk management experience. Members of the Supervisory Board are selected and appointed based on a profile of the required professional background, education, (international) experience, skills, diversity and independence. The current composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise. In addition to diversity in terms of knowledge, expertise and age, there is also gender diversity: as per January 2020, the Supervisory Board consists of two female members and one male member. Achmea Reinsurance Company N.V.'s Supervisory Board therefore meets the legal requirement regarding gender diversity. All members of the Supervisory Board are in compliance with the Management and Supervision (Public and Private Companies) Act in terms of the number of supervisory board memberships that they hold.

Supervisory Board committees

There are no sub-committees on the Supervisory Board of Achmea Reinsurance Company N.V. because of the size of the board. Financial, control, risk and compliance topics are discussed in the regular meetings of the Supervisory Board. The board members have adequately provided for the safeguarding of the required knowledge.

Achmea B.V. has three specialised committees that advise the Supervisory Board of Achmea: the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointment Committee. This Remuneration Committee is responsible for formulating guidelines and monitoring the implementation and compliance with the remuneration policy for the entire Achmea Group, including Achmea Reinsurance Company N.V.

FUTURE

Due to the preventive measures aimed at curtailing the spread of Covid-19, the long-term aim of Achmea Reinsurance Company N.V. to expand its role as Group reinsurer was temporarily put on hold. In July 2020, Achmea's reinsurance treaties were among the first larger programmes that had to be renewed in a market influenced by Covid-19. This meant no technical market visits to reinsurers to present the developments in the underlying portfolios and Achmea's view of risk, with all meetings carried out through video conferences. By keeping the reinsurance program largely unchanged, Achmea Reinsurance Company N.V. successfully mitigated the renewal execution risk in a hardening and unpredictable reinsurance market. The robust IT infrastructure of Achmea and the solid renewal processes developed over the years, in combination with an experienced team and good co-operation with the brokers, resulted in a rather smooth renewal process.

Based on this experience, we will return to the track to enlarge our role as Group reinsurer to other lines of business in good co-operation with the local reinsurance specialists of the operating companies abroad and in the Dutch market. Following the recent experiences with online meetings, we have increased the frequency of online contacts with the local reinsurance specialists, which is enabling us to work in a more agile fashion with them than ever before.

After many years of softening, the market has started to change. In addition to firm exclusions, in particular on communicable diseases, in 2020 we experienced rate stabilisation and even moderate increases. These developments will lead to reinsurance costs increasing. The flip side to this is that market hardening supports Achmea Reinsurance Company N.V.'s aim to gradually grow the third-party reinsurance business. The latest 1/1 renewals showed similar trends.

The environment in which Achmea Reinsurance Company N.V. operates is changing rapidly, with important challenges in the markets in which Achmea Reinsurance Company N.V. operates. For example, long-term low interest rates are squeezing the traditional revenue models; climate change is responsible for higher weather-related cost of claims, particularly those caused by the secondary perils; and the world continues to become more connected and complex than ever before.

Although no Covid-19-related losses from Achmea Group companies have been claimed by Achmea Reinsurance Company N.V. – because Covid-19 is not a covered peril in virtually any of Achmea's (property) policies – the exact extent of Covid-19 losses coming from our third-party reinsurance books, either life or non-life oriented, is not evident yet. In terms of non-material Covid-19 business interruption especially, we foresee many disputes, whether these are covered under the original policies or reinsurance treaties and to what extent these can be aggregated into event losses. Based on the current information, Achmea Reinsurance Company N.V. set IBNR's.

The effects of Covid-19 in 2020 and the measures taken by governments to limit the spread of Covid-19 have significant economic consequences. How large these are and over what period of time they will become visible is uncertain. By the second half of 2020, a number of economic indicators had recovered, including stock market prices. With the availability of a vaccine, a slow economic recovery is expected in 2021, which will continue in the years to follow. Achmea Reinsurance Company N.V. is closely monitoring the stock markets, interest rates, spread developments and customer behaviour.

The future also brings opportunities, and in the coming years Achmea Reinsurance Company N.V. will continue to improve the data quality and processing of its reinsurance technical administration. Data quality is becoming increasingly important with the expanding portfolio, both life and non-life, from Achmea Group and third parties. This development is further strengthened by IFRS 17 – where straight-through processing, data quality and the development of management information are key.

Achmea Reinsurance Company N.V. has a strong team of experts. Despite the fact that we had to work from home, we continued and will continue to invest in the knowledge and skills of our staff. The precautionary measures did not reduce our interaction with the many students and trainees who joined us to learn or write their theses. Achmea Reinsurance Company N.V. will continue with this enhanced co-operation between staff and students; it is not only necessary for the students to finish their studies, but it is also beneficial for Achmea Reinsurance Company N.V.; it fertilises our environment which serves the ambition to improve the expertise of our people.

In the first months of 2021, the news surrounding Covid-19 swings between the positive, such as the roll-out of vaccination programmes, and the negative, such as the increase in the number of communicable varieties of the virus, which is both prolonging and intensifying the lockdowns. Our focus is on ensuring the continuity of our operations at times of unexpected far-reaching events, such as this virus, ensuring the safety and welfare of our employees, and enabling us to continue to offer our customers the best possible service.

Achmea renews its Group programmes as per 1 July annually. The Board of Directors is confident that Achmea Reinsurance Company N.V. will execute the renewal in a decent manner, thanks to our talented employees and the solid relationships we have with our partners. We abstain from calling this current virtual practice 'the new normal'. We are looking forward to shaking hands with and meeting our partners in person.

Tilburg, 8 April 2021

The Board of Directors of Achmea Reinsurance Company N.V.:

E.C. Bom H.Chr. Mentink

SUPERVISORY BOARD REPORT

MAIN DEVELOPMENTS IN 2020

The Board convened on six occasions in 2020, five regular meetings and one extra meeting. Due to the Covid-19 pandemic and hence the decision of Achmea to work from home, the only physical meeting in 2020 took place on 3 March 2020 in the Tilburg office, which allowed the Supervisory Board to have a 'meet and greet' with new employees of Achmea Reinsurance Company N.V. From April, all meetings took place online. Although real contact was missed, the online meetings went well.

During the meetings regular topics were addressed, such as reports on commercial, finance & risk developments, the annual report, business plan, risk appetite and ORSA. In addition to these topics, the Supervisory Board also continued the discussion on the return (on capital) ambitions and the strategy on how to attain this. The Board of Directors has informed the Supervisory Board on the impact of Covid-19 on the insurance and financial portfolios of Achmea Reinsurance Company N.V. Furthermore, the Supervisory Board noticed that the impact of Covid-19 on the operations of Achmea Reinsurance Company N.V. was well mitigated by the organisation.

Besides the formal meetings, there was also contact by telephone and mail between the members of the Supervisory Board, the directors of Achmea Reinsurance Company N.V. and the senior manager Finance & Risk of Achmea Reinsurance Company N.V. on various technical subjects, such as the 2020 renewal of the Achmea Group reinsurance programme and the sponsorship of issuing a catastrophe bond, financial developments, the impact of the Covid-19 pandemic and the impact of natural catastrophe events in relation to the third-party reinsurance portfolio of Achmea Reinsurance Company N.V.

TASKS AND DUTIES OF THE SUPERVISORY BOARD

The Supervisory Board performs its duties on the basis of two roles: supervisor and advisor (solicited and unsolicited advice).

There are no sub-committees on the Supervisory Board of Achmea Reinsurance Company N.V. given the size of the board. Financial, control, risk, compliance and internal audit topics are discussed in the regular meetings of the Supervisory Board. The board members have adequately provided for the safeguarding of the required knowledge.

Strategy

One of the Supervisory Board's key duties is monitoring Achmea Reinsurance Company N.V.'s strategy, which focuses on strengthening the current business model of Group reinsurer and on developing third-party reinsurance. As in 2019, Achmea Reinsurance Company N.V.'s strategy was a recurring theme on the Supervisory Board's agenda in 2020.

The Supervisory Board noted that both the customer satisfaction and the employee engagement scores based on surveys carried out remained high. At the end of 2020, the 2021-2023 business plan and the 2021 budget were discussed. In the new planning period, innovation of products and services will remain a key focus area. Climate change developments and pandemic risk and the potential impact of these on the strategy of Achmea Reinsurance Company N.V. will be monitored closely and discussed with the Supervisory Board.

Finance and risk

In each meeting of 2020, the Supervisory Board discussed Achmea Reinsurance Company N.V.'s financial situation in detail based on the interim, quarterly and annual results including impact of the Covid-19 pandemic. In addition, the 2019 annual report was discussed and approved in an extra meeting which was attended by the external auditor and Actuarial Function Holder.

During the meetings the Supervisory Board focussed on the progress made on the strategic agenda and the financial rations. A key strategic risk theme is the future earnings model due to the speed of social developments, possible changes in insurance needs and new providers. Key themes in this respect are the use of new technology, sustainability and climate change, compliance, financial markets and the Covid-19 pandemic, which may lead to changes in society, customer needs, behavioural patterns and the economy. Specific attention was paid to the developments of the capital, solvency and liquidity position during 2020. The Supervisory Board noted that the Solvency II ratio changed from 214% per year-end 2019 to 186% per year-end 2020. In 2020 the solvency ratio was impacted by claims on the Group programme on per risk (mainly property), the inclusion of a provision for the potential impact on the portfolio of the Covid-19 pandemic, and lower investment income caused by turbulence on the financial markets. The solvency capital requirement increased due to a higher Non-Life Underwriting Risk.

Risks and their impact on Achmea Reinsurance Company N.V. were also an important agenda item for the Supervisory Board meetings in 2020. This includes the Strategic Risk Assessment (SRA), development of scenarios, and Own Risk Solvency Assessment (ORSA). All the analyses lead to Achmea Reinsurance Company N.V.'s risk appetite, which is monitored on a quarterly basis in risk and compliance reports. The internal control of privacy regulations, cyber security, integrity rules and control of outsourcing, among other topics, were also discussed in detail. The Supervisory Board concluded that the integral risk reporting has improved further.

Compliance with laws and regulations and audit

The Supervisory Board noted in 2020 that the compliance requirements arising from laws and regulations, external regulation and (inter)national (industry) associations continue undiminished. The Supervisory Board views the clarity and transparency of the requirements imposed by regulators positively. The amount of time this entails, both for the Board of Directors and the organisation, remains as high as ever.

The Supervisory Board also had a meeting with the external independent auditor and with Achmea Internal Audit on the conclusions of the reviews. Internal Audit presented and clarified an overview of all conducted audits over 2020 and the planned audits for 2021.

Relationsship with the external auditor

Following the expiry of PwC's term as external auditor, Ernst & Young was appointed external auditor at the 2019 General Meeting for the financial years 2021 to 2025.

Remuneration

The Achmea remuneration policy applies to the board members and senior management of Achmea Reinsurance Company N.V.

The Supervisory Board of Achmea Reinsurance Company N.V. is kept informed about the remuneration policy and monitoring by the Remuneration Committee of the Achmea Group. Any specific items concerning remuneration of Achmea Reinsurance Company N.V. will be discussed with the Remuneration Committee of Achmea.

Composition of the Board of Directors

The Board of Directors remained unchanged in 2020 and consists of Messrs E.C. Bom (chairman) and H.Chr. Mentink. These two gentlemen, together with Ms. T.L. van Staten, form the management team of Achmea Reinsurance Company N.V.

Composition of the Supervisory Board

The Supervisory Board consists of Mr M.A.N. Lamie (chairman) and Ms L.T. Suur-van Schagen, who was appointed as member of Achmea Reinsurance Company N.V. Supervisory Board as per 27 January 2020 (both are members of the Executive Board of Achmea), and Ms M.G. van Ee, who is an external board member. Mr. R. Otto stepped down as member of the Supervisory Board of Achmea Reinsurance Company N.V.

As per December 2020, Ms. Van Ee was reappointed as member of the Supervisory Board for a period of two years.

Members of the Supervisory Board are selected based on a profile of the required professional background, education, international experience, skills, diversity and independence. The composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise.

Independence

All members of the Supervisory Board of Achmea Reinsurance Company N.V. perform their duties without burden and consultation. For a detailed account of compliance with the Corporate Governance Code on the independence criterion, please refer to the 2020 annual report of Achmea on the Achmea website www.achmea.nl.

Although all members of Achmea Reinsurance Company N.V.'s Supervisory Board fulfil their duties without burden or consultation, as of 31 December 2020 one member of the Supervisory Board of Achmea Reinsurance Company N.V. did not comply with the independence principle stated in 2.1.8 sub i Corporate Governance Code. In 2022 this member will comply with this principle.

Permanent education

A permanent education session was organised by Achmea Reinsurance Company N.V. on 3 September 2020 and was attended by all members of the Supervisory Board. This session focused on pandemic risks, with particular emphasis on insight into infectious diseases in general, the modelling of pandemic risks, and different aspects of the current SARS-CoV-2 pandemic (a.o. different strategies to control this type of viruses and excess mortality).

The Supervisory Board believes that permanent education adds value to the performance of the Supervisory Board and the Board of Directors.

Evaluation of the Supervisory Board

Each year the Supervisory Board carries out a self-assessment of its performance. The evaluation over the year 2020 was held on 4 March 2021 and focused on the composition and role of the Supervisory Board, the effectiveness of supervision and transparency, and the relation with the Board of Directors. In general, the outcome of this evaluation was positive and encourages the Supervisory Board to continue along the present path. The Supervisory Board performs well and co-operation between the board members runs smoothly. There is an open and constructive atmosphere, with room for debate, different opinions and discussion of sensitive topics. The preparations of the meetings by the members of the Board of Directors are also assessed positively. Furthermore, information and transparency given by the Board of Directors and the quality of reports were judged positively. In these reports, the interests of the company's stakeholders are incorporated in a balanced way.

Acknowledgements

Looking back on 2020, the Supervisory Board would like to thank the Board of Directors and the staff of Achmea Reinsurance Company N.V. for their great commitment, transparency and enthusiasm over the year. The Supervisory Board appreciates the efforts made, which have given further substance to the strategy and development of Achmea Reinsurance Company N.V. in its role as Achmea Group's reinsurer and as reinsurer for third parties, and trusts that in 2021 the co-operation with the Board of Directors will continue in the same positive spirit.

As per 27 January 2020, Mr R. Otto stepped down as member of the Supervisory Board of Achmea Reinsurance Company N.V. The Supervisory Board would like to thank Mr Otto for all he has done for our company. He has been of great value to Achmea Reinsurance Company N.V. and the Supervisory Board.

Tilburg, 8 April 2021

The Supervisory Board of Achmea Reinsurance Company N.V:

M.A.N. Lamie
Chairman

M.G. van Ee

L.T. Suur - van Schagen

Financial Statements

STATEMENT OF FINANCIAL POSITION

(BEFORE APPROPRIATION OF RESULT)

(X €1,000)

	NOTES	31 DECEMBER 2020	31 DECEMBER 2019
Assets			
Investments	3	449,818	886,926
Amounts ceded to reinsurers	4	176,178	138,905
Income tax receivable		3,001	
Receivables and accruals	10	78,308	94,746
Cash and cash equivalents	11	25,448	14,414
Total assets		**732,753**	**1,134,991**
Equity			
Equity attributable to holders of equity instruments of the company	12	289,316	285,993
Liabilities			
Liabilities related to insurance contracts	4	390,606	764,159
Financial liabilities	13	46,431	73,224
Derivatives	3	731	1,382
Deferred tax liabilities	14	5,669	5,781
Income tax payable			4,452
Total liabilities		**443,437**	**842,998**
Total equity and liabilities		**732,753**	**1,134,991**

INCOME STATEMENT

(X €1,000)

	NOTES	2020	2019
Gross written premiums		288,612	271,028
Reinsurance premiums		-154,562	-149,203
Change in provision for unearned premiums (net of reinsurance)		-9,650	-4,139
Net earned premiums	**6**	**124,400**	**117,686**
Investment income	7	-24,263	38,338
Other income		776	113
Total income		**100,913**	**156,137**
Net expenses from insurance contracts	8	47,021	65,184
Operating expenses	9	50,636	58,235
Other expenses	10	1,491	38
Total expenses		**99,148**	**123,457**
Result before tax		**1,765**	**32,680**
Income tax expenses	16	512	8,204
Net result		**1,253**	**24,476**

STATEMENT OF COMPREHENSIVE INCOME

(X €1,000)

	NOTES	2020	2019
Items that will not be reclassified to the Income statement [1]			
Items that may be reclassified subsequently to the Income statement [1]			
Unrealised gains and losses on financial instruments 'Available for sale'		3,729	20,570
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal		-4,961	-7,510
Impairment charges on available for sale instruments reclassified to the Income statement on disposal		3,302	599
Net other comprehensive income	**17**	**2,070**	**13,659**
Net result		1,253	24,476
Comprehensive income		**3,323**	**38,135**
Comprehensive income attributable to:			
Holders of equity instruments of the company		3,323	38,135

1. *The net position excluding taxes is shown within this overview.*

Reference is made to note 17 for more information about net other comprehensive income.

STATEMENT OF CHANGES IN EQUITY

(X €1,000)

	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	TOTAL EQUITY
Balance at 1 January 2019	**4,540**	**135,479**	**3,914**	**113,510**	**-9,585**	**247,858**
Net other comprehensive income			13,659			13,659
Net result					24,476	24,476
Comprehensive income			**13,659**		**24,476**	**38,135**
Appropriations to reserves				-9,585	9,585	
Balance at 31 December 2019	**4,540**	**135,479**	**17,573**	**103,925**	**24,476**	**285,993**
Net other comprehensive income			2,070			2,070
Net result					1,253	1,253
Comprehensive income			**2,070**		**1,253**	**3,323**
Appropriations to reserves				24,476	-24,476	
Balance at 31 December 2020	**4,540**	**135,479**	**19,643**	**128,401**	**1,253**	**289,316**

Reference is made to note 12 for more information about total equity.

STATEMENT OF CASH FLOWS

(X €1,000)

	NOTES	2020	2019
Cash flow from operating activities			
Results before tax		1,765	32,680
Adjustments of non-cash items and reclassifications:			
Unrealised results on Investments including foreign currency results and value changes and provisions for uncollectability		28,551	-29,654
Amortisation and impairment charges on Deferred acquisition cost		9,073	1,655
(Accrued) Interest expenses		-96	884
		39,293	**5,565**
Changes in operating assets and liabilities:			
Changes in Receivables and accruals and Other liabilities		-19,431	-3,547
Changes in Liabilities related to insurance contracts net of reinsurance		-410,826	-2,964
		-430,257	**-6,511**
Cash flows operating items not reflected in Results before tax:			
Purchase of Investments		-321,147	-388,660
Divestments of Investments		732,652	389,536
Income taxes paid		-9,507	-1,198
		401,998	**-322**
Total cash flow from operating activities		11,034	-1,268
Net cash flow		**11,034**	**-1,268**
Net cash and cash equivalents at 1 January		14,414	15,682
Net cash and cash equivalents at 31 December		25,448	14,414
Cash and cash equivalents include the following items:			
Cash and bank balances	**11**	**25,448**	**14,414**
Cash and cash equivalents at 31 December		25,448	14,414

Included in the cash flows from operating activities for 2020 is interest received amounting to €0.4 million (2019: €1.4 million) and dividends received amounting to €3.3 million (2019: €4.1 million).

NOTES TO SIGNIFICANT BALANCE SHEET AND INCOME STATEMENT ITEMS

Activities

The activities of Achmea Reinsurance Company N.V. primarily consist of reinsurance (life and non-life) business in the broadest sense of the term, and everything associated with or facilitating reinsurance. The company has its registered office and principal place of business at Spoorlaan 298, Tilburg, the Netherlands and is registered at the Chamber of Commerce, trade register 18024166.

Group relationships

Achmea Reinsurance Company N.V. is part of the Achmea Group. Achmea B.V. owns 100% of the shares of Achmea Reinsurance Company N.V.

Transactional relationships between Achmea Reinsurance Company N.V. and companies of the Achmea Group are included under investments, receivables and payables. In this context, we refer to note 21 Related party transactions.

1. ACCOUNTING POLICIES

A. AUTHORISATION FINANCIAL STATEMENTS

The Achmea Reinsurance Company N.V. financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 8 April 2021. On the same date, the Supervisory Board gave its advice to the General Meeting on adoption of the financial statements. The Board of Directors may decide to amend the financial statements as long as these have not been adopted by the General Meeting. The General Meeting may decide not to adopt the financial statements, but may not amend them.

B. BASIS OF PRESENTATION

The Achmea Reinsurance Company N.V. Financial Statements, have been prepared in accordance with the International Financial Reporting Standards as at 31 December 2020 and as adopted by the European Union (hereafter EU and EU-IFRS). Furthermore, the Achmea Reinsurance Company N.V. Financial Statements comply with the requirements of Section 362, paragraph 9, Book 2 of the Dutch Civil Code. All amounts in the Financial Statements are in thousands of Euros, unless stated otherwise. Assets and liabilities in the statement of financial position are classified based on liquidity.

In the statement of financial position, the income statement and the statement of cash flows items of a similar nature are condensed. In the notes these items are disaggregated as they are of relative importance for Achmea. Relative importance is assessed based on both quantitative and qualitative criteria. Quantitative criteria relate to the totals of the relevant category in the statement of financial position, the income statement and the statement of cash flows and the relative importance of the item in these statements. If the item is of relative importance quantitatively, it is disclosed further (in accordance with the required IFRS disclosures). If the item is not of relative importance quantitatively, Achmea Reinsurance Company N.V. applies qualitative criteria, such as specific importance to a user of the financial statements, to assess if further explanation in notes is required. If an item is of relative importance qualitatively, it is disclosed further in accordance with the required IFRS disclosures. If an item is not of relative importance, either quantitatively or qualitatively, the notes are as limited as possible in accordance with the IASB disclosure initiative principles and related materiality principles.

Furthermore Achmea Reinsurance Company N.V. has separated the notes into two sections: 'Notes to significant balance sheet and income statement items' and 'Other notes'. The notes concerning the core activities of Achmea Reinsurance Company N.V. are included in 'Notes to significant balance sheet and income statement items'. Other notes are included because they meet the quantitative or qualitative relative importance criteria and are included in the section 'Other notes'.

C. INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2020, the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) were adopted. These have no significant impact on Total equity as per 31 December 2020, Net result for 2020 and comparative

figures of Achmea Reinsurance Company N.V. as these are not applicable to Achmea Reinsurance Company N.V. and/or only result in a limited amendment:

- Amendments to IFRS 3: Business combination: Definition of a business;
- IFRS 16 Leases: Covid-19 Related Rent Concessions;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase I;
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards.

D. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2020 or prior years and are not applied by Achmea Reinsurance Company N.V. in preparing its Financial Statements 2020. These are:

IFRS 9 Financial Instruments

IFRS 9 introduces a new model for the classification of financial assets. This model is driven by the cash flow characteristics and the business model in which an asset is held. With regard to financial liabilities the changes as a result of IFRS 9 are limited and for most financial liabilities the existing amortised cost measurement can be maintained. As part of IFRS 9, the IASB has introduced an expected-loss model to determine impairment losses. This model requires taking into account expected credit losses when financial instruments are first recognised. In case of a significant credit deterioration expected credit losses should be taken into account for the full lifetime. Finally, IFRS 9 introduces a model for hedge accounting that aligns the accounting treatment with risk management activities.

The standard entered into force on 1 January 2018, with insurers being allowed to delay application. Achmea Reinsurance Company N.V. is postponing the application of IFRS 9 until the implementation of IFRS 17 in 2023. The required disclosures are included in Note 29 Credit quality financials assets and disclosures concerning deferral of IFRS 9. Achmea Reinsurance Company N.V. has started an implementation process, taking into account the interaction with the future standard on insurance contracts (IFRS 17).

Achmea Reinsurance Company N.V. is assessing the impact of this standard, taking into account the interaction with the current standard for the accounting of insurance contracts (and proposed amendments thereon) and also the future standard for the accounting of insurance contracts (IFRS 17).

IFRS 17 Insurance Contracts

IFRS 17 establishes a number of principles in relation to the recognition, presentation, measurement and disclosure of insurance contracts. The purpose of the standard is to ensure that the effect of insurance contracts within the scope of IFRS 17 on the financial position, result and cash flows is adequately reflected in the financial statements and can be compared with other entities. The standard shall be effective for annual periods beginning on or after 1 January 2021, with early adoption being permitted. In 2020 the IASB published amendments to IFRS 17. One of the amendments postpones the required implementation date until 1 January 2023. . As a consequence of the amendments to IFRS 17, an amendment has also been made to IFRS 4 Insurance Contracts (deferral of IFRS 17), applicable as of 1 January 2021. Under this amendment, the temporary exemption from applying IFRS 9 has been extended until 1 January 2023 in line with the change to the effective date of IFRS 17. As at 31 December 2020 IFRS 17 had not yet been endorsed for use in the EU.

Following publication of the original standard in 2017, Achmea Reinsurance Company N.V. began an implementation process, which is taking into account the interaction with the future standard on financial instruments (IFRS 9). The amendments as published by the IASB in 2020 are included in this process.

Achmea Reinsurance Company N.V. expects that the initial application of this standard will have a impact on its consolidated financial statements because the valuation and determination of results of insurance contracts in combination with the valuation and determination of results of financial instruments will be different.

The implementation process is extensive and affects the entire chain. Central policy papers were prepared, the model financial statements were adopted, models were developed and a project architecture was established. The various chains within Achmea Reinsurance Company N.V. (in particular Non-Life and Health) are responsible for the decentralised implementation of the IFRS 17

standard and connection to the central platform. Achmea Reinsurance Company N.V. is also using the implementation of IFRS 9 and IFRS 17 to optimise the automation of its financial processes. In 2020, we continued the implementation and testing of our administrative systems against the new IFRS 9 and IFRS 17 accounting standards. The analyses of the effects of implementing IFRS 9 and 17 are ongoing. At present we have not yet made definitive choices regarding the options offered by IFRS 9 and IFRS 17 and it is too early to quantify the precise impact of IFRS 9 and IFRS 17 on the equity and result.

Interest Rate Benchmark Reform (IBOR) – Phase II (amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interest rate benchmarks – also called base, interest or reference rates – are used for the valuation of financial instruments (such as derivatives), financial contracts (such as mortgages) and in the pricing of these financial instruments. The current benchmarks, such as Euribor, are not compliant with the European Benchmark Regulation (EU BMR). The transition to the new benchmark interest rate is scheduled for 1 January 2022. As of 31 December 2020, this standard has not been approved for use in the EU. The amendments address factors that can affect financial reporting as a result of reforming an interest rate benchmark, including the effects of changes in contractual cash flows or hedge accounting. The amendments provide various exemptions from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial instruments (and lease liabilities) and hedge accounting.

For the time being, Achmea Reinsurance Company N.V. expects that the reform of the interest rate benchmark will not have a material impact on our Net income and Total equity: any adjustment to the fair value of a financial instrument as a result of the amended interest rate benchmark will be compensated in the collateral obtained or to be provided and, in addition, the impact on hedge accounting is not expected to be material.

Achmea Reinsurance Company N.V. intends to apply the changes from 1 January 2022. A transition working group is currently finalising the analysis aimed at the transition process to the modified interest rate benchmark. A start has been made with operationalising and preparing the systems and processes so that the adjusted benchmark rates can be used.

Other amendments with future application date

In addition to the above-mentioned (amendments to) standards, in 2020 standards have also been published with a future application date or (amendments) in previous years which Achmea Reinsurance Company N.V. has not applied in preparing the 2020 consolidated financial statements. Since these amendments to the standards have no impact on Total equity or the Net result, or have no impact or only a limited impact on the presentation and notes of Achmea Reinsurance Company N.V., they are not described further.

It concerns the following amendments which were not yet approved for use in the EU as of 31 December 2020:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective date 1 January 2023);
- Amendments to IFRS 3: References to Conceptual Framework (effective date 1 January 2022);
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (ingangsdatum 1 januari 2022);
- Annual improvements to IFRSs- 2018-2020 (effective date 1 January 2020);

E. AMENDMENTS RELATED TO ACCOUNTING POLICIES, PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

Changes in accounting policies

In 2020, no adjustments with regard to accounting policies, changes in presentation and corrections for previous periods have been made in comparison with the 2019 financial statements of Achmea Reinisurance Company N.V.

General reclassifications have been made in the comparative figures. These reclassifications have no effect on the balance sheet and profit and loss account.

F. CHANGES IN ACCOUNTING ESTIMATES

In preparing these Financial Statements the significant judgements made by management in applying Achmea Reinsurance Company N.V.'s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Financial Statements 2019.

G. ACCOUNTING FRAMEWORK

This section sets out the general accounting policies. All assets and liabilities are measured at fair value, unless a different measurement is stated in the accounting policies. The specific accounting principles applicable to a certain line item in the financial statements are included in the note to the relevant item.

Statement of cash flows

The statement of cash flows has been set up according to the indirect method with a breakdown into cash flows from operating, investing and financing activities. Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand and form an integral part of Achmea Reinsurance Company N.V.'s cash management processes are recognised as a component of cash and cash equivalents. In the total cash flow from operating activities, result before tax is adjusted for those items in the income statement, and for changes in operating assets and liabilities, that do not result in actual cash flows during the year. Due to the nature of Achmea Reinsurance Company N.V.'s activities, in which insurance is part of the operations, cash flows related to investments and insurance liabilities are presented as part of the total cash flows from operating activities.

Foreign currency differences

The financial statements are presented in Euros, which is Achmea Reinsurance Company N.V.'s functional and presentation currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in net result. Exceptions are foreign exchange gains and losses recognised in total equity as part of qualifying cash flow hedges or qualifying net investment hedges. Refer to the accounting policies in the applicable disclosures for more details regarding the accounting of foreign currency differences for specific assets and liabilities.

Recognition financial instruments

When Achmea Reinsurance Company N.V. becomes a party to the contractual provision of a financial instrument (i.e. at trade date), Achmea Reinsurance Company N.V. recognises the instrument at fair value including transaction cost (unless it is classified as 'at fair value through profit or loss').

Derecognition financial instruments

A financial asset (or part of a financial asset) is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when Achmea Reinsurance Company N.V. has substantially transferred all risks and rewards of ownership.

If Achmea Reinsurance Company N.V. neither substantially transfers nor retains all the risks and rewards of ownership of a financial asset, it is derecognised if Achmea Reinsurance Company N.V. no longer has control over the asset.

In transfers where control over the asset is retained, Achmea Reinsurance Company N.V. continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Achmea Reinsurance Company N.V. is exposed to changes in the value of the asset. A financial liability (or a part of a financial liability) is derecognised when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired). Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

Financial liabilities are removed from the balance sheet when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. Achmea Reinsurance Company N.V. uses the average cost price method for financial assets and liabilities that are no longer included in the balance sheet.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount when Achmea Reinsurance Company N.V. :

- has a current legally enforceable right to offset the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

In general, impairment of an asset occurs when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, Achmea Reinsurance Company N.V. assesses whether there is an indication that an asset could be impaired and whether it is necessary to recognise an impairment loss.

Impairments on investments are recognised as 'Impairments on investments' in the income statement. All other impairments are recognised as 'Other expenses' in the income statement. Impairment losses recognised in prior years are reversed if the reversal can be objectively attributed to the disappearance or removal of the impairment event since the impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An increase in the carrying amount due to the reversal of the impairment loss will not exceed the carrying amount if no impairment loss would have been recognised in prior periods. The increase due to a reversal of an impairment loss is recognised in the income statement ('reversal of impairments on investments' for fixed-income investments and in 'other expenses' for other reversals). Impairment losses on equity instruments classified as 'available for sale' are not reversed through the income statement. Subsequent fair value changes are recognised in the revaluation reserve, part of total equity. For more details relating to the specific accounting policies for impairment, reference is made to the accounting policies for the specific items as included in the applicable disclosures.

H. KEY ACCOUNTING ESTIMATES

For the measurement of certain items of the financial statements, Achmea Reinsurance Company N.V. uses assumptions and estimates concerning future results or other developments, including the likelihood, timing or amounts of future transactions or events. Inherent to estimates is that the actual results may differ materially. Important estimates relating to a certain balance sheet item are also included in the note to the balance sheet item.

I. COVID-19 EFFECT

In 2020, the Covid-19 pandemic had an impact on Achmea Reinsurance Company N.V. The outbreak resulted in various government measures. These measures have had a major impact on society, as well as on Achmea Reinsurance Company N.V.'s operational management. The Covid-19 pandemic affects our employees, customers and impacts Achmea Reinsurance Company N.V.'s insurance and market risks. More information on the uncertainties and risks arising from Covid-19 and the ways in which Achmea Reinsurance Company N.V. is mitigating these risks can be found in Note 2. Capital and Risk Management.

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.

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.

For a more detailed explanation of impacts and uncertainties, please refer to the following notes: Investments (Note 3), Liabilities related to insurance contracts and amounts ceded to reinsurers (Note 4), Fair value hierarchy (Note 5), Net earned premiums (Note 6) and Receivables and accruals (Note 10).

Achmea Reinsurance Company N.V. 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.

2. CAPITAL AND RISK MANAGEMENT

Achmea Reinsurance Company N.V. is part of Achmea and falls within scope of the overall risk management and capital management structure at Achmea. Effective capital and risk management is essential for Achmea Reinsurance Company N.V.'s continuity, and for maintaining a long-term relationship with our clients and other stakeholders and that capital is used sufficiently. Capital management ensures that Achmea and all its supervised entities including Achmea Reinsurance Company N.V. have sufficient capital to secure the interests of all stakeholders in the short and long term. Risk management involves identifying and assessing risks, determining and implementing risk control measures and the monitoring and reporting on risks. The starting point in this context is not so much a matter of avoiding risk but rather of making well-informed decisions about the risks to be accepted in realising the business objectives. This involves the objectives of Achmea as a group as well as the objectives of individual entities.

Capital and risk management complement each other and demand an integrated approach. For instance, the risk profile is quantified using a partial internal model that is also used to calculate the required capital. In terms of risk, Achmea Reinsurance Company N.V. has defined its risk appetite of which statements about the capital are an important part. Each year, the risk and solvency position are assessed in conjunction with each other in the Own Risk & Solvency Assessment (ORSA).

This section discusses capital and risk management at Achmea and specific points for Achmea Reinsurance Company N.V. in greater detail on the basis of: A. Developments in 2020, B. Capital position, C. Risk profile, D. Risk management system, E. Insurance risk, F. Market risk, G. Counterparty risk, H. Liquidity risk, I. Operational risk, J. Compliance risk and K. Capital management.

A. DEVELOPMENTS IN 2020

This section provides an overview of the most important developments in 2020 in the field of capital and risk management, first in general and next specifically for the financial and non-financial risks.

Covid-19-pandemic

Achmea has established a Covid-19 crisis team, which includes the entire Executive Board. This team manages workflows to monitor the impact from various focus areas on a short-cycle basis, including operations, society, business and finance.

Since the Covid-19 pandemic affects Achmea Reinsurance Company N.V. as an insurer in many ways, the possible effects for Achmea Reinsurance Company N.V. were mapped out at an early stage and throughout the year with additional scenario analyses. An integral dashboard has been developed to monitor the developments and progress of measures taken. Due to targeted measures and the strong recovery of financial markets in the second half of 2020, the impact on solvency and liquidity has so far been limited. At year-end 2020, Achmea Reinsurance Company N.V had a solid Solvency II capital position with a solvency ratio of 186%. See section B for further information on the capital position.

Besides the short-term impacts, specific consideration has also been given to the possible medium-term and long-term impacts of the Covid-19 pandemic in relation to Achmea Reinsurance Company N.V.'s strategy and risk profile. Given the specific nature of this crisis, the regular ORSA report for 2019 was updated in 2020 by means of a non-regular ORSA report. This Own Risk & Solvency Assessment provides an assessment of the development of the risk profile, solvency and liquidity during the planning period, both under regular and under stressed circumstances. This non-regular ORSA showed the main uncertainties to be developments in the values of equities and real estate, as well as interest rates and spread developments and medical expenses. The annual regular ORSA report confirms that the uncertainties of the Covid-19 pandemic and its impact on the capital and risk position of Achmea Reinsurance Company N.V. and the supervised entities remain present, but also that Achmea Reinsurance Company N.V. has a good capital and liquidity position that can withstand the various stress scenarios. The Covid-19 pandemic has brought short-term uncertainties, but the (long-term) effects are also not yet sufficiently clear. Specific attention is therefore also paid to the development that the Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy.

In the area of operations, Business Continuity Management, which focuses on ensuring the continuity of our operations in times of unexpected far-reaching events, such as the Covid-19 pandemic, has worked well. The necessary measures have been adopted to ensure the safety and welfare of our employees and customers and to enable us to continue to offer our customers the best possible service. The business critical chains and critical processes have shown a stable performance. Achmea Reinsurance Company N.V. monitors and is alert to developments in the quality of internal control, the development of reputation risks, project risks, outsourcing risks, fraud risks, cybercrime and possible negative effects of prolonged working from home.

Key risks

Annually the key risks are reassessed by the boards of the business units and the Executive Board. The composition of the risk profile, including the key risks identified in achieving the strategy remained largely unchanged in 2020. Please refer to section C Risk profile for more detailed information about the risk profile.

An key strategic risk theme is the future earnings model due to the speed of social developments, possible changes in insurance needs and new providers. Key themes in this respect are the use of new technology, sustainability and climate change, low interest, compliance, the partnership with Rabobank and the Covid-19 pandemic, which may lead to changes in society, customer needs, behavioural patterns and the economy. Innovation is important in this respect and plays a key role in the strategic programmes and activities aimed at improving the future earnings model. Central control takes place on Achmea's innovation portfolio, whereby specific attention is paid to the management of the related risks.

Sustainability and climate change will remain a key risk theme in the coming years, with a potential impact on physical risks and transition risks in Achmea Reinsurance Company N.V.'s insurance, investments and business operations, while at the same time also bringing new possibilities and opportunities. In 2020 preparatory work on stricter new laws and regulations on sustainability continued without interruption. Under central direction, sustainability and climate change initiatives are developed from multiple work flows and developments are closely monitored. For example, Achmea Reinsurance Company N.V. takes action in the field of prevention and takes the latest insights into account each year when determining premiums, reinsurance and acceptance of Property & Casualty insurance. Risk and scenario analyses have been strengthened and climate change has been explicitly included in the annual regular ORSA and ICAAP/ILAAP reports, looking at the possible impact in the medium term. Since climate is mainly a dormant risk, the uncertainty is particularly in the long term. Therefore, long-term scenarios are also considered in which the greatest danger lies mainly in the degree of volatility (new extremes) and the extent to which changes will occur unexpectedly (and possibly disruptively).

In relation to the material non-financial risks, additional capacity has been devoted to managing Customer Due Diligence (CDD), privacy and information security including cybercrime. With respect to Know Your Client, privacy and information security, an undiminished level of additional attention is deemed necessary due to rapid developments in this area. The CDD policy has been tightened in response to new CDD guidance from De Nederlandsche Bank and the Ministry of Finance.

Technical developments in privacy and information security, including cybercrime prevention, are proceeding at a rapid pace. The integral security approach has been tightened up accordingly. In addition, a great deal of attention has been paid to awareness, since people are a vulnerable link at Achmea Reinsurance Company N.V. as well.

Risk Management System

The Achmea risk management system sets out how Achmea manages the risks. See section D for further information on the risk management system and the subsequent sections on the management of key risks and capital management.

The risk management system is evaluated annually based on internal and external developments. A number of improvements has been implemented through the overall improvement programme, aimed at streamlining the business and risk processes and organizing instruments and techniques more efficiently. In 2020 the Risk & Compliance organisation was restructured. In addition, there are improvements relating to streamlining the risk management process and enhancing efficiency, including risk analysis and reporting. In relation to digitization, improving both the quality and efficiency of internal controls.

Achmea Reinsurance Company N.V. uses an internal model for calculating the insurance risks for the dominant Dutch and Greek perils of the non-life catastrophe risk and a partial internal model for calculating market risk. These models provide Achmea Reinsurance Company N.V. with better insight into the risks, enabling improved risk management. As part of model management, the models are periodically assessed and improved. This year a major model change was made to the internal model for market risk related to equity risk which addressed the procyclical character of the model and to the internal model for windstorm risk.

B. CAPITAL POSITION

Capital at Achmea including Achmea Reinsurance Company N.V. is managed according to the legal framework, economic principles and the perspectives of rating agencies. The legal framework is based on IFRS and Solvency II. As set out in Achmea's risk appetite and capital policy, Achmea Reinsurance Company N.V. strives for a target Solvency II ratio of at least 175%.

At year-end 2020 Achmea Reinsurance Company N.V. is sufficiently funded in accordance with statutory requirements.

SOLVENCY RATIO

(x €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Eligible own funds Solvency II	288,819	284,151
Solvency Capital Requirement	155,621	132,598
Surplus	**133,198**	151,553
Ratio (%)	186%	214%

Achmea Reinsurance Company N.V. uses a partial internal model for calculating the required capital under Solvency II ('Solvency Capital Requirement') taking into account the changed corporate tax rates. For further information on the partial internal model and an overview of the composition of the Solvency Capital Requirement, please refer to part C The risk profile.

The Solvency II ratio has decreased by 28 percentage points to 186% (31 December 2019: 214%). The capital position is the result of a combination of a slight increase of the Eligible Own Funds and a higher Solvency Capital Requirement.

The table below provides an overview of the Solvency II eligible own funds. See part K Capital management for information on the capital instruments used. This capital serves as a buffer for absorbing risks and financial losses.

ELIGIBLE OWN FUNDS SOLVENCY II

(x €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Tier 1	288,819	284,151
Tier 2		
Tier 3		
Total eligible own funds Solvency II	**288,819**	**284,151**

Compared to year-end 2019 the eligible own funds increased with €4.7 million to €289 million (year-end 2019: €284 million). The increase is the result of positive development throughout the year both on the insurance and financial portfolio partly reduced by developments due to the virus Covid-19 outbreak.

The composition of equity under the Solvency II regulations is not the same as equity for IFRS purposes because of valuation differences and restrictions. The table below shows the composition of eligible own funds under Solvency II and the relationship with the IFRS equity.

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

(x €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Total IFRS excess of assets over liabilities	**289,316**	**285,993**
Valuation differences Solvency II	-498	-1,842
Available own funds Solvency II	**288,819**	**284,151**
Restrictions		
Eligible own funds Solvency II	**288,819**	**284,151**

Key assumptions and estimates for the Solvency II calculation

For the Solvency II calculation (including Solvency II eligible own funds) Achmea uses assumptions and estimates with regard to future results or other developments, including the probability, realisation moment or amount of future transactions or events. Inherent in estimates is that the actual results may differ materially. Part of these assumptions and estimates correspond to the assumptions and estimates mentioned under Note 1 Accounting Policies – H (Key accounting estimates) and the accounting policies as included for the specific items in the Consolidated Financial Statements. For the Solvency II calculation (including Solvency II eligible own funds) several additional assumptions and estimates are applied additionally or instead.

The most important additional assumptions and estimates are the following:

- Cash flows used for the assessment of the market value of the Liabilities related to insurance contracts and Amounts ceded to reinsurers. Estimates under cash flows include the expected premium income and claims for future years and include assumptions on mortality, claims, lapse, work disability, costs and interest.
- Projected fiscal results (after shock) and analysis of future results.

C. THE RISK PROFILE

The risk profile and risk classification of Achmea Reinsurance Company N.V. as financial service provider consist of the following main risks:

Financial	
Insurance risk	Achmea Reinsurance Company N.V. is exposed to life, non-life and health risks through its product range as a Reinsurance company due to differences between non-economic expectations and real developments or unlikely events.
Market risk	As a financial service provider, Achmea Reinsurance Company N.V. is exposed to market risk due to its investment portfolio. This includes interest rate risk, equity risk, spread risk, currency risk and concentration risk.
Counterparty risk	Achmea Reinsurance Company N.V. is exposed to counterparty risk in its investments, treasury and reinsurance activities.
Liquidity risk	Achmea Reinsurance Company N.V. is exposed to liquidity risk with regard to the insurance activities.
Non-Financial	
Operational risk	Achmea Reinsurance Company N.V. runs the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. The main operational risks include information security and cybercrime, risks related to digitization of our services and liability claims related to products and services.
Compliance risk	Achmea Reinsurance Company N.V. runs the risk of non-compliance with laws and regulations, which may result in legal or administrative sanctions that in turn may result in substantial financial loss or reputational damage. Compliance risk is a particular type of operational risk that is differentiated from other kinds of risk in practice; it requires its own specific controls. The main compliance risks include risks related to care of duty, product development, knowing your client, Privacy (the General Data Protection Regulation compliance), Integrity and Fraud and competition.

In addition to this Achmea Reinsurance Company N.V. runs strategic risks, i.e. specific risks related to the realisation of the strategy in the long term.

Below is a description of Achmea Reinsurance Company N.V. general risk profile, based on the Solvency Capital Requirement outcomes under Solvency II, and an overview of the material risks identified.

Quantitative risk profile

The Solvency Capital Requirement provides a quantification of the risk profile. For calculating the Solvency Capital Requirement Achmea Reinsurance Company N.V. uses as risk model a partial internal model.

Scope internal model

In the partial internal model, the risks are calculated using either an internal model or the Solvency II standard formula. The scope of the partial internal model is:

- For non-life risk the natural catastrophe risk (for the dominant Dutch and Greek perils).
- For market risk the risks related to interest rate, equity and spread risk.

Results partial internal model

The table below gives an overview of Achmea Reinsurance Company N.V. risk profile based on the Solvency Capital Requirement results under Solvency II as calculated using the partial internal model.

SOLVENCY CAPITAL REQUIREMENT

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Market risk	80,871	78,099
Counterparty Risk	12,151	13,003
Life Risk	45,366	44,952
Health Risk	16,045	14,679
Non-Life Risk	144,836	107,883
Diversification	-96,024	-87,406
Basic Solvency Capital Requirement	**203,245**	**171,210**
Operational Risk	9,636	10,892
LAC EP	-15,854	-8,677
LAC DT	-41,406	-40,827
Solvency Capital Requirement	**155,621**	**132,598**

In accordance with Solvency II regulations the Loss-Absorbing Capacity has been taken into account for the calculation of the Solvency Capital Requirement. This comprises (1) the Loss-Absorbing Capacity of Expected Profits for the internal model for the premium and the market risk (LAC EP), and (2) the Loss-Absorbing Capacity of Deferred Taxes (LAC DT). In the event of losses these items can be used to compensate for some losses.

A large part of the Solvency Capital Requirement results directly from the product range and consists of insurance risk, comprising life, non-life and health risks. As a financial service provider Achmea Reinsurance Company N.V. is also exposed to market risk due to its investment portfolio. Furthermore the risk profile according to the Solvency Capital Requirement includes counterparty risk and operational risk. The Solvency Capital Requirement increased by an amount of €23 million to €156 million (year-end 2019: €133 million). The increase in Solvency Capital Requirement is mainly caused by a higher risk appetite resulting in an increase of incoming non-life business as several new contracts were signed during the renewal. This caused an increase in Catastrophe Risk and volume effects increased Premium and Reserve Risk. Also the aggregation methodology in combination with the new Nat Cat model (from per peril to all perils) increased the Catastrophe Risk.

Material risks

In the beginning of this section the main risk have been described. Below the 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 Reinsurance Company N.V. 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 fast enough and to adapt to new trends, including sustainability and climate change. Key focus areas in this regard include the possibility that other providers will launch new distribution, product and/or service models; underperformance in healthcare procurement and the risk equalisation result; and declining insurance needs for Non-Life Insurance due to advances in technology (including driverless vehicles and fireproof houses) reducing or eliminating certain risks and the shift from ownership-based to user-based insurance products (more liability). Specifically, the Covid-19 pandemic may lead to permanent changes in society, customer needs, behavioural patterns and the economy, which (alongside opportunities) may also negatively affect Achmea's business and its commercial position. We are addressing these themes, for example, by monitoring the specific trends mentioned above, improving management of Achmea's innovation portfolio at the central level, and developing an Achmea-wide innovation policy.

Laws and regulations and political developments	Laws and regulations have a significant impact on Achmea Reinsurance Company N.V. as a company. There is a risk that Achmea Reinsurance Company N.V.'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 Reinsurance Company N.V. product ranges. In addition, Achmea Reinsurance Company N.V. is exposed to reputational risk when it fails to comply with 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.
Sustainability and climate change	Sustainability and climate change have a potential impact on fysical risks and transitional risks with regard to Achmea Reinsurance Company N.V's insurance services, investments and operations. The risk exists that Achmea Reinsurance Company N.V. does not fully embrace the opportunities in comparison to our competitors. To cover risks related to climate change the policy on the various sub-areas was brought together in a single sustainability policy relating to the themes climate & energy transition, safety & liability, and health & healthcare. This policy ensures that the measures to be implemented are consistent and comprehensive. This has been elaborated in plans for different areas, which will be implemented in the years ahead. In addition, since 2019 there has been a substantial increase in (EU) regulation on sustainability, which will applicable from 2020 through 2025. The analysis and implementation of this regulation is complex and will have a variable impact on the different segments. A project organisation and knowledge centre will support the segments in this respect. These efforts will include adapting our products and services as and when needed in order to keep up-to-date with trends in sustainability and climate change for the purpose of the future revenue model.
Non-Life and Income Protection	Catastrophes due to (extreme) weather events, such as storms and hail, can have a major impact on the insurance portfolio. Climate change may cause changes in frequency, time of year and intensity. Catastrophe risk 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 Reinsurance Company N.V. updated its internal model for windstorm risk, incorporating the most recent windstorm insights into the quantification of risks. Achmea Reinsurance Company N.V. has close contacts with external model providers, which develop models in cooperation with universities and the Dutch Meteorological Institute (KNMI). 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 in 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
Financial markets	As a financial services provider with an investment portfolio, Achmea Reinsurance Company N.V. 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. 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.
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.

D. RISK MANAGEMENT SYSTEM

The risk management system Achmea Reinsurance Company N.V. sets out how the risks at Achmea level and for each main risk are managed.

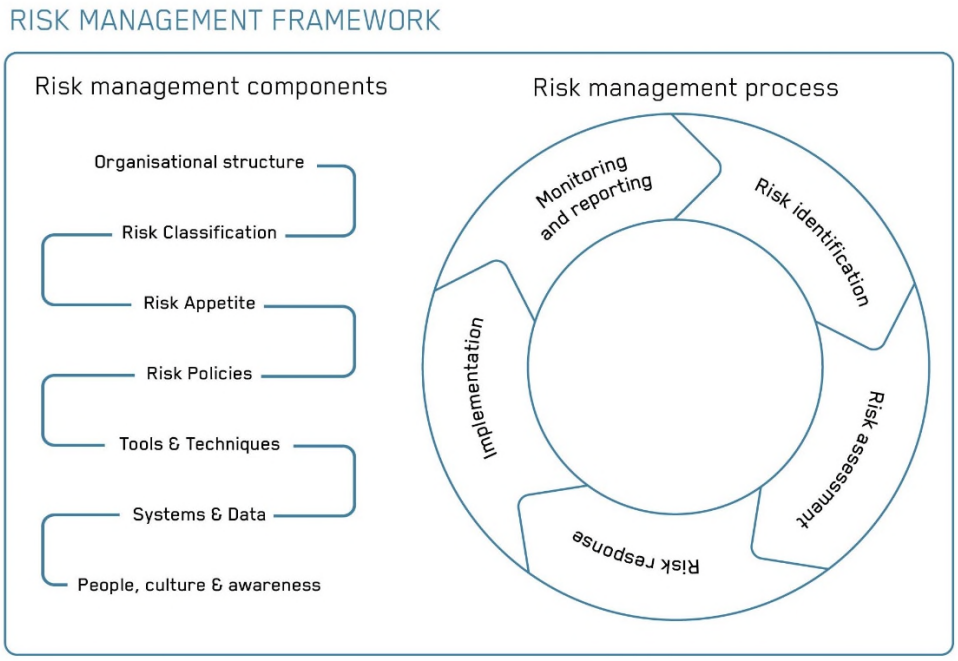
For an adequate risk management system at Achmea Reinsurance Company N.V, there needs to be understanding and clarity of the key principles for risk management in the organisation, with these principles being followed uniformly and completely. The Achmea risk strategy sets out the main principles:

- 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 Reinsurance Company N.V. and sets out in more detail the principles of the risk strategy.

Integrated risk management framework (IRMF)

The IRMF describes how the risks at Achmea Reinsurance Company N.V. are managed when endeavouring 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 organisation structure is based on the 'Three Lines of Defence' model as shown in outline in the figure 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 - Achmea Reinsurance has their own R&C department.	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 on the risk management system. The presence of the Chief Risk Officer in the Executive Board contributes to permanent attention for risk management in business operation. The first line is supported by the second line, which also reports periodically on Achmea Reinsurance Company N.V.'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. The Supervisory Board of Achmea Reinsurance Company N.V. supervises the Board of Directors of Achmea Reinsurance Company N.V. and also fulfils the role of the Audit & Risk Committee for Achmea Reinsurance Company N.V.

Risk committees

Achmea has risk committees both at group level and within the business units.

- 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 Risk & Compliance 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 subcommittee the Model Approval Committee (MAC), with delegated responsibility for approving 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 the group level, Achmea Reinsurance Company N.V. has two Risk Committees that discuss and manage risks. The Underwriting Committee (UC) handles the insurance risk and the Finance & Risk Committee (F&RC) handles financial, strategic, underwriting and operational risks.

Solvency II key functions

The risk management function, the actuarial function, the compliance function and the internal audit function have been set up in line with the Solvency II requirements at group level and for the entities under supervision.

- At group level and for Achmea Reinsurance Company N.V. the risk management function, the actuarial function and the compliance function are fulfilled within the staff department Risk & Compliance. 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 chairpersons of the Executive Board, the Audit & Risk Committee and the Supervisory Board. In addition to the organization of these Solvency II key functions at group level, Achmea Reinsurance Company N.V. has their own R&C department.

- The internal audit function at group level and for Achmea Reinsurance Company N.V. 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.

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.

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 a 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 may only be put into use following approval.

Risk appetite

The risk appetite reflects Achmea Reinsurance Company N.V.'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 (KRI's) 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 KRI's for Achmea Reinsurance Company N.V.

Financial	**Principles**	**KRI's**
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 - Counterparty limit breaches - Amount of Solvency Capital Requirement 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.	- Criteria non standard group reinsurance

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

The risk management process is applied both at individual level per risk and at aggregated risk level to identify, assess, mitigate, monitor and report the risks. 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 including Achmea Reinsurance Company N.V. and the Executive Board, in which the key risks are identified and assessed.
- Achmea Reinsurance Company N.V. 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 twice a year during forecasts at Achmea Reinsurance Company N.V. , 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 recovery plan, and may be reason for re-evaluation of the strategy.

Achmea Reinsurance Company N.V.'s risk profile is monitored periodically, and on the basis of that aggregate-level reports are drawn up for the Executive Board, Board of Directors, 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.

In addition to the periodic monitoring of our risk profile, the group-wide risk and solvency assessment report ORSA is prepared annually for the insurance activities. This report provide insight into, and an assessment of the development of the risk profile, solvency and liquidity during the planning period, both under regular and under stressed circumstances. This report is provided annually to the College of Supervisors. The extent to which the existing and future capital and liquidity position are considered to be adequate under normal and under extreme circumstances is laid down in the ORSA report. The appropriateness of the partial internal model is also assessed in the ORSA.

Achmea's Preparatory Crisis Plan contains information on the degree to which Achmea as Group is prepared for, and can recover from, severe (financial) developments.

E. INSURANCE RISK

From the perspective of Achmea Reinsurance Company N.V. as a reinsurer, risk is the risk of loss, or of adverse change in the value of liabilities related to insurance contracts, resulting from inadequate pricing and/or provisioning assumptions.

The Insurance Risk Policy describes how insurance risks are managed, Achmea's 'risk response'. A key ingredient is the Product Life Cycle (PLC) approach, which consists of the following phases: business planning - product development - underwriting - reinsurance - policy management - claim process - determination of assumptions - reserving - product review - reporting and analysis.

The different phases of the product life cycle approach contribute to the management of the insurance risk. Where relevant, these phases are explained in more detail below.

Reinsurance

Achmea has a Reinsurance Policy in which all responsibilities with regard to the reinsurance process are laid down. Achmea Reinsurance Company N.V. is the reinsurance company of the group and fulfils three roles: advisor, risk carrier and purchaser. Achmea Reinsurance Company N.V. provides reinsurance cover for the Achmea entities. To that end it enters into reinsurance contracts with the Achmea entities, including the non-Dutch entities. Through retrocession the contracts are partially placed with external reinsurers. In addition to the group reinsurance programme Achmea Reinsurance Company N.V. has entered into a reinsurance contract with a financial character and, both for life and non-life, has concluded a number of incoming reinsurance contracts with strategic partners, Eurapco partners and other external insurers and reinsurers.

The Underwriting Committee of Achmea Reinsurance Company N.V. decides on the retention within the framework of the reinsurance policy, Achmea's risk appetite and the risk appetite of Achmea Reinsurance Company N.V. After approval by the Executive Board the reinsurance programme is placed in the market. The purchase of reinsurance cover for non-Dutch entities is arranged by the entities themselves. Within the boundaries of the reinsurance policy the non-Dutch entities have the opportunity to decide by themselves where they purchase their reinsurance. In practice Achmea Reinsurance Company N.V. to a greater or lesser extent carries the risk in the programmes of the non-Dutch entities. In addition, a gradual integration of the reinsurance programmes of Achmea and the non-Dutch entities is taking place. This is achieving cost benefits and improving the quality of the reinsurance programme.

The reinsurance programme 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. The reinsurance programme consists of several layers to place the programme as efficiently as possible. In 2020 the catastrophe programme was the main reinsurance programme. The renewal of this programme takes place on 1 July each year and Achmea includes the intention to extend the programme in its modelling. In order to protect the result for IFRS purposes, Achmea Reinsurance Company N.V. purchased aggregate excess-of-loss cover. Furthermore Achmea uses insurance-linked securities (catastrophe bonds) on a limited scale.

Reserving

In the reserving process the liabilities related to insurance contracts are determined for the current insurance contracts. The methodology used for this may vary according to the regime: IFRS accounting, including IFRS Liability Adequacy Testing and Solvency II. The liabilities related to reinsurance contracts are determined at least four times a year. At least twice a year they are also tested for adequacy, and more often if deemed necessary or required by law.

Life Risk

Life risk is the risk of loss, or of adverse change in the value of Liabilities related to insurance contracts, resulting from:

- the changes in the level, trend or volatility of the underlying risk drivers (mortality rates, expenses, lapse rates);
- the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

It encompasses mortality, longevity, lapse, expense and catastrophe risk.

Risk profile

The Solvency Capital Requirement under Solvency II provides a quantification of Life Risk.

LIFE RISK (SOLVENCY II CAPITAL REQUIREMENT) (X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Mortality	7,899	6,935
Expense	395	400
Catastrophe	42,628	42,601
Diversification	-5,556	-4,983
Solvency Capital Requirement Life risk	**45,366**	**44,952**

The increase in the underwriting risk for Life, €0.4 million, was caused by increase of premiumvolume of two excisting contracts.

Risk response

Reinsurance is used by Achmea Group to manage mortality and catastrophe risk. Achmea Reinsurance Company N.V. has a quota-share agreement with Achmea Pensioen- en Levensverzekeringen N.V., part of which is placed in the market. These contracts are sensitive for mortality and catastrophe risk. Pandemic exposure generated within the Achmea Group is not reinsured, but is periodically reviewed to assess if (external) reinsurance is beneficial. The virus Covid-19 has an impact on the Life portfolio. The uncertainties associated with the Covid-19 outbreak are high and it is not currently possible to estimate future effects.

The mortality tables used in the Netherlands take into account a future increase of the life expectancy and are adjusted for the specific nature and composition of the insurance base.

Non-life Risk

Non-life risk is the risk of loss or of adverse change in the value of Reinsurance liabilities resulting from differences in actual developments and non-economic assumptions or extreme or exceptional events. It encompasses premium and reserve, lapse and catastrophe risk.

Risk profile

The risks covered by Achmea Reinsurance Company N.V. are within the typical lines of business, such as motor (hull and liability), transport / aviation and fire and natural events.

The Solvency Capital Requirement under Solvency II provides a quantification of Non-life risk.

NON-LIFE RISK (SOLVENCY II CAPITAL REQUIREMENT) (X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Lapse	2,068	252
Premium and reserve	85,047	60,412
Catastrophe	97,869	75,545
Diversification	-40,148	-28,326
Solvency Capital Requirement Non-life risk	**144,836**	**107,883**

The capital requirement for non-life underwriting risk increased by €37.0 million.

The increase of €24.6 million in Premium and Reserve Risk was the result of higher premium volumes due to market hardening, growth of underlying exposure and to new contracts. Also higher reserves due to the virus Covid-19 outbreak and other claims increased the Reserve Risk.

The Catastrophe Risk increased by €22.3 million. This increase is due to portfolio developments (renewal, changes within reinsurance programme), €18.7 million, and impact aggregation methodology in combination with the new Nat Cat model (from per peril to all perils) causing an increase of €6.4 million

Within Non-life, catastrophe risk is a large risk. Mainly the property and motor hull reinsurance lines are exposed to catastrophe risk. The predominant risk sources in the Netherlands are wind and hail risk. Motor hull in the Netherlands includes the risk of flood. For Non-life concentration risk refers to major claims resulting from the above-mentioned natural perils and large fires.

As a result of climate change, the probability of hail is expected to increase. In 2020 Achmea Reinsurance Company N.V. modified its internal model for windstorm risk, incorporating the latest insights on windstorm risk in the quantification of the risk. Achmea Reinsurance Company N.V. has close contact with the companies developing the catastrophe models,with universities and the Royal Netherlands Meteorological Institute (KNMI). In this way Achmea is keeping close track of climate change and evaluating its impact.

Achmea Reinsurance Company N.V. also covers risk for a selected number of third parties (insurers and reinsurers). This book of business is exposed to a variety of natural perils, such as wind (US, EU, Japan), earthquake (Japan, US, Australia, Turkey), flood (EU) and hail.

Risk response

Underwriting guidelines ensure a solid judgement on risks, underwriting (including possible conditions) and premiums.

- Achmea Reinsurance Company N.V. is used to manage exposure to weather-related events like natural disasters, man-made disasters, events involving multiple victims, major fires and large claims in general and motor third-party liability. Part of the retention of the Group programme is maintained at Achmea Reinsurance Company N.V.

- Achmea Reinsurance Company N.V. also has a book of inward reinsurance contracts. Focus of this book is geographically diversication by creating a balanced portfolio of world-wide reinsurance liabilities. Due to the combination of the Dutch and world-wide reinsurance liabilities the portfolios is more stable than the sum of the individual underlying risks.

Developments related to climate change are being monitored. In the Netherlands climate change mainly has an impact on the risk of extreme precipitation and hailstorms. Climate change is taken into account in setting premiums and in reinsurance. Premiums and reinsurance programmes can be modified each year. In recent years premium increases have been implemented and the own retention in the catastrophe programme has been reduced. In 2020 the own retention remained at the same level. Over the long term we encourage policyholders, in cooperation with municipalities, to take preventive measures.

In lines of business such as general liability and motor liability (mainly bodily injury) with long settlements, the claims reserve is exposed to the risk of inflation. This risk is managed as part of market risk. Periodically it is evaluated if this risk should be covered.

Health Risk

Health risk is present in medical expenses (short-term, health Not Similar to Life Techniques (health NSLT)), disability insurance (long-term, health Similar to Life Techniques (health SLT)), and sickness and accident insurance including life reinsurance that would be only be triggered by accidents or specific events (short-term, Health Not Similar to Life Techniques (health NSLT)).

Health risk is the risk of loss or of adverse change in the value of Reinsurance liabilities resulting from:
- changes in the level, trend or volatility of the medical expenses incurred in servicing insurance contracts (health NSLT);
- changes in the level, trend or volatility of the underlying risk drivers (longevity, incidence, lapse, expense, recovery and revision percentages) for disability insurance (health SLT);
- fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (health NLST);
- significant uncertainty of pricing and provisioning assumptions related to outbreaks of major epidemics or catastrophic events such as earthquakes and terrorism, as well as the unusual accumulation of risks under such extreme circumstances (health CAT).

Risk profile

The Solvency Capital Requirement under Solvency II provides a quantification of Health Risk.

HEALTH RISK (SOLVENCY II CAPITAL REQUIREMENT)

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Health risk SLT	2,308	2,435
Health risk NSLT	1,657	370
Health catastrophe	14,710	13,755
Diversification	-2,630	-1,882
Solvency Capital Requirement Health risk	**16,045**	**14,679**

The increase, €1.4 million, of the Health underwriting risk is mainly due to new contracts and the effect of foreign currencies.

Risk response

The Insurance liability for Health is tested each quarter for adequacy.

F. MARKET RISK

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in market prices of assets, liabilities and financial instruments. It encompasses interest rate risk, equity risk, spread risk, currency risk and market concentration risk. Inflation risk is included in interest rate risk.

Risk profile

As a financial service provider, Achmea Reinsurance Company N.V. is exposed to market risk due to its investment portfolio and insurance products. For the composition of the investment portfolio please refer to Note 3 Investments.

MARKET RISK (SOLVENCY II CAPITAL REQUIREMENT)

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Interest rate	4,976	4,594
Equity	60,142	60,506
Spread	22,601	21,721
Currency [1]	6,511	7,182
Diversification	-13,359	-15,903
Solvency Capital Requirement Market risk	**80,871**	**78,099**

1. *Standard formula*

Solvency Capital Requirement Market risk increased by €2.8 million from €78.1 million to €80.9 million. This increase is mainly the result of a higher implied volatility (VIX) causing a increase of €13 million. On the other hand equities were sold decreasing the exposure by €14 million. The diversification effected the Solvency Capital Requirement Market Risk by €2.5 million.

The Solvency II solvency position is sensitive to market fluctuations. The table below provides an overview of this sensitivity. The total value of the equity portfolio as at 31 December 2020 was €75.3 million, consisting of a developed market portfolio and an emerging market portfolio. A drop in equity values is based on a 20% decrease of the total value of the equity portfolio of Achmea Reinsurance Company N.V. as at 31 December 2020. The 20% drop in equity values equals a decrease in the market value of the equity portfolios of €11.5 million and has an Eligible Own Funds impact net of tax of €-20.4 million. This decrease in market values would cause the market risk, LACEP and LACDT to decrease by €5.2 million. The combined effect on the Eligible Own Funds and Solvency Capital Requirement would negatively impact the Solvency II ratio by 12%. In 2019 the impact of the shock was -15%.

SOLVENCY II SENSITIVITIES

(X €1,000)

	31 DECEMBER 2020			31 DECEMBER 2019		
	IMPACT ELIGIBLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)	IMPACT ELIGIBLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)
Equity -20%	-20,351	-1,202	-12%	-22,399	-1,262	-15,0%

Risk response

The Market Risk Policy describes the steps of the market risk management process:

- The limit on the market risk is annually set within the limits of the risk appetite, as a fixed amount for Achmea Group and Achmea Reinsurance Company N.V.
- In the investment plan of Achmea Reinsurance Company N.V. an optimal return portfolio (the strategic investment mix) is determined that fits the set market risk budget and provides the highest return given additional restrictions on, for example, liquidity and minimum size per asset class. The market risk is monitored periodically, focusing on deviations from the strategic mix, and managing the interest rate exposure.

Interest rate risk

Interest rate risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the term structure of interest rates (both nominal and real) or in the volatility of interest rates.

The result and solvency ratio under Solvency II are influenced by the impact of the interest rate curve used to value the liabilities related to insurance contracts within the life insurance business.

The Market Risk Policy describes how the interest rate risk is managed.

- The interest rate policy is to mitigate the interest rate risk of investments and liabilities using different interest scenarios. For this assessment, interest rate shocks are applied to the replicating portfolios and the related actual investment portfolios. The interest rate sensitivity of the net position is assessed on a monthly basis. For Achmea Reinsurance Company N.V. the interest rate risk is managed based on the interest rate sensitivity of the economic interest rate risk at parallel interest rate shocks of 50 basis points.

The interest rate risk is hedged by means of a monthly interest management process that makes use of interest rate derivatives (swaps and swaptions). The value of the interest rate derivative position is €29 thousand (2019: €112 thousand) with a notional amount of €3.5 million (2019: €5.5 million).

Equity risk

Equity risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of equities.

For the Achmea Reinsurance Company N.V. the purpose of investing in equities is to cover the average long-term risk premium. Equities offer a higher return potential than fixed-income securities and offer diversification potential. Equities are spread across several asset classes to capitalise on diversification benefits. Derivatives are not used to mitigate equity risk. Achmea Reinsurance Company N.V. does not apply specific limits for equity risk, but limits are applied at market risk level.

Spread risk

Spread risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of credits spreads over the risk-free interest rate term structure.

Achmea Reinsurance Company N.V. runs spread risk in its fixed-income investments. For the composition of the fixed-income investments for the different rating classes please refer to Note 20 Credit quality financial assets and disclosures concerning delay IFRS 9.

Spread risk is managed and monitored as part of the Counterparty Risk Policy and the Market Risk Policy (please refer to section G for a more detailed description of the framework). Achmea Reinsurance Company N.V. mitigates the spread risk through a conservative investment strategy that balances the exposure types (corporates, financials, covered bonds, government related bonds and asset backed securities), the credit rating, the maturity profile and the regional allocation. Based on the approved internal model for market risk the composition of the investment portfolio is optimized, taking account of the dynamics of the Volatility Adjustment.

Currency risk

Currency risk is the risk resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of currency exchange rates. Achmea Reinsurance Company N.V. is exposed to currency risk, as part of the regular investment portfolio

(equities, fixed-income investments and listed real estate) and non-Dutch third party reinsurance contracts denominated in foreign currency.

The exchange rate risk table below shows the total exposure to the major currencies at year end.

EXCHANGE RATE RISK

(x €1,000)

	2020 TOTAL EXPOSURE	2020 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2020 NET EXPOSURE	2019 TOTAL EXPOSURE	2019 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2019 NET EXPOSURE
Net position						
US dollar	44,745	40,432	4,313	-2,455	-8,401	5,946
Pound sterling	3,930	3,934	-4	15,432	16,113	-681
Japanese yen	7,836	7,985	-149	9,217	9,553	-336
Swiss franc	2,932	2,894	38	3,929	3,853	76
Australian dollar	3,198	3,154	44	2,921	2,906	15
Swedish kronar	1,810		1,810			
Danish kronar	1,754		1,754			
Canadian dollar	1,743	1,782	-39	2,204	2,200	4
Hong Kong dollar	712		712	1,267		1,267
Other	788		788	2,538		2,538
	69,448	**60,181**	**9,267**	**35,053**	**26,224**	**8,829**

The exposure in the investment portfolio is generally hedged with foreign exchange contracts. Achmea Reinsurance Company N.V. hedges the currency risk of the expected result from the reinsurance and retrocession contracts on an economic basis.

G. COUNTERPARTY DEFAULT RISK

Counterparty default risk is the risk of loss resulting from unexpected default, or deterioration in the credit standing, of the counterparties and debtors of Achmea Reinsurance Company N.V.

Risk profile

Achmea Reinsurance Company N.V. is exposed to counterparty risk in the area of investments, derivatives, bank balances, treasury and reinsurance. For the Solvency Capital Requirement the credit risk on mortgages and countries is included in Spread risk.

An overview of the financial investments categorised by credit rating, an overview of the assets and liabilities subject to offsetting and similar agreements and an overview of financial assets that are past due or impaired, are included in Note 20 Credit quality financial assets and disclosures concerning delay IFRS 9.

The Solvency Capital Requirement under Solvency II provides a quantification of counterparty default risk. In 2020 the Solvency Capital Requirement decreased from €13.0 million at year-end 2019 to €12.2 million year-end 2020. The decrease is mainly due to the major model change.

Risk response

The counterparty risk group level governance framework is set out in the Counterparty Risk Policy, which describes amongst others the process for initiating transactions with new counterparties, the limits and distribution per counterparty within Achmea Reinsurance Company N.V. and the limit revision and exposure control process. The main 'prevention' objective in managing counterparty risk at group level is to prevent undesired concentrations, and ensure that portfolios are well diversified. Additionally, important measures in managing counterparty risk are arranged, for example to ensure proper recovery processes to withstand credit events.

The limits per rating in the Counterparty Risk Policy are given in the following table:

MAXIMUM EXPOSURE ON ACHMEA GROUP (X €1,000,000)

	SUPRA NATIONAL INSTITUTIONS AND GOVERNMENTS	OTHER COUNTERPARTIES
AAA	(no limit)	700
AA+, AA, AA-	500	500
A+, A, A-	400	400
BBB+	250	250
BBB	200	200
BBB-	125	125

The counterparty risk policy also contains deviating limits for specific exposures for certain governments and banks, and offers the possibility to apply for an exemption for specific situations.

Achmea Reinsurnce uses rating from S&P, Moody's, Fitch, DBRS and AMBest (only for reinsurers). If multiple ratings are available for the same financial instrument, the second best rating is used (second best rating methodology). See Note 20 Credit quality financial assets and disclosures concerning delay IFRS 9. Creditworthiness is assessed on a case by case basis for counterparties with a low rating or no rating.

A higher credit rating with a minimum rating restriction of A- applies to reinsurers.

Derivatives

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, meaning 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. When entering into new derivatives transactions, Central Clearing is used and the majority of the derivatives portfolio now runs through a Central Counterparty (CCP).

Reinsurers

Reinsurers are part of the counterparty risk governance framework, which provides guidelines for entering into transactions with new counterparties, limits and allocations per counterparty. At Achmea Reinsurance Company N.V. the Underwriting Committee decides on the composition of the panel of reinsurers. Counterparty risk is monitored quarterly by the Risk Committee of Achmea Reinsurance Company N.V.

Policyholders

The counterparty risk of receivables relating to policyholders is managed by premium collection measures.

H. LIQUIDITY RISK

Liquidity risk is the risk of loss resulting from the inability to meet efficiently both expected and unexpected current and future cash flows and collateral needs without negatively affecting either daily operations or the financial condition of a legal entity.

Risk profile

Achmea runs liquidity risk at group level and at the legal entities, including Achmea Reinsurance Company N.V.

The insurance activities mainly result in liquidity risk related to catastrophic scenarios. Maturity analyses of the reinsurance liabilities are presented in Note 4. Liabilities related to insurance contracts and amounts ceded to reinsurers. In addition liquidity risk is related to collateral obligations arising from the derivative portfolio.

Risk response

The Liquidity Risk Policy describes how liquidity risk is managed. Achmea has defined metrics for each of its legal entities including Achmea Reinsurance Company N.V. as well as the holding. The metrics provide insight in Achmea Reinsurance Company N.V.'s liquidity position and liquidity risk exposure for various time horizons under normal conditions as well as for a range of stress scenarios.

In line with the business plan, liquidity planning takes place at both holding and Achmea Reinsurance Company N.V. In addition the liquidity contingency plan describes the procedures and measures to arrange liquidity in times of stress and possible actions and sources of funds taking into account the behaviour of other counterparties.

The liquidity position of the holding company is managed using a three-year forecast to be produced monthly and the availability of credit facilities. All projected cash flows are included and the impact of a number of relevant scenarios or expected transactions is calculated.

Insurance specific liquidity risk is managed by Achmea Reinsurance Company N.V. In their liquidity planning, cash inflows and outflows from Reinsurance activities are taken into account. Liquidity risk is mitigated through the availability of cash and a high level of investments in liquid assets. An important measure in the management of liquidity risk at Achmea Reinsurance Company N.V. is alignment of the payment conditions in the reinsurance contracts of the incoming and outgoing reinsurance contract.

I. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. This may result in financial loss, but also in reputational damage. Reputational risk is not considered a separate risk category, but a form of damage that may ensue from the risks Achmea is exposed to.

Risk profile

The main operational risks include risks with respect to information security and cybercrime and risk related to the digitisation of our services. The cybercrime risks are high, as a result of malware and ransomware attacks by cybercriminals using changing techniques. Risks surrounding the security of websites and privacy sensitive information also remain high, due to the digitisation of our services encompassing changes in our websites and IT environment. The risk of irresponsible behaviour with handling big data is increasing in a world where data become increasingly important.The reputation of insurers as part of the financial sector is still under pressure. Everything an insurer does is judged from a social perspective.

The Solvency Capital Requirement under Solvency II is a quantitative indicator of the level of the operational risk. The Solvency Capital Requirement for operational risk decreased from €10.9 million at year-end 2019 to €9.6 million at year-end 2020.

Risk response

The Operational Risk Policy describes how operational risk is managed. Additional policies and procedures apply to specific risk events, such as information security, business continuity and outsourcing:

- Information security: all activities towards the realisation of a continuously optimal level of availability, integrity and confidentiality of information and information systems to ensure business continuity, protect customers' interest, prevent financial loss and reputational damage and comply with laws and regulations. The Internal Control Framework includes control measures focusing on cyber security, IT architecture, datacentre facilities, IT operations, logical access security and change management.
- Business Continuity Management (BCM): this concerns identifying threats and their potential impact, determining the minimum service level required for customers and other stakeholders, and implementing and testing measures to prevent major disruptions of business-critical chains and to mitigate the impact of the disruptions to an acceptable level. The Internal Control Framework includes control measures focusing on the prevention of system downtime and the backup and recovery of data and systems.
- Outsourcing: outsourcing processes must be managed carefully, based on a risk/return evaluation and written documentation of reciprocal obligations. The Internal Control Framework includes control measures focusing on contracting, compliance with Service Level Agreements and registration of outsourcing.

Annually risk analyses are performed to identify the operational risks within Achmea and appropriate control measures. Also during the year risk analyses are conducted at various levels and on various topics, e.g. in the form of project risk assessments. A scenario analysis on cybercrime led to an cyber risk insurance. The scenarios include insight in the impact of innovation on our operations and control such as the use of algorithms in our processes.

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. In addition an organisation-wide systematic issue and incident management process has been set up.

J. COMPLIANCE RISK

Compliance risk is the risk of diminishing reputation or current of future treats 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.

Risk profile

Key compliance risks include the risks belonging to CDD (Customer Due Dilligence), Privacy (compliance with the General Data Protection Regulation), Integrity and fraud, and Competition.

Risk response

The compliance policy describes how compliance risk is managed. Additional policies and regulations are available specific compliance areas such as CDD 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 the 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.

Annually risk analyses are performed to identify the compliance risks. Important risk analyses performed by Compliance are the Gross Net Risk Analysis (GNRA), 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.

The Laws & Regulation Committee identifies new and amended legislation 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 Reinsurance Company N.V. monitors the implementation of laws and regulations through a specific module in the Internal Control Framework.

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, outsourcing, CDD and sustainability. Much effort is required to assist the regulators in their investigations and this is coordinated by the Supervisory Committee.

Privacy, Know your Customer/CDD and were the main focus areas for the compliance function in. Achmea Reinsurance Company N.V. in 2020 also participated in a group-wide project to enhance demonstrable compliance with the Sanction Laws. 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.

K. CAPITAL MANAGEMENT

The objective of capital management is to ensure that the Achmea Group and all its entities including Achmea Reinsurance Company N.V. are always adequately funded to secure the interests of all stakeholders in the short and long term and that capital is used with the proper efficiency. This section provides more information on the capital position and the capital policy of Achmea.

Capital position

Section B explains the solvency ratio under Solvency II and the composition of the eligible equity under Solvency II eligible own funds. This section provides more information on the capital instruments used and the credit ratings awarded by rating agencies.

Achmea B.V. provides access to the capital and money markets. The holding company is responsible for financing the insurance entities including Achmea Reinsurance Company N.V. This might take on the form of capital allocations or granting subordinated loans.

Rating agencies use their own methodologies to assess the creditworthiness of a company. As highly strategic subsidiary of Achmea B.V., the S&P financial strength rating on Achmea Reinsurance Company N.V. is derived from the issuer credit rating on holding company Achmea B.V. In 2020, the S&P rating on Achmea Reinsurance Company N.V. is unchanged.

RATINGS

ENTITY	TYPE	S&P
Achmea Reinsurance Company N.V.	FSR[1]	A-

1. *FSR: Financial Strength Rating*

Capital policy

In the Capital Policy the risk appetite is worked out in greater detail, based on internal capital standards as well as limits related to leverage and return.

- The principle premise of the capital policy is that all entities including Achmea Reinsurance Company N.V. 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.
- At group level an additional buffer is held to absorb any capital shortfall at the entities.
- The capital policy also includes an overview of the measures to be taken if internal limits are exceeded, including various options to change the risk profile.

The capital position of the Achmea Group and its entities including Achmea Reinsurance Company N.V. is managed by monitoring the current capital position and projecting the future capital position. This involves calculating the effects of scenarios and stress tests, and distributing capital within the Achmea Group.

3. INVESTMENTS

INVESTMENTS OWN ACCOUNT BY NATURE

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Investments - at fair value changes through profit and loss		
Derivatives	1,622	912
Investments - available for sale		
Equities and similar investments	148,288	165,158
Fixed income investments	299,908	261,823
Investments - loans and receivables		
Deposits with assignors		459,033
Total	**449,818**	**886,926**

Equity investments and similar investments of in total €148 million (31 December 2019: €165 million) consist of investments in listed ordinary shares of €79 million (31 December 2019: €94 million), investments in real estate funds of €3 million (31 December 2019: €2 million), investments in fixed-income funds of €26 million (31 December 2019: €21 million), investments in Alternatives of €40 million (2019: €48 million) and other investments of nil (31 December 2019: nil).

Deposits with assignors

Due to the settlement of a contract with a Life insurer the assets and liabilities decreased by €459 million. The result due to this settlement is nil (See note 4 Liabilities related to insurance contracts and amounts ceded to reinsurances).

Covid-19

After the outbreak of the Covid-19 pandemic, share prices worldwide fell sharply in a short period of time and recovered during 2020. However, the lower prices led to impairment losses of €4.4 million (2019 €0.8 million) for a variety of equity and fixed-income investments, which are recognised in the Income Statement under Realised and unrealised gains and losses. This impairment is partly due to Covid-19, but is also results of the regular impairment analysis performed at each reporting date.

For more information on fair value and changes in fair value see Note 5 Fair value hierarchy.

MOVEMENT TABLE INVESTMENTS OWN ACCOUNT

(X €1,000)

	2020	2019
Balance at 1 January	886,926	841,262
Investments and loans granted	321,147	388,660
Divestments and disposals	-732,652	-389,536
Fair value changes	5,077	24,841
Foreign currency differences	-28,753	25,501
Amortisation	-2,023	-2,918
Accrued interest	96	-884
Balance at 31 December	**449,818**	**886,926**

Derivatives are used for hedging purposes. Achmea Reinsurance Company N.V. holds no financial instruments for trading purposes. Based on their contractual maturity, an amount of €243 million (2019: €696 million) in fixed income investments and other investments is expected to be recovered later than twelve months after the reporting date. For all assets without a contractual maturity date, it is assumed that they will be recovered later than twelve months after the reporting date.

FIXED INCOME INVESTMENTS OWN ACCOUNT BY NATURE

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Government and Government related or guaranteed bonds	134,758	124,888
Securitised bonds	5,253	2,505
Corporate bonds	159,898	134,430
Total	**299,908**	**261,823**

DERIVATIVES CLASSIFIED BY NATURE

(X €1,000)

	ASSETS	LIABILITIES	31 DECEMBER 2020
Interest rate derivatives	29	28	1
Currency derivatives	1,465	703	762
Equity derivatives	23		23
Other derivatives	105		**105**
	1,622	**731**	**891**

	ASSETS	LIABILITIES	31 DECEMBER 2019
Interest rate derivatives	112	105	7
Currency derivatives	797	1,277	-480
Equity derivatives	3		3
	912	**1,382**	**-470**

ANALYSIS BY ESTIMATED TIME TO MATURITY OF UNDISCOUNTED CASHFLOWS OF DERIVATIVES (LIABILITIES)

(X €1,000)

31 DECEMBER 2020	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	→ 5 YEARS	TOTAL
Interest rate derivatives	28				28
Currency derivatives	703				703
	731				**731**

31 DECEMBER 2019	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	→ 5 YEARS	TOTAL
Interest rate derivatives	105				105
Currency derivatives	1,277				1,277
	1,382				**1,382**

ANALYSIS OF INTEREST- AND CURRENCY DERIVATIVES FOR INVESTMENTS OWN RISK BY NOTIONAL AMOUNT AND FAIR VALUE

(X €1,000)

			31 DECEMBER 2020			31 DECEMBER 2019
	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Interest Rate derivatives	3,532	29	28	5,547	112	105
Currency derivatives	60,181	1,465	267	60,648	797	640
	63,713	**1,494**	**295**	**66,195**	**909**	**745**

KEY ASSUMPTIONS AND ESTIMATES WHEN ASSESSING THE VALUATION OF INVESTMENTS

Impairment testing of financial assets

Achmea Reinsurance Company N.V. applies judgement to establish whether a loss event has occurred, resulting in an impairment loss for an investment. When the financial condition of a counterparty changes, Achmea Reinsurance Company N.V. specifically assesses the counterparty's ability to meet both principal and interest payments on fixed-income investments. Objective evidence of impairment of an equity investment classified as 'Available for sale' includes information about significant changes with an adverse effect have taken place in the market, the technological, economic or legal environment in which the counterparty operates, and indicates that the cost of the investment in the equity investment may not be recovered. A significant or prolonged decline in the fair value of an equity investment below its cost is also objective evidence for impairment. Equity investments held in an unrealised loss position that are below cost for over twelve consecutive months or significantly below cost (20%) at reporting date are impaired. When determining the impairment loss, qualitative indicators are also used before these thresholds are met.

Fair value investments determined using valuation techniques

In the absence of an (active) market, the fair value of non-quoted investments is estimated by using present value of future cash flows or other valuation techniques. Reference is made to Note 5 Fair value hierarchy for a detailed description of the methods used. Valuation techniques are subjective in nature and can have a significant impact on the determination of fair values for certain investments. Valuation techniques involve various assumptions on the pricing factors. The use of different valuation techniques and assumptions could have an effect on the fair value.

The altered economic conditions triggered by Covid-19 have resulted in a wider bandwidth within which assumptions and estimates for non-listed investments, such as mortgages and loans, may fluctuate. The wider bandwidth relates to the extent to which deferments of interest payments and mortgage repayments have an impact on estimated future cash flows and the extent to which Covid-19 poses a greater risk of mortgages and loans being irrecoverable. As at 31 December 2020 the impact on fair value is low.

ACCOUNTING POLICIES

Investments Classification of investments

The general principle underlying the classification of investments, and therefore the accounting policies for investments, is that this is aligned with the valuation of related liabilities. Achmea applies the following framework:

- Deposits with assignors are classified als 'Loans and receivables';
- Investments held for trading, mostly derivatives, and Private equity investments in the form capital interests in investment funds are classified as ‘At fair value through profit or loss’. Achmea uses derivatives to manage its exposure to market risks arising from operating, investing and/or financing activities;
- Other investments are classified as ‘Available for sale’.

Initial measurement

An investment is initially measured at fair value increased by transaction costs that are directly attributable to the acquisition or issue of an investment, unless an investment is classified as ‘At fair value through profit or loss’. In that case the initial measurement equals the fair value and transaction costs are included directly in the Income Statement. In some cases, the fair value deviates from the transaction price, (so called day 1 gain/loss). If the fair value is evidenced by observable market data, the ‘day 1 result’ will be accounted for in the Income Statement as Realised gains and losses. In all other cases, the value is adjusted to defer the difference between the fair value and initial value to future periods. The ‘day 1 result’ is recognised in the Income Statement only to the extent it arises from a change in a factor (including time) that market participants would take into account.

Subsequent measurement

Investments classified as 'Available for sale'
Investments classified as ‘Available for sale’ are measured at fair value. Other changes in fair value are transferred to the Revaluation reserve, part of Total equity net of deferred taxes. Exchange differences resulting from changes in the amortised cost of fixed-income investments are recognised in the Income Statement. Upon derecognition of the investment any cumulative unrealised gains or losses, previously recognised in Total equity, are transferred from Total equity to the Income Statement as Realised gains and losses. Interest income on fixed-income investments is determined by using the effective interest rate method. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement.

Investments classified as ‘At fair value through profit or loss’
Investments classified as ‘At fair value through profit or loss’ are measured at fair value. Changes in fair value and exchange differences are recognised in the Income Statement. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement.

Derivatives embedded in other financial instruments are separated and measured separately if they are not closely related to the host instrument. A convertible bond is separated into a bond part classified as 'Available for sale' and an equity conversion option classified as a derivative. The bond part is measured according to the valuation of a similar bond with the same characteristics. Depending on their value, derivatives are either presented as Investments (assets) or as Derivatives (liabilities). Derivatives assets and liabilities relating to the same counterparty are generally not included in the balance sheet on a net basis, as the IFRS netting requirements have not been met.

Investments classified as 'Loans and receivables'
These investments are stated at amortised cost, less any allowance for uncollectability. If there is objective evidence that an impairment loss on 'Loans and receivables' has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet occurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). A new amortised cost schedule is determined which governs the future interest income recognised in the Income Statement.

4. LIABILITIES RELATED TO INSURANCE CONTRACTS AND AMOUNTS CEDED TO REINSURERS

(X €1,000)

	31 DECEMBER 2020 LIABILITIES RELATED TO INSURANCE CONTRACTS	31 DECEMBER 2020 AMOUNTS CEDED TO REINSURERS	31 DECEMBER 2019 LIABILITIES RELATED TO INSURANCE CONTRACTS	31 DECEMBER 2019 AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	62,210	38,776	48,379	33,653
Outstanding claims (including IBNR)	268,672	133,459	199,546	103,291
Total Non-life insurance	**330,882**	**172,235**	**247,925**	**136,944**
Life insurance	**59,724**	**3,943**	**516,234**	**1,961**
Total	**390,606**	**176,178**	**764,159**	**138,905**

Non-life Insurance

The Outstanding claims (including IBNR) increased by € 87.9 million compared to 2019. This change is caused by incoming business at Group business. At Group Business, the provision increased by €69.7 million mainly due to a new the disability product "WIA/WGA" (Income and Labour Act) contract of €35.7 million and several large fires for €16.2 million. In the Incoming Business, the provision was increased by €7.2 million due to various claims. Finally, the prudential provision was increased by €11.2 million. This increase also takes Covid-19 into account. However, it is currently not possible to precisely determine the future effects of Covid-19, which means that the final outcomes may differ from these assumptions and estimates.

Life Insurance

In November 2020, a life insurer requested settlement of the contract. This by means of repayment of the full deferred acquisition costs. This item should be read in conjunction with Deposits with assignors (See note 3 Investments).

The table below shows the reinsurance liabilities analysed by estimated time to maturity. The life insurance and income protection are analysed on the basis of the discounted cash inflows and outflows in connection with insurance contracts; property & casualty insurance contracts are analysed on the basis of undiscounted cash flows.

ANALYSIS BY ESTIMATED TIME TO MATURITY OF LIABILITIES RELATED TO INSURANCE CONTRACTS

(X €1,000)

2020	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	3,780	36,925	32,998	13,033	86,736
Property & Casualty	91,450	57,645	58,359	36,692	244,146
Life Insurance	16,532	13,324	26,445	3,423	59,724
Balance at 31 December	**111,762**	**107,894**	**117,802**	**53,148**	**390,606**

2019	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	43	17,932	17,116	6,166	41,257
Property & Casualty	113,887	39,400	32,973	20,408	206,668
Life insurance	9,833	473,047	29,213	4,141	516,234
Balance at 31 December	**123,763**	**530,379**	**79,302**	**30,715**	**764,159**

PORTFOLIO ANALYSIS

(X €1,000)

	31 DECEMBER 2020		31 DECEMBER 2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Life	59,724	15	516,234	68
Property	145,873	38	121,926	16
Casualty	98,273	25	84,733	11
Income Protection	86,736	22	41,266	5
Total	**390,606**	**100**	**764,159**	**100**

MOVEMENT TABLE NON-LIFE

(X €1,000)

	2020 LIABILITIES RELATED TO INSURANCE CONTRACTS	2020 AMOUNTS CEDED TO REINSURERS	2019 LIABILITIES RELATED TO INSURANCE CONTRACTS	2019 AMOUNTS CEDED TO REINSURERS
PROVISION FOR UNEARNED PREMIUMS NON-LIFE				
Balance at 1 January	48,379	33,653	46,216	35,670
Added during the year	232,167	139,969	187,311	129,291
Released to the Income Statement	-218,336	-134,846	-185,148	-131,308
Balance at 31 December	**62,210**	**38,776**	**48,379**	**33,653**
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	199,546	103,291	174,165	66,371
Current period claims reported	93,903	45,057	79,666	51,021
Previous period claims reported/released	11,102	6,438	2,821	8,862
Plus claims reported	**105,005**	**51,495**	**82,487**	**59,883**
Current period claims paid	3,564	2,306	582	
Previous period claims paid	32,315	19,021	56,524	22,963
Less claims paid	**35,879**	**21,327**	**57,106**	**22,963**
Balance at 31 December	**268,672**	**133,459**	**199,546**	**103,291**
TOTAL NON-LIFE	**330,882**	**172,235**	**247,925**	**136,944**

The reinsurance liabilities include claims handling costs of €4.6 million (2019: €4.8 million). The above non-life claims constitute an exhaustive summary of the most important claims already incurred.

The tables below show the claims development table for Non-life and net of retrocession.

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(X €1,000)

(BEFORE REINSURANCE)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	93,903	79,666	88,528	69,494	199,629	21,921	3,809	66,447	4,051	17,548	
One year later		78,529	97,982	56,250	189,936	16,905	3,049	66,558	6,567	18,829	
Two years later			97,236	49,588	187,354	16,710	2,975	66,311	5,403	19,781	
Three years later				48,409	183,953	25,862	2,817	66,214	7,937	18,815	
Four years later					183,924	31,805	2,756	65,963	7,738	18,072	
Five years later						31,743	1,227	65,901	7,810	18,691	
Six years later							1,169	65,631	7,653	17,721	
Seven years later								65,762	7,537	19,188	
Eight years later									8,693	18,949	
Nine years later										19,949	
Estimate of cumulative claims	**93,903**	**78,529**	**97,236**	**48,409**	**183,924**	**31,743**	**1,169**	**65,762**	**8,693**	**19,949**	**629,317**
Cumulative payments	3,564	14,134	85,779	40,204	180,621	14,192	707	64,118	4,744	17,035	425,098
Reinsurance liabilities claims prior years (<2011)											64,453
Outstanding claims at 31 December 2020	**90,339**	**64,395**	**11,457**	**8,205**	**3,303**	**17,551**	**462**	**1,644**	**3,949**	**2,914**	**268,672**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(X €1,000)

(NET OF REINSURANCE)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	48,846	28,645	64,476	58,296	32,346	8,894	3,809	13,826	3,619	6,353	
One year later		28,298	67,438	49,432	27,535	3,717	2,599	14,266	6,135	7,835	
Two years later			67,842	42,772	26,360	3,482	2,525	14,169	4,971	8,305	
Three years later				41,593	26,360	3,133	2,367	14,072	7,505	7,339	
Four years later					26,021	9,076	2,306	13,820	7,306	6,596	
Five years later						3,014	1,227	13,687	7,378	6,466	
Six years later							1,169	13,489	7,221	5,664	
Seven years later								13,620	7,105	5,997	
Eight years later									8,261	5,956	
Nine years later										6,568	
Estimate of cumulative claims	**48,846**	**28,298**	**67,842**	**41,593**	**26,021**	**3,014**	**1,169**	**13,620**	**8,261**	**6,568**	**245,232**
Cumulative payments	1,258	6,386	57,908	33,391	24,299	964	707	11,976	4,312	5,526	146,727
Reinsurance liabilities claims prior years (<2011)											36,708
Outstanding claims at 31 December 2020	**47,588**	**21,912**	**9,934**	**8,202**	**1,722**	**2,050**	**462**	**1,644**	**3,949**	**1,042**	**135,213**

MOVEMENT TABLE LIFE

(X €1,000)

	2020 LIABILITIES RELATED TO INSURANCE CONTRACTS	2020 AMOUNTS CEDED TO REINSURERS	2019 LIABILITIES RELATED TO INSURANCE CONTRACTS	2019 AMOUNTS CEDED TO REINSURERS
PROVISION FOR LIFE POLICY LIABILITIES				
Balance at 1 January	516,234	1,961	511,502	1,625
Benefits paid	-457,385	-4,440	-45,697	-7,554
Net premiums received	56,446	68,896	83,718	77,339
Technical result	-80,819	-62,474	-98,059	-69,449
Foreign currency differences	24,254		24,024	
Unwinding of discount	3		14,248	
Effect of changes in benchmark rate	993		26,498	
Balance at 31 December	**59,724**	**3,943**	**516,234**	**1,961**
TOTAL LIFE INSURANCE LIABILITIES	**59,724**	**3,943**	**516,234**	**1,961**

On July 1, 2020, as part of its policy of diversifying its capital protection tools, Achmea Reinsurance Company N.V. sponsored the issuance of a catastrophe bond by Windmill Re II DAC, which provides the company with multi-year risk transfer capacity of €100 million to protect itself against Windstorm risks in the Netherlands. The risk period for Windmill II Re DAC runs from July 1, 2020, to June 30, 2024. As a part of the project to place of new Catastrophe bond for Achmea Reinsurance Company N.V. per 1st of July 2020, a Designated Activity Company (DAC) named Windmill II Re DAC was set up in Ireland. In order to facilitate the setup of Windmill II Re DAC, Achmea Reinsurance Company N.V. agreed to indemnify a number of external service providers in line with market practise.

In November 2020, a life insurer requested settlement of a contract. This by means of repayment of the full deferred acquisition costs (See note 3 Investments, note 8 Net expenses from insurance contracts and note 10 Receivables and accruals).

KEY ESTIMATES TO DETERMINELIABILITIES RELATED TO INSURANCE CONTRACTS

The measurement of Liabilities related to insurance contracts is an inherently uncertain process, involving assumptions for changes in legislation, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, and other factors. Specifically, significant assumptions related to these aspects include interest rates, mortality and morbidity rates, trends in claims and assumptions used in the liability adequacy test. Where possible, Achmea uses market observable variables and models / techniques which are commonly used in the industry. The assumptions for non-observable market variables used are based on a combination of experience within Achmea and market benchmarks, such as those supplied by the statistics department of the Dutch Association of Insurers, the Dutch Society of Actuaries and similar bodies throughout Europe. The use of different assumptions in this evaluation could have an effect on the Liabilities related to insurance contracts and Net expenses from insurance contracts.

The discount rate used to determine the life policy liabilities whose cash flows are based on locked assumptions related to Dutch activities ranges between 3% and 4%. Life policy liabilities relating to Dutch activities whose cash flows are discounted using market based interest rates are based on the Euro swap curve, including an illiquidity premium depending on the profit sharing features of the insurance contract, which is extrapolated by means of an ultimate forward rate (UFR, 1.80% at year-end 2020, 3.90% at year-end 2019). The UFR is the risk-free discount rate after the last liquid point in the Euro swap market and it is based on a long-term equilibrium rate of historical data. The life policy liabilities for foreign operating companies are generally calculated based on discounting at the interest rate guaranteed for the product or in some cases based on projected returns on related investments

Insurance liabilities also include the impact of minimum guarantees which are included in certain insurance contracts. The recognition of these guarantees depends on the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions on inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions on these factors could have an effect on Liabilities related to insurance contracts and Net expenses from insurance contracts.

ACCOUNTING POLICIES LIABILITIES RELATED TO INSURANCE CONTRACTS

General measurement principles

Insurance contracts are defined as contracts that transfer significant insurance risk. Insurance risk exists if a scenario exists that has commercial substance under which, based on an insured event, additional payments have to be made. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur. Options, guarantees and other derivatives embedded in an insurance contract that do not bear any insurance risk and that are not closely related to the host insurance contract are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are included in the measurement of Insurance liabilities.

For participations in underwriting pools, co-insurance or guarantee fund agreements an amount equal to the share in these agreements, generally measured based on the specific provisions in these agreements, is recognised. The information used is received from the management of these agreements.

Achmea Reinsurance Company N.V. tests the adequacy of the recognised insurance liabilities and related assets at each reporting date and more often if deemed necessary. The test considers current estimates of all contractual cash flows of the insurance liabilities, including expected cost for claim handling, guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, Achmea Reinsurance Company N.V. will recognise a loss. The deficit is compensated by increasing the related insurance liabilities.

Provisions for unearned premiums

Gross written premiums attributable to income of future periods are accrued in the Provision for unearned premiums. The Provision for unearned premiums is determined in proportion to the duration of the contract.

Provision for premium deficiency and unexpired risks

The Provision for premium deficiency is calculated for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. For insurance policies covering a risk which increases during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision.

Outstanding claims provision including incurred but not reported claims

The Outstanding claims provision relates to insurance claims that have not been settled at reporting date. The provision is determined either case-by-case or statistically. The Outstanding claims provision is based on estimates of expected insurance losses and unexpired risks. The provision also includes amounts for incurred but not reported claims at reporting date. Waiting periods are taken into account when determining the provision for disability insurance. An average term is taken into account for the probability of rehabilitation. For some risks no adequate statistical data are available, such as environmental and asbestos damage claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions for such claims have been made following an analysis of the portfolio in which such risks occur.

In determining the provision, costs for claim handling are taken into account. No deductions are made for salvage, subrogation and other expected recoveries from third parties for reported claims. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Receivables and accruals.

Provision for life policies

Liabilities related to insurance contracts for traditional life insurance contracts are established by the net-level premium method and based on the actuarial and economic assumptions (e.g. to morbidity -, mortality -, and interest rates). Different accounting principles are used to measure the life policy liabilities based on the accounting principles of related (financial) assets, the specific nature of the insurance portfolios, profit sharing features and embedded options.

-Liabilities related to insurance contracts measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.

-Liabilities related tot insurance contracts whose cash flows are based on locked assumptions and are discounted using current market based interest rates which are based on the (projected) market return of related financial investments. Changes in the value of these insurance liabilities are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.

-Liabilities related to insurance contracts whose cash flows are based on locked assumptions are discounted at fixed discount rates (often 3% or 4% depending on their date of inception). For the Dutch life insurance business, the fair value changes of related interest sensitive financial instruments are recognised as Profit sharing and bonuses for policyholders.

The provision for unearned premiums, provision for premium deficiency and unexpired risks and provision for outstanding claims/benefits are included to the extent that these relate to the life insurance business.

Amounts ceded to reinsurers

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Prepaid reinsurance premiums represent the ceded portion of unearned premiums. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured risk. An impairment loss is accounted for if there is objective evidence as a result of an event that Achmea will not receive all amounts due under the contract and this amount can be measured reliably. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

5. FAIR VALUE HIERARCHY

Fair value hierarchy and fair value measurement

This note provides an analysis of assets and liabilities that are measured subsequently to initial recognition at fair value, grouped into three levels (fair value hierarchy) based on the significance of the inputs used in making the fair value measurements. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets and liabilities valued using quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant non-observable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the non-observable inputs have a significant effect on the valuation of the assets or liability.

Cash and cash equivalents are classified as level 1 when not subject to restrictions. Commercial paper, included within deposits with credit institutions, is classified as level 1 due to fact that they are traded in money markets. Other deposits with credit institutions are in general classified as level 2 due to the facts that they are not traded and subject to restrictions.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2020

(x €1,000)

	LEVEL 1	LEVEL 2	TOTAL 31 DECEMBER 2020
Assets			
Recurring fair value measurements			
Investments			
Equities and similar investments	101,908	46,380	148,288
Fixed income investments	291,881	8,027	299,908
Derivatives	52	1,570	1,622
Cash and cash equivalents	25,448		25,448
Total assets measured at fair value on a recurring basis	**419,289**	**55,977**	**475,266**
Non-recurring fair value measurements			
Liabilities			
Derivatives	28	703	731
Total liabilities measured at fair value on a recurring basis	**28**	**703**	**731**

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2019

(X €1,000)

	LEVEL 1	LEVEL 2	TOTAL 31 DECEMBER 2019
Assets			
Recurring fair value measurements			
Investments			
Equities and similar investments	117,581	47,577	165,158
Fixed income investments	256,821	5,002	261,823
Derivatives	119	793	912
Cash and cash equivalents	14,414		14,414
Total assets measured at fair value on a recurring basis	**388,935**	**53,372**	**442,307**
Non-recurring fair value measurements			
Liabilities			
Derivatives	105	1,277	1,382
Total liabilities measured at fair value on a recurring basis	**105**	**1,277**	**1,382**

Main changes in the fair value hierarchy in 2020

At each reporting date Achmea Reinsurance Company N.V. assesses the classification of assets and liabilities measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example concerning the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using market data. As a result, the outcome of the classification process may differ between reporting periods. Achmea Reinsurance Company N.V.'s policy is to determine the level of the fair value hierarchy in each reporting period and to recognise transfers into and out of fair value hierarchy levels at the beginning of the reporting period. Due to Covid-19, the determination of the fair value of a number of balance sheet items is less certain. In 2020 no changes were made to level-classification of assets and liabilities at fair value. There were no transfers between level 1 and 2 for recurring valuations at fair value during the year.

Valuation techniques used and valuation process within Achmea for level 2 measurements.

Depending on the specific assets and liabilities, Achmea Reinsurance Company N.V. has set valuation policies and procedures for determining the fair value. The valuation process for each type of assets or liability is explained below, together with a description of the technique used and the relevant inputs.

Investments – Equity and similar investments

When available, Achmea Reinsurance Company N.V. uses quoted market prices in active markets to determine the fair value of its equities and similar investments. The fair values of investments held in non-quoted investment funds, mainly fixed income funds, are determined by management after taking into consideration information provided by the fund managers. If no market prices are available, internal models are used to determine fair value.

The level 2 classified Equities and similar investments comprise Commodities and Real estate funds. The fair value of Commodities, classified as 'At fair value through profit or loss', represents amounts estimated to be received from or paid to a third party in settlement of these instruments. These instruments are valued by the broker based upon quoted prices in active markets. The fair value of Real estate funds, classified as 'Available for Sale' investments, represents the Net Asset Value of funds managed by Achmea. Achmea reviews these fair values and performs analytical procedures and trend analysis to ensure the fair values are appropriate.

Investments – Fixed income

In general, the fair value of these fixed-income investments is determined by means of the net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 2 classified Bonds and other fixed-income investments comprise mainly the bond part of a convertible bond. The related derivative part of the instrument is presented as part of derivatives. In general, the convertible bond is listed and the value of the instrument is therefore market observable. However, for the separate bond-part this is not the case. The fair value is determined by means the valuation of a similar bond with the

same characteristics or if not available using a net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

Investments – Derivatives (assets and liabilities)

The level 2 classified derivatives comprise Interest rate derivatives (including swaptions), currency derivatives and equity derivatives. Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation is performed by a data vendor. The valuation techniques incorporate all factors that a typical market participant would consider and are based on observable market data when available. Fair values of interest rate derivatives (including swaptions), equity derivatives and currency derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using directly observed prices from exchange-traded derivatives or external pricing services or, if these are not available, using pricing models based on the net present value of estimated future cash flows. The pricing models which are used are industry standard valuation models (such as the Black and Scholes model) that make use of current market data. The market data for interest rate derivatives and cross currency interest rate derivatives consist mainly of the swap curve of the related interest period and currency, where applicable adjusted for contract fees and margin (if part of the contractual cash flows of the derivative). Achmea Reinsurance Company N.V. normally mitigates counterparty credit risk in derivative contracts by including collateral agreements in the contracts (where practical).

The table below provides an overview of all assets and liabilities that are not measured at fair value, but for which the fair value is disclosed in the notes.

(X €1,000)

	CARRYING AMOUNT AS AT 31 DECEMBER 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2020
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Receivables and accruals	78,308		78,308		78,308
Liabilities					
Deposits from reinsurers	1,461		1,461		1,461
Other liabilities and accruals	44,970		44,970		44,970

(X €1,000)

	CARRYING AMOUNT AS AT 31 DECEMBER 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2019
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Deposits with assignors [1]	459,033			459,033	459,033
Receivables and accruals	85,673		85,673		85,673
Liabilities					
Deposits from reinsurers	1,518		1,518		1,518
Other liabilities and accruals	71,706		71,706		71,706

1. *Excluding Deferred acquisition cost*

VALUATION TECHNIQUES USED AND VALUATION PROCESS WITHIN ACHMEA FOR LEVEL 2 AND 3 MEASUREMENTS

Depending on the specific assets and liabilities, Achmea has formulated valuation policies and procedures for determining the fair value. For each type of asset or liability a summary is provided of the valuation process, a description of the technique used and the relevant inputs.

Investments

The level 3 classified deposits with assignors comprises accounts into which premiums and incurred losses are entered that relate to a specific risk insurance programme and on which an agreed interest rate is earned. The unobservable input includes amongst others models used for determining incurred but not reported losses related to the reinsurance contract and credit spread used to take into account any counterparty default risk.

Receivables and accruals

Receivables are generally classified as level 2, due to the fact that the amount deducted for counterparty default risk is insignificant as compared to the fair value of the nominal cash flows of these receivables. Other liabilities are classified as level 2 due to the fact that there is no active market for these financial instruments.

The level 2 classified receivables comprise primarily short-term amounts due in connection with the ordinary operating activities of Achmea Reinsurance Company N.V. These receivables are measured at amortised cost less accumulated impairment losses. The fair value of these receivables is determined on the basis of the discounted value of the expected cash flows, taking into accounted expected credit losses. For receivables expected to be recovered within twelve months after reporting date, the carrying amount is a reasonable approximation of the fair value.

Financial liabilities

Other liabilities, except for liabilities to credit institutions, are classified as level 2 due to the fact that there is no active market for these financial instruments. Cash liabilities are classified as level 1. The level 2 classified Other liabilities comprise mainly short-term amounts payable related to the ordinary operating activities of Achmea Reinsurance Company N.V. These other liabilities are measured at amortised cost. The fair value of these liabilities is determined based on discounted value of the expected cash flows. For Other liabilities expected to be settled within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

6. NET EARNED PREMIUMS

(X €1,000)

	2020	2019
Gross written premiums non-life	232,166	187,311
Reinsurance premiums	-139,969	-129,292
Change in provision for unearned premiums	-8,708	-4,180
Net earned premiums Non-life	**83,489**	**53,839**
Gross written premiums life	56,446	83,718
Reinsurance premiums	-14,593	-19,912
Change in provision for unearned premiums	-942	41
Net earned premiums Life	**40,911**	**63,847**
Total net earned premiums	**124,400**	**117,686**

BREAKDOWN GROSS WRITTEN PREMIUMS TO BRANCHES

(X €1,000)

	2020	2019
Non-life insurance		
Casualty	8,468	7,070
Property	157,712	122,280
Health	65,986	57,961
Gross written premiums Non-life	**232,166**	**187,311**
Gross written premiums Life	**56,446**	**83,718**
Total gross written premiums	**288,612**	**271,029**

ACCOUNTING POLICIES NET EARNED PREMIUMS

Gross written premiums for Life insurance contracts are generally recognised in the Income Statement when due. When premiums are recognised, liabilities for future contract benefits are recorded, resulting in benefits and expenses being matched with the revenues and profits being recognised over the lifetime of the contracts.

Gross premiums for Non-life insurance (except for disability insurance contracts) are recognised at the effective date of the insurance contract for the premiums to be received during the contract period. The contract period is the period during which Achmea Reinsurance Company N.V. is unable to (entirely) adjust the premiums or the insurance policy conditions for the changed risk profile of policyholders. Premiums for Non-life insurance contracts are generally recognised as earned in proportion to the period of insurance coverage provided.

7. INVESTMENT INCOME

RESULTS ON INVESTMENTS

(X €1,000)

	2020	2019
Direct income		
Investments available for sale	3,249	5,413
Investment costs	-360	-435
Total	**2,889**	**4,978**
Realised and unrealised results on financial assets and derivatives liabilities		
Investments at fair value through profit or loss	-4,007	1,578
Investments available for sale	6,076	9,296
Total	**2,069**	**10,874**
Impairment losses on investments		
Investments available for sale	-4,404	-799
Total	**-4,404**	**-799**
Foreign currency differences	-24,817	23,285
Total income from investments	**-24,263**	**38,338**

As a result of a significant drop in the exchange rate of the British pound combined with a large contract with a life insurance company in the portfolio,until November 2020, the total investment income decreased considerably. However, this effect is fully compensated within Net expenses from insurance contracts.

DIRECT INCOME INVESTMENT BY CATEGORY

(X €1,000)

	2020	2019
Direct income own account by type:		
Interest income	528	527
Dividend	2,721	4,886
Total	**3,249**	**5,413**

ACCOUNTING POLICIES INVESTMENT INCOME

The accounting policies for investment income are closely related to the accounting principles for investments. See Note 3 Investments for further explanation.

8. NET EXPENSES FROM INSURANCE CONTRACTS

(X €1,000)

	2020 GROSS	2020 REINSURANCE	2019 GROSS	2019 REINSURANCE
Non Life				
Claims paid	35,879	21,327	57,106	22,963
Changes in insurance liabilities own risk	69,126	30,167	25,381	36,920
	105,005	**51,494**	**82,487**	**59,883**
Life				
Benefits paid	457,385	4,440	45,697	7,555
Changes in insurance liabilities	-457,453	1,983	4,774	336
	-68	**6,423**	**50,471**	**7,891**
Total net expenses from insurance contracts	**104,938**	**57,917**	**132,958**	**67,774**

Changes in insurance liablities. See note 3 Investmens.

ACCOUNTING POLICIES NET EXPENSES FROM INSURANCE CONTRACTS

The accounting policies for net expenses from insurance contracts are closely related to the accounting principles for Liabilities related to insurance contracts and amounts ceded to reinsurance. See Note 4 for further explanation.

9. OPERATING EXPENSES

(X €1,000)

	2020	2019
Staff costs	6,328	6,110
General expenses	6,419	5,181
Gross operating expenses	**12,747**	**11,291**
Changes in deferred acquisition costs	**8,603**	**1,655**
Commissions paid and accrued	52,332	73,995
Reinsurance profit sharing and commission	-23,046	-28,706
	29,286	**45,289**
Total operating expenses	**50,636**	**58,235**

Personnel

All personnel is employed by Achmea Interne Diensten N.V., a group company of Achmea. The personnel costs and other operating expenses associated with the activities of Achmea Reinsurance Company N.V. are allocated to Achmea Reinsurance Company N.V.

Achmea Interne Diensten N.V. allocates the pension expenses to the various Achmea Group entities. Allocation is effected on the basis of the pensionable salary of the current employees. For further information relate to note 21 Related party transactions.

Changes in deferred acquisition costs

Changes in deferred acquisition costs are related to amortisation of deferred acquisition costs of life insurance contracts.

Auditor's fees

By virtue of Article 2: 382a,of the Dutch Civil Code, the individual components of our external auditor's fees are not shown. To this end, reference is made to the Consolidated Financial Statements of Achmea B.V. The other audit services performed by the independent auditor are:

- Audit of the regulatory reporting for Solvency II to be submitted to the regulator De Nederlandsche Bank
- Issue an assurance report regarding the premium earnings to be submitted to the "Verbond van Verzekeraars" (Association of Insurers)

ACCOUNTING POLICIES OPERATING EXPENSES

The accounting policies for operating expenses are closely related to the accounting principles of related balance sheet items. We refer to the accounting policies of related balance sheet items.

OTHER NOTES

OTHER STATEMENT OF FINANCIAL POSITION

10. RECEIVABLES AND ACCRUALS

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Receivables from accepted reinsurance	9,256	30,617
Receivables from retrocession	4,576	4,434
Investment receivables	155	177
Deferred acquisition cost		9,073
Other prepayments and accrued income	56,009	42,227
Tax on dividends		2
Deposits to cedants	6,206	6,305
Taxes and social security premiums	2,106	1,911
Total	**78,308**	**94,746**

An amount of €4.8 million (31 December 2019: €7.9 milion) of the Receivables and accruals is expected to be recovered more than twelve months after reporting date. All other receivables are expected to be recovered within twelve months after reporting date. For receivables expected to be recovered within twelve months after reporting date, the carrying amount is a reasonable approximation of the fair value. There were no impairment losses that occurred on receivables from retrocession in both 2020 and 2019. The Receivables from accepted reinsurance and Other prepayments and accrued income are significantly lower in 2020 compared to 2019. This is because in 2019 the disability product "WIA/WGA" (Income and Labour Act) started. The Deferred acquisition cost have decreased to nil as a result of settlement of a contract with a life insurer (See note 3 Investments).

For a list of the Receivables from group companies, please refer to Note 21 Related party transactions.

KEY ASSUMPTIONS AND ESTIMATES RECEIVABLES AND ACCRUALS – DEFERRED ACQUISITION COSTS

These are detailed in the note on key assumptions and estimates of liabilities related to insurance contracts and amounts ceded to reinsurers.

ACCOUNTING POLICIES RECEIVABLES AND ACCRUALS

Receivables and accruals are measured at amortised cost, which usually equals the face value, adjusted for accumulated impairment losses. Acquisition expenses directly or indirectly related to the sale of insurance contracts not measured at fair value are deferred to the extent that they are deemed recoverable from future revenues. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Acquisition expenses related to securing the right to provide investment management services related to investment contracts are deferred to the extent deemed recoverable from future revenues. Deferred acquisition costs related to investment contracts are tested separately for impairment. Achmea does not consider anticipated investment income in the determination of the recoverability. Any irrecoverability of Deferred acquisition costs as a result of liability adequacy testing is recognised as an impairment loss and included in Operating expenses. Deferred acquisition costs are amortised over the lifetime of the related contracts.

11. CASH AND CASH EQUIVALENTS

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Bank balances	25,448	14,414
Balance at 31 December	**25,448**	**14,414**

The cash and cash equivalents are at the free disposal of Achmea Reinsurance Company N.V. They comprise bank balances. Liquidity management is performed at Group level. Current account positions in Achmea B.V.'s cash pool that are payable on demand constitute an integral part of this liquidity management, and accordingly constitute part of the cash and cash equivalents of Achmea Reinsurance Company N.V.

ACCOUNTING POLICIES CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank balances and call deposits and are measured at fair value.

12. EQUITY

Share capital

The authorised capital consists of 40,000 shares each of a nominal value of €454, of which 10,000 shares have been issued and fully paid-up. In 2020 and 2019, there were no movements in the paid-up and called-up capital.

Share premium

In 2020, as was the case in 2019, there were no movements in the share premium reserve.

Revaluation reserve

Based on the accounting principles used by Achmea Reinsurance Company N.V., a revaluation reserve is formed. The revaluation reserve contains an amount of €0.3 million (2019: €3.8 million) relating to unrealised losses net of deferred taxes on assets carried at fair value. In determining the non-distributable revaluation reserve under Dutch regulations these losses cannot be deducted. As a result an amount of €0.3 million (2019: €3.8 million) is not available for distribution to shareholders.

Retained earnings

The Retained Earnings are at the disposal of the General Meeting of Achmea Reinsurance Company N.V.

The appropriation of results is presented in the Company Financial Statements of Achmea Reinsurance Company N.V. for 2020, Note 23. Proposal for appropriation of result. According to the proposal of the Board of Directors for the appropriation of results, with regard to financial year 2019 the result is added to the Retained Earnings by resolution of the General Meeting of the company.

In 2020 no payments were made to the shareholder out of the retained earnings.

13. FINANCIAL LIABILITIES

OTHER LIABILITIES

(x €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Liabilities out of direct insurance		
Accepted reinsurance	68	2,943
Reinsurance	11,000	31,934
Deposits from reinsurance	1,461	1,518
Liabilities to group companies	957	1,211
Accruals and deferred income	32,945	35,618
Balance at 31 December	**46,431**	**73,224**

Liabilities from direct insurance in connection with reinsurance are significantly lower in 2020 compared to 2019 because in 2019 the disability product "WIA/WGA" (Wet Inkomen en Arbeid) was included for a whole year. In 2020 this was only included for one quarter.

FAIR VALUE OF FINANCIAL LIABILITIES DETERMINED USING VALUATION TECHNIQUES

In the absence of an (active) market, the fair value of non-quoted financial assets and liabilities is estimated by using present value or other valuation techniques. Reference is made to Note 5 Fair value hierarchy for a detailed description of the methods used. Valuation techniques are subjective in nature and can have a significant impact on the determination of fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions on the pricing factors. The use of different valuation techniques and assumptions could have an effect on the fair value.

ACCOUNTING POLICIES FINANCIAL LIABILITIES

Other liabilities

At initial measurement Other liabilities are accounted for at fair value, later measurement are accounted for at amortised cost.

14. DEFERRED TAX LIABILITIES

The movements in deferred tax assets and liabilities during the fiscal year can be specified as follows:

(X €1,000)

	BALANCE AT 1 JANUARY 2020	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2020
Investments	6,408	-1,615	876		5,669
Deferred Tax local tariff change	-627	71	556		
Comprises of:	**5,781**	**-1,544**	**1,432**		**5,669**
Deferred tax liabilities					5,669

(X €1,000)

	BALANCE AT 1 JANUARY 2019	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2019
Investments	2,299	-308	4,416		6,407
Deferred Tax local tariff change	-243	34	-417		-626
Comprises of:	**2,056**	**-274**	**3,999**		**5,781**
Deferred tax liabilities					5,781

Mid-December 2018 the Dutch parliament passed a resolution to gradually reduce the Dutch corporate tax rate from 25.0% to 20.5% in 2021. The 2019 tax plan limited the reduction in the rate to 21.7% in 2021 (instead of 20.5%), while the rate for 2020 remains at 25%. The 2021 tax plan cancelled the contemplated reductions, leaving the corporate income tax rate at 25% as of 1 January 2021. Achmea Reinsurance Company N.V. made an estimation of the effect of this tax rate change on the deferred tax positions. Expected future results are allocated to specific financial years. The change in the tax rate results in a negative result of €71 thousand in 2020 and an addition to the equity of €556 thousand.

The tax rates used in calculating deferred tax assets and liabilities were 25.0% in both 2020 and 2019.There are no Deferred tax assets and liabilities that are expected to be recovered, more than twelve months after reporting date (2019: nil).

KEY ASSUMPTIONS AND ESTIMATES TO DETERMINE THE DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards of unused tax credits when, in the judgement of management, it is likely that Achmea Reinsurance Company N.V. will receive the tax benefits. A change in judgement could have a substantial effect on value of the deferred tax asset. In determining the tax position, Achmea Reinsurance Company N.V. has taken into account its estimate of the associated future expenses. Furthermore, management considers tax planning strategies to increase the likelihood that the tax assets will be realised.

ACCOUNTING POLICIES DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is provided for using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of these assets and liabilities. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

OTHER INCOME STATEMENT

15. OTHER EXPENSES

(X €1,000)

	2020	2019
Net foreign currency differences	1,035	
Other technical expenses	442	
Charged expenses	14	38
Total	**1,491**	**38**

Restructuring charges (2020: €14 thousand; 2019: €38 thousand) are charged to the other expenses because they are not considered part of the reinsurance business. For further information please refer to note 21 Related party transactions.

ACCOUNTING POLICIES OTHER EXPENSES

The accounting policies for other expenses are closely related to the accounting principles of related balance sheet items. We refer to the accounting policies of related balance sheet items.

16. INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX RATE

(X €1,000)

	2020	2019
Result before tax	1,765	32,680
Corporation tax rate	25.0%	25.0%
Income tax using the corporation tax rate	441	8,170
Tax effect on:		
Change in tax rate	71	34
Effective tax amount	**512**	**8,204**

The foregoing limited the deferred net tax asset recognised in 2020 and led in 2020 to a loss of €71 thousand in the result. The 2021 tax plan cancelled the contemplated reductions, leaving the corporate income tax rate at 25% as of 1 January 2021.

The effective tax rate in 2020 amounts to 29.0% (2019: 25.1%).

INCOME TAX EXPENSES

(X €1,000)

	2020	2019
Current tax expenses		
Current year	2,056	8,476
	2,056	**8,476**
Deferred tax expenses		
Current year	-1,615	-306
Reduction in tax rate	71	34
	-1,544	**-272**
Total Income tax expense in Income Statement	**512**	**8,204**

ACCOUNTING POLICIES INCOME TAX EXPENSES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Total equity. Expected tax receivables or payables are based on the taxable profit or loss for the year using tax rates enacted or substantially enacted at reporting date, and any adjustment to income tax receivable or payable in respect of previous years. In the measurement of the current income tax position uncertainties regarding collectability have been taken in to account.

Tax positions are calculated at the level of the legal entity. Settlements are made within the tax unity. Current receivables or liabilities are recorded as Income tax receivable or Income tax payable. The tax position is calculated as if the legal entity is an autonomous taxable entity.

17. NET OTHER COMPREHENSIVE INCOME

(X €1,000)

	2020			2019		
	OTHER COMPREHEN-SIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHEN-SIVE INCOME	OTHER COMPREHEN-SIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHEN-SIVE INCOME
Unrealised gains and losses on financial instruments 'Available for sale'	5,711	-1,982	3,729	26,872	-6,302	20,570
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	-6,613	1,652	-4,961	-10,013	2,503	-7,510
Impairment charges on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	4,404	-1,102	3,302	799	-200	599
Total Other comprehensive income	**3,502**	**-1,432**	**2,070**	**17,658**	**-3,999**	**13,659**

OTHER NOTES

18. HEDGE ACCOUNTING

Achmea Reinsurance Company N.V. applies fair value hedge accounting for the portfolios exposed to foreign currency risk. Fair value hedge accounting implies that the fair value movements from the hedging instrument and the fair value movements from the hedged item that are attributable to the hedging risk are recognised in the income statement.

Foreign exchange contracts are used as hedging instruments. The fair value of the currency derivatives designated as hedging instrument for the purpose of hedge accounting as at 31 December 2020 amounted to €1.3 million (31 December 2019: €284 thousand).The fair value of a foreign exchange contract varies with the foreign exchange rate which corresponds with the fair value changes related to foreign currency differences of an investment in a foreign currency. Furthermore a change in the forward premium affects the value development of the derivative, and this part of the value development is not included in hedge accounting. The fair value changes of the hedged item attributable to the hedged risk amounted to €2.8 million (2019: €1.3 million) and the fair value changes of the related derivatives amounted to €2.7 million (2019: €2.9 million), including value changes resulting from changes in the forward premium.

ACCOUNTING POLICIES HEDGE ACCOUNTING

Achmea Reinsurance Company N.V. applies fair value hedge accounting for certain investment portfolios. When Achmea Reinsurance Company N.V. applies 'fair value hedge accounting', a fair value adjustment is recognised in the Income Statement that reflects the changes in the fair value of the hedged items attributable to the hedged risk. Achmea Reinsurance Company N.V. assesses the effectiveness of the hedge relationship at each reporting date. The hedge relationship is discontinued when the effectiveness is not within the 80%-125% range or when the hedge is terminated or revoked. Achmea Reinsurance Company N.V. starts amortising the related fair value adjustment over the remaining duration of the hedged item when the hedge relationship is discontinued. When Achmea Reinsurance Company N.V. applies cash flow hedge accounting or applies hedge accounting for a net investment in a foreign operation, the fair value changes of the hedging instruments net of taxes are, for the effective part of the hedge relationship, recognised in the Hedging reserve, part of Total equity. Fair value changes due to ineffective parts of the hedge relationship are recognised in the Income Statement. Amounts accumulated in Total equity are recycled through the Income Statement in the periods in which the hedged item affects Net result.

19. CONTINGENCIES

Legal procedures

Achmea Reinsurance Company N.V. was not involved in lawsuits or arbitration proceedings as at 31 December 2020.

Contingent assets

CONTINGENT ASSETS

(X €1,000)

	2020	2019
Guarantee received	19,573	24,898
Balance at 31 December	**19,573**	**24,898**

In 2020 Achmea Reinsurance Company N.V. received a guarantee from a reinsurer for an amount of €19.6 million.

Contingent liabilities

CONTINGENT LIABILITIES

(X €1,000)

	2020	2019
Deed of pledge	61	67
Balance at 31 December	**61**	**67**

Achmea Reinsurance Company N.V. has provided a Letter of Credit to the Internal Revenue Service of the United States of America for an amount of €61 thousand, allowing Achmea Reinsurance Company N.V. doing business in the US.

Tax entity

As regards value-added tax (VAT) and Corporate income tax, Achmea Reinsurance Company N.V. is part of the fiscal unity Achmea B.V. and is therefore jointly and severally liable for the obligations of the fiscal unity.

20. CREDIT QUALITY FINANCIAL ASSETS

The table below shown the credit quality of the financial investments based on (external) rating information. It also shows for which part of the financial investments no (external) rating is available.

EXTERNAL CREDIT RATING ASSETS

(X €1,000)

31 DECEMBER 2020	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments	63,628	39,027	31,730	67,048	95,973		2,502	299,908
Derivatives		13	21	105	36		1,447	1,622
Amounts ceded to reinsurers			125,426	42,172	416	2,696	5,468	176,178
Receivables and accruals		131	24,238	37,311	6,641	3,004	6,983	78,308
Cash and cash equivalents			14,733	10,715				25,448

EXTERNAL CREDIT RATING ASSETS

(X €1,000)

31 DECEMBER 2019	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments	58,010	35,652	36,257	50,575	81,232	97		261,823
Deposits with assignors				459,033				459,033
Derivatives		108	7				797	912
Amounts ceded to reinsurers			87,260	36,983		14,542	120	138,905
Receivables and accruals		135	18,462	65,339	18	830	9,962	94,746
Cash and cash equivalents			12,653	1,761				14,414

The following table provides an overview of the carrying amounts of financial assets that are past due or impaired.

FINANCIAL ASSETS, THAT ARE PAST DUE OR IMPAIRED

(X €1,000)

	PAST DUE BUT NOT IMPAIRED				IMPAIRED ASSETS
31 DECEMBER 2020	0-3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Receivables and accruals	484	583	26	1,093	

FINANCIAL ASSETS, THAT ARE PAST DUE OR IMPAIRED

(X €1,000)

	PAST DUE BUT NOT IMPAIRED				IMPAIRED ASSETS
31 DECEMBER 2019	0-3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Receivables and accruals	145	56		201	

The table below provides an overview of asset and liabilities subject to offsetting, enforceable Master Netting Agreements and similar agreements.

FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING, ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

(X €1,000)

31 DECEMBER 2020	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES	NET AMOUNTS OF FINANCIAL ASSETS/ LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	BALANCE OF THE FINANCIAL ASSETS AND LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS RECEIVED	CASH COLLATERAL RECEIVED (EXCLUDING SURPLUS COLLATERAL)	NET AMOUNT
Derivatives assets	1,622		1,622		299		
Derivatives liabilities		731	731			-375	
				891	299	-375	967
Cash and cash equivalents	52,405	43,061	9,344	9,344			9,344
31 DECEMBER 2019							
Derivatives assets	908		908				
Derivatives liabilities		745	745				
				163		-547	710
Cash and cash equivalents	42,720	30,132	12,588	12,588			12,588

Disclosure concerning the temporary exemption from IFRS 9

IFRS 9 entered into force on 1 January 2018. Achmea Reinsurance Company N.V. made an assessment as at the reference date 31 December 2015 of whether it was eligible for a temporary exemption (deferral) in relation to IFRS 9. The deferral approach is permitted if the percentage of liabilities connected with insurance relative to the total amount of liabilities is greater than 90 per cent or it is between 80% and 90% and it can be shown that a company does not engage in a significant activity unconnected with insurance.

The outcome of the assessment was that the percentage of liabilities connected with insurance relative to total liabilities were greater than 90%. Taking everything into consideration, Achmea Reinsurance Company N.V. is of the opinion that applying the temporary exemption from IFRS 9 is permitted. Achmea Reinsurance Company N.V. therefore opted to apply the temporary exemption.

Following the initiation assessment as at the reference date 31 December 2015, Achmea Reinsurance Company N.V. must reassess whether it remains eligible for a temporary exemption from IFRS 9 in the event of any significant change in its activities. Achmea Reinsurance Company N.V. has defined triggers for significant changes and carries out tests when these occur. These concern sales of operating companies that fall within the definition of discontinued operations, acquisition of a material operating company, and changes in total liabilities. There are no significant changes in the activities of Achmea Reinsurance Company N.V. so the conclusion is that Achmea Reinsurance Company N.V. still qualifies for a temporary exemption from IFRS 9 and will continue to make use of this option.

Because Achmea Reinsurance Company N.V. has deferred the implementation of IFRS9, additional information must be included on the cash flow characteristics of financial instruments and, for those financial instruments with contractual cash flows consisting of repayments of the principal and interest payments, information on the credit quality. This information is included in the tables on the following page.

The first table below includes information on the cash flow characteristics for all financial assets. Achmea Reinsurance Company N.V. is currently working on the implementation of the principles in IFRS 9, including the assessment of the business model. In anticipation of the specifics of the business model investments in the amount of €1.8 million (2019: €21.6 million), have been included in column Other (financial assets that do not meet the SPPI test, including financial assets that meet the definition held for trading or that are managed on a fair value basis). Under IAS 39 these investments were classified as Available for sale. The inclusion of these financial instruments in other financial assets follows from the expectation that these investments will be categorised as ‘managed on a fair value basis’. For these investments no SPPI test is required under IFRS 9 and therefore Achmea has opted not to develop an SPPI test for these financial instruments yet. The specifics of the business model under IFRS 9 have not yet been developed, which means these instruments may be included in the SPPI test in future.

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS IN SCOPE OF IFRS9

(X €1,000)

	FINANCIAL ASSETS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)			OTHER (FINANCIAL ASSETS THAT DO NOT MEET THE SPPI TEST, INCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING, OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)			TOTAL		
	BOOK VALUE AS AT 31 DECEMBER 2020	FAIR VALUE AS AT 31 DECEMBER 2020	CHANGE IN FAIR VALUE FOR THE YEAR 2020	BOOK VALUE AS AT 31-12-2020	FAIR VALUE AS AT 31-12-2020	CHANGE IN FAIR VALUE FOR THE YEAR 2020	BOOK VALUE AS AT 31-12-2020 [1]	FAIR VALUE AS AT 31-12-2020	CHANGE IN FAIR VALUE FOR THE YEAR 2020
Investments									
Equities and similar investments				141,411	141,411	1,959	141,411	141,411	1,959
Fixed income investments	292,558	292,558	1,612	7,350	7,350	-141	299,908	299,908	1,471
Derivatives				1,622	1,622	191	1,622	1,622	191
Receivables and accruals	155	155					155	155	
Cash and cash equivalents	25,448	25,448					25,448	25,448	

1. *The table only includes financial instruments which are expected to fall under IFRS 9. Certain financial instruments are expected to be included as part of the valuation of the insurance liabilities under IFRS 17. Therefore the carrying amount differs from the amounts stated in Note 3 Investments and Note 10 Receivables and accruals. This concerns for example premium receivables.*

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS IN SCOPE OF IFRS9

(X €1,000)

	FINANCIAL ASSETS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)			OTHER (FINANCIAL ASSETS THAT DO NOT MEET THE SPPI TEST, INCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING, OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)			TOTAL		
	BOOK VALUE AS AT 31 DECEMBER 2019	FAIR VALUE AS AT 31 DECEMBER 2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019	BOOK VALUE AS AT 31-12-2019	FAIR VALUE AS AT 31-12-2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019	BOOK VALUE AS AT 31-12-2019 [2]	FAIR VALUE AS AT 31-12-2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019
Investments									
Equities and similar investments				165,158	165,158	20,980	165,158	165,158	20,980
Fixed income investments	256,601	256,601	1,777	5,222	5,222	539	261,823	261,823	2,316
Derivatives				912	912	877	912	912	877
Receivables and accruals	177	177					177	177	
Cash and cash equivalents	14,414	14,414					14,414	14,414	

2. *The table only includes financial instruments which are expected to fall under IFRS 9. Certain financial instruments are expected to be included as part of the valuation of the insurance liabilities under IFRS 17. Therefore the carrying amount differs from the amounts stated in Note 3 Investments and Note 10 Receivables and accruals. This concerns for example premium receivables.*

The table below shows the credit quality of all instruments meeting the SPPI test. The last column states per category of financial assets the amount of financial instruments that do not have a low credit risk. For now this is defined as instruments with a rating lower than 'below investment grade'. For now these investments are included under 'Financial assets that do not have low credit risk'.

the table below includes Receivables in the column 'Financial assets that do not have low credit risk', as Achmea Reinsurance Company N.V. intends to apply the so-called simplified methodology for determining credit losses in the application of IFRS 9. Expected credit losses are calculated for the entire lifetime of an instrument, making it unnecessary to determine whether a significant deterioration in credit quality has occurred.

FINANCIAL ASSETS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)

(X €1,000)

31 DECEMBER 2020								FINANCIAL ASSETS THAT DO NOT HAVE LOW CREDIT RISK		
	AAA GOVERNMENT BONDS	AAA	AA	A	BBB	BELOW BBB	NO RATING	BOOK VALUE SPPI ASSETS TOTAL	TOTAL FAIR VALUE	TOTAL BOOK VALUE
Investments										
Fixed income investments	63,628	39,027	31,730	64,846	90,825		2,502	292,558	2,502	2,502
Receivables and accruals							155	155	155	155
Cash and cash equivalents			14,733	10,715				25,448		

FINANCIAL ASSETS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)

(X €1,000)

31 DECEMBER 2019	AAA GOVERNMENT BONDS	AAA	AA	A	BBB	BELOW BBB	NO RATING	BOOK VALUE SPPI ASSETS TOTAL	TOTAL FAIR VALUE	FINANCIAL ASSETS THAT DO NOT HAVE LOW CREDIT RISK TOTAL BOOK VALUE
Investments										
Fixed income investments	58,010	35,652	36,257	48,934	77,651	97		256,601	97	97
Receivables and accruals							177	177	177	177
Cash and cash equivalents			12,653	1,761				14,414		

21. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH SHAREHOLDERS AND ULTIMATE PARENT COMPANY

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Achmea B.V.:		
Other liabilities		215
Operating expenses		2,209

In 2020 there are no transactions with shareholders and ultimate parent companies.

IDENTITY OF RELATED PARTY TRANSACTIONS

General

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions (e.g. subsidiaries).

Since Achmea B.V., as head of the group, exercises direct or indirect control over all legal entities that form part of the Achmea Group, Achmea Reinsurance Company N.V. deems these entities to be related parties too.

Achmea Reinsurance Company N.V. also deems its defined benefit pension plan (Stichting Pensioenfonds Achmea) to be a related party. Members of the Board of Directors and Supervisory Board and their close family members are also deemed to be related parties by Achmea Reinsurance Company N.V. In addition Achmea Reinsurance Company N.V. maintains business relationships with related parties as part of the company's ordinary activities (particularly in the area of insurance). The transactions with such parties are not considered material to Achmea Reinsurance Company N.V. either individually or in the aggregate.

Shareholders

The shareholder of Achmea Reinsurance Company N.V. is Achmea B.V. which held 100% of the shares (100% of the voting rights) as at 31 December 2020.

Related party transactions

With regard to the outstanding balances at related parties, unless stated otherwise below, no guarantees have been given or received, and no loan loss provisions relating to outstanding balances or charges relating to uncollectable or doubtful debts have been included in the Income Statement.

Achmea Reinsurance Company N.V. acts as in-house reinsurer for all Dutch Achmea insurance operations. That means that insurance legal entities cede their insurance risks to Achmea Reinsurance Company N.V. All services and transactions are based on regular market rates.

As regards the Achmea Group's foreign activities, i.e. the foreign operating companies of Achmea, Achmea Reinsurance Company N.V. mainly has an advisory role. An operating company may participate in the group reinsurance programme if this benefits the group or, alternatively may cede part of its risks to Achmea Reinsurance Company N.V. Futhermore Achmea Reinsurance Company N.V. accepts external business in the life and non-life segment.

TRANSACTIONS WITH ASSOCIATES OF THE ACHMEA GROUP

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Receivables from accepted reinsurance:		
Achmea Schadeverzekeringen N.V.	6,520	30,169
Eureko Sigorta AS		1
Interamerican Property & Casualty Insurance Company SA	4	59
Total	**6,524**	**30,229**
Deposits to cedants:		
Achmea Schadeverzekeringen N.V.	263	155
Interamerican Property & Casualty Insurance Company SA	1,311	1,311
Total	**1,574**	**1,466**
Prepayments and accrued income:		
Assets		
Achmea Schadeverzekeringen N.V.	683	11,767
N.V. Hagelunie	78	65
Achmea Pensioen- en Levensverzekeringen N.V.	4,590	1,963
Total	**5,351**	**13,795**
Other liabilities		
Achmea Pensioen- en Levensverzekeringen N.V.	17	83
Interamerican Property & Casualty Insurance Company SA	6	
Achmea Interne Diensten N.V.	940	912
Total	**963**	**995**
Liabilities related to insurance contracts:		
Achmea Schadeverzekeringen N.V.	203,177	138,040
Achmea Pensioen- en Levensverzekeringen N.V.		
N.V. Hagelunie	8,720	6,639
Interamerican Property & Casualty Insurance Company SA	2,595	2,429
Eureko Sigorta AS	405	355
Union Poist'ovna AS	273	150
Total	**215,170**	**147,613**
Liabilities from accepted reinsurance:		
N.V. Hagelunie		350
Eureko Sigorta AS	32	
Achmea Pensioen- en Levensverzekeringen N.V.		1,048
Total	**32**	**1,398**

Earned Reinsurance premiums net of retrocession:		
Achmea Schadeverzekeringen N.V.	132,899	132,436
Achmea Pensioen- en Levensverzekeringen N.V.	14,728	20,697
N.V. Hagelunie	17,485	13,886
Eureko Sigorta AS	1,610	1,574
Union Poist'ovna AS	423	175
Interamerican Property & Casualty Insurance Company SA	2,532	2,217
Total	**169,677**	**170,985**
Claims net of retrocession:		
Achmea Schadeverzekeringen N.V.	75,677	48,519
Achmea Pensioen- en Levensverzekeringen N.V.	4,019	5,913
N.V. Hagelunie	3,820	-5,117
Eureko Sigorta AS	578	576
Interamerican Property & Casualty Insurance Company SA	3	13
Total	**84,097**	**49,904**
Commissions:		
Achmea Schadeverzekeringen N.V.	13,546	14,299
N.V. Hagelunie	367	
Achmea Pensioen- en Levensverzekeringen N.V.	7,262	13,248
Eureko Sigorta AS	213	213
Total	**21,388**	**27,760**
Administrative and investment expenses		
Achmea Investment Management B.V.	360	435
Total	**360**	**435**

REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

The members of the Board of Directors of Achmea Reinsurance Company N.V. are the statutory directors holding key management positions at Achmea Reinsurance Company N.V.

In addition, they perform activities for Achmea as a group and have a number of responsibilities in that context. This is related to the nature and organisation of Achmea, a financial conglomerate, in which directors can be involved in several entities.

The remuneration of the members of the Board of Directors of Achmea Reinsurance Company N.V. 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.

Besides a fixed salary, the remuneration package of a member of the Board of Directors of Achmea Reinsurance Company N.V. includes elements of variable remuneration. The Executive Board of Achmea B.V. in consultation with the (Remuneration Committee of the) Group's Supervisory Board decides on the granting of awards of variable remuneration to a member of the Board of Directors of Achmea Reinsurance Company N.V. in the year after the performance. The granting of awards of variable remuneration in any specific year therefore applies to previous performance years. Half of the variable remuneration is deferred for five years. These awards of variable remuneration are included as part of the "Other long-term employee benefits". In addition to their salaries, the Board of Directors of Achmea Reinsurance Company N.V. have a pension scheme. This is the same pension scheme that applies to all other employees of Achmea. The pension scheme is executed by the Achmea Pension Fund ("Stichting Pensioenfonds Achmea").

REMUNERATION OF THE BOARD OF DIRECTORS OF ACHMEA REINSURANCE COMPANY N.V. FOR THE FINANCIAL YEAR

(X €1,000)

	2020	2019
Short term employee benefits	491	475
Post-employment benefits	238	201
Other long term employee benefits	26	20
Employers' share social security contributions	16	22
Total	**771**	**718**

A total amount of €771 thousand was recognised in the reporting period 2020 for Board Directors remuneration (2019: €718 thousand). This total amount pertains to the performance year 2020, except the variable remuneration for 2020. The variable remuneration pertains to the amounts awarded in a financial year with regard to the previous financial year or performance year, because when the financial statements for the previous financial year were adopted it was not yet decided whether variable remuneration would be awarded for that performance year. This is the case for both 2020 and 2019. For the performance year 2019 it was decided after the adoption of the Financial Statements 2019 to award a variable remuneration to the Board of Directors of Achmea Reinsurance Company N.V. This expense is recognised in 2020. Likewise in 2019 the expense was recognised for variable remuneration for the performance year 2018.

Below is an overview of the remuneration of the Board of Directors of Achmea Reinsurance Company N.V. for the performance year 2020. The variable remuneration is presented in respect of the performance year. This can differ from the year in which the expense is recognised, because the decision to award variable remuneration is made after adoption of the Financial Statements. This overview includes an aggregate comparison with 2019.

REMUNERATION OF BOARD OF DIRECTORS OF ACHMEA REINSURANCE COMPANY N.V. FOR THE CURRENT PERFORMANCE YEAR

(X €1,000)

Active Board members as at 31 December 2020[1]	ANNUAL SALARY (SHORT TERM EMPLOYEE BENEFITS) [2]	VARIABLE REMUNERATION AWARDED (OTHER SHORT TERM EMPLOYEE BENEFITS) [2]	VARIABLE REMUNERATION CONDITIONALLY AWARDED (OTHER LONG TERM EMPLOYEE BENEFITS) [2]	POST EMPLOYMENT BENEFITS (LIMIITED TO TAX LIMIT) [3]	CONTRIBUTION NET POST EMPLOYMENT BENEFITS (OVER TAX LIMIT) [3]	WAGE BENEFIT (OVER TAX LIMIT) [3]	TOTAL
E.C. Bom, chairman	256	t.b.d.	t.b.d.	55	39	36	386
H.Chr. Mentink	209	t.b.d.	t.b.d.	55	29	23	316
Total 2020	**465**	**t.b.d.**	**t.b.d.**	**110**	**68**	**59**	**702**
Total 2019	**455**	**26**	**26**	**91**	**69**	**41**	**708**
Average number of active Directors 2020: 2,00							
Average number of active Directors 2019: 2,00							

1. *All active board Directors were employed throughout 2020.*
2. *Excluding employers' share in social security contributions.*
3. *The post-employment benefits have as elements: the expense for the accrual of the maximum pensionable salary €110,111 (this is the fiscal cap 2020; 2019 €107,593), and the gross contribution to the net post-employment benefits over the fiscal cap based on the age-related 3% DC scale and the wage benefit over the fiscal cap. See the notes to post-employment benefits below. The column 'wage benefit over tax limit' in individual cases includes a compensation for deprivation of benefits under the old Directors scheme.*

Annual salary

The annual salary of the Board of Directors of Achmea Reinsurance Company N.V. is the fixed all-in salary on an annual basis including holiday allowance. On 1 January 2020 the salary of all members of the Board of Directors was raised as collectively agreed by 1.0%. Insofar as applicable the benefit of private use of a lease car is also included in the fixed annual salary.

Variable remuneration awarded

When the Financial Statements 2020 were adopted, it was not yet decided to award a variable remuneration for the performance year 2020. Should this be awarded, then this is included in the Remuneration Report 2020 that will be published in May 2021. This variable remuneration would be recognised in the Financial Statements 2021. For the performance year 2019 the decision on the 2019 variable remuneration was finalized after the adoption of the Financial Statements 2019 and it was decided to award a variable remuneration in the aggregate amount of €52,000 to the Directors of Achmea Reinsurance Company N.V. This amount is recognised as an expense in the Financial Statements 2020.

Post-employment benefits

The pension scheme applicable to all other personnel also applies to the Board of Directors of Achmea Reinsurance Company N.V. This is a CDC financed pension scheme aimed at career average salary, with among others the following characteristics at year-end 2020:

- Maximum pensionable salary €110,111
- Accrual 1.875% per year
- State pension offset €14,167
- Retirement age: first day of the month in which the age of 68 is reached
- Dependants' pension
- Non-contributory continuation of the pension scheme in the event of partial or full incapacity for work
- Conditional indexation
- Employee contribution standard 3.25% of the pensionable earnings

Post-employment benefits over the fiscal cap

As of 1 January 2015 pension accrual is fiscally capped. In 2020 the fiscal cap is €110,111.

For employees with an income over the fiscal cap arrangements have been made as of 1 January 2015 (in the CAO) for alternative pension accrual. These arrangements apply to all Achmea employees and they also apply to the Board of Directors of Achmea Reinsurance Company N.V. The arrangements also apply to employees who entered the employment of Achmea after this date.

The total premium contributed by the employer before 1 January 2015 for pension accruals over the fiscal cap will be converted into a new contribution by the employer for pension accruals over the fiscal cap without affecting costs. The total employer contribution is determined each calendar year based on the total sum of the maximum pensionable earnings over the fiscal cap, based on the interest rate level at 31 December of the previous calendar year.

The employer contribution consists of two components, mentioned below. Component 1 will be financed first and component 2 will be financed from the remainder of the total contribution which may not be used for the first component.

1. An age-related contribution by the employer which the employee (net of taxes) can use to participate in a net pension scheme for pension accrual over the fiscal cap ('contribution to net post-employment benefits' in the above table). The age-related contribution is calculated based on the (maximum) graduated tax rates determined by the Ministry of Finance;
2. A so-called gross 'wage benefit pension'. Any remaining amount of the employer contribution will be used to calculate an equal percentage of wage benefit for all employees with a pensionable salary over €110,111. In 2020 this percentage is 22.6% of the pensionable salary over the fiscal cap. This calculation is performed annually in January by Willis Towers Watson. The amount of the wage benefit is determined based on the DNB-UFR for pension funds on 31 December of the previous calendar year.

Termination benefits

Both in 2020 and 2019 no termination benefits were awarded related to termination of a labour contract.

Clawback

In 2020, there were no adjustments or claw back of remuneration from former years with regard to the Board of Directors of Achmea Reinsurance Company N.V., nor were there any in 2019.

Loans

Members of the Board of Directors have loans outstanding with the banking operations of Achmea. The loans amount to €0.13 million (2019: €0.13 million). The weighted interest rate of these loans is 2.25% (2019: 4.5%). The loans are mortgage loans. In 2020 €0 million has been repaid (2019: €0.04 million).

Remuneration of supervisory board members

In 2020 two members of the Supervisory Board of Achmea Reinsurance Company N.V. , Mr Lamie (chairman) and Ms L.T. Suur-van Schagen are also member of the Executive Board of Achmea B.V. They did not receive a separate remuneration for their activities as chairman or member of the Supervisory Board of Achmea Reinsurance Company N.V. That means that the remuneration of these two members of the Supervisory Board of Achmea Reinsurance Company N.V. that should be recognised in these financial statements is nil. Ms. Van Ee is as an external member of the Supervisory Board. She received a remuneration of € 17.500, excluding VAT for her activities in 2020 (2019: €17,500, excluding VAT).

Members of the Supervisory Board have no loans outstanding with the banking operations of Achmea at year-end 2020 and 2019.

Directors' liability

Achmea 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.

TRANSACTIONS WITH ASSOCIATES OF THE ACHMEA GROUP

Other operating expenses and staff costs
All staff who work for Achmea Reinsurance Company N.V. are employed by Achmea Interne Diensten N.V., a subsidiary of Achmea B.V. The Achmea Group's pension commitments have been placed with Stichting Pensioenfonds Achmea. The staff costs and other operating expenses associated with the activities are passed on to Achmea Reinsurance Company N.V. The associated pension expenses are allocated on the basis of the pensionable salary of current employees.

As part of the Achmea Group, Achmea Reinsurance Company N.V. also undertakes many transactions with other group companies, particularly in the field of internal service provision. When attributable, the operating expenses associated with the company's activities are charged to Achmea Reinsurance Company N.V. The current account balances resulting from these transactions are included in the statement of the financial position under Financial liabilities.

Charges relating to Achmea B.V.'s restructuring programme are not directly related to reinsurance business, and are charged to the other expenses.

OTHER OPERATING EXPENSES AND STAFF COSTS

(X €1,000)

	31 DECEMBER 2020	31 DECEMBER 2019
Achmea Interne Diensten N.V.		
Financial liabilities	940	912
Operating expenses including staff costs	12,747	8,917
Other expenses	14	64

Pension liabilities

Achmea Interne Diensten N.V. has placed the pension commitments for employees of Achmea Reinsurance Company N.V. with Stichting Pensioenfonds Achmea (SPA).

SPA executes the pension plan for employees covered by the collective labour agreement of Achmea and for employees with whom participation in the SPA pension scheme has been agreed in their employment agreement. The pension scheme is a so-called Collective Defined Contribution (CDC) scheme. The financial and actuarial risks are in substance transferred to the employees, implying amongst others that the future increase on vested rights for current employees has become conditional on the funded status within the plan. The related CDC contributions are allocated by Achmea Interne Diensten N.V. to Achmea Reinsurance Company N.V. on the basis of pensionable salary of current employees. The provision is determined on the basis of the number of active years of service until the balance sheet date, the estimated level of salary as at the expected retirement date and the market interest rate on the high-quality bonds issued by the entities. These liabilities will be reduced by any assets related to this scheme.

IAS 19 Employee Benefits is applicable to Achmea Reinsurance Company N.V. based on the situation that the defined benefit plans share risks between entities under common control. For the disclosures on the IAS 19 Employee Benefits (based on IAS 19.150) reference is made the 2017 financial statements of Achmea B.V. (www.achmea.com).

Pension costs charged to Achmea Reinsurance Company N.V. amount to €1.7 million in 2020 (2019: €1.6 million).

Rabobank

For its operations, Achmea Reinsurance Company N.V. uses various regular banking services of the Rabobank Group, a major shareholder of Achmea. All services and transactions with Rabobank are based on regular market rates.

22. STATUTORY DOMICILE

Achmea Reinsurance Company N.V. has its registered office and principal place of business at Spoorlaan 298, Tilburg, the Netherlands and is registered at the Chamber of Commerce, trade register 18024166.

23. PROPOSAL FOR APPROPRIATION OF RESULT

Allocation of Profit 2019

The 2019 financial statements were adopted on 10 April 2020 by resolution of the General Meeting.

The General Meeting decided, in accordance with the proposal of the Board of Directors, to add the net profit for the financial year 2019 (€24,476 thousand) to the retained earnings.

Proposal for allocation of Profit 2020

The Board of Directors proposes that the General Meeting appropriate the allocated profit at year-end 2020 of €1,253 thousand entirely to the retained earnings. This proposal has not yet been incorporated in the financial statements.

24. SUBSEQUENT EVENTS

There were no subsequent events which should be disclosed in the financial statements

AUTHORISATION OF THE FINANCIAL STATEMENTS

Tilburg, 8 April 2021

Board of Directors of Achmea Reinsurance Company N.V.

E.C. Bom

H.Chr. Mentink

The members of the Supervisory Board of Achmea Reinsurance Company N.V.

M.A.N. Lamie
Chairman

M.G. van Ee

L.T. Suur- van Schagen

PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING PROFIT APPROPRIATION

Article 30 of the company's articles of association contains the following provisions on profit appropriation:

30.1. Distribution of profit pursuant to this article will be made after adoption of the financial statements showing that this is permissible.
30.2. The profit is at the disposal of the General Meeting. If a vote on distribution of profits is tied, the relevant profits will not be distributed.
30.3. The company may make distributions to those entitled to the distributable profits only insofar as the company's equity exceeds the amount of the issued share capital plus the reserves required to be maintained by law.
30.4. A deficit may only be offset against the reserves required to be maintained by law to the extent that this is permitted by law.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and supervisory board of Achmea Reinsurance Company N.V.

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Achmea Reinsurance Company N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Achmea Reinsurance Company N.V., Tilburg.

The financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the following statements for 2020: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Achmea Reinsurance Company N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800,

3009 AV Rotterdam, the Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.

Our audit approach

Overview and context

Achmea Reinsurance Company N.V. is a reinsurance company and its primary objective is to mitigate the insurance risks of Achmea B.V. group companies. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the notes to the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the *Disclosures on the capital position based on Solvency II regulations* and *Uncertainties in the valuation of assets and liabilities arising from reinsurance contracts*, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

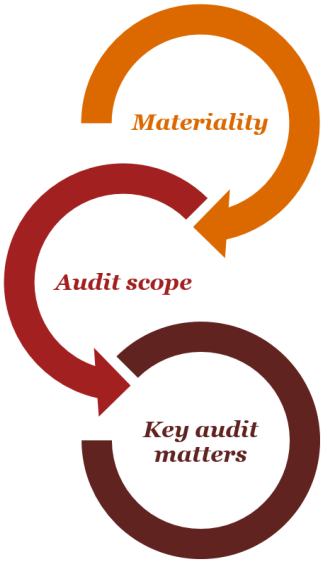
Other areas of attention in our audit, which were not identified as key audit matters, relates to the automation of the business operations and financial processes and compliance with laws and regulations. Because the business operations and financial processes of the Company are highly automated, we addressed in our audit the effectiveness of the internal control procedures that are used to manage the IT activities that where relevant for our audit. With regards to our work in the area of compliance with legislation and regulations, we refer to the section "Our focus on the risk of non-compliance with legislation and regulations".

Within these key audit matters, we also consider, where relevant, the impact of Covid-19 on the accounting items identified therein and the procedures we performed on them. Although Covid-19 was an important point of attention during our audit, based on our ongoing risk assessments, the audit procedures performed and the findings thereof, we see no reason to include a separate key point for this.

As part of all our audits, we address the risk of management override of internal controls, including the evaluation of the risk of material misstatements as a result of fraud on the basis of an analysis of possible interests of the board of directors.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of asset management and reinsurance activities. We therefore included experts and specialists in the areas of valuations (such as financial instruments and insurance liabilities), IT and taxes in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €5.5 million.

Audit scope

- We conducted audit work on all significant balances of the Company.
- The activities in respect of investments and taxes are performed and administrated centrally within the Achmea group. We leveraged the audit instructions submitted by the group auditor for the scope and depth of the procedures. We performed work on the activities of these auditors by reviewing their audit files, reviewing their reports and discussing with the teams the outcome of their work. We have concluded that these activities performed are adequate for our audit.

Key audit matters

- Disclosures on the capital position based on Solvency II regulations.
- Uncertainties in the valuation of assets and liabilities arising from reinsurance contracts.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	€5.5 million (2019: €5.5 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used the lower of 2.0% of equity and the materiality allocated by the group auditor of Achmea B.V. for group reporting purposes. The allocated group materiality and the calculated statutory materiality both amount to €5.5 million.
Rationale for benchmark applied	We used 2.0% of equity (2019: 2.0%) as the primary benchmark, a generally accepted auditing practice. Based on our analysis of the common information needs of users of the financial statements, we considered this benchmark the most relevant, in particular for the regulator (Dutch Central Bank) and other business partners, since this is an important metric for the financial performance of the Company. In determining the percentage, we took into account the setup of the audit of the Solvency II information in such a manner that the misstatement of at most 5% from the Solvency Capital Requirement (SCR) ratio could remain undetected.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed that we would report misstatements identified during our audit above €275,000 (2019: €275,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our focus on the risk of non-compliance with laws and regulations

When planning and performing the audit, we take into account the applicable legal and regulatory framework. The objectives of our audit are to identify and assess the risks of material misstatement arising from non-compliance with laws and regulations. The primary responsibility for the prevention and detection of non-compliance with laws and regulations lies with the board of directors under the supervision of the supervisory board.

Based on our knowledge of the activities of the Company and its environment and in coordination with the board of directors, we have identified legal and regulatory provisions that may have a material effect on the financial statements or may be of fundamental importance to the business operations. We have also obtained general insight into how the Company complies with these. We remained alert during our audit for potential indications of non-compliance with these laws and regulations.

The potential effect of legislation and regulations on the financial statements can vary widely. In accordance with our auditing standards, we therefore distinguish two categories of legislation and regulations. The first category comprises legal and regulatory provisions that are usually believed to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as EU-IFRS, Solvency II and tax law.

We tested the level of compliance as part of our audit of the financial statements. For Solvency II, we refer to our key audit matter *Disclosures on the capital position based on Solvency II regulations*.

The second category concerns provisions of other laws and regulations whose consequences of non-compliance can indirectly have a material effect on amounts or disclosures in the financial statements, for example by imposing fines or sanctions. For the group, this concerns in particular the Financial Supervision Act (wft), know-your-client regulations (such as the Wwft and the Sanctions Act) and the General Data Protection Regulation (GDPR). Based on our audit standards, our audit procedures are limited for this category to questioning management and those charged with governance whether the company complies with such laws and regulations. In addition, we have inspected correspondence with relevant regulatory and supervisory authorities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

Key audit matter	*Our audit work and observations*

Disclosures on the capital position based on Solvency II regulations

Refer to note 2 to the financial statements

As a reinsurance company, the Company determines the capital to be maintained to cover the risks assumed on the basis of the Solvency II requirements. The capital position is determined based on the available capital (€289 million) and required capital (€156 million). This results in a solvency ratio of 186% as at 31 December 2020.

The risk of misstatements is higher due to estimates and complex valuation models. The fact that the solvency ratio constitutes an important indicator and the Solvency II information is used within the Company's capital and dividend policy means that we considered the audit of this information to be a key audit matter.

Available capital

The determination of the available capital position is based on the economic balance sheet drawn up by the Company. Several important estimates and valuation models are applied which use input not observable in the market.

The main estimates are:

- The forecasts of premium income and claims in future years applied in the determination of the fair value of the liabilities related to insurance contracts and amounts ceded to reinsurers (parameters and assumptions with respect to mortality, claims, work disability, lapse, costs and interest);
- projected fiscal results and analysis of future realisations.

Required capital

For some risks, the Company applies a partial internal model approved for use by the College of Supervisors (DNB) for the purpose of determining the capital requirements. The scope of the internal model is related to the natural catastrophe risk and the market risk. The Company uses the standard formula for the other risks when determining the capital requirements.

An important estimate for determining required capital is the loss-absorbing capacity of deferred taxes in case of a shock in the solvency capital (LAC-DT).

In 2020, the College of Supervisors (DNB) issued further regulations via a Q&A publication on the calculation and substantiation of the LAC-DT position.

Available capital

We tested the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation and classification criteria of the Solvency II regulations. We tested the estimates that were used to determine the cash flows (with respect to mortality, claims, work disability, lapse, costs and interest) that support the valuation of the liabilities related to insurance contracts based on historical developments within the reinsurance portfolio and market developments. We challenged the assumptions made by the board of directors (such as future costs, projected fiscal results, expected premium income) for feasibility and impact by testing them against information available at the company (such as forecasts) and relevant market developments. We noted that the estimates as applied by the board of directors are substantiated and we consider the estimates to be reasonable.

Required capital

We tested the capital requirements for each risk component as to whether these were calculated in accordance with the criteria of the Solvency II regulations or the internal model as approved by the College of Supervisors (DNB) where applicable. For this purpose, we tested amongst other thing, the internal control procedures concerning the data used, the model governance and the calculation process. We also tested the data and calculations applied. Based on this no material findings were noted.

We tested the loss-absorbing capacity of the deferred taxes assumed in the calculation of the required capital. We evaluated the projections of future fiscal results. These are based on approved budgets and long-term forecasts. We also focused on the accuracy of the movements in expected results due to recovery measures, including losses related to the shock in the fiscal profit forecast and the correct application of the regulations with respect to offsetting losses. We also verified whether the correct corporation tax rates were used in the calculated loss-absorbing capacity. We established that the estimates applied by the board of directors were adequately substantiated by audit evidence.

Other

We inspected the correspondence with DNB and determined that the findings reported therein with respect to the calculation of the capital position and LAC DT, have been correctly applied in the Solvency II position as at 31 December 2020.

Notes

We also assessed that the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.

Uncertainties in the valuation of assets and liabilities arising from reinsurance contracts

Refer to notes 2 and 4 to the financial statements for the related disclosures

The calculation of the assets and liabilities arising from reinsurance contracts is complex and includes significant estimates, based on assumptions about the future economic and political conditions.

The impact of Covid-19 on the measurement of the assets and liabilities related to reinsurance contracts and the related estimation uncertainties differs per insurance segment and is further explained in note 4 of the financial statements.

Life insurance
The assumptions for the life reinsurance contracts of €60 million relate to risks regarding morbidity and mortality risks, interest rates, trends in claims and other assumptions used in the liability adequacy test.

Non-life insurance
The assumptions for non-life insurance liabilities of €331 million relate to the amount of the claim, the number of incurred but not yet reported claims, risks regarding catastrophes, costs and other assumptions used in the liability adequacy test.

Amounts ceded to reinsurers
The assumptions and uncertainties also apply to amounts ceded to reinsurers (€4.0 million for life insurance and €172 million for non-life insurance).

General
The assumptions are mainly based upon the judgements of the board of directors. The Company has extensive procedures and internal control measures to determine the valuation of the assets and liabilities from reinsurance contracts and to test the adequacy thereof. The risk of misstatements is higher because of significant estimates made by the board of directors in combination with the size of the relevant liabilities and assets. We therefore considered this to be a key audit matter.

Internal controls
We validated the effectiveness of internal control measures with respect to the accurate and complete source data and the use thereof during the valuation of the liabilities arising from reinsurance contracts. We tested the internal control measures regarding data quality and the reconciliations between the accounting records and the insurance systems and concluded that we can rely on these for our audit where relevant.

Assumptions
Our audit procedures consisted *inter alia* of testing the procedures with regards to the determination of assumptions. We compared management's assumptions with information available in the market. We evaluated the quality of previous estimates by means of an analysis of the technical results of the Company. The outcome of the actuarial analysis was discussed with the internal actuaries and the actuarial function holder. During the testing of the assumptions, we considered specific developments concerning the worldwide natural catastrophe events that occurred in the non-life portfolio. We determined that the assumptions of the board of directors are substantiated and that, based on the available audit evidence, the assumptions applied are reasonable.

We audited the results of the liability adequacy test carried out by the board of directors in collaboration with actuarial specialists and the outcome did not give cause for adjustment of the assets and liabilities for reinsurance contracts as recognized on the Company's balance sheet.

Notes
We also assessed that the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the board of directors' report;
- the supervisory board report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Achmea Reinsurance Company N.V. on 29 April 2011 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2011. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 10 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 8 April 2021
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2020 of Achmea Reinsurance Company N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.