Annual Report
Achmea Reinsurance Company N.V.
2021

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

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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, risk carrier and purchaser. 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 centre of excellence on all reinsurance matters. The reinsurance portfolio on behalf of third parties was created to diversify insurance risk.

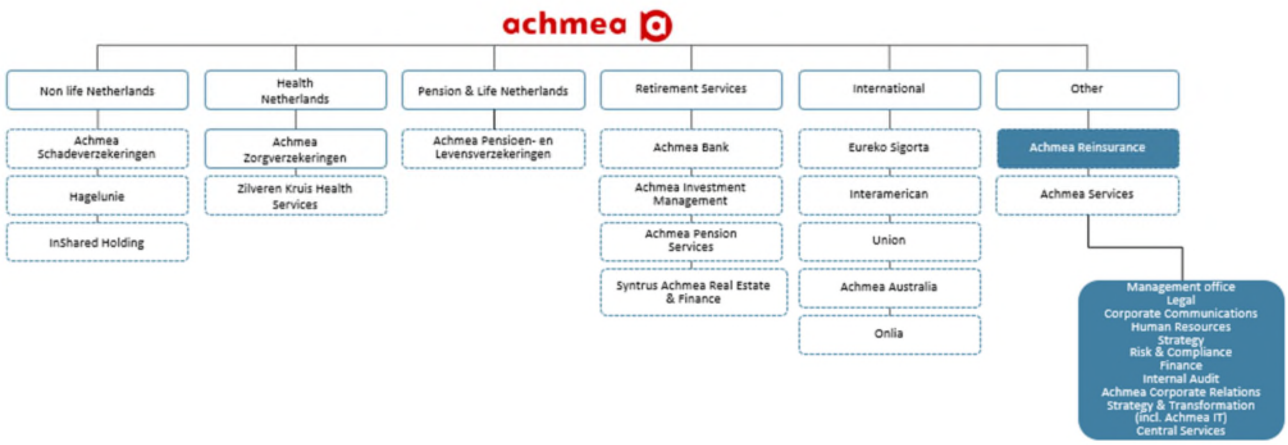
ORGANISATIONAL STRUCTURE

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 Achmea Reinsurance Company N.V. shares. At year-end 2021, 46.8[1] full-time equivalents (FTEs) worked for Achmea Reinsurance Company N.V. (2020: 43.5[2] FTEs). All employees are employed by Achmea Interne Diensten N.V.

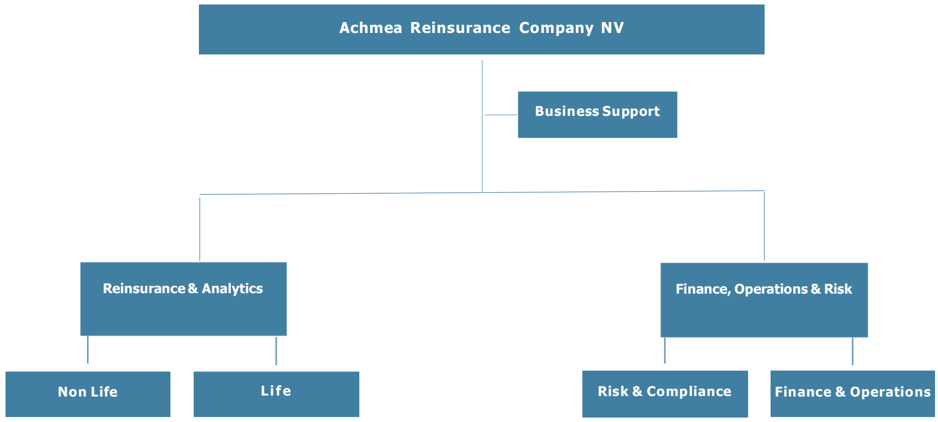
Organisational structure

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] 2021: 46.8 FTEs excluding external personnel hires
[2] 2020: 43.5 FTEs excluding external personnel hires



STRATEGY

Achmea Group's strategy

As part of Achmea's new 'Sustainable Living. Together' vision, in 2021 the company fine-tuned its 'The Sum of Us' strategy. The strategy ensures that Achmea is there for all its stakeholders – customers, employees, partners and society – by joining forces and working together, both internally between the different company segments and with external partners.

Achmea is focusing on innovation, technology and data so that it can continue to provide customers with the high-quality services they expect. The company is using a range of products, services and insights to help customers become more sustainable and prevent (climate-related) damage or loss. Achmea's strategy aims to make even better use of the economies of scale and synergies that the company generates as a whole. As a Group, there is a shared mission and common ambitions that derive from a streamlined purpose.

However, it is vital that the company further accelerates developments in these areas. What sets the company apart today will be commonplace tomorrow. New entrants are using disruptive innovations to set the tone and challenge Achmea, as a market incumbent, in a variety of areas. This requires the company to focus continually on improvements, trends and innovation so that it can continue to lead the way and distinguish itself from its competitors through the services it provides to customers.

To accelerate the strategy's implementation, in 2021 Achmea devised a number of Group-wide initiatives. These initiatives will focus on efficiency, cost savings and growth, making the company more decisive, creating greater synergy and making better use of economies of scale. These initiatives will be implemented in the coming few years.

The commitment and enthusiasm of everyone who works for Achmea is crucial to accomplishing its strategy. Achmea provides its people with an unlimited targeted training and education budget and offers them every opportunity for continual learning, developing data and technology skills, and enhancing awareness of the cooperative identity. Achmea also offers employees an environment in which they can contribute to solving social issues. Achmea promotes entrepreneurship and innovation based on its vision. Moreover, Achmea is developing new working methods in order to facilitate working from home. With the revised Achmea values – passionate, contemporary, ambitious, proud and decisive – Achmea is committed to further expanding and capitalising on its professionalism.

Achmea seeks to further improve its financial results, generate more capital and – backed by balance sheet optimisation – free up a larger amount of capital. Achmea is accelerating its strategy by formulating Group-wide initiatives aimed at doing things smarter, faster and more efficiently. This will create greater capacity for investing in growth and innovation, ensuring that Achmea remains financially sound, flexible and resilient, while always taking into account who they are and applying enough caution to withstand volatility on the financial markets and in their results.

Strategy of Achmea Reinsurance Company N.V.

Achmea Reinsurance Company N.V. is the competence centre on 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. 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.

As an advisor, we advise our internal clients – the Achmea Group: its individual insurance entities and the operating companies abroad – on the development and implementation of the reinsurance programs. We do this by advising on reinsurance purchases, play a leading role in several Expert Panels for 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 reinsurance advisor to the Achmea Group and its legal entities we focus on offering guidance about optimal reinsurance solutions and helping to ensure solid reinsurance protection by hedging risks internally and externally. In support of Achmea Schadeverzekeringen N.V. and N.V. Hagelunie, in 2021 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 Achmea Non-Life entities. In addition, Achmea Reinsurance Company N.V. provides these entities with day-to-day support and advice special acceptances and facultative business.

Achmea Reinsurance Company N.V. advises the Executive Board of Achmea through the Reinsurance Delegates Committee composed of the CFO, CRO 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.

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. Since then, we have extended the integration step by step.

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. Also in 2021 the Steering Committee has strengthened the mutual co-operation and alignment, such as by sharing best practices and monitoring reinsurance market developments. The use of contracted brokers was also subject to consultations. In 2021, Achmea Reinsurance Company N.V. continued to act as an advisor to the Reinsurance Committees of the operating companies providing support and advice, particularly in the context of the hardening reinsurance market.

During the year, Achmea Reinsurance Company N.V. participated in the expert panels on modelling catastrophe risks for the Achmea Group. 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.

In 2021, Achmea Reinsurance Company N.V. participated in a working group with Achmea Bank N.V. and Syntrus Achmea Real Estate & Finance B.V. to study the potential impact of climate risks on mortgage and real estate portfolios.

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 Catastrophe and Non-Catastrophe reinsurance programmes of Achmea Group and operating companies abroad. In line with the development to achieve 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

From 1 July 2021, the structure of the reinsurance programme remained broadly the same as the 2020 programme, although we optimised both the structure as a whole and the integration of the reinsurance programmes of the operating companies. Given the Covid-19-related travel restrictions, Achmea Reinsurance Company N.V. was unable to hold in-person technical market visits. We therefore held virtual visits online, working in close co-operation with our contracted reinsurance brokers and to the full satisfaction of our reinsurers. Despite the hardening of the reinsurance market, Achmea Reinsurance Company N.V. was able to continue a reinsurance programme structure on 1 July 2021, finding a good balance between capital optimisation and earnings protection in terms of potential volatility reduction.

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 2021, Achmea Reinsurance Company N.V. organised online meetings in co-operation with Achmea Schadeverzekeringen N.V. and the contracted broker to inform the reinsurers about the development of the portfolio, claims figurers and underwriting strategy for the purpose of the renewal of the treaty per January 1, 2022. Achmea Reinsurance Company N.V. was able to successfully renew the WIA treaty.

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

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 per 1 July 2021 had to be arranged virtually (see section above for full details).

Other developments

Reinsurance knowledge is a key asset and vital to the success of the company. It is important that specialist knowledge is shared widely among colleagues, especially since 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 help ensure that this – often tacit – knowledge is transferred internally, in 2021 we worked with an external agency to establish a knowledge-transference programme. Additionally, we have drawn up a list of employees who have the right profile to (potentially) work for Achmea Reinsurance Company N.V. when vacancies arise as key personnel depart.

RESULTS AND DEVELOPMENTS IN 2021

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. increased from €2 million in 2020 to €27 million in 2021. Primarily thanks to higher investment results and fewer claims in the Achmea portfolio. The lower 2020 result was due to corporate fire claims in the Achmea portfolio and the impact of Covid-19 on the investment results and inward insurance portfolios for third parties.

Gross written premiums amounted to €313 million in 2021, representing an increase of €24 million compared to 2020. This increase mainly derives from higher written premiums from the Achmea Group portfolio, following further integration in the Group reinsurance programme, portfolio growth and rising reinsurance premiums. Achmea Reinsurance Company N.V.'s risk profile remained unchanged.

The main developments in 2021 are explained in more detail in the following paragraphs.

BREAKDOWN OF NET RESULT

(X €1,000)

	NON-LIFE	LIFE	OTHER NON TECHNICAL	TOTAL 2021	NON-LIFE	LIFE	OTHER NON TECHNICAL	TOTAL 2020
Gross written premiums	254,208	58,463	-	312,671	232,166	56,446	-	288,612
Reinsurance premiums	-153,112	-15,182	-	-168,294	-139,969	-14,593	-	-154,562
Movement in insurance liabilities for net unearned premiums	-3,283	-251	-	-3,534	-8,708	-942	-	-9,650
Net reinsurance premiums	**97,813**	**43,030**	**-**	**140,843**	**83,489**	**40,911**	**-**	**124,400**
Investment income	2,094	-511	23,498	25,081	-4,458	-22,652	2,847	-24,263
Other income	-	-	1,056	1,056	-	-	776	776
Total income	**99,907**	**42,519**	**24,554**	**166,980**	**79,031**	**18,259**	**3,623**	**100,913**
Net expenses from insurance contracts	74,397	12,956		87,353	53,512	-6,491	-	47,021
Operating expenses	23,835	28,361		52,196	22,919	27,717	-	50,636
Other expenses	853		7	860		446	1,045	1,491
Total expenses	**99,085**	**41,317**	**7**	**140,409**	**76,431**	**21,672**	**1,045**	**99,148**
Result before taxes	**822**	**1,202**	**24,547**	**26,571**	**2,600**	**-3,413**	**2,578**	**1,765**
Taxes	**-**	**-**	**6,673**	**6,673**	**-**	**-**	**512**	**512**
Net result	**822**	**1,202**	**17,874**	**19,898**	**2,600**	**-3,413**	**2,066**	**1,253**

Developments Non-Life business

The 2021 Non-Life portfolio result before taxes was €0.8 million (2020: €2.6 million).

The result before taxes of Achmea Reinsurance Company N.V. Non-Life business decreased primarily because of the development of claims of past underwriting years and the adjustment of the IBN(E)R provision for the potential impact on the portfolio of the Covid-19 pandemic.

Gross written premiums for the Non-Life business in 2021 were €254.2 million (2020: €232.2 million).

Premiums increased in 2021 because of the further integration of the Operating Companies of Achmea, growth of the portfolio, increase of reinsurance premiums.

Developments Life business

The result of the Life business increased in 2021, with a negative result before taxes of €3.4 million in 2020 to a €1.2 million positive result in 2020. The increase was mainly due to the adjustment of provisions for the potential impact on the portfolio of the Covid-19 pandemic.

Life gross written premiums increased to €58.5 million in 2021 (2020: €56.4 million) mainly because of the renewal of a Canadian contract of a Canadian business partner and growth of the inward life reinsurance portfolio.

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 increased by €21.9 million, mainly because of the result on investments. Compared to 2020, the investment income account Other non-technical increased to €23.5 million in 2021 (2020: €2.8 million), due to realised results in the investment portfolio.

ABRIDGED STATEMENT OF THE FINANCIAL POSITION

(X €1,000)

	31 DECEMBER 2021	31 DECEMBER 2020
Investments	500,859	449,818
Amounts ceded to reinsurers	230,629	176,178
Other assets	137,213	106,757
Total assets	**868,701**	**732,753**
Total equity	313,232	289,316
Liabilities related to insurance contracts	481,903	390,606
Other Liabilities	73,566	52,831
Total liabilities	**868,701**	**732,753**

Investments

Investments increased to €500.9 million (2020: €449.8 million) mainly due to positive market developments in the portfolio.

Amounts ceded to reinsurers

The amounts ceded to reinsurance was €230.6 million, an increase of €54.5 million (2020: €176.2 million) mainly because of a contract in the income protection portfolio (€39.9 million) and a claim in 2021 (snow pressure) of €12 million.

Equity

In 2021, equity increased to €313.6 million (2020: €289.3 million) mainly because of a positive net result in 2021 and positive result in the revaluation reserve.

Liabilities related to insurance contracts

The liabilities related to insurance contracts increased to €481.9 million (2020: €390.6 million). Achmea Non Life business increased with €57.2 million mainly because of a contract in the income protection portolio (€39.9 million) and a claim in 2021 (snow pressure) of €12.0 million. Third party Non Life business increased by €30.3 million mainly because of the catastrophes hurricane Ida, Flood Bernd and Windstorm Uri.

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 holds sufficient capital.

SOLVENCY RATIO

(X €1,000)

	31 DECEMBER 2021	31 DECEMBER 2020
Eligible own funds Solvency II	314,763	288,819
Solvency Capital Requirement	179,013	155,621
Surplus	**135,750**	**133,198**
Ratio (%)	176%	186%

At year-end 2021, Achmea Reinsurance Company N.V. had a solid capital position under Solvency II, evidenced by a Solvency Ratio of 176%. The qualitative composition of the risk profile and the key risks identified in achieving the strategy remained largely unchanged in 2021.

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, Operations &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 (inclusive fraud) 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 match the general profile for board members and have been approved by the Dutch regulator (De Nederlandsche 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, Operations & Risk, Ms T.L. van Staten. On 1 March 2022 Ms. T.L. van Staten left Achmea Reinsurance Company N.V., to join Achmea International. Achmea Reinsurance Company N.V. is currently in the process of finding a replacement.

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.

Mid 2021 Mr. Bom and Mr. Mentink attended the online permanent education session organized by Achmea. The topics addressed were 'pensions', giving insight into the upcoming changes in the Dutch pension system and 'outsourcing'. During this session, the participants covered the importance of having a strategic vision for their business unit in order to safeguard matters such as risk analyses, business continuity, information security and cybersecurity.
On 19 November 2021 both directors attended a second permanent education session organized by Achmea. The topics addressed in this session were 'Balanced balancing of interests and decision-making', focussing on issues and possible solutions from multiple perspectives, as a result of which awareness of biases increases and decision-making (and recording thereof) becomes more balanced. The second topic addressed the Achmea Group insurances, specifically the insurance needs of the Achmea Group and how this is translated into the insurance portfolio. In doing so, the right balance is continuously sought between controlling, carrying or transferring operationally insurable risks such as professional liability, fraud, directors' liability, cyber insurance and local insurance. Furthermore, both directors were updated on the latest amendments in the 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 partnerships, 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

In 2021, the Supervisory Board had three members, consisting of Mr. M.A.N. Lamie (chairman) and Ms. L.T. Suur and Ms. M.G. van Ee, who is an external board member. The General Meeting (re)appoints members of the Supervisory Board. As per 10 July 2021, Mr. Lamie was reappointed as member of the Supervisory Board for a period of four years, ending on 10 July 2025.

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: since January 2020, the Supervisory Board has consisted 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

The core reinsurance programmes of Achmea Reinsurance Company N.V. renew on 1 July each year. Due to preventive measures aimed at curtailing the spread of Covid-19, in 2020 the long-term aim of Achmea Reinsurance Company N.V. – which is to expand its role as Group reinsurer — was temporarily put on hold. At that time, Achmea was one of the first large reinsurance programmes that had to be completely renewed in a virtual world.

Achmea's robust IT infrastructure and a solid renewal process developed over a number of years, combined with an experienced team and good co-operation with brokers, helped ensure a smooth 2021 renewal process. Based on this experience, Achmea

Reinsurance Company N.V. combined the online renewal with an acceleration of the core strategy to expand its role as Group reinsurer.

Through the renewal of 2021, almost all non-life catastrophe programmes and many non-proportional non-catastrophe programmes of the primary insurers of Achmea were fully reinsured with Achmea Reinsurance Company N.V. and are retroceded in Achmea's group programmes.

This could only be achieved with the support of the reinsurance specialists of the primary insurance companies abroad and the support of our reinsurance partners. In that respect, the Covid-19 restrictions created a huge opportunity for quick and smooth communication in various online meetings.

The next planned step in this transition is for the 2022 renewal, involving the further integration of existing non-proportional non-catastrophe programmes and for further consistency in the reinsurance programmes. A key precondition for executing this next step (or starting with initial smaller steps) will be the further development of the market circumstances.

Following our last renewals in 2021, Achmea was already confronted with shifting market conditions, which lead to higher risk-adjusted premiums that were similar as those our peers faced in their 1/1 renewals.

The portfolios of Achmea were barely hit by the intense precipitation followed by severe flooding caused by storm Bernd. While losses were reported to our Dutch primary insurers, the total remained far below the attachment points of our reinsurance programmes. We think this can be explained by two key characteristics of the Netherlands. First, the geographical factors: the losses are aggravated by hilly terrain, where large quantities of water run down the hills and accumulate in lower areas. The Netherlands is rather flat. The second key characteristic is the important role of water management The Dutch waterboards – active since late medieval times – and the national Delta programmes to ensure very safe levels in the Netherlands.

During 2021, the Delta and Omicron variants brought a fresh wave of Covid-19 infections. Despite this, the world has learned more about vaccinations and treatments, while society has become more resilient and copes better with restrictions. As mentioned, the operational impact of Covid-19 has been limited and our investment portfolio has performed well, and in line with the market. Achmea Reinsurance Company N.V. has some reported claims and claim reserves from its inward third-party portfolio.

Achmea Reinsurance Company N.V. will continue to improve the data quality and processing of its reinsurance technical administration. As mentioned in 2020, data quality is becoming increasingly important to the expanding portfolio, both life and non-life, of Achmea Group and third parties. This development is further strengthened by IFRS 17 requirements – where straight-through processing, data quality and the development of management information remain 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 employees. The precautionary measures did not reduce our interaction with the many students and trainees who joined us to learn or to 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 our ambition to improve the expertise of our people.

Achmea Reinsurance Company N.V. focusses on ensuring the continuity of our operations even at times of unexpected and far-reaching events, such as the Covid-19 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 each year on 1 July. 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. Despite this long-lasting period of restrictions, which has so far covered more than two years, we refrain from calling this current virtual practice 'the new normal'. We shall keep in mind the lessons learned from the last two years, the effective virtual calls, which have also helped to reduce our CO_2 footprint by reducing commuting (time) and flying (time), yet we are also very much looking forward to meeting our business partners in person soon.

Subsequent Events

Storm damage 2022

In February 2022, parts of Europe, including the Netherlands, were hit by successive storms. Achmea Reinsurance Company N.V. is making an inventory of the damage suffered. As of publication date, the impact had not been fully calculated, although initial estimates place the damage for Achmea Reinsurance Company N.V. at €20 million. The impact will be included in the results for the first half of 2022.

Ukraine

We are closely monitoring the course of events in Ukraine, including international measures and their economic impact on the financial markets and inflation. Achmea Reinsurance Company N.V. has very limited investments in Ukraine, Belarus and Russia.

Tilburg, 7 April 2022

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

E.C. Bom H.Chr. Mentink

SUPERVISORY BOARD REPORT

MAIN DEVELOPMENTS IN 2021

The Board convened on seven occasions in 2021, four regular meetings, two extra meetings and a permanent education session. As in 2020 the Covid-19 pandemic meant that all meetings were held online, except for the permanent education session. This session was held in the Tilburg office on 2 November, which allowed the Supervisory Board to have a 'meet and greet' with Achmea Reinsurance Company N.V. employees. Although the online meetings went well, the Supervisory Board was pleased to be able to meet again in person.

During the meetings regular topics were addressed, such as reports on commercial, finance & risk developments, the annual report, the strategic personnel plan and developments, risk appetite and ORSA. Additionally, the Supervisory Board also held a meeting with one of the company's brokers to discuss strategic market developments in the reinsurance market. As follow-up of this meeting in 2022 the Supervisory Board will continue with permanent education sessions on the subjects insurance risk verhicle and upcoming risks, the 'known-unknows'.

In addition to formal meetings, the Supervisory Board members had mail and phone contact with 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 2021 renewal of the Achmea Group reinsurance programme, the impact of the Covid-19 pandemic, the impact of natural catastrophe events in relation to the group reinsurance programme and third-party reinsurance portfolio of Achmea Reinsurance Company N.V. and an extra meeting on the consequences of adjusting the diversification parameter 'NP Reinsurance'.

TASKS AND DUTIES OF THE SUPERVISORY BOARD

The Supervisory Board performs its duties based on 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 continuing the strategy of selective growth of third-party reinsurance. The topic covered most of the agenda of the Supervisory Board's October meeting.

The Supervisory Board noted that the employee engagement scores based on surveys remained high. At the end of 2021, the 2022 budget was discussed. In the new planning period~~,~~ the OpCo-reinsurance programmes will be further integrated in the Group programme. The next step will be to further optimize the Group reinsurance programme. As well as general developments, climate change developments will be monitored particularly closely and discussed in the Supervisory Board meetings.

Finance and risk

In each meeting during 2021, the Supervisory Board discussed Achmea Reinsurance Company N.V.'s financial situation in detail based on the interim, quarterly and annual results. In addition, the 2020 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 ratios. Specific attention was paid to the developments of the capital, solvency and liquidity position during 2021. The Supervisory Board noted that the Solvency II ratio changed from 186% at year-end 2020 to 176% at year-end 2021.

In 2021 no dividend was paid over the year 2020.

Risks and their impact on Achmea Reinsurance Company N.V. were also an important agenda item for the Supervisory Board meetings in 2021. 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 know-your-customer (CDD), privacy regulations, cyber security, integrity rules, fraud risk 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 2021 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 Achmea Internal Audit on the conclusions of the reviews. Internal Audit presented and clarified an overview of all conducted audits over 2021 and the planned audits for 2022 in the meeting with the Supervisory Board of 7 april 2021.

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 2021 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 (both are members of the Executive Board of Achmea), and Ms M.G. van Ee, who is an external board member. As per 10 July 2021 Mr. Lamie was reappointed as member of the Supervisory Board for a period of four years, ending on 10 July 2025.

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 Achmea's 2021 annual report on the Achmea websitewww.achmea.com.

Although all members of Achmea Reinsurance Company N.V.'s Supervisory Board fulfil their duties without burden or consultation, up to 30 June 2021 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. As of 1 July 2021, this member did comply with this principle.

Permanent education

A permanent education session was organised by Achmea Reinsurance Company N.V. on 2 November 2021 and was attended by all members of the Supervisory Board. This session focused on IFRS 17 and the impact for Achmea Reinsurance Company N.V.

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.

Acknowledgements

Looking back on 2021, the Supervisory Board would like to thank the Board of Directors, the senior manager Finance, Operations and Risk 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 2022 the co-operation with the Board of Directors will continue in the same positive spirit.

Tilburg, 7 April 2022

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

M.A.N. Lamie Chairman	M.G. van Ee	L.T. Suur

Financial Statements

STATEMENT OF FINANCIAL POSITION

(BEFORE APPROPRIATION OF RESULT)

(X €1,000)

	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
Assets			
Investments	3	500,859	449,818
Amounts ceded to reinsurers	4	230,629	176,178
Income tax receivable		154	3,001
Receivables and accruals	10	100,053	78,308
Cash and cash equivalents	11	37,006	25,448
Total assets		**868,701**	**732,753**
Equity			
Equity attributable to holders of equity instruments of the company	12	313,232	289,316
Liabilities			
Liabilities related to insurance contracts	4	481,903	390,606
Financial liabilities	13	62,801	46,431
Derivatives	3	1,570	731
Deferred tax liabilities	14	9,195	5,669
Total liabilities		**555,469**	**443,437**
Total equity and liabilities		**868,701**	**732,753**

INCOME STATEMENT

(X €1,000)

	NOTES	2021	2020
Gross written premiums		312,671	288,612
Reinsurance premiums		-168,294	-154,562
Change in provision for unearned premiums (net of reinsurance)		-3,534	-9,650
Net earned premiums	**6**	**140,843**	**124,400**
Investment income	7	25,081	-24,263
Other income		1,056	776
Total income		**166,980**	**100,913**
Gross expenses from insurance contracts		154,855	104,938
Reinsurance recoveries		67,502	57,917
Net expenses from insurance contracts	8	**87,353**	**47,021**
Operating expenses	9	52,196	50,636
Other expenses	10	860	1,491
Total expenses		**140,409**	**99,148**
Result before tax		**26,571**	**1,765**
Income tax expenses	16	6,673	512
Net result		**19,898**	**1,253**

STATEMENT OF COMPREHENSIVE INCOME

(X €1,000)

	NOTES	2021	2020
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’		16,914	3,729
Gains and losses on financial instruments ‘Available for sale’ reclassified to the Income Statement on disposal		-13,530	-4,961
Impairment charges on available for sale instruments reclassified to the Income statement on disposal		634	3,302
Net other comprehensive income	**17**	**4,018**	**2,070**
Net result		19,898	1,253
Comprehensive income		**23,916**	**3,323**
Comprehensive income attributable to:			
Holders of equity instruments of the company		23,916	3,323

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

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 2020	**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**
Net other comprehensive income			4,018			4,018
Net result					19,898	19,898
Comprehensive income			**4,018**		**19,898**	**23,916**
Appropriations to reserves				1,253	-1,253	
Balance at 31 December 2021	**4,540**	**135,479**	**23,661**	**129,654**	**19,898**	**313,232**

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

STATEMENT OF CASH FLOWS

(X €1,000)

	NOTES	2021	2020
Cash flow from operating activities			
Results before tax		26,571	1,765
Adjustments of non-cash items and reclassifications:			
Unrealised results on Investments including foreign currency results and value changes.		-19,603	28,551
Amortisation and impairment charges on Deferred acquisition cost			9,073
(Accrued) Interest expenses		227	-96
		7,195	**39,293**
Changes in operating assets and liabilities:			
Changes in Receivables and accruals (excluding Deferred acquisition costs) and Other liabilities recognised as Financial liabilities		-5,375	-19,431
Changes in Liabilities related to insurance contracts net of reinsurance		36,846	-410,826
Changes in Investments		-25,130	411,505
		6,341	**-18,752**
Cash flows operating items not reflected in Results before tax:			
Paid Income taxes		-1,978	-9,507
		-1,978	**-9,507**
Total cash flow from operating activities		11,558	11,034
Net cash flow		**11,558**	**11,034**
Net cash and cash equivalents at 1 January		25,448	14,414
Net cash and cash equivalents at 31 December		37,006	25,448
Cash and cash equivalents include the following items:			
Cash and bank balances		37,006	25,448
Cash and cash equivalents at 31 December	**11**	**37,006**	**25,448**

Included in the cash flows from operating activities for 2021 is interest received amounting to €0.3 million (2020: €0.4 million) and dividends received amounting to €3.9 million (2020: €4.1 million).

Notes to the Financial Statements

GENERAL

A. GENERAL INFORMATION

Activities

The activities of Achmea Reinsurance Company N.V. primarily consist of reinsurance (life and non-life) business 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. For details on these transactions we refer to note 3 and note 23.

1. ACCOUNTING POLICIES

B. AUTHORISATION FINANCIAL STATEMENTS

The Achmea Reinsurance Company N.V. financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 7 April 2022. 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.

C. 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 2021 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.

These financial statements have been prepared on the basis of going concern. The financial statements include the material risks and uncertainties that are relevant to the ability of the continuity of the company for at least the next 12 months.

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 Reinsurance Company N.V. 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’.

D. CHANGES TO REPORTING STANDARDS

In 2021, 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 2021, Net result for 2021 and comparative figures of Achmea Reinsurance Company N.V.:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;
- Interest Rate Benchmark Reform (IBOR) – Phase II (amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 4 and IFRS 16);
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021.

E. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2021 or prior years and are not applied by Achmea Reinsurance Company N.V. in preparing its Financial Statements 2021. 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 20 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 implementing 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 2023, with early adoption being permitted. As at 31 December 2021 IFRS 17 has been endorsed for use in the EU. In December 2021, the IASB issued an amendment to IFRS 17 (IFRS 17 and IFRS 9 – Comparative figures). This amendment enables entities that issue insurance contracts to determine the comparative figures for the investments based on the classification and measurement used under IFRS 9. As at 31 December 2021, this change in 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).

Achmea Reinsurance Company N.V. expects that the initial application of this standard will have a impact on its 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.

In 2021, Achmea Reinsurance Company N.V. continued the implementation and testing of our administrative systems against the new IFRS 9 and IFRS 17 accounting standards. The initial analyses of the impact of implementing IFRS 9 and 17 for parts of the portfolio have also been carried out. In addition, preliminary choices have been made on the key policy decisions. These choices will be further refined in 2022 following the analyses of the preliminary figures under IFRS 9 and 17. For this reason, it is too early to quantify the actual impact on total assets and results.

Other amendments with future application date

In 2021, the EU approved the following changes with a future application date. These amendments to standards have no impact on Total equity or Net result or only a limited impact on the presentation and notes of Achmea Reinsurance Company N.V.

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (effective date 1 January 2022).

In addition to the above-mentioned (amendments to) standards, in 2021 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 2021 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 2021:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current en Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective date 1 januari 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies (effective date 1 januari 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective date 1 januari 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 januari 2023).

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

In 2021, no adjustments with regard to accounting policies, changes in presentation and corrections for previous periods have been made in comparison with the 2020 financial statements of Achmea Reinsurance Company N.V., other than the adjustment described below.

From 2021 onwards, the reinsurers' share of the claims burden is presented separately in the profit and loss account and no longer netted off within net expenses from insurance contracts. Achmea Reinsurance Company N.V. has made these adjustments for the sake of user understanding. These changes in presentation have no impact on Achmea Reinsurance's Net Result, Total Equity and earnings per share. Comparative figures have been adjusted.

From 2021 onwards, the changes in Investments and Accrued acquisition expenses included in Receivables and accruals are presented in the cash flow statement under the changes in operating assets and liabilities. At the same time, the operational cash flows not included in the result before tax include the items acquisitions and disposals of Investments and Capitalised acquisition expenses included in Receivables and accruals removed. Achmea Reinsurance Company N.V. has made this adjustment to bring the presentation in the cash flow statement more in line with the presentation of the related balance sheet items. This change in presentation has no impact on the amount of operational cash flows. Comparative figures have been adjusted.

G. CHANGES IN ACCOUNTING ESTIMATES

For the preparation of these Financial Statements, estimates and assumptions are used (e.g. for some of the reported balance sheet assets and liabilities and the expenses for the accounting period). The actual outcomes may vary from these estimates. In preparing these Financial Statements, the nature of the estimates and assumptions made 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 Achmea Reinsurance Company N.V. Financial Statements 2020. The key sources of estimation uncertainty are included in the explanatory notes to the balance sheet items. The bandwidth in which assumptions and estimates are able to fluctuate has increased during the Covid-19 pandemic, although to a lesser extent than at the start of the pandemic in 2020. This is mainly applicable to non-listed investments and Liabilities related to insurance contracts. The key sources of estimation uncertainty are included in the explanatory notes to the balance sheet items.

H. 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.

I. 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.

J. COVID-19 EFFECT

Covid-19 has proven to be a structural factor, having a profound impact on society, our customers and our business. More information on the uncertainties and risks arising from Covid-19 and the manner in which Achmea Reinsurance Company N.V. mitigates these risks is included in Note 2 Capital and Risk Management.

In preparing the 2021 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).

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 its 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 making well-informed decisions about the risks to be accepted in realising the business objectives of Achmea Reinsurance Company N.V.

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 (Solvency Capital Requirements, SCR). In terms of risk, Achmea Reinsurance Company N.V. has defined its risk appetite of which statements about 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 2021, 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.

Notes to the Financial Statements

A. DEVELOPMENTS IN 2021

This section provides an overview of the developments in 2021 in the area of capital and risk management, both with regard to changes in the capital and risk position and developments in the risk management system used to manage this capital and risk position.

Each year, the Executive Board and the management boards of the operating companies use the Strategic Risk Analysis to carry out a comprehensive assessment of the main risk themes. The composition of the risk profile, including the key risks identified in achieving the strategy remained largely unchanged in 2021. Section C Risk profile provides detailed information about the risk profile. This section discusses current developments in the areas of sustainability and climate change, Covid-19, inflation and the risk management system.

Sustainability and climate change

In 2021, Achmea presented its ‘Sustainable Living. Together’ vision. The value creation model has also been updated and Achmea’s ambitions in the field of sustainability have been laid down in the Sustainability ambition statement. From a Risk Management perspective, the sustainability risks have been further mapped and the management of these risks is being further integrated into the Risk Management system. Sustainability risks affect all ESG elements (Environmental, Social and Governance) and relate to Achmea as an insurer, Achmea as a financer and to its own business operations.

In 2021, attention was given to increasing the understanding of the physical risks and transition risks of climate change on Achmea. Much attention was also paid to improving the risk models and the underlying basic data. As part of the annual risk and solvency assessment (ORSA) reporting, qualitative and quantitative analyses on climate-related risks (including stress and scenario testing) were carried out for both the Group and individual insurance entities.

Physical risks are mainly associated with the non-life portfolio. Climate change can have an impact in long term on the extent and frequency of claims caused by natural events such as storm, rain, hail, drought and flooding. With life and health insurance, the impact is mainly in the longer term. Transition risks apply in particular to investments and financing.

Covid-19

Covid-19 has proven to be a structural factor, having a profound impact on society, our customers and our business. The medium-/long-term expectations regarding Covid-19 remain uncertain. As long as the virus is still among us, there is a risk of economic damage and financial markets can become volatile. In 2021 a few reserved losses in respect of Covid-19 were reported which have a minor impact on the result of Achmea Reinsurance Company N.V. Hardly any Covid-19 losses have been paid sofar.

Inflation

In the second half of 2021, inflation and expectations related to inflation increased. In underlying terms, a number of developments can be identified as causes, including geopolitical tensions, tensions in the energy market and disruptions in the (global) distribution chains as a result of local measures to combat the Covid-19 pandemic. Now that inflation is rising, an important question is whether or not this is temporary. The central banks are acting differently based on their assessment of the underlying causes and their objectives. For the time being, the ECB assumes that inflation will eventually return to the desired level of 2%. However, there is also a chance that the causes specified will lead to structurally higher inflation. Achmea monitors developments closely and investigates the possibility and desirability of hedging inflation risk.

Risk Management System

In 2021, the restructure of the Risk & Compliance organisation, which was implemented in 2020, was further streamlined. With this restructure, the responsibilities of the key functions are clearly allocated to the Compliance, Risk Management and Actuarial departments, both at group level and for the Dutch supervised insurance entities. The risk management activities are structurally tested for approach and effectiveness, including monitoring by the Dutch Central Bank under its Current Monitoring Methodology. Overall, Achmea’s internal governance is assessed as mature, with adequate risk management.

Achmea Reinsurance Company N.V. uses an internal model for calculating the Solvency II insurance risks for the dominant Dutch and Greek natural 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.

The models are periodically reviewed and improved. In 2021, a major model adjustment was made to the partial internal model for market risk where, for the equity and real estate risk component, the risk assessment better reflects historical data. In addition, in 2021, Achmea Reinsurance Company N.V modified its internal model for flood risk, incorporating the latest insights on the quantification of flood risk. 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.

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.

At year-end 2021 Achmea Reinsurance Company N.V. is sufficiently funded in accordance with statutory requirements.

SOLVENCY RATIO

(X €1,000)

	31 DECEMBER 2021	31 DECEMBER 2020
Eligible own funds Solvency II	314,763	288,819
Solvency Capital Requirement	179,013	155,621
Surplus	**135,750**	**133,198**
Ratio (%)	176%	186%

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 10% points to 176% (31 December 2020: 186%). The capital position is the result of a combination of increase of the Eligible Own Funds and a higher Solvency Capital Requirement. The main reason for this decrease can be found in a higher Solvency Capital Requirement Non-Life. This is due to changes within the parameter settings for geographical diversification.

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 2021	31 DECEMBER 2020
Tier 1	314,763	288,819
Total eligible own funds Solvency II	**314,763**	**288,819**

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 2021	31 DECEMBER 2020
Total IFRS excess of assets over liabilities	**313,232**	**289,316**
Valuation differences Solvency II	1,531	-498
Available own funds Solvency II	**314,763**	**288,819**
Restrictions		
Eligible own funds Solvency II	**314,763**	**288,819**

Compared to year-end 2020 the eligible own funds increased with €26 million to €315 million (year-end 2020: €289 million). The increase is the result of positive development throughout the year both on the insurance and asset portfolio.

Key assumptions and estimates for the Solvency II calculation

For the Solvency II calculation (including Solvency II eligible own funds) Achmea Reinsurance Company N.V. 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:

- Application of internal models based on underlying assumptions.
- 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.
- Economic value of contingent liabilities.
- Projected fiscal results (after shock) and analysis of future results.
- The absorbing capacity of deferred taxes.

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 and currency 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 reinsurance 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 in outsourcing processes to external parties, 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 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. These concern specific risk events related to the feasibility of Achmea Reinsurance Company N.V.’s strategy. These risk events are included in the overview of key risk themes in the next section.

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

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 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 2021	31 DECEMBER 2020
Market risk	91,416	80,871
Counterparty Risk	13,171	12,151
Life Risk	45,401	45,366
Health Risk	20,718	16,045
Non-Life Risk	175,337	144,836
Diversification	-108,100	-96,024
Basic Solvency Capital Requirement	**237,943**	**203,245**
Operational Risk	10,287	9,636
LAC EP	-15,119	-15,854
LAC DT	-54,098	-41,406
Solvency Capital Requirement	**179,013**	**155,621**

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 based on the internal model for the underwriting 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 part of the 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 €179 million (year-end 2020: €156 million). The increase in Solvency Capital Requirement is mainly caused by an increase in Non-Life Risk. This is partially due to the renewal of incoming non-life business as several new contracts were signed during the renewal. Also changes due to parametersettings for geographical diversification caused an increase of the Catastrophe Risk. Positive financial market developments increased the Market Risk.

Material risks

Below a number of 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. The overall risk management is adequate, meaning that risks are made transparent and that the risk management measures are so effective that the residual risks are reduced to an acceptable level.

Key themes	**Details**	Control measures
Future revenue model	It is important for Achmea Reinsurance Company N.V. 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; 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). The Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy, which (alongside opportunities) may also negatively affect Achmea's business and its commercial position. Achmea Reinsurance Company N.V.is addressing these themes, for example, by monitoring the specific trends mentioned above, improving management of Achmea Reinsurance Company N.V.'s innovation portfolio at the central level, and developing a Group - wide innovation policy.	The mentioned developments are being closely followed. There are various group-wide initiatives in the areas of technology, customer service and service delivery, proposition development and innovations. The goal is to increase synergy and efficiency and structurally improve Achmea's operating result.
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. In 2021, particular attention was paid to current legislation and regulations on sustainability and climate (including external reporting), as well as the implementation of IFRS 9 and IFRS 17.
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.	The initiatives aimed at achieving our objectives in terms of sustainability and climate change have been brought together in one central approach, by which ensuring completeness and consistency in the measures to be taken. A project organization and expert group support the business units in this. Risk control measures include adjusting the product and service offering, tightening premiums and conditions, and reinsurance.
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.	A great deal of attention is paid to keeping the internal models for determining the relevant risks, such as catastrophes, up to date. In 2021 Achmea Reinsurance Company N.V. updated its internal model for flood risk, incorporating the most recent flood insights into the quantification of risks. Achmea Reinsurance Company N.V. has close contacts with external model providers, which develop models in co-operation with universities and the Dutch Meteorological Institute (KNMI). In this way Achmea Reinsurance Company N.V. is keeping close track of climate change and evaluating the impact. Risk management in the claims portfolio also takes place by means of such

		things as promoting preventive measures, acceptance guidelines and reinsurance. In the income portfolio, risks are monitored through claims monitoring with specific focus on claims management and developments 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 A specific risk is that the investment return is structurally underperformed compared to the market average.	This risk is controlled by the risk management measures as described in the section Market Risk.
Cybercrime	Cybercrime is an increasingly important social issue, including for Achmea. Reinsurance Company N.V. '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 Reinsurance Company N.V. 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 Reinsurance Company N.V.'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:

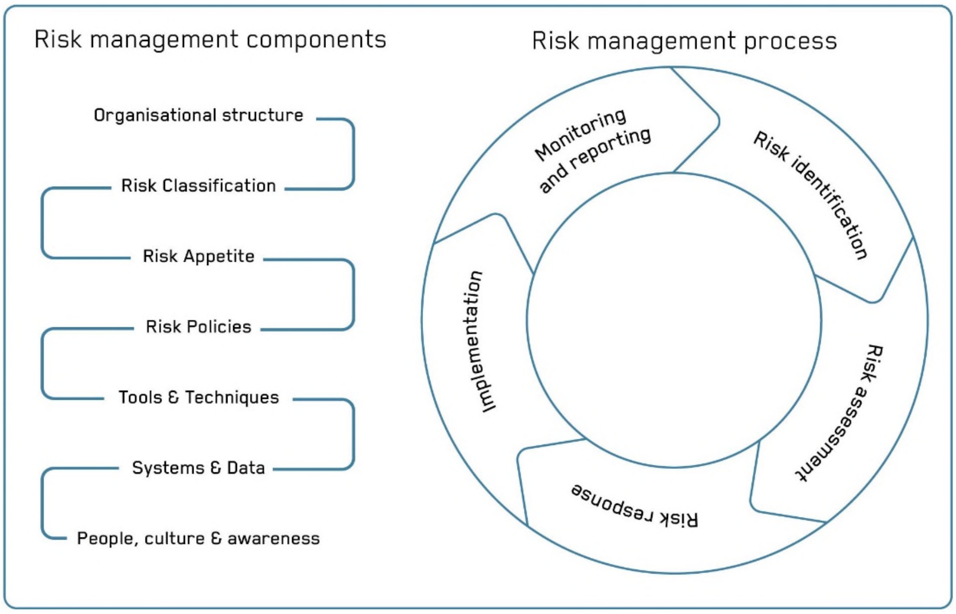
- Principles in relation to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea Reinsurance Company N.V. to meet its obligations, now and in the future.
- Principles in relation to the risk management structure and the chosen integrated approach for the management of risks. Achmea Reinsurance Company N.V. assesses the various risk types and the inherent risks in conjunction with another.
- Principles in relation 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.

RISK MANAGEMENT FRAMEWORK



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 model

Achmea's organisation structure is based on the 'Three Lines' model as shown in outline in the figure below.

FIRST LINE	SECOND LINE	THIRD LINE
IMPLEMENTATION AND MANAGEMENT	SUPPORT, MONITORING AND CONTROL	ASSESSMENT AND REVIEW
- Executive Board and risk committees at Group level - Business management and decentralised risk committees within the business units	- 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 Company N.V. has their own R&C department.	- The Internal Audit staff department works at both group and business unit level.

Achmea's line organisation, the first line, 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 controls, 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 subcommittees 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 handles the insurance risk and the Finance & Risk Committee 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 compliance function, risk management function and actuarial function are fulfilled within the staff departmentCompliance, Risk and Actuarial (CRA). These functions report to the Chief Risk Officer of the Executive Board, and 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 model 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 risks. 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 Reinsurance Company N.V.'s risk strategy and their translation into KRI's for Achmea Reinsurance Company N.V.

Financial	**Principles**	**KRI's**
Capital	Achmea Reinsurance Company N.V. has a strong capital position.	- Solvency ratio Solvency II
Liquidity	Achmea Reinsurance Company N.V.'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 Reinsurance Company N.V. 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 - Specific KRI's on Solvency Capital Requirement for insurance risks
Non-Financial	Principles	**KRI's**
Operational risk / internal control	Achmea Reinsurance Company N.V. 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
Compliance	Achmea Reinsurance Company N.V. 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

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 Statutory directors and 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 once a year during forecast 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 Board of Directors, Executive Board 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. 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 Reinsurance Company N.V. as well as 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, insurance 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 number of third party reinsurance contracts with strategic reinsurance partners, both for life and non-life.

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.

In 2021, further integration of the reinsurance programmes of the foreign entities took place. With a limited number of exceptions, the reinsurance programmes of the foreign entities are now integrated in Achmea Group's reinsurance programme 2021. 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 2021 the catastrophe programme was the main reinsurance programme. The renewal of this programme takes place on the 1st of July each year and Achmea Reinsurance Company N.V. 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 Reinsurance Company N.V. 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 2021	31 DECEMBER 2020
Mortality	6,709	7,899
Expense	358	395
Catastrophe	43,156	42,628
Diversification	-4,822	-5,556
Solvency Capital Requirement Life risk	**45,401**	**45,366**

Compared to 2020 the Life Underwriting Risk remained broadly the same.

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. These evaluations have shown that this is not the case. In the recent period, as well, Achmea Reinsurance Company N.V. has found that the excess mortality due to Covid-19 among the insured population has remained limited.

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 2021	31 DECEMBER 2020
Lapse	2,376	2,068
Premium and reserve	86,986	85,047
Catastrophe	132,019	97,869
Diversification	-46,044	-40,148
Solvency Capital Requirement Non-life risk	**175,337**	**144,836**

The capital requirement for non-life underwriting risk increased by €30.5 million.

The increase of €1.9 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 claimreserves increased the Reserve Risk.

The Catastrophe Risk increased by €34.2 million. This increase is due to portfolio developments (renewal, changes within reinsurance programme), €14 million, and changes due to parametersettings for geographical diversification in the non-proportional inward reinsurance portfolio causing an increase of €22 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 extreme precipitation and hailstorms is expected to increase. 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 good assessment of the risk, underwriting criteria and premium setting. In the Netherlands Achmea Reinsurance Company N.V. does not underwrite heavy industrial risks such as airports or power plants

- 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 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 2021 the own retention remained at the same level. Over the long term Achmea encourages policyholders, in co-operation 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 2021	31 DECEMBER 2020
Health risk SLT	1,965	2,308
Health risk NSLT	1,771	1,657
Health catastrophe	19,551	14,710
Diversification	-2,569	-2,630
Solvency Capital Requirement Health risk	**20,718**	**16,045**

The increase, €4.7 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 half year 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 2021	31 DECEMBER 2020
Interest rate	4,658	4,976
Equity	68,292	60,142
Spread	21,878	22,601
Currency [1]	7,782	6,511
Diversification	-11,194	-13,359
Solvency Capital Requirement Market risk	**91,416**	**80,871**

1. *Standard formula*

Solvency Capital Requirement Market risk increased by €10.5 million from €80.9 million to €91.4 million. This increase is mainly the result Increasing market values due to positive financial market developments causing the Equity Risk to increase by €12.1 million. On the other hand the major changes (Internal Model) caused the Equity Risk to decrease by €4 million. The diversification effected the Solvency Capital Requirement Market Risk by €2.2 million.

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 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.

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 €164 thousand (2020: €29 thousand) with a notional amount of €3.5 million (2020: €3.5 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.

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 2021 was €123.1 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 2021. The 20% drop in equity values equals a decrease in the market value of the equity portfolios of €34 million and has an Eligible Own Funds impact net of tax of €-25.6 million. This decrease in market values would cause the market risk, LACEP and LACDT to decrease by €5.8 million. The combined effect on the Eligible Own Funds and Solvency Capital Requirement would negatively impact the Solvency II ratio by 9%-pt. In 2020 the impact of the shock was 12%-pt.

SOLVENCY II SENSITIVITIES

(X €1,000)

	31 DECEMBER 2021			31 DECEMBER 2020		
	IMPACT ELIGIBLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)	IMPACT ELIGIBLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)
Equity -20%	-25,837	-5,766	-9%	-20,351	-1,202	-12%

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.

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 temporary exemption from 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.

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)

	2021 TOTAL EXPOSURE	2021 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2021 NET EXPOSURE	2020 TOTAL EXPOSURE	2020 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2020 NET EXPOSURE
Net position						
US dollar	70,601	63,354	7,247	44,745	40,432	4,313
Pound sterling	12,825	12,787	38	3,930	3,934	-4
Japanese yen	11,665	11,631	34	7,836	7,985	-149
Swiss franc	6,127	5,922	205	2,932	2,894	38
Australian dollar	5,248	5,279	-31	3,198	3,154	44
Canadian dollar	3,917	3,933	-16	1,743	1,782	-39
Danish kronar	3,099	-11	3,110	1,754		1,754
Swedish kronar	2,392	16	2,408	1,810		1,810
Hong Kong dollar	1,984		1,984	712		712
Norwegian kronar	1,095		1,095			
Other	1,185	30	1,155	788		788
	120,138	**102,909**	**17,229**	**69,448**	**60,181**	**9,267**

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 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.

The Solvency Capital Requirement under Solvency II provides a quantification of counterparty default risk. In 2021 the Solvency Capital Requirement increased from €12.2 million at year-end 2020 to €13.2 million year-end 2021. The increase is mainly due to higher claimsreserves and higher deposits (due to reclassification).

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 Reinsurance Company N.V. 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. Creditworthiness is assessed on a case by case basis for counterparties with a low rating or no rating.

The counterparty risk policy provides guidance for the minimum credit rating of reinsurers.

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 by the F&RC of Achmea Reinsurance Company N.V.

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 supervised 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. On an annual basis, Achmea Reinsurance Company N.V. performs an liquidity risk assessment.

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.

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 Reinsurance Company N.V. 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 a reinsurer 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 increased from €9.6 million at year-end 2020 to €10.3 million at year-end 2021.

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 Reinsurance Company N.V. 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 at group level.

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. In making considerations it is important that the main focus is on customers' interests, with attention being given to providing clear and timely product information to customers and to opportunities for improving the suitability of the sold product and the distribution process.

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 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 Reinsurance Company N.V. are recorded. These general rules of conduct are applicable to all Achmea Reinsurance Company N.V. 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 Law & Regulation Committee.

In 2021, Know your Customer/CDD and privacy were the main focus areas for the compliance function. Achmea Reinsurance Company N.V. in 2021 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.

Non- compliance

Achmea uses short-cycle monitoring to ensure compliance with laws and regulations, and instances of non-compliance may occur. The monitoring revealed areas of concern in the areas of CDD, Privacy, Cyber security and Outsourcing.

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.

Capital position

Section B explains the solvency ratio under Solvency II and the composition of the eligible equity under Solvency II. 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. The ratings assigned by rating agencies to Achmea Reinsurance Company N.V. are set out below.

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 2021	31 DECEMBER 2020
Investments - at fair value changes through profit and loss		
Derivatives	617	1,622
Fixed income investments	6,494	5,328
Investments - available for sale		
Equities and similar investments	194,870	148,288
Fixed income investments	298,878	294,580
Total	**500,859**	**449,818**

Equity investments and similar investments amounting to €194.9 million (31 December 2020: €148.3 million) consist of investments in listed ordinary shares of €125.9 million (31 December 2020: €79.4 million), investments in real estate funds of €5.3 million (31 December 2020: €2.9 million), investments in fixed-income funds of €33.1 million (31 December 2020: €26.1 million) and investments in Alternatives of €30.6 million (2020: €39.9 million).

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

MOVEMENT TABLE INVESTMENTS

(X €1,000)

	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	**6,950**	**912**	**442,868**	**426,982**	**0**	**459,032**	**449,818**	886,926
Investments and loans granted	7,360	6,381	347,378	314,766			354,738	321,147
Divestments and disposals	-5,860	439	-323,748	-298,313	0	-434,778	-329,608	-732,652
Fair value changes		190	24,636	4,887			24,636	5,077
Foreign currency differences	-1,231	-969	4,784	-3,530	0	-24,254	3,553	-28,753
Amortisation	-110	-3	-1,941	-2,020			-2,051	-2,023
Accrued interest and rental	2		-229	96			-227	96
Balance at 31 December	**7,111**	**6,950**	**493,748**	**442,868**	**0**	**0**	**500,859**	449,818

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 €227.4 million (2020: €243.3 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 2021	31 DECEMBER 2020
Government and Government related or guaranteed bonds	147,461	134,758
Securitised bonds	15,941	5,253
Corporate bonds	141,970	159,898
Total	**305,372**	**299,908**

DERIVATIVES CLASSIFIED BY NATURE

(X €1,000)

	ASSETS	LIABILITIES	31 DECEMBER 2021
Interest rate derivatives	164	11	153
Currency derivatives	254	1,541	-1,287
Equity derivatives	7	18	-11
Other derivatives	192		192
	617	**1,570**	**-953**
	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**

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

(X €1,000)

31 DECEMBER 2021	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	→ 5 YEARS	TOTAL
Interest rate derivatives	11				11
Currency derivatives	1,541				1,541
Equity derivatives	18				18
	1,570				**1,570**
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**

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

(X €1,000)

			31 DECEMBER 2021			31 DECEMBER 2020
	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Interest Rate derivatives	3,481	164	11	3,532	29	28
Currency derivatives	102,909	254	1,194	60,181	1,465	267
	106,390	**418**	**1,205**	**63,713**	**1,494**	**295**

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.

ACCOUNTING POLICIES

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:

- Investments held for trading 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.

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

(X €1,000)

	31 DECEMBER 2021 LIABILITIES RELATED TO INSURANCE CONTRACTS	31 DECEMBER 2021 AMOUNTS CEDED TO REINSURERS	31 DECEMBER 2020 LIABILITIES RELATED TO INSURANCE CONTRACTS	31 DECEMBER 2020 AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	70,850	44,133	62,210	38,776
Outstanding claims (including IBNR)	357,264	180,293	268,672	133,459
Total Non-life insurance	**428,114**	**224,426**	**330,882**	**172,235**
Life insurance	**53,789**	**6,203**	**59,724**	**3,943**
Total	**481,903**	**230,629**	**390,606**	**176,178**

The liabilities related to insurance contracts increased to €481.9 million (2020: €390.6 million). Achmea Non-Life business increased with €57.2 million mainly because of a contract in the income protection portolio (€39.9 million) and a claim in 2021 (snow pressure) of €12.0 million. Third party Non Life business increased by €30.3 million mainly because of the catastrophes hurricane Ida, Flood Bernd and Windstorm Uri.

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)

2021	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	9,614	51,750	42,314	18,110	121,788
Property & Casualty	174,659	54,735	49,809	27,123	306,326
Life Insurance	19,781	15,879	15,607	2,522	53,789
Balance at 31 December	**204,054**	**122,364**	**107,730**	**47,755**	**481,903**

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**

PORTFOLIO ANALYSIS

(X €1,000)

	31 DECEMBER 2021		31 DECEMBER 2020	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Life	53,789	11	59,724	15
Property	197,788	41	145,873	38
Casualty	108,538	23	98,273	25
Income Protection	121,788	25	86,736	22
Total	**481,903**	**100**	**390,606**	**100**

MOVEMENT TABLE NON-LIFE (X €1,000)

	2021		2020	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
PROVISION FOR UNEARNED PREMIUMS NON-LIFE				
Balance at 1 January	62,210	38,776	48,379	33,653
Added during the year	254,208	153,112	232,167	139,969
Released to the Income Statement	-245,568	-147,755	-218,336	-134,846
Balance at 31 December	**70,850**	**44,133**	**62,210**	**38,776**
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	268,672	133,459	199,546	103,291
Current period claims reported	106,221	51,400	93,903	45,057
Previous period claims reported/released	28,540	8,963	11,102	6,438
Plus claims reported	**134,761**	**60,363**	**105,005**	**51,495**
Current period claims paid	4,864	3,769	3,564	2,306
Previous period claims paid	41,305	9,762	32,315	19,021
Less claims paid	**46,169**	**13,529**	**35,879**	**21,327**
Balance at 31 December	**357,264**	**180,293**	**268,672**	**133,459**
TOTAL NON-LIFE	**428,114**	**224,426**	**330,882**	**172,235**

The reinsurance liabilities include claims handling costs of €4.7 million (2020: €4.6 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)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	106,221	93,903	79,666	88,528	69,494	199,629	21,921	3,809	66,447	4,051	
One year later		116,220	78,529	97,982	56,250	189,936	16,905	3,049	66,558	6,567	
Two years later			72,300	97,236	49,588	187,354	16,710	2,975	66,311	5,403	
Three years later				95,163	48,409	183,953	25,862	2,817	66,214	7,937	
Four years later					46,280	183,924	31,805	2,756	65,963	7,738	
Five years later						186,450	31,743	1,227	65,901	7,810	
Six years later							31,732	1,169	65,631	7,653	
Seven years later								2,058	65,762	7,537	
Eight years later									65,694	8,693	
Nine years later										9,114	
Estimate of cumulative claims	**106,221**	**116,220**	**72,300**	**95,163**	**46,280**	**186,450**	**31,732**	**2,058**	**65,694**	**9,114**	**731,232**
Cumulative payments	4,864	27,795	22,675	87,310	41,026	181,279	14,195	708	64,118	4,845	448,815
Reinsurance liabilities claims prior years (<2012)											74,847
Outstanding claims at 31 December 2021	**101,357**	**88,425**	**49,625**	**7,853**	**5,254**	**5,171**	**17,537**	**1,350**	**1,576**	**4,269**	**357,264**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(X €1,000)

(NET OF REINSURANCE)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	54,821	48,847	28,645	64,476	58,296	32,346	8,894	3,809	13,826	3,619	
One year later		66,806	28,298	67,438	49,432	27,535	3,717	2,599	14,266	6,135	
Two years later			22,579	67,842	42,772	26,360	3,482	2,525	14,169	4,971	
Three years later				66,013	41,593	26,360	3,133	2,367	14,072	7,505	
Four years later					39,465	26,021	9,076	2,306	13,820	7,306	
Five years later						28,432	3,014	1,227	13,687	7,378	
Six years later							3,003	1,169	13,489	7,221	
Seven years later								1,250	13,620	7,105	
Eight years later									13,552	8,261	
Nine years later										8,682	
Estimate of cumulative claims	**54,821**	**66,806**	**22,579**	**66,013**	**39,465**	**28,432**	**3,003**	**1,250**	**13,552**	**8,682**	**304,603**
Cumulative payments	1,095	23,333	11,858	58,745	34,212	24,332	966	708	11,976	4,413	171,638
Reinsurance liabilities claims prior years (<2012)											44,006
Outstanding claims at 31 December 2021	**53,726**	**43,473**	**10,721**	**7,268**	**5,253**	**4,100**	**2,037**	**542**	**1,576**	**4,269**	**176,971**

MOVEMENT TABLE LIFE

(X €1,000)

	2021		2020	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
PROVISION FOR LIFE POLICY LIABILITIES				
Balance at 1 January	59,724	3,943	516,234	1,961
Benefits paid	-26,281	-4,880	-457,385	-4,440
Net premiums received	58,463	15,182	56,446	14,593
Technical result	-37,599	-8,042	-80,819	-8.171
Foreign currency differences			24,254	
Unwinding of discount	156		3	
Effect of changes in benchmark rate	-674		993	
Balance at 31 December	**53,789**	**6,203**	**59,724**	**3,943**
TOTAL LIFE INSURANCE LIABILITIES	**53,789**	**6,203**	**59,724**	**3,943**

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 an Irish seated 'Designated Activity Company', 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. 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.

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, 3.60% at year-end 2021, 3.75% at year-end 2020). 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.

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 2021

(X €1,000)

			TOTAL
	LEVEL 1	LEVEL 2	31 DECEMBER 2021
Assets			
Recurring fair value measurements			
Investments			
Equities and similar investments	139,845	55,026	194,870
Fixed income investments	288,852	16,520	305,372
Derivatives	170	446	617
Cash and cash equivalents	37,006		37,006
Total assets measured at fair value on a recurring basis	**465,873**	**71,992**	**537,865**
Non-recurring fair value measurements			
Liabilities			
Derivatives	30	1,540	1,570
Total liabilities measured at fair value on a recurring basis	**30**	**1,540**	**1,570**

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**

Main changes in the fair value hierarchy in 2021

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. In 2021 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 2021				FAIR VALUE AS AT 31 DECEMBER 2021
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Receivables and accruals	100,053		100,053		100,053
Liabilities					
Deposits from reinsurers	7,949		7,949		7,949
Other liabilities and accruals	54,852		54,852		54,852

(X €1,000)

	CARRYING AMOUNT AS AT 31 DECEMBER 2020				FAIR VALUE AS AT 31 DECEMBER 2020
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		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

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.

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)

	2021	2020
Gross written premiums non-life	254,208	232,166
Reinsurance premiums	-153,112	-139,969
Change in provision for unearned premiums	-3,283	-8,708
Net earned premiums Non-life	**97,813**	**83,489**
Gross written premiums life	58,463	56,446
Reinsurance premiums	-15,182	-14,593
Change in provision for unearned premiums	-251	-942
Net earned premiums Life	**43,030**	**40,911**
Total net earned premiums	**140,843**	**124,400**

BREAKDOWN GROSS WRITTEN PREMIUMS TO BRANCHES

(X €1,000)

	2021	2020
Non-life insurance		
Casualty	9,701	8,468
Property	185,103	157,712
Health	59,404	65,986
Gross written premiums Non-life	**254,208**	**232,166**
Gross written premiums Life	**58,463**	**56,446**
Total gross written premiums	**312,671**	**288,612**

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)

	2021	2020
Direct income		
Investments available for sale	6,288	3,249
Investment costs	-631	-360
Total	**5,657**	**2,889**
Realised and unrealised results on financial assets and derivatives liabilities		
Investments at fair value through profit or loss	4,191	-4,007
Investments available for sale	18,253	6,076
Total	**22,444**	**2,069**
Impairment losses on investments		
Investments available for sale	-846	-4,404
Total	**-846**	**-4,404**
Foreign currency differences	-2,174	-24,817
Total income from investments	**25,081**	**-24,263**

The Investment Income increased strongly by €49.5 million. This increase is caused by a large realised and unrealised result on financial assets of €23.1 million due to rising share prices and higher realised gains on fixed-income securities. In addition, there is a positive effect on the foreign currency differences of €22.6 million as a result of a significant drop in the exchange rate of the British pound in 2020.

DIRECT INCOME INVESTMENT BY CATEGORY

(X €1,000)

	2021	2020
Direct income own account by type:		
Interest income	78	528
Dividend	6,210	2,721
Total	**6,288**	**3,249**

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)

	2021 GROSS	2021 REINSURANCE	2020 GROSS	2020 REINSURANCE
Non Life				
Claims paid	46,169	13,529	35,879	21,327
Changes in insurance liabilities own risk	88,592	46,834	69,126	30,167
	134,761	**60,363**	**105,005**	**51,494**
Life				
Benefits paid	26,279	4,879	457,385	4,440
Changes in insurance liabilities	-6,185	2,260	-457,453	1,983
	20,094	**7,139**	**-68**	**6,423**
Total net expenses from insurance contracts	**154,855**	**67,502**	**104,938**	**57,917**

For changes in insurance liabilities, reference is made to note 4 Liabilities related to insurance contracts and ceded to reinsurers.

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)

	2021	2020
Staff expenses	7,148	6,328
General expenses	6,016	6,419
Gross operating expenses	**13,164**	**12,747**
Changes in deferred acquisition costs		**8,603**
Commissions paid and accrued	64,733	52,332
Reinsurance profit sharing and commission	-25,701	-23,046
	39,032	**29,286**
Total operating expenses	**52,196**	**50,636**

Personnel

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

At year-end 2021, 46.8 full-time equivalents (FTEs) worked for Achmea Reinsurance Company N.V. (2020: 43[2] FTEs).

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. As the amount of deferred acquisition costs was fully released to the income statement in prior year, there was no movement in current year.

Commissions paid and accrued

The commissions paid and accrued increased by €10,0 million due to the developments in incoming business from third parties.

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 disclosed. 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 2021	31 DECEMBER 2020
Receivables from accepted reinsurance	4,925	9,256
Receivables from retrocession	5,259	4,576
Investment receivables	166	155
Other prepayments and accrued income	66,408	56,009
Deposits to cedants	21,027	6,206
Taxes and social security premiums	2,268	2,106
Total	**100,053**	**78,308**

An amount of €12.5 million (31 December 2020: €4.8 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 2021 and 2020. The Receivables from accepted reinsurance and Other prepayments and accrued income are significantly higher in 2021 as compared to 2020. This is attributable to the WGA/WIA contract and concerns the unrealised premiums/still to be expected premiums. Please read this in conjunction with note 13. The impact on the balance is nil.

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 2021	31 DECEMBER 2020
Bank balances	37,006	25,448
Balance at 31 December	**37,006**	**25,448**

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 2021 and 2020, there were no movements in the paid-up and called-up capital.

Share premium

In 2021, as was the case in 2020, 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 €1.5 million (2020: €0.3 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 €1.5 million (2020: €0.3 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 2021, 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 2020 the result is added to the Retained Earnings by resolution of the General Meeting of the company.

In 2021 no dividends were paid to the shareholder out of the retained earnings.

13. FINANCIAL LIABILITIES

OTHER LIABILITIES (X €1,000)

	31 DECEMBER 2021	31 DECEMBER 2020
Liabilities out of direct insurance	10,926	11,068
Deposits from reinsurance	7,949	1,461
Liabilities to group companies	1,188	957
Accruals and deferred income	42,738	32,945
Balance at 31 December	**62,801**	**46,431**

Accruals and deferred income is significantly higher in 2021 compared to 2020. This is attributable to the WGA/WIA contract. Please read this in conjunction with note 10. The impact on the balance is nil.

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 2021	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2021
Investments	5,669	1,544	1,679	273	9,165
Deferred Tax local tariff change		30			30
	5,669	**1,574**	**1,679**	**273**	**9,195**
Deferred tax liabilities	5,669				9,195

(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		
	5,781	**-1,544**	**1,432**		**5,669**
Deferred tax liabilities					5,669

In the 2022 Tax Plan, the decision has been made to increase the corporate tax rate in the Netherlands from 25% to 25.8% as of 1 January 2022. Achmea Reinsurance Company N.V. made an estimation of the effect of this tax rate change on the deferred tax positions and has attributed expected future realisations to specific financial years. The rate change has a very limited effect at Achmea Reinsurance Company N.V.

An amount of €0.3 million (2020: nil) of the Deferred tax assets and liabilities is expected to be recovered more than twelve months after reporting date.

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.

15. OTHER EXPENSES

(X €1,000)

	2021	2020
Net foreign currency differences		1,035
Other technical expenses	853	442
Charged expenses	7	14
Total	**860**	**1,491**

Restructuring charges (2021: €7 thousand; 2020: €14 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)

	2021	2020
Result before tax	26,571	1,765
Corporation tax rate	25,0%	25.0%
Income tax using the corporation tax rate	6,643	441
Tax effect on:		
Change in tax rate	30	71
Effective tax amount	**6,673**	**512**

The effective tax rate in 2021 amounts to 25.1% (2020: 29.0%).

INCOME TAX EXPENSES

(X €1,000)

	2021	2020
Current tax expenses		
Current year	4,826	2,056
	4,826	**2,056**
Deferred tax expenses		
Current year	1,553	-1,615
Prior year	264	
Reduction in tax rate	30	71
	1,847	**-1,544**
Total Income tax expense in Income Statement	**6,673**	**512**

Deferred income tax of €1.6 million (2020: €-1,5 million) has been disclosed in more detail in Note 14 Deferred tax assets and liabilities.

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)

			2021			2020
	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'	22,891	-5,977	16,914	5,711	-1,982	3,729
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	-18,039	4,509	-13,530	-6,613	1,652	-4,961
Impairment charges on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	845	-211	634	4,404	-1,102	3,302
Total Other comprehensive income	**5,697**	**-1,679**	**4,018**	**3,502**	**-1,432**	**2,070**

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 2021 amounted to €-0.7 million (31 December 2020: €1.3 million). 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 €4.2 million (2020: €2.8 million) and the fair value changes of the related derivatives amounted to €4.9 million (2020: €2.7 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 2021.

Contingent assets

CONTINGENT ASSETS (X €1,000)

	2021	2020
Commitment relates to Investments	14,000	
Guarantee received		19,573
Balance at 31 December	**14,000**	**19,573**

No guarantees from reinsurers were received by Achmea Reinsurance company N.V. in 2021.

Contingent liabilities

CONTINGENT LIABILITIES (X €1,000)

	2021	2020
Deed of pledge	66	61
Balance at 31 December	**66**	**61**

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 €66 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 2021	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments	66,900	50,209	34,820	64,017	86,924		2,502	305,372
Derivatives		160	10	192			255	617
Amounts ceded to reinsurers			173,420	42,197	646	1,415	12,951	230,629
Receivables and accruals		186	28,766	57,741	816	3,111	9,433	100,053
Cash and cash equivalents			20,390	16,616				37,006

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

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 2021	**0-3 MONTHS**	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Receivables and accruals	1,037	90	828	1,955	42,845

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	34,348

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 2021	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	617		617			180	
Derivatives liabilities		1,570	1,570		-589		
				-953	-589	180	-1,362
Cash and cash equivalents	64,718	62,359	2,359	2,359			2,359
31 DECEMBER 2020							
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

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. No triggers indicating a significant change in the activities of Achmea were hit in 2021.

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 €33.1 million (2020: €26.1 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 2021	FAIR VALUE AS AT 31 DECEMBER 2021	CHANGE IN FAIR VALUE FOR THE YEAR 2021	BOOK VALUE AS AT 31-12-2021	FAIR VALUE AS AT 31-12-2021	CHANGE IN FAIR VALUE FOR THE YEAR 2021	BOOK VALUE AS AT 31-12-2021 [1]	FAIR VALUE AS AT 31-12-2021	CHANGE IN FAIR VALUE FOR THE YEAR 2021
Investments									
Equities and similar investments				194,870	194,870	27,497	194,870	194,870	27,497
Fixed income investments	296,027	296,027	-4,752	9,345	9,345	-161	305,372	305,372	-4,913
Derivatives				617	617	1	617	617	1
Receivables and accruals	166	166					166	166	

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 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				148,288	148,288	1,391	148,288	148,288	1,391
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	

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.*

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 2021									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	66,900	50,209	34,820	61,270	80,326		2,502	296,027	2,502	2,502
Receivables and accruals							166	166	166	166
Cash and cash equivalents			20,390	16,616				37,006		

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		

21. RELATED PARTY TRANSACTIONS

Nature of related party transactions

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. subsidiary).

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 collective defined contribution pension plan (executed by 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.

REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

The members of the Board of Directors of Achmea Reinsurance 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 B.V., 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 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)

	2021	2020
Short term employee benefits	501	491
Post-employment benefits	246	238
Other long term employee benefits	22	26
Employers' share social security contributions	17	16
Total	**786**	**771**

A total amount of €786 thousand was recognised in the reporting period 2021 for Board Directors remuneration (2020: €771 thousand). This total amount pertains to the performance year 2021, except the variable remuneration for 2021. 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 2021 and 2020. For the performance year 2020 it was decided after the adoption of the Financial Statements 2020 to award a variable remuneration to the Board of Directors of Achmea Reinsurance Company N.V. This expense is recognised in 2021. Likewise in 2020 the expense was recognised for variable remuneration for the performance year 2019.

Below is an overview of the remuneration of the Board of Directors of Achmea Reinsurance Company N.V. for the performance year 2021. 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 2020.

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 2021[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) [2,4]	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	263	t.b.d.	t.b.d.	55	40	41	399
H.Chr. Mentink	216	t.b.d.	t.b.d.	55	29	26	326
Total 2021	**479**	**t.b.d.**	**t.b.d.**	**110**	**69**	**67**	**725**
Total 2020	**465**	**22**	**22**	**110**	**68**	**59**	**746**
Average number of active Directors 2021: 2,00							
Average number of active Directors 2020: 2,00							

1. *All active board Directors were employed throughout 2021.*
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 €112,189 (this is the fiscal cap 2021; 2020 €110,111), 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.*
4. *€88 thousand was recognised as a liability at the balance sheet date in respect of deferred variable remuneration awarded (conditionally) in previous years to current and former board members.*

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 2021 the salary of the members of the Board of Directors was raised by 3.1%. Insofar as applicable the benefit of private use of a lease car is also included in the fixed annual salary.

Variable remuneration awarded

At the time of adoption of the Annual Accounts 2021, the decision on the award of variable remuneration for the performance year 2021 will not yet have been taken.. Should this be awarded, then this is included in the Remuneration Report 2021 that is expected to be published in May 2022. This variable remuneration would be recognised in the Financial Statements 2022. For the performance year 2020 the decision on the 2020 variable remuneration was finalized after the adoption of the Financial Statements 2020 and it was decided to award a variable remuneration in the amount of €44 thousand to the Board of Directors of Achmea Reinsurance Company N.V. This amount is recognised as an expense in the Financial Statements 2021.

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 2021:

- Maximum pensionable salary €112,189
- Accrual 1.875% per year
- State pension offset €14,844
- 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 2021 the fiscal cap is €112,189.

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 €112,189. In 2021 this percentage is 25,2% of the pensionable salary over the fiscal cap. This calculation is performed annually in January by Willis Towers Watson.

Termination benefits

Both in 2021 and 2020 no termination benefits were awarded related to termination of a labour contract.

Clawback

In 2021, 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 2020.

Loans

Members of the Board of Directors have loans outstanding with the banking operations of Achmea. The loans amount to €0.13 million (2020: €0.13 million). The weighted interest rate of these loans is 2.25% (2020: 2.25%). The loans are mortgage loans. In 2021 nil has been repaid (2020: nil).

Remuneration of supervisory board members

In 2021 two members of the Supervisory Board of Achmea Reinsurance Company N.V., Mr. Lamie (chairman) and Mrs. Suur 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 for her activities in 2021 (2020: €17,500).

For more details on remuneration of the Executive Board of Achmea B.V., reference is made to the Achmea B.V. financial statements.

Members of the Supervisory Board have no loans outstanding with the banking operations of Achmea at year-end 2021 and 2020.

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

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 2021.

In 2021, as in 2020, there are no transactions with shareholders and ultimate parent company.

TRANSACTIONS WITH ASSOCIATES OF THE ACHMEA GROUP (X €1,000)

	31 DECEMBER 2021	31 DECEMBER 2020
Receivables from accepted reinsurance:		
Achmea Schadeverzekeringen N.V.		6,520
Eureko Sigorta A.S.	43	
Interamerican Property & Casualty Insurance Company Single Member S.A.	1	4
Total	**44**	**6,524**
Deposits to cedants:		
Achmea Schadeverzekeringen N.V.	340	263
Achmea Pensioen- en Levensverzekeringen N.V.	7,073	
Interamerican Property & Casualty Insurance Company Single Member S.A.	1,319	1,311
Total	**8,732**	**1,574**
Prepayments and accrued income:		
Assets		
Achmea Schadeverzekeringen N.V.	11,396	683
N.V. Hagelunie	576	78
Achmea Pensioen- en Levensverzekeringen N.V.		4,590
Interamerican Property & Casualty Insurance Company Single Member S.A.	652	
Total	**12,624**	**5,351**
Other liabilities		
Achmea Pensioen- en Levensverzekeringen N.V.	574	17
Interamerican Property & Casualty Insurance Company Single Member S.A.		6
N.V. Hagelunie	69	
Achmea Interne Diensten N.V.	1,164	940
Total	**1,807**	**963**

Liabilities related to insurance contracts:		
Achmea Schadeverzekeringen N.V.	253,073	203,177
N.V. Hagelunie	21,028	8,720
Interamerican Property & Casualty Insurance Company Single Member S.A.	5,345	2,595
Eureko Sigorta A.S.	791	405
Union Poist'ovna A.S.	682	273
Total	**280,920**	**215,170**
Liabilities from accepted reinsurance:		
N.V. Hagelunie	2,312	
Eureko Sigorta A.S.		32
Achmea Schadeverzekeringen N.V.	4,346	
Achmea Pensioen- en Levensverzekeringen N.V.	68	
Total	**6,726**	**32**

Earned Reinsurance premiums net of retrocession:		
Achmea Schadeverzekeringen N.V.	143,300	132,899
Achmea Pensioen- en Levensverzekeringen N.V.	15,706	14,728
N.V. Hagelunie	20,417	17,485
Eureko Sigorta A.S.	2,034	1,610
Union Poist'ovna A.S.	955	423
Interamerican Property & Casualty Insurance Company Single Member S.A.	5,210	2,532
Total	**187,622**	**169,677**
Claims net of retrocession:		
Achmea Schadeverzekeringen N.V.	60,668	75,677
Achmea Pensioen- en Levensverzekeringen N.V.	4,727	4,019
N.V. Hagelunie	16,391	3,820
Eureko Sigorta A.S.	343	578
Interamerican Property & Casualty Insurance Company Single Member S.A.	13	3
Total	**82,142**	**84,097**
Commissions:		
Achmea Schadeverzekeringen N.V.	14,768	13,546
N.V. Hagelunie	184	367
Achmea Pensioen- en Levensverzekeringen N.V.	8,241	7,262
Eureko Sigorta A.S.	209	213
Total	**23,402**	**21,388**
Administrative and investment expenses		
Achmea Investment Management B.V.	540	360
Total	**540**	**360**

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 2020
Achmea Interne Diensten N.V.		
Financial liabilities	1,164	940
Operating expenses including staff costs	13,341	12,747
Other expenses	8	14

Transactions, receivables and liabilities with other related parties

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.

Pension liabilities

Achmea Interne Diensten N.V. has placed the pension commitments for their employees which are deployed at 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 2021 financial statements of Achmea B.V. (www.achmea.com).

Pension costs charged to Achmea Reinsurance Company N.V. amount to €2.2 million in 2021 (2020: €1.7 million).

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 2020

The 2020 financial statements were adopted on 19 April 2021 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 2020 (€1,253thousand) to the retained earnings.

Proposal for allocation of Profit 2021

The Board of Directors proposes that the General Meeting appropriate the allocated result at year-end 2021 of €19,898 thousand entirely to the retained earnings. This proposal has not yet been incorporated in the financial statements.

24. SUBSEQUENT EVENTS

Storm damage 2022

In February 2022, parts of Europe, including the Netherlands, were hit by successive storms. Achmea Reinsurance Company N.V. is making an inventory of the damage suffered. As of publication date, the impact had not been fully calculated, although initial estimates place the damage for Achmea Reinsurance Company N.V. at around €20 million. The impact will be included in the results for the first half of 2022.

Ukraine

We are closely monitoring the course of events in Ukraine, including international measures and their economic impact on the financial markets and inflation. Achmea Reinsurance Company N.V. has very limited investments in Ukraine, Belarus and Russia.

AUTHORISATION OF THE FINANCIAL STATEMENTS

Tilburg, 7 April 2022

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

PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING RESULT 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 shareholder and supervisory board of Achmea Reinsurance Company N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Achmea Reinsurance Company N.V. based in Tilburg.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Achmea Reinsurance Company N.V. as at 31 December 2021 and of its result and its cash flows for 2021 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.

The financial statements comprise:
- The statement of financial position as at 31 December 2021
- The following statements for 2021: the income statement, the statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

We are independent of Achmea Reinsurance Company N.V. in accordance with the EU 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 assurance-opdrachten" (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).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Achmea Reinsurance Company N.V. is a reinsurer with focus on life and non-life business. Achmea Reinsurance Company N.V. provides reinsurance coverage to the Dutch and foreign insurance entities of Achmea Group but also to third parties. Achmea Reinsurance Company N.V. is part of the Achmea Group and is completely owned by Achmea B.V. Achmea Reinsurance Company N.V. outsources certain activities to shared service centers within Achmea Group and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain 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 override of internal control.

Materiality

Materiality	€ 6.000.000
Benchmark applied	2% of equity
Explanation	We consider Achmea Reinsurance Company N.V. total shareholder’s equity and solvency, and the ability to meet policyholder liabilities, key indicators for the users of its financial statements. As such, we have based materiality on total shareholder’s equity.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 300.000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the audit

Achmea Reinsurance Company N.V. has multiple activities which are being outsourced within Achmea Group to shared service centers. The financial information of these activities are included in the financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the outsourced activities . Decisive were the size and/or the risk profile of the activities. On this basis, we selected activities for which an audit or review had to be carried out on the complete set of financial information or specific items. The selected activities are Investment administration and Staff and general expense administration.

By performing the procedures mentioned above, together with additional procedures performed by ourself, we have been able to obtain sufficient and appropriate audit evidence about the financial information to provide an opinion about the financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the (re)insurance industry. We included specialists in the areas of IT audit, income tax and actuaries.

We performed our audit in cooperation with Internal Audit of Achmea Reinsurance Company N.V., leveraging their in-dept knowledge of Achmea Reinsurance and the work performed. We agreed about the joint coordination of the audit planning, the nature and scope of the work to be performed, the report and documentation. We evaluate and test the relevant work performed by Internal Audit to satisfy ourselves that the work is adequate for our purposes and established what work had to be performed by our own professionals.

Our focus on climate risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The board of directors of Achmea Reinsurance Company N.V. has reported in “Sustainability and climate change” in section 2 of the annual report how the Company is addressing climate-related and environmental risk and taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in accounting estimates and significant assumptions as well as in the design of relevant internal control measures by Achmea Reinsurance, including those related to the estimation of liabilities related to insurance contracts. Furthermore, we read report of the board of directors and considered whether there is any material inconsistency with the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the accounting estimates or significant assumptions used in the financial reporting per 31 December 2021.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and board of directors’ process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section Capital and risk management in the financial statements for the board of directors’ fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. Because of this risk, we have used data analysis, among other things, to identify and test journal entries with an increased risk. In our audit approach, we identified and addressed this risk as part of the audit procedures on the valuation of the liabilities related to insurance contracts. Due to the risk that management may override internal controls, we have, among other things, assessed judgments and estimates for trends that may present a risk of material misstatement. We refer to the key point ‘Uncertainties in the valuation of assets and liabilities arising from reinsurance contracts', in which this fraud risk and our audit approach are described.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading the Systematic Integrity Risk Analysis (SIRA), reading minutes, inspection of internal audit and compliance reports, inspection of correspondence with regulators and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

The board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism.

We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Hereby we also verified if the company is able to comply with solvency requirements for an insurer, for this we have taken note of the Own Risk & Solvency Assessment (ORSA). 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.

Based on our procedures performed, we did not identify serious doubts on the entity's ability to continue as a going concern for the next 12 months.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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 discussed.

Uncertainties in the valuation of liabilities arising from reinsurance contracts	
Risk	Achmea Reinsurance Company N.V. recognizes in the 2021 financial statements € 482 million in liabilities related to insurance contracts, of which € 54 million relates to Life business and € 428 million relates to Non-life business. The liabilities related to insurance contracts concerns 55% of the balance sheet total. The measurement of liabilities related to insurance contracts and the associated adequacy test requires judgments about uncertain future outcomes, whereby various assumptions are made with regard to the ultimate settlement value of the insurance liabilities in the adequacy test. The main assumptions relate to claims development, especially in the field of personal injury (including actuarial interest), the provision for claims incurred but not yet reported (IBNR provision), morbidity and mortality risks, catastrophe risk, default probabilities, recovery probabilities, future costs and assumptions used in the liability adequacy test. The use of other actuarial techniques and assumptions may lead to materially different results of estimates of the liabilities related to insurance contracts. We therefore consider the estimates used in calculating the liabilities related to insurance contracts to be a key audit matter.

	The assumptions and uncertainties also relate to the amounts ceded to reinsurers of € 231 million. We refer to note 4. Liabilities related to insurance contracts and amounts ceded to reinsurers of the financial statements.
Our audit approach	Our audit procedures included evaluating the appropriateness of the company's accounting policies with respect to the measurement of insurance liabilities and the adequacy test to determine whether they comply with IFRS 4 'Insurance contracts'. We further assessed whether the assumptions and methods used to determine estimates are appropriate and have been applied consistently. We have deployed our actuarial specialists to assist us in the audit work in this area. Our main audit procedures included an evaluation of the company's methodology for calculating insurance liabilities and an evaluation of the design of related internal controls related to the measurement of the liabilities related to insurance contracts and the adequacy test. We have considered the analyzes of the development of the insurance liabilities during the year. We have assessed whether the changes are consistent with the Company's changes in assumptions, our understanding of industry developments and our expectations based on market experience (including assumptions and effects of climate change). In doing so, we considered the adequacy of the company's adequacy test. This is an important test performed to determine whether the recognized insurance liabilities are adequate, using current estimates of future cash flows from insurance contracts and a risk margin. In doing so, we also take into account the risk that management may override internal controls In addition, we performed specific audit procedures to assess the reasonableness of estimates of claims trends, in particular for the IBNR provision and catastrophe risk. We have reviewed the disclosures of Achmea Reinsurance Company N.V. with regard to insurance liabilities and the results of the adequacy test in accordance with IFRS 4 'Insurance contracts'. In this context, we assessed in particular whether the disclosures adequately reflect the degree of estimation uncertainty.
Key observations	We believe that the estimates used in calculating the liabilities related to insurance contracts are reasonable. The disclosures regarding the insurance liabilities including related results comply with the requirements of EU-IFRS.

Disclosures on the capital position based on Solvency II regulations	
Risk	Achmea Reinsurance has disclosed its capital position based on Solvency II principles in note Capital and risk management in the financial statements. The disclosure provides insight into the capital position of Achmea Reinsurance Company N.V. based on Solvency II principles compared to the capital position under IFRS. the capital position is determined based on the available capital (€314,8 million) and required capital (€179,0 million). This results in a solvency ratio of 176% as at 31 December 2021. The determination of the solvency ratio requires judgement, among other things regarding the use of methods and the determination of the 'best estimate'. This relates primarily for the calculation of the technical provision, the risk margin and the required capital, taking into account the loss compensation regarding taxes (LAC DT).

	Achmea Reinsurance Company N.V. uses a partial internal model to determine the capital requirements that has been approved by the College of Supervisors. Achmea Reinsurance Company N.V. also uses a partial internal model for determining the non-life natural catastrophe risk and market risk. For the other risks, Achmea Reinsurance Company N.V. uses the standard formula when determining the capital requirements. We have taken the proportion and reasonableness for the capital position and the Solvency II ratio as disclosed in the financial statements as key audit matter.
Our audit approach	With the help of our actuarial specialists, we performed audit procedures on the Solvency II calculations. These include: • Considering the appropriateness of the assumptions regarding mortality, claims, work disability and lapse costs used in the measurement of the best estimate of the technical provisions. We have used company-specific and sector-specific data and expectations for future developments in mortality and costs in our overweight position. • Considering the appropriateness of the methodology used to estimate the risk margin compared to company-specific and sector-specific data and generally accepted methods in actuarial practice. • Reviewing the model validations performed (including the partial internal models used to determine the capital requirements including new elements such as equity and real estate risk and changes in flood risk) and evaluating the impact of any findings of the Risk management and the Actuarial Function. • Evaluating the methodology and assumptions for accounting for tax loss absorbing capacity (LACT DT) in the calculation of the capital requirement compared to company and industry data and the results of internal and external assessments made during the year with regard to the methodology and the assumptions. • Reading correspondence with the regulator, and verified that potential findings regarding the determination of the capital position are correctly applied. We have evaluated the design and existence of internal controls with regard to Solvency II calculations and, where deemed necessary, tested their effectiveness. The evaluation included, where relevant, the interpretation of guidelines, assumptions and random repetition of calculations. We have assessed whether the disclosure of capital and risk management, including the explanation of the assumptions made by the group and their impact (such as the application of the contract limits of disability insurance), in note 2 'Capital and risk management of the financial statements are in accordance with the requirements of IAS 1 'Presentation of Financial statements'.
Key observations	We believe that the disclosure of the capital position and the Solvency II ratio, including the assumptions used and its impact, is adequate and meets the requirements of EU-IFRS.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the board of directors report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Other information

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is 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 board of directors board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the general meeting as auditor of Achmea Reinsurance Company N.V. on 16 December 2019, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of 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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, board of directors is responsible for such internal control as board of the 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, board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. 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 objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our

opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- 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 board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

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 findings in internal control that we identify during our audit.
In this respect we also submit 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 safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, 7 April 2022

Ernst & Young Accountants LLP

Signed by drs. M. Koning RA