ASR Aanvullende Ziektekostenverzekeringen N.V.
SFCR

2016

a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Table of contents

Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in annex XX of the of the Solvency II Directive Delegated Acts. The subjects addressed are based on article 51 to 56 of the Solvency II Directive and act 292 up to and including 298 of the Delegated Acts. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates.

All amounts in this report are presented in thousands of euros (€ thousand), being the functional currency of ASR Aanvullende Ziektekostenverzekeringen N.V. All amounts quoted in the tables contained in this report are in thousands of euros (€), unless otherwise stated.

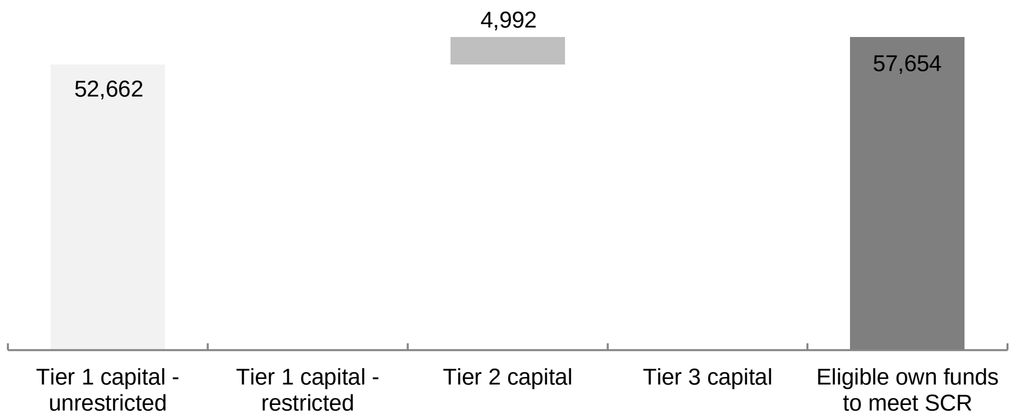
Referring to Solvency, 2015 figures are not presented here, as Solvency II replaced Solvency I as at 1 January 2016, which makes a comparison of these two years not useful.

A Business and performance

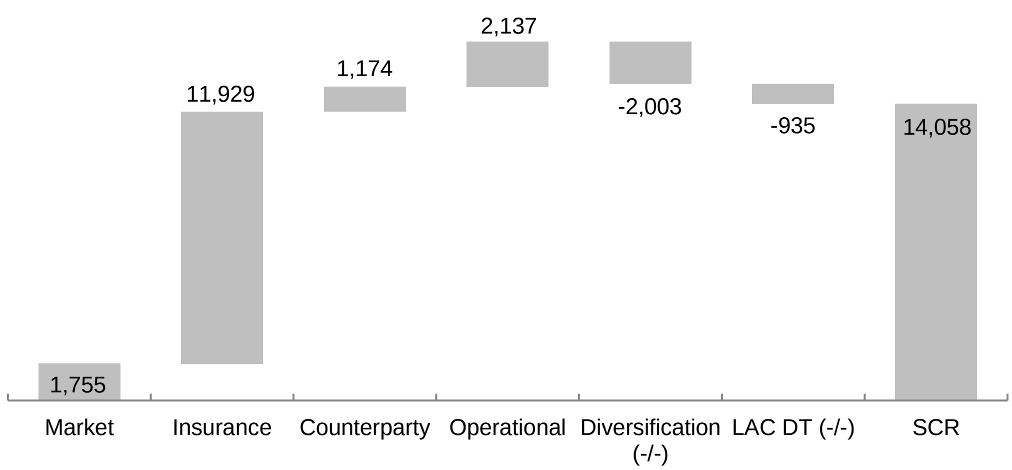
A.1 Business

Eligible own fund 2016

The key figures of ASR Aanvullende Ziektekostenverzekeringen N.V. are presented below. These figures give a short overview of the composition of the Eligible Own Funds (EOF) from a tiering perspective, the composition of the required capital following Solvency II and the reconciliation from IFRS equity to Solvency II EOF.

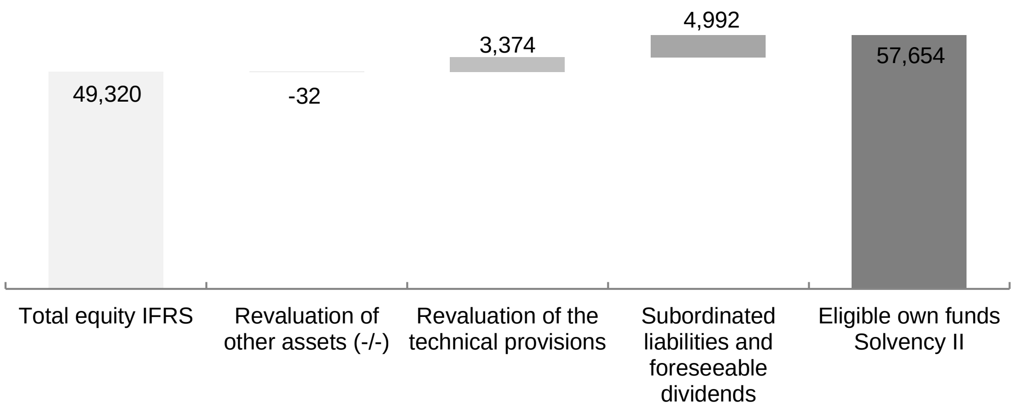


SCR 2016



The solvency ratio stood at 410% as per 31 December 2016 based on the standard formula as a result of €57,654 thousand EOF and €14,058 thousand Solvency Capital Requirement (SCR).

Reconciliation total equity IFRS vs EOF Solvency II



An extensive explanation of the reconciliation from IFRS equity to Solvency II EOF is presented in section D.

A.1.1 Profile

Object of the company
ASR Aanvullende Ziektekostenverzekeringen N.V. aims to promote the health of its customers and improve healthcare. ASR Aanvullende Ziektekostenverzekeringen N.V. helps its customers in a personal, expert and reliable manner. ASR Aanvullende Ziektekostenverzekeringen N.V. focuses on adding customer value and building a financially robust and effective organization. This ensures that customers know what they can count on with complete peace of mind.

ASR Aanvullende Ziektekostenverzekeringen N.V. offers health insurance that is supplementary to the basic health insurance under the Dutch Health Insurance Act.

Core activities
The core activity of ASR Aanvullende Ziektekostenverzekeringen N.V. is to offer health insurance supplementary to basic health insurance cover under the Dutch Health Insurance Act. In 2016, ASR Aanvullende Ziektekostenverzekeringen N.V. had 274,155 insured customers.

In 2016, the healthcare market was served with two labels: De Amersfoortse and Ditzo. Whilst sharing certain values that are common to the group, each of the brands has a clearly defined role of its own. De Amersfoortse specializes in health insurance for small and medium size businesses (SMEs) and self-employed people. Distribution takes place via the intermediary channel. Ditzo caters to price- and quality-conscious customers via the direct online channel and online healthcare comparison sites. In addition to own-label products, health insurance is also provided through underwriting agencies (IAK Volmacht B.V., Aevitae B.V. and Caresco B.V.).

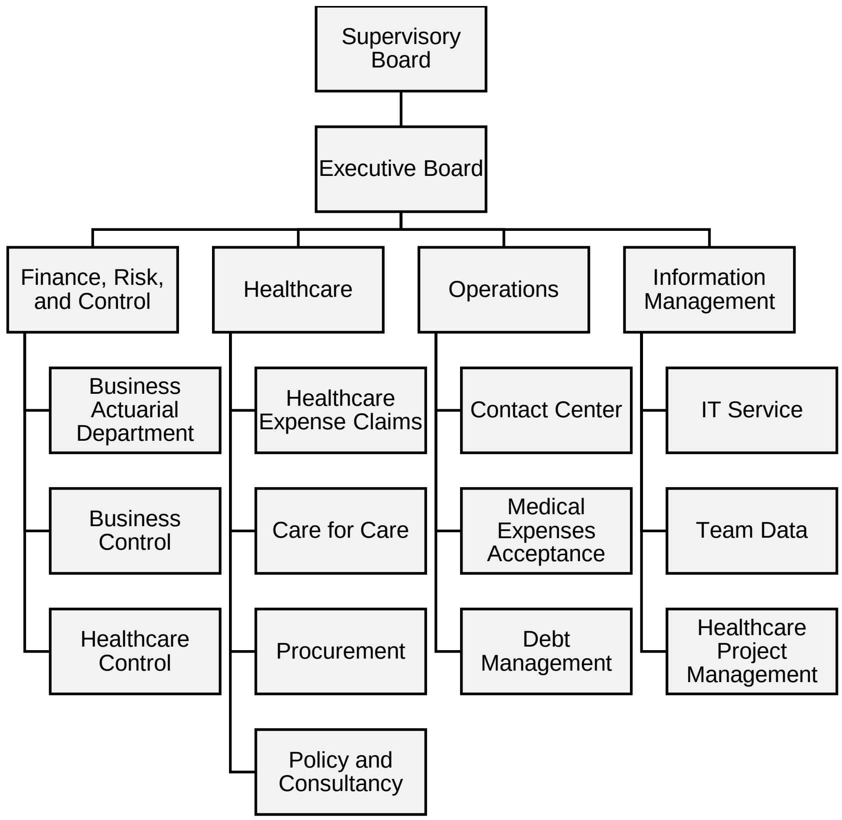
Legal structure of the company
ASR Aanvullende Ziektekostenverzekeringen N.V. is a wholly owned (100%) subsidiary of ASR Ziektekostenverzekeringen N.V., which is a wholly owned (100%) subsidiary of ASR Nederland N.V. (a.s.r.).

a.s.r. became a listed company following an Initial Public Offering (IPO) on 10 June 2016. Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI), placed the shares in the market. The shares are listed on Euronext Amsterdam (symbol ASRNL) and have been included in the AMX index (Amsterdam Midcap Index) since 19 September 2016. On 31 December 2016, NLFI held 63.7% of a.s.r. shares. Before the IPO on 2016, NLFI held 100% of a.s.r. shares. In 2017 NLFI reduced its position in a.s.r. to 36.8%

Interne organisatiestructuur en personele bezetting
Internal organisation structure
In 2016 ASR Basis Ziektekostenverzekeringen N.V. was divided into the following organizational units: Operations, Healthcare, Contact Centre, Information Management, and Finance, Risk and Control. Operations comprises the Medical

Expenses Acceptance and Debt Management. Healthcare can be subdivided into Healthcare Expense Claims, Care for Care, Procurement, and Policy and Consultancy. Information Management comprises Team Data, Healthcare Project. Management and IT Service.

Organizational chart
Below, the organizational chart of ASR Basis Ziektekostenverzekeringen N.V. is presented:



Staffing
All employees are on the payroll of a.s.r. The employees of a.s.r. work for both ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. In 2016, the headcount of internal employees rose from 113.3 FTEs to 143 FTEs. This increase was mainly due to the migration of the employees of Accounts Receivable Management as well as the colleagues of Project Management and Service Chain to a.s.r. Ziektekosten effective from 1 January 2016. As in previous years, the company operated with a relatively large flexible layer next to internal employees to absorb the extra work arising from the health insurance switching season.

In 2016, a change in the Executive Board took place within ASR Aanvullende Ziektekostenverzekeringen N.V. Ms P.H. van Holst opted to continue her career at the Association of Dutch Health Insurers and Ms J.D. Lansberg was appointed Director of Health Insurance Business, alongside Mr J.M. Hendriks.

The composition of the Supervisory Board (SB) of ASR Aanvullende Ziektekostenverzekeringen N.V. is as follows: C. van der Pol (chairman), A.P. Aris, J.P.M. Baeten and M.H. Verwoest. The composition of the Supervisory Board remained unchanged in 2016.

Key elements of the pursued policy
ASR Aanvullende Ziektekostenverzekeringen N.V. has the ambition to be the most personal health insurer and to deliver a positive brand experience for the a.s.r. labels. The rising Net Promoter Score (NPS) for customer contacts in 2016 reflects this ambition. The increase was achieved by listening carefully to the wishes of customers alongside ongoing efforts to improve the quality of services. At the front-end of the organization, the further digitization of information and delivery of

Standard Operating Procedures (SOPs) has led to enhanced uniformity and quality of information. Our efforts in the back-office focused on further staff specialization to make the organization more efficient and customer-focused.

Last year, a new De Amersfoortse product (‘Doorgaanverzekering’) was developed to boost the distinctiveness of ASR Aanvullende Ziektekostenverzekeringen N.V. This product offers a unique combination of Health and Income insurance. Two specific modules have been developed. One Doorgaan module is for business owners and provides extra cover aimed at absenteeism prevention and rapid re-integration. Attractive components for business owners include extra compensation for physiotherapy and psychological care, while employees receive extra compensation for specific ailments. The second module is for employees and contains extra care for e.g. oncology, strokes and family-related care. Another product launched this year was Pechvogelhulp. Ditzo offers this extra service to all its health insurance customers in 2017. Pechvogelhulp gives customers who have suffered an accident in the Netherlands extra coverage for medical expenses up to € 10,000. This concerns costs that are not covered by the basic or supplementary health insurance package.

ASR Aanvullende Ziektekostenverzekeringen N.V. is aware of its social responsibility as a health insurer. Various initiatives testify to this awareness. For instance, instead of conducting an expensive television marketing campaign for the 2017 health insurer switching season, it has decided to return this money to the customers in the form of a lower premium. Finally, ASR Aanvullende Ziektekostenverzekeringen N.V. once again achieved further growth. The number of insured persons rose from 2016 to 2017 by 6.8%.

One key event for ASR Aanvullende Ziektekostenverzekeringen N.V. was the IPO of ASR Nederland. ASR Aanvullende Ziektekostenverzekeringen N.V. is the only health insurer belonging to a listed organization. The process surrounding the IPO prompted a further focus on customer satisfaction, costs and solvency in order to ensure that ASR Aanvullende Ziektekostenverzekeringen N.V. can remain a robust health insurer.

Market and distribution developments

Market developments

The media and comparison sites have strong influence on customer behaviour. In 2016, the advertising budgets of health insurers came under scrutiny in the debate about medically necessary spending. As a result, the issues of access to any physician of preference and compulsory use of contracted health services attracted less attention. The number of switchers dropped in 2016 to 6.4% compared to 6.8% in 2015.

The exit survey showed that access to any physician of preference and the certainty of contracted care are subordinate to price in the customer’s decision-making process. Customers search for information online, mainly on comparison websites and websites of online providers. Comparison sites concentrate on price, the extent of access to any physician of preference (contracting & quality of care) and also the cover provided.

Ditzo stands out from other players by refraining from mass marketing campaigns. Ditzo prefers to approach customers through online social media, often centring on social themes that resonate with the target group. At product level, Ditzo meets the wishes of customers by offering a good premium combined with access to any physician of preference.

Distribution developments

Alongside online insurers, intermediaries who use comparison sites or offer online health insurance as underwriting agents play a dominant role in the distribution of health insurance. This is broadly similar to the picture in 2015.

Ditzo

The Ditzo label offers services to customers via the direct channel. The Pechvogel module was launched ahead of the 2017 health insurance switching season.

De Amersfoortse

De Amersfoortse is the label that offers its propositions via the intermediary channel. The focus here is on cooperation with the advisers who best match the various customer groups. The account managers play a key role in this connection. Intermediaries increasingly realize that healthcare is becoming more important in the advisory model, notably in the business market. This forms part of the trend towards lifelong employability. De Amersfoortse brand of ASR Aanvullende Ziektekostenverzekeringen N.V. specifically serves the SME niche market.

Quality control

ASR Aanvullende Ziektekostenverzekeringen N.V. wants to be the most personal health insurer offering excellent services to its customers. To this end, an extensive quality management system has been set up, outlining how ASR Aanvullende Ziektekostenverzekeringen N.V. wants to serve its customers. Based on the norms and standards contained in the quality policy, ASR Aanvullende Ziektekostenverzekeringen N.V. actively seeks to fulfil the quality requirements for customer-focused insurance, continuous process improvement in all departments, staff training and the retention of the Customer-Focused Insurance Quality Mark.

KPIs have been defined to actively monitor the achievement of the objectives. The progress and results on these KPIs are periodically shared within ASR Aanvullende Ziektekostenverzekeringen N.V.

ASR Aanvullende Ziektekostenverzekeringen N.V. greatly values the feedback from its customers. NPS measurements were performed in the 1st and 2nd line in 2016 to obtain even better insight into what customers think of our information, response and the quality of our customer contacts in general. This feedback was used to improve the processes and train our employees.

The ambition in the field of services to customers was translated into the achievement of a positive NPS score for customer contact.

The number of new complaints is falling and was 19% lower than in 2015. The NPS method is also used to ask customers for feedback on our complaints handling process.
To further improve our service to customers, our medical billing department has been reorganized to process claims by type of healthcare. Employees can now specialize much more in specific types of healthcare, leading to an improved quality of service.

In 2016, ASR Aanvullende Ziektekostenverzekeringen N.V. commenced the roll-out of its new customer contact strategy. This is aimed at enabling customers to contact us through the channel that suits them best. In addition, a very extensive dialogue manager was introduced so that customers are now better able to find the correct information on our websites.

In 2016, several customer journeys were performed. Examples include the ‘excess’ and ‘complaints’ customer journeys. The outcomes of both customer journeys were used to improve our services, for instance through the introduction of spread excess payments from 1 January 2017 and improvements to the complaints aftercare process.
ASR Aanvullende Ziektekostenverzekeringen N.V. conducts a yearly customer satisfaction survey. The outcomes and resulting points for improvement are shared with our customers through the website.

In 2016, the Customer Centric Insurance Foundation carried out a customer contact audit. The resulting recommendations enable ASR Aanvullende Ziektekostenverzekeringen N.V. to focus even more on the interests of our customers.

Finance

As an insurer, a.s.r., and hence also a.s.r. Aanvullende Ziektekostenverzekeringen N.V., has a relatively limited financing requirement. As a result, a.s.r. Aanvullende Ziektekostenverzekeringen N.V. makes limited use of money and capital markets. This is consistent with the prudent policy and financial robustness that a.s.r. aspires for. a.s.r. has ample resources and flexibility to meet its minimal financing requirements in an appropriate manner. Due to the relatively limited funding requirements, combined with the options for raising secured financing, a.s.r. currently has ample liquid assets to carry out its operations.

A.1.2 General information

The Solvency and Financial Condition Report is presented in euros (€), being the functional currency of ASR Basis Ziektekostenverzekeringen N.V. and all its group entities. All amounts quoted in the tables contained in these SFCR are in thousands of euros, unless otherwise indicated.

The SFCR has been prepared by and is the sole responsibility of the Company’s management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements. EY has examined the 2016 financial statements and issued an report thereon.

The SFCR has been prepared by and are the sole responsibility of the Company's management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements.

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Name and contact details of the external auditor

Name:	EY
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A.2 Underwriting performance

Key figures

- Profit for the year at €2,393 thousand (2015: €5,916 thousand);
- Gross written premiums down 0.7%, falling to €71,207 thousand (2015: €71,710 thousand);
- Operating expenses down 22.6% to €7,466 thousand (2015: €9,643 thousand);
- Deterioration in combined ratio to 94.9% (2015: 89.8%).

Key figures ASR Aanvullende Ziektekostenverzekeringen N.V. separate (x € 1,000)	**2016**	**2015**
Gross new business	7,509	7.659
Gross written premiums	71,207	71,710
Operating expenses	7,466	9,643
Profit/(loss) before tax	3,191	7,888
Income tax expense	798	1,972
Profit/(loss) for the year	2,393	5,916
Claims ratio	79.1%	72.7%
Expense ratio	15.8%	17.1%
Combined ratio	94.9%	89.8%

Gross new business

Gross new business remained virtually unchanged compared to last year. The portfolio of De Amersfoortse showed renewed growth in 2016, partly thanks to the Doorgaan proposition. Gross new business amounted to €7,509 thousand in 2016. The number of new policyholders was 48,000 in 2016. Most of this growth was achieved at the Ditzo label.

Gross written premiums

The adverse selection trend continued in 2016. Consumers seek supplementary insurance for the healthcare they expect to need. As a result, consumers select smaller or no supplementary insurance packages. This explains why gross written premiums fell relative to 2015, despite the increase in the number of policyholders.

Operating expenses

Operating expenses stood at €7,466 thousand (2015: €9,643 thousand). The decline is largely attributable to lower operating expenses due to tight cost controls. In addition, Costs per Acquisition (CPA) were transferred in 2016 from operating expenses to commission costs.

Profit/(loss) for the year
Profit for 2016 came to €2,393 thousand in 2016, down €3,523 thousand on 2015. Profit for the year declined due to a higher claims ratio. The claims ratio increased compared to last year because no positive effects from prior years were achieved in 2016. In addition, the prudential margin was raised in 2016, leading to a lower profit for the year.

Key figures
The combined ratio increased compared to last year, the main reason being the higher claims ratio described above.

Solvency and liquidity on balance sheet date
Equity rose from €46,877 thousand at year-end 2015 to €49,320 thousand at year-end 2016. This increase was due to the profit for the year that was achieved in 2016 (€2,393 thousand).

Solvency II took effect on 1 January 2016. The Solvency II ratio decreased by 35 percentage points to 410% (day-one 2016: 445%). The Solvency II ratio decreased from day-one 2016 mainly due to accretion driven by LACDT guidance.

A.3 Investment performance

ASR Aanvullende Ziektekostenverzekeringen N.V.'s investment policy is aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context.

A.3.1 Financial assets and derivatives

Financial assets and derivatives can be broken down as follows:

	31 December 2016	31 December 2015
Investments		
Available for sale	47,241	36,891
Loans and receivables	510	453
Derivatives assets	8	-
Derivatives liabilities	-	-3
Cash and cash equivalents	13,191	35,393
Total	**60,950**	**72,734**

For more detailed information about the fair value valuation of the financial assets and derivatives, please refer to chapter 2.6.2 of the annual report.

There is a small portfolio of derivatives to cover some investment risks.

The table below gives a detailed overview of the types of financial assets and derivatives held:

	31 December 2016	31 December 2015
Equities	4,024	3,775
Fixed-interest securities	43,217	33,116
Loans and receivables	510	453
Derivatives assets	8	-
Derivatives liabilities	-	-3
Cash and cash equivalents	13,191	35,393
Total	**60,950**	**72,734**

Investment income

The table below shows a breakdown of investment income per category:

	2016	2015
Interest income	2	330
Dividend and other investment income	121	128
Total investment income	**123**	**458**

The table below breaks down interest income per category:

	2016	2015
Interest income from investments	241	451
Other interest income	-239	-121
Total interest income	**2**	**330**

The effective interest method has been applied to an amount of € 241 thousand of the interest income from financial assets not classified at fair value through profit and loss (2015: € 451 thousand).

Dividend and other investment income per category can be broken down as follows:

	2016	2015
Dividend on equities	121	128
Total dividend and other investment income	**121**	**128**

A.3.2 Company statement of comprehensive income

(in € thousands)	2016	2015
Profit for the year	**2,393**	**5,916**
Unrealized change in value of available-for-sale financial assets	69	-725
Income tax on items that may be reclassified subsequently to profit and loss	-19	181
Total items that may be reclassified subsequently to profit and loss	**50**	**-544**
Total other comprehensive income for the year, after tax	**50**	**-544**
Total comprehensive income	**2,443**	**5,372**

The numbers following the line items refer to the relevant chapters in the notes of the annual report.

A.3.3 Information about investments in securities

As ASR Aanvullende Ziektekostenverzekeringen N.V. has no investments in securitization, no further information is included here.

A.4 Performance of other activities

No other activities are material.

A.5 Any other information

No other information is applicable.

B. System of governance

In the case where the text below refers to ‘the company’, ASR Aanvullende Ziektekostenverzekeringen N.V. is meant.

B.1 General information on the system of governance

B.1.1 Corporate governance

This paragraph contains a description of group policy, which is applicable for the solo entity. ASR Aanvullende Ziektekostenverzekeringen N.V. has its own governance structure, which is described below. On top of this, ASR Aanvullende Ziektekostenverzekeringen N.V. uses the facilities of the Group and has its own supervisory and executive board.

B.1.1.1 Supervisory Board Committees

Audit and Risk Committee

The Supervisory Board did nog institute an Audit and Risk Committee.
Audit and risk issues are discussed during a separate meeting of the Supervisory Board.

Selection, Appointment and Remuneration Committee

The Supervisory Board did not institute a Selection, Appointment and Remuneration Committee.

B.1.1.2 Corporate Governance

ASR Aanvullende Ziektekostenverzekeringen N.V. is a limited liability company. The company has a two-tier board; a Supervisory Board and an Executive Board. The General Meeting of Shareholders is authorized to appoint and dismiss members of the Executive Board and the Supervisory Board.

B.1.1.3 Supervisory Board

The Supervisory Board supervises the policy pursued by the Executive Board and the general course of affairs at ASR Aanvullende Ziektekostenverzekeringen N.V. and advises the Executive Board. Specific powers are vested in the Supervisory Board, including the approval of certain decisions taken by the Executive Board.

Composition

The Supervisory Board of ASR Aanvullende Ziektekostenverzekeringen N.V. consists of four members: C. van der Pol (chairman), A.P. Aris, J.P.M. Baeten and M.H. Verwoest. The Supervisory Board has drawn up a profile for its size and composition, taking into account the nature of ASR Aanvullende Ziektekostenverzekeringen N.V.’s business, its activities and the desired expertise and background of the Supervisory Board members.

The composition of the Supervisory Board is such that each supervisory director should have the skills to assess the main aspects of the overall policy and that the Supervisory Board as a whole meets the profile thanks to a combination of the experience, expertise and independence of the individual supervisory directors. The Supervisory Board is diverse in terms of the gender and professional background of its members. The diversity of its members ensures the complementary profile of the Supervisory Board.

Education and evaluation Supervisory Board of the Group

The Supervisory Board performs a self-assessment annually. The following aspects were assessed in the 2016 assessment:
Composition of the Supervisory Board:

- strengths and weaknesses;
- Effectiveness of the Supervisory Board processes:
- information-gathering, decision-making and focus on core themes;
- Advisory role to the Executive Board on important subjects;
- Role of employer: strengths and weaknesses.

The overall impression that emerged from this self-assessment was positive. Two Continuing Education (CE) sessions were organized for the members of the Supervisory Board in 2016. The first session for the Supervisory Board was about the risks and changes of global warming for the Insurance Industry. During the other session the Supervisory Board was educated and catched up about the impact of exponential technology on insurance business management and - strategy.

Independence and conflicts of interest

There were no reports of potential conflicts of interest by the other supervisory directors. The Supervisory Board has been able to exercise its tasks completely independently.

B.1.1.4 Executive Board

The Executive Board is responsible for the day-to-day conduct of business of ASR Aanvullende Ziektekostenverzekeringen N.V. and for the strategy, structure and performance. In performing their duties the Executive Board is guided by ASR Aanvullende Ziektekostenverzekeringen N.V.'s interests, which include the interests of the business connected with ASR Aanvullende Ziektekostenverzekeringen N.V., which, in turn, include the interests of customers, insurers, employees and, in general, the society in which ASR Aanvullende Ziektekostenverzekeringen N.V.'s business is carried out. The Executive Board is accountable for the performance of its duties to the Supervisory Board and to the General Meeting.

Composition

The Executive Board will consist of a minimum of two members. The General Meeting of Shareholders appoints the Executive Board members and may at any time suspend or dismiss any member of the Executive Board. Only candidates found to meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. In 2016 Mrs P.H. van Holst-Wormser resigned as Executive Board member (with effect from 1 April) and Mrs. J.D. Lansberg has been appointed as Executive Board member (with effect from 1 September).). Between 1 April and 1 September M.H. Verwoest acted as an executive Board member. During this period M.H. Verwoest was not a member of the Supervisory Board.

Education and evaluation Executive Board

The members of the Executive Board took individual courses in 2016 as part of their continuing education (CE). In addition, much attention was devoted to knowledge-building in the areas of capital management and innovation, as well as to interesting developments, including the impact of political decisions on the potential business models of health care insurers in The Netherlands.

The decision making process of the Executive Board was self-evaluated in 2016. Focus was on effective decision-making and information gathering. The outcomes of the evaluation were discussed with the deputy directors. The overall impression was positive. A few improvements were made in the organization and reporting of the Board Meeting.
In addition to the self-evaluation, the performance of the members of the Executive Board was also assessed by the Supervisory Board within the scope of the annual assessment round.

The multi-year budget 2017-2019, the investment plan and the risk priorities for 2017 were discussed at length at the end of the reporting year, after which the multi-year budget was adopted by the Supervisory Board of a.s.r. and ASR Aanvullende Ziektekostenverzekeringen N.V.

B.1.1.5 Regulations

Professional oath

As of 1 January 2013 a mandatory oath for Executive and Supervisory Board members of financial institutions licensed in the Netherlands was introduced. The Executive Board and Supervisory Board members of all financial undertakings that are licensed in the Netherlands must take this mandatory oath. In this oath, board members declare that they will: (a) perform their duties with integrity and care, (b) carefully consider all the interests involved in the financial institution, i.e. those of the customers, the shareholders, the employees and the society in which it operates, (c) in doing so, give paramount importance to the customer's interests and inform the customer to the best of their ability, (d) comply with the laws, regulations and codes of conduct applicable to them, (e) observe confidentiality in respect of matters entrusted to them, (f) not abuse their knowledge, (g) act in an open and assessable manner and know their responsibility towards society, and (h) endeavour to maintain and promote confidence in the financial sector. If the oath is broken, the supervisory authority (DNB/AFM) can decide to reassess their suitability.

With respect to insurance companies, apart from the Executive and Supervisory Board members, persons with a management position directly below the Executive Board that are responsible for persons that may have a significant influence on the risk profile of the insurance company, are also required to take the oath, as are certain other employees. This includes persons that may (independently) significantly influence the risk profile of the undertaking as well as those persons that are or may be involved in the provision of financial services.

Regardless of the above, ASR Aanvullende Ziektekostenverzekeringen N.V. has decided that employees and other persons performing activities under its responsibility must take the oath.

All employees have taken the oath before 1 April 2016. New employees take the oath within 3 months.

B.1.2 Remuneration report

Improving and maintaining the integrity and robustness of a.s.r. is key to the remuneration policy, and the focus is squarely on the long-term interests of all our stakeholders. The aim of the remuneration policy is to motivate employees to work for the interests of customers and other stakeholders within the parameters of the duty of care. The remuneration policy is based on the following a.s.r. Group remuneration principles.

1. HR policy:
- The remuneration policy strikes a balance between trust in intrinsic motivation on the one hand and agreement on clear targets and assessment of performance on those targets on the other.
- The total pay-and-benefits package enables the company to compete in the labour market and to attract and retain competent people.

2. Sound remuneration policy:
- The remuneration policy, including the pension policy, ties in with the corporate strategy and with the company's objectives, values and long-term interests. Any changes in strategy, objectives, values and long-term interests are taken into account when updating the remuneration policy.
- The remuneration policy is ethical, sound and sustainable, in line with the company's risk appetite, risk management strategy and risk profile, contributes to robust and effective risk management, and does not encourage a greater risk appetite than is acceptable to the business.
- The remuneration policy has been designed in such a way that allowance is made for the internal workings of the company, its subsidiaries and group companies, and for the nature, scale and complexity of the risks attached to the business.
- The remuneration policy does not restrict the company's scope to maintain and strengthen its robust regulatory capital, solvency margin or own funds.

3. Protection of customers and safeguarding integrity and long-term enterprise value:
- The remuneration policy encourages employees to act in accordance with the company's long-term interests.
- The remuneration policy has been designed in such a way that consumers, clients or members are treated with due care.
- Performances delivered by employees and by the company itself are measured on the basis of both financial and non-financial indicators.
- The remuneration policy does not encourage employees to take excessive risks.
- The remuneration policy seeks to prevent conflicts of interest.
- The company does not apply constructions or methods that facilitate the evasion of the remuneration policy or the relevant legislation and regulations.
- Employees are expected not to make use of personal hedging strategies or of any insurance policies linked to remuneration and liability to undermine the risk management effects embedded in their remuneration schemes.

4. Transparency:
- The design, governance and methodology of the remuneration policy are clear, transparent and applicable to all employees.

5. Compliance:
- The remuneration policy complies with prevailing national and international legislation and regulations (see also Section 1.4). It is evaluated periodically and modified, if necessary, to ensure compliance with new legislation and regulations or market standards.
- The compliance of the remuneration policy and the related procedures with the relevant rules and regulations is checked at least once a year by a centralized and independent internal body.

Governance

- The Annual General Meeting (AGM) has decision-making powers relating to the remuneration policy of the Executive Board and the individual remuneration of the supervisory directors. In addition, the Supervisory Board informs the AGM of the individual remuneration of the executive directors.
- The Supervisory Board has decision-making powers relating to setting the individual remuneration of the members of the Executive Board. In addition, the Supervisory Board has responsibilities regarding, the remuneration policy for all groups of employees and monitors same. The Supervisory Board also approves the remuneration policy and its underlying principles before they are adopted and the selection of identified staff.
- The Supervisory Board has an Audit and Risk Committee (ARC Committee) and as of the moment of the IPO the Selection, Appointment and Remuneration Committee was split in the Selection and Appointment Committee and the Remuneration Committee. These committees are composed of members of the Supervisory Board. The full Supervisory Board remains responsible for any decisions taken, even if they have been prepared by a committee.
- The duties, composition, expertise, independence and organization of the committees of the Supervisory Board are described in further detail in their rules of procedure, which are included in two appendices to the Rules of Procedure of the Supervisory Board.
- The Remuneration Committee provides the Supervisory Board with support and advice in relation to its duties and responsibilities regarding remuneration policy and remuneration practices. Decisions taken by the Supervisory Board in this area are prepared by the Remuneration Committee.
- Without prejudice to the duties of the Remuneration Committee, the ARC Committee examines whether the incentives created by the remuneration system take account of risk, capital, liquidity and the probability and staggering of profit forecasts, for the purpose of supporting the introduction of sound remuneration policy and practices. The ARC Committee also provides input for the selection of identified staff.
- The Executive Board has decision-making powers and responsibilities relating to the remuneration policy in respect of all employees, with the exception of the Executive Board itself and the Supervisory Board. The Executive Board also decides on the individual remuneration of senior managers (SMs, job levels 22-23).
- Control functions (also known as key functions) are departments that are responsible for the control and supervision of operations as well as the risks arising from those operations, and in doing so operate independently from the rest of the organization. They advise and support the Executive Board and Supervisory Board, and report directly to the Executive Board and Supervisory Board on compliance with applicable legislation and regulations and internal codes. Employees in control functions are defined as senior and/or managerial employees working in the compliance, audit, risk management and actuarial functions. The compliance, audit and risk management functions also play an active role in the context of the remuneration policies and practices relating to other groups of employees.
- The human resources function is very closely involved with the implementation of the remuneration policy. It also coordinates the preparation and evaluation of the remuneration policy and suggests what the policy should look like. In keeping with the control functions, the human resources function provides input for the ex-ante and ex-post risk adjustments of variable remuneration.
- The control functions and the human resources function collaborate actively on a regular basis. They share information and provide input for each other’s activities in the area of the remuneration policy.

Remuneration groups

Except where stated otherwise, the regulations contained in the remuneration policy apply to all employees who work under the responsibility of the Group. The specific groups mentioned are:

- Identified staff
- Employees in control functions (key functions)
- Policymakers
- Senior managers subject to the Dutch Financial Undertakings (Remuneration) Act (Wbfo)
- Executive directors and supervisory directors
- Senior and higher management

Key features of the remuneration system

Until 1 July 2014, the income of senior management, higher management and the CBA (Collective Bargaining Agreement) population (back-office and front- office) consisted of a fixed and a variable component. The Executive Board has received no variable remuneration since financial year 2011 based on Sections 1:128 and 1:129 of the Dutch Financial Supervision Act (Wft) and the corresponding transitional provisions. Following the collective bargaining negotiations with the trade unions, the variable remuneration for the CBA population was converted as of 1 July 2014 into a salary increase and a fixed supplement. The conversion was also implemented pro rata for a.s.r. as a whole, including higher and senior management.

From 1 July 2014 onwards, the income of all salary groups including identified staff has consisted only of a fixed salary, with the exception of 115 front- office staff. This group has a fixed pay component and a target-related pay award of up to 20%.

Executive Board
The pay awarded to the members of the Executive Board comprises a fixed amount per month, including holiday allowance. The pay is indexed in accordance with the CBA for the insurance industry.

Other employees
The fixed pay awarded to employees consists of a fixed gross monthly salary, a fixed allowance (as a result of the conversion of variable pay for those employed at a.s.r. on 1 July 2014), 8% holiday allowance and a year-end bonus. The level of fixed pay depends on the weight attributed to an employee’s role, the related salary group and the employee’s general performance rating (assessment of deliverables and agreements on appropriate conduct). Fixed pay is adjusted for structural wage developments in accordance with the CBA for back-office positions in the insurance industry. The objectives pursued as part of how employees perform their duties are extrapolated from a.s.r.’s strategic targets. a.s.r.’s strategy is based on helping by taking action. This is reflected in KPIs relating to such issues as a customer dashboard, the Customer-Oriented Insurance Quality Mark and the Net Promoter Score. These KPIs form the basis of inspiring individual targets.

Identified staff
Variable remuneration awarded to identified staff before 1 July 2014 will be paid in instalments over the next few years. Identified staff are conditionally awarded a material share (i.e. 50%) of their variable pay in the form of cash and non-cash instruments. The conditional variable pay is deferred for three years; a reappraisal is performed at the end of the three- year period, after which the cash component is paid out. The non-cash component is subject to an additional retention period of two years. Some of the unconditional variable pay is paid out in cash immediately. The non-cash component of the unconditional variable pay is also retained for two years.

This group is also subject to a claw-back mechanism, a fairness clause and a penalty scheme, meaning that the Supervisory Board can claw back any variable pay already awarded if it was determined and awarded based on incorrect information.

In addition, the Supervisory Board has the right to adjust the level of the conditional variable pay if leaving the payment unchanged would go against the principles of reasonableness and fairness.

Top Incoms Act (WNT)
The WNT applies to (semi) public institutions. Within a.s.r. Group, this law imposes additional remuneration limits on WNT top officials of ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. Within a.s.r., this specifically concerns the executive board and supervisory board of ASR Basis Ziektekostenverzekeringen N.V. Among others, these remuneration limits include a sectoral ceiling for fixed payment, a prohibition on variable payment and a maximum of severance payments.

a.s.r. annually accounts for the remunerations of the WNT top officials to the Ministry of VWS, after approval by the accountant

Severance pay
No severance pay, either fixed or variable, may be awarded to an employee in the following cases:
- In the event that the employment relationship is terminated early at the employee’s own initiative, except where this is due to serious culpable conduct or neglect on the part of the company.
- In the event of serious culpable conduct or neglect in the performance of his or her role by the employee.

Additionally, the following conditions apply with respect to severance pay for policymakers.
- No severance pay is awarded in the event of the company’s failure.
- No severance pay that can be classified as variable is awarded to policymakers of a.s.r. or banks and insurers that are part of the Group.
- No fixed severance pay may be awarded to this group of employees unless this severance pay was agreed before 7 February 2015 (or before 20 June 2012 in the case of members of the a.s.r. Executive Board) or is agreed when the employee in question commenced his or her activities as a policy-maker after 7 February 2015.

Pension

The principal features of the pension scheme were as follows in 2016:

1. Average-pay pension plan;
2. Retirement age: 67 years;
3. Accrual rate for old-age pension: 1.875% for all salary groups;
4. Pensionable salary: fixed annual salary on 1 January of any year (capped at € 101.519 gross, this is offset by a contribution for the accrual of a net pay pension);
5. Partner's pension: 70% of projected old-age pension;
6. Orphan's pension: 14% of projected old-age pension;
7. Employee contribution: 6% of pensionable earnings;
8. Flexible elements: early retirement, deferred retirement, exchange, high/low, part-time;
9. a.s.r. does not allow for the award of discretionary pensions.

Pre-pension allowance

As a result of statutory pre-pension regulations, a.s.r. removed all pre-pension elements from its pension plans in 2006. Employees who joined a.s.r. before 1 January 2006 were initially compensated for this removal through optimization of their accrual rate and the state pension offset. Where such compensation was inadequate, the employees were awarded a pre-pension allowance, the amount of which varied based on their age and the original pension commitment. The pre- pension allowance for employees who joined a.s.r. after 1 January 2006 was 1% of their pensionable salary.
As a result of the change to the pension plan agreed with the Works Council, an additional pre-pension allowance was introduced with effect from 1 January 2015 for employees who had a pension accrual rate of 2.25% at year-end 2013. The supplementary pre-pension allowance has been set at 2.25%.

The allowance is paid until the end date of the (regular) pre-pension allowance, subject to a maximum of five years.

Once every three years, an independent consultancy is hired to perform a market comparison (remuneration benchmark). For the complete a.s.r. remuneration policy please see: asrnl.com.

B.1.3 Related-party transactions

Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

B.1.4 Remuneration of Supervisory Board and Executive Board

The remuneration policy of the Executive and Supervisory Board members is determined in accordance with the current Articles of Association of ASR Nederland N.V. Specific for health insurance companies, WNT (wet normering topinkomens) is applicable.

B.1.4.1 Remuneration of Supervisory Board members

The supervisory board ASR Aanvullende Ziektekostenverzekeringen N.V. is represented by the following members:

- C. van der Pol
- A.P. Aris
- J.P.M. Baeten
- M.H. Verwoest

The annual remuneration for the members of the Supervisory Board are accounted for in the remuneration paragraph of the annual report of ASR Nederland N.V.

B.1.4.2 Remuneration of current and former Executive Board members

The remuneration of current and former members is in accordance with the 2016 remuneration policy.

In accordance with the remuneration law "Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen", issued by the Dutch government, no variable remuneration has been disbursed to the executive members for the period as from the 2014 a.s.r. financial year until the current 2016 a.s.r. financial year.

The remuneration can be broken down as follows:

Amounts for 2016 in € thousand Executive Board member[1]	Fixed employee benefits [2]	Short-term variable employee	Post-employment benefits	Pension benefits [3]	Expense allowance	Termination benefits	Long-term variable remuneratio	Total
drs. J.M. Hendriks RA *	152	-	-	36	-	-	-	188
drs. J.D. Lansberg **	69	-	-	12	-	-	-	81
P.H. van Holst-Wormser ***	58	-	-	12	-	-	-	70
Total	**279**	**-**	**-**	**60**	**-**	**-**	**-**	**339**

Amounts for 2016 in € thousand Executive Board member [1]	Fixed employee benefits [2]	WNT maximum [4]
drs. J.M. Hendriks RA *	152	231
drs. J.D. Lansberg **	69	77
P.H. van Holst-Wormser ***	58	57
Total	**279**	**365**

Amounts for 2015 in € thousand Executive Board member [1]	Fixed employee benefits [2]	Short-term variable employee benefits	Post-employment benefits	Pension benefits [3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
drs. J.M. Hendriks RA *	110	-	-	26	-	-	-	136
P.H. van Holst-Wormser ***	243	-	-	41	-	-	-	284
H. Vlasblom ****	134	-	-	42	-	-	-	176
Total	**487**	**-**	**-**	**109**	**-**	**-**	**-**	**596**

Amounts for 2015 in € thousand Executive Board member [1]	Fixed employee benefits [2]	WNT maximum [4]
drs. J.M. Hendriks RA *	110	196
P.H. van Holst-Wormser ***	243	260
H. Vlasblom ****	134	217
Total	**487**	**673**

[1] This table is intended for top-level executives (and former top-level executives) with executive duties, i.e. the members of the highest executive body and their subordinates, and those tasked with the day-to-day management of the overall legal entity.

* Joined on 1 April 2015.

** Joined on 1 September 2016.

*** Term of service ended 31 March 2016.

**** Term of service ended 31 October 2015.

[2] To determine the norm, the variable remuneration is attributed to the year in which it was awarded. The overview in the Appendix specifies the year of award and year of payment of the variable remuneration.

[3] The norm is determined while disregarding the employer's pension contribution.

[4] $y = \frac{x \cdot a \cdot b}{365}$ where: x = WNT remuneration cap applicable to institution, a = part-time factor (maximum 1.0 FTE) and b = term of service in calendar days.

Variable remuneration

Until 2014 P.H. van Holst -Wormser was granted variable remuneration. That variable remuneration is deferred and will be paid in tranches until 2020. The variable remuneration granted is provisioned for and recognized as a cost in the reporting period of the grant. Part of the deferred variable remuneration is dependent on the development of a.s.r., and its development and consequential final measurement is determined on the date of payment. Based on the present estimates the following amounts will be paid in tranches: 2017 € 34 thousand, 2018 € 21 thousand, 2019 € 14 thousand and € 2020 € 8 thousand.

B.2 Fit and proper requirements

This paragraph contains a description of group policy, which is applicable for the solo entity. The policy pursued by a.s.r. concerning fit and proper requirements for persons who effectively run the undertaking and other key functions contributes to a controlled and sound business operations and promotes the stability and integrity of a.s.r. as well as customer confidence.

The fit and proper requirements that are imposed on persons who effectively run the undertaking and other key functions are included in the job profile, which is used as a basis for recruitment. Each year, an assessment is made of the extent to which an employee requires training to perform its duties. In addition, a.s.r. has developed a training plan for the continuing education of persons who effectively run the undertaking and other key functions.

a.s.r. assesses all prospective employees for their reliability and integrity prior to their appointment.

B.3 Risk management system including the own risk and solvency assessment Risk Management System

This paragraph contains a description of group policy, which is applicable for the solo entity. It is of great importance that risks are timely and adequately controlled. In order to do so, a.s.r. has implemented a Risk Management framework based on internationally recognized and accepted standards (such as the COSO ERM framework and ISO 31000:2009 risk management principles and guidelines). With the aid of this framework, material risks that a.s.r. is, or can be, exposed to are identified, measured, managed, monitored and evaluated. The framework is both applicable to a.s.r. Group and the underlying business entities.

B.3.1 Enterprise Risk Management Framework

The framework below is the risk management framework as applied within a.s.r. The framework is based on the Enterprise Risk Management (ERM) model by COSO[3].

Risk strategy (incl. risk appetite)
a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the Executive Board and the Supervisory Board. The risk appetite is the level of risk that a.s.r. is prepared to take (see 'Risk strategy and risk appetite').

Risk governance
a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the risk management organization and the structure of the Risk committee.

Systems and data
In order to report the correct figures and to apply risk-mitigating measures timely, it is of vital importance to have qualitatively adequate data and systems. To ensure this, a.s.r. had developed policies for data quality in line with Solvency II. Tools, models and systems are implemented to support the risk management process by giving guidance and insight in the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks.

Risk policies and procedures
The classification of risks within a.s.r. is performed in line with the Solvency II risks. Each risk category consists of a policy that explains how risks are identified, measured and controlled within a.s.r.

Risk culture
Risk culture is an important subject that emphasizes the human side of risk management. The Executive Board has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture.

Risk management process
The risk management process explains the central steps for the implementation of the risk strategy. Through five steps the risks within the company can be effectively managed. These steps include: 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and risk management framework.

B.3.1.1 Risk strategy and risk appetite
The risk strategy of a.s.r. aims to ensure that management decisions lead to a risk profile that remains in line with the mission of the organization. The risk strategy entails all processes to manage identified risks and to take advantage of opportunities that come around. In order to achieve this, a risk appetite is established so that the risk profile can be managed within the boundaries as determined by the Executive Board and approved by the Supervisory Board. These risk boundaries are set with the goal of remaining a solid insurance company with the right balance between risk and return. The risk appetite

describes the level of risk a.s.r. is prepared to take to realize the strategic goals. Risk exposures are actively managed to ensure that the risks will stay within the defined limits.

The risk appetite represents the level of risk a.s.r. is willing to take for the realization of its strategic goals, with a sound balance between risk and return. The risk appetite of ASR Aanvullende Ziektekostenverzekeringen N.V. is derived from the group level risk appetite and covers both financial and non-financial risks Risk tolerances, limits and targets are set for all risk appetite statements. Objectives of the risk appetite are:

- To serve as an important steering instrument on a daily basis: a pragmatic approach at both group-, legal entity- and business unit level. This helps to develop a vision with respect to risk, which is used in the day-to-day decision-making process;
- To link the risk appetite to the strategic pillars, in order to indicate a.s.r.'s willingness to take risks.

The risk appetite is based on a.s.r.'s mission, vision and strategy, determined by the Executive Board. The overall mission is to offer transparent insurance solutions as a trusted partner to customers, while creating sustainable and stable value for a.s.r's stakeholders. This mission is translated into the prioritization of simple and transparent products, clear communication and fair treatment of customers. The strategy is derived from the mission and is based on four pillars: fulfilling customer needs, pricing discipline and underwriting excellence, cost effectiveness and maintaining a cash generative business model. a.s.r. strives to execute these four strategic pillars within all of the business lines.

Fulfilling Customer Needs
a.s.r. aims to offer customers simple, transparent products that fulfil their needs.

Excellence in Pricing, Underwriting and Claims Handling
a.s.r. intends to maintain a disciplined pricing strategy focusing on further deepening its knowledge of customer behavior and continuing to enhance and further develop its experience and skills in respect of pricing and underwriting.

Cost Effectiveness
a.s.r. aims to continuously focus on effectively managing its costs.

Cash Generative Business Model
a.s.r.'s objective for the Group is to maintain its operation on a cash generative business model backed by a sound investment policy and investment mix to deliver robust, high-quality earnings underpinned by strong capital generation.

Through a top-down strategic risk analysis at group level and bottom-up control risk self assessments from the legal entities the most important strategic risks are identified. For each of these risks an estimation of the probability and impact is made to prioritize the risks. The outcomes of these analyses are input for defining the level of risk the organization is willing to take in order to achieve strategic goals. The risk appetite is formulated to provide steering and direction to the management of the strategic risks. The risk appetite contains a number of qualitative and quantitative risk statements. The statements point out the risk preferences and tolerances of the organization and are viewed as key elements for the realization of our strategy. With the use of hard and soft limits the boundaries for accepting risks are objective and evident. Soft limits are used as early warning signals to prevent risk taking beyond the hard limits. The performance against these statements is monitored in the risk committees. The statements and limits are evaluated regularly to maintain alignment with the strategy.

B.3.1.2 Risk governance

a.s.r.'s risk governance could be described by:

- risk ownership;
- the implemented three lines of defence model and associated (clear delimitation of) tasks and responsibilities; and
- the risk committee structure to ensure adequate strategic decision making

Risk ownership
The Executive Board has the final responsibility for risk exposures and management within the organization. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department they are responsible for. Through the risk committee structure, risk owners provide accountability on 'their' risk exposures.

Three lines of defence

The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks. The model below provides insight in the organisation of the three lines of defence within a.s.r.

Three Lines of Defence Model

First Line of Defence	Second Line of Defence	Third Line of Defence

• Executive Board
• Management teams of the business lines and their employees
• Finance & risk decentral
	• Group Risk Management department
	  • Risk management function
	  • Actuarial function
	• Integrity department
	  • Compliance function
		• Audit department
		  • Internal audit function

Ownership and implementation	Policies and monitoring implementation by 1st line	Independent assessment of 1st and 2nd lines
• Responsible for the identification and the management of risks in the daily business. • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is primarily responsible for implementing risk frameworks and policies	• Challenges the 1st line and supports the 1st line to achieve their business objectives in accordance with the risk appetite. • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking. • responsible for developing risk policies and monitoring the compliance with these policies.	• Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defense.

Positioning of key functions

Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation and play an important role as countervailing power of management in the decision making process. The four key functions are independently positioned within a.s.r. The risk and actuarial function are positioned under responsibility of the CFO of the Group; the compliance and audit function under the responsibility of the CEO of the Group. All functions take place in the central risk committees. None of the functions has voting rights in the committees, in order to remain fully independent as countervailing power. All functions have direct communication lines with the Executive Board and can escalate to the chairman of the Audit and Risk Committee of the Supervisory Board.

Group Risk Management

Group Risk Management is responsible for the execution of the risk management function and the actuarial function. ASR Aanvullende Ziektekostenverzekeringen N.V. uses the facilities of the Group. The department is led by the CRO. Group Risk Management consists of the following sub-departments:

- Enterprise Risk Management;
- Financial Risk Management.

Enterprise Risk Management

ERM is responsible for the second line strategic risk and operational (including IT) risk management and the enhancement of the risk awareness within the organisation. The responsibilities with regard to strategic risk management include the development of risk policies, the annual update of the risk strategy (risk appetite), the coordination of the Control Risk Self Assessment (CRSA) process, the monitoring of the non-financial risk profile and risk priorities of a.s.r. For the management of operational risks, a.s.r has a solid Risk-Control framework in place that contributes to its long-term solidity. The quality of our framework is continuously enhanced by the analysis of operational incidents and periodic assessments. Enterprise Risk Management actively promotes risk awareness at all levels to contribute to the vision of staying a socially relevant insurer.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the second line market risk, counterparty risk, underwriting risk and liquidity risk management at a.s.r. and its legal entities. Other responsibilities are model validation and policies on valuation and risk. FRM is also responsible for the actuarial function. As part of the actuarial function, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the actuarial function monitors the profitability of new business and determines if risks related to the profitability of new products are sufficiently addressed in the product development process.

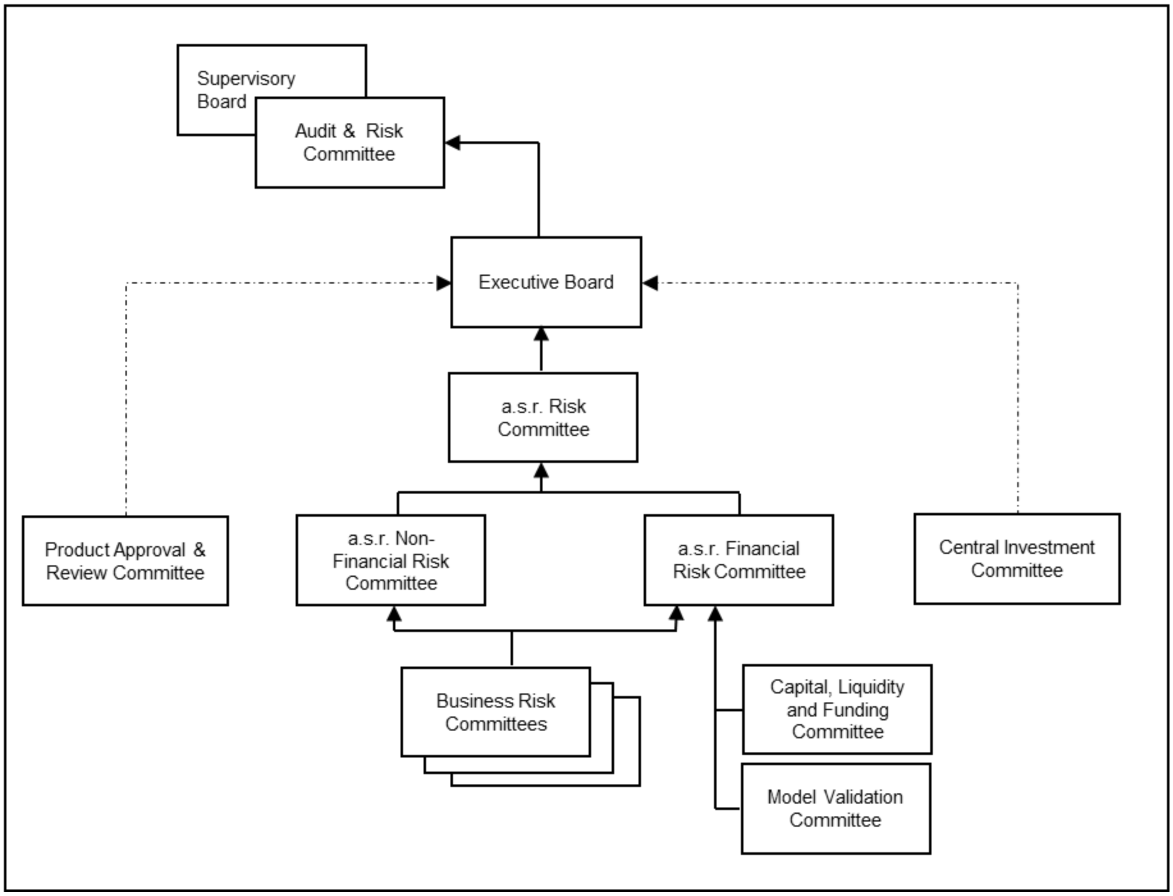
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the Executive Board and management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operations and to safeguard a.s.r.'s reputation.

As second line of defence, Compliance encourages the organization to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and devising policy. Compliance supports the first line in the identification of compliance risks and assess the effectiveness of risk management on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with risk management, Compliance also creates further awareness in order to promote a culture of integrity. Compliance coordinates contacts with regulators in order to maintain an effective relationship and keeps oversight of the current topics.

Audit
The Audit department, the third line of defence, provides an independent opinion on governance, risk and management processes, with the goal of supporting the Executive Board and the other management of a.s.r. in achieving the corporate objectives. To that end, Audit evaluates the effectiveness of governance, risk and management processes, and provides pragmatic advice that can be implemented to further optimize these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure
a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r., its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees can decide to take measures and to increase the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

The risk committee structure is as follows:
ASR Aanvullende Ziektekostenverzekeringen N.V. uses the risk infrastructure of the Group (see below), but has its own business risk committee. Both operational and financial risk are in scope of this committee.



Audit and Risk Committee

The Audit and Risk Committee was established by the Supervisory Board to gain support in the following matters:

- Assessment of the risk appetite proposal based on the financial and non-financial risk reports;
- Assessment of the annual report, including the financial statements;
- The relationship with the independent external auditor, including the assessment of the qualities and independence of the independent external auditor and the proposal by the Supervisory Board to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function and the risk management function;
- Compliance with rules and regulations; and
- The financial position.

The Audit and Risk Committee has three members, one of whom acts as its chair.

a.s.r. Risk Committee

The a.s.r. Risk Committee is a sub-committee of the Executive Board and monitors the overall risk profile on a quarterly basis. At least annually, the a.s.r. Risk Committee determines the risk appetite statements, limits and targets for a.s.r. and business lines. This relates to the overall a.s.r. risk appetite and the subdivision of risk appetite by financial and non-financial risks. The risk appetite is then submitted to the a.s.r. Audit and Risk Committee, which advises the Supervisory Board on the approval of the risk appetite. The a.s.r. Risk Committee also monitors the progress achieved in managing risks included in the Risk Priorities of the Executive Board.

All members of the Executive Board participate in the a.s.r. Risk Committee, which is chaired by the CEO of the Group. The involvement of the Executive Board ensures that risk decisions are being addressed at the appropriate level within the organization. In addition to the Executive Board, the CRO, Director of Audit and Director of Integrity are members of the Committee.

Non-Financial Risk Committee
The Non-Financial Risk Committee discusses, advises and decides upon non-financial risk policies. The most relevant risk policies are approved by the a.s.r. Risk Committee. The Non-Financial Risk Committee monitors that non-financial risks are adequately managed and monitors that the risk profile stays within the agreed risk limits.

Financial Risk Committee
The Financial Risk Committee discusses and decides upon financial risk policies. The most relevant risk policies are approved by the a.s.r. Risk Committee. The Financial Risk Committee monitors and controls financial risks (market, insurance, liquidity and counterparty default risk). The Financial Risk Committee also monitors whether the risk profile stays within the risk limits.

Capital, Liquidity and Funding Committee
As such, the Capital, Liquidity and Funding Committee prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy, rating model reporting, and treasury activities. The Chairman of the Capital, Liquidity and Funding Committee is the Director of Group Asset Management.

Model Validation Committee
The model validation committee is a subcommittee of the Financial Risk Committee and is responsible for the execution and update of the model validation policy and for the approval of existing or newly developed validated models before taken into use.

Business Risk Committees
The business lines manage and control their risk profile through the Business Risk Committees. The Business Risk Committees monitor that the risk profile of the business line stays within the risk appetite, limits and targets, as formulated by the Executive Board.

Central Investment Committee
This is not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

Product Approval and Review Committee
The Product Approval and Review Committee is responsible for the final decision-making process around the introduction of new products and adjustments in existing products. The committee evaluates if risks in newly developed products are sufficiently addressed. New products need to be developed in such a way that they are cost efficient, reliable, useful and secure.

B.3.1.3 Systems and data

Tools, models and systems are implemented to support the risk management process by giving guidance and insight in the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions on. a.s.r. has a Data Governance and Quality policy in place to support the availability of sound management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. The quality of the information is reviewed on the basis of the following aspects, based on Solvency II:

- Completeness (including documentation of accuracy of results)
- Adequacy
- Reliability
- Timeliness

The integrity, i.e. reliability, of information is the degree to which it is up-to-date, complete and error-free. The preparatory body or department also checks the assumptions made and the plausibility of the results, and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

The information involved tends to be sensitive. To prevent unauthorized persons from accessing it, it is disseminated using a secure channel or protected files. a.s.r.'s information security policy contains guidelines in this respect.

The aim of the information security policy is to take measures to ensure that the requirements for the availability, reliability and confidential use of systems and data are met.

- Information availability refers to the degree to which the information is at hand as soon as the organization needs it, meaning, for instance, that the information should be retrievable on demand and that it can be consulted and used at the right time.
- Information reliability refers to the degree of the accuracy and completeness of computer-processed data, given the uses they are intended for.
- 'Confidential use' refers to the degree to which the information is available to authorized persons only and the degree to which it is not available to unauthorized persons.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorized persons (i.e. hackers) to compromise a.s.r. corporate data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls that are aimed at preventing hackers and other unauthorized persons from accessing information stored on a.s.r. systems. Nevertheless, confidential information can also have been committed to paper. In addition to technical measures the physical measures, such as the lock-down of a certain room, can also form part of the information security environment. a.s.r.'s information security policy is based on ISO 27002 'Code of practice for information security management'. This Code describes best practices for the implementation of information security.

B.3.1.4 Risk policies and procedures

a.s.r. has established policies for each of the main risk categories (market, counterparty default, liquidity, insurance, strategic and operational). These policies address the accountabilities and responsibilities for the management of the different risk types. Also the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by Group Risk Management and Compliance. These departments also monitor the correct implementation of the policies in the business. New risk policies or updates of existing risk policies, are approved by the risk committees as mentioned in the previous section.

B.3.1.5 Risk culture

Risk awareness is a vital component of building a sound risk culture within a.s.r. that emphasizes the human aspect in the management of risks. In addition to gaining sufficient knowledge, skills, capabilities and experience in risk management, it is of importance that an organization enables objective and transparent risk reporting in order to manage them more effectively.

The Executive Board of the Group clearly recognizes the importance of risk management and is therefore represented in all of the major group level risk committees. Risk Management is involved in the strategic decision-making process, where the company's risk appetite is always considered. The awareness of risks during decision-making is continually addressed when making business decisions, for example by discussing and reviewing risk scenarios and the positive and/or negative impact of risks before finalizing decisions.

It is very important that this risk awareness trickles down to all parts of the organization, and therefore management actively encourages personnel to be aware of risks during their tasks and projects, in order to avoid risks or mitigate them when required. The execution of risk analyses is embedded in daily business in, for example, projects, product design and outsourcing.

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviors and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or promise when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner.

Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative: risks can also present a.s.r. with opportunities. Risk Management (both centralized and decentralized) is positioned as such, that it can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

B.3.1.6 Risk management process

The risk management process typically comprises of five important steps: 1) identifying; 2) measuring; 3) managing; 4) monitoring and reporting; and 5) evaluating[5]. a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments.

Identifying

Management endeavors to identify all possible risks that may impact the strategic objectives of a.s.r., ranging from the larger and/or more significant risks posed on the overall business, down to the smaller risks associated with individual projects or smaller business lines. Risk identification comprises of the process of identifying and describing risk sources, events, and the causes and effects of those events.

Measuring

After risks have been identified, quantitative and/or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:

- Sensitivity analysis;
- Stress testing;
- Scenario analysis;
- Expert judgments (regarding likelihood and impact); and
- Portfolio analysis.

Managing

Typically, there are five strategies to manage risk:

- *Accept*: risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures;
- *Avoid*: risk avoidance is the elimination of activities that cause the risk;
- *Transfer*: risk transference is transferring the impact of the risk to a third party;
- *Mitigate*: risk mitigation involves the mitigation of the risk likelihood and/or impact.
- *Exploit*: risk exploitation revolves around the maximization of the risk likelihood and/or increasing the impact if the risk does happen.

Risk management strategies are chosen in a way that ensures that a.s.r. remains within the risk appetite tolerance levels and limits.

Monitoring and reporting

The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting are required to capture changes in environments and conditions. This also means that risk management strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance levels and limits.

Evaluating

The evaluation step is twofold. On the one hand, evaluation means risk exposures are evaluated against risk appetite tolerance levels and limits, taking (the effectiveness of) existing mitigation measures into account. The outcome of the evaluation could lead to a decision regarding further mitigating measures or changes in risk management strategies. On the other hand, the risk management framework (including the risk management processes) is evaluated by the risk management function, in order to continuously improve the effectiveness of the risk management framework as a whole.

B.3.2 a.s.r.'s risk categories

There are six main risk categories at a.s.r., these are: insurance risk, market risk, counterparty default risk, liquidity risk, operational risk and strategic risk.

[5] Based on COSO ERM and ISO 31000:2009.

Insurance risk

Insurance risk is the risk that premium and/or investment income will not be sufficient to cover current or future payment obligations, owing to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognizes the following Insurance risks:

- Non-life insurance risk
- Life insurance risk
- Health

Market risk

Market risk is the risk of a change in value due to movements in market variables. The following market risks have been identified:

- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk/market concentration risk

Counterparty default risk

Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Counterparty default risk exists in respect of the following counterparties:

- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded

Liquidity risk

Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner.

Operational risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:

- Compliance
- Business process
- Information technology
- Outsourcing
- Financial reporting

Strategic risk

Strategic risk is the risk that a.s.r. or its business lines fail to achieve the objectives owing to incorrect decision-making, incorrect implementation and/or an inadequate response to changes in the environment.

Such changes may arise in the following areas:

- Demographics
- Competitive conditions
- Technology
- Macroeconomic conditions
- Laws and regulations and ethical standards
- Stakeholders
- Group structure (for product lines only)

Strategic risk may arise due to a mismatch between two or more of the following components: the objectives (resulting from the strategy), the resources used to achieve the objectives, the quality of implementation, the economic climate and/or the market in which a.s.r. and/or its business lines operate.

B.4 Internal control system

This paragraph contains a description of group policy, which is applicable for the solo entity. Within a.s.r., internal control is defined as the processes, affected by the board of directors, senior management, and other personnel within the organization, implemented to obtain a reasonable level of certainty with regard to achieving the following objectives:

- High-level goals, aligned with and supporting the organization’s mission
- Effective and efficient use of resources
- Reliability of operational and financial reporting
- Compliance with applicable laws regulations and ethical standards
- Safeguarding of company assets

B.4.1 Strategic and operational risk management

The system of internal control includes the management of risks at different levels in the organization, both operational (discussed in section C.5) and strategic. Internal control at an operational level centers around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The use of controls helps to mitigate or even completely eliminate identified risks. This increases the business line's chances of achieving its objectives and demonstrates that it is in control. Business lines report on the effectiveness of their controls on a quarterly basis. The effectivity of controls is important input for the sign off that each business line provides on the financial figures.

At a strategic level, the major risks are identified and assessed periodically with a control risk self-assessment.. After the analysis a list of main risks is established and risk management actions are assigned. The progress of these actions are monitored in risk committee.

B.4.1.1 Strategic Risk Management

Strategic risk is defined as the risk that a.s.r. will not reach its strategic objectives, because risk considerations are not or incorrectly addressed in decision-making processes, incorrect implementation of decisions and/or failure to respond adequately to market developments. Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.’s strategic objectives. Subsequently, the aim is to identify and analyze the risk profile as a whole, including risk interdependencies. The ORSA process is designed to identify, measure, manage and evaluate those risks that are of strategic importance to a.s.r.:

Identifying
Through the ORSA process a Control Risk Self-Assessment (CRSA) is conducted annually to identify risks that have an impact on the achievement of the organization’s strategic objectives. The outcomes of the CRSA is translated into risk scenarios and a list of main risks.

Measuring
a.s.r. conducts an own risk and solvency assessment (ORSA) each year or more frequently if required by significant changes in a.s.r.’s risk profile. The ORSA is a tool for risk and capital management. Through the ORSA process, the likelihood and impact of the identified risks are assessed, by transposing the risks into scenarios, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes is used to gain additional insights into the likelihood and impact. One single risk scenario takes multiple risks into account. In this manner, the risk scenarios provide (further) insights into risk interdependencies. In these scenario’s the impact on the balance sheet, the solvency position and the income statement is simulated.

Managing
As part of the CRSA processes, the effectiveness of risk mitigating measures and planned improvement actions is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies.

Monitoring and reporting
The output of the ORSA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At the level of the product lines, risks are discussed in the Business Risk Committee.

Evaluating
Insights regarding likelihood and impact are evaluated against solvency targets. Based on this evaluation, conclusions are formulated regarding the adequacy of solvency objectives at group and individual legal entity level.

B.4.2 Compliance function

B.4.2.1 Positioning and structure of compliance function
The compliance function is a centralized function and, together with Investigation, is part of the Integrity department. ASR Aanvullende Ziektekostenverzekeringen N.V. uses the facilities of the Group. The Integrity department is headed by a director who is appointed as the a.s.r. Compliance Officer for both a.s.r. and the supervised entities. The compliance function is considered a key function. The CEO of ASR Nederland N.V. has the ultimate responsibility for the compliance function. The a.s.r. Compliance Officer is appointed, at the CEO's suggestion, by the a.s.r. Audit and Risk Committee, which is part of the Supervisory Board of ASR Nederland N.V. The proposal is submitted to the Supervisory Board of ASR Aanvullende Ziektekostenverzekeringen N.V.

The a.s.r. Compliance Officer reports directly to the CEO of ASR Nederland N.V. and the Management Board of ASR Aanvullende Ziektekostenverzekeringen N.V. In addition, the a.s.r. Compliance Officer is formally required to report to the chairman of the a.s.r. Audit and Risk Committee to safeguard the independent position of the compliance function and enables it to operate autonomously. The a.s.r. Compliance Officer is entitled to escalate critical compliance matters to the highest organizational level or the Supervisory Board of ASR Nederland N.V.

B.4.2.2 Responsibilities and duties
The mission of the compliance function is to enhance and ensure a controlled and sound business operations and to safeguard a.s.r.'s reputation.

The compliance function, as part of the second line of defence, is responsible for:
- Encouraging compliance with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and devising policy.
- Monitoring compliance with rules. The compliance function prepares a detailed list and performs an assessment of the compliance risks and how they are managed, taking a.s.r.'s objectives and the rules as a basis. As part of this, it makes use of a compliance risk and monitoring framework.
- Managing compliance risks by developing adequate compliance risk management, including auditing and, if necessary, arrangements concerning management and actions to be taken.
- Raising a greater sense of awareness in order to promote a culture of integrity.
- Coordinating contacts with regulators in order to maintain effective relationships with them.

B.4.2.3 Compliance charter
The compliance charter sets out the responsibilities, duties and governance of the compliance function at ASR Nederland N.V. The a.s.r. Compliance Officer ensures that the charter is approved by the a.s.r. Risk Committee and the a.s.r. Audit and Risk Committee. The compliance charter was updated and approved in 2016.

B.4.2.4 Annual Compliance plan
Developments in rules, the management of high compliance risks and action plans provide the basis for the annual compliance plan and compliance's monitoring activities. The annual compliance plan is discussed with the Management Board of ASR Aanvullende Ziektekostenverzekeringen N.V and submitted to the Executive Board of ASR Nederland N.V. and the a.s.r. Audit and Risk Committee for approval.

B.4.2.5 Reporting
The compliance function reports quarterly on compliance matters and progress made on the relevant actions at Group level, supervised entity level and at division level. The quarterly report of ASR Aanvullende Ziektekostenverzekeringen N.V.is discussed with the Management Board of ASR Aanvullende Ziektekostenverzekeringen N.V. and scheduled in the Business Risk Committee.

The quarterly report at Group level and supervised entity level is presented to the a.s.r. Risk Committee, discussed with them and submitted to the a.s.r. Audit and Risk Committee. The report is also shared and discussed with DNB, AFM and external auditor.

B.5 Internal audit function

This paragraph contains a description of group policy, which is applicable for the solo entity. The Audit Department provides a professional and independent assessment of the governance, risk management and internal control processes with the aim of aiding management in achieving the company's objectives. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimization. This statement of duties has been set down in the Audit Charter for ASR Nederland N.V. and the legal entities. The Audit Department reports its findings to the Executive Board of ASR Nederland N.V., to the managing board of ASR Aanvullende Ziektekostenverzekeringen N.V. (if relevant) and, by means of the quarterly management report, to the a.s.r. Audit and Risk Committee.

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The supervisory board of ASR Nederland N.V. guarantees Audit and its employees an independent, impartial and autonomous position in order to execute the mission of Audit. The head of the Audit Department reports to the chairman of the Executive Board of ASR Nederland N.V. and has a reporting line to the chairman of the a.s.r. Audit and Risk Committee. The Chief Audit Executive is appointed by the a.s.r. Audit and Risk Committee. In order to maintain the independence and impartiality of the internal audit function, the audit function is not influenced by the Executive Board of ASR Nederland N.V. and the managing board of ASR Aanvullende Ziektekostenverzekeringen N.V. in the execution of an audit and the evaluation of and reporting on audit outcomes. The audit function is not subjected to any inappropriate influence from any other function, including the key functions.

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with DNB to discuss the risk assessment, findings and audit plan. The department also takes the initiative to organize a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2016, one tripartite consultation was held for ASR Aanvullende Ziektekostenverzekeringen N.V.

The Audit Department sets up a yearly audit plan based upon an extensive risk assessment. The Audit Department's risk assessment is performed in close consultation with the independent external auditor. The audit plan is approved by the a.s.r. Audit and Risk Committee. At least once a year, the audit plan is evaluated and any changes to the plan must be approved by the a.s.r. Audit and Risk Committee.

All Audit officers took the oath for the financial sector and are subject to disciplinary proceedings. All Audit officers have committed themselves to the applicable code of conduct of a.s.r., follow the Code of Ethics of the Institute of Internal Auditors (IIA) and comply with the specific professional rules of the Netherlands Institute of Chartered Accountants (NBA) and the professional association for IT-auditors in the Netherlands (NOREA).

Audit applies the standards of the IIA, NBA and NOREA for the profession of internal auditing. Each year, Audit performs a self-assessment and an internal quality review and reports the results to the chairman of the board and to the members of the a.s.r. Audit and Risk Committee. In accordance with the standards of the IIA, an external quality review is performed every four years. During the last review in 2016, Audit was approved by the IIA and received the Institute's quality certificate.

B.6 Actuarial function

This paragraph contains a description of group policy, which is applicable for the solo entity. The Actuarial Function (AF) is one of four key functions in a.s.r.'s system of governance.

The main tasks and responsibilities of the AF are to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;

- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system

The AF is part of the second line of defence and operates independently of both the first line (responsible for determining the technical provisions, reinsurance and underwriting), as well as the other three key functions (internal audit, risk management and compliance).

The AF for both ASR Nederland N.V. and the insurance legal entities is operationally part of a.s.r. Group Risk Management. The AF is performed by persons who have profound knowledge of actuarial and financial mathematics, proportionate to the nature, scale and complexity of the risks present in a.s.r.'s businesses.

There are two function holders. One is responsible for the legal entities in the Life segment (Individual Life, Funeral and Pensions business lines) and the other for the entities in the Non-life segment (Property and Casualty, Disability and Health business lines). Both act as function holder for ASR Nederland N.V. The second-mentioned one acts as function holder for ASR Aanvullende Ziektekostenverzekeringen N.V.

The AF function is represented in several risk committees. Each year, the AF drafts a formal report, which it discusses with the a.s.r. Risk Committee (or Executive Board) and the a.s.r. Audit and Risk Committee.

Independence of the AF is secured through several measures:
- The Actuarial function holders are nominated by the Chairman of the Board and appointed by the a.s.r. Audit and Risk Committee;
- The Actuarial function holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The Actuarial function holders have a direct reporting line to the a.s.r. Risk Committee or Executive Board and the Audit and Risk Committee of a.s.r. The AF is free to report to one of the management or risk committees when considered necessary;
- The AF is free to report all relevant issues;
- In case of a conflict of interest with the CFO and/or CRO of the Group, the function holders may escalate directly to the CEO of the Group and to the Chairperson of the Audit and Risk Committee of a.s.r.;
- If the AF is asked to perform tasks that are outside the formal scope described in a charter, the function holder(s) assess if there is a conflict of interest. If so, the AF will not execute the task unless there are sufficient additional measures to mitigate conflicts of interest;
- The Internal Audit Department conducts an annual assessment of the functioning of the governance of a.s.r. and the (independent) operation of the Actuarial function;
- Target Setting and assessment of the function holders is done by the CFO of the Group and must be approved by the Chairman of the Audit and Risk Committee.

B.7 Outsourcing

This paragraph contains a description of group policy, which is applicable for the solo entity. a.s.r. has outsourced some of its operational activities. Despite this, a.s.r. remains fully responsible and accountable for these activities and the power of influence remains with a.s.r. To manage the risks related to outsourcing, a.s.r. has drafted a policy to safeguard a controlled and sound business operations.

Solid risk management, governance and monitoring are essential to manage outsourced activities. The outsourcing policy outlines the relevant procedures and is applicable to a.s.r. and its subsidiaries. A risk assessment must be performed for critical and/or important outsourced activities. This assessment focuses on e.g. concentration risk, competition risk, vendor lock-in and conflicts of interests.

To define the respective rights and obligations, a.s.r. drafts a written outsourcing contract with the service provider.

Confidentiality, quality of service and continuity are key for a.s.r. in carrying out its activities. In addition, customer centricity and compliance with law and regulations are essential, regardless of who performs the activities. To safeguard the quality of outsourced activities, service providers are closely scrutinized prior to selection and compliance with agreed obligations is monitored. The findings of the monitoring activities serve as input for the periodic consultation on operational, tactical and strategic level with the service provider.

ASR Aanvullende Ziektekostenverzekeringen N.V. has outsourced certain critical and/or important activities that are part of material operational processes. Outsourced activities are related to front- or back office activities. In addition, the management and service of some supporting systems are also outsource. IT is outsourced to DSW (IT infrastructure) and Multizorg (purchasing).

B.8 Any other information

Other material information about the system of governance does not apply.

C Risk profile

Risk management is an integral part of our daily business activities. ASR Aanvullende Ziektekostenverzekeringen N.V. applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met. Risk management supports ASR Aanvullende Ziektekostenverzekeringen N.V. in the identification, measurement and management of risks and monitors to ensure adequate and immediate actions are taken in the event of changes in a.s.r.'s risk profile.

ASR Aanvullende Ziektekostenverzekeringen N.V. is exposed to the following types of risks: market risk, counterparty default risk, liquidity risk, insurance risk (life), strategic risk and operational risk. A risk appetite is formulated and establishes a framework that supports the effective selection of risks.

The risk appetite specifies the maximum level of risk that the legal entity is willing to take in achieving its objectives. The risk appetite, which contains both financial and non-financial risk appetite statements, is recalibrated every year on the basis of the strategy of ASR Aanvullende Ziektekostenverzekeringen N.V. The risk profile is reviewed and adopted by the Business Risk Committee every three months. This committee is made up of the Managing Board, members of the management team, members of the Finance and Risk column, the compliance officer, the risk manager and members of the Internal Audit Department. Risk appetite compliance reports are submitted to the central Non-Financial Risk Committee (NFRC) and the central Financial Risk Committee (FRC) of a.s.r. group. In the event of variances, the controls that ASR Aanvullende Ziektekostenverzekeringen N.V. must implement in order to bring the risk profile back within the bandwidths of the risk appetite are defined and documented. The risk appetite is thus an important operational instrument.

As of 1 January 2016 the Solvency II regime is in place. a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime and therefore the risk management framework and this chapter are fully in aligned with Solvency II. The Solvency Capital Requirement (SCR) is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200 year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

Management of financial risks in 2016

ASR Aanvullende Ziektekostenverzekeringen N.V. strives to find an optimal tradeoff between risk and return, also known as value based management. Value based management is applied in decision-making throughout the entire product cycle: from product approval to the payment of benefits and claims. At the more strategic level, decision-making takes place through balance sheet management. The FRC evaluates financial risk positions against the RAS on a monthly basis.

ASR Aanvullende Ziektekostenverzekeringen N.V. assesses from time to time whether the technical provisions are sufficient to cover the insurance liabilities. To gain reasonable assurance regarding the accuracy of model outcomes in accordance with Solvency II, technical standards, model validation and other mitigating measures are applied. Primary scope of model validation are best estimate and solvency capital requirement models. These provisions were adequate at year-end 2016. The underlying assumptions for assessing the provision are adjusted from time to time to economic and non-economic developments.

Management of non-financial risks in 2016

Every year strategic risks are identified in a Control Risk Self-Assessment (CRSA). The CRSA is a method for the identification of risks that pose a threat to the achievement of the strategic and tactical objectives set out in the business plan. These risks are monitored on a quarterly basis. The principal risks of ASR Aanvullende Ziektekostenverzekeringen N.V. are defined based on the CRSA.

In 2016, a lot of attention was also devoted to the further embedding and optimization of the risk control framework. This risk control framework comprises a description of the principal risks and control measures in the processes. The internal control structure of ASR Aanvullende Ziektekostenverzekeringen N.V. made an important shift to an even more risk-based focus, which was also incorporated in the revised Risk Management Policy. This allows for a stronger alignment between the risk appetite and the focus on risk, which in turn contributes to the extent to which risks remain within the predetermined risk appetite. In line with this, reporting systems were revised and improved, with the changes taking effect in 2017.

Extensive attention was given to providing insights into data quality. Several activities focusing on data quality were started, using a framework for norms and standards. Further steps were taken throughout 2016, and will continue to be taken in 2017, to support the reasonable assurance given by the actuarial function on the reliability of the financial statements.

Key risk developments in 2016

The Own Risk and Solvency Assessment (ORSA), which forms part of the Solvency II rules, is performed on an annual basis. The ORSA makes it possible to form a judgement on the position of ASR Aanvullende Ziektekostenverzekeringen N.V. in terms of risk, solvency and capital, both now and in the future, under different stress scenarios and relative to the risk appetite. The ORSA provides insight into the robustness of the solvency position and the measures to be taken in diverse scenarios. The ORSA process is facilitated from the Group Risk Management Department. Representatives from ASR Aanvullende Ziektekostenverzekeringen N.V. take part in the risk assessment sessions, the CRSA, and identify the principal risks. The next step involves drawing up scenarios in which the company's ability to continue as a going concern could be jeopardized. The solvency impact of several stress scenarios was calculated as part of the ORSA. Based on these scenarios, the Managing Board of ASR Aanvullende Ziektekostenverzekeringen N.V. has defined mitigating measures that can be taken to continue meeting the solvency requirements in the event of the occurrence of a specific scenario. The ORSA process led to the identification of the following principal risks for ASR Aanvullende Ziektekostenverzekeringen N.V.:

Increasing legislative and regulatory burden

Insurers are confronted with a structural proliferation of laws and regulations. The regulator is exerting increasing pressure and displaying a growing appetite for enforcement. As a result of this mounting regulatory pressure, there is a risk that:

- the reputation will be put under pressure if new requirements are not met in time;
- available resources will mostly be utilized in the cause of aligning the organization to new legislation, meaning there are fewer resources to spend on the core customer processes;
- processes will become less efficient and pressure on the workforce will increase;
- the regulator issues a direction or imposes a penalty for failing to achieve timely regulatory compliance.

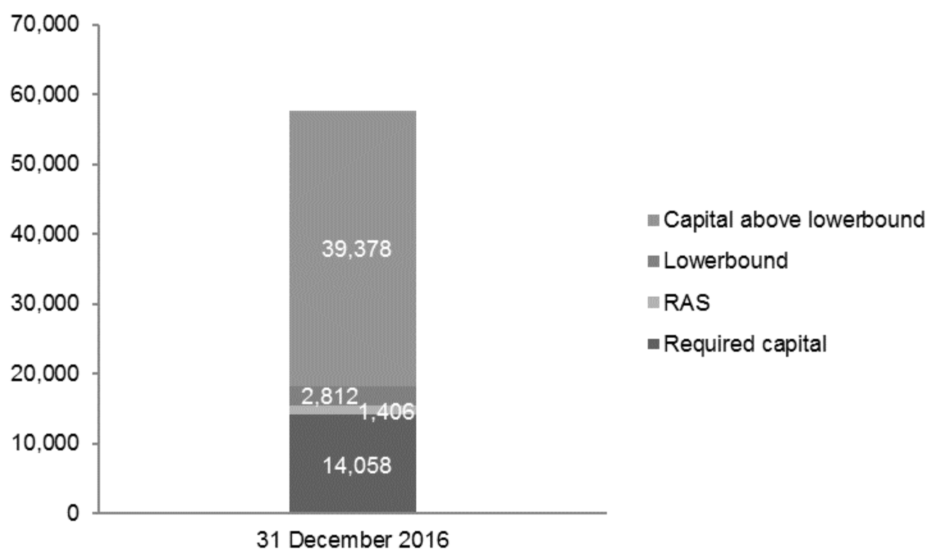
Insufficient procurement power

ASR Aanvullende Ziektekostenverzekeringen N.V. is a relatively small health insurer. Due to its limited size, there is the risk that ASR Aanvullende Ziektekostenverzekeringen N.V. must contract healthcare at higher prices than the competition. The company may seek to increase its procurement power through partnerships with other health insurers.

Own funds

The capital management section describes the capital targets related to the risk appetite statements and dividend payments. The table below shows how the eligible funds of ASR Aanvullende Ziektekostenverzekeringen N.V. relate to the different capital targets.

Market value own funds under Solvency II



The amount under RAS is the minimal free surplus (€1,406 thousand), such that the RAS is met. The additional required capital relative to the RAS is stated below the lower limit target.

Capital requirement

The required capital stood at €14,058 thousand per 31 December 2016. The required capital (before diversification) consists for €2,812 thousand out of market risk and the insurance risk amounted to €11,929 thousand as per 31 December 2016. 2015 figures are not presented here, as Solvency II replaced Solvency I as at 1 January 2016, which makes a comparison of these two years not useful.

SCR sensitivities

Also for sensitivities 2015 figures are not presented here, as Solvency II replaced Solvency I as at 1 January 2016, which makes a comparison of these two years not useful.

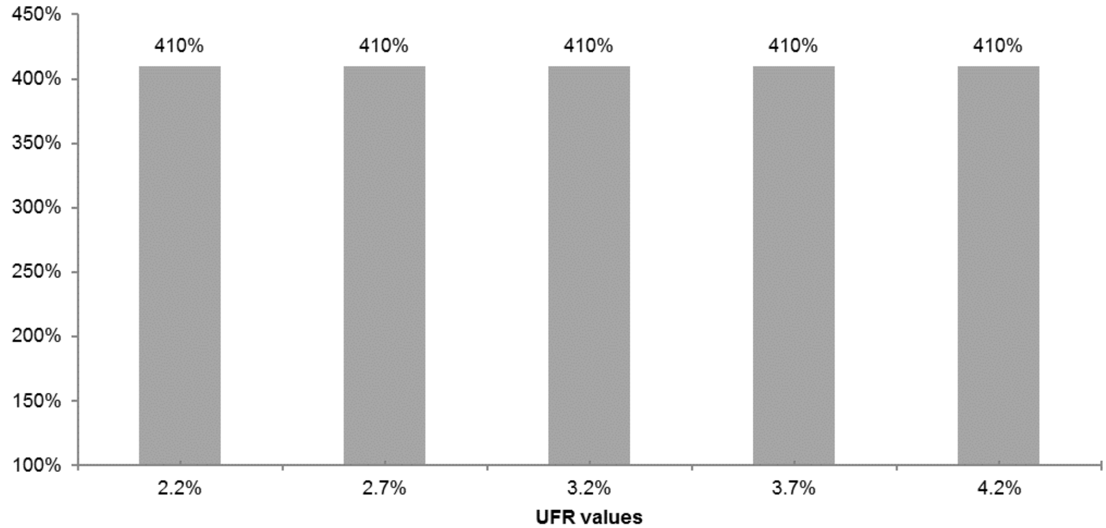
The sensitivities of the solvency ratio as at 31 December 2016, expressed as the impact on the ASR Aanvullende Ziektekosten N.V. solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital.

31 December 2016			Effect on:
Type of risk (%-points)	Available capital	Required capital	Ratio
UFR -1%	-	-	-
Interest rate +1% (incl. UFR 4.2%)	-2	+1	-1
Interest rate -1% (incl. UFR 4.2%)	+2		+1
Volatility Adjustment -10bp	-	-	-
Equity prices -20%	-4	+4	-1
Property values -10%	-	-	-
Spread +75bps/VA +21bps	-2	-	-2

Risk	Scenario
Interest rate risk – UFR	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged.
Interest rate risk (incl. UFR 4.2%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR of 4.2% after the last liquid point of 20 years remained unchanged.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 21 bps.

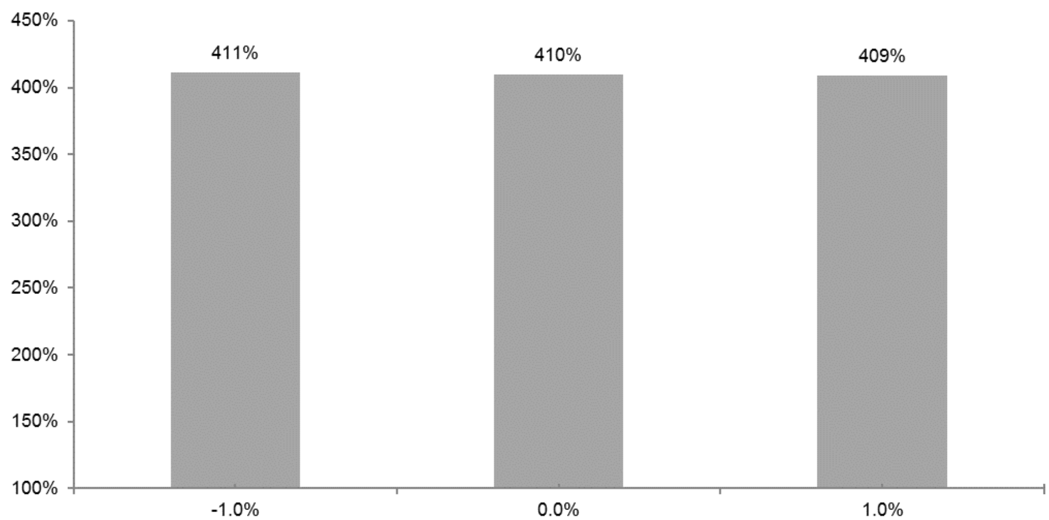
Expected development UFR

European Insurance and Occupational Pensions Authority (EIOPA) may reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. There are various scenarios regarding lowering the Ultimate Forward Rate (UFR) in 2017 and beyond, based on the proposed methodology as described in EIOPA's consultation paper on the UFR. In the latest proposal, the UFR decreases to 3.7%, phasing in by 20 basis points per year. The impact on the solvency ratio of various UFR levels is stated below.



Interest rate sensitivity of solvency ratio

The impact of the interest rate on the solvency ratio, including the UFR effect, is stated below. The UFR methodology has been applied to the shocked interest rate curve.



Equity risk

Developments in the financial markets had a negative effect on the value of equities. a.s.r. sold shares and increased hedging positions against large decreases in equity prices in the first half of 2016, as a result of the de-risking strategy. On balance, the equity exposure decreased over the first half of the year, which also resulted in a fall in the sensitivity to equities of the solvency ratio.

Spread risk

The total fair market value of the fixed-income portfolio increased over the first half of 2016, resulting in a higher spread risk. The increase in of the fixed-income portfolio is mainly due to (i) the fall in interest rates (the portfolio has many long-duration instruments) and (ii) portfolio expansion due to de-risking.

In case of a scenario in which the average spread rises by 75 bps and the Volatility Adjustment (VA) rises by 21 bps, the solvency ratio decreases -2%. As the VA is used in the calculation of the liabilities and spread movement only has an impact on the credit portfolio, the impact of the VA increase is bigger than the impact of the spread increase. Therefore, the solvency ratio rises in the event of an increase in the average spread.

Loss absorbing capacity deferred tax

ASR Aanvullende Ziektekostenverzekeringen N.V. uses the following methodology for the calculation of the Loss Absorbing Capacity Deferred Tax (LAC DT) benefit in euros. Below an overview of the components of the methodology for the calculation is presented:

	Applicable?
Component 1 – Taxable profit (t)	✓
Component 2 – Taxable profit (t-1)	✓
Component 3 – NET DTA position	✓
Component 4 – Future taxable profit	×

1. The unrounded LAC DT factor is determined based on component 1 - 3 only and will be compared with the buckets as defined by a.s.r. This means that the LAC DT factors only can be expressed as a multiple of 25% of the fictive fiscal loss (25%). The outcomes are rounded down. This bucket system ensures financial stability in the LAC DT benefit for a.s.r. Group in euros, resulting in financial stability of the solvency position of the Group.

2. The rounded LAC DT factors for all entities will be compared with a code of conduct. This code of conduct will be used to include potential risks not yet included in the model. In this way no increase will be realized in case a decrease in the next quarter is expected. The advised LAC DT factors result.

3. The advised LAC DT factors are reviewed by the 2nd line.

A proposal with the advised LAC DT factors will be presented to the Financial Risk Committee. The LAC DT factors to be used result.

C.1 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future expenses, claims and benefits differ from the assumptions used in determining the best estimate liability. The healthcare sector is part of the non-life portfolio.

The solvency buffer is held by ASR Aanvullende Ziektekostenverzekeringen N.V. to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of ASR Aanvullende Ziektekostenverzekeringen N.V. is determined and continuously monitored in order to assess if ASR Aanvullende Ziektekostenverzekeringen N.V. meets the regulatory requirements.

As of 1 January 2016 the Solvency II regime is in place. ASR Aanvullende Ziektekostenverzekeringen N.V. measures its risks based on the standard model as prescribed by the Solvency II regime. The Solvency Capital Requirement for each insurance risk is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200 year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

The insurance risk arising from the health insurance portfolio of ASR Aanvullende Ziektekostenverzekeringen N.V. is as follows.

Insurance risk - required capital	31 December 2016
Health insurance risk	11,929

C.1.1 Health Insurance risk

The Health insurance portfolio of ASR Aanvullende Ziektekostenverzekeringen N.V. contains the following insurance risk:

- NSLT Health risk
  - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similarly to the Non-Life insurance risk

NSLT Health Risk

Premium and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium of the next year, and the written premium of the current year.

Reserve risk is the risk that the current reserves are insufficient to cover the claims over a 12 month time horizon.

Health insurance risk - required capital	**31 December 2016**
Health SLT	-
Health Non-SLT	11,929
Catastrophe Risk (subtotal)	-
Diversification (negative)	-
Health (Total)	**11,929**
Medical expenses insurance and proportional reinsurance	11,929
Income protection insurance and proportional reinsurance	-
Diversification (negative)	-
Health Non-SLT (subtotal)	**11,929**
Mass accident risk	-
Accident concentration risk	-
Pandemic risk	-
Diversification (negative)	-
Catastrophe risk (subtotal)	**-**

For the NSLT Health portfolio, the provision at year-end 2016 can be broken down as follows under solvency

Segment	Solvency II
Similar to Non-Life techniques - Solvency II technical provision	31 December 2016
Best estimate	2,693
Risk margin	938
Technical provision	**3,631**

C.1.2 Managing health insurance risk

Health insurance risk is managed by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs. Concentration risk also qualifies as an insurance risk.

Claims frequency, size of claim and inflation

To mitigate the risk of claims, ASR Aanvullende Ziektekostenverzekeringen N.V. bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. In order to limit claims and/or ensure that prices are adjusted correctly, the product line health NSLT also uses knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims. The risk of unexpected major damage claims is contained by policy limits.

Handling time
The handling time for health care claims is mainly very short and the settlement is quick. Normally, within five days a claim is settled.

Benefit and claims handling costs
Taking estimated future inflation into account, benefit and claims handling costs are managed on the basis of regular reviews and related actions.

Concentration risk
Geographically, the risk exposure of ASR Aanvullende Ziektekostenverzekeringen N.V. on its health portfolio is almost entirely concentrated in the Netherlands.

C.2 Market risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The various types of market risk which are discussed in this section, are:

- interest rate risk
- equity risk
- property risk
- currency risk
- spread risk
- concentration risk

Market risk reports are submitted to the FRC at least once a month. Key reports on market risk include the Solvency II and economic capital report, the interest rate risk report and the report on risk budgets related to the strategic asset mix.

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below.

Market risk - required capital	31 December 2016
Interest rate	346
Equity	1,051
Property	-
Currency	22
Spread	778
Concentration	24
Diversification (negative)	-466
Total	**1,755**

The main market risks of ASR Aanvullende Ziektekostenverzekeringen N.V. are spread and equity risk. This is in line with the risk budgets based on the strategic asset allocation study.

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. ASR Aanvullende Ziektekostenverzekeringen N.V. the upward shock is dominant.

ASR Aanvullende Ziektekostenverzekeringen N.V. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear, increasing to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. The equity dampener has a value between -10% and 10%. In the event of increasing equity prices, the equity dampener will have a smaller dampening effect.

C.2.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates.

The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology.

	31 December 2016
SCR interest rate risk up	-346
SCR interest rate risk down	1
SCR interest rate risk	346

ASR Aanvullende Ziektekostenverzekeringen N.V. has assessed various scenarios to determine the sensitivity to interest rate risk. The impact on the solvency ratio is calculated by determining the difference in the change in available and required capital.

31 December 2016			Effect on:
Scenario	Available capital	Required capital	Ratio
UFR -1%	-	-	-
Interest rate +1% (incl. UFR 4.2%)	-2	+1	-1
Interest rate -1% (incl. UFR 4.2%)	+2	-1	+1
Volatility Adjustment -10bp	-	-	-

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities.

An interest rate risk policy is in place for the Group as well as for the registered insurance companies. All interest rate-sensitive balance sheet items are in scope. The sensitivity of the solvency ratio to interest rates is minimized. In addition, the exposure to interest rate risk for various term buckets is subject to maximum amounts.

C.2.2 Equity risk

The equity risk depends on the total exposure to equities. The required capital for equity risk is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II). The basic shock for strategic participations is 22%.

ASR Aanvullende Ziektekostenverzekeringen N.V. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear increasing in 7 years to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. This resulted in a reduction of the average risk charge of equity risk of about 13% per 31 December 2016.

	31 December 2016
SCR equity risk - required capital	1,051

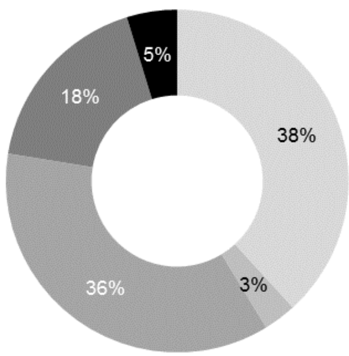
The sensitivity of the solvency ratio to changes in equity prices is monitored on a monthly basis. Sensitivity of regulatory solvency to changes in equity prices is shown in the following table.

31 December 2016			Effect on:
Scenario	Available capital	Required capital	Ratio
Equity prices -20%	-4	+4	-1

Composition of equity portfolio
The fair value of equities and similar investments at year-end 2016 was €4,024 thousand.

The equities are diversified across the Netherlands (including participating interests), other European countries.

The table below shows the exposure of the equity portfolio to sectors. Externally managed funds are excluded; the total value in scope is €4,024 thousand.



Sector equity portfolio (excl. funds) 2016

	2016
Consumer Goods, Services and Healthcare	36%
Financials	38%
Industrials, Materials and Energy	18%
Technology and Telecoms	5%
Utilities	3%

C.2.3 Property risk

Property risk is not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

C.2.4 Currency risk

Currency risk is not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

C.2.5 Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level of credit spreads on the relevant risk-free interest rates. ASR Aanvullende Ziektekostenverzekeringen N.V. has a policy of maintaining a well-diversified high-quality investment grade portfolio while avoiding large risk concentrations. Going forward, the volatility in spreads will continue to have possible short-term effects on the market value of the fixed income portfolio. In the long run, the credit spreads are expected to be realized and to contribute to the growth of the own funds.

The required capital for spread risk is determined by calculating the impact on the available capital due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

	31 December 2016
SCR spread risk - required capital	778

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment which is applied to the liabilities will increase by 21 bps.

31 December 2016			Effect on:
Scenario	Available capital	Required capital	Ratio
Spread +75bps/VA +21bps	-2	-	-2

Composition of fixed income portfolio

Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of fixed-income exposure by rating class, sector, and country of risk and level of subordination for the financial sector.

Assets in scope of spread risk are, by definition, not in scope of counterparty default risk. The tables include all bond, fixed income funds, preference shares and loans subject to spread risk according to our risk models.

	31 December 2016 Exposure	31 December 2016 Percentage
AAA	18,647	43%
AA	10,280	24%
A	9,144	21%
BBB	5,146	12%
Lower than BBB	-	0%
Not rated	-	0%
Total	**43,217**	**100%**

ASR Aanvullende Ziektekostenverzekeringen N.V. invests mainly in bonds with a rating of at least BBB.

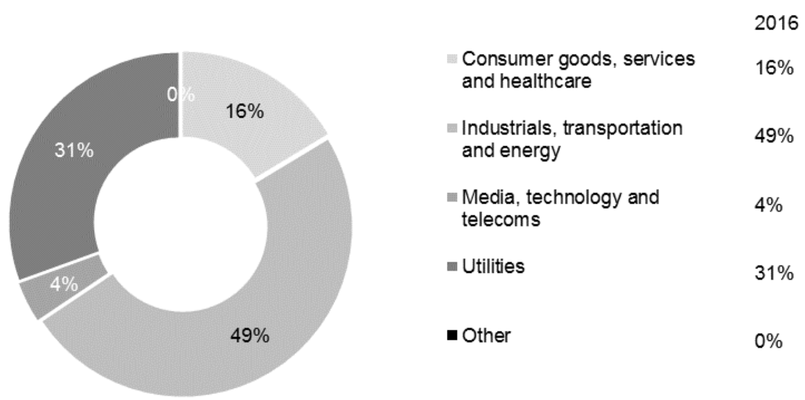
	31 December 2016
Governments	23,810
Financials	11,641
Corporates	7,766
Structured Instruments	-
Total	**43,217**

ASR Aanvullende Ziektekostenverzekeringen N.V. has a well-diversified portfolio of government bonds, corporate bonds and financials.

Governments	31 December 2016
The Netherlands	7,507
Germany	9,503
Austria	1,015
Belgium	3,033
France	933
Supranationals	712
Periphery	905
Other	202
Total	**23,810**

The largest government bond exposure of ASR Aanvullende Ziektekostenverzekeringen N.V. is in German bonds.

Financial institutions	31 December 2016
Senior	6,964
Tier 1	1,296
Tier 2	2,406
Tier 3	-
Covered	975
Other	-
Total	**11,641**



Sector corporates 2016

The table above shows the exposure of the corporate bonds to sectors.

The following tables give a detailed overview of the distribution of the total fixed income portfolio over ratings and sectors.

	Governance 31 December 2016	Financial institutions 31 December 2016
AAA	17,672	975
AA	5,233	2,891
A	273	5,531
BBB	632	2,244
Lower than BBB	-	-
Not rated	-	-
Total	**23,810**	**11,641**

	Corporates 31 December 2016	Structured entities 31 December 2016
AAA	-	-
AA	2,156	-
A	3,340	-
BBB	2,270	-
Lower than BBB	-	-
Not rated	-	-
Total	**7,766**	**-**

C.2.6 Market risk concentrations

Concentration risk is the risk of an accumulation of exposures with the same counterparty.

C.3 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:

- receivables
- cash and deposits

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa.

The Solvency II regime makes a distinction between two types of exposures:

- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified.
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

The total capital requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking 75% correlation.

Counterparty default risk - required capital	31 December 2016
Type 1	885
Type 2	354
Diversification (negative)	-65
Total	**1,174**

C.3.1 Mortgages

ASR Aanvullende Ziektekostenverzekeringen N.V. has no mortgages on the balance sheet`.

C.3.2 Savings-linked mortgage loans

ASR Aanvullende Ziektekostenverzekeringen N.V. has no saving loans on the balance sheet.

C.3.3 Derivatives

ASR Aanvullende Ziektekostenverzekeringen N.V. has no material derivatives on the balance sheet.

C.3.4 Reinsurance

ASR Aanvullende Ziektekostenverzekeringen N.V. has no reinsurance contracts on the balance sheet.

C.3.5 Receivables

Receivables	31 December 2016
Policyholders	13,653
Intermediaries	-
Reinsurance operations	-
Health insurance fund	-
Other	-598
Total	13,055

C.3.6 Cash and deposits

The current accounts amounted € 13 million in 2016.

Current accounts	31 December 2016
AAA	0%
A	100%
Lower than A	0%

C.4 Liquidity risk

Liquidity risk is the risk that ASR Aanvullende Ziektekostenverzekeringen N.V. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirement of ASR Aanvullende Ziektekostenverzekeringen N.V. and is therefore separately discussed here.

ASR Aanvullende Ziektekostenverzekeringen N.V. recognizes different levels of liquidity management. Short-term liquidity, or daily cash management, covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions in which market liquidity risk materialises. Stress liquidity management looks at the ability to respond to a potential crisis situation as a result of a market event and an ASR Aanvullende Ziektekostenverzekeringen N.V.-specific event. Unexpected cash outflows could occur as result of lapses in the insurance portfolio. ASR Aanvullende Ziektekostenverzekeringen N.V. monitors its liquidity risk scenarios via different risk reporting and monitoring processes including daily cash management reports, cash flow forecasts and stress scenario liquidity reports.

ASR Aanvullende Ziektekostenverzekeringen N.V.'s liquidity management principle consists of three components. First, a well-diversified funding base is necessary in order to provide liquidity for cash management purposes. A portion of assets must be invested in unencumbered marketable securities that can be used for collateralized borrowing or asset sales. Second, the strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date contingency liquidity plan is in place to enable management to act effectively and efficiently in times of crisis.

As at 31 December 2016, ASR Aanvullende Ziektekostenverzekeringen N.V. had cash (€ 13,2 million), liquid government bonds (€ 23,8 million) and other bonds and shares.

The *following* table shows the contractual cash flows of assets and liabilities (excluding investments on behalf of policyholders and insurance contracts on behalf of policyholders).

Liquidity risk - required capital 31 December 2016	< 1 yr	1-5 yrs	5-10 yrs	10-20 yrs	> 20 yrs
Fixed-income assets	43,134	26,808	-	-	-
Liabilities	-5,103	-7,867	-	-	-
Total	**38,031**	**18,941**	**-**	**-**	**-**

With regard to liquidity risk, ‘the expected profit included in future premiums’ (“EPIFP”) means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

	31 December 2016
EPIFP	4,454

C.5 Operational risk

This paragraph contains a description of group policy, which is applicable for the solo entity. Operational Risk Management involves the management of all possible risks that may influence the achievement of the company targets and that can cause financial or reputational damage. Operational risk management includes the identification, analysis, prioritization and management of these risks in line with the risk appetite. The policy on operational risk management is drafted and periodically evaluated under the coordination of Enterprise Risk Management. The policy is implemented in the decentralized business entities under the responsibility of the management boards. A great number of risks is encountered with the operational risk management policy: IT risk, outsourcing, data quality, claim handling etc.

The required capital for operational risk is presented below.

	31 December 2016
SCR operational risk - required capital	2,137

Identifying
With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritized and recorded in a risk-control framework.

In some areas, the risk policies prescribe specific risk analyses to be performed to identify and analyze the risks. For important IT systems, SPRINT analyses have to be performed and also for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on probability of defaults and impact. Where possible, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labeled with a specific level of concern. Risks with a high level of concern are considered ‘key’.

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite. In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. For each control an estimation is made of the net risk, after implementing the control.

Monitoring and reporting

The effectiveness of operational risk management is periodically monitored by the business risk manager at each business entity. For each control in the risk-control framework a testing calendar is established, based on accounting standards. Each control is tested regular and the outcomes on the effectiveness to manage the key risks are reported to the management board. Outcomes are also reported to the NFRC and a.s.r. Risk Committee.

Evaluating

Periodically, at least every year, the risk-control frameworks and operational risk management policies are evaluated to see if adjustments are desirable. The risk management function also challenges the business entities on their risk-control frameworks.

Operational incidents

Operational incidents with operational losses in excess of €5000 are reported to Group Risk Management, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of main losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

Information Communication Technology

Through IT risk management, a.s.r. devotes attention to the efficiency, effectiveness and integrity of Information Communication Technology (ICT). The logical access control for key applications used in the financial reporting process remains a high priority in order to enhance the integrity of applications of data. The logical access control procedures also prevent fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. Proper understanding of information, security and cyber risks is essential, and this is why actions are carried out to create awareness among employees and business lines.

Business Continuity Management

Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to continue its daily business uninterruptedly and to react quickly and effectively during such situations.

Critical processes and activities and the tools necessary to use for these processes, are identified during the Business Impact Analysis. This includes the resources required to establish similar activities at a remote location. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. considers something a crisis when one or more business lines are (in danger of being) disrupted in the operational management, due to a calamity, or when there is a reputational threat. In order to reduce the impact of the crisis, to stabilize the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has assigned a crisis organization.

Each business line has their own crisis team led by the director of the management team. The continuity of activities and the recovery systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights into how they function during emergencies and to help them perform their duties more effectively during those situations. The training also sets out to clarify the roles, duties and responsibilities of the crisis teams.

Recovery Planning

a.s.r.'s Recovery Plan helps to be prepared and have the capacity to act in various forms of extreme financial stress. To this end, the Recovery plan describes and quantifies the measures that can be used to get through a crisis situation. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles and operational effects are also assessed. The main purpose of the Recovery Plan is to increase the likelihood of successful early intervention during a financial crisis situation and to further guarantee that the interest of policyholders and other stakeholders are protected.

Reasonable assurance and model validation

a.s.r aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Materiality is determined by means of an assessment of impact and complexity. Impact and complexity is expressed in terms of High (H), Medium (M), or Low (L).

In the pursuit of reasonable assurance, model risk is mitigated and unpleasant surprises are avoided, against acceptable costs.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against ASR Aanvullende Ziektekostenverzekeringen N.V. actual solvency capital position, taking into account identified risks that are not incorporated into the standard formula. The following risks are recognized by ASR Aanvullende Ziektekostenverzekeringen N.V. as being potentially material:

- Inflation risk
- Reputation risk
- Liquidity risk
- Contagion risk
- Legal environment risk
- Model risk
- Strategic risk
- Non-insurance related risk
- New and upcoming risk

The most important risks to which ASR Aanvullende Ziektekostenverzekeringen N.V is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach. After assessment of the effectiveness off the mitigating measures, the risks with the highest 'Level of Concern' or LoC are translated to the a.s.r. risk priorities and relevant risk scenarios for the ORSA.

C.7 Any other information

C.7.1 Description of off-balance sheet positions

Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

C.7.2 Reinsurance policy and risk budgeting

C.7.2.1 Reinsurance policy

ASR Aanvullende Ziektekostenverzekeringen N.V. does not reinsure any specific underwriting risk at this moment.

C.7.2.2 Risk budgeting

The FRC assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure the predefined levels in the risk appetite statement will not be violated.

C.7.3 Monitoring of new and existing products

This paragraph contains a description of group policy, which is applicable for the solo entity. Group Risk Management, Integrity and Legal Affairs participate in the product approval committee (PARP). All these departments evaluate whether risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and secure. New products must also be strategically aligned with ASR Aanvullende Ziektekostenverzekeringen N.V. mission to be a solid and trustworthy insurer. In addition, the risks of existing products are evaluated, as requested by the PARP, as a result of product reviews.

D Valuation for Solvency purposes

This chapter contains information regarding the valuation of the balance sheet items. For each material asset class the bases, methods and main assumptions used for valuation for solvency purposes are described. Separately for each material class of assets a quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and valuation in the financial statements. When accounting principles are equal or when line items are not material, some line items are clustered together.

Valuation of assets is based on fair value measurement as described below. Each material asset class is described in paragraph D.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin. This is described in paragraph D.2. Other liabilities are described in paragraph D.3.

Information for each material line item is based on the balance sheet below. For each line item is described:
- Methods and assumptions for valuation
- Difference between solvency valuation and valuation in the financial statements

The numbering of the line items refer to the comments below.

Based on the differences in this template a reconciliation is made between IFRS equity and Solvency equity.

Balance sheet	31 December 2016 IFRS	Revaluation	31 December 2016 Solvency II
1. Goodwill, DAC, and Intangible assets	-	-	-
2. Deferred tax assets	-	-	-
3. Property, plant, and equipment held for own use	-	-	-
4. Investments - Property (other than for own use)	-	-	-
5. Investments - Holdings in related undertakings, including participations	-	-	-
6. Investments - Equity	4,024	-	4,024
7. Investments - Bonds	43,560	-	43,560
8. Investments - Collective Investments Undertakings	-	-	-
9. Investments - Derivatives	8	-	8
10. Investments - Deposits other than cash equivalents and other investments	-	-	-
11. Unit-linked investments	-	-	-
12. Loans and mortgages	-	-	-
13. Reinsurance recoverables	-	-	-
14. Receivables	13,055	-	13,055
15. Cash and cash equivalents	13,191	-	13,191
16. Any other assets, not elsewhere shown	45	-42	3
Total assets	**73,883**	**-42**	**73,841**
17. Technical provisions (best estimates)	8,130	-5,436	2,693
18. Technical provisions (risk margin)	-	938	938
19. Unit-linked best estimate	-	-	-
20. Unit-linked risk margin	-	-	-
21. Pension benefit obligations	-	-	-
22. Deferred tax liabilities	189	1,114	1,304
23. Subordinated liabilities	4,992	-	4,992
24. Other liabilities	11,253	-	11,253
Total liabilities	**24,564**	**-3,385**	**21,179**
-	-	-	-
Excess of assets over liabilities	**49,319**	**3,343**	**52,662**

This chapter contains also the reconciliation between the excess of assets over liabilities to EOF.

x1000	Gross of tax	Net of tax	31 December 2016
Total equity IFRS			**49,320**
Revaluation of other assets			
Intangible assets	-42	-32	
Investments - Holdings in related undertakings, including participations	-	-	
Savings-linked mortgages	-	-	
Mortgages	-	-	
Loans	-	-	
Receivables	-	-	
			-32
Revaluation of the technical provisions			
IFRS technical provisions cancelling	8,130	6,097	
Best Estimate Solvency II accounting	-2,693	-2,020	
Risk margin accounting	-938	-703	
Cancelling of the reinsurers part in the IFRS technical provisions	-	-	
Accounting of the reinsurers part in the technical provisions	-	-	
			3,374
Own funds Solvency II			**52,662**
Subordinated liabilities	-	4,992	
Foreseeable dividends and distributions	-	-	
Deductions for participations in financial and credit institutions	-	-	
			4,992
Eligible Own funds Solvency II			**57,654**

D.1 Assets

Valuation of most financial assets is based on fair value. In the paragraph below, this valuation methodology is described. For different line items will be referred to this method. In this paragraph line items 1 – 15 from the simplified balance sheet above are described.

D.1.1 Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Solvency II directive and articles 9 and 10 , the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value:

Level 1: Fair value based on quoted prices in an active market

Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:
- quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organization, third party pricing service or a regulatory body); and
- these prices represent actual and regularly occurring transactions on an arm's length basis.

Level 2: Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:
- quoted prices in active markets for similar (not identical) assets or liabilities;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, early redemptions spreads, loss ratio, counterparty default risks and default percentages.

Level 3: Fair value not based on observable market data
At Level 3, the fair value of the assets and liabilities is determined using valuation techniques for which significant inputs are not based on observable market data. In these situations, there can also be marginally active or inactive markets for the assets or the liabilities. The financial assets and liabilities in this category are assessed individually.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

D.1.2 Per asset category

The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category. The figures correspond to the extended balance sheet which has been reported as QRT S 2.01.

1. Goodwill and Intangible assets
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

2. Deferred tax
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

3. Property plant, and equipment held for own use
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

4. Investments - Property (other than for own use)
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

5. Investments - Holdings in related undertakings, including participations
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

6. Investments – Equity
Valuation of listed equities is based on the level 1 method of the fair value hierarchy. Unlisted fixed-interest preference shares are valued based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

Valuation of private equity investments is based on the level 3 method of the fair value hierarchy. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

7. Investments – Bonds
The valuation of these assets is consistent with the IFRS fair value hierarchy as described in paragraph D.1.1.

8. Investments - Collective investment undertakings
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

9. Investments – Derivatives
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

10. Investments - Deposits other than cash equivalents and other investments
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

11. Assets held for index-linked and unit-linked funds
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

12. Loans and mortgages
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

13. Reinsurance recoverables
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

14. Receivables (trade not Insurance)
The fair value of receivables is based on the level 2 method of the fair value hierarchy. The fair value is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

15. Cash and cash equivalents
The valuation of cash and cash equivalents is based on the level 1 method of the fair value hierarchy. Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

16. Any other assets, not elsewhere shown
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

D.2 Technical provisions

D.2.1 Introduction

In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by ASR Aanvullende Ziektekostenverzekeringen N.V.

D.2.2 Technical provisions methods

D.2.2.1 Medical expense insurance

What follows is a description of the policies, methods and principal assumptions that were decisive in determining the value of the technical provisions and the risk margin.

Composition of homogeneous risk group ASR Aanvullende Ziektekostenverzekingen N.V. (AV)
A homogeneous risk group (HRG) encompasses a collection of policies with similar risk characteristics as stipulated by Solvency II, which are generally recorded separately. In the AV coverages are similar over labels and distribution channels. Also, the policies in the AV are sold in combination with policies of the BV. Therefore, also one HRG is defined in the AV.

Contract boundary
The government decides on the basic health insurance package every year and this package is mandatory for all inhabitants of The Netherlands. The composition of this package may be different from year to year. In addition, the contract boundary of an insurance contract is just one calendar year which is laid down in law. The additional health insurance has also a contract boundary of one year because it is a combination with the basic health insurance. Insured persons are free to accept or reject a new offer from their health insurer after one year. The composition of the portfolio changes mainly because of insured persons switching health insurers. Claims incurred during the period of cover continue to be insurance liabilities for the covering health insurer. The insurance portfolio and hence the risk profile stays stable during one year, because of the breakdown by claim year.

Risk equalization model
The Dutch Health Insurance is laid down in law (Zvw[6]) and is supplemented by a risk equalization model which is performed by the National Health Care Institute (ZINL) for the basis health insurance contract (BV). This is not applicable for the additional health insurance contract (AV).

D.2.2.2 Bases and methods

Best estimate claim provision
The inflation method is used for the first months of the new year because little is known about the use of health care and its declaration pattern of the new year. The inflation rate is based on the existing contracts from the previous year which are under negotiation for new year and market rates for health care consumption.

The outstanding claims provisions for additional health insurance are determined using a development factor model in combination with the Bornhuetter-Fergusion method for each claim year at the aggregated level including all health services and products.

For the current claim year, an estimation is made on the basis on an expected loss methodology. Until enough claims are booked to switch to an estimation based on the chain ladder method. In practice, this number of claims is reached by the end of the first half year.

The best estimate claims provision is discounted at the interest rate term structure (zero coupon curve) prescribed by EIOPA. The prevailing yield curve is set internally at group level.

Cash flows
The cash flow pattern of the claim provisions is based on the history of paid claims in a chain ladder model at the level of health type[7] aggregated per year and quarter.

Best estimate of premium provision
The best estimate for the premium provision is determined using estimated future cash flows from portfolio growth, premium income (only a commercial premium for AV), claims payments and claims handling costs as included in the premium determination and sales results for the new insurance year. This relates to the next 12-month insurance period (one year contract boundary) and serve as the benchmark for the scale of the premium provision on the reference date.

The cash flow pattern of the future claim provision is based on paid claims in a chain ladder model. The assumptions are:
- Claims received in past months are predictive for the future payment pattern of claims.
- The payment patterns are constant / equal divided for the coming months to year end.
- The payment pattern for the future claims is equal to the payment pattern of the current (already) paid claims

[6] Zvw: Zorgverzekeringswet

[7] For example a health type is: General Practitioner, Pharmacy, Oral Care, Obstetrics, Specialist Medical Care, Paramedical Care, Medical Aids, Patient Transport

The same yield curve, which a.s.r. sets internally at group level and subsequently supplied to the supervised entity, is used as for the outstanding claims provisions.

Claims handling costs

The cash flows for claims handling costs are proportional to the cash flows of the paid claims for the claim provisions. The percentage of claim handling costs is equal to the ratio 'released claims handling costs at the end of year T-1 divided by paid claims including own risk at the end of year T-1 independent of claim years. This fixed percentage is applied to the outstanding claims provision for the current year in the reporting period (t) and for earlier years (t-1, t-2,.. t-n), and to the outstanding claims provision for future years in earlier years. The result is the provision for claims handling costs. The provision for claims handling costs is included in the best estimate for the outstanding claims and premium provisions.

The remaining (other) costs are paid uniformly in an year.

Risk margin methodology

The insurance risks have been determined in accordance with the standard formula described in the Delegated Acts. Group a.s.r. applies the Cost of Capital method that is applicable to BV and AV as well with a Cost of Capital rate of 6%.

Risk Drivers risk margin

In the calculation of the risk margin is a projection made of the underlying risks with certain risk drivers. It involves the following risks:

- Premium and reserve risk
  The risk driver for the premium and reserve risk is the SCR premium and reserve risk. The input for the SCR is the volume measure premium risk and volume measure reserve risk. The volume measure of premium risk has a projection for one year (T) in accordance with the contract boundary of 1 year. The volume measure (best estimate) reserve risk has a projection from year T and subsequent years (T + n).
- Counterparty risk
  The risk driver for counterparty risk is determined by the volume measure equal to the total amount of debtors position. Each reporting period (Quarter) a new debtor position is used.
- Catastrophe risk
  The risk driver for catastrophe risk is the SCR catastrophe risk. A catastrophe is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of SCR catastrophe risk is apparent from the number of insured and parameters for mass casualty and pandemic that have been approved by DNB in consultation with Health Insurers Netherlands. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act for Health Insurance. After year T the risk is 'zero'. Catastrophe risk for AV equals zero.
- Operational risk
  A.s.r. medical expenses applies the methodology of group a.s.r. for determining the risk driver for operational risk. The operational risk is quantified by taking the highest amount of the technical provision or the premium volume of the past 12 months. The risk driver for year T is the SCR Operational risk and for future years is the ratio of the BSCR year T + 1 / BSCR year T multiplied by the SCR Operational risk in year T.

	VA = 13 bp	VA = 0 bp	Impact
TP	3,631	3,646	15
SCR	14,058	14,060	1
MCR	3,515	3,515	-
Basic own funds (total)	57,654	57,643	-11
Eligible own funds	57,654	57,643	-11

Table: impact of applying VA = 0 bps

D.2.3 Level of uncertainty

This paragraph contains a description of group policy, which is applicable for the solo entity. a.s.r. distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below.

Process risk
The process risk is mitigated using the Management in Control framework (MIC), which creates a reasonable degree of assurance as to the reliability of financial reports. Key controls have been identified and to a larger extend implemented for the calculation process. In addition, the effectiveness of the MIC framework is verified by an independent party and supplementary checks are performed where needed. As part of MIC or the additional checks, the four-eye principle has demonstrably been applied to the calculation of the technical provision.

Model risk
The second risk that a.s.r. has identified in relation to the technical provisions is model risk. Regular procedures have provided adequate certainty with regard to this risk. To illustrate, a model validation process mitigates the risk of material misstatements or that key facts have been omitted. In addition, FRM, in its role as the second line of defence, performs an independent internal review of the technical provisions as described in the previous phase.

D.2.4 Reinsurance and special purpose vehicles (SPVs)

Not applicable to ASR Aanvullende Ziektekostenverzekeringen N.V.

D.2.5 Technical provisions

In this table a reconciliation is made between the SII and the IFRS valuation of provisions. Solvency figures are part of the Balance Sheet S 2.01. The next paragraph describes a brief explanation of these differences.

	31 December 2016 IFRS	Revaluation	31 December 2016 Solvency II
Similar to non-life			
Best estimate	-	-	2,693
Risk margin	-	-	938
Technical provision	**8,130**	**-4,499**	**3,631**

D.2.6 Reconciliation between IFRS and Solvency II

Under Solvency II, the technical provisions are calculated using a different method compared to IFRS. In this section the reconciliation between IFRS and Solvency II is described per business line.

Similar to non-life
The revaluation for similar to non-life (medical expense) is caused by:
- The effect of discounting the outstanding claims and premium provisions: €0.01 million
- Unexplained difference between IFRS and Solvency II: €-0.1 million
- The IFRS LAT margin: -€3.6 million.

D.3 Other liabilities

D.3.1 Valuation of other liabilities

In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the valuation methods for IFRS and Solvency II purposes are addressed in detail per liability category. In this paragraph line items 21 – 23 from the simplified balance-sheet above are described.

21. Pension benefit obligations
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

On group level a.s.r. has in place a number of defined benefit plans for own staff. Current service costs for the OTSO's are included in operating expenses.

22. Deferred tax liabilities

The basis for the DTA / DTL position in the IFRS balance sheet is temporary differences between fiscal and commercial valuation. This DTA / DTL position is the base for this line item on the Solvency II balance sheet, adjusted for Solvency II revaluations:

- The largest DTL mutation is caused by the higher (valuation) Mortgages and Savings Unloading
- The largest DTA mutations are mainly caused by the (lower) valuation of technical provisions

In accordance with the Delegated Regulation the DTA / DTL position is netted in the balance sheet.

23. Subordinated liabilities

In IFRS the perpetual hybrid loans are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for ASR Aanvullende Ziektekostenverzekeringen N.V.

Directed by the regulator in Solvency reporting the perpetual hybrid loans are classified as subordinated liabilities.

24. Other liabilities

Other Liabilities contains different small line items:

Insurance and Intermediaries payables

The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category Cash and Cash equivalents.

Trade payables (non-insurance)

The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category receivables.

Any other liabilities not disclosed elsewhere

The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1. This item consists primarily of tax payables.

Contingent liabilities

Contingent liabilities are defined as:

- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are recognized on the IFRS balance sheet if there is a probability of >50% that the contingent liability leads to an “outflow of resources”. These liabilities are also recognized on the Solvency II balance sheet.

Solvency II prescribes that all contingent liabilities be recognized on the Solvency II balance sheet. This covers cases where the amount cannot be measured reliably or when the probability is <50%. For these cases, a regular process is in place to determine whether contingent liabilities should be recognized on the Solvency II balance sheet.

The ASR Aanvullende Ziektekostenverzekeringen N.V. solvency ratio does not include contingent liabilities.

D.3.2 Reconciliation from Solvency II equity to EOF

The differences described in the above sections are the basis for the reconciliation of IFRS equity to equity Solvency II. To reconciliate from Solvency II Equity to EOF, the following movements are taken into consideration:

Subordinated liabilities

In accordance with the Delegated Regulation the subordinated liabilities are part of the EOF. Further information of this liabilities is described in section E.

Foreseeable dividends and distributions

Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

Deductions for participations in financial and credit institutions
Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

Tier 3 Limitations
In accordance with the Delegated Regulation EOF is divided in tiering components. There are boundary conditions related to the size of these components. Excess of this limits results in capping of EOF. For ASR Aanvullende Ziektekostenverzekeringen N.V. capping does not apply per Q4 2016.

D.4 Alternative methods for valuation

ASR Aanvullende Ziektekostenverzekeringen N.V. does not apply alternative methods for valuation.

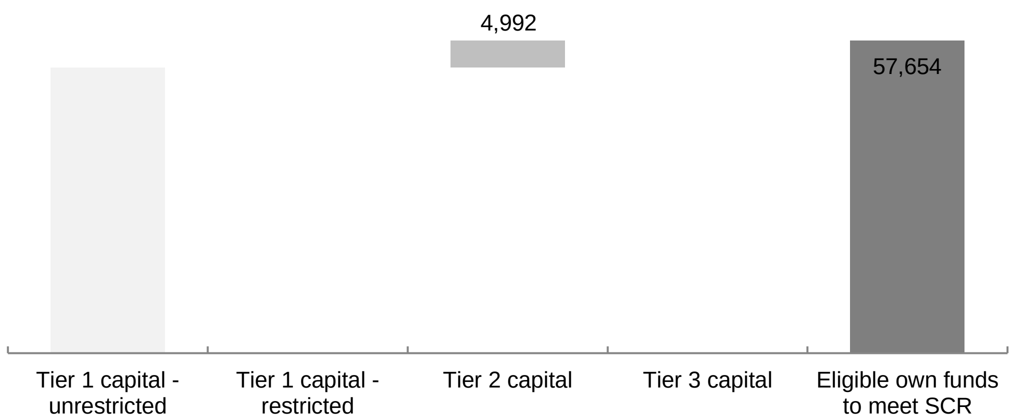
D.5 Any other information

Not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

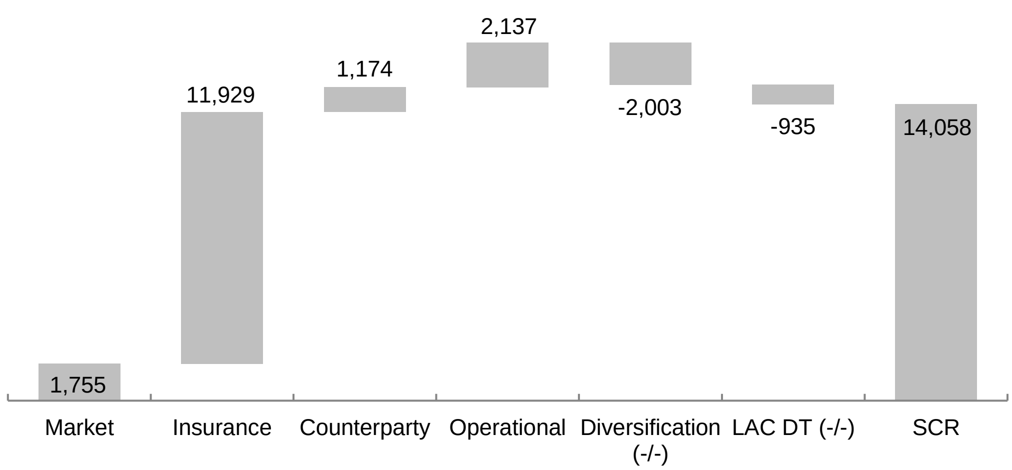
E Capital management

Key figures

Eligible own fund 2016

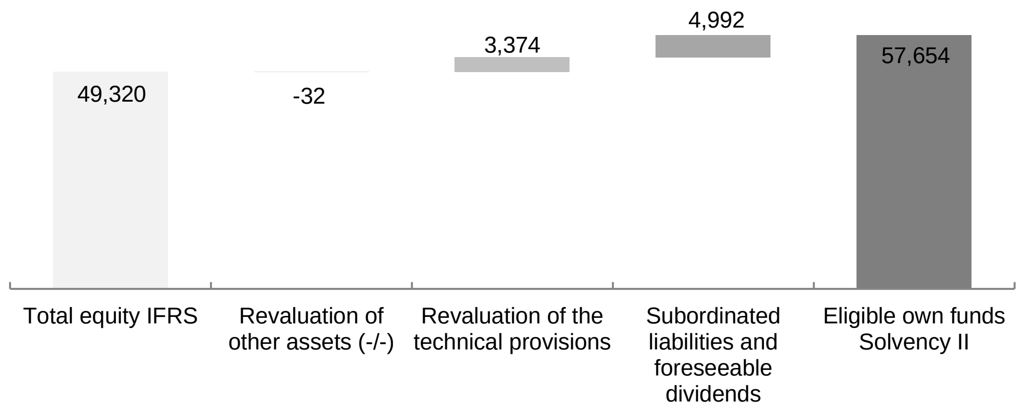


SCR 2016



The solvency ratio stood at 410% as per 31 December 2016 based on the standard formula as a result of €57,654 thousand EOF and €14,058 thousand SCR.

Reconciliation total equity IFRS vs EOF Solvency II



An extensive explanation of the reconciliation from IFRS equity to Solvency II Eligible Own Funds is presented in section D.

E.1 Own funds

E.1.1 Capital management objectives

Management
Overall capital management is administered at Group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to sustain commercial capital levels at management's targets. a.s.r. actively manages its in-force business, which is expected to result in substantial free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company to the extent local regulations allow and within the internal risk appetite statement.

Objectives
The Group is committed to maintain a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. ASR Aanvullende Ziektekostenverzekeringen N.V. follows the capital and dividend policy of the Group. The objective is to maintain a solvency level that is within the limits defined in the risk appetite statements and the solvency targets. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a single A Standard & Poor's rating.

a.s.r. uses an Economic Capital (ECAP) model for the allocation of market risk budgets. This model applies a full look-through principle to the assets and the relevant risks.

The SCR is reported on a quarterly basis and proxies are made on a monthly basis. The internal minimum solvency ratio for ASR Aanvullende Ziektekostenverzekeringen N.V. as formulated in the risk appetite statement is 110%. The management target for the solvency ratio is above 150%. The solvency ratio stood at 410% at 31 December 2016, which was comfortably higher than the internal requirement of 110% and the management target of above 150%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognized in the capital position of the group, since a.s.r. has the ability to realize the capital of this OTSO, for example by selling the entity. Specifically regarding ASR Aanvullende Ziektekostenverzekeringen N.V. in 2016, no dividend or capital withdrawals have taken place.

E.1.2 Tiering own funds

The table below details the capital position of ASR Aanvullende Ziektekostenverzekeringen N.V. as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorize own funds into the following three tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Ordinary Share Capital and Reconciliation reserve.
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. ASR Aanvullende Ziektekostenverzekeringen N.V. has no ancillary own fund items.
- Tier 3 consists of Deferred tax assets.

The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise.

	31 December 2016
Tier 1 capital - unrestricted	52,662
Tier 1 capital - restricted	-
Tier 2 capital	4,992
Tier 3 capital	-
Eligible own funds to meet SCR	**57,654**

The perpetual hybrid loans are classified as equity, as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for ASR Aanvullende Ziektekostenverzekeringen N.V. To be sure that the perpetual hybrids may be classified under Own Funds, terms and notes are proposed with Dutch Central Bank. Tiering is also part of this consultation.

E.1.3 Own funds versus MCR

The MCR calculation is based on the standard formula.

	31 December 2016
Tier 1 capital - unrestricted	52,662
Tier 1 capital - restricted	-
Tier 2 capital	703
Tier 3 capital	-
Eligible own funds to meet MCR	**53,365**

The eligible own funds to meet the MCR are lower than for the SCR due to tiering restrictions.

E.1.4 Description of grandfathering

Grandfathering is not applicable for ASR Aanvullende Ziektekostenverzekeringen N.V.

E.2 Solvency Capital Requirement

ASR Aanvullende Ziektekostenverzekeringen N.V. complied during 2016 with the applicable externally imposed capital requirement. The table below presents the solvency ratio as at the date indicated.

	31 December 2016

Eligible Own Funds Solvency II	57,654
Required capital	14,058
Solvency ratio	**410%**

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1 in 200 year loss (“Shock loss”). There is a mitigating tax effect to the extent that the Shock loss is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated (‘more likely than not’). ASR Aanvullende Ziektekostenverzekeringen N.V. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT.

Relevant regulation and guidance (Delegated Acts, Level 3 guidelines, Dutch Central Bank Q&A’s and IAS12) is taken into account in the development of the LAC DT methodology.

E.3 Use of standard equity risk sub-module in calculation of Solvency Capital Requirement

Transitional measure for equity risk applies for shares in portfolio at 01-01-2016. The SCR equity shock is 22% at 01-01-2016, and linear increasing to (i) 39% + symmetric adjustment for type I shares and (ii) 49% + symmetric adjustment for type II shares.

E.4 Differences between Standard Formula and internal models

a.s.r. solvency is governed by a standard formula, rather than the self-developed internal model. The Executive Board believes that this should enhance transparency and consistent interpretation.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As ASR Aanvullende Ziektekostenverzekeringen N.V. has not faced any form of non-compliance with the Minimum Capital Requirement or significant non-compliance with the Solvency Capital Requirement during the reporting period or at the reporting date, no further information is included here.

E.6 Any other information

E.6.1 Dividend policy and capital actions

The Group has formulated its dividend policy in line with its current strategy. ASR Aanvullende Ziektekostenverzekeringen N.V. intends to pay an annual dividend that creates sustainable long-term value for its shareholders. ASR Aanvullende Ziektekostenverzekeringen N.V. aims to operate at a solvency ratio, calculated according to the standard formula, above a management threshold level. This management threshold level for ASR Aanvullende Ziektekostenverzekeringen N.V. is currently defined as above 150% of the SCR.

In general a.s.r. expects to not pay cash dividends if the Group level solvency ratio (calculated according to the standard formula) falls below 140%. ASR Aanvullende Ziektekostenverzekeringen N.V. currently intends to consider investing capital above the solvency ratio (calculated according to the standard formula) of 150% with the objective of creating value for its shareholders. If and when ASR Aanvullende Ziektekostenverzekeringen N.V. operates at a certain level considerably above the 150%, and ASR Aanvullende Ziektekostenverzekeringen N.V. assesses that it cannot invest this capital in value creating opportunities for a prolonged period of time, ASR Aanvullende Ziektekostenverzekeringen N.V. may decide to return (part of this) capital to shareholders. If ASR Aanvullende Ziektekostenverzekeringen N.V. elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. Specifically regarding ASR Aanvullende Ziektekostenverzekeringen N.V. in 2016, no dividend or capital withdrawals have taken place.