2020

SFCR ASR Basis Ziektekosten-verzekeringen N.V.

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

Cover

The campaign slogan, which appears on the title page, is 'Dit is de tijd van doen'. This translates as 'Now is the time for action'. This annual report features illustrations of this campaign accompanied by explanatory text.

The slogan was chosen to indicate that the time for inaction is past. If a sustainable future is to be achieved, steps must be taken now. It is important to be fully aware of the consequences these choices will have for the long term.

a.s.r. wants to provide insurance in a way that contributes to a fair and sustainable society. And the more people and companies that do so, the better things will be.

a.s.r.
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2020

SFCR ASR Basis Ziektekosten-verzekeringen N.V.

Contents

Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in annex XX of the Solvency II Directive Delegated Regulation. The subjects addressed are based on article 51 to 56 of the Solvency II Directive and act 292 up to and including 298 and act 359 of the Delegated Regulation. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRT).

All amounts in this report, including the amounts quoted in the tables, are presented in thousands of euros (€ thousand), being the functional currency of ASR Basis Ziektekostenverzekeringen N.V. (hereafter referred to as a.s.r. health basic), unless otherwise stated.

Summary

The 2020 Solvency and Financial Condition Report provides a.s.r. health basic's stakeholders insight in:

A Business and performance

The Solvency II ratio stood at 140% as at 31 December 2020, based on the standard formula as a result of € 189,577 thousand Eligible Own Funds (EOF) and € 135,478 thousand Solvency Capital Requirement (SCR).

Profit for the year before taxes was € 4,092 thousand in 2020 (2019: € 5,086 thousand). Operating expenses stood at € 21,132 thousand (2019: € 18,257 thousand). Gross written premiums rose to € 816,997 thousand (2019: € 640,141 thousand). Gross new business increased to € 147,455 (2019: € 36,139 thousand).

Specifically, regarding a.s.r. health basic in 2020, no dividend or capital withdrawals have taken place. Full details on the a.s.r. health basic's business and performance are described in chapter A Business and performance (page 10).

B System of governance

This paragraph contains a description of group policy of ASR Nederland N.V. (a.s.r.), which is applicable for the solo entity, a.s.r. health basic.

General

a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. As of 1 February 2019 a.s.r. changed its management structure. This was effected through the appointment of a Business Executive Committee (BEC). The BEC works alongside the EB and shares responsibility for the implementation of the business strategy.

Risk management

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. implemented a Risk Management framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000:2018 risk management principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored and evaluated.The framework is applicable to a.s.r. group, a.s.r. health basic and other underlying business entities.

Control environment

In addition to risk management, a.s.r.'s Solvency II control environment consist of an internal control system, an actuarial function, a compliance function, and an internal audit function. The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic. Internal control at an operational level centres around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The actuarial function is responsible for expressing an opinion on the adequacy and reliability of reported technical provisions, reinsurance and underwriting. The mission of the compliance function is to enhance and ensure a controlled and sound business operation where impeccable, professional conduct is self-evident. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation.

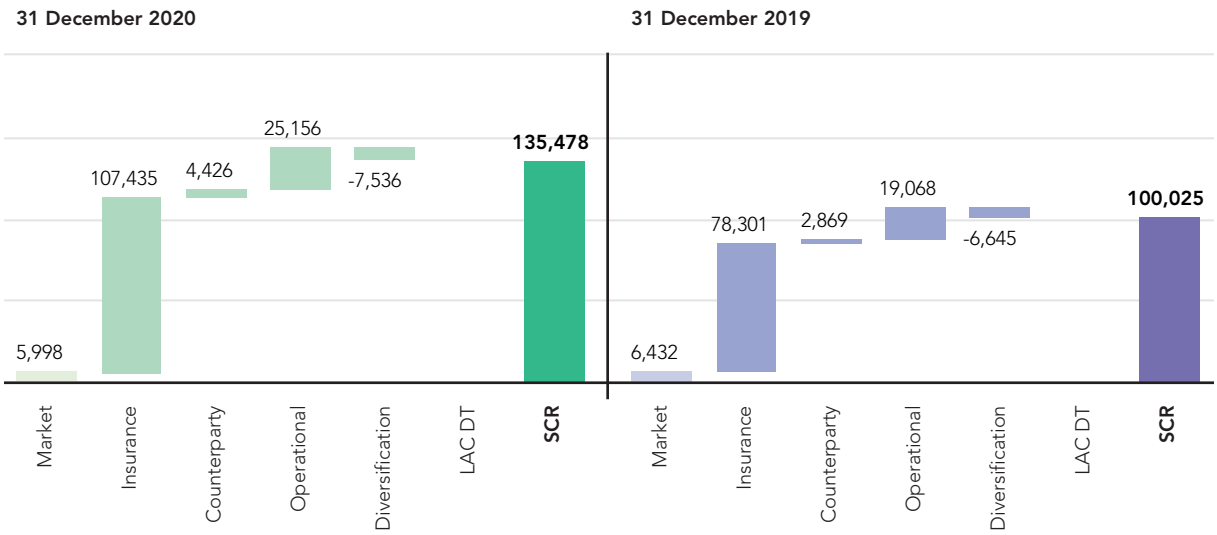
Full details on the a.s.r. health basic's system of governance are described in chapter B System of governance (page 20).

C Risk profile

a.s.r. health basic 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 a.s.r. health basic 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. health basic's risk profile.

a.s.r. health basic is exposed to the following types of risks: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. The risk appetite is formulated at both group and legal entity level and establishes a framework that supports an effective selection of risks.

The SCR is build up as follows:



Full details on the a.s.r. health basic's risk profile are described in chapter C Risk profile (page 38).

D Valuation for Solvency purposes

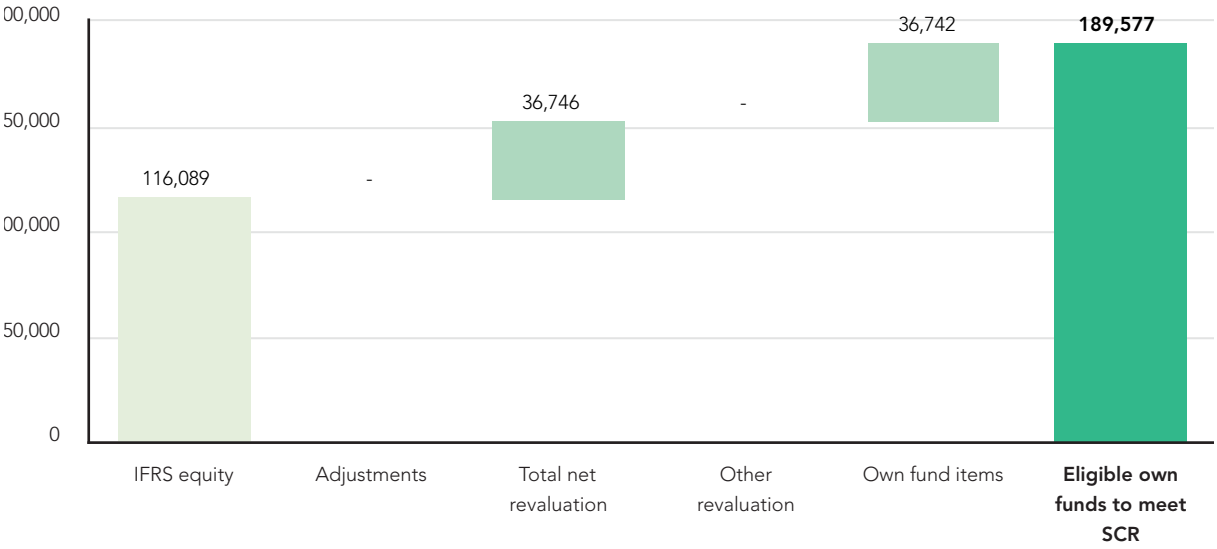
a.s.r. health basic values its Solvency II balance sheet items on a basis that reflects their economic value. Where the IFRS fair value is consistent with Solvency II requirements, a.s.r. health basic follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of IFRS equity and Excess Assets over Liabilities (Solvency II basis) can be summarized as follows:
- derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet, for instance goodwill, pre-paid commissions and other intangible assets;
- revaluation differences on mainly insurance liabilities and other assets which are valued other than fair value in the IFRS balance sheet.

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;

A graphical representation of the reconciliation from Solvency II equity to EOF is presented below.

Reconciliation total equity IFRS vs EOF Solvency II



Full details on the reconciliation between a.s.r. health basic's economic balance sheet based on Solvency II and consolidated financial statements based on IFRS are described in chapter D Valuation for solvency purposes (page 57).

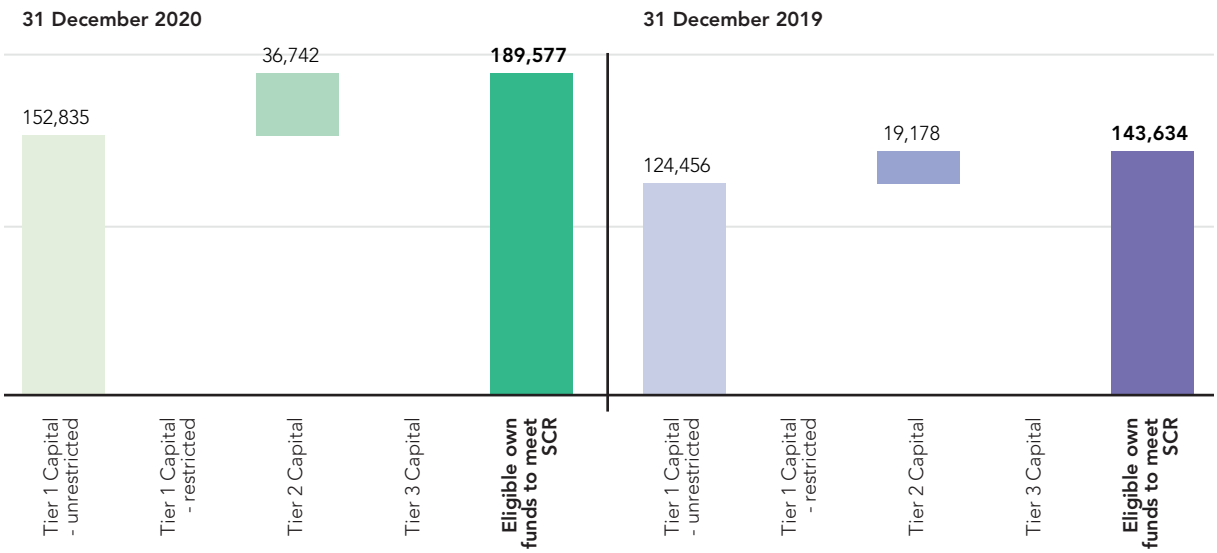
E Capital management

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 achieve management's targets.

a.s.r. health basic has no internal model and follows the default method for the determination of the group solvency. a.s.r. health basic maintains an internal minimum for the Solvency II ratio.

The internal minimum Solvency II ratio for a.s.r. health basic as formulated in the risk appetite statement is 110%. The Solvency II ratio was 140% at 31 December 2020.

The EOF are build up as follows:



a.s.r. has formulated its dividend policy in line with its current strategy. a.s.r. and the underlying business entities intend to pay an annual dividend that creates sustainable long-term value for its shareholders. a.s.r. and the underlying business entities aim to operate at a solvency ratio, calculated according to the standard formula, above a management threshold level. However, for a.s.r. health basic this management threshold is not applicable as a.s.r. health basic thinks it is inappropriate to distribute dividend from the mandatory health insurance.

Full details on the capital management of a.s.r. health basic can be found in chapter E Capital Management (page 66).

A Business and performance

A.1 Business

A.1.1 Profile

Object of the company

a.s.r. health basic provides healthcare insurance to all persons who are entitled to a health insurance under the Dutch Healthcare Insurance Act.

a.s.r. health basic aims to promote the health of its customers and improve healthcare. a.s.r. health basic focuses on client satisfaction, opportunities to help customers improve their health and profitable growth of the customer base. a.s.r. health basic offers well priced quality products, attractive information and services focused on improvement of health and general well-being, excellent client service and well-known brands with a drive for sustainability.

Core activities

The core activity of a.s.r. health basic is the provision of basic health insurance under the Dutch Healthcare Insurance Act. In addition to basic health insurance, ASR Nederland N.V. (a.s.r.), of which a.s.r. health basic is a part, also offers supplementary insurance through ASR Aanvullende Ziektekostenverzekeringen N.V. (a.s.r. health supplementary). Furthermore, a legal entity was established for the implementation of the Dutch Long-term Health Act (Wlz). ASR Wlz-uitvoerder B.V. is a Wlz implementer without a healthcare office. a.s.r. health basic, a.s.r. health supplementary and ASR Wlz-uitvoerder B.V. form a personnel and administrative union (hereafter referred to as a.s.r. health). The number of insured persons of a.s.r. health basic amounted to 443,906 as per end of 2020.

In 2020, the healthcare market was served by a.s.r. health supplementary from two labels: De Amersfoortse and Ditzo. De Amersfoortse focuses mainly on smaller entrepreneurs (SMEs), employees and self-employed workers. Distribution takes place mostly via the intermediary channel. Ditzo focuses exclusively via the direct online channel on price-conscious customers who wish to have adequate cover for additional risks.

Legal structure of the company

a.s.r. health basic is a wholly-owned subsidiary of ASR Ziektekostenverzekeringen N.V., which in turn is a wholly-owned subsidiary of a.s.r. a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and the Irish Stock Exchange. (Ticker: ASRNL).

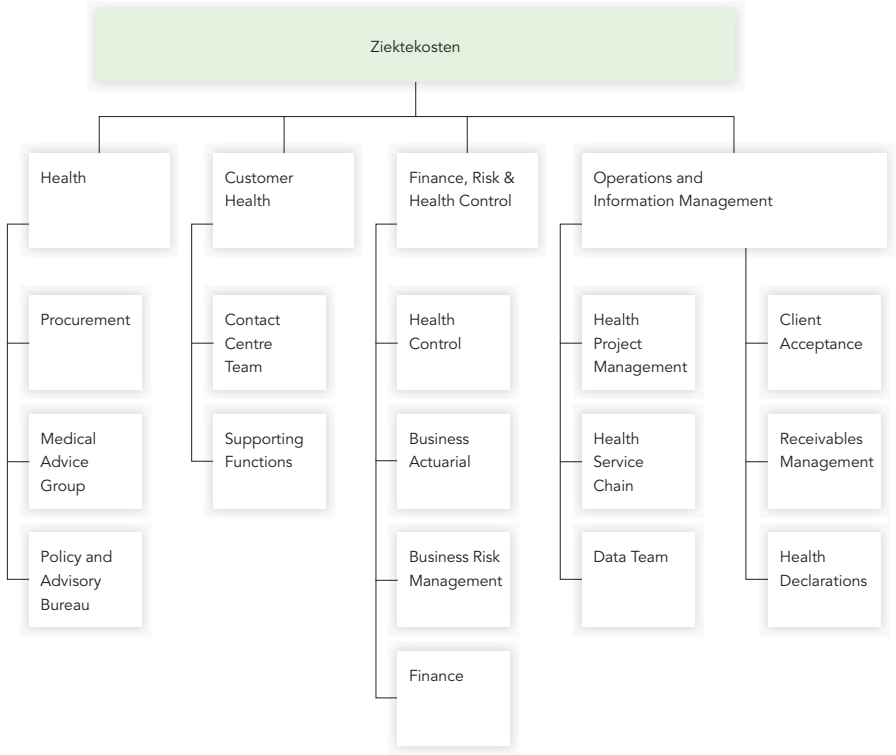
Internal organisational structure and staffing

Internal organisational structure

In 2020, the organisation of a.s.r. health basic was divided into the following segments: Operations and Information Management, Health, Customer and Finance, Risk and Control. Operations includes Client Acceptance, Health Declarations and Receivables Management. Information Management includes the Data team, Health Project Management and the Health Service Chain. Health can be subdivided into the Medical Advice Group, Procurement MSZ, Procurement Primary Health, Procurement Policy, and Policy and Advisory Bureau. Customer consists of the Contact Centre team, Proposition team and supporting functions. The segment Finance, Risk and Control includes Health Control, Business Risk Management, Business Actuarial, and team Finance.

Organisational chart

Below, the organisational chart of a.s.r. health basic is presented:



Headcount

All employees are employed by a.s.r. The a.s.r. employees that work for a.s.r. health, work for a.s.r. health basic as well as a.s.r. health supplementary and ASR Wlz-uitvoerder B.V. In 2020, a.s.r. health basic employed an average of 185 fte (2019: 176) internal employees. In addition, a flexible layer was used, mostly during November/December, when the bulk of new business was acquired. Specific teams were supported by temporary external employees.

The Executive Board (EB) consists of J.D. Lansberg and J.M. Hendriks. The composition of the EB remained unchanged in 2020.

The composition of the Supervisory Board (SB) of a.s.r. health basic was as follows: C. van der Pol (Chairman),S. Barendregt and J.P.M. Baeten. I.M.A. de Swart started as a member of the SB on 14 May 2020.

Strategy and achievements

The strategy to help customers get better and healthier has been underpinned by the introduction of relevant products and services. a.s.r. Vitality focuses on health related themes such as exercise, nutrition and mental wellbeing. De Amersfoortse and Ditzo customers can join the a.s.r. Vitality programme and benefit from weekly rewards and annual cashbacks on the supplementary insurance as a reward for exercising more and living a healthier life. In addition, the 'Doorgaan' proposition of De Amersfoortse is a unique combination of healthcare insurance, disability insurance and services aimed at sustainable employability for entrepreneurs and their employees and provides products and services for their mental and physical wellbeing. With the focus on health and vitality, rewarding healthy choices and sustainable employability, a.s.r. strives to play a role in improving lives of individuals and of society as a whole.

New health services have also been introduced for both brands in 2020. For example customer programme aimed at mental fitness in collaboration with Mirro, has been rolled out for both brands. Customers experience is as relevant in a time where work and private life are intertwined. Health also offers customers access to Welshop, a platform where the customer can work directly on their mental health.

Given the importance of the role that care professionals play and since it considers the health of its customers as one of its focus areas, a.s.r. ended the outsourcing of healthcare procurement in 2017 and started to bring the contracting of healthcare providers in-house in 2018 and 2019. In 2020, the switch to in-house healthcare procurement was completed, which means that distinctive contracting of care providers is done entirely in-house. This enables a.s.r. to strengthen

its relationship with healthcare providers for the benefit of its customers, while at the same time facilitating smooth declaration processes in order to benefit both customers and healthcare providers. A specific challenge for healthcare procurement in 2020 has been the impact of COVID-19 on the healthcare providers. Procurement has been directly involved in finding solutions for the financial compensation of healthcare providers in 2020 in relation to COVID-19, whilst keeping access to care for those customers in need of healthcare.

Given its strategy and the continuing success of the in-kind policies with corresponding low price, by the end of 2020 a.s.r. achieved a growth of approximately 182.000 customers (41%).

Market and distribution developments

Market

The health insurance market in the Netherlands comprises two product types: basic insurance and supplementary insurance. The market is highly regulated, with all Dutch residents obliged to take out basic health insurance. Basic coverage has limited variations across all insurers, since it is a statutory requirement and the content is prescribed by the government. Although supplementary insurance coverage is not obligatory, 83,3% of the market opted for a form of supplementary health insurance in 2020. Health insurance contracts are taken out on an annual basis. Generally, 6-7% of customers switch between health insurance providers each calendar year; this trend has been relatively stable over the past five years. In 2020, the number of customers that switched was 1.1 million, i.e. 6,5%. The main reason for customers to switch from one health insurance provider to another is the cost of cover[1].

Insurers are obliged to accept as a policyholder any person who is statutory obliged to have basic health cover. This is enabled by a government-run system of risk spreading, which provides compensation to insurers in relation to the expected healthcare costs in their customer base. Both government and the health insurance sector are constantly seeking to improve the system of risk-based cost compensation.

Products

a.s.r. health basic product offering can be divided into the following categories:

- Basic health insurance which provides broad coverage of healthcare costs, the contents of which are prescribed by the government on an annual basis. a.s.r. health basic offers three types of basic health insurance:
  - In-kind policy;
  - Restitution policy;
  - Combinaton of in-kind and restitution.

- Supplementary health insurance which covers specific risks not covered by basic insurance, such as the costs of dentistry, physiotherapy, orthodontics and medical support abroad.

An in-kind policy is the most common kind of policy on the Dutch market: 76% of the insured population have an in-kind policy. An in-kind policy is also referred to as contracted care.

In 2019, both Ditzo and De Amersfoortse launched an in-kind policy as a new type of basic health insurance policy. The introduction of the Ditzo in-kind policy resulted in a growth of approximately 85,000 insured customers, achieving its goal of 400,000 customers for 2022 by as early as 2020. As a result, 34% of a.s.r.'s health basic customers in 2020 had an in-kind policy.

Internal control of processes and procedures

For a.s.r. health basic an adequate risk management system is essential for internal control of processes and procedures, the implementation of the strategy and continuous operational improvement. Risk management includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. Risks are identified, analyzed and mitigated or accepted in line with risk appetite statements. Risk appetite statements are in place to manage the business within the risk profile limits.

The Business Risk Committee (BRC) monitors (on an ongoing basis) and discusses (on a quarterly basis) whether non-financial risks are adequately managed. If a risk profile exceeds the appetite, the BRC decides on actions to be taken. a.s.r. health basic performs comprehensive risk management to increase operational and financial robustness. The risk control framework for internal control of processes and procedures is based on a risk-based approach. The key risks and key controls are identified annually, and defined and evaluated by the management of a.s.r. health basic. The effectiveness of the key controls is tested and reviewed periodically.

1 Zorgthermometer Verzekerden in Beeld 2020

Performing annually the Strategic Risk Analysis (SRA), the Own Risk and Solvency Assessments (ORSA), information security assessments of systems, assessments of outsourced services, monitoring operational incidents and project risk assessments is also an important part of riskmanagement. Products and services and accompanying customer information undergo an internal 'Product Approval and Review Process (PARP)'.

In 2020 and in 2021 internal control of processes and procedures with regards to information security and the elaboration of national agreements and regulations with regards to the COVID-19 pandemic receives extra attention. Segregation of duties, connection with the general ledger and detail checks were part of the internal control of the processes and procedures for drawing up calculations and paying out the continuity contributions (equalization contribution) to health care institutions.

Extensive efforts have been made to ensure adequate supplier risk management and customer due diligence surveys (CDD). a.s.r. health basic became an active member of a cybersecurity consulting group with other Dutch healthcare insurance companies. Actions are taken to mitigate the risks of data-leakage i.e. by appointing a privacy coordinator and implementing a solid data transfer protocol. Frequent consultation with IT-providers, the second and third line of defense and external auditors take place in order to optimize the risk management process and to anticipate on developments and new cybersecurity threats.

In 2020 a.s.r. health basic continued to check whether the insurance claims are compliant with the Dutch Healthcare Act (zorgverzekeringswet) and legislation of the Dutch Healthcare Authority (NZa). Controls are implemented on formal, material, medical necessity and fraud aspects in order to reduce the need for retrospective corrections. The Healthcare Control (Zorgcontrole) department reports to the CFRO of a.s.r. health basic.

Quality control

a.s.r. health basic wants to be the personal health insurer focusing on its customers' health (interests) and offering its customers an excellent service. The foundation for this is quality management. Quality management contains policies, guidelines and principles on how a.s.r. health basic wants to serve its customers. The standards laid down in the quality policy are the starting point in actively complying with the quality standards for customer-oriented insurance, continuous improvement of processes within all departments and providing training to employees. In order to actively steer towards the objectives, they have been translated into key performance indicators (KPIs). The progress and results on these KPIs are periodically shared and discussed within the teams working on the objectives and monitored and discussed with management of a.s.r. health basic.

a.s.r. health basic attaches great importance to feedback from its customers. That is why, in 2020, continuous feedback was asked by means of Net Promotor Score (NPS) on both customer contact (contact measurement) and the handling of complaints (process measurement). a.s.r. health basic also measures the satisfaction of customers who contacted us through our social media channels. This gave a.s.r. health basic an even better insight into what customers think of its information provision, services, First Time Right service approach and the quality of its customer contact in general. The feedback was used to improve processes and train employees. a.s.r. health basic also uses the Customer Effort Score (CES) to get an insight into how much effort the customers must deliver, for example when submitting an invoice. The results of this study has given a.s.r. health basic input for improvements. The ambition in terms of service provision to customers is reflected in an increase in the NPS from +43 (overall score for our Customer Contact over 2019) to +49 over 2020.

In 2020, a.s.r. health basic developed a new customer contact strategy. This is aimed at enabling customers to contact us efficiently and effectively in the way and at the moment that suits them best. In addition a.s.r. health basic will focus, from 2021 onwards, on a more proactive service to its customers to increase customer satisfaction (measured, amongst others, in the NPS score). To this end, additional research was carried out by means of a customer panel and an extensive data analysis was carried out that gave more insights into how customers use and value the various channels and information.

In 2020 a.s.r. health basic saw a decrease in the number of complaints in comparison with 2018 and 2019. The number of complaints has decreased from 1,320 in 2019 to 944 in 2020. The main reason for this decrease is that a.s.r. health basic has improved the operational performance which resulted in a lower number of complaints. In 2018, a.s.r. health basic started with the mapping of the total customer journey. In 2019, a.s.r. health basic translated this to a digital customer journey framework. This has given a.s.r. health basic further insights into when and how customers contact them, how they appreciate this and where a.s.r. health basic can improve its service, information and processes.

Finance

Overall capital management is administered at group level. a.s.r. health basic is capitalised separately. Excess capital over management's targets and not allocated to profitable growth of new business, can be used to repay earlier capital investments to the extent local regulations allow and within the internal risk appetite statement. For a.s.r. health basic no upstreaming of capital to the group level is currently foreseen. All capital present is used for strengthening of the capital positioning, investments or to maintain a socially responsible pricing level. As a result of the portfolio growing in 2021, the SCR (insurance risk) increased. For this reason an extra subordinated loan of € 17 million was issued.

A.1.2 General information

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. KPMG has examined the 2020 financial statements and issued an unqualified audit report thereon. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority

Name:	De Nederlandsche Bank
Visiting address:	Westeinde 1, 1017 ZN Amsterdam
Phone number (general):	+31 800 020 1068
Phone number (business purposes):	+31 20 524 9111
Email:	info@dnb.nl

Name and contact details of the external auditor

Name:	KPMG Accountantants N.V.
Visiting address:	Laan van Langerhuize 1, 1186 DS Amstelveen
Phone number	+31 20 656 7890

A.2 Key figures

- The net result amounted to € 3.1 million (2019: € 3.8 million);
- Gross written premiums increased to € 817.0 million (2019: € 640.1 million);
- Operating expenses increased to € 21.1 million (2019: € 18.3 million);
- Combined ratio improved to 98.6% (2019: 99.5%).

Key figures

(in € thousands, unless stated otherwise)	2020	2019
Gross written premiums	816,997	640,141
Operating expenses	-21,132	-18,257
Result before tax	4,092	5,086
Income tax (expense) / gain	-1,023	-1,272
Net result	3,069	3,815
New business	147,455	36,139
Combined ratio	**98.6%**	**99.5%**
- Claims ratio	94.5%	95.7%
- Commission ratio	1.5%	0.9%
- Expense ratio	2.6%	2.8%

Gross new business

More than 143,000 new insured persons opted for one of the two labels of a.s.r. health basic in 2020 (2019: more than 37,000). Compared to 2019, a.s.r. health basic had a net growth in the number of insured persons in 2020 of 106,000 policyholders. The introduction of the natura policies, visibility (partly due to a.s.r. Vitality) and a good premium setting led to the net growth. The total gross new Healthcare business of € 147.5 million (nominal premiums; 2019: € 36.1 million) is accounted for 95% by the Ditzo brand (2019: 80%).

Gross written premiums

Gross written premiums increased to € 817 million (2019: € 640 million). This increase is the result of the growth of the portfolio.

Operating expenses

Operating expenses amounted to € 21.1 million (2019: € 18.3 million). The expenses increase as a result of higher variable costs (e.g. IT related costs, contribution Zorgverzekeraars Nederland (ZN) due to the growth of the portfolio. The expense ratio decreases because the fixed costs could be spread among more insured persons.

Profit/(loss) for the year before taxes

The net result in 2020 amounted to € 3.1 million, a decrease of € 0.7 million compared to 2019. A higher net underwriting result is offset by higher operating expenses and lower investment income. The higher underwriting result is due to the favorable development of the combined ratio (CoR) on the current claim year, despite of COVID-19.

Combined ratio

The claims ratio, expense ratio and the combined ratio improved compared to last year. This development is due to the rise of the earned premium in 2020. The commission ratio did not improve due to higher cost of acquisition compared to 2019. The cost of acquisition increased due to growth in number of people insured in 2021.

COVID-19

COVID-19 schemes with healthcare providers

The outbreak of the global COVID-19 pandemic in 2020 had a major impact on healthcare in the Netherlands. In a very short time, there was great pressure on the capacity of hospitals. Nursing wards and ICUs became overcrowded and due to both the contagiousness of the virus and the need to deploy available staff as much as possible on COVID-19 care, regular care was downscaled significantly in many places. In addition to the healthcare challenges, this resulted in financial uncertainties for healthcare providers. Insurers have made every effort to prevent care provision from being unnecessarily burdened with financial uncertainties or administrative burdens, so that the attention of care providers could focus as much as possible on providing the necessary COVID-19 care and maintaining regular care capacity as much as possible. After the initial commitment of advances and agreements on accelerated payment of claims, arrangements for Continuity Contributions and Additional Costs have been made available to care providers who offer care that falls within the basic insurance and / or supplementary insurance. This allows them to apply for financial contributions to compensate for ongoing costs and additional costs for COVID-19 costs.

Explanation of COVID-19 schemes with healthcare providers

In 2020, health insurers made the following schemes available:

- Generic Continuity contribution healthcare providers;
- Continuity contribution Medical Specialist Care (MSZ 2020) and MSZ Accent;
- Continuity contribution Mental Health Care (GGZ);
- Continuity contribution District Nursing, Geriatric Rehabilitation Care and Primary Care:
- Additional cost schemes.

A COVID-19 scheme for Medical Specialist Care (MSZ 2021) has again been drawn up for 2021.

The starting point of all schemes is that the continuity of care - even after the pandemic - must be guaranteed. Therefore, the basis of the schemes is that ongoing costs of the care provider are reimbursed. This can be adjusted if a care provider can demonstrate that this is justified, for example because more care has been provided than what is assumed as a basis in the contribution. COVID-19 related healthcare costs are also reimbursed through a contribution. This may concern immediate care as well as costs related to the existence of the pandemic (such as keeping capacity for COVID-19 care available). Finally, a hardship clause in most schemes ensures that healthcare providers cannot experience an excessive positive or negative effect from the effects of the COVID-19 pandemic. Therefore, if the annual results over 2020 of the healthcare provider show that these are significantly lower due to the COVID-19 care provided and the inadequate reimbursement thereof, further consultation can take place between healthcare provider and insurers. This also applies the other way around (when there is financial overcompensation).

Effect on 2020 result

The basis of the schemes is aimed at compensating for the negative financial COVID-19 effects of healthcare providers and thus maintaining the regular healthcare capacity. For this, healthcare providers are fully reimbursed for their ongoing costs and partly for their variable costs. This means that, on balance, less is reimbursed than the contract value, which in principle has a slightly positive effect on the insurance result of the health insurer. This is offset by the additional reimbursements for COVID-19 related healthcare costs.

On several fronts, the healthcare costs associated with the schemes can be adjusted at a later date in connection with subsequent calculation and the claim that may be made on hardship clauses. In the 2020 insurance result presented in this report takes into account the effects of the schemes as at 31 December 2020, as known to us on the date of

signing this report (23 March 2021). These amount to € 1 mln and are included in the items gross insurance premium (see chapter 2.5.1) and net insurance claims and benefits (see chapter 2.5.5). This takes into account the subsequent distribution of the costs according to the Solidarity Agreements for Health Insurers (see chapter 2.6.7 Contingent liabilities and assets).

Catastrophe Regulation Health Insurance Act
Article 33 of the Health Insurance Act concerns the Catastrophe Scheme. These regulations stipulate that a health insurance entity can receive an extra contribution from the Health Insurance Fund if the health care costs per insured person as a result of a pandemic, calculated over the calendar year of the outbreak and the following calendar year, exceed a certain threshold. In the case of the current COVID-19 pandemic, this concerns the calendar years 2020 and 2021 together and the threshold is 4% of the extra COVID-19 related healthcare costs compared to the average equalisation contribution over 2019. This is approximately € 60 per insured person. The healthcare costs to which the Catastrophe Scheme pertains include:
1. Regular direct costs for care for COVID-19 patients;
2. Surcharges on regular rates in connection with increased costs as a result of the COVID-19 pandemic;
3. Indirect additional costs.

In 2020, the COVID-19 related health care costs at most health insurance entities in the Netherlands have already exceeded the limit of the Catastrophe Scheme. This means that they receive compensation from the Health Insurance Fund. For the time being, this does not yet apply to a.s.r. health basic.

Perhaps in 2021, due to the ongoing COVID-19 pandemic, the limit of the Catastrophe Regulation will still be reached at a.s.r. health basic. In that case, compensation will still be made from the Health Insurance Fund. This also applies retroactively to the COVID-19 related costs from 2020, as the Catastrophe Scheme has a scope of two calendar years.

The COVID-19 related costs that fall under the Catastrophe Scheme and the corresponding contribution from this scheme are divided through the Solidarity Agreements for Health Insurers (see paragraph below). Since most health insurers have exceeded the limit of the Catastrophe Scheme in 2020, a.s.r. health basic expects to receive part of this at a later date. This is included in the item gross insurance premiums (chapter 2.5.1).

Health insurers' Solidarity Agreements
The financial effects associated with the COVID-19 pandemic are disproportionately distributed among health insurers. Some health insurers have to deal with more costs than others, depending on the region in which the insurer is most active and / or the number of policyholders requiring COVID-19 care. It follows that the contribution from the Catastrophe Regulation is also disproportionately distributed. Most health insurers do reach the limit to be eligible for contribution, but some may not. Moreover, the contribution is not evenly distributed. Since the amounts are likely to be substantial, this may result in a change in the playing field between health insurers that is undesirable. Especially, since the costs are divided amongst health insurers because of the schemes drawn up with health providers. To prevent a change in the level playing field, health insurers have drawn up a framework agreement - with the consent of the Netherlands Authority for Consumers and Markets (ACM)* - to redistribute both the COVID-19 costs and any contributions from the Catastrophe Scheme. This framework forms the Solidarity Agreements for Health Insurers.

The Solidarity Agreements is structured on the basis of a consecutive step-by-step plan that is spread over two calendar years:

Solidarity Agreement 2020
The following steps of the solidarity agreements for 2020 have been approved by ACM:

Step 1a
All variable costs of healthcare providers that are reimbursed through the schemes for Continuity contribution MSZ 2020 and MSZ accent will be divided between the health insurers in 2020 on the basis of their share in the total national equalisation contribution 2020.

Step 1b[1]
The COVID-19-related costs 2020 that are not divided in step 1a, as well as these costs over 2021 and the contributions that are paid from the Health Insurance Fund in the name of the Catastrophe Scheme from the Health Insurance Fund

1 The application of the Catastrophe Scheme is based on both 2020 and 2021. As a result, the implementation of this scheme and the distribution of the contributions in accordance with the Solidarity Agreements for Health Insurers, takes place over the two years mentioned

to an individual health insurer, are divided among all health insurers. This redistribution takes place on the basis of the share of the individual health insurers in the total national equalisation contribution of 2020.

Step 2
Differences in the expected and actual settlement results (including Catastrophe Scheme) of an individual health insurer for the year 2020 that remain after application of steps 1a and 1b and that fall outside a fixed bandwidth, are collected by the health insurers jointly.

Solidarity agreements 2021
With regard to the 2021 solidarity agreements, administrative commitment has been expressed in a ZN context about the elaboration of step 1a for 2021 and administrative agreement has been reached on step 4. No substantive coordination with ACM has yet taken place regarding these solidarity agreements (step 1a and step 4). Step 1b for 2021 has already been approved by ACM as part of the 2020 solidarity agreement.

Step 1a
The intention has also been expressed for 2021 to maintain the level playing field between health insurers by means of the solidarity agreements MSZ 2021. This is done by distributing COVID-19's financial effects in the MSZ in solidarity among the health insurers. In this way it is prevented that the COVID-19 pandemic seriously affects the regular competitive position of health insurers and thus disrupts the regular functioning of the health insurance market. This scheme is currently being further elaborated technically and will be designed as simply as possible, with the minimum requirements necessary to safeguard the level playing field, with the basic principle of having a full return of market forces in 2022 (no more solidarity agreements).

Step 1b[1]
The COVID-19 related costs 2020 that are not divided in step 1a, as well as these costs over 2021 and the contributions that are paid from the Health Insurance Fund to an individual health insurer in the name of the Catastrophe Scheme from the Health Insurance Fund, are divided among all health insurers. This redistribution takes place on the basis of the share of the individual health insurers in the total national equalisation contribution of 2021.

Effect on 2020 result
The 2020 insurance result presented in this report takes into account the financial effects of the Solidarity Agreements as at 31 December 2020, as known at the signing of the annual report. On balance, the effect of the COVID-19 schemes for a.s.r. health basic amounts to a net income of € 7.7 million and is included in gross insurance premiums (chapter 2.5.1).

A.3 Investment performance

a.s.r. health basic'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

Investments

	31 December 2020	31 December 2019
Available for sale	271,402	197,947
	271,402	**197,947**

1 The application of the Catastrophe Scheme is based on both 2020 and 2021. As a result, the implementation of this scheme and the distribution of the contributions in accordance with the Solidarity Agreements for Health Insurers, takes place over the two years mentioned

Breakdown of investments

	Available for sale	Fair value through profit or loss	Total	Available for sale	Fair value through profit or loss	Total
Fixed income investments						
Government bonds	152,663	-	152,663	68,730	-	68,730
Corporate bonds	115,826	-	115,826	125,557	-	125,557
Asset-backed securities	-	-	-	701	-	701
Equities and similar investments						
Equities	2,913	-	2,913	2,959	-	2,959
Total investments	**271,402**	**-**	**271,402**	**197,947**	**-**	**197,947**

Based on their contractual maturity, an amount of € 182,532 thousand (2019: € 129,916 thousand) of fixed income investments is expected to be recovered after one year after the balance sheet date. For assets without a contractual maturity date, it is expected that they will be recovered after more than one year after the balance sheet date.

Investment income

Breakdown of investment income per category

	2020	2019
Interest income from investments	536	965
Other interest income	5	6
Interest income	**540**	**970**
Dividend on equities	73	108
Dividend and other investment income	**73**	**108**
Total Investment income	**614**	**1,079**

The effective interest method has been applied to an amount of € 536 thousand (2019: € 965 thousand) of the interest income from financial assets not classified at fair value through profit or loss.

A.3.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December

(in €)	2020	2019
Net result	3,069	3,815
Total items that will not be reclassified to profit or loss	**-**	**-**
Unrealised change in value of available for sale assets	803	2,032
Realised gains/(losses) on available for sale assets reclassified to profit or loss	-260	2
Income tax on items that may be reclassified subsequently to profit or loss	-136	-483
Total items that may be reclassified subsequently to profit or loss	**407**	**1,552**
Total other comprehensive income for the year, after tax	**407**	**1,552**
Total comprehensive income	**3,476**	**5,366**

A.3.3 Information about investments in securities

As a.s.r. health basic has no investments in securitisation, no further information is included here.

A.4 Performance of other activities

a.s.r. health basic has no material other activities.

A.5 Any other information

No other information is applicable.

B System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

a.s.r. health basic has an Executive Board (EB) and a Supervisory Board (SB).

Executive Board

The EB is responsible for the company's management, meaning that it is responsible for aspects such as achieving corporate objectives, the strategy and the associated risk profile, and the ensuing financial performance of the company and its subsidiaries.

The General Meeting of Shareholders appoints the members of the EB and may suspend or dismiss any member of the EB at any time. The SB may also suspend any member of the EB. A suspension by the SB may be overruled by the General Meeting of Shareholders at any time. a.s.r. aims to have an adequate and balanced composition of the EB. The EB consists of two members, one woman and one man. In 2017, the SB adopted a formal diversity policy. a.s.r. uses the following definition for diversity: a balanced composition of the workforce, based on age, gender, cultural or social origin, competences, views and working styles. One of the objectives is an EB consisting of at least 30% women and at least 30% men. The current composition of the EB does meet both goals regarding the gender balance of the EB.

Supervisory Board

The SB is responsible for overseeing, checking (also proactively) and advising the EB with regard to achieving the corporate objectives, the strategy and the risks associated with the company's business activities.

The SB consists of four members (2019: three members). The General Meeting of Shareholders appoints the members of the SB and may suspend or dismiss any member of the SB at any time.

This paragraph contains a description of group policy, which is applicable for a.s.r. health basic a.s.r. health basic has its own governance structure, which is described below. a.s.r. health basic uses the facilities of the group.

B.1.1.1 Supervisory Board Committees

Audit and Risk Committee

The SB did not institute an Audit and Risk Committee.

Audit and risk issues are discussed during a separate part of every meeting of the SB in the presence of the senior management of the Audit, Risk and Compliance departments.

Remuneration Committee

The SB did not institute a Remuneration Committee.

Selection & Appointment Committee

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

B.1.1.2 Corporate Governance

a.s.r. health basic is a limited liability company. The company has a two-tier board; a SB and an EB.

The General Meeting of Shareholders is authorised to appoint and dismiss members of the EB and the SB.

B.1.1.3 Executive Board

The EB is responsible for the day-to-day conduct of business of a.s.r. health basic and for the strategy, structure and performance. In performing their duties the EB is guided by a.s.r. health basic's interests, which include the interests of the business connected with a.s.r. health basic, which, in turn, include the interests of customers, insurers, employees and, in general, the society in which a.s.r. health basic's business is carried out. The EB is accountable for the performance of its duties to the SB and to the General Meeting.

Composition
The EB will consist of a minimum of two members. The General Meeting of Shareholders appoints the EB members and may at any time suspend or dismiss any member of the EB. Only candidates found to meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The EB consists of J.M. Hendriks and J.D. Lansberg. The composition of the EB remained unchanged in 2020.

Education and evaluation
The members of the EB followed individual programs in 2020 as part of their continuing education (CE). In addition, much attention was devoted to knowledge-development in the areas of risk, capital management and strategic challenges, including the impact of political decisions on the potential business models of health care insurers in The Netherlands.

The decision making process of the EB was self-evaluated in 2019 and discussed with the deputy directors. Goal of the evaluation and discussion was to find useful elements and ways to further enhance the effective decision-making and information gathering. In addition to the self-evaluation, the performance of the members of the EB was also assessed by the SB.

B.1.1.4 Supervisory Board
The SB supervises the policy pursued by the EB and the general course of affairs at a.s.r. health basic and advises the EB. Specific powers are vested in the SB, including the approval of certain decisions taken by the EB.

Composition
The SB of a.s.r. health basic consists of of four members: C. van der Pol (chairman), J.P.M. Baeten, I.M.A. De Swart and S. Barendregt. The SB has drawn up a profile for its size and composition, taking into account the nature of a.s.r. health basic's business, its activities and the desired expertise and background of the SB members.

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

Education and evaluation
Supervisory Board of the group The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years. The self-assessment for 2020 was carried out with internal guidance. The assessment was based on written and oral input from the members of the SB, the EB and the Company Secretary. The following aspects were assessed:
- Composition and functioning of the SB (strengths and points for improvement);
- Effectiveness of processes (information-gathering and decision-making);
- Advisory role;
- Role as an employer.

The outcome of the assessment was discussed in a formal meeting of the SB with the EB. The overall impression that emerged from this self-assessment was positive. The SB is seen as a properly operating group in terms of content, with a balanced and high-quality composition. The atmosphere is open and the relationship with the EB is good. One recommendation made was to improve an open dialogue on relevant strategic issues at an early stage to strengthen the role as advisor of the board.

In 2020, specific sessions were organised for the benefit of further education. The first session was a follow-up on the explanation of IFRS 17, the new accounting standard for insurance contracts, led by Finance, Risk & Performance Management. The new regulations will impact future external reporting on insurance contracts. The implementation of IFRS 17 within a.s.r. is a major project. The second session focused on Investment Management. This knowledge session was led by a.s.r. Asset Management and took place at the end of the year. During this session, the SB were given an update on strategic investment management, Artificial Intelligence (AI) and robotisation in investment management, economic development and the strategic vision for 2020.

The individual members were given updates and presentations on various topics in view of their supervisory directorships at several Dutch and foreign enterprises and institutions.

B.1.1.5 Corporate Governance Codes and regulations

Dutch Health Insurers Code

a.s.r. health basic is subject to the Dutch Health Insurers Code (2012). This code contains principles for governance. Specifically, it defines guidelines for the fulfilment of the public responsibility regarding the execution of the compulsory Dutch Health Insurance Act. Every year, a.s.r. health basic reports it performance to the Dutch Healthcare Authority.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for EB and SB members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the EB and SB members, individuals holding a management position immediately below the EB who are responsible for staff who 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 individuals who may (independently) significantly influence the risk profile of the undertaking as well as those who are or may be involved in the provision of financial services.

Notwithstanding the above, a.s.r. has decided that all employees and other individuals carrying out activities under its responsibility must take the oath. New employees must take the oath within three months of joining the company.

B.1.2 Related-party transactions

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. health basic include a.s.r. and its subsidiaries, members of the EB, members of the SB, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

a.s.r. health basic regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans and receivables, subordinated liabilities and allocated expenses, and are conducted on terms equivalent to those that prevail in arm's length transactions.

1. The remuneration of the EB and SB of a.s.r. health basic are described in chapter B.1.3;
2. The operating expenses are predominantly intercompany, consisting of allocated expenses from head office, support functions and expenses related to personnel;
3. Transactions with a.s.r. concern the payment of taxes as a.s.r. heads the fiscal unity.

Positions and transactions between a.s.r. health basic and the related parties.

Financial scope of a.s.r.'s related party transactions

	2020	2019
Balance sheet items with related parties as at 31 December		
Loans and receivables	-	5,034
Subordinated liabilities	36,000	19,000
Other liabilities	1,408	509
Transactions in the income statement for the financial year		
Operating expenses	157	145
Interest expenses	1,319	740

The loans and receivables in 2019 consist of current accounts. At year end 2020, current accounts are a liability and are stated under other liabilities.

No provisions for impairments have been recognised on the loans and receivables for the years 2020 and 2019. No loans were provided by a.s.r. health basic to the EB.

In 2020 a new subordinated loan of € 17 million has been granted from a.s.r. holding in relation to the expected growth of the portfolio as of 1 January 2021.

B.1.3 Remuneration of Supervisory Board and Executive Board

The remuneration policy of the EB and SB members is determined in accordance with the current Articles of Association of a.s.r. The WNT is applicable to a.s.r. health basic. The applicable remuneration maximum (WNT Maximum) is € 250 thousand in 2020 and € 244 thousand in 2019, based on a.s.r. health basic being a health insurer with more than 300,000 policyholders.

B.1.3.1 Remuneration of Supervisory Board members

The SB of a.s.r. health basic is also the SB of a.s.r. health supplementary. The total costs of the SB is allocated for 75.26% (2019: 73.14%) to a.s.r. health basic and 24.74% (2019: 26.86%) to a.s.r. health supplementary. The applicable WNT maximum is calculated accordingly. In the table below the allocated cost to a.s.r. health basic presented.

Remuneration of the Supervisory Board members

Amounts in € thousands	2020	WNT Maximum	2019	WNT Maximum
Supervisory Board member				
C. van der Pol (chairman)[1]	3	28	3	27
A.P. Aris[2]	-	-	1	7
J.P.M. Baeten[3]	-	19	-	18
S. Barendregt[4]	3	19	3	11
M.H. Verwoest[5]	-	-	-	1
I.M.A. de Swart[6]	-	12	-	-
Total	**6**		**6**	

The annual remuneration for the members of the SB is accounted for in the remuneration paragraph of the annual report of a.s.r. In 2020 only the amount of compensation paid for the services provided by the SB members C. van der Pol and S. Barendregt were charged to a.s.r. health basic and is subsequently accounted for in the result of a.s.r. health basic. Members of the SB who are also members of the EB of a.s.r. receive no compensation for their services. In 2020 the SB members C. van der Pol, S. Barendregt, and J.P.M. Baeten were in function form 1 January 2020 until 31 December 2020. In 2020 the SB member I.M.A. de Swart was in function from 14 May 2020 untill 31 December 2020. The remuneration of S. Barendregt for 2019 has been adjusted with € 1 thousand.

B.1.3.2 Remuneration of current and former Executive Board members

The remuneration of current and former members is in accordance with the 2020 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 EB members for the period as from the 2014 ASR Basis Ziektekostenverzekeringen N.V. financial year until the current 2020 ASR Basis Ziektekostenverzekeringen N.V. basis financial year.

The EB of a.s.r. health basic is also the EB of a.s.r. health supplementary. The total costs of the EB is allocated for 75.26% (2019: 73.14%) to a.s.r. health basic and 24.74% (2019: 26.86%) to a.s.r. health supplementary. The applicable WNT maximum is calculated accordingly. In the table below the allocated cost to a.s.r. health basic presented.

1 C. van der Pol was member of the Supervisory Board from 1 January 2020 until 31 December 2020.
2 A.P. Aris was member of the Supervisory Board from 1 January 2019 until 22 May 2019.
3 J.P.M. Baeten was member of the Supervisory Board from 1 January 2020 until 31 December 2020.
4 S. Barendregt was member of the Supervisory Board from 1 January 2020 until 31 December 2020.
5 M.H. Verwoest was member of the Supervisory Board from 1 January 2019 until 1 February 2019.
6 I.M.A. de Swart was member of the Supervisory Board from 14 May 2020 until 31 December 2020.

Annual remuneration for members of the Executive Board 2020

Amounts in € thousands

Executive Board member	Fixed and variable employee benefits	Pension benefits	Total
2020			
drs. J.M. Hendriks RA[1]	141	20	161
drs. J.D. Lansberg[2]	188	24	212
Total	**329**	**44**	**373**

Amounts in € thousands

Executive Board member	Total Employee benefits	WNT maximum
2020		
drs. J.M. Hendriks RA	161	208
drs. J.D. Lansberg	212	212
Total	**373**	**420**

In 2020, both EB members were in function from 1 January 2020 until 31 December 2020, on a 0.75 FTE basis each. Both EB members were employed by a.s.r., there is no employment with a.s.r. health basic. Employee and pension benefits disclosed above were charged to a.s.r. health basic based on the aforementioned allocation basis.

Annual remuneration for members of the Executive Board 2019

Amounts in € thousands

Executive Board member	Fixed and variable employee benefits	Pension benefits	Total
2019			
drs. J.M. Hendriks RA	129	18	147
drs. J.D. Lansberg	178	22	200
Total	**307**	**40**	**347**

Amounts in € thousands

Executive Board member	Total employee benefits	WNT maximum
2019		
drs. J.M. Hendriks RA	147	196
drs. J.D. Lansberg	200	200
Total	**347**	**396**

In 2019, both EB members were in function from 1 January 2019 until 31 December 2019, on a 0.73 FTE basis each. Both EB members were employed by a.s.r.; there is no employment with a.s.r. health basic. Employee and pension benefits disclosed above were charged to a.s.r. health basic based on the aforementioned allocation basis.

In 2020, the VPL costs are included within fixed and variable employee benefits and the employer's social security contributions are no longer included. The comparative figures for 2019 have been adjusted accordingly.

B.2 Fit and Proper requirements

a.s.r. has a policy that sets out principles and criteria to ensure that persons who effectively run the undertaking and other key functions are fit and proper. The fit and proper policy provides guidance on the assessment process and contributes to controlled and sound business operations and promotes the stability and integrity of a.s.r. as well as customer confidence.

1 Member of the Executive Board since 1 April 2015.
2 Member of the Executive Board since 1 September 2016.

a.s.r. assesses all employees (internal and external FTEs) for their reliability and integrity prior to their appointment and periodically during the course of employment. This includes persons who effectively run the undertaking and other key functions.

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 may require additional training. In addition, a.s.r. has a program for the continuing education of persons who effectively run the undertaking and other key functions.

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 to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. implemented a Risk Management framework based on internationally recognized and accepted standards (such as COSO ERM and ISO 31000:2018 risk management principles and guidelines). Using 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 (legal) business entities.

B.3.1 Risk Management Framework

The figure below is the risk management framework as applied by a.s.r.

Risk Management framework

The Risk Management (RM) framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and risk management process. The RM framework contributes to achieving the strategic, tactical and operational objectives as set out by a.s.r.

Risk strategy (incl. risk appetite)

Risk strategy is defined to contain at least the following elements:

- Strategic objectives that are pursued;
- The risk appetite in pursuit of those strategic objectives.

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 (EB) and the Supervisory Board (SB) (see chapter Risk strategy and risk appetite).

Risk governance
Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the risk management organisation and the structure of the Risk committees (see chapter Risk governance).

Systems and data
Systems and data support the risk management process and provide management information to the risk committees and other relevant bodies. a.s.r. finds it very important to have qualitatively adequate data, models and systems in place, in order to be able to report and steer correct figures and to apply risk-mitigating measures timely. To ensure this, a.s.r. has designed a policy for data quality and model validation in line with Solvency II. Tools, models and systems are implemented to support the risk management process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks (see chapter Systems and data).

Risk policies and procedures:
Risk policies and procedures at least 1:
- Define the risk categories and the methods to measure the risks;
- Outline how each relevant category, risk area and any potential aggregation of risk is managed;
- Describe the connection with the overall solvency needs assessment as identified in the Own Risk & Solvency Assessment (ORSA), the regulatory capital requirements and the risk tolerances;
- Provide specific risk tolerances and limits within all relevant risk categories in line with the risk appetite statements;
- Describe the frequency and content of regular stress tests and the circumstances that would warrant ad-hoc stress tests.

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of a policy that explicates how risks are identified, measured and controlled within a.s.r. (see chapter Risk policies and procedures).

Risk culture
An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner.

It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.

Within a.s.r. risk culture is an important element that emphasizes the human side of risk management. The EB 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 (see chapter Risk culture).

Risk management process
The risk management process contains all activities within the RM processes to structurally 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. At a.s.r., the risk management process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter Risk Management process).

B.3.1.1 Risk management strategy and risk appetite
This paragraph discusses the risk appetite of a.s.r. ziektekosten basis and is derived from the policy document Capital and Dividend Policy of a.s.r. ziektekosten basis and a.s.r. ziektekosten aanvullend.

a.s.r. ziektekosten basis belongs to the insurance group a.s.r. a.s.r. has a capital and dividend policy that enables the group to steer towards the financial stability of the group in a structured and balanced manner. Under the articles of association, a.s.r. ziektekosten basis has its own responsibility for the capital position. A (limited) transition is therefore necessary in order to make the capital policy of the umbrella group applicable to a.s.r. ziektekosten basis. As far as possible, these choices are made in line with the policy of a.s.r.

The aim of this policy is to establish a stable, consistent and predictable policy for the management of capital within a.s.r. ziektekosten basis in order to promote the company's stability and continuity so as to meet the obligations towards policyholders at all times.

Each year, specific objectives (management target) and risk limits (risk appetite) for the capital position of a.s.r. ziektekosten basis are set by the EB, with the approval of the SB. A solvency objective (management target) reflects

the level of solvency sought and contains a reasonable buffer above the internal limits of the risk appetite statement. The difference between the limits of the risk appetite statement and the objectives (management target) is that a limit is very strict and that breaking a limit will have to be remedied immediately, whereas an objective is a long-term target value.

B.3.1.1.1 Substantiation and structure of limits and objectives for the solvency of a.s.r.

The objectives and limits are set annually by the EB of a.s.r. ziektekosten basis based on the principles for capital management as laid down in the capital policy. Under certain circumstances, and with the approval of the SB of a.s.r. ziektekosten basis, substantiated deviations from these principles may be made.

The objectives and limits are agreed with the EB and the SB of insurance group a.s.r. in order to ensure the consistency of the capital policy within the group. Of course, this working method does not affect the personal responsibility of the a.s.r. ziektekosten basis EB members under the articles of association.

B.3.1.2 Risk governance

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

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

Risk ownership

The EB has the final responsibility for risk exposures and management within the organisation. 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 or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the 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		
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 risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is 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 defence

Positioning of key functions

Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation. They 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. In all the risk committees one or more key functions participate. 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 EB and can escalate to the chairman of the Audit & Risk Committee of the SB. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank (DNB) and/or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management

Group Risk Management (GRM) is responsible for the execution of the risk management function (RMF) and the actuarial function (AF). The department is led by the CRO, which is also the RMF holder. GRM consists of the following sub-departments:

- Enterprise Risk Management;
- Financial Risk Management;
- Model validation.

Enterprise Risk Management

Enterprise Risk Management (ERM) is responsible for second-line operational (including IT) risk management and the enhancement of the risk awareness for a.s.r. and its subsidiaries. The responsibilities of ERM include the development of risk policies, the annual review and update of the risk strategy (risk appetite), the coordination of the SRA process leading to the risk priorities and ORSA scenarios and the monitoring of the non-financial risk profile. 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 RMF monitors and reviews the non-financial strategic and operational risk profile. The quality of the framework is continuously enhanced by the analysis of operational incidents, periodic risk assessments and monitoring by the RMF. ERM 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 financial risk management and supports both the AF and RMF. An important task of FRM is to be the countervailing power to the EB and management in managing financial risks for a.s.r. and its subsidiaries. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. Other responsibilities are model validation and policies on valuation and risk. FRM is also responsible for the actuarial function. As part of the AF, 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 AF expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The AF also expresses an opinion on the adequacy of reinsurance arrangements.

Model validation
A dedicated model validation sub-department was established during 2020. The Model Validation (MV) department is responsible for performing validation activities or having them carried out in accordance with the drawn up annual model validation plan. Previously the model validations were carried out by the FRM department. MV is responsible for supervising compliance with the model validation policy, discussing and challenging the (draft) validation reports and advising the Model Committee.

Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other 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 operation.

As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies. Compliance supports the first line in the identification of compliance risks and assesses 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 to comply with the rules and desired ethical behavior. Compliance coordinates interaction with regulators in order to maintain effective and transparent relationships with those authorities.

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 EB and 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 optimise these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure
a.s.r. health has established a structure of risk committees with the objective to monitor the risk profile 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 make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as 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.

Audit and Risk Committee
The SB did not institute an Audit and Risk Committee. Audit and risk issues are discussed during a separate part of every meeting of the SB in the presence of the senior management of the Audit, Risk and Compliance departments.

Executive Board
The EB is collectively responsible for the day-to-day conduct of business at a.s.r. and for its strategy, structure and performance.

Business Risk Committees
The business lines manage and control their risk profile through the Business Risk Committees (BRC). The BRC's monitor that the risk profile of the business lines stays within the risk appetite, limits and targets, as formulated by the EB. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the Managing Director of the business line.

B.3.1.3 Systems and data

GRC tooling is implemented to support the risk management process by giving guidance and insight into 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 upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct 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 based on the following aspects, based on Solvency II:

- completeness (including documentation of accuracy of results);
- adequacy;
- reliability;
- timeliness.

The preparatory body or department 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 unauthorised 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.

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.

The aim of the information security policy is to take measures to ensure that the requirements regarding availability, reliability and integer 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 organisation 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;
- The integrity, i.e. reliability, of information is the degree to which it is up-to-date, complete and error-free;
- 'Confidential use' refers to the degree to which the information is available to authorised persons only and the extent to which it is not available to unauthorised persons.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised 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 are aimed at preventing hackers and other unauthorised 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 there are physical measures and measures that helps the right awareness of personnel as part of the information security environment. The resilience of this approach is actively tested.

When user defined models (e.g. spreadsheets) are used for supporting the RM Framework, the 'a.s.r. Standard for End user computing'- in addition to the general security policy - defines and describes best practices in order to guard the reliability and confidentiality of these tools and models. a.s.r. recognises the importance of sound data quality and information management systems.
The management of IT and data risks of the implemented tools, models and systems (including data) is part of the Operational IT risk management.

B.3.1.4 Risk policies and procedures

a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, underwriting, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, 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 GRM and Compliance. These departments also monitor the proper implementation of the policies in

the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously.

B.3.1.5 Risk culture

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

The EB clearly recognises 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 finalising decisions.

It is very important that this risk awareness trickles down to all parts of the organisation, 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 behaviours 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 and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) 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[1] . a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments. The five different steps are explained in this chapter.

Identifying

Management should endeavour 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 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);
- Portfolio analysis.

Managing

Typically, there are five strategies to managing 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;

1 Based on COSO ERM en ISO 31000.

- *Mitigate*: risk mitigation involves the mitigation of the risk likelihood and/or impact;
- *Exploit*: risk exploitation revolves around the maximisation 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

a.s.r. is exposed to a variety of risks. There are six main risk categories that a.s.r. recognises, as described below.

Insurance risk
Insurance risk is the risk that premium and/or investment income or outstanding reserves will not be sufficient to cover current or future payment obligations, due to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognises the following insurance risks:
- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:
- 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
- Healthcare providers
- Zorginstituut Nederland

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:
- Business process

- Financial reporting
- Outsourcing
- Information technology
- Project risks

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and/or an inadequate response to changes in the environment. Such changes may arise in the following areas:
- Climate
- 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 a.s.r. health basic.

Within a.s.r., internal control is defined as the processes, affected by the board of directors, senior management, and other personnel within the organisation, implemented to obtain a reasonable level of certainty with regard to achieving the following objectives:
- High-level goals, aligned with and supporting the organisation'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 organisation, both operational and strategic.

B.4.1.1 Strategic Risk Management
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 analyse the risk profile as a whole, including risk interdependencies. The process of strategic risk analysis (SRA) is designed to identify, measure, manage and evaluate those risks that are of strategic importance to a.s.r.:

Identifying
Through the SRA process, identification of risks is structurally organised through the combined top-down and bottom-up SRA approach. The SRA outcomes are jointly translated into risk scenarios and 'risk priorities', in which the most significant risks for a.s.r. are represented.

Measuring
Through the SRA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes[1] 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.

1 For example, the SAA-study, analyses in the context of reinsurance renewals, ad hoc sensitivity analyses and/or stress tests.

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

Monitoring and reporting
The output of the SRA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed on a quarterly basis in the BEC – Risk meeting. At the level of the product lines, risks are discussed in the BRC's.

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

B.4.1.2 Operational Risk Management

Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritization and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of ERM. The policy is implemented in the decentralised business entities under the responsibility of the management boards. A variety of risks is covered by ORM policy: IT risk, outsourcing, data quality, project, underwriting etc.

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 prioritised and recorded in a risk-control framework.

The risk policies prescribe specific risk analyses to be performed to identify and analyse the risks. For important IT systems, Information Security Analyses (DIVA – Dienstverlening en Informatie Veiligheids Analyse) have to be performed and for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Gross risks with a level of concern 3 or 4 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 (level of concern 1 or 2). 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. An estimation is made of the net risk, after implementing the control(s). A more effective and efficient approach to managing risks is required driven by increased complexity of processes, data processing and the need for a timely and accurate view on the risk profile. a.s.r. is therefore in the process of shifting towards a more automated approach to manage risks, for example automated controls and data analysis.

Monitoring and reporting
The effectiveness of operational risk management is periodically monitored by the business risk manager at each business line or legal entity. For each key control in the risk-control framework a testing calendar is established, based on accounting standards. Each control is tested regularly and the outcomes of the effectiveness of the management of key risks are reported to the management board. Outcomes are also reported to the NFRC and BEC – Risk meeting.

Evaluating
Periodically, yet at least annually, the risk-control frameworks and ORM policies are evaluated to see if revisions are necessary. The risk management function also challenges the business lines and legal entities regarding their risk-control frameworks.

Operational incidents
Operational incidents are reported to GRM, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of the largest operational incidents and the level of

operational losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

ICT
Through IT risk management, a.s.r. devotes attention to the efficiency, effectiveness and integrity of ICT, including End User Computing applications. 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, reason for which continuous actions are carried out to create awareness among employees and management.

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 stabilise the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has assigned a crisis organisation.

There is a central crisis team led by member of the board. 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 such situations. The training also sets out to clarify the roles, duties and responsibilities of the crisis teams. One important training scenario used is a scenario that includes cyber threats.

Preparatory Crisis Plan
On 1 January 2019 Dutch legislation entered into force that addresses the recovery and settlement of insurance companies ('Wet herstel en afwikkeling van verzekeraars' in Dutch). The objective is that insurance companies and supervisors are better prepared against a crisis and that insurance companies can recover from a crisis without government aid. a.s.r. is obliged to have a Preparatory Crisis Plan ('Voorbereidend Crisisplan' in Dutch) in place that has been approved by DNB. a.s.r.'s Preparatory Crisis Plan helps to be prepared and have the capacity to act in various forms of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to live 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, impact on policy holders and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of successful early intervention in the event of 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 unacceptable deviations are avoided, against acceptable costs.

B.4.2 Compliance function
This paragraph contains a description of group policy, which is applicable for a.s.r. health basic.

The mission of the Compliance function is to enhance and ensure a controlled and sound business operation where impeccable professional conduct is self-evident.

Positioning and structure of the compliance function
The Compliance function is a centralised function which is headed by the a.s.r. Compliance Manager for both a.s.r. and the supervised entities. The compliance function, the second line of defense, is considered a key function in line with the Solvency II regulation. The CEO bears ultimate responsibility for the compliance function and the a.s.r. compliance manager has a direct reporting line and access to him. The a.s.r. compliance manager also has an escalation line to the Chairman of the a.s.r. Audit & Risk Committee and/or the Chairman of the SB in order to safeguard the independent position of the compliance function and enable it to operate autonomously. The a.s.r. compliance manager is entitled to scale up critical compliance matters to the highest organisational level or to the SB.

Responsibilities and duties
The Compliance function, as part of the second line of defense, is responsible for:
- Encouraging compliance with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies;
- Monitoring compliance with rules;
- Monitoring the management of compliance risks by further developing adequate compliance risk management, including monitoring and, where necessary, making arrangements relating to measures and actions;
- Creating awareness of the need to comply with rules and of social and ethical issues, in which ethical behavior within a.s.r. is self-evident;
- Coordinating contacts with regulators in order to maintain effective and transparent relationships with them.

Annual compliance plan
Developments in rules and the management of high compliance risks and action plans provide the basis for the annual compliance plans and the compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses their impact and corresponding actions to be taken. In 2019, Compliance largely realised its annual compliance plan as planned. Various monitoring activities were performed on group and division level. Compliance monitored compliance with the CDD regulation, the IDD regulation, the outsourcing policy (in cooperation with the group risk management department) and the quality of information provided to customers. The Compliance department played a central role in a.s.r.'s CDD optimisation project. In order to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures to prevent, identify and combat unethical behaviour, including corruption.

Reporting
The a.s.r. Compliance Manager issues quarterly reports on compliance matters and the progress made in the relevant actions at Group level, supervised entity level and division level. The quarterly report at division level is discussed with the responsible management and scheduled for discussion by the Business Risk Committee.

The quarterly report at Group level and supervised entity level is presented to and discussed with the individual members of the EB and a.s.r. BEC and submitted to the Audit & Risk Committee of the SB. The report is shared and discussed with the DNB, the AFM and the (internal and) external auditor.

B.5 Internal audit function

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. This statement of duties has been set down in the Audit Charter for a.s.r. and its subsidiaries. The Audit Department reports its findings to the managing board of a.s.r. health basic and, by means of the quarterly management report, to the a.s.r. Business Executive Committee and to the SB of a.s.r. health basic.

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The SB of a.s.r. 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 EB of a.s.r. and has a reporting line to the chairman of the SB of a.s.r. health basic and to the chairman of the a.s.r. Audit and Risk Committee. The Chief Audit Executive is appointed by the SB of a.s.r. In order to maintain the independence and impartiality of the internal audit function, the audit function is not influenced by the EB of a.s.r. and the managing board of a.s.r. health basic 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 the supervisors (DNB and AFM) and to discuss the risk assessment,

findings and audit plan. The department also takes the initiative to organise a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2020, at the request of the DNB, no tripartite consultation was held for a.s.r. health basic.

The Audit Department sets up a multi-year audit plan based upon an extensive risk assessment. The Audit Department's risk assessment is performed in 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 five years. During the last review in 2016, Audit was approved by the IIA and received the Institute's quality certificate.

B.6 Actuarial function

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 defense 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 a.s.r. and the insurance legal entities is operationally part of a.s.r. GRM. 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 & Pensions and Funeral business lines) as well as for the overall Life segment of a.s.r. The other for the entities in the Non-life segment (Property & Casualty, Disability and Health business lines) as well as for the overall Non-life segment of a.s.r.

The AF function is represented in several risk committees. At least annually the AF drafts a formal report, which is discussed with the BEC – Risk meeting (or EB) and the a.s.r. Audit & Risk Committee.

Independence of the AF is secured through several measures:
- The AF holders are appointed and dismissed by the Board. Both the appointment and the dismissal of the holders is, together with an advice from the Audit and Risk Committee, submitted to the SB for approval;
- The AF holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The AF holders have a direct reporting line to the BEC – Risk meeting or EB 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 CRO, the function holders may escalate directly to the CEO and to the Chairperson of the Audit & 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 evaluates annually the governance of a.s.r. including the (independent) operation of the AF;
- Target setting and assessment of the function holders is done by the CEO taking into account the opinion of the Audit & Risk Committee.

B.7 Outsourcing

a.s.r. has outsourced some of its (operational) activities and/or processes to external service providers, including certain critical and/or important activities that are part of material (operational) processes. Part of the outsourced activities is related to front-, mid- or back office activities of supervised entities within the group. In addition, the management and service of some supporting systems is outsourced.

When activities are outsourced, a.s.r. remains fully accountable for these activities and the processed data and a.s.r. retains full control (volledige zeggenschap) over the outsourced activities. To manage the risks related to outsourcing, a.s.r. has implemented an outsourcing policy to safeguard controlled and sound business operations which ensures compliance with laws and regulatory requirements. Solid risk management, governance, monitoring and a complete overview of outsourced activities are essential to manage those risks. The outsourcing policy outlines the relevant procedures and is applicable to a.s.r. and its supervised entities. The policy is also applicable to intragroup outsourcing.

To define the respective rights and obligations, a.s.r. drafts and agrees a written outsourcing contract with the service provider. The contract includes amongst others the obligations for all parties involved, commitment to comply with applicable laws and regulatory requirements, right to audit and information security requirements.

Confidentiality, quality of service, and continuity are key for a.s.r. in carrying out its activities. To safeguard the quality of outsourced activities, service providers are carefully examined prior to selection and during the period of service provision. a.s.r. monitors compliancy with the terms of the contract and performance of the outsourced activities. The findings of the monitoring activities serve as input for the regular consultation on operational, tactical and strategic level with the service provider and in case of non-compliance immediate action is taken.

B.8 Any other information

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

C Risk profile

This paragraph contains a description of group policy, which is applicable for the solo entity. Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic objectives are met. Value is created by striking the right balance between risk, return and capital whilst ensuring that obligations to stakeholders are met.

Qualitative description of a.s.r.'s risk priorities

Risk governance

Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic objectives are met. Value is created by striking the right balance between risk, return and capital whilst ensuring that obligations to stakeholders are met. In the following texts a.s.r.'s approach to managing risks is described.

Management of strategic risks

a.s.r.'s risk priorities and emerging risks are defined annually by the EB, based on strategic risk analyses. a.s.r.'s risk priorities are regarded as the most important strategic risks of a.s.r. which could materially affect the strategic and financial objectives of a.s.r. To determine the degrees of risk, a.s.r. uses a risk scale based on likelihood and impact (level of concern). For each risk priority, the degree of risk is determined for the gross risk and net risk. Gross risk is the degree of risk when no (control) measures are in place. Net risk is the degree of risk taking into account mitigating (control) measures. Each of a.s.r.'s risk priorities has a very high degree of gross risk (Level of Concern 4, outside risk appetite boundaries) and a high degree of net risk (Level of Concern 3, outside risk appetite boundaries)

Management of financial risks

a.s.r. strives for an optimum trade-off between capital, risk and return. Steering on capital, risk and return is done by decision-making throughout the entire product cycle from PARP to the payment of benefits and claims. At a more strategic level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income. Risk tolerance levels and limits are disclosed in the financial risk appetite statements (RAS) and are monitored by the Financial Risk Committee (FRC). The FRC evaluates Financial Risk (FR) positions against the RAS on a monthly basis. Where appropriate, a.s.r. takes additional mitigating measures.

In 2020, the Actuarial Function (AF) performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting, and contributing to the Risk Management Framework (RMF). The AF report on these topics was discussed by the EB, FRC and A&RC.

Management of non-financial risks

Non-financial risk appetite statements are in place to manage a.s.r.'s risk profile within the limits determined by the EB and approved by the SB. The risk profile and internal control performance of each business is discussed with senior management in the business risk committees each quarter. The Non-Financial Risk Committee (NFRC) monitors and discusses on a quarterly basis whether non-financial risks are adequately managed. Should the risk profile exceed the risk appetite, the NFRC will decide on the steps to be taken. The most important operational risks in 2020 are described below.

Governance, Risk and Compliance tool

In 2020 the steering information provided by the Governance, Risk and Compliance (GRC) tool 'CERRIX' was improved with the use of business intelligence software. By implementing a reporting risk framework connected to internal controls in CERRIX, a.s.r. was able to effectively improve the overall reliability of financial reporting processes. a.s.r. will continue to optimize and expand the use of GRC tooling in 2021.

Risk appetite

Risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its objectives while maintaining the right balance between risk, return and capital. a.s.r.'s risk appetite contains a number of qualitative

and quantitative risk appetite statements (RAS) and gives direction to the management of both financial risks (FR) and non-financial risks (NFR). The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of a.s.r.'s strategy.

In 2020, to ensure alignment with a.s.r.'s (risk) strategy, the RAS and RAS-limits were evaluated and updated by the EB and approved by the SB.

Risk descriptions
In the previous paragraphs, the risk governance and risk appetite of a.s.r. are described. Below, the identified risks are clustered by:
1. Strategic risks
2. Financial risks
3. Non-financial risks
4. Emerging risks

Strategic risks
In 2020, a.s.r.'s most important strategic risks (risk priorities) were:
1. The COVID-19 pandemic;
2. Information (cyber) security risk;
3. Impact of supervision, laws and regulations;
4. Non-competitive premium as a result of organisation and health care costs

In the texts given below the strategic risks are described in more detail.

The COVID-19 pandemic
In December 2019, a pneumonia outbreak was reported in China which in 2020 rapidly developed into what is now commonly referred to as the COVID-19 virus. The virus has resulted in a significant number of confirmed cases of infection and untimely deaths in large portions of the world, including the Netherlands. Globally, governments are taking various measures to contain the outbreak. In the Netherlands, the Dutch government issued a series of far reaching measures to stop the spread of the COVID-19 virus. Both the virus and the countermeasures have a significant impact on Dutch society and economics. The economic impact is mitigated in the short term by significant economic relief programs presented by the government to support both companies and individuals financially impacted by the COVID-19 outbreak. The economic impact of the countermeasures of the COVID-19 virus is uncertain in the longer term. See management of non-financial risks for more details about the operational impact on a.s.r. and see management of financial risks for more details of the financial implications on a.s.r.

Information (cyber) security risk
Information (cyber) security risks are constantly evolving and imminent. Nation state actors are (covertly) probing and intruding, pushing the development of more sophisticated attacks and hence the progression of new detection measures to improve 'older' detection techniques. The growth in digital communication is also increasing the risk of cyber attacks, as is the introduction of technological initiatives and growing dependency in the supply chain. The increased focus on, and attention for, emerging cyber security risks is a daily requirement for a.s.r. and its supply chain. Investing in detection and prevention skills and techniques and learning from incidents in the financial industry strengthens cyber resilience. Since the battle against malicious intentions is ongoing, cyber security efforts continued to dominate risk reports in 2020. A dedicated cybersecurity team, regular testing, continuous awareness programmes and scrutinised vulnerability programmes ensure that a.s.r. is fully aware of its risks and takes measures where appropriate. All measures are continuously monitored and updated where necessary. a.s.r.'s suppliers are periodically reviewed and assessed for their cyber resilience. Partnerships with financial institutions and public agents, such as the Dutch National Cyber Security Centre (NCSC), i-CERT (a cybersecurity partnership between insurance companies) and DNB TIBER (DNB red team program), are crucial in mounting an effective defence against cybercrime. a.s.r. is actively involved in these partnerships.

Impact of supervision, laws and regulations
Due to growing political and regulatory pressure, there is a risk that:
- a.s.r.'s reputation will suffer if new requirements are not complied with in time;
- Available resources will largely be utilised to align the organisation with new legislation, leaving fewer resources to spend on core customer processes;
- Processes will become less efficient and pressure on the workforce will increase;
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).

a.s.r. constantly monitors changing laws and regulations and assesses their impact and the corresponding actions required (in conjunction with Compliance and Legal). The availability of capacity is also continuously monitored to ensure that there are sufficient resources to process all regulations in a timely manner. a.s.r. has a multidisciplinary legislation and regulation committee to help the various businesses signal and adopt legislative amendments in good time. The committee reports to the NFRC.

Customer Due Diligence (CDD) risk (including Anti-Money Laundering) remains relevant for a.s.r. in order to guarantee sound and controlled business operations. To mitigate the risks of non-compliance relating to CDD, a.s.r. is centralising its CDD screening and tooling. The central CDD desk consisting of Compliance, Investigations and Legal plays a key role to ensure a consistent screening approach within a.s.r. The CDD desk also functions as an expertise centre.

In May 2018, the European Commission published the European Sustainable Finance Action Plan (EU SFAP). EU SFAP is designed to direct capital flows towards sustainable economic activities. Based on the EU SFAP, an extensive package of legislation will enter into force in the 2020-2022 period; this will both have an impact on the use of limited available resources, knowledge and experience and may also pressure a.s.r.'s commercial role of being a sustainable insurer in its proposition. This legislation includes the Taxonomy Regulation and the Disclosure Regulation, which will also lead to the amendment of existing directives and regulations such as Solvency II, IDD, MiFID II, AIFMD and BMR. EU SFAP has an impact on product development and advice, Know Your Customer (KYC), risk management, solvency requirements and the disclosure of financial products. In 2020, a working group was established within a.s.r. to coordinate and oversee the preparation and implementation of EU SFAP legislation.

In June 2020, the International Accounting Standards Board (IASB) published the revised IFRS 17, the new IFRS standard for insurance contracts which will replace the existing IFRS 4 standard. IFRS 17 will be effective from 1 January 2023, subject to endorsement by the EU. The EU draft endorsement advice IFRS 17 has been prepared by European Financial Reporting Advisory Group (EFRAG) and was open for comment until 29 January 2021.

IFRS 17 is designed to facilitate comparability between insurers and to increase transparency in relation to risks, contingencies, losses and embedded options in insurance contracts. IFRS 9 Financial Instruments was published in July 2014 and will have a major impact on the accounting of financial instruments (investments). In order to maintain cohesion between the two standards, a.s.r. applies the option in IFRS 4 which allows for the deferral of the implementation of IFRS 9 until the implementation of IFRS 17 in 2023. Since 2017, a.s.r. has had an internal programme in place to prepare for the implementation of IFRS 17 and IFRS 9 throughout the Group. The IFRS 17 and IFRS 9 programme will have a major impact on the Group's primary financial processing and reporting and could have a significant effect on its capital, financial statements and related KPIs. Finance, Risk, Audit and the business lines have all been given attention in the programmes due to the need to develop an integrated vision. See chapter 6.3.3 New standards, interpretations of existing standards or amendments to standards, not yet effective in 2020, for more information.

On 17 December 2020 the European Insurance and Occupational Pensions Authority (EIOPA) published its Opinion on the Solvency II Review, which has been sent to the European Commission (EC) as input for new legislation. The EIOPA Opinion consists of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin (RM) and the volatility adjustment (VA). It is expected that the changes will come into effect in 2024 at the earliest and some measures will include a phase-in period of up to 8 years to 2032.

Non-competitive premium as a result of organisation and health care costs
Insufficient control over the price and amount of care leads to higher premiums. Also as a result of a small scale and operating in a price sensitive market is there a chance that high organizational costs leads to higher premiums and lower turnover.

Financial risks

Although the strategic risks also contain financial risks, asr basic health describes the financial risk aspect of COVID-19 in the texts below.

COVID-19
The effect of the COVID-19 outbreak and the measures taken by the Dutch government are impacting the a.s.r. health basic result. For Health Insurance the COVID-19 pandemic entails uncertainties about the result for the year. This is related to, amongst others, the hardship clause of the agreements, the degree to which the threshold of the catastrophe regulation is affected by various health insurers plus the fact that it is spread over two calendar years) and the application of the health insurers' solidarity scheme. In addition, the pandemic also has an impact on the reliability of health care cost estimates, both retrospectively (what is the impact of the pandemic on the costs of 2020) and prospectively (how will the pandemic develop and be dealt with in 2021 and beyond).

The uncertainties outlined entail risks with regard to the results of the health insurers themselves (that may be higher or lower than budgeted), the premium setting of 2021 (based on health care cost estimates, the own solvency assumptions and the financial development of competitors) and thus on the competitive position of each health insurer individually.

The uncertainties outlined with regard to the financial result 2020 are offset by the effects of the mitigating measures of the catastrophe scheme (compensation of the corona costs if they exceed a set threshold) and the solidarity scheme (proportionate distribution of corona-related costs and compensation received between health insurers plus the reimbursement of 85% of the difference between the national health care costs budget and the health care costs actually incurred by the health insurance fund). These schemes have a mitigating effect on a national level. The effects of these schemes may deviate at individual insurer level.

Non-financial risks

In addition to strategic and financial risks, a.s.r. has also identified a number of non-financial risks. In 2020, the most relevant non-financial risks were:

- COVID-19
- Outsourcing risk
- Sound data quality
- Risks relating to digitalisation
- Project risks

COVID-19

The Central Crisis Team (CCT) of a.s.r. has been active since 25 February 2020 and directs and coordinates all work relating to the management of COVID-19's (operational and business) impact on a.s.r. On 10 March 2020 the CCT successfully tested the possibility for employees working entirely from home. Employees have been working largely from home since 16 March 2020 and the business, with a limited number of modified process measures, is fully operational. An additional investment in the technical infrastructure has been made to ensure the continuity of working fully from home. Where necessary, control measures in the operational processes have been adapted to working from home, for example, the implementation of security patches on notebooks has been redesigned and attention has been paid to performing manual payments at home. The business of a.s.r. reports periodically to the CCT on the impact on the customer processes and the measures taken via a COVID-19 dashboard. In addition, the business continuously identifies and reports on the operational, integrity and strategic risks associated with the COVID-19 crisis. To date, the impact of the COVID-19 crisis on a.s.r.'s operations has been limited. However, the full impact on a.s.r. will depend on its duration and economic consequences and it is not yet possible to assess all aspects.

However, it is clear that COVID-19 will bring about a lasting change and that employees will be further able to combine office and homeworking, thereby changing the function of the office building. This is being looked at by the Executive Board and management of a.s.r., as is the importance of social cohesion and vitality among a.s.r. employees. In order to monitor how a.s.r. employees are doing while working entirely from home, HR deployed the "Mood Monitor". The results provide an insight into the pillars of dedication, job satisfaction and vitality and a reason to discuss these issues within teams. On this basis, the CCT also uses targeted interventions to maintain social cohesion at a distance, to provide employees with the means to positively maintain and further develop the a.s.r. culture and to encourage vitality. Examples include virtual employee meetings, an online range of training opportunities that meet specific needs, tips for working from home, social activities at a distance and online workouts.

Outsourcing risk

Outsourcing risk (internal and external) remains relevant for a.s.r., especially in view of the increasing focus from regulators, i.e. the European Insurance and Occupational Pensions Authority (EIOPA) and growing dependence on suppliers. a.s.r. is fully aware of these potential risks and regulatory developments. An outsourcing framework is in place to define responsibilities, processes, risk assessment and mandatory controls. Outsourcing risk is managed and reported as part of the overall operational risk. The periodic update of the outsourcing framework is scheduled for the forthcoming year.

Sound data quality

Sound data quality has become increasingly important for a.s.r. in relation to the digital transformation and ambitions it pursues. In this regard, insufficient data quality could pose a threat to the degree:

- processes can be digitised;
- operations can be made efficiently;
- front-end of business can be transformed;
- customer and intermediary relationships/connections can be enhanced.

As such, a.s.r. recognises the importance of sound data quality (both financial and non-financial). To uphold the reliability and confidentiality of its data, a.s.r. has an explicit data quality policy in place defining the data quality (including control) framework and data governance. Adherence to this policy is ensured by the three lines of defence risk governance model a.s.r. has in place.

Digitalisation

Digitising the customer experience and back-end processes within a.s.r. using new technologies such as robotics, artificial intelligence and cloud solutions, involves a changing risk perspective. This in turn requires a different approach to risk management, where risk experts are actively involved and working with the development teams to incorporate mitigations by design.

Project risks

Since 2019, a.s.r. has used a project risk management policy to enhance controlled projects in terms of timeliness, cost control and quality standards. In 2020, a review was carried out within a.s.r. business units regarding the application of the policy, in which improvements were proactively implemented. In 2020, the main projects at a.s.r., including IFRS 9/17, the Sustainability Finance Action Plan (SFAP, TCFD) and major IT projects concerning cyber security and cloud computing, fell within the risk appetite. a.s.r. pays attention to coordination and risk identification in interdependent projects within a.s.r. and reports on the impact of the project risks of group projects on a.s.r. business units.

Emerging risks

Emerging risks are part of a.s.r.'s risk priorities. Emerging risks are defined by a.s.r. as new or existing risks with a potentially major impact, where the level of risk is hard to define. For a.s.r. health basic no emerging risks are defined.

Quantitative description of a.s.r.'s risk priorities

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2020, expressed as the impact on the a.s.r. health basic 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. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
UFR 3.2%	-	-	-	-	-	-
Interest rate +1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	-	-1	-	-	-	-1
Interest rate -1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%%)	-	+1	-	-	-	+1
Volatility Adjustment -10bp	-	-	-	-	-	-
Spread +75bps/ VA+15bps (2019: VA +18bps)	-1	-1	-	-	-1	-1

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk - UFR 3.2%	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. The impact on available capital, required capital and ratio relates to a comparison with a solvency ratio measured at a UFR of 3.75% for 2020 (3.9% for 2019).
Interest rate risk (incl. UFR 3.75%/ 3.9%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.75% for 2020 and 3.9% for 2019) 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.
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 15bps (2019: + 18bps) based on reference portfolio.

The Solvency II sensitivities in 2020 are similar to 2019. Furthermore, the magnitude of the Solvency II sensitivities is small, as the insurances are short-cycle.

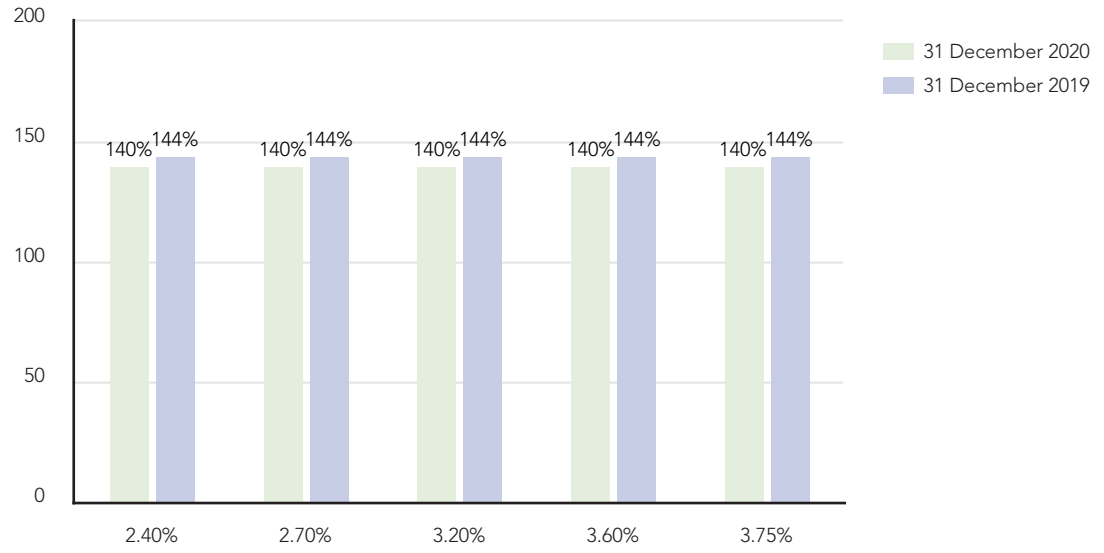
Expected development Ultimate Forward Rate

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).

The UFR will decrease to 3.5%, phasing in by 15 basis points per year. In 2020 the UFR was 3.75% (2019: 3.90%). After the decline of the UFR by 15 basis points the solvency ratio is still above internal solvency objectives.

Changes in the UFR have no effect on the solvency ratio. The cashflows which are used in the technical liabilities have durations lower than 20 years. The impact on the solvency ratio of various UFR levels is stated below.

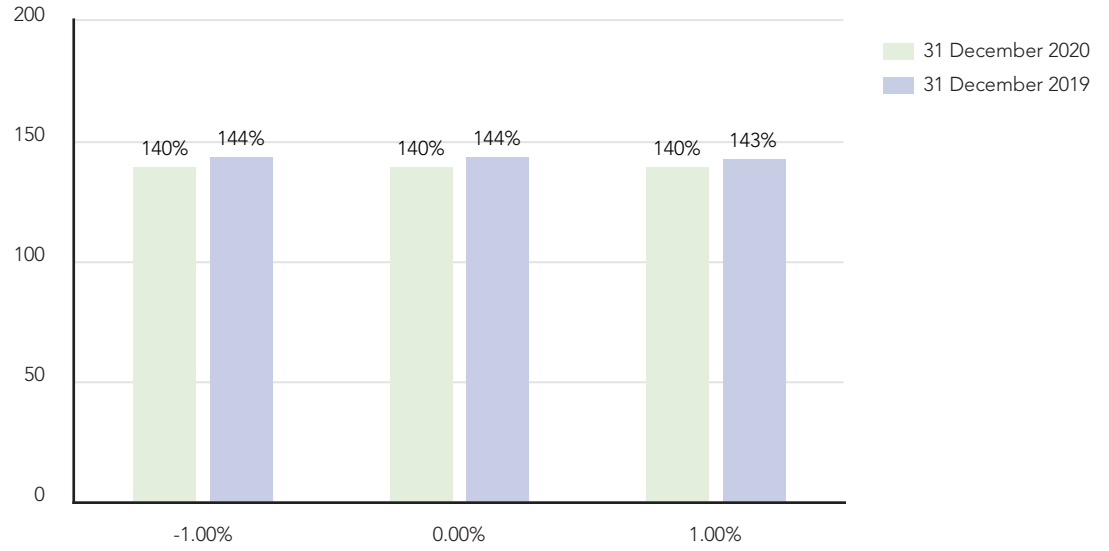
Sensitivity Solvency II ratio to UFR



Interest rate sensitivity of Solvency II ratio

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

Sensitivity Solvency II ratio to interest rate



Loss absorbing capacity of deferred tax

a.s.r. uses the following methodology for the calculation of the Loss Absorbing Capacity Deferred Tax (LAC DT) benefit in euros of a.s.r. health basic.

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

LAC DT Components

	ASR Basis Ziektekostenverzekeringen N.V.	
	Available for substantiation	Utilised in applied LAC DT factor
Model sort	Base	Base
Component 1 – Taxable profit (t)	✓	✓
Component 2 – Taxable profit (t-1)	✓	✓
Component 3 – Net DTL position	✓	✓
Component 4a – Risk Margin	✓	✗
Component 4b – Future taxable profit	✓	✗

The outcome is an unrounded LAC DT factor.

1. The unrounded LAC DT factor is determined based on component 1 – 3 only.
2. Moreover, an outlook is made of the underpinning of the LAC DT factor in the upcoming quarters, divided over the separate components. This outlook will take into account potential risks not yet included in the model, also called a code of conduct. This code of conduct ensures financial stability in the LAC DT benefit a.s.r. health basic in euros, resulting in financial stability of the solvency position of a.s.r. health basic
3. The LAC DT factors and outlook are reviewed by Financial Risk Management.
4. A proposal with the advised LAC DT factors will be presented to the Financial Risk Committee (FRC).

The LAC DT factors agreed with the FRC are to be applied.

A source of stability can be found in the way the LAC DT factor is adjusted if a change is desired. In case the substantiation of the LAC DT is too low the factor is lowered immediately, taking into account the code of conduct. However, in case an increase is possible, it is only realised in case it is sustainable and significant.

As the loss absorbing capacity of deferred tax for a.s.r. health basic is not material, the LAC DT factor set to nil.

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 a.s.r. health basic to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of a.s.r. health basic is determined and continuously monitored in order to assess if a.s.r. health basic meets the regulatory requirements.

a.s.r. health basic 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 a.s.r. health basic is as follows.

Insurance risk - required capital

	31 December 2020	31 December 2019
Health insurance risk	107,435	78,301

Solvency II sensitivities

a.s.r. has assessed the impact of various sensitivities on the solvency ratio. The sensitivities as at 31 December 2020 and 2019, expressed as impact on the a.s.r. health basic's solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Pandemic	-3	-3	-	-	-3	-3

Solvency II sensitivities - explanation

Risk	Scenario
Pandemic risk	Measured as the impact of a pandemic, which causes 1% of those affected to be hospitalised and 20% to see a local practitioner

The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on the 2020 and 2019 total equity, or on the profit for these years, because a.s.r. health basic still passed the IFRS Liability Adequacy Test (LAT). While the sensitivities result in a decrease of the surplus in the Liability Adequacy Test, the outcome is still positive.

C.1.1 Health insurance risk

The Health insurance portfolio of a.s.r. health basic contains the following insurance risks:

- NSLT Health insurance risk - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similar to the Non-Life insurance risk Solvency II standard model.
- Health Catastrophe risk - The calculation of this risk is scenario-based. Below the specific health parameters for the calculation are explained.

This includes the diversification within the NSLT Health underwriting risk and Catastrophe risk. There is an increase in the Health insurance risk at the end of 2020 because the amount of insurance contracts for the portfolio 2021 has increased as of the fourth quarter of 2020 with 41%.

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 earned premium of the next year, and the earned 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.

NSLT lapse risk

The basic health insurance is a compulsory insurance contract for one year without intermediate possibility of termination during contract year, and therefore lapse risk is negligible for basic health insurance.

Health catastrophe risk

Medical Expense

A health catastrophe for NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by Dutch Central Bank in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. 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'.

Health insurance risk - required capital

	31 December 2020	31 December 2019
Health SLT	-	-
Health Non-SLT	106,250	77,493
Catastrophe Risk (subtotal)	4,401	3,016
Diversification (negative)	-3,216	-2,207
Health (Total)	**107,435**	**78,301**
Medical expenses insurance and proportional reinsurance	106,250	77,493
Income protection insurance and proportional reinsurance	-	-
Diversification (negative)	-	-
Health Non-SLT (subtotal)	**106,250**	**77,493**
Mass accident risk	307	213
Accident concentration risk	-	-
Pandemic risk	4,390	3,008
Diversification (negative)	-296	-206
Catastrophe risk (subtotal)	**4,401**	**3,016**

For the NSLT Health portfolio, the technical provision at year-end can be broken down as follows under Solvency II:

NSLT Health portfolio - technical provision

	31 December 2020	31 December 2019
Best estimate	173,938	148,945
Risk margin	11,611	8,768
Technical provision	**185,549**	**157,713**

The table above shows an increase in the best estimate. This is amongst others due to an increase of the liabilities as the number of insurance contracts had increased. The increase in number of insurance contracts also leads to a higher risk margin.

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.

Claims frequency, size of claim and inflation

To mitigate the risk of claims, a.s.r. health basic 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.

Another mitigation of risks is performed by including in almost all of the contractual agreements with a healthcare institution a maximum of claims amount. The healthcare institution is allowed to invoice their claims until the maximum is reached. If the claims exceed the maximum, a.s.r. health basic can retrieve the amount above the maximum. This amount is called revenue settlement[1]. By using this method, the individual risk (claims) per healthcare institution can be monitored and managed.

Handling time

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

Benefit and claims handling costs

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

Concentration risk

Geographically, the risk exposure of a.s.r. health basic 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. The first table summarises the required capital for market risks based on the standard model:

Market risk - required capital

	31 December 2020	31 December 2019
Interest rate	129	785
Equity	61	54
Property	-	-
Currency	34	6
Spread	5,942	6,335
Concentration	-	293
Diversification (negative)	-168	-1,040
Total	**5,998**	**6,432**

The main market risk of a.s.r. health basic is spread risk. This is in line with the risk budgets based on the strategic asset allocation study.

The value of investment funds at year-end 2020 was € 2,804 thousand (2019: € 2,850 thousand). a.s.r. health basic applies the look through approach for investment funds to assess the market risk.

1 In Dutch: Opbrengstverrekening

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. For a.s.r. health basic the upward shock is dominant.

The diversification effect shows the effect of having a diversified investment portfolio.

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. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk. 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. a.s.r. applies a look-through approach for investment funds to assess the interest rate risk.

The interest rate risk is calculated by a relative shock up- and downward shock of the risk-free (basis) yield curve. All adjustments (credit spread, volatility adjustment) on this yield curve are considered constant. The yield curve is extrapolated to the UFR. The yield curve after shock is not extrapolated again to the UFR.

The used shocks vary by maturity and the absolute shocks are higher for shorter maturities (descending: 75% to 20% and ascending: -70% to -20%):

- the yield curve up shock contains a minimum shock of 100bps;
- the yield curve after the downward shock is limited to zero (no negative interest rates);
- the yield curves of all currencies are shocked simultaneously.

Interest rate risk - required capital

	31 December 2020	31 December 2019
SCR interest rate risk up	-129	-785
SCR interest rate risk down	4	157
SCR interest rate risk	**129**	**785**

a.s.r. health basic 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.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
UFR 3.2%	-	-	-	-	-	-
Interest rate +1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	-	-1	-	-	-	-1
Interest rate -1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	-	+1	-	-	-	+1
Volatility Adjustment -10bp	-	-	-	-	-	-

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities. Among other instruments, swaptions and interest rate swaps are used for hedging the specific interest rate risk arising from interest rate guarantees and profitsharing features in life insurance products.

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, including the employee benefit obligations of the Group. In principle, the sensitivity of the solvency ratio to interest rates is minimised. In addition, the exposure to interest rate risk or various term buckets is subject to maximum amounts.

C.2.2 Equity risk

The equity risk depends on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, a.s.r. applies the look-through approach for investment funds to assess the equity risk.

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).

a.s.r. 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 0,6% per 31 December 2020

Equity risk - required capital

	31 December 2020	31 December 2019
SCR equity risk - required capital	61	54

The equity risk is very limited and the result of a forced conversion.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Equity prices -20%	-	-	-	-	-	-

Composition of equity portfolio

The fair value of equities and similar investments at year-end 2020 was € 127 thousand (2019: € 111 thousand). a.s.r. health basic does not invest in equities. The current exposure to equity risk is the result of an forced conversion. On a very limited part of the investment funds look through can not be applied. This exposures are in scope of SCR equity risk.

Composition of equity portfolio

	31 December 2020	31 December 2019
Mature Markets (euro)	109	109
Alternatives	18	2
Total	**127**	**111**

C.2.3 Property risk

Property risk is not applicable for a.s.r. health basic.

C.2.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The table below provides an overview of all currencies with exposure on liabilities and the currencies with the largest exposures. The policy of a.s.r. is in principle to hedge the currency risk excluding investments in equities and investments that are externally managed. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget.

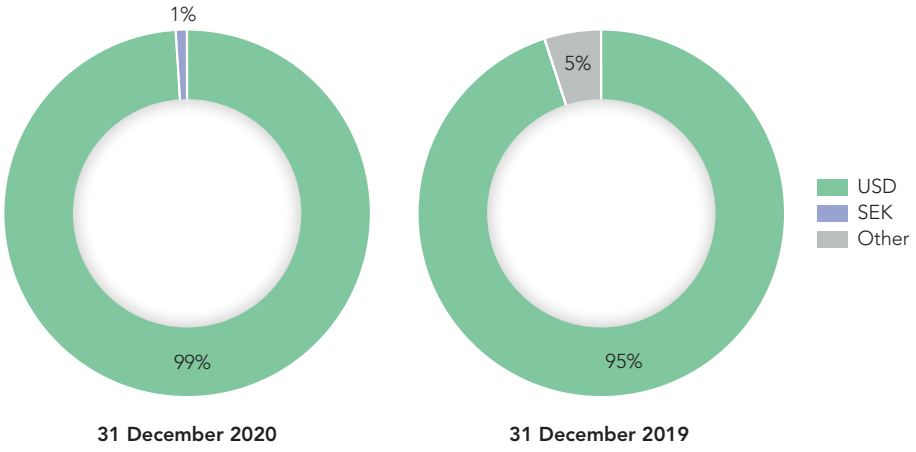
The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. Both assets and liabilities are taken into account and a look-through approach is applied for investment funds. For each currency the maximum loss due to an upward and a downward shock of 25% is determined except for a small number of currencies where lower shocks are applied (Danish crown; Bulgarian lev).

Currency risk - required capital

	31 December 2020	31 December 2019
SCR currency risk - required capital	34	6

Currency risk has increased € 28 thousand, but is still very limited.

Composition currency portfolio



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. a.s.r. 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 realised 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.

Spread risk - required capital

	31 December 2020	31 December 2019
SCR spread risk - required capital	5,942	6,335

The SCR spread risk decreased slightly in 2020, mainly due to the shortening duration of the credit portfolio.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 15 bps in 2020 (2019: +18 bps).

Solvency II sensitivities - spread risk

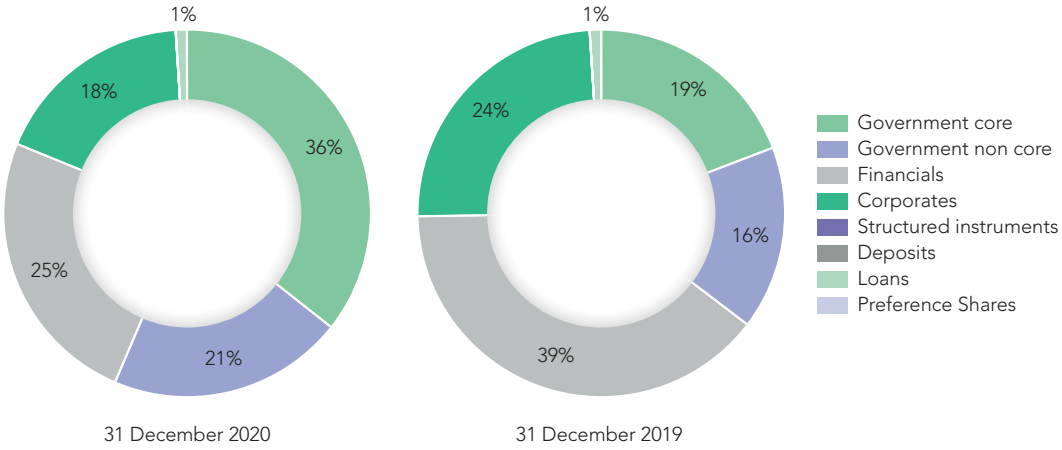
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Spread +75bps/VA +15bps (2019: + 18bps)	-1	-1	-	-	-1	-1

Composition of fixed income portfolio

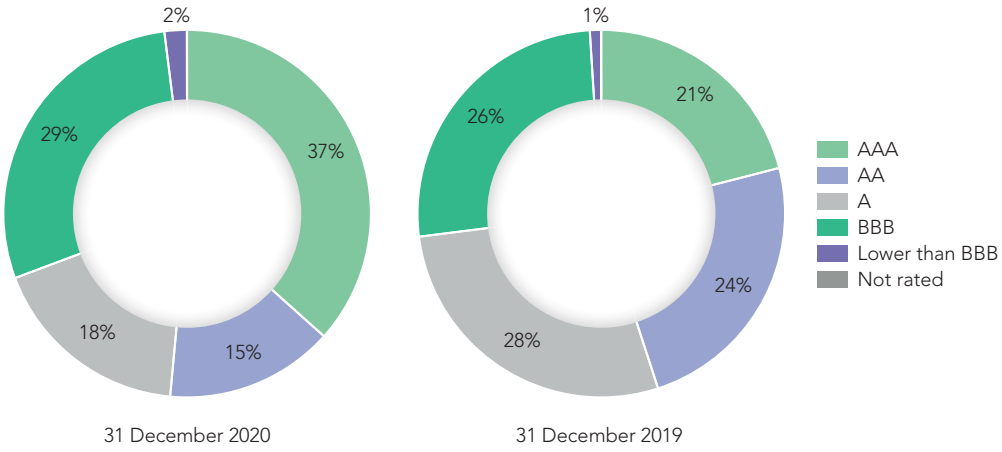
Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have 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 the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk.

The total exposure of assets in scope of spread risk is € 272,342 thousand (2019: € 199,431 thousand). The increased portfolio is mainly due to the increase of the technical provision.

Composition fixed income portfolio by sector



Composition fixed income portfolio by rating



C.2.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps: 1. determine the exposure above threshold. The threshold depends on the credit quality of the counterparty; 2. calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality; 3. aggregation of individual capital requirements for the various counterparties.

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfil certain conditions.

Currency risk - required capital

	31 December 2020	31 December 2019
SCR concentration risk - required capital	-	293

In order to avoid concentrations in a single obligor, a.s.r. applies a limit on maximum exposure for (i) issuers with a single A rating and higher and (ii) for issuers with a BBB rating on group level. The limits apply to the total investment portfolio, where government bonds are not included, which is consistent with Solvency II. Beside the limits on single obligors, a.s.r. applies also limits on the total level of the required capital for market risk concentrations for a.s.r. health basic.

Due to a well diversified investment portfolio no market risk concentrations occurs.

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:

- mortgages
- savings-linked mortgage loans
- derivatives
- reinsurance
- 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 2020	31 December 2019
Type 1	712	372
Type 2	3,866	2,579
Diversification (negative)	-153	-82
Total	**4,426**	**2,869**

The increase of Type 1 risk is the result of the increase of cash position. The increase of Type 2 risk is the result of the increase of receivables exposure. The total counterparty risk has increased by € 1,557 thousand.

C.3.1 Mortgages

a.s.r. health basic has no mortgages on the balance sheet.

C.3.2 Savings-linked mortgage loans

a.s.r. health basic has no saving loans on the balance sheet.

C.3.3 Derivatives

a.s.r. health basic has no material derivatives on the balance sheet.

C.3.4 Reinsurance

a.s.r. health basic has no reinsurance contracts on the balance sheet.

C.3.5 Receivables

The receivables amounted € 132,762 thousand in 2020 (2019: € 121,401 thousand).

Composition receivables

	31 December 2020	31 December 2019
Policyholders	6,210	14,608
Intermediaries	11	1,214
Reinsurance operations	-	-
Health insurance fund	104,718	105,511
Other	21,823	68
Total	**132,762**	**121,401**

C.3.6 Cash and cash equivalents

The current accounts amounted € 11,916 thousand in 2020 (2019: € 5,871 thousand).

Composition cash accounts by rating

	31 December 2020	31 December 2019
AAA	-	-
AA	-	-
A	11,902	6,101
Lower than A	13	-230
Total	**11,916**	**5,871**

C.4 Liquidity risk

Liquidity risk is the risk that a.s.r. health basic 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 a.s.r. health basic and is therefore separately discussed here.

a.s.r. health basic recognises different levels of liquidity management. First, short-term liquidity management which covers the day-to-day cash requirements and aims to meet short term liquidity risk targets. Second level covers the long-term liquidity management. This, among others, considers the strategic matching of liquidity & funding needs in different business conditions in which market liquidity risk could materialise. Finally stress liquidity management refers to the ability to respond to a potential crisis situation as a result of a market event and/or an a.s.r.-specific event. For example liquidity outflows could occur as result of lapses in the insurance portfolio, catastrophe risk or high cash variation margin payments related to the ISDA/CSA agreements of derivatives. a.s.r. health basic monitors its liquidity risk via different risk reporting and monitoring processes including cash management reports, cash flow forecasts and liquidity dashboards in which liquidity outflows are calculated for different stress scenarios.

a.s.r. health basic's liquidity management principle consists of three components. First, a well-diversified funding base in order to provide liquidity for cash management purposes. A portion of assets must be held in cash and invested in unencumbered marketable securities so it can be used for collateralised borrowing or asset sales. In order to cover liquidity needs in stress events a.s.r. health basic has committed repo-facilities in place to ensure liquidity under all market circumstances. Second, the strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date liquidity policy and contingency plan are in place to enable management to act effectively and efficiently in times of crisis.

In managing the liquidity risk from financial liabilities, a.s.r. health basic holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. As at 31 December 2020, a.s.r. health basic had cash (€ 11,902 thousand), liquid government bonds (€ 153,287) and other bonds and shares. Furthermore a.s.r. has access to multiple committed cash facilities in order to meet its liquidity needs in times of stress.

The following table shows the contractual cash flows of liabilities (excluding insurance contracts on behalf of policyholders) broken down in four categories. For liabilities arising from insurance contracts, expected lapses and mortality risk are taken into account. Profit-sharing cash flow of insurance contracts is not taken into account, nor are equities, property and swaptions.

Contractual cashflows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Undiscounted cash flows	Carrying value
31 December 2020							
Insurance liabilities	-	1,078	171,600	38	-	172,715	245,761
Derivatives liabilities	-	-	-	-	-	-	-
Financial liabilities	110	18,412	-	17,000	19,000	54,522	54,522
Future interest payments	-	1,859	7,436	9,295	21,755	40,345	-
Total	**110**	**21,349**	**179,036**	**26,333**	**40,755**	**267,582**	**300,283**

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Undiscounted cash flows	Carrying value
31 December 2019							
Insurance liabilities	-	2,153	146,059	2	-	148,214	180,349
Derivatives liabilities	-	-	-	-	-	-	-
Financial liabilities	-	11,104	-	-	19,000	30,104	30,104
Future interest payments	-	1,145	4,580	5,725	22,900	34,350	-
Total	**-**	**14,402**	**150,639**	**5,727**	**41,900**	**212,669**	**210,453**

When the amount payable is not fixed the amount reported is determined by reference to the conditions existing at the reporting date.

Financial liabilities payable on demand include the liability recognised for cash collateral received under ISDAs, concluded with counterparties. The related cash collateral received is recognised as cash and cash equivalents, and not part of the liquidity risk exposure table.

EPIFP

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.

EPIFP

	31 December 2020	31 December 2019
EPIFP	33,312	8,804

The EPIFP per 31 December 2020 for a.s.r. health basic increased to € 33,312 thousand (2019: € 8,804 thousand) mainly due to pricing for 2021 and the increase in insurance contracts.

C.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing, integrity and legal issues.

Operational risk - required capital

	31 December 2020	31 December 2019
SCR operational risk - required capital	25,156	19,068

The SCR for operational risk amounts to € 25,156 thousand at the end of 2020 and is determined with the standard formula under Solvency II. The operational risk is based on the basic solvency capital requirement, the volumes of premiums and technical provisions, and the amount of expenses.

The increase of the operational risk is in line with the increase of insurance contracts for 2020.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against a.s.r.'s actual solvency capital position. The most important risks to which a.s.r. 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 of the mitigating measures, the risks with the highest 'Level of Concern' (LoC) are translated to the a.s.r. risk priorities and relevant risk scenarios for the ORSA. The following risks, outside the scope of the standard formula, are recognised by a.s.r. as being potentially material:

- Inflation risk;
- Reputation risk;
- Liquidity risk;
- Contagion risk;
- Legal environment risk;
- Model risk;
- Risks arising from non-insurance activities (non-OTSOs);
- Strategic risk;
- Emerging risk;
- Environmental, Social & Governance (ESG) risk.

As part of the appropriateness assessment of the standard formula mitigating measures regarding these risks are identified and evaluated.

C.7 Any other information

C.7.1 Description of off-balance sheet positions

Not applicable for a.s.r. health basic.

C.7.2 Reinsurance policy and risk budgeting

C.7.2.1 Reinsurance policy

a.s.r. health basic 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

Group Risk Management, Compliance, 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 for the client. New products must also be strategically aligned with a.s.r.'s mission to be a solid and trustworthy insurer. In addition, the risks of existing or modified products are evaluated, as requested by the PARP, as a result of product reviews.

C.7.4 Prudent Person Principle

a.s.r. complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. The prudent person principle ensures that assets are managed on behalf of its subsidiaries, policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk. a.s.r. has mandated ASR Vermogensbeheer N.V. as their asset manager.

a.s.r. ensures that assets of policyholders or other stakeholders are managed in a prudent manner. a.s.r. complies with the Prudent Person Principle by investing only in assets and instruments which a.s.r. can adequately assess, measure,

monitor, control, maintain and report the risks. All assets will be assessed against solvency criteria according to article 45 (1a).

Derivatives are only used when these contribute to a lower risk or when it can be used to manage/hedge the portfolio more efficient. Mortgages, real estate and illiquid assets, which are not traded on regulated financial markets, are limited to a prudent level.

Governance of Investments
Within the Three Lines-of-Defence model, investments are managed in the first line by ASR Vermogensbeheer NV, reporting to the CFO of a.s.r.

ASR Vermogensbeheer NV manages its investments within the boundaries of a.s.r.'s Risk Appetite Framework, Strategic Asset Allocation and its Market-Risk Budget. The Market-Risk Budget is calculated on a monthly basis by Group Balance Sheet Management (GBSM), taking into account the Risk Appetite Framework. GRM, acting as the second line of defence, is responsible for the review. Internal Audit acts as the third-line of defence.

a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, 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 make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings.

All investment related activities are performed according to mandates as set by a.s.r., clients or policyholders. Mandates for investments for own account, clients and for account of policyholders are set out in internal guidelines, in order to ensure that prudent person principles are satisfied. This should always be in line with internal policies and internal constraints (such as a.s.r.'s ESG policy) and external constraints (such as regulatory limits).

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 refers to the comments below.

Based on the differences in this template a reconciliation is made between IFRS equity and Solvency equity for 2020.

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2020 IFRS	Revaluation	31 December 2020 Solvency II
1. Deferred acquisition costs	-	-	-
2. Intangible assets	-	-	-
3. Deferred tax assets	-	-	-
4. Property, plant, and equipment held for own use	-	-	-
5. Investments - Property (other than for own use)	-	-	-
6. Investments - Equity	2,913	-	2,913
7. Investments - Bonds	269,569	-	269,569
8. Investments - Derivatives	141	-	141
9. Unit-linked investments	-	-	-
10. Loans and mortgages	-	-	-
11. Reinsurance	-	-	-
12. Cash and cash equivalents	11,902	-	11,902
13. Any other assets, not elsewhere shown	143,976	-10,476	133,499
Total assets	**428,500**	**-10,476**	**418,024**
14. Technical provisions (best estimates)	245,761	-71,823	173,938
15. Technical provisions (risk margin)	-	11,611	11,611
16. Unit-linked best estimate	-	-	-
17. Unit-linked risk margin	-	-	-
18. Pension benefit obligations	-	-	-
19. Deferred tax liabilities	547	12,249	12,796
20. Subordinated liabilities	36,000	742	36,742
21. Other liabilities	30,103	-	30,103
Total liabilities	**312,411**	**-47,222**	**265,189**
Excess of assets over liabilities	**116,089**	**36,746**	**152,835**

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

Reconciliation excess of assets over liabilities to Eligible Own Funds

	Gross of tax	31 December 2020
IFRS equity		**116,089**
Revaluation assets		
i. Intangible assets	-	
ii. Loans and mortgages	-	
iii. Reinsurance	-	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	-10,476	
Subtotal		**-10,476**
Revaluation liabilities		
i. Technical provisions (best estimates)	71,823	
ii. Technical provisions (risk margin)	-11,611	
iii. Unit-linked best estimate	-	
iv. Unit-linked risk margin	-	
v. Subordinated liabilities	-742	
vi. Other liabilities	-	
Subtotal		**59,470**
Total gross revaluations		48,994
Tax percentage		25.0%
Total net revaluations		**36,746**
Other Revaluations		
i. Goodwill	-	
ii. Participations	-	
Subtotal		**-**
Solvency II equity		**152,835**
Own fund items		
i. Subordinated liabilities		36,742
ii. Foreseeable dividends		-
Eligible Own Funds Solvency II		**189,577**

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 Delegated Regulation 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 organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets. Cash and cash equivalents are also included as level 1.

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, loss ratio, credit risks and default percentages.

This category primarily includes:
I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts;
II. Financial instruments: loans and receivables (excluding mortgage loans)[1];
III. Other financial assets and liabilities.

Level 3: Fair value not based on observable market data
The fair value of the level 3 assets and liabilities are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. 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.

This category primarily includes:
I. Financial instruments: private equity investments (or private equity partners) and real estate equity funds third parties;
II. Financial instruments: loans and receivables – mortgage loans, and mortgage equity funds;
III. Investment property, real estate equity funds associates and buildings for own use;
IV. Financial instruments: asset-backed securities.

D.1.2 Assets 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. Deferred acquisition costs

Not applicable for a.s.r. health basic.

2. Intangible assets

The intangible assets related to goodwill and other intangible assets are not recognized in the Solvency II framework and are set to nil.

3. Deferred tax assets

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, such as revaluation of technical provisions.

The DTA / DTL position is netted in te balance sheet. Netting is only allowed with same tax authority and with same timing. The balance sheet of a.s.r. health basic contains a DTL.

The deferred tax effects involve a correction related to the fact that (most of) the revaluations as described in this chapter are gross of tax. The tax effect is calculated at 25%.

1 Not measured at fair value on the balance sheet and for which the fair value is disclosed.

4. Property plant, and equipment held for own use
Not applicable for a.s.r. health basic.

5. Investments - Property (other than for own use)
Not applicable for a.s.r. health basic.

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 – Derivatives
The valuation of these assets is consistent with the fair value hierarchy as described in paragraph D.1.1. The valuation of listed derivatives is based on the level 1 method of the fair value hierarchy. The valuation of unlisted interest rate contracts is 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.

9. Unit-linked investments
Not applicable for a.s.r. health basic.

10. Loans and mortgages
Not applicable for a.s.r. health basic.

11. Reinsurance recoverables
Not applicable for a.s.r. health basic.

12. 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.

13. Any other assets, not elsewhere shown
The valuation of these assets is based on the IFRS fair value hierarchy as described in paragraph Section D.1.1. Any other assets, not elsewhere shown include insurance and intermediaries receivables, trade receivables and accrued assets.

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 a.s.r. health basic

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 for a.s.r. health basic

A homogeneous risk group (HRG) encompasses a collection of policies with similar risk characteristics as stipulated by Solvency II, which are generally recorded separately. For a.s.r. health basic the coverage is determined by the national government. Therefore, all the coverages are the same for all labels and distribution channels.

Also, a basic health insurance is a mandatory insurance for all inhabitants in The Netherlands. For these two reasons one HRG is defined.

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. 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 equalisation model

The Dutch Health Insurance is laid down in law (Zvw[1]) and is supplemented by a risk equalisation model which is performed by the National Health Care Institute (ZINL[2]) for the basis insurance contract.

The risk equalisation model compensates health insurers for differences in the composition of their insured population creating a level playing field. All health insurance companies receive an equalisation premium from ZINL on an annual basis, of which the amount depends on the insured population. The insurance companies receive the equalisation premiums for every underwriting year over a period of two years according to a pre-defined payment schedule. The equalisation premium is estimated beforehand by ZiNL and is corrected afterwards based on the realised insured population. The equalisation premium is determined definitively after 4.5 years. The estimated equalisation premium beforehand is called "ex ante" and the difference between ex ante and the corrected realised equalisation premium is called "ex post".

The equalisation premium should cover 50% of all health expenses nationally. The second 50% should be covered by a commercial premium per person above eighteen, calculated by each health insurer independently.

D.2.2.2 Bases and methods

Best estimate claim provision a.s.r. health basic

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 healthcare consumption.

The outstanding claims provisions for basic health insurance are determined by the health care purchasing method. This method that has been applied for calculating the best estimate claims provisions for Specialist Medical Care (MSZ) and Mental Health Care (GGZ) is based on contractual tariff agreements per claim year with individual healthcare institution like hospitals and mental health care institutions. MSZ and GGZ determined more than 65% of the total best estimate provisions. In almost all the contractual agreements a maximum of claims amount has been formalized between a.s.r. health basic and the healthcare institution. The healthcare institution is allowed to invoice their claims until the maximum is reached. If the claims exceed the maximum, a.s.r. can retrieve the amount above the maximum. This amount is called revenue settlement [3]. By using this method, the individual risk (claims) per healthcare institution can be monitored and managed.

The outstanding claims provisions for all the other health care services[4] are determined using a Development Factor Model in combination with the Bornhuetter-Ferguson method for each claim year. The other health care services consist of General Practitioner, Pharmacy, Oral Care, Obstetrics, Paramedical Care, Medical Devices, District nursing and care, Patient Transport, Maternity Care, Foreign Health Care and Other Services. The expected cash flow for ex post may be a benefit of ZINL or a claim of ZINL and is part of the claim provision. Once a benefit or claim of ex post has determined it is accountable to a certain year and therefore attributed to the cash flow of the concerning year.

1 Zvw: Zorgverzekeringswet
2 ZINL: Zorginstituut Nederland
3 In Dutch: Opbrengstverrekening
4 Other health care services is in Dutch Rest Zorg

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.

Impact COVID-19
In 2020, the government compensates health insurers for the costs as a result of the COVID-19 pandemic in accordance with the catastrophe regulation (Article 33 of the Zvw). The extent to which health insurers are compensated by this scheme depends on the total costs incurred by the COVID-19 pandemic over the years 2020 and 2021. In addition, both the catastrophe claims and the catastrophe contribution for both years are redistributed between the health insurers on the basis of the solidarity agreement

The health insurers has agreed for the expected COVID-19 claims and contributions, as well as the related redistribution based on the Solidarity Agreement, based on national estimates prepared by Gupta Strategists. This estimate has been validated by the health insurers on the basis of its own data and insights into the development of fixed and variable additional costs, patient-related costs and macro data (days).

Per Q4 2020, catastrophe regulation and solidarity agreement are included in the figures based on the most recent estimates. In 2021, adjustments will be made based up-dated figures.

Cash flows a.s.r. health basic

The cash flow pattern of the claim provisions is based on the history of paid claims including expert judgements for the most recent information in a development factor model at the level of health aggregated per year and quarter.

Best estimate of premium provision a.s.r. health basic
The best estimate for the premium provision is determined using estimated future cash flows from portfolio growth, premium income (commercial and equalisation premium), 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 development factor model. The assumptions are:

E. Claims received in past months are predictive for the future payment pattern of claims.
F. The payment patterns are constant / equal divided for the coming months to year end.
G. The payment pattern for the future claims is equal to the payment pattern of the current (already) paid claims. 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 a.s.r. health basic

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 a 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 a year.

Risk margin methodology

The insurance risks have been determined in accordance with the standard formula described in the Delegated Regulation. a.s.r. group applies the Cost of Capital method that is applicable to a.s.r. health basic and a.s.r health supplementary as well with a Cost of Capital rate of 6%.

Solvency II describes 4 methods to calculate the risk margin. a.s.r. group has chosen to use the alternative method 1. This method calculates the required future capitals by an approach per risk (sub) module. An approach can of course also be the full calculation of the risk module. The required capital uses the SCR for non-hedgeable risks type 2.

Impact volatility adjustment

a.s.r. health basic applies the volatility adjustment for discounting cash flows to determine the best estimate and in determining the Required Capitals for the SCR. In the next table the impact is shown of this volatility adjustment on the financial position and own funds of a.s.r. health basic

Impact of applying VA = 0 bps

	VA = 7 bps	VA = 7 bps	VA = 0 bps		Impact	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
TP	185,549	157,713	186,249	158,166	700	453
SCR	135,478	100,025	135,551	100,066	73	41
MCR	46,132	36,923	46,165	36,944	33	21
Basic own funds (total)	189,577	143,634	189,052	143,294	-525	-340
Eligible own funds	189,577	143,634	189,052	143,294	-525	-340

Table: impact of applying VA = 0 bps

D.2.3 Level of uncertainty

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 Risk Control Matrix (RCM), 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 RCM framework is verified by an independent party and supplementary checks are performed where needed. As part of RCM 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, the reporting manager in charge signs off documents to demonstrate that the reported figures do not contain any material mistakes or that no 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 a.s.r. health basic

D.2.5 Technical provisions

In this table a reconciliation is made between the Solvency II and the IFRS valuation of provisions. Solvency figures are part of the balance sheet S.02.01. The next paragraph describes a brief explanation of these differences.

Technical provisions: IFRS versus Solvency II

31 December 2020	IFRS	Revaluation	Solvency II
Similar to non-life			
Best estimate	-		173,938
Risk margin	-		11,611
Technical provision	**245,761**	**-60,212**	**185,549**

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.

Similar to Non-life

The revaluation for Similar to Non-life (medical expense) is caused by:

- Ex post: - € 18,300 thousand;
- The IFRS LAT margin: -€ 41,941 thousand.

The technical provisions under IFRS contains a prudence margin of 10%.

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 18-21 from the simplified balance-sheet above are described

18. Pension benefit obligations

Not applicable for a.s.r. health basic
On group level a.s.r. has a number of defined benefit plans for own staff in place. Current service costs for the OTSO's are included in operating expenses.

19. Deferred tax liabilities

See 3. Deferred tax assets.

20. 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 a.s.r. health basic. In 2020Q4 a tier 2 loan of € 17 mln was provided bij a.s.r. holding.

According to IFRS, the perpetual hybrid loans are measured at amortized cost. For the purpose of Solvency II, they are both measured at fair value.

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

21. 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 recognised 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 recognised 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 recognised on the Solvency II balance sheet.

The a.s.r. health basic Solvency II capital 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 a.s.r. health basic

Deductions for participations in financial and credit institutions
Not applicable for a.s.r. health basic

Tier 3 Limitation
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 a.s.r. health basic capping does not apply per Q4 2020.

D.4 Alternative methods for valuation

a.s.r. health basic does not apply alternative methods for valuation.

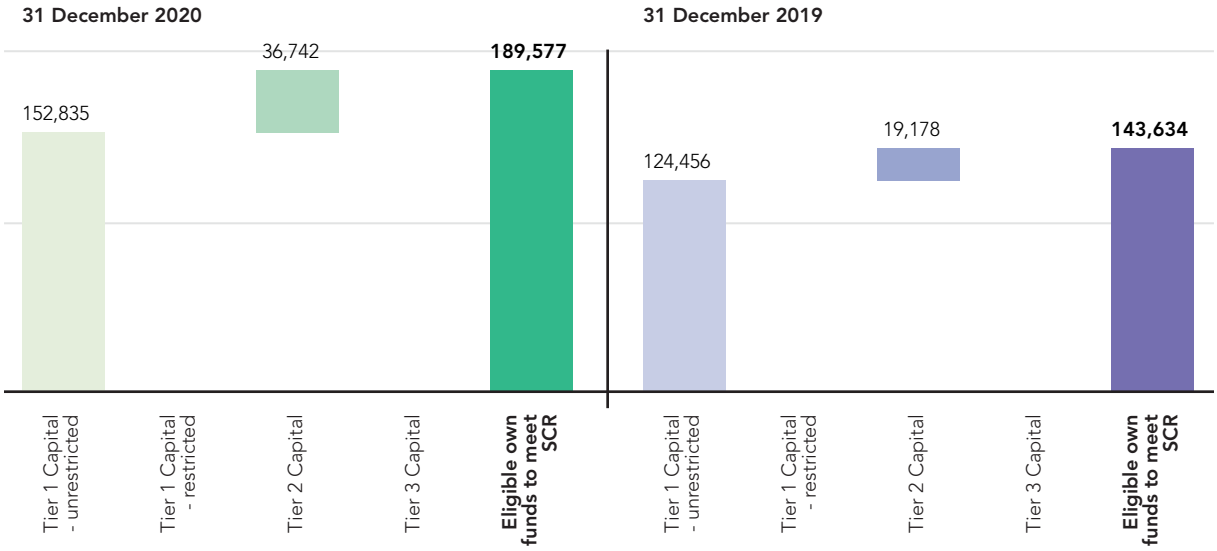
D.5 Any other information

Not applicable for a.s.r. health basic.

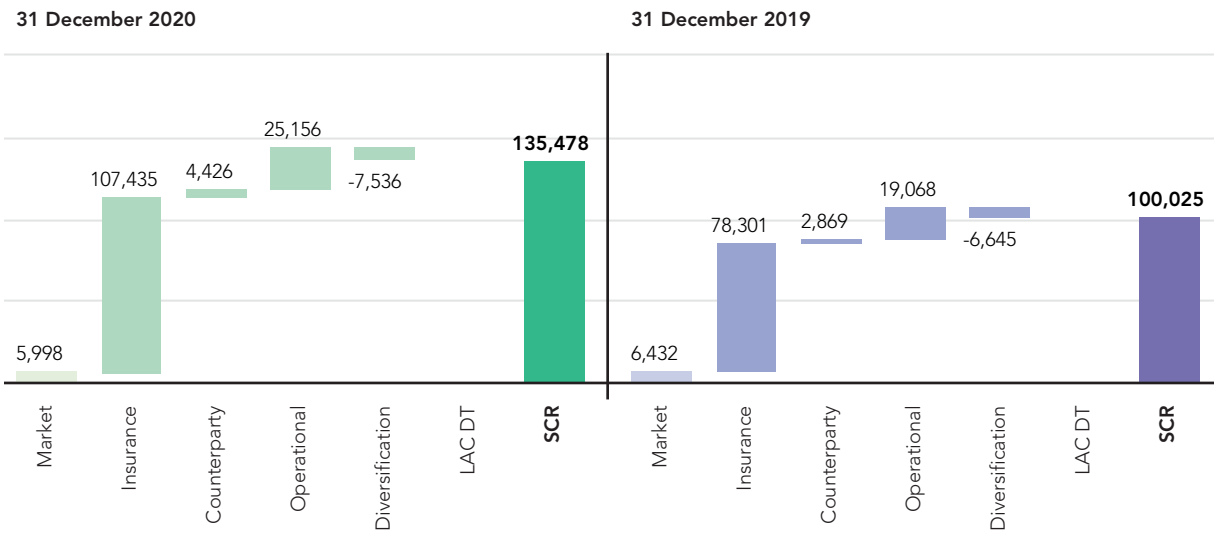
E Capital management

Key figures

Eligible own funds



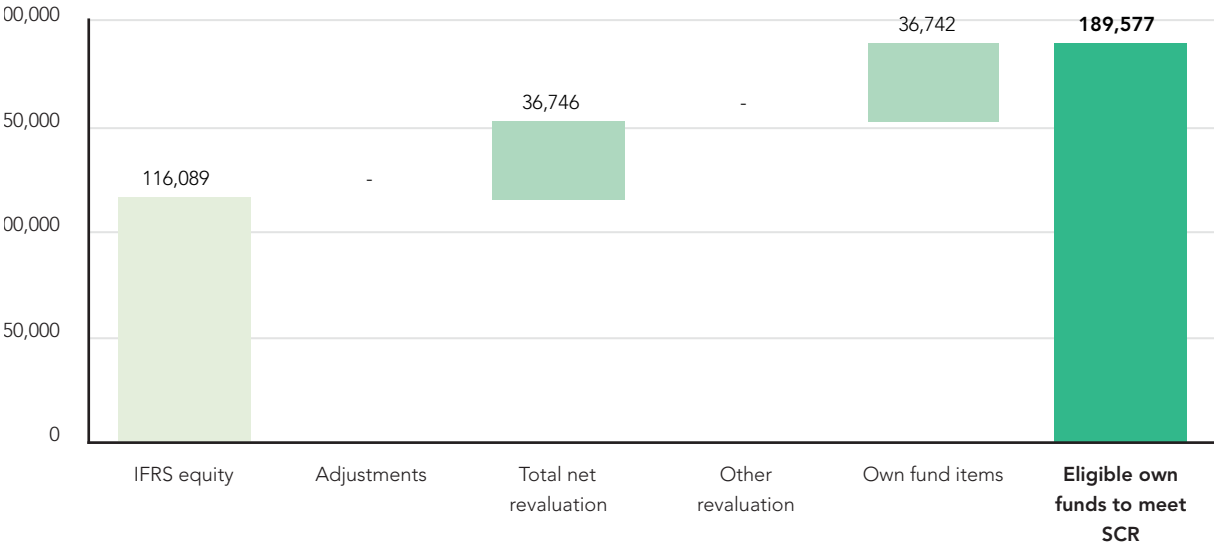
SCR



The solvency ratio stood at 140% as at 31 December 2020 based on the standard formula as a result of € 189,577 thousand EOF and € 135,478 thousand SCR.

As a result of the portfolio growing in 2021, the SCR (insurance risk) increased. For this reason an extra tier 2 loan of € 17 million was issued in 2020.

Reconciliation total equity IFRS vs EOF Solvency II



The replacement of the IFRS provision for the best estimate and risk margin, increases EOF by € 36,746 thousand. This is after tax-impact of 25%. The additional own funds items increased to € 36,742 thousands in 2020 due to the above mentioned extra tier 2 loan.

An extensive explanation of the reconciliation from IFRS equity to Solvency II eligible own funds was presented in section D.3.2

E.1 Own funds

E.1.1 Capital management objectives

Management

Overall capital management is administered at group level. a.s.r. currently plans to consider investing capital above the Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide to return (part of this) capital to shareholders. If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time.

a.s.r. health basic does not have a management target. a.s.r. actively manages its in-force business, which is expected to result in 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 individually capitalised and excess capital over management's targets for the legal entities is intended to be up-streamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow.

Objectives

The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. 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" rating by Standard & Poor's.

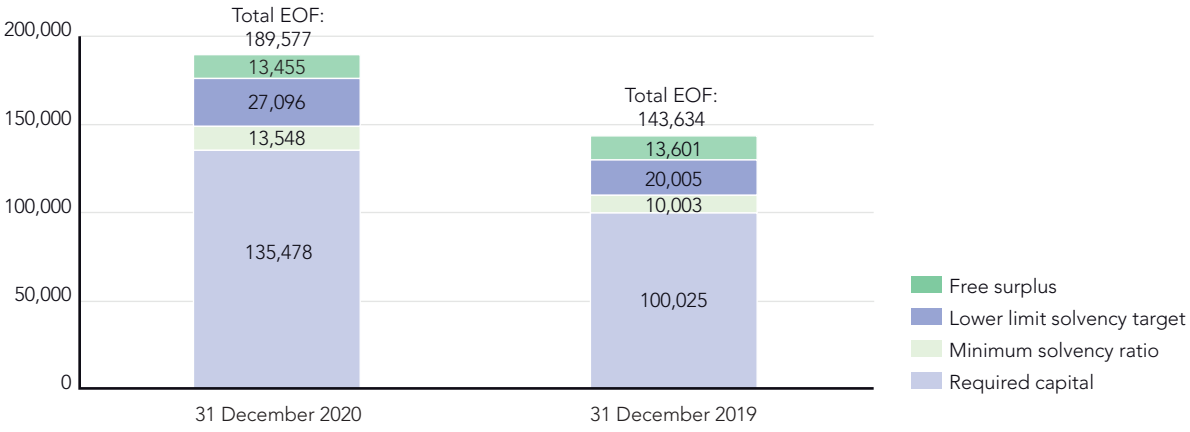
The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 110%. The lower limit solvency target is 130%. For a.s.r. health basic a management threshold is not applicable as a.s.r. health basic thinks it is inappropriate to

distribute dividend from the compulsory health insurance. The solvency ratio stood at 140% at 31 December 2020, which was above the internal requirement of 110%.

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 recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding a.s.r. health basic in 2020, no dividend or capital withdrawals have taken place.

The table below shows how the eligible own funds of a.s.r. health basic relate to the different capital targets.

Market value own funds under SCR



E.1.2 Tiering own funds

The table below details the capital position of a.s.r. health basic as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorise 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. a.s.r. health basic has no ancillary own fund items. Basic Tier 2 capital increased to 36,742 thousand due to an extra Tier 2 loan of 17,000 thousand in 2020.
- Tier 3 consists of Deferred tax assets. a.s.r. health basic has no Tier 3 own fund items. a.s.r. health basic has a deferred tax liability of 12,796 thousand.

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.

Eligible Own Funds to meet the SCR

	31 December 2020	31 December 2019
Tier 1 capital - unrestricted	152,835	124,456
Tier 1 capital - restricted	-	-
Tier 2 capital	36,742	19,178
Tier 3 capital	-	-
Eligible own funds to meet SCR	**189,577**	**143,634**

E.1.3 Own funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2020	31 December 2019
Tier 1 capital - unrestricted	152,835	124,456
Tier 1 capital - restricted	-	-
Tier 2 capital	9,226	7,385
Tier 3 capital	-	-
Eligible own funds to meet MCR	**162,061**	**131,840**

The eligible own funds to meet the MCR are lower than for the SCR due to tiering restrictions (20% of the MCR).

According to Delegated Regulation article 248 to 251 the MCR (€ 46,132 thousand) of a.s.r. health basic is calculated as a linear function of premiums, technical provisions and capital at risk.

E.1.4 List of hybrid loans

The EOF of a.s.r. health basic contains subordinated loans. Details of these loans are shown in the table below.

List of hybrid loans

Nr	Description	Nominal amount	Issue date	Tiering
1	ASR_6,5%_29-03-2049	10,000	29-03-2019	2
2	ASR_5,5%_19-12-2049	9,000	19-12-2019	2
3	ASR_4,2%_30-12-2030	17,000	30-11-2020	2

E.2 Solvency Capital Requirement

Capital requirement

The required capital stood at € 135,478 thousand per 31 December 2020. The required capital (before diversification) consists for € 5,998 thousand out of market risk, the insurance risk amounted to € 107,435 thousand, operational risk was € 25,156 thousand and counterparty default risk amounted to € 4,426 thousand as per 31 December 2020.

a.s.r. health basic complied during 2020 with the applicable externally imposed capital requirement. The table below presents the solvency ratio as at the date indicated.The Solvency II ratios presented are not final until filed with the regulators.

Eligible Own Funds to meet the SCR

	31 December 2020	31 December 2019
Eligible Own Funds Solvency II	189,577	143,634
Required capital	135,478	100,025
Solvency II ratio	**140%**	**144%**

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 (BSCR + Operational risk) 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'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit for a.s.r. health basic is zero.

Since 2016 a.s.r. uses an advanced model for the LAC DT of ASR Levensverzekering N.V. and a 'basic' model for the other OTSOs. In the advanced model future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

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

The 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.

The equity risk for a.s.r. health basic is very limited and is the result of a forced conversion. Therefore, the transitional measure for equity risk has no impact on the level of equity risk.

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 EB 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 a.s.r. health basic 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.

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