2017

SFCR Generali schadeverzekeringen maatschappij N.V.

a.s.r.
Archimedeslaan 10
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www.generali.nl

2017
SFCR Generali schadeverzekeringen maatschappij N.V.

Glossary

AF	Actuarial Function
AFM	Autoriteit Financiële Markten
ALM	Assets and Liabilities Management
AoC	Analysis of Change
AOW	Old Age Pension Act
BEL	Best Estimate Liabilities
BoD	Board of Directors of Assicurazioni Generali S.p.A.
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Requirement
CBS	Centraal Bureau voor de Statistiek
CDA	Counterparty Default Adjustment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Credit Risk Adjustment
DFM	Development Factor Modelling
DNB	De Nederlandsche Bank, Supervisory Authority
DT	Deferred Taxes
DTA	Deferred Tax Assets
DTL	Deferred Tax Liabilities
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit In Future Premiums
ESG	Environmental, Social and corporate Governance
EU	European Union
FCP	Collective Investment Undertaking
FRM	Financial Risk Management
FTE	Full Time Equivalent
GHO	Generali Group Head Office
GTPL	General Third Party Liability
GWP	Gross written premium
HR	Human Resources
IAS	International Accounting Standards
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
KKV	Keurmerk Klantgericht Verzekeren
LAC DT	Loss Absorbing Capacity of Deferred Taxes
LAT	Liability Adequacy Test
LOB	Line of business
LTIP	Long Term Incentive Plan
MA	Matching Adjustment
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
Market yield of an investment	The yield is the income return on an investment, such as the interest or dividends received from holding a particular security.
MCR	Minimum Capital Requirement
MRSA	Main Risk Self-Assessment
MTPL	Motor Third Party Liability
NCR	The sum of incurred losses and expenses and divided by earned premium.
NHT	Terrorismepool
Nrgfo	Nadere regeling gedragstoezicht financiële ondernemingen
ORM	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter

PARP	Product Approval and Review Process
PESTLE	Method to analyse the impact of external developments based on: Political, Economic, Social, Technological, Legal and Environmental events.
PRA	Process Risk Assessments
PRI	Principles for Responsible Investments
QRT	Quantitative Reporting Template
R&C	Risk & Control
RA	Reserve Adequacy
RM	Risk Margin
RSR	Regular Supervisory Report
SA	Scenario Analysis
SCR	Solvency Capital Requirement
SFCR	Solvency Financial Condition Report
SIRA	Systematic Integrity Risk Analysis
SLR	Service Level Report
SLT	Similar to Life Technical Provisions
SME	Small and medium-sized enterprises
TP	Technical Provisions
UA	Underwriting Agent
UFR	Ultimate Forward Rate
VA	Volatility Adjustment
Verbond	Verbond van Verzekeraars
WFT	Wet op het financieel toezicht
WVV	Mathematical Provision (Wiskundig Vastgestelde Voorziening)

Introduction

The new, harmonised EU-wide regulatory regime for insurance companies, known as Solvency II, came into force with effect from 1 January 2016. Solvency I used liability volumes to calculate capital requirements. Solvency II takes into account all balance sheet and operational risks. It measures balance sheet assets, liabilities and risk exposures based on economic principles and the capital requirements relate directly to these risk exposures. This means insurance companies have to review their internal risk management and control environment, risk governance, test existing processes and implement improvements.
The Solvency II framework consists of three main pillars:
- Pillar I: Quantitative requirements (such as the amount of capital an insurer must hold);
- Pillar II: Governance and risk management requirements, as well as effective supervision;
- Pillar III: Disclosure and transparency requirements.

As part of Pillar III, Solvency II requires reporting and public disclosure arrangements: the Solvency and Financial Condition Report (SFCR) including the Quantitative Reporting Templates (QRTs).

Although the content of the SFCR has to be decided on by the insurance company, the structure of the report is given and set as obligatory by EIOPA. The structure of this SFCR has been described in annex XX of the delegated acts and is as follows:
A. Business and Performance
B. System of Governance
C. Risk Profile
D. Valuation for Solvency Purposes
E. Capital Management

The prescribed public disclosure QRTs applicable for Generali schadeverzekering maatschappij n.v. (Generali Schade) are:
- S.02.01 Balance Sheet
- S.05.01 Premium, Claims and expenses by lines of business
- S.17.01 Non-Life Technical Provisions
- S.19.01 Non-Life Insurance claims Information
- S.22.01 Impact of the long term guarantee and transitional measures
- S.23.01 Own funds
- S.25.01 SCR - Only Standard Formula
- S.28.01 MCR - Only life or only non-life insurance or reinsurance activity

The figures and explanations included in this report are in line with both the public disclosure QRTs (included in this reports), and with the other annual (non-public disclosure) QRTs not included in this report but reported separately to the Dutch supervisor, De Nederlandsche Bank.

All amounts in this report are presented in euros, being the functional currency of Generali Schade. All amounts quoted in the tables contained in this report are in thousands of euros (€ thousand), unless otherwise stated.

Summary

This executive summary highlights the insurance and reinsurance activities of Generali schadeverzekering maatschappij n.v. (Generali Schade) over the reporting period 2017, related to the topics: Generali in a nutshell, Subsequent events, business and performance, system of governance, risk profile, valuation for solvency purposes and capital management.

Generali Schade in a nutshell

In the table below the key figures for Generali Schade are shown for 2017 and 2016:

Table 1 Figures Generali Schade in a nutshell

(in € 1,000)	31 December 2017	31 December 2016
IFRS Shareholders' Equity	80,622	69,301
Solvency II Own Funds	84,095	73,619
Eligible Own Funds:		
- for SCR calculation	84,095	73,619
- for MCR calculation	84,095	73,619
Solvency ratio	101%	111%
SCR	83,398	66,204
MCR	37,529	29,793

Subsequent events

On 5 February 2018 100% of the shares in Generali Nederland nv were acquired by ASR Nederland NV. As of that date the statutory directors and supervisory directors resigned and were replaced by appointees of ASR, and the name of Generali Nederland nv was altered to ASR Utrecht NV. The articles of association were modified. Various other changes are planned and integration plans are being fleshed out in order to integrate Generali Nederland nv and its subsidiaries into the ASR group of companies. Some of these plans will require approval from the Company's Works Council. Public records, such as the registers of the Chamber of Commerce, have been adjusted to reflect these changes. The governance structure has been adjusted to comply with that of ASR.

Relationships with companies belonging to the Assicurazioni Generali group were ended to the extent possible, although several transitional arrangements have been entered into to limit the disruption caused by the change in ownership.

Every effort has been made to inform customers and business partners of the change in ownership.

High level integration plans, which were shared with regulators as part of the process of gaining approvals for the change of control, are being worked out in further detail and are expected to lead to further changes in 2018 and subsequent years as the activities of Generali Nederland nv and its subsidiaries will be integrated into those of the ASR group of companies.

Following the change in ownership of Generali Nederland nv and in line with the plans submitted to the Dutch regulatory authorities the existing board members all resigned from their functions and were discharged of their responsibilities to Generali Nederland nv and a new Generali Schade Management Board was appointed consisting of the following individuals:

- Mr Jos Baeten CEO
- Mr Chris Figee CFO
- Ms Karin Bergstein, and
- Mr Michel Verwoest

Similarly, a new Generali Nederland Supervisory Board was appointed consisting of:
- Mr Kick van der Pol, Chair
- Ms Annet Aris
- Mr Cor van den Bos, and
- Mr Herman Hintzen

Starting 5 February 2018 the Governance Structure of a.s.r. is also applicable for Generali Schade.

The SFCR of Generali Schade was approved by the new Generali Schade Management Board.

Business and Performance

For more than 145 years Generali Schade stands for stability, reliability and personal attention towards its customers in the Dutch market. This conviction lies at the heart of incorporating 'discipline, simplicity and focus' to its core business: putting clients right at the heart of the business with simpler, smarter solutions, making its distribution network more effective with a wider range of services, and becoming an even more agile, flexible and innovation-friendly company.

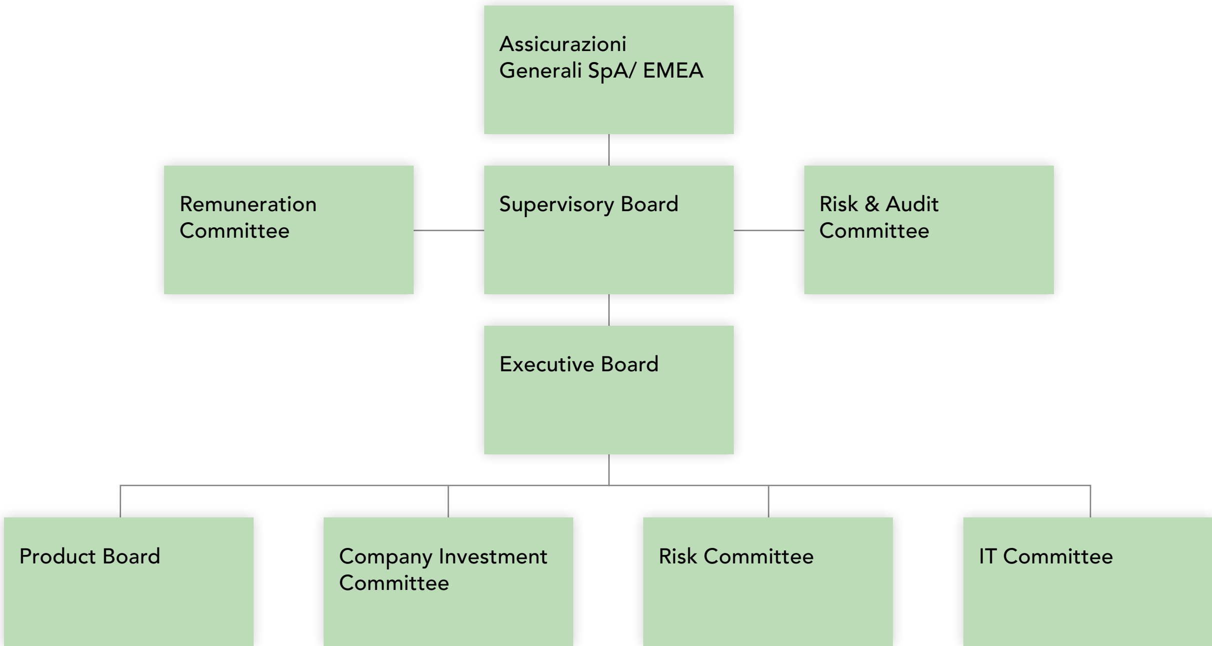
Although the economic crisis of recent years is now past, the Non-life insurance industry continuous to faces challenges. Generali Schade is impacted by various political, economic, social, technological, legal and environmental events. The market trend shows a slight improvement of both the technical results as the final net results of insurance undertakings.

The net result decreased from € 4.7 million euro in 2016 to minus € 5.6 million euro in 2017.
This decrease is caused by different factors, which can be summarised as follows:
- The increase of gross premiums written from € 275 million (2016) to € 314 million (2017).
- The growth in GWP is mainly driven both by Motor and Non-Motor. Main drivers are the new retail Non-Life products in the Direct channel & the Underwriting agents distribution channel and the strengthening of our position in the Underwriting agents distribution channel. On top of this in 2016 and 2017 several tariff increases have been implemented which contributed to the increase in GWP.
- Where the GWP increased significantly, the general expenses slightly increased for the Non-Life company which has a positive effect on the expense ratio. In order to improve the result the tariffs have been increased in 2016 (Motor) and 2017 (Motor and Fire). The Motor Third Party Liability portfolio (MTPL) and Motor Material Damage portfolio (MMD) improved compared to last year, however the total result remains negative. The loss is related to the MTPL portfolio where we were forced to strengthen the IBNR reserves of former year claims per the end of 2017. The MMD portfolio recovered compared to previous year where we were hit by hailstorm Neele. The results in the Health segment remain positive due to the low net loss ratio which is driven by the claims handling process.

System of Governance

At Generali Schade the corporate governance aims at protecting the stakeholders of the company, the most important of which are the clients, intermediaries, shareholders, the employees (including Executive and Supervisory Board) and the external regulator. The corporate governance structure of Generali Schade has been set up in line with the Dutch Corporate Governance Code. This code aims (amongst others) to mitigate conflicts of interest and moral hazard. A two-tier board structure is used by Generali Schade to clearly demarcate roles and responsibilities of the Executive Board and the Supervisory Board. Both the Supervisory Board and the Executive Board are supported by various committees. These committees form part of the corporate governance framework of Generali Schade. The figure below shows the simplified corporate governance structure of Generali Nederland that applies to Generali Schade as well.

Figure 1 Simplified corporate governance framework



Generali Schade has a risk management system in line with (local) laws and legislation, Solvency II requirements and Generali Group policies. The risk management process is organised around the three lines of defence structure, in which the business departments are the first line of defence, Risk Management, Operational Risk Management, Compliance and the Actuarial Function are the second line and internal and external audit forms the third line of defence.

Risk Profile

Generali Schade applies the Solvency Capital Requirement Standard Formula as prescribed by EIOPA to calculate the Solvency Capital requirement. With the Standard Formula, the regulator intends to reflect the risk profile of most insurance and re-insurance undertakings. It consists of a Basic Solvency Capital Requirement and a surcharge for operational risk. The Basic Solvency Capital Requirement is a risk-based quantitative capital requirement that considers amongst others underwriting, market and counterparty default risk. In addition to the risks included in the Standard Formula Generali Schade recognises a few other significant risks the company is exposed to, like strategic risk, reputation risk, political risk, contagion risk and emerging risks. Generali Schade manages these risks with the analysis of various scenarios based on future projections of liabilities, results and capital needs. At least on annual basis Generali Schade performs an Own Risk and Solvency Assessment, which give insight in the (potential) risks the company is facing. If needed, management actions are taken to keep the level of risk within the risk appetite bandwidth of the company

Valuation for Solvency Purposes

Generali Schade adopted the IFRS valuation methods as the basis for the financial statements. To a large extent the IFRS methods used coincide with the Solvency II valuation method used to realise the Solvency II economical balance sheet. Differences exist due to both reclassifications and revaluations. Reclassifications have no influence on the amount of the own funds, but are mere differences in the presentation, such as accrued interest and collateralised securities. The balance sheet items that are valued differently using the Solvency II requirements are deferred taxes, loans, technical provisions and contingent liabilities.

Capital Management

One of the Solvency II requirements is to hold sufficient capital to give policyholders and other beneficiaries reasonable assurance that Generali Schade can meet its current and future liabilities. At the end of 2017, based on the Standard Formula calculations for the SCR for underwriting risk, market risk, credit risk and operational risk, the SCR for Generali Schade is € 87.1 million (31 December 2016: € 73.6 million). Solvency II regulations require that the available capital should at least exceed the SCR. But not all capital can be seen as unrestricted available capital. Therefore the capital is classified into three tiers, of which tier 1 capital is the capital with the highest quality. This means that there is no restriction on this capital and that it can be used freely to cover the Solvency Capital Requirement.

The next table shows the classification of the available capital for Generali Schade:

Table 2 Tiering in own funds of Generali Schade

(in € 1,000)	31 December 2017 After tiering restrictions	31 December 2016 After tiering restrictions
Tier 1	84,095	73,619
Tier 2	0	0
Tier 3	0	0
Total Own Funds	**84,095**	**73,619**

Solvency II regulations limit the amounts of tier 2 and tier 3 own funds that are eligible to cover the SCR and MCR. This restriction is not applicable to Generali Schade as all own funds classify as tier 1 which means that all own funds are eligible to cover the SCR and MCR of Generali Schade.

Solvency Capital Requirements

As listed below the YE 2017 SCR is € 83.4 million (31 December 2016: € 66.2 million). The eligible own funds that covered the Solvency Capital Requirement amounted to € 84.1 million (31 December 2016: € 73.6 million). The 2017 Solvency II ratio, therefore, is 101% (31 December 2016: 111%).

Table 3 Solvency position of Generali Schade

(in € 1,000)	31 December 2017	31 December 2016
Available Own Funds	84,095	73,620
Non-eligible Own Funds	0	0
Eligible Own Funds	**84,095**	**73,620**
Solvency Capital Requirement (SCR)	**83,398**	**66,204**
Solvency II ratio	**101%**	**111%**
Minimum Capital Requirement (MCR)	**37,529**	**29,793**

From a legal perspective the Solvency II ratio must be at least 100%. For internal purposes Generali Schade has defined the minimum Solvency II ratio as 110% and the 'early signal threshold' Solvency II ratio is defined as 125%. These higher thresholds are designed to give senior management sufficient time to implement and review potential management actions and calculate the potential impact thereof before the national supervisory authority is required to take intervening measures.

As table 3 shows, the SCR ratio levels under the early signal threshold of Generali Schade. This is mainly caused by the fact that Generali Schade can only make use of a net deferred tax liability on fair value basis of € 3.7 million (31 December 2016 € 4.5 million) instead of the full 25% of the SCR. Dutch tax legislation allows for a carry forward of taxable losses up to nine years, lowering the future tax burden. The lower tax burden, effectively, absorbs part of the loss.

A Business and performance

A.1. Business

The following table shows the performance over 2017 compared with 2016:

Table 4 Objectives Generali Schade

(in € 1,000)	Total 2017	2016
Gross written premium	308,313	263,565
Operating expenses	87,553	75,276
Result	-5,667	4,667

Introduction
For more than 145 years Generali Nederland stands for stability, reliability and personal attention towards its customers in the Dutch market. Its strategic principles focus first and foremost on serving the interests and needs of the customers and in parallel satisfying employees as well as shareholders and working in accordance with supervisory requirements. A sustainable business model is the long-term outcome of all these activities. In the following chapter, these elements are explained further and business objectives, strategies and priorities for the planning period 2018-2020 of Generali Schade are described in more detail.

Generali Schade executes an aligned overall strategy based on a) the specific needs and circumstances of the Dutch market like customer characteristics, competition and legislation and b) the shared vision, mission and values of the international Generali Group. The latter is due to the company structure of Generali Nederland which, as a holding of the Dutch insurance operation of Generali Schade, was part of Generali Group throughout all of 2017. This link was already established in 1933 and as of year-end 2017 Generali Group is the ultimate holder of 98.56% share capital of Generali. Generali Group is a major player in the global insurance industry. Over almost 200 years, it has built a multinational group that is present in more than 60 countries, with 420 companies and nearly 74,000 employees.

Before explaining in detail the vision, mission and values, it is useful to mention that the overall applied conviction of Generali Schade and the Generali Group lies in incorporating 'discipline, simplicity and focus' to its core business: putting clients right at the heart of the business with simpler, smarter solutions, making its distribution network more effective with a wider range of services, and becoming an even more agile, flexible and innovation-friendly company.

With this in mind, the following vision, mission and values build the core of Generali Schade's strategy:

Vision
The purpose is to actively protect and enhance people's lives
- Actively: Playing a proactive and leading role in improving people's lives through insurance;
- Protect: Dedicated to the heart of insurance - managing and mitigating risks of individuals and institutions;
- Enhance: Generali is also committed to creating value;
- People: Deeply caring about their clients' and their people's future and lives;
- Lives: Ultimately, Generali has an impact on the quality of people's lives: wealth, safety, advice and service are instrumental in improving people's chosen way of life for the long term.

Mission
The mission is to be the first choice by delivering relevant and accessible insurance solutions
- First choice: Logical and natural action that acknowledges the best offer in the market based on clear advantages and benefits;
- Delivering: Ensuring achievement striving for the highest performance;
- Relevant: Anticipating or fulfilling a real life need or opportunity, tailored to local and personal needs and habits, perceived as valuable;

- Accessible: Simple, first of all, and easy to find, to understand and to use; always available, at a competitive value for money;
- Insurance solutions: Aiming to offer and tailor a bright combination of protection, advice and service.

Values

Deliver on the promise
A long-term contract of mutual trust is tied with its people, clients and stakeholders; all of the work is about improving the lives of clients. Committing with discipline and integrity to bring this promise to life and making an impact within a long lasting relationship.

Value our people
Generali values their people, encourage diversity and invests in continuous learning and growth by creating a transparent, cohesive and accessible working environment. Developing people will ensure the company's long term future.

Live the community
Generali Schade is proud to belong to a global group with strong, sustainable and long lasting relationships in every market in which they operate. The markets are their homes.

Be open
Generali is curious, approachable and empowered people with open and diverse mind-sets who want to look at things from a different perspective.

Strategy Generali Schade

Based on the vision, mission and values, Generali Schade established an overall strategy which is based on four pillars:

Distinguished positioning
Generali Schade's strategy focusses on the positioning 'Verzekerd van alle aandacht'. By being and acting as the personal insurer it claims its own and distinguished position in a competitive market. Both hard and soft factors are considered when achieving this positioning: Generali Schade utilises hard factors to organise and execute aligned with the positioning. Aspects like managing process design and creating a range of options in products and services enables customers to choose the products and services that best suit their personal needs. Soft factors are enhanced by Generali Schade to behave and interact in a personal way. Personification of service and personal attention given to customers are important examples of these soft factors contributing to the positioning of the personal insurer.

Well-defined target groups
Generali focusses on specific target groups. This enables Generali to reach attractive market segments and to adjust products and services to the specific needs of those groups:
- Retail market - top and middle segment;
- Commercial market - Self-employed persons and SMEs up to 50 FTE;
- Commercial market - Corporate Clients.

In Non-Life market Generali Nederland focusses on companies selected upon risk aspects as industry, prevention and size.

Propositions and offers
Generali has specific offers and propositions for the described target groups:
- Retail market: modern Non-Life products;
- Self-employed persons and SME market: Disability, Sick Leave, Commercial Non-Life, Fire, Marine and General Third Party Liability (GTPL);
- Corporate Clients: Fire and Marine.

Multi-Channel distribution
Generali Schade uses four different distribution channels: Provincial (intermediaries, brokers, consultants), Direct, Co-Insurance and Underwriting Agents.
Multi-Channel is an important pillar of the strategy. It is favourable for both customers and Generali Nederland. Customers are enabled to choose their channel of preference. In addition Multi Access gives them the choice how to contact Generali Nederland. Multi-Channel creates a market reach for Generali Nederland that is both broad and varied because of the different characteristics of each channel. This stabilises Generali Nederland's results by diversifying the risks.

The strategy is focused on the core vision of actively protecting and enhancing people's lives. The combined business objectives focus on value creation for the customer and leadership in operating performance. This includes:

- A better connection with customers based on increased customer insights;
- A clear and recognisable positioning, both for customers and distribution partners;
- A better balance in distribution channels;
- Empowered employees which know how to contribute to the strategic goals;
- Using the benefit of being a smaller insurer;
- Solvent and profitable business models for Generali Schade; meeting targets-, and reducing cost level;
- Working in accordance with regulators' guidelines, amongst others complying with Solvency II standards;
- Agility and efficiency.

General information

This document expresses the Solvency and Financial condition of Generali schadeverzekering maatschappij N.V. (Generali Schade); a public limited liability company incorporated under the laws of the Netherlands, that has its registered office in Amsterdam and its principal place of business at Diemerhof 42, 1112 XN in Diemen.

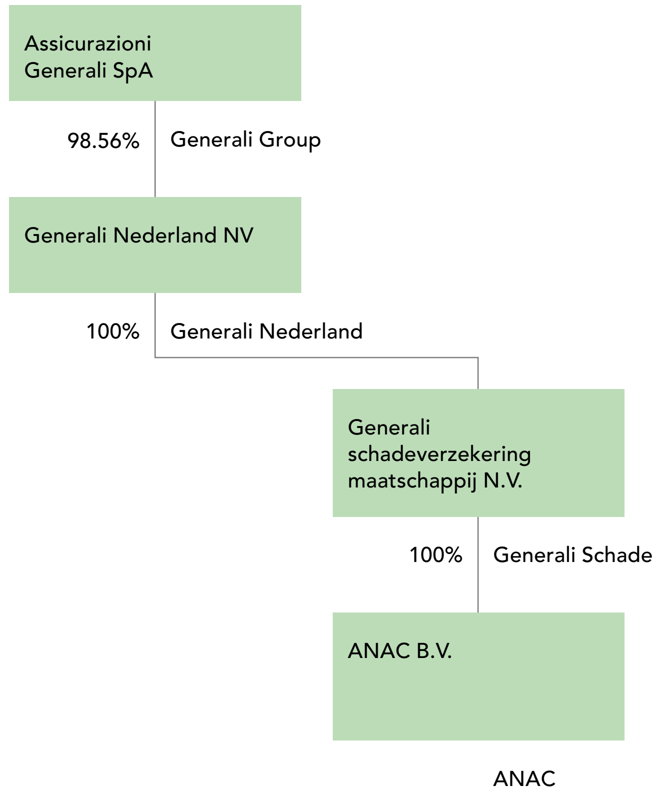
The supervising authority for Generali Schade is:
De Nederlandsche Bank N.V.
Toezicht Verzekeraars
Middelgrote verzekeraars
Address: Postbus 98, 1000 AB in Amsterdam

The external accountant of Generali Schade is:
Ernst & Young Accountants LLP
Address: Cross Towers, Antonio Vivaldistraat 150, 1083 HP in Amsterdam

Organisational structure of Generali Schade

The Dutch Generali Non-life insurance activities are managed by the legal entity Generali schadeverzekering maatschappij N.V. Generali Schade is a 100% subsidiary of Generali Nederland N.V (Generali Nederland). The international insurance group Assicurazioni Generali S.p.A. (Generali Group) is the ultimate holder of 98.56% (year-end 2017) of the share capital of Generali Nederland. At the end of 2017 Generali Schade holds 100% of the shares of ANAC, an insurance services provider in Eindhoven. This subsidiary was acquired in March 2017. Figure 2 gives a simplified overview of the group structure of Generali Schade in the Netherlands, followed by a short description of the entities included in the overview.

Figure 2 Simplified group structure (per 31 December 2017)



Assicurazioni Generali S.p.A.

A public limited liability company incorporated under the laws of Italy, that has its registered office at Piazza Duca degli Abruzzi 2, Trieste 34132 (Italy), and is referred to in this document as Generali Group Head Office (GHO).

Generali Nederland N.V.

A public limited liability company incorporated under the laws of the Netherlands, that has its registered office in Amsterdam and its principal place of business at Diemerhof 42, 1112 XN Diemen, and is referred to in this document as Generali Nederland. Generali Nederland acts as the Dutch holding company. The holding itself does not hold a license to engage in insurance activities.

ANAC B.V.

During the first quarter of 2017, Generali Schade has acquired ANAC All-Finance Advies Combinatie B.V (ANAC) from Nederlands Algemeen Verzekeringskantoor B.V (NAVK).

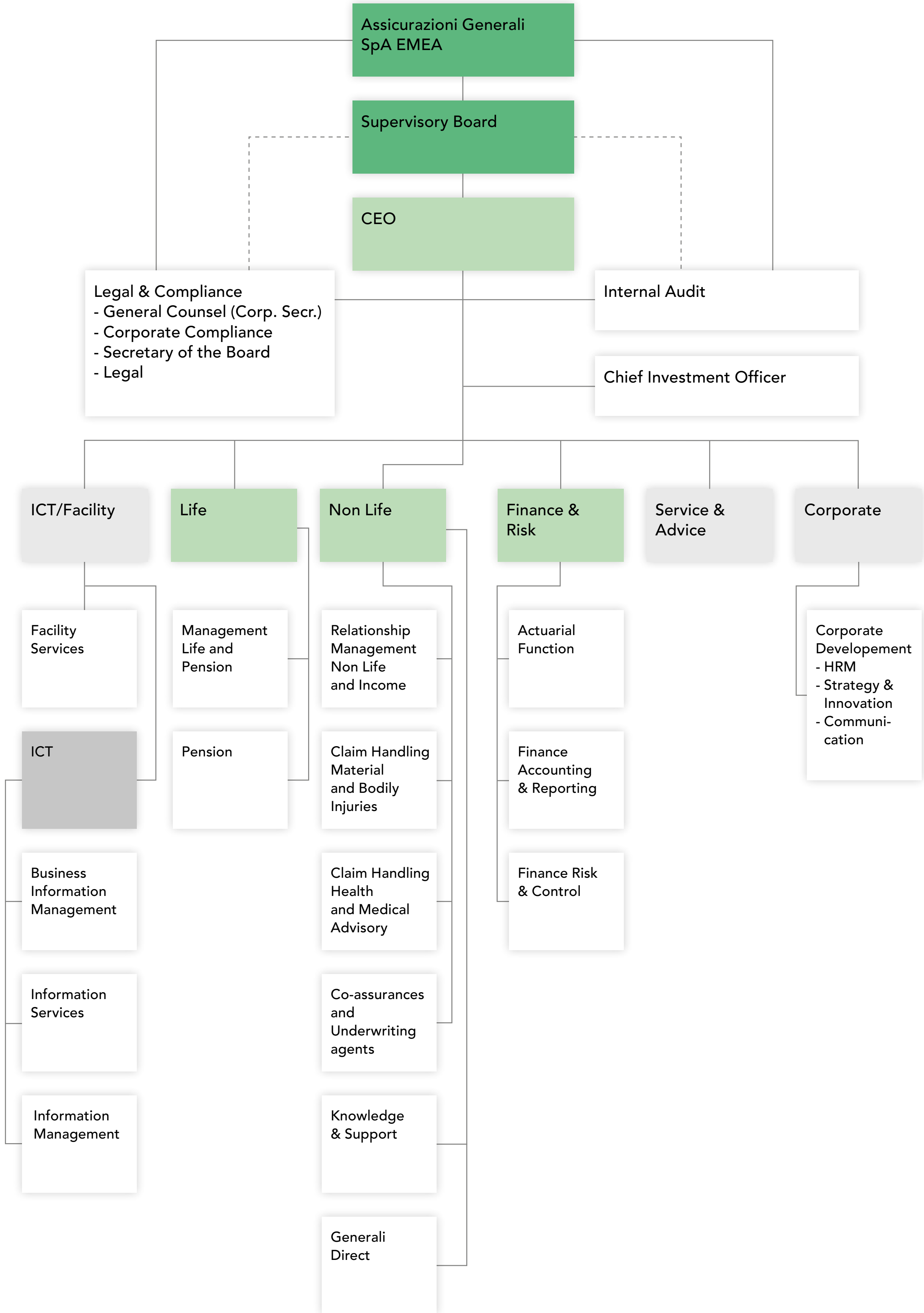
NAVK is a subsidiary of Generali Nederland.

Since Generali Schade holds 100% of the share capital, ANAC is considered a subsidiary.
ANAC's is incorporated in Eindhoven, The Netherlands and is specialised in online insurance broker services for non-life products.

Organisational structure

Figure 3 gives a simplified overview of the organisational structure of Generali in the Netherlands.

Figure 3 Organisational structure



Although Generali Schade is an independent legal entity, most of its key functions are organised by Generali Nederland. To secure independence, key functions like Internal audit, Risk Management function, Actuarial function and Compliance function have a direct reporting line to the Supervisory Board and the respective group functions of the parent company Generali Group Head Office in Italy.

Material lines of businesses and material geographical areas

Generali's strategy is to offer customer specific products and propositions, both via the Direct and IM sales Channel (Multi Channel approach). In the retail market Generali Schade offers Non-Life products. In the SME market Disability, Sick Leave (Group Disability), Commercial Fire, Marine and GTPL are being offered to the customers. Additionally for Corporate clients Fire, Marine and GTPL are being offered. This commercial strategy, focused on the Dutch Non-Life market, is translated in the following table towards the Solvency II line of business. In this table the first column shows the Solvency II Lines of Business which are applicable. The second and third column show the reference to the total and sub (commercial) segments. Most of the Solvency II segments are equal to the commercial segments:

Table 5 Overview of the lines of business applicable

Solvency II Line of Business	Total segment Commercial Line of Business	Sub-segment Commercial Line of Business
Motor vehicle liability insurance	Motor	Motor vehicle liability insurance (MTPL)
Proportional motor vehicle liability reinsurance		Motor vehicle liability incoming reinsurance (MTPL)
Other motor insurance		Other motor insurance (MMD), Caravan
Proportional other motor reinsurance		Other motor incoming reinsurance (MMD)
Marine, aviation and transport insurance	Commercial	Marine, aviation and transport insurance
Proportional marine, aviation and transport reinsurance		Marine, aviation and transport incoming reinsurance
Fire and other damage to property insurance	Personal & Commercial	Fire and other insurance (i.e. glass, travel, etc.)
Proportional fire and other damage to property reinsurance		Fire and other incoming reinsurance (i.e. nuclear)
General liability insurance		General liability insurance (GTPL) Personal & Commercial
Proportional general liability reinsurance		General liability incoming reinsurance (GTPL) Personal & Commercial
Legal expenses insurance		Legal expenses insurance
Proportional legal expenses reinsurance		Legal expenses incoming reinsurance
Income protection insurance	Health	Personal accident, Group Disability, Individual Disability (1st year), Sickness
Proportional income protection reinsurance		Personal accident incoming reinsurance
Health insurance		Individual Disability (as from 2nd year), WAO, WIA

The material geographical area of Generali Schade is the Netherlands. There is only one exception: Generali Schade participates in the 'Transport Pool' which is based in Belgium.

Significant events in reporting period with material impact on the organisation

Due to the globalisation also Generali Schade is impacted by various national and international developments. In this chapter the impact of these developments in 2017 for the business and organisational set up of Generali Schade is described by using the PESTLE method (Political, Economic, Social, Technical, Legal and Environmental).

Political

After a record breaking formation process that took 209 days, a new four-party government was installed. Coalition agreement's key items are: a) skilled workers deserve room, support and appreciation; b) working will be worth it, c) an ambitious climate policy and d) self-consciously international operating. Influence and consequences for insurers are likely to be expected by the reforming of the pension system, labour market measures (sick leave payment), tax revision (mortgages, insurers' losses settlement) and safety measures (traffic, cyber risks)[2].

1 Rijksoverheid: Regeerakkoord 2017 'Vertrouwen in de toekomst'

2 Verbond van Verzekeraars: Press releases 'Regeerakkoord als goede basis'; 'Beloftevol regeerakkoord, uitwerking bepalend'

Economic

In the Netherlands the generic economic view is positive. A solid confirmation of that view is made by the Statistics Netherlands' Business Cycle Tracer. This tracer is a tool used to monitor the economic situation and economic developments. It uses thirteen key macro-economic indicators, which - together - provide a coherent macro-economic picture of the state of the Dutch economy. Statistics Netherlands (CBS) reports that in 2017 all indicators (amongst others customer and producer confidence, exports, consumptions, investments and labour market) in the Tracer were performing above the level of their long-term trend[1]. This is assumed to have a positive impact on the insurance industry and on Generali Schade: increased economic activity might lead to an increasing level of turnover for insurers (e.g. more valuable goods to insure, higher number of home owners).

The historically low interest rates continues to put pressure on investment returns. Because insurers have to determine the present value of their expected future liability payments these low interest rates also put pressure on their solvability.

Fierce competition and saturation in Non-Life insurance market put a damper on growth opportunities. It leads to acquisitions as a way of reaching growth: NN acquired Delta Lloyd and a.s.r. announced the take-over of Generali. Market's competition also contributes to pressure on results: Non-Life industry (excluding Health and Income) obtained a Net Combined Ratio of 107% and for car insurances even 114%. After have declined for years, the premium volume showed a modest growth of nearly 3% in 2016[2].

Social

One of the trends to be highlighted with impact on Non-Life insurers is peoples' changing traffic discipline. Lack of traffic discipline (e.g. use of smartphones while joining traffic) and lack of enforcement of traffic regulation seem to be the two main reasons for the increase of individual collision claims up to 625,000 (+ 10%)[3] and the number of fatal road casualties up to 629 (+ 1%) in 2016[4]. This trend is expected to continue and has a direct material impact on Generali Schade and other Non-Life insurers. Especially the increase of fatal road casualties three years in a row urged the Dutch Association of Insurers to launch a manifesto on this topic. This manifesto is included in the coalition agreement of October 2017.

Technological

A number of new technologies might significantly change the insurance industry. Artificial intelligence, wearable devices, robotics, block chain, big data and internet-of-things will contribute to a better connectivity, simplification and personalisation as well as radical cost reduction. However, in general a disruptive impact fails yet to occur in the Netherlands. Most initiatives detected in the Netherlands are in the Non-Life market. In the Life market technological opportunities are mostly used to adjust and improve processes.
However, technology does not only bring opportunities. Technological developments cause an accelerating rise of cyber risks. Due to increasing interconnectivity, globalisation and 'commercialisation' of cybercrime cyber risks are not only increasing in frequency but also in impact. In the insurance industry increasing cyber risks combined with strict privacy legislation demands a very conscientious data management policy. Next to this, the concept of self-driving cars is being developed to a higher level. This might impact Generali Schade or the Non-life insurance industry in the future as well.

Legal

In 2016 the Solvency II regulation, which became effective on 1 January 2016, had most material impact in the field of legislation on the insurance industry. Complying with the new Solvency II standards required intensive and elaborate implementation projects from insurers which took place the last couple of years. In 2017 insurers started publishing the Solvency and Financial Condition Report (SFCR) and reporting the Regular Supervisory Report (RSR) to De Nederlandsche Bank.

Environmental

Climate change has a material impact on Generali Schade and other Non-Life insurers. The climate change is caused by the raise of the temperature which is expected to continue. This leads to e.g. more thunderstorms with fierce gusts of winds and hailstorms – also in the Netherlands where in 2016 a fierce hailstorm caused losses over € 500 billion. This change in climate might implicate larger losses in a large variety: not only the obvious losses by

1 CBS: Nieuwsberichten 2017

2 Verbond van Verzekeraars: Financieel jaarverslag verzekeringsbranche 2016 – June 2017

3 SWOV: Verkeersmonitor 2017

4 Verbond van Verzekeraars: Risicomonitor Verkeer 2017

storm and rain but also an increase of e.g. claims due to fire caused by short-circuit during severe rain showers. In 2017 no extreme weather events occurred although it was an extreme warm and wet year.

A.2 Underwriting performance

Underwriting performance 2017

This chapter describes the underwriting performance of Generali Schade related to the Solvency II reporting year 2017 (including a comparison with the previous year - 2016). The results in the next table show that Generali Schade has increased Gross Written Premiums.

Table 6 Technical and net results 2017 and 2016

	Total	
(in € 1,000)	2017	2016
GWP	313,363	275,345
NEP	275,422	227,073
Net commission	65,635	53,656
Net claims	202,870	153,611
General expenses	21,946	21,692
Technical result	**-15,028**	**-1,886**
NCR	**105%**	**101%**
Investment result	6,613	6,923
Other items result	239	-355
Result before taxes	**-8,176**	**4,682**
Taxes	2,509	-15
Net result	**-5,667**	**4,667**

In 2017 the profit before taxes declined by € 10.3 million compared to previous year. This decrease is caused by different factors, which can be summarized as follows:

- The increase of gross premiums written from € 275 million (2016) to € 314 million (2017);
- The growth in GWP is mainly driven both by Motor and Non-Motor. Main drivers are the new retail Non-Life products in the Direct channel & the Underwriting agents distribution channel and the strengthening of our position in the Underwriting agents distribution channel. On top of this in 2016 and 2017 several tariff increases have been implemented which contributed to the increase in GWP;
- Where the GWP increased significantly, the general expenses slightly increased for the Non-Life company which has a positive effect on the expense ratio. In order to improve the result the tariffs have been increased in 2016 (Motor) and 2017 (Motor and Fire). The Motor Third Party Liability portfolio (MTPL) and Motor Material Damage portfolio (MMD) improved compared to last year, however the total result remains negative. The loss is related to the MTPL portfolio where we were forced to strengthen the IBNR reserves of former year claims per the end of 2017. The MMD portfolio recovered compared to previous year where we were hit by hailstorm Neele. The results in the Health segment remain positive due to the low net loss ratio which is driven by the claims handling process;
- The income from investments declined by € 0.3 million compared to previous year as a result of the low interest rates for the reinvestments on bonds in the current market.

A.3 Investment performance

Introduction
In this chapter Generali Schade describes the investment performance of the company during the reporting period and in comparison with the previous period. First the performance is linked to the investment strategy and second the actual performance is described.

Investment strategy
Although Generali Schade is part of the Generali Group, the investment strategy is decided on by the local (Dutch) Executive Board. The strategy of Generali Schade is to take into account aspects like environmental protection and respect for human and employment rights. Generali Schade invests with in mind the Principles for Responsible Investments (PRI), as published by the United Nations, in mind. Furthermore, Generali Schade does not invest in companies (and affiliates) that:
- produce weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear arms, etc.);
- are involved in serious or systematic human rights violations;
- are involved in severe environmental damages;
- are implicated in cases of gross corruption;
- sell military equipment and weapons to countries or regimes that are registered on the UN-weapon embargo list as published by the Stockholm International Peace Research Institute (SIPRI).

Generali Schade has a social responsibility. This means that Generali Schade feels responsible for the consequences of its activities. This extends to the company's investment activities. The company pursues a sustainable investment strategy that has a positive impact on the development of its stakeholders (customers, employees, suppliers), the environment, and the local economy.

Investments
On 31 December 2017, Generali Schade had invested € 298.3 million (31 December 2016: € 261.3 million). The increase in the value of investments in bonds is primarily driven by the allocation of new cash to the bond portfolio. This effect is partially reduced by negative revaluation on bonds. The values of bonds decrease when interest rates increase, as has happened during most of 2017.

Table 7 Investments

Financial assets (in € 1,000)	31 December 2017	31 December 2016
Bonds	270,269	245,346
Equities	945	634
Deposits with ceding reinsurers	417	400
Collateralised securities	3,799	3,847
Other loans	1,198	1,197
Cash and cash equivalents	21,640	9,881
Total	**298,268**	**261,305**

Investment income
Generali Schade's income from coupons and dividends from its investments is € 6.0 million for 2017 (2016: € 6.1 million). The ensuing table gives a breakdown of this number.

Table 8 Coupon

Coupons and other interest income (in € 1,000)	2017	2016
Bonds	5,860	5,965
Collateralised securities	108	65
Other loans	24	24
Cash, deposits and cash equivalents	0	1
Coupons received	**5,992**	**6,055**

In 2017, income from bonds decreased by € 0.1 million from the preceding year. The effect of the increased portfolio was reduced by the continuing decrease of bond yields.

The investments in fixed income instruments were also impacted by the fluctuations in the market value of the investments. These fluctuations (both gains and losses) resulted in a change of value of the assets. The revaluations are recognised on the Solvency II balance sheet in the movement of the equity. The next table presents the unrealised gains and losses of the financial investments during the reporting year.

Table 9 Unrealised gains and losses of the financial investments

		31 December 2017		31 December 2016		Delta		
Gains and losses recognised directly in equity (in € 1,000)		Gains	Losses	Gains	Losses	Gains	Losses	Total
1	Governments bonds	10,445	0	13,984	0	-3,539	0	-3,539
2	Corporate bonds	3,302	0	4,091	0	-789	0	-789
3	Equity	904	0	593	0	311	0	311
4	Collective investment undertaking	0	0	0	0	0	0	0
5	Structured notes	0	0	0	0	0	0	0
6	Collateralised securities	7	0	0	14	7	-14	21
7	Cash and deposits	0	0	0	0	0	0	0
8	Mortgages and loans	1	0	1	0	0	0	0
9	Property	0	0	0	0	0	0	0
-	Other investments	0	0	0	0	0	0	0
A	Futures	0	0	0	0	0	0	0
B	Call options	0	0	0	0	0	0	0
C	Put options	0	0	0	0	0	0	0
D	Swaps	0	0	0	0	0	0	0
E	Forwards	0	0	0	0	0	0	0
F	Credit derivatives	0	0	0	0	0	0	0
Total gains and losses recognised		**14,659**	**0**	**18,669**	**14**	**-4,010**	**-14**	**-3,996**

As said these numbers are depending on the market movements and the characteristics of the portfolio. In spite of the political and economic developments, the markets were notably volatile. As the portfolio is composed over 92% by fixed income assets, market yields (including spreads) are determining the movement of the value i.e. the unrealised gains, losses of the portfolio. The change in the revaluation reserve (-/- € 4.0 million) based on the average of the asset value of 2017 (€ 279.8 million) is minus 1.4%.

A.4. Performance of Other Activities

Generali Schade described the performance of the strategic activities of the company: Underwriting activities and investment activities. No other activities are performed by Generali Schade.

A.5. Any other information

Generali Schade does not have other information available related to the business and performance of the activities other than already described in the paragraphs A.1 to A.4 of this chapter.

B System of governance

Starting 5 February 2018 the Governance Structure of a.s.r. is also applicable for Generali Schade.

In this chapter Generali Schade describes the existing corporate governance structure (31 December 2017) and the way risk management is incorporated in the organisation. Next to this a short description of the main (Solvency II related) key functions are included in this chapter.

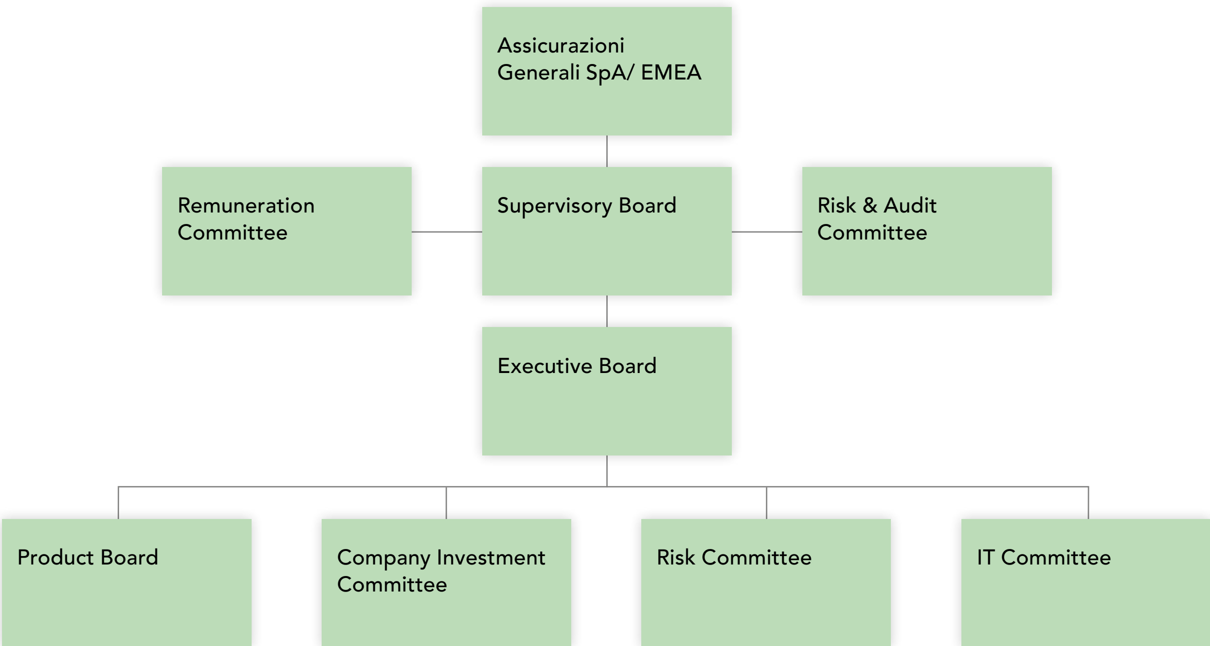
B.1 General information on the system of governance

At Generali Schade the Corporate governance aims at protecting the stakeholders of the company, the most important of which are the clients, intermediaries, shareholders, the employees (including Executive and Supervisory Board) and the external regulator.

The corporate governance structure of Generali Schade has been set up in line with the Dutch Corporate Governance Code[1]. This code aims (among others) to mitigate conflicts of interest and moral hazard. A two-tier board structure is used by Generali Schade to clearly demarcate roles and responsibilities of the Executive Board and the Supervisory Board.

Both the Supervisory Board and the Executive Board are supported by various committees. These committees form part of the corporate governance framework of Generali Schade. The figure below shows the simplified corporate governance structure of Generali Nederland that also applies to Generali Schade.

Figure 4 Simplified corporate governance structure



Below a short description is given about the main roles and responsibilities of the various boards and committees.

1 The Dutch governance code can be found on http://www.mccg.nl/

Supervisory Board

The Supervisory Board of Generali Nederland consists of four members of which two were nominated by Generali Group, and two (including the chairman) who are independent of the Generali group. The general meeting decides on the appointment of the supervisory directors. The Supervisory Board of Generali Nederland acts on behalf of Generali Schade and Generali Leven as these companies have received a dispensation from DNB from the requirement to have their own Supervisory Board. The Supervisory Board meets at least four times a year.

Risk & Audit Committee

The Risk & Audit Committee is a committee of the Supervisory Board, responsible for financial and risk oversight, advising and proposing on decisions to be taken by the Supervisory Board. In line with Dutch legislation, the Risk & Audit Committee is especially involved in issues with respect to compliance, risk management, internal controls, financial reporting, internal audit, external auditors and actuarial topics. The risk and audit committee meets at least four times a year.

Remuneration Committee

The Remuneration Committee is a committee of the Supervisory Board. It continually monitors the compliance of the remuneration policy with the basic restrained remuneration principles, during its establishment, application and modification. The Supervisory Board also applies these principles in situations in which Generali wishes to issue a variable payment that departs from standard Restrained Remuneration policy.

Executive Board

Each legal entity has a Management Board comprised of the statutory directors of that company. The Executive Board of Generali Nederland comprises the directors of Generali Nederland NV and its insurance subsidiaries. The Executive Board is responsible for the operations of the group of companies operating in the Netherlands. The ultimate responsibility in respect of each entity remains with the statutory directors.
With respect to corporate governance, the statutory directors are responsible for:
- Defining a corporate strategy aimed at fulfilling the mission of the company;
- Developing an effective corporate governance system;
- Implementing an effective risk management system.

The Executive Board generally meets every week.

Risk Committee of the Executive Board

Generali Nederland's Risk Committee convenes every six weeks to discuss compliance, risk management, internal audit, investment and actuarial topics. The Risk Committee consists of Generali Nederland's Executive Board, its General Counsel, its Corporate Compliance Officer, and the heads of the internal audit, risk and actuarial functions.

Product Board

The Generali Schade Product Board discusses proposed changes to existing products and proposals for the introduction of new products. It consists of the director Non-life and Health, the heads of the relevant departments, the technical product manager, the business compliance officer Non-life, a representative of the actuarial function, the business controller life and a representative of the risk function. The Schade Product Board assesses the suitability, pricing and profitability of the proposals as well as compliance with legislation, regulations and internal guidelines.

Company Investment Committee

The Company Investment Committee is an advisory body to the Executive Board. It consists of the CEO, the CFO, the local and EMEA CIO and the Risk Management function. The final investment decisions are taken by the Executive Board. The CIC meets at least four times a year.

IT Committee

The IT Committee is a periodic board meeting where the Business and Information Plan and change portfolio are discussed. The IT Committee is composed of the members of the Executive Board and the Manager Business Information Management. The IT Director is chairman of this meeting. The Manager Business Information Management reports on the progress and issues on realisation of the Business and Information Plan.

Three lines of defence approach
Next to the governance structure related the roles and committees of the decision making functions, the governance structure of Generali Schade is organised by having a three lines of defence structure. In this set up the business functions, Compliance and Risk Management functions, the actuarial function and the Internal Audit function have their own responsibility in managing the processes and enhancing the internal control system of the company. This three lines of defence structure is described in detail in paragraph 3 (Risk Management).

Key functions
Based on the internal governance structure and the Solvency II requirements, the following key functions are defined:
- Head of Internal Audit
- Manager Finance Risk & Control
- Corporate Compliance Officer
- Actuarial Function

The next table gives an overview of the main responsibilities per key function and per executive officer:

Table 10 Main responsibilities per key function and per executive officer

Key function	Main responsibility
Chief Executive Officer (CEO)	The CEO has the final responsibility for setting and executing the strategic goals of Generali. These goals have to be in line with the applicable laws and regulations in place in order to guarantee quality, continuity and profitability of the company.
Chief Financial Officer (CFO)	The CFO has a shared responsibility in setting and realising the strategic goals of Generali, with a focus on financial management including risk & control. The CFO ensures the alignment of these areas of interest with the company strategy and the applicable laws and regulations in order to guarantee the continuity of the company as well as meeting the company targets.
Chief Investment Officer (CIO)	The CIO steers, coordinates and monitors the overall Investment Management activities, Supervises the implementation of investment related policies and guidelines, Develops SAA proposals to be submitted to the CEO and to the Risk Committee for the ultimate approval and coordinates and steers the activities of the Company Investment Committee.
Director Non-Life and Health	The director is the statutory director of Generali Schade and has a shared responsibility for the design and implementation of the strategic goals of Generali with a focus on the own areas of interest (non-life products). In this respect the balance sheet results for Non-life business need to be optimised as well as an optimised support from Facility and ICT.
Head of Internal Audit	The head of internal audit develops the audit plan and ensures the execution of this plan by performing operational and IT audits. The head of internal audit reports to the Supervisory Board and Generali Group Audit.
Manager Finance Risk & Control	The manager Finance Risk and Control is responsible for setting the risk profile of Generali and to report on the financial and operational risks the company is exposed to.
Corporate Compliance Officer	The corporate compliance officer is responsible for the annual planning with regard to the compliance activities and performs assessments and impact analyses to ensure Generali Schade complies with internal and external regulations and requirements.
Actuarial function	The Actuarial Function's main responsibility is to coordinate, monitor and validate the calculation of the technical provisions included in the Solvency II balance sheet. Furthermore the local Actuarial Function expresses an opinion on the underwriting and reinsurance arrangements of Generali Schade.

More detailed descriptions of the risk management function, internal audit, legal and compliance and actuarial function are included in separate sections of this chapter.

Restrained Remuneration policy and practices
Based on the statutory regulations of institutions like DNB, Generali has established basic principles for restrained remuneration policy.

The company's Executive Board has adopted and implemented its own remuneration policy (approved by the Supervisory Board) which is in line with the company's objectives, and corresponds with the socially acceptable standards for remuneration. The Supervisory Board continually monitors the compliance of the remuneration policy with the basic restrained remuneration principles, during its establishment, application and modification. The Supervisory Board also applies these principles in situations in which Generali wishes to issue a variable payment that departs from standard Restrained Remuneration policy. In its internal supervisory activities, the Supervisory Board takes the long-term interests of all stakeholders into consideration.

Remuneration policy objectives

The Restrained Remuneration policy at Generali aims to establish a clear and simple remuneration structure that caters for the scope and set-up of Generali, as well as the nature, complexity and scope of its activities. The remuneration policy helps to promote the medium and long-term interests of the company without encouraging board or staff members to act in their own interests or to take risks incommensurate with the established strategy and risk profile. Nor does the remuneration policy include any incentives that are at odds with Generali's obligation to act in the interests of its customers and other stakeholders, or that are in conflict with Generali's other duty of care obligations. The remuneration policy is in agreement with the principles of effective risk management.

The level and structure of the remuneration itself allow for the recruitment and retention of qualified and expert staff. In setting overall emoluments, the effect on pay ratios throughout the company is taken into consideration.

The scope of the Restrained Remuneration policy

The Restrained Remuneration policy covers all employees of Generali Nederland. As of 2012, variable remuneration is no longer part of the remuneration packages of these employees.

A separate policy has been drawn up for Executive Board members. Only the remuneration policy for Executive Board members includes a variable component, as dictated by the 'Bonus Scheme' and 'Long-term Incentive Plan' Generali Group. Of course, the variable remuneration policy applicable to the Executive Board must at all times be in agreement with local policy, to the extent that this is based on local laws and legislation.

Variable remuneration applicable to the Executive Board

Payments of variable remuneration are subject to a clawback if it subsequently transpires that the positive result on which it was based is demonstrably attributable to improper conduct on the part of the staff member concerned. Variable remuneration is paid out partly in cash and partly in financial instruments which change in value in line with the shares of the company. The policy also states that variable remuneration is to be paid in stages. Fifty per cent of variable remuneration is paid upon allocation. The remaining 50% is paid pro rata across a period of three years, assuming a three-year business cycle. Any financial instruments granted may not be redeemed for a period of one year after issue (i.e., a 'lock-up' applies). The three-year business cycle is consistent with the company's strategic plan, and as such is also in line with the Long Term Incentive Plan (LTIP). The allocation and payment of variable remuneration is always subject to assessment or reassessment of the extent to which the applicable conditions have been met. To this end, the matter of assessments and reassessments of the allocation and payment of variable remuneration will be raised annually by the Supervisory Board and the Remuneration Committee. Special conditions apply to the payment of variable remuneration upon termination of employment. Only when the termination is due to death or occupational disability will the variable remuneration be paid directly and in full, without any penalties. In cases of retirement or redundancy, the postponed variable remuneration will remain intact and be determined and paid upon expiry of the phased payment period, with due observation of the retention period (the lock-up) and with the provisions related to reassessment remaining in full force. In cases of voluntary resignation or dismissal for urgent cause, all postponed variable remuneration will be forfeited without the right to compensation. In principle, this will also apply to dismissal by agreement. However, following a recommendation by the Remuneration Committee, the Supervisory Board may decide to honour instances of variable remuneration at its discretion, either wholly or in part. In such cases, retention periods will remain in force, as will any provisions related to reassessment. Variable payments may not exceed 20% of the annual (fixed) salary.

Incidental limited variable remuneration for outstanding performance or effort

A limited form of variable remuneration will remain available for other, non-board staff members of Generali Nederland on a strictly incidental basis, in cases of outstanding performance or effort that are not reflected in any periodic increase. 'Outstanding' refers to a level of performance that is a part of neither the job description nor the normal departmental activities. In addition to exceptional extreme effort, this may also include one-off ideas or activities that have a substantial positive impact on the company. Any such rewards may never exceed one month's salary. As soon as there is cause, it will be determined whether the relevant staff are eligible for any such additional remuneration, which is therefore not an individual or acquired right.

Supplementary pensions
The general pension regulation is applicable for all staff members, including the board of Generali Nederland nv. There is not supplementary pension plan in place. A compensation for the pension gap (in respect to salaries in excess of € 103,317) is agreed for the specific target group. This compensation is only meant to apply with the agreed individual labour conditions with regard to pension. The agreed pension value was stated in the individual labour agreement.

Material transactions during reporting period
Generali Nederland employs all the staff working for Generali Schade, including senior management. It provides premises, facility services including IT, HRM services. Generali Nederland allocates to Generali Schade a portion of the expenses it incurs. Employees and management of Generali Nederland are entitled to a staff discount on the product range offered by Generali Schade.

B.2. Fit and proper requirements

When selecting candidates for the key functions listed in the previous chapter, consideration is given to professional qualifications and experience, next to the skills required to adequately assess and report risks and to communicate with decision makers, and whether the individual can be considered fit and proper in terms of an independent professional judgment. By means of an external assessment Generali verifies these qualifications and personal traits. The Generali Group governance requirements dictate that such appointments are also subject to approval from either regional or head office functions. In addition Generali has a formal screening process in place in order to judge the reliability of the individual candidate. If so required (by national or international regulations) second line key functions are subject to a screening process by an external party and or an integrity screening assessment is performed by the Dutch supervisory authority (DNB).

The profile of the key functions include at least the following characteristics:
- University degree;
- Knowledge of the Generali organisation and or the Dutch insurance market;
- Knowledge of the products Generali Nederland nv offers and or the specific area of interest;
- Very broad knowledge of relevant laws and regulation, including Solvency II.

When an employee enters the service of the company a pre-employment screening takes place. Based on the integrity level of the function, a minimum degree of screening takes place. In case a board member is recruited, the external regulator (DNB) process of screening is applicable.

For existing employees entering a key function due to an internal job change, an integrity check will be performed and if relevant the DNB screening will take place. Every five years all employees are subject to an in-employment check, based on a self-declaration on conduct and a certificate of conduct.

The 'second-tier senior officers integrity screening'[1] is executed for the managers that are in the scope of this regulation. This screening process is also in place for temporary staff.

To keep the necessary skills up to date, every employee has a personal development plan in which all necessary actions and trainings are scheduled. Next to the mandatory trainings to keep diplomas valid, trainings on specific skills and competencies are included in the personal development plan. Additionally the permanent education program is in place for employees, board members, key function holders as well as for members of the Supervisory Board. Next to the above Generali organises and or purchases various internal and external training programmes. Generali has two trainers employed who have a strong focus on training skills and competencies.

1 This part of the 'Openboek Toezicht' of the Dutch Central Bank: Both the bank or insurer and DNB assess the integrity of second-tier senior officers. The institution will first investigate the integrity of managers that might influence their risk profile, and will subsequently send the outcomes of its own integrity assessment and a completed integrity screening form to DNB. Generali Schade will then start up our supplementary integrity screening.

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

Risk management system

Risk management is an integral part of our daily business activities. Generali applies an integrated approach to manage risks, ensuring that our strategic objectives (The personal insurer, customer attention, financial solidity and efficiency of processes) are realized. 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 Generali in the identification, measurement and management of risks and monitors whether adequate and immediate actions are taken in the event of changes in our risk profile.

Generali Schade aims to have a risk management system in line with (local) laws and legislation, Solvency II requirements and Generali Group policies. The risk management system is defined as a set of strategies, processes and procedures aimed at identifying, measuring, managing, reporting and monitoring, on a continuous basis, the risks to which Generali is exposed. There are many definitions of 'risk'. Generali Schade defines risk as 'the possibility of a loss of own funds resulting from an adverse event. The risk management process (as shown in the picture below) allows the ongoing identification, evaluation and management of the risks, taking into account the changes in the nature and size of business, and in the market environment.

Figure 5 Risk management process

The five steps of the Risk Management Process are:

- Risk Identification
  In this step the risks to which the company is exposed to (taking into consideration the Generali Schade specificities) are identified, classified and evaluated.
- Risk Measurement
  In the second step the identified risks are classified, prioritised, quantified (Level of Concern) and potential/ actual events are evaluated and collected.
- Risk Response
  In the risk response step the Risk Owners, with help/ advice of the second line of defence identifies and evaluates possible responses to risks, which include avoiding, accepting, reducing, and sharing risks. Than the Risk Owner with his management selects a set of actions to align risks with the entity's risk tolerances and risk appetite.

- Risk Reporting
  Periodical report to Executive or Supervisory Board, the Senior Management and the Risk Committee concerning the status and further evolution of the operational risk, mitigation actions, the status of the risk profile and the level of compliance to laws and regulations as well as Group Risk Management Policies and Guidelines and on the Control system adequacy.
- Risk Monitoring
  Monitoring of evolution of the risk profile, monitoring the progress of status of the mitigation/ Management actions as well as monitoring of compliance with the principles stated by laws and regulations and Group Policies and Guidelines, as well as monitoring the Control system adequacy.

Generali Schade uses the enterprise risk management framework as published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission as the basis to manage the risk management process.

The risk management approach is divided in risk assessments at operational, tactical and strategic level.

Operational level risk assessments are performed at department's level in which the processes are assessed to identify the most important operational risks and to assess the implemented controls for mitigating the risks. This is the basis for the Management in Control framework and is part of the company wide internal risk & control framework. By 'department sample testing' the operating effectiveness of the controls is determined. If required, plans are designed to further increase the effectiveness of operational processes. ORM department periodically reviews the quality/ findings of the sample test reports of the departments.

Key risks threatening the achievement of the organisation's/business line's (strategic) objectives are identified in the tactical level risk self-assessment where the risk response will be decided on. Risk responses consist of: mitigating, accepting, sharing or avoiding. Mitigating actions are defined such that they can be implemented within a one year timeframe, depending on the impact of the risk. The tactical risk report and the risk response actions are authorised by management of the departments of the business lines and the Management Board.

These two types of assessments provide input for the Own Risk Solvency Assessment (ORSA) at strategic level.

Risk Management organisation

The risk management function supports the Executive Board and senior management in granting the effective implementation of the risk management system, as required by law and internal regulation. Within Generali Schade the risk management function consists of: Financial Risk Management (FRM) and Operational Risk (ORM). The Risk Management function supports the Executive Board and senior management in the definition of risk management strategies and provides tools for risk identification, monitoring, management and measurement. Risk Management also provides, through an adequate reporting system, the elements for assessing risk exposures and tightness of the end-to-end risk management system. The Risk Management function at all levels has a clearly defined mandate that establishes its role within the overall structure in light of the Internal Control and Risk Management system, where RM function is identified as a second line of defence in the three lines of defence system. The risk management function reports every six weeks to the risk committee of the Executive Board and quarterly to the Risk & Audit committee. Additionally, the risk management function is responsible to cascade and coordinate the roll-out of:

- Risk strategy, appetite and risk tolerances;
- Group Methodologies, policies and risk-related provisions described in the policies;
- Escalate to Group Risk Management and the Executive Board in case of breaches.

The internal risk management and control system within Generali Schade is founded on the establishment of the three lines of defence model (see figure 6).

1 The operational-, and some staff departments (Risk Owners) represent the first line of defence and they have the ultimate responsibility for managing risks to their area of expertise.
2 The Risk Management function, Corporate Compliance function and the Actuarial function represent the second line of defence.
3 Internal Audit represents the third line of defence.

The second and third lines of defence functions are control functions and are considered independent key functions in the system of governance. The independency follows from the intrinsic set up of the functions and their place in the organisation:

- The functions have the responsibility for taking decisions necessary for the proper performance of their duties without interference from others;
- The functions report their results and any concerns and suggestions to the Executive Board and / or Supervisory Board and Generali Group without restrictions.

Figure 6 Three lines of defence model

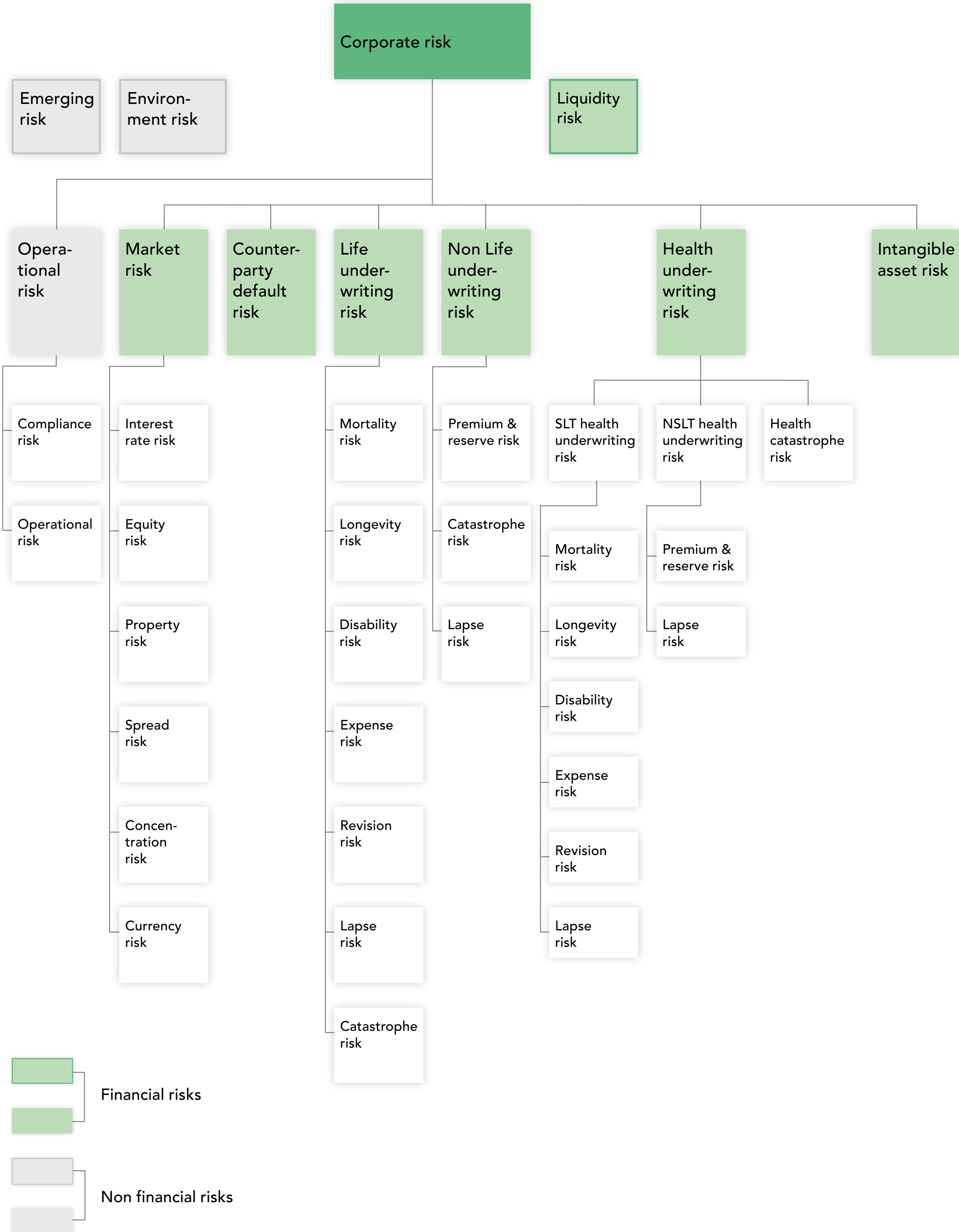
Three lines of defence		
First line of defence **Management**	**Second line of defence** **Supporting functions**	**Third line of defence** **Internal Audit function**
• Line Management *('primarily responsible')* • Responsible for achieving goals • Gives In Control Statement	• 'Reinforcements' for line management *Combination of support / countervailing power / adviser* • Knowledge & expertise	• Independent Research department / Testing - Checking *('overall view')* • Determine whether the organisation is 'in control' and provide feedback
Business Lines/units Supporting departments	Risk (ORM + Financial) Compliance Actuarial Function	Internal Audit External Audit
Responsible for good RM	Responsible for the RM infrastructure	Independent research

The figure gives the main responsibilities of the risk related functions per line of defence. The external auditor is included in the third line of defence.

Risk Management scope

The next figure presents the risk tree. It identifies the risks to which the company is exposed to. It shows the hierarchical structure of the Solvency II Standard Formula model. The model recognises five primary risk categories: operational, market, counterparty, insurance underwriting and intangible asset risk. Generali Schade has added liquidity risk, emerging risk, and environment risk that are not quantified by the Standard Formula model but which are impacting the risk structure of the company. These 'non Standard Formula' risks are described in paragraphs C.4 and C.6.

Figure 7 Risk tree Solvency II



To manage the risks that are covered by the Standard Formula, Generali Schade applies the periodic Generali Group Risk Assessment and the Systematic Integrity Risk Analysis (SIRA) on tactical level as mentioned in paragraph Risk management system.

The Generali Group Risk Assessment is a joint cooperation assessment of corporate compliance function together with the risk management function (ORM) and the risk owner. The aim of the assessment is twofold:
- To identify and analyse the operational and compliance risks;
- To assess the effectiveness of control measures.

SIRA aims to proactively and objectively identify, mitigate and prevent risks performed/ executed by Corporate Compliance.

Periodically the operational units critically investigate their processes to identify the risks to which they are exposed, and whether the procedures /measure and controls in place are adequate to mitigate these risks. The output of the risk analysis is used for different purposes:
- It is a control analysis for the management. The organisation is put in action to take appropriate control measures;
- It is the basis for the gap analysis and annual plan prepared by the second and third line control functions.

In chapter C Risk Profile, Generali Schade describes the main risk that have emerged in 2017.

The results of the risk assessments are included in the Risk and Compliance reports. These reports contain information about the operational risks identified and allows management to become aware and discuss the operational risks, so that timely decisions can be taken.

Own risk and Solvency assessment (ORSA)
In accordance with the Solvency II requirements[1] Generali performed an own risk and solvency assessment (ORSA) in 2017 based on end of June 2017 numbers.

The objectives of the assessment were:
- To assess, at least annually, the risk profile Generali Schade faces or could face in the short and/or medium term, within the timeframe determined by its business planning regardless of whether the risks are covered by the Solvency Capital Requirement (SCR) or not.
- To assess the qualitative significance of any deviation between the undertaking specific risk profile and the underlying assumptions within the SCR calculation according to the Standard Formula.
- To assess overall solvency needs, in compliance with regulatory capital requirements and technical provisions at any time, taking into account the business plan and the related time horizon in a forward looking perspective (i.e. 3 years).
- To provide the Executive Board and Supervisory Board with assessment results in order to enable them:
  - To maintain an effective risk management system tailored to the risk profile of Generali and its decision making processes (such as: Planning and Capital Management, Investment Management, Underwriting and Reinsurance management);
  - To enable the integration of the risk strategy into the operating business and into the decision making process.
- To enhance a common risk culture fully embedded within the Generali system of governance.
- To provide additional assessments (non-regular ORSA) in the event of a major change to the risk profile and to the system of governance, which can be either predefined (e.g. a major acquisition or an equity market shock) or subject to management judgment (e.g. the simultaneous occurrence of several independent risks, resulting in a large aggregate loss).
- To produce the ORSA Report highlighting the main results of the performed assessments.

ORSA process
The ORSA process relies on the contribution of the existing strategy, risk and solvency management processes to ensure consistency between the assumptions underlying the ORSA and the strategy and expected management actions.

1 Article 45 of Directive 2009/138/CE and the Final report on Public Consultation No 14/017 on Guidelines on ORSA,

The financial and non-financial risks including compliance risks that may threaten the achievement of strategic objectives are identified. An assessment for both the current and expected solvency position is made to determine the level of risk involved and if this is within the risk appetite of Generali. This is a continuous process throughout the year. The quantity and quality of available own funds is assessed over the whole of the planning period.

Frequency and triggers
Generali performs an ORSA at least once per year. The strategic planning process is used in the ORSA and vice versa, the ORSA process supports the strategic planning process, and contributes to both the definition of the strategic targets for the following three years and the Solvency II reporting needs.
In the event of significant changes in the risk profile, Generali performs a so-called 'triggered' ORSA (non-regular ORSA). This change can be the consequence of for example:

- Internal decisions: e.g. major acquisition or divestiture, market entry, shift in investment, pricing or reserving policies, change in the funding structure, change in the system of governance;
- External factors: e.g. financial or real estate crisis, accumulation of catastrophes exceeding the reinsurance protections, failure of a systemic institution.

If a 'trigger' event occurs, further analysis is conducted. If there is a significant change in the risk profile of Generali, a 'triggered', full or partial ORSA is performed to reflect these altered conditions.

Governance

The basis of the ORSA are the requirements set by EIOPA, which are translated by GHO in the Group Risk Management Policy. Generali Schade translated this policy to incorporate the local organisation of the company and to include the additional requirements set by DNB. The governance around the ORSA is the same as described in paragraph B1 (overall governance structure) and paragraph B3 Risk Management System. The table on the next page, provides insight in the responsibilities of the various contributors to the ORSA and more specific on the difference in roles the Executive Board and Supervisory Board have in the ORSA process.

Table 11 ORSA process main roles and responsibilities

Phase	Objective	Ownership	Contributors
ORSA policy approval	• Approve the risk management policy in which the ORSA policy is included. • Active participation in the ORSA proces	Executive Board	CFO Risk Management Compliance Finance
Process design / implementation	• Ensure that the ORSA is designed in compliance with: - EIOPA guidelines for ORSA - The ORSA policy • Ensure that the ORSA encompasses all material risks of the entity • Ensure that sufficient resources are dedicated to the ORSA • Ensure planning, facilitating and coordinating of the various contributors	Risk Management	Compliance Finance
Process running / output production	• Execute the ORSA in compliance with the ORSA Policy and EIOPA ORSA guideline 5 regarding documentation of the ORSA results • Ensure the link is made with other management processes and coordinate all contributing units • Ensure the consolidation of the various contributions into a single ORSA report, and check their overall consistency • Execute analysis, projections, etc. leveraging as much as possible existing management processes	Risk Management	Finance Technical Insurance Area HR IT
Results challenge	• Challenge identified risk and scenarios • Challenge risk mitigation and management actions • Challenge content of the ORSA report	Risk Committee of the Executive board	CFO Risk Management Risk & Audit Committee
Results validation (sign off)	• Challenge the results, methods and assumptions of the ORSA • Challenge the 'content' contributed by the departments involved	CFO	Actuarial Function
Process validation	• Verify that the process is compliant with the ORSA policy and has been properly executed	Internal Audit	Internal Audit Risk Management Finance
ORSA report approval	• Approve the ORSA report	Executive Board Risk & Audit Committee Supervisory Board	CFO

Management actions based on results of the ORSA

The results of the ORSA are presented and discussed in the Risk and Audit Committee. The results of the ORSA are taken into account by the Executive Board in defining the strategy of the companies (Solvency and Capital and business), defining the risk appetite and in setting the goals for the future.

B.4. Internal control system

In this chapter the internal control system of Generali is described. The main departments involved in the internal control system are operational risk management (ORM) and corporate compliance. Therefore the focus of the description is on these two departments.

General internal control system

Within Generali Schade senior management is responsible for an effective risk management within its area of interest. To support this, management has described the departmental processes, risks and controls. With the monthly department sample testing, controls and the quality of the output are tested. Through sample testing inaccuracies in the operating effectiveness of the controls can be identified. All findings are analysed, extrapolated to the entire population and corrected. Furthermore, the outcomes of the sample tests are monitored by the second line of defence and reported to the risk committee. If necessary additional actions are defined to improve the control environment. Every six months the results of the department sample tests are reported to the external auditor. The external auditor uses these results in the interim control and the annual financial statement control activities.

In 2017 Generali made an improvement in the internal control system methodology. The ORM team drew up a new internal control approach which was approved in the Risk Committee in the beginning of 2017. This new approach is based on the Group Internal Control Policy and best practises in the industry.
The approach lays down the conditions and principles for setting up a risk and control framework and provide guideline for the First Line Monitoring (FLM). In the course of 2017 the approach and the internal control principles included are implemented by most of the department heads. Two departments have already started with the FLM. The basis of this implementation is:

- Up to date process descriptions;
- Defined management objectives, key processes, key risks and key controls; and
- Establishing a risk and control framework with a good mixture of preventive, detective and automated controls.

The objective of the internal control framework is managing the major risks that threaten the achievement of the strategic and departmental objectives, the reliability of financial reporting and the reporting based on applicable laws and regulations.

Based on risk assessments managers determines which controls reduce the risks to an acceptable level. These key controls are described in the risk and control framework of the departments. The risk and control frameworks are reviewed by the second line of defence, ORM. In this framework, manual or automated preventive and detective controls are incorporated to manage the risks which might threaten Generali Schade's ability to achieve the company's objectives and goals. The effectiveness of these key controls will be tested in line with the FLM guidelines. For management the outcomes of the tests are valuable information and give insight in the level of 'being in control'. It also helps them to improve the control environment and processes.

For the transitional phase, the current monthly department sample testing are carried out until the department can start testing according to the FLM guidelines.

For Generali Schade one important source of proving the effectiveness of the internal control system is the number and type of complaints Generali Schade receives from its customers. Generali Schade analysis (and publishes) the complaints on an annual basis.
The average customer satisfaction over 2017 was 7.4 (2016: 7.3) is also evidence of an effective internal control system.

As described above the ORM and compliance function have an important role in the internal control system. In the next section of this chapter Generali Schade summarises the main tasks and responsibilities of both the ORM and the compliance function.

The ORM function

Within Generali, the second line risk function falls under the responsibility of the CFO. Within the Team Operational Risk Management (ORM) the operational risks are being monitored and reported to the Risk Committee. Team ORM is responsible for the organisational infrastructure for a sound Risk Management System. ORM also acts as a trusted advisor to management on all risk related issues. In this system ORM pays extensive attention to the risk awareness of employees and risk culture, by facilitating risk training workshops, information sessions and awareness workshops.

Further ORM:
- Helps to define risk measurement methods and models;
- Collaborates with the risk owners in defining the operating limits imposed to operational structures, and in defining the operating limits imposed to operational structures and in defining the procedures for the timely verification of those limits in accordance with the first-level control functions;
- Validates the reports produced by the various Risk Owners needed to guarantee the timely control of risk exposure and the immediate identification of anomalies;
- Carries out company risk profile assessments and reports to the Executive Board the main risks identified as significant;
- Guarantees and coordinates the preparation of suitable reports to the Executive Board and to the competent risk committees regarding the general soundness of the risk management and control system, in particular its ability to respond to changes in the company or the market, the development of risks, and breaches of the operating limits imposed;
- Helps to carry out stress tests as required by EIOPA or other regulators and supervisors.

Besides the second line ORM Team, in 2017, Generali Nederland has appointed Risk Champions in the first line of defence. In the summer of 2017 these Risk Champions were trained.

The main responsibilities of the Risk Champion are:
- Providing guidance and support to the manager in managing risks (with support of ORM);
- Keeping the manager and ORM up to date about risk management issues, developments and cases where the management of risks is counteracted;
- Executing controls, sample tests and FLM;
- Updating processes, procedures, risks and controls;
- Organizing departmental risk assessments and root cause analyses;
- Assisting in the execution of the Group Scenario Analysis and Group Risk Assessment;
- Reporting operational losses to ORM;
- Facilitating the spread of risk information to all levels;
- Ensuring adherence to the risk management process;
- Monitoring (audit) issues, risks and mitigating actions.

Generali Schade sees operational risk as a daily responsibility. Structural operational risk management activities are embedded within the day to day 'Schade' business activities.

The mission of the Team ORM is:
1 Operational risk as a strong second line sparring partner for the Business, based on sound risk management practices.
2 Strengthen Generali's first line by being a proactive business partner.

Leading to the ultimate goal:
'A good and professional functioning three lines of defence model within Generali Nederland, which contributes to achieve the objectives within the determined risk appetite.

To accomplish this mission, ORM aim to:
- Set operational risk guidelines;
- Stimulate staff awareness of operational risks and awareness of external and internal regulations and guidelines;
- Develop, introduce and implement new R&C framework methodology and First Line Monitoring Guidelines;
- Develop and give risk management training for Management and Risk Champions;
- Support the Risk Champions;
- Review the new Control frameworks and outcomes of the First Line Monitoring and give advice on how to improve;
- Introduce and implement Loss data collection policy and process;
- Share knowledge with Group on the topics: 3LoD IT Risk governance and on R&C framework methodology etc.;
- Comply with Group risk policies (by performing GAP analysis, advising and implementing Group RM policies);
- Improve Risk Report.

Corporate Compliance function

Compliance position and structure

Corporate Compliance

The CEO of Generali Nederland appoints the Corporate Compliance Officer of Generali Nederland, who also functions as Corporate Compliance Officer for the aforementioned subsidiaries. The Corporate Compliance Officer is the country Local Compliance Officer as defined in the compliance charter and the first point of contact for compliance matters for the Regulators. The Corporate Compliance Officer is embedded in the second line of defence having an independent position with the possibility to escalate matters to the CEO and Supervisory Board when needed.

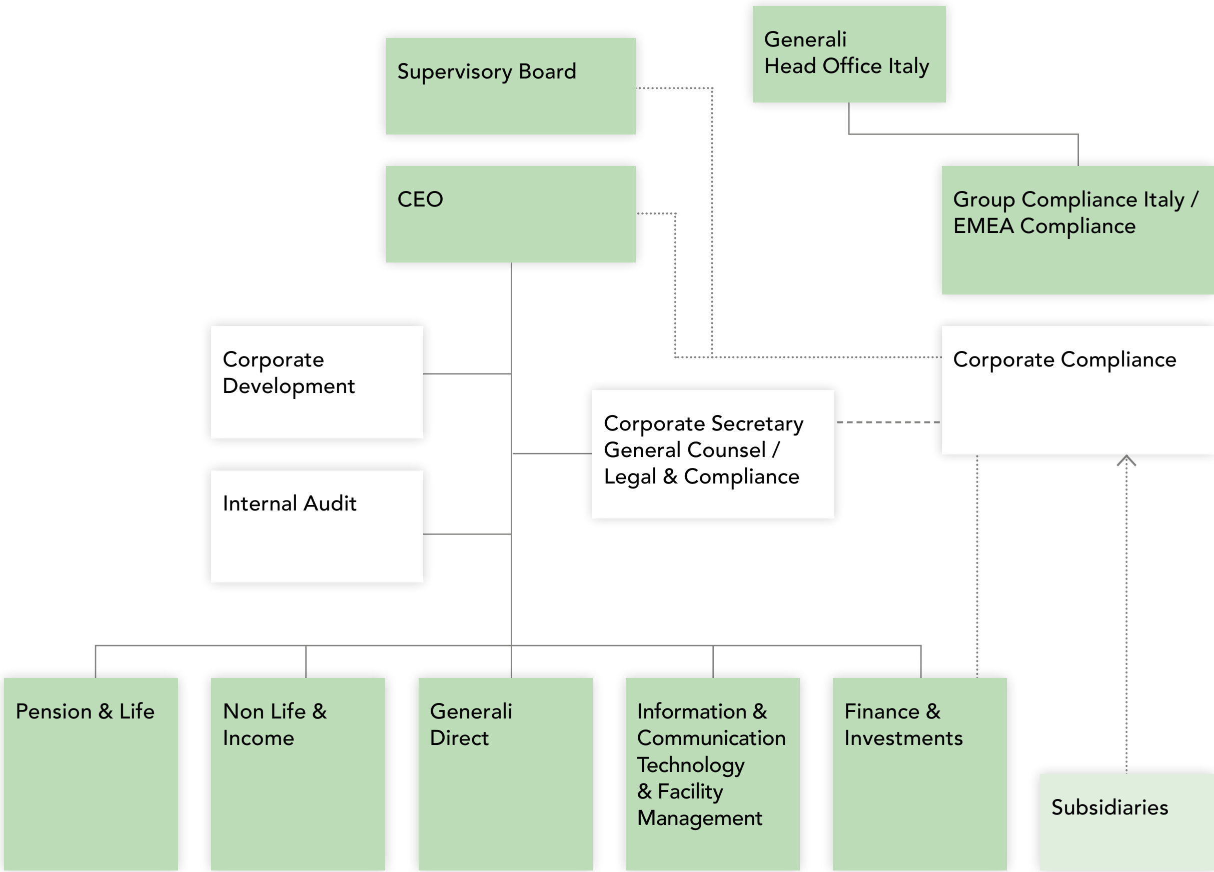
The Corporate Compliance Function is provided with appropriate budget and resources and its team possesses the knowledge, skills and competencies required to carry out their work with proficiency and due professional care. The Corporate Compliance Function has full, free, unrestricted and timely access to any and all of the organisation's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Corporate Compliance Officer has free and unrestricted access to the Executive Board.

Business Compliance Officers

Besides the Corporate Compliance Officer and its team, Generali Nederland has appointed Business Compliance Officers who monitor the company's daily activities and advises on potential compliance risks. One of these Business Compliance Officers is fully dedicated to the Generali Schade entity. The Business Compliance Officers work in different departments throughout the company and therefore have the responsibility to advise, report to and support the Corporate Compliance Function in operating compliance throughout the company.

The Business Compliance Officers are formally first line functions but because of separate reporting lines and responsibilities and liaison with Corporate Compliance they act as independent functions within the first line. The Business Compliance Officers act as sparring partner and have extensive knowledge about the activities in order to signal and address potential compliance risks and to advise and train personnel regarding compliance related topics. Whenever compliance breaches are identified, action plans are defined and monitored to either resolve the breach or explain why it is acceptable that a specific requirement is not adhered to. Figure 8 visualises the compliance organisation.

Figure 8 Compliance in the organisation



Mission and methodology

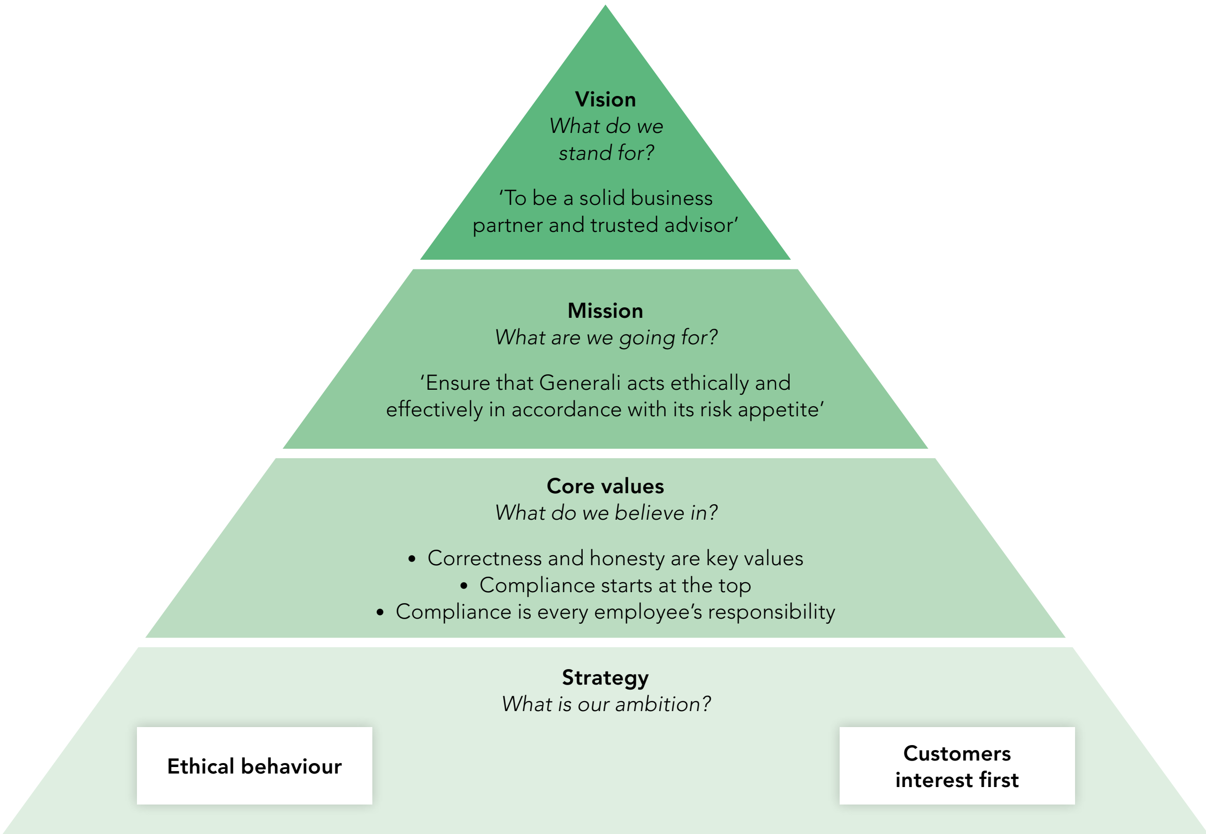
We are deeply committed to the preservation of our reputation and integrity by means of compliance with legislation and regulations governing our activities. Compliance is our 'license to operate' and therefore sets a standard for integrity and threating customers, not only in respect to 'the letter of the law' but also in relation to underlying intentions. There are two key principles forming the foundation of what Compliance does and pursue: Ethical behaviour is the primary standard, and in everything, Generali Schade treats its customers fairly and putting the customers interests first.

This is an important part of our strategy and means that Generali Schade has a risk appetite of zero regarding compliance risks. Compliance risk is defined as the risk of legal or regulatory fines, material financial losses or loss to reputation that a company may suffer as a result of not complying with laws or internal or external regulations applicable to its activities. Compliance risks are categorised according to a stakeholders approach. Generali Schade uses the following categories: customer, employee, market and corporate.

Compliance risk includes:

- The risk of legal or regulatory sanctions: e.g., loss of license or a fine from the regulator;
- The risk of reputational damage;
- The risk of litigation by any interested party;
- The risk of other financial loss.

Figure 9 Compliance Mission



The mission of the Compliance Function is to show the business that Compliance adds value to our daily activities by improving processes that safeguard the client's interest and to provide insight in relevant requirements, impact of laws and regulations and compliance risks.

Therefore, Compliance aims to:
- Contribute to safeguarding the integrity and reputation of Generali;
- Strengthen Generali's compliance awareness, transparency and responsibility towards stakeholders;
- Support a steady and persistent business operation and build a sustainable competitive advantage by integrating compliance risk management in the daily activities and strategic planning.

This means Generali Schade has a best effort obligation to mitigate compliance risks. Compliance is strictly monitored within Generali Schade and any remedial measures required will be taken. Compliance has the continued attention of Generali Schade and management and other employees of Generali Schade are encouraged to stimulate awareness of compliance issues. In this way Generali Schade expects to assure a proactive approach towards compliance issues. Generali Schade sees Compliance as a daily responsibility for both management and employees. Structural compliance activities are embedded within the risk management cycle.

To accomplish this mission, Generali's compliance policies aim to:
- Set compliance guidelines for Generali's staff;
- Stimulate staff awareness of Generali's obligation to comply with legislation, regulations, external and internal guidelines, to stimulate discussions among staff on the subject of business ethics and to create an environment in which staff members feel obliged to report perceived non-compliance and feel no inhibitions to report perceived non-compliance;
- Bring attention to guidelines and codes of conduct;
- Form input for awareness meetings, dilemma training and e-learning;
- Define a framework for identifying and evaluating compliance issues that Generali may face;
- Define a framework for instituting compliance controls;
- Implement measures to prevent or mitigate compliance risks.

Compliance works based on the Generali Group Compliance Policy. It represent minimum standards of compliance principles, main features of the Compliance Function and provides the guidelines to be followed on a local level. This Policy is implemented in the local compliance charter. The charter is approved by the Executive Board of Generali Schade and is reviewed at least annually.

Next to the responsibilities of the Corporate Compliance Officer mentioned before, the most important tasks and responsibilities of the Corporate Compliance Function are:
- To identify legislation, regulations and guidelines pertinent to the company and to monitor the compliance of the company to these;
- To develop and manage a legal and compliance framework. This includes informing the business and monitoring implementation of (new and changed) legislation, regulations, external guidelines and internal policies, procedures and guidelines;
- To identify and assess compliance risks associated with the organisation’s current and proposed future business activities, including new products, new business relationships and any extension of operations or network on an international level, and to perform Compliance Risk Assessments;
- To manage the report regarding concerns and incorrect conduct which are reported directly or through the whistleblowing channel;
- To report the findings on compliance issues and progress with the annual plan to the Executive Board, the Supervisory Board, Generali Group or if deemed necessary to the external regulator;
- To keep record of recognised compliance issues.

B.5. Internal audit function

In Generali Schade the internal audit activities are performed, by the Internal Audit department of Generali Nederland, in line with the organisational rules defined in the Audit Policy that is approved by the Risk and Audit Committee of Generali Nederland.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit function supports the Risk and Audit Committee in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Risk and Audit Committee with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Risk and Audit Committee, the Top Management and other departments including performing assurance-audits, performing risk assessments and advisory tasks related to design of control frameworks and, processes.

As provided by the Audit Policy, a Solid Line reporting model is established between the Head of Group Audit of Generali Group, the Head of the Business Unit Audit and the Head of the Local Audit Function.

Based on this model, the Head of the Local Audit Function reports to the Risk and Audit Committee and ultimately to the Head of Group Audit, through the Heads of Business Unit Audit. This ensures autonomy to act and independence from operational management as well as more effective communication flows. This covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration and budget in agreement with the Risk and Audit Committee), the objectives setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the Risk and Audit Committee for approval. The chairman of the Risk and Audit Committee is responsible for nomination, remuneration and resignation of the Head of the local Audit Function.

Internal Audit is provided with appropriate budget and resources and its staff possesses the knowledge, skills and competencies required to carry out their work with proficiency and due professional care. Internal Audit has full, free, unrestricted and timely access to any and all of the organisation’s records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of the Local Internal Audit Function has free and unrestricted access to the Risk and Audit Committee.

The Internal Audit Function govern it selves by adherence to The Institute of Internal Auditors' mandatory guidance and 'Reglement Gedragscode Register IT auditors' of NOREA including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the professional standards of NOREA. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance.

Given the delicate and important nature of the assurance role carried out within the business, all the personnel of the Internal Audit Function have specific fit and proper requirements as requested by the Group Fit & Proper Policy.

In particular, the Head of the Local Internal Audit Function is a person who meets the requirements of the local Regulation Authority's Regime and Solvency II Regulation as well as the Generali Group requirements. He or she has solid relevant experience within areas like audit, control, insurance, finance, risk or in the auditing of financial statements.

The Head of the Local Internal Audit Function does not assume any responsibility for any other operational function and has an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities.

Also the other personnel belonging to the Local Internal Audit Function have skills and a proven track record commensurate with the degree of complexity of the activities to be carried out. The Internal Audit Function, in any event, include employees identified as having high professional development potential and personnel avoids, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

The activity of Internal Audit remains free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in operational organisation of the undertaking or in developing, introducing or implementing organisational or internal control measures. However, the need of impartiality does not exclude the possibility to request from the Internal Audit Function an opinion on specific matters related to the internal control principles to be complied with.

At least annually, the Head of the Local Internal Audit Function proposes to the Risk Committee of Generali Nederland an internal audit plan before being submitted for the approval of the Risk and Audit Committee. The audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, taking into account all the activities, the complete system of governance, the expected developments of activities and innovations and including input of top management and the Board. The planning takes into account any deficiencies found during the audits already made and of any new risk detected. The audit plan will include timing as well as budget and resource requirements for the next calendar year. The Head of the Local Internal Audit Function communicates the impact of resource limitations and significant interim changes to the Risk and Audit Committee. The Head of the Local Internal Audit Function reviews and adjusts the plan on six-monthly basis in response to changes in the organization's business, risks, operations, programs, systems, controls and findings. Any significant deviation from the approved plan is communicated through the periodic activity reporting process to the Risk Committee of Generali Nederland and the Risk and Audit Committee. Where necessary, the Internal Audit Function may carry out audits which are not included in the Audit Plan.

The Local Internal Audit Function plans and carries out the activities following a consistent methodology drawn up and circulated by the Internal Audit Function of Assicurazioni Generali. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. The audit report, that indicates the significance of the issues found, covers at least any issues regarding the efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures and processes. It includes the agreed corrective actions taken or to be taken concerning the issues identified and also the agreed deadlines for the implementation of these corrective actions.

Internal Audit is responsible for monitoring appropriate follow-up on issues raised and agreed actions. The Head of the Local Internal Audit Function, at least on a quarterly basis, provides the Risk and Audit Committee with a report about the internal audit activity's performance relative to the audit plan and significant issues during the period and a proposal of an action plan. The Risk and Audit Committee determines what actions are to be taken with respect to each issue and ensure that those actions are carried out. However, in the event of any particularly serious situations the Head of the Local Internal Audit Function will immediately inform the Risk Committee and Risk and Audit Committee.

The Internal Audit Function maintains a quality assurance and improvement program that covers all aspects of the audit activity. The program will include an evaluation of the audit activity's conformance with the Group Audit Manual and the Definition of Internal Auditing and the Standards and an evaluation of whether auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

B.6. Actuarial function

The Actuarial Function's main responsibility at Generali Netherland follows directly from the Solvency II requirements (Directive 2009/138/CE). The main responsibility is to coordinate, monitor and validate the calculation of local technical provisions. Furthermore, the Actuarial Function expresses an opinion on the underwriting and reinsurance arrangements.

The Actuarial Function is responsible for the coordination, monitoring and reporting to the Executive Board and Supervisory Board in the context of:
- Technical provisions calculation and validation;
- Overall underwriting policy;
- Adequacy of reinsurance arrangements.

As disclosed in the organisational chart the actuarial function is a direct report to the CFO. The final opinion and urgent recommendations are reported to the Executive Board. The Supervisory Board is informed in the Risk & Audit committee.

The Executive Board and Supervisory Board:
- Approves the Actuarial Function policy;
- Taking in consideration the opinion of the Head of the Actuarial Function, with the possible remarks made by the Group Actuarial Function, approves the ultimate amount of the technical provisions within the Solvency II balance sheet;
- Empowers the Actuarial Function to fulfil its role with the utmost independence.

Group Actuarial Function (Group Head Office) provides the Actuarial Function framework to the Business units. This framework is an integrated set of policies, guidelines, reporting tools, etc. to validate and report all technical liabilities of Generali Group.

The Actuarial Function ensures that different activities are carried out according to Group Guidelines. The Actuarial Function also has to ensure that Generali Schade is compliant with the requirements of the Dutch supervisor (DNB). The main difference is that in the Netherlands Solvency II is reported by legal entity, to Generali Group Solvency II is reported by business line (Life, Non-Life, SLT). There is no difference in methodology and assumptions setting.

In the Group Actuarial Policy three roles are identified to fulfil the Actuarial Function:
1 Sign-off and final opinion;
2 Validation;
3 Calculation.

In the Dutch organisation the actuarial function contains the opinion and the validation roles. The calculation unit (Actuarial department) is the responsibility of the manager Finance Risk & Control. With this structure the opinion and validation (both second line of defence) are independent from the calculation unit (first line of defence). This is the preference of both the Executive Board and Supervisory Board.

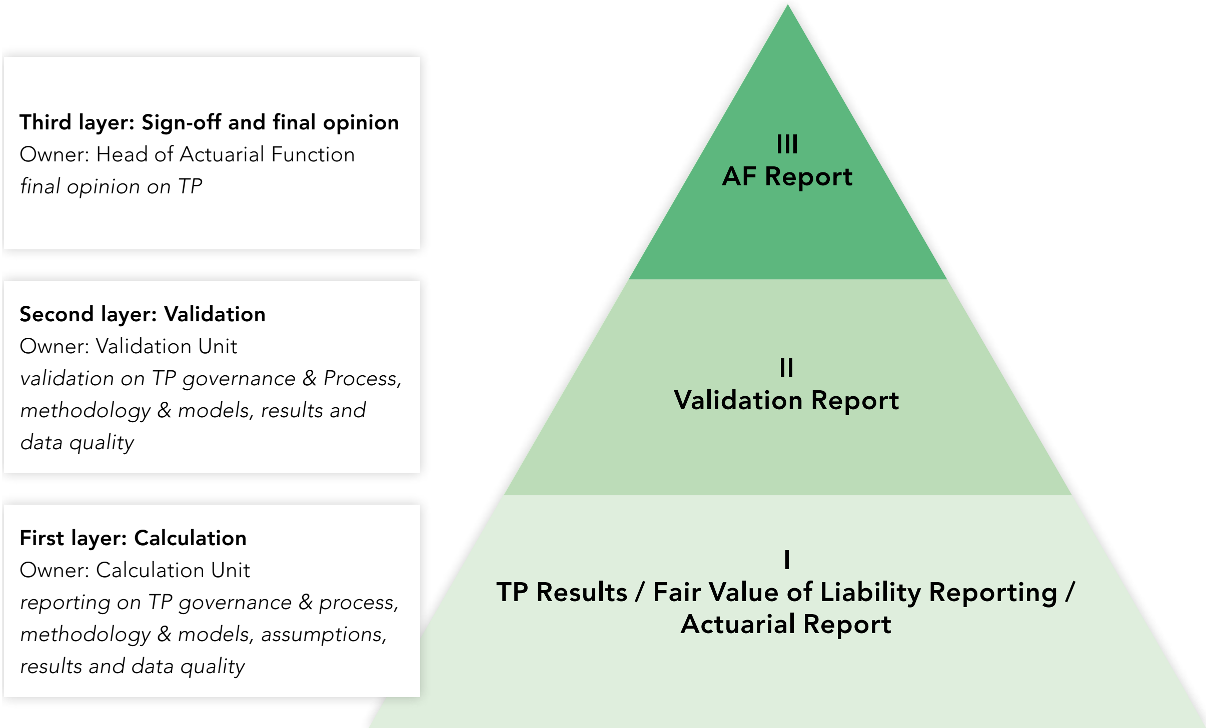
The opinion and validation (Actuarial Function) and the Solvency II results (Calculation) are reported in one integrated report, the Actuarial Function Report. The sign-off of the technical liabilities and the opinion on underwriting policy and adequacy of reinsurance arrangements are given in the third layer (see the picture on the next page): (also called) the Actuarial Function Report.

According to article 272 of the Delegated Act, at least annually the AF is to produce a report to the Executive Board to document all tasks that have been undertaken by the actuarial function and their results, and shall clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied. The third (AF Report) and second layer (Validation report) will represent this annual report.

Besides this report a Fair Value Liability Report (for group reporting) and an Actuarial Report (for local reporting) are made by the actuarial department. Parts of those reports are used for the Actuarial Function Report.

The Actuarial Function Report is presented in the following figure.

Figure 10 Actuarial Function Report



The set-up of this report reflects the different roles that are identified in the actuarial function and the actuarial department. The local actuarial function signs off the results and assesses and validates what has been made by the actuarial department. Note that in Generali Schade the actuarial function and the validation unit are the same. The validation activities is on the complete actuarial process flow: methodological framework, model changes, assumptions changes (operating, economic, expense), results and data quality.
The actuarial department (Calculation Unit) performs all the analyses, tests and computations required and produces the related qualitative and quantitative documentation.

Independence of Actuarial Function

Independence is a core compliance principle. In the Solvency II framework and according to the internal governance the actuarial function is a key function. To obtain independence of the actuarial function the activities on the opinion and validation (second line of defence) are independent of the calculation activities (first line of defence). The actuarial function reports directly to the CFO. The actuarial department reports to the manager Finance Risk & Control.

The local Actuarial Function has direct access to the Executive Board and via the Risk & Audit Committee to the Supervisory Board. There is a formal escalation path to Executive Board, Supervisory board and Group Actuarial Function.

In order to express an opinion on the underwriting policy and adequate pricing the actuarial function is member of the Product Boards Life and Non-Life and member of the Risk Committee.

B.7 Outsourcing

As described in paragraph B1, Generali Group provides the local business units policies that are required to be incorporated in the local organisation. The Generali Group Outsourcing Policy is one of these policies. The Policy applies to all Group legal entities, outlining the main principles to be followed when implementing outsourcing. As for the implementation of the Group Outsourcing policy Generali Schade. has made a practical translation of the policy to a risk-based Procurement and Outsourcing Policy which includes the specific Dutch rules and legislations. The implementation led to a standard set of documents to be used for Procurement and Outsourcing activities within Generali. At Generali Schade the policy has been formally adopted by the executive board. The Policy provides the principles to be followed on outsourcing initiatives pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, and relevant implementing measures.

The Policy describes a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile, the materiality of each outsourcing agreement and the extent which Generali controls the service providers.

At Generali Schade, for each outsourcing agreement, a specific business referent function is appointed. The business referent is responsible for the overall execution of the outsourcing lifecycle, from the risk assessment to the final management of the agreement and subsequent monitoring activities. The Outsourcing lifecycle encompasses the following steps:
- *Risk assessment*: identify the critical and not critical outsourcing initiatives through a structured risk evaluation. Generali Operational Risk Management reviews the risk assessment related to critical outsourcing initiatives;
- *Outsourcer sourcing and due diligence*: assess vendor capability to perform the activities according to Generali standards, internal and external regulations. Generali procurement supports the activities in case of third party service providers;
- *Agreement negotiation and management*: allocate rights and obligations, provide standard clauses and minimum contents (e.g. privacy and confidentiality) for the written agreement, requiring written SLAs and the implementation of one single company agreement repository. Generali Legal department is responsible for drafting the agreement and negotiating legal clauses. Generali procurement is responsible to maintain the agreement repository at local level;
- *Migration plan*: require the definition of a structured migration plan to minimise transitions risks (e.g. service interruptions); The project team is responsible for the definition of the migration plan;
- *Monitoring and Reporting*: Contract and Service Management is responsible to ensure the implementation of appropriate organisational safeguards to monitor the outsourcer performances and set reporting obligations for critical outsourced activities;
- *Exit strategy*: set up appropriate measures to ensure the continuity of the activities in case of emergency or contract termination. The vendor is responsible to define an Exit plan, if this is included in the written agreement as part of the Agreement negotiation and management step. Contract Management ensures that an Exit Plan is made available by the vendor and is reviewed by the relevant Contract Owner.

For Generali Schade the following critical operational functions are outsourced:
- *Asset management*: The rationale for outsourcing this process is based on scale. Within Generali Nederland, FTE capacity and required knowledge to handle the front-office investment process is limited. The Generali Group organised an initiative to centralise this process. For Generali Nederland the Group initiative offered a good solution to solve the capacity and knowledge issues. Generali Investments Europe handles the investment capital of Generali based on the mandate given by Generali Nederland.
- *Application Development, Technical Maintenance and hosting*: Due to the small size of Generali Nederland in-house software development is seen as a risk, as this creates a dependency on key persons and their knowledge. To mitigate this risk application development, technical maintenance of the applications and in some cases also the hosting of the application is outsourced. By following this strategy Generali can focus on the core business activities by using standardised business applications.

- *Infrastructure maintenance and hosting*: The IT strategy of Generali Nederland is to outsource commodity services and to focus on core IT services which have a direct business added value. Infrastructure maintenance and hosting is defined as a commodity service. By outsourcing two main benefits were realised, a quality increase of the services and a shift to a more variable cost model where server capacity can be scaled up- and down based upon the needs of Generali. The outsourcing includes the following operational functions:
  - datacentre services;
  - platform services: server, network and storage infrastructure, including maintenance, patching, security;
  - infrastructure services: Identity & access management, Operating system services, Application deployment services, Data protection & recovery services, network services, file services, remote access services, database services, monitoring services and print services.

B.8. Any other information

All relevant information related to the system of governance and the risk management structure is already described in the paragraphs B.1 to B.7 of this document.

C Risk profile

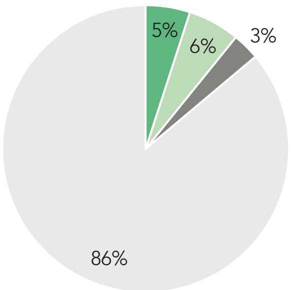
Solvency Capital Requirement

Insurance undertakings in the European Union must hold economic capital. The economic capital serves as reasonable assurance that payments are made to policyholders and other beneficiaries when they fall due. It should reflect the true risk profile of the insurance undertaking. It must be sufficient to ensure that, with a probability of at least 99.5%, the insurer will meet its obligations to its policyholders and other beneficiaries over the following 12 months.

The Solvency Capital Requirement serves to ascertain the adequate economic capital. Generali Schade applies the Solvency Capital Requirement Standard Formula as prescribed by EIOPA. With the Standard Formula, the regulator intends to reflect the risk profile of most insurance and re-insurance undertakings. It consists of a Basic Solvency Capital Requirement and a surcharge for operational risk.

At 31 December 2017, the Basic Solvency Capital Requirement for Generali Schade is € 77.9 million (31 December 2016: € 62.3 million). The Basic Solvency Requirement is a risk-based quantitative capital requirement that considers amongst others underwriting, market and counterparty default risk. Figure 11 shows the contribution of the submodules defined under the Standard Formula to the diversified Basic Solvency Capital Requirement (BSCR).

Figure 11 The composition of the Basic Solvency Capital Requirement



SCR Market	5%
SCR Default	6%
SCR Health	3%
SCR Non-life	86%

The main contributor to the Basic Solvency Capital Requirement for Generali Schade is non-life underwriting risk. It accounts for 86% of the Basic Solvency Capital Requirement. Health underwriting risk contributes 3% to the Basic SCR. For Generali Schade the market risks and counterparty default risk are the remaining risks that result in a capital requirement. The SCR for life underwriting risk is not applicable to Generali Schade, as well as the intangible risk.

In this chapter a description of Generali's risk profile regarding the following risk classes is provided:
- Underwriting risk;
- Market risk;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Other material risks.

For each of these risks, a substantiation of the material risks that Generali Schade is exposed to and the measures used to mitigate the risk is provided. For all risks mentioned, Generali Nederland performed a self-assessment to determine the applicability of the Standard Formula to its risk profile. In the assessment of appropriateness, the Standard Formula is considered to be a market standard which is used to assess risks based on the assumptions of transparency and a level playing field. The standard model is built for an average insurer. As such, the Standard Formula will always have imperfections. An implicit comparison is made with Generali Schade's understanding of the average insurer on which the model would fit. Generali has found no reason to assume that either its life insurance or general and health insurance portfolio significantly deviates from that of most Dutch insurance undertakings. Generali, therefore, assumes that it is appropriate to apply the Standard Formula in calculating the

Solvency Capital Requirements for its insurance undertakings. Generali Schade concludes that there have been no significant changes in the risk profile since the mentioned assessment.

To measure the risk exposures in its portfolio, Generali Schade uses the outcomes of the SCR calculations following the Standard Formula for all risks. Besides analysing the outcomes of the Standard Formula calculations, to measure the risk exposures in its portfolio, Generali Schade also specifies additional risk scenarios and incorporates these in the ORSA. The outcomes of these stress scenarios are used as an input for determining which risk mitigating techniques should be applied.

During the reporting period Generali Schade was continuously exposed to a low interest rate environment which results in an increase of the Best Estimate for Health insurance. Besides the low interest rate environment, the following events occurred during 2017:

- The expected payments for the SLT Health portfolio have changed significantly, the underwriting risk has decreased;
- The claim reserve of the MTPL portfolio has increased with 16 million.

Prudent person principle

To limit the effects of changes in market prices and to make sure that investments are in line with the best interest of Generali's policyholders, Generali Schade invests its assets according to the prudent person principle. In the view of Generali Schade, the prudent person principle is the requirement to invest in a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole, with the requirement that assets covering technical provisions must be invested in the best interest of policyholders. Generali Schade believes that also sustainability of the company is part of this principle.

Generali Schade operates its investment processes according to the prudent person principle. With the ALM process in place Generali Schade reduces the risk of differences between assets and liabilities that are subject to market yields. At the same time Generali selects assets – strictly within the boundaries of the given risk limits – that are contributing with their yields to the profitability of the portfolio. Besides this, the assets are kept with custodians of appropriate rating and reliability. By applying the prudent person principle as described here, Generali Schade wants to achieve sufficient security, quality and liquidity in its portfolio in order to be able to meet its future obligations.

Sensitivity analysis

Generali performs sensitivity analyses as part of the Own Risk and Solvency Assessment (ORSA). To perform this analysis, scenarios that include significant risks for non-life underwriting are determined. The goal of the scenarios is to get insight in the effects and impact of the risk drivers for non-life underwriting. Therefore all scenarios are compared to the reference scenario.

The reference scenario consists of a forecast for the current year and the plan for the next three years. The forecast for 2018 is based on the calculations for the Solvency II ratio that were performed for the 2017 half year quantitative report. The years 2018 - 2020 are based on the strategic plan 2018 - 2020.
In the forward looking assessment both the risk profile and solvency position of Generali Schade are forecasted under different scenarios. The scenarios used are based upon the strategic plan 2018 - 2020 and are included in paragraph C.1. In periods of stress Generali Schade can take management actions. The forecasted solvency position is an analysis both with and without management actions taken. The analysis of the business scenarios and stress scenarios ultimately lead to an understanding of the solvency position and the management actions to be taken.

In the following paragraphs, more information on the risk profile and risk mitigating techniques per risk type are described. In general, Generali Schade does not make use of special purpose vehicles for transferring the risk.

C.1. Underwriting risk

Underwriting risk is the 'risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions'. The risk of adverse change in the value of insurance liabilities that are due to changes in the value of financial instruments or the credit standing of a third party is treated as market risk, or counterparty default risk, respectively. Generali Schade discerns between:

- Non-life, or General Insurance; and
- Health Insurance that Generali Schade categorises as:
  - Similar-to-life-technique Health Insurance; and
  - Non-similar-to-life-technique Health Insurance.
  -

C 1.1 Non Life Underwriting Risk

In this section the Non-life underwriting risks are described. For a large part, the descriptions also relate to the Health underwriting risk where the non-similar-to-life-technique applies. Non-life underwriting risk emanates from the underwriting of general and not-similar-to-life-technique health insurance. In the Own Risk and Solvency Assessment (ORSA), Generali performed an assessment of the goodness of fit of the Standard Formula to the risk profile of Generali. For Generali the conclusion is that there is no reason to assume that the Standard Formula is inappropriate for the risks applicable to Generali. For Generali Schade this means that the following non-life general and non-similar-to-life underwriting risks are (in line with the Standard Formula) identified:

- *Premium and Reserve Risk*: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from fluctuations in the timing, frequency, and severity of insured events, and in the timing and amount of claim settlement';
- *Catastrophe Risk*: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events';
- *Lapse Risk*: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from changes in the level, or volatility of policy lapses, terminations, renewals and surrenders'.

In figure 12 the underwriting risk exposures of Generali Schade per 31 December 2017 are depicted for the part of general insurance (the exposures for health, non-similar-to-life will be described in C.1.2). Of these risks, for Generali Schade the most material is premium and reserve risk as is shown in figure 12. Also the catastrophe risk is a material risk for Generali Schade. The diversified SCR for Generali Schade for non-life underwriting risk is € 69.6 million (31 December 2016: € 54.7 million). To calculate the SCR, Generali Schade applies the standard model as issued by EIOPA.

Figure 12 The composition of the Solvency Capital Requirement Non-Life

In the following sections a description of the risk profile and measures applied by Generali Schade to mitigate the risks is provided.

Premium and reserve risk

The stand-alone SCR for premium & reserve risk (before diversification) is € 65.6 million (31 December 2016: € 51.5 million).

The basis for reserve risk is formed by the technical provisions for claims received and claims incurred but not yet reported. The technical provisions represent Generali Schade's best estimate for future payments on these claims. The SCR represents the risk that the actual payments can deviate from the expectations and a shortfall in the claims reserve might result, which is a significant risk for Generali Schade. For the premiums a similar risk is applicable. The premiums might be too low to cover the costs of future claims. As long as the premiums cannot be adjusted, Generali Schade runs the risk that the result on its products is lower than expected. The number and severity of claims are considered random events. Unlike life insurance and disability annuities, the

Standard Formula calculation contains no identifiable risk drivers that cause fluctuations in the timing, frequency, and severity of insured events, and in the timing and amount of claim settlement. In Standard Formula non-life calculations, these are assumed to be implicitly enclosed in the premium and reserve risk calculation.

Generali Schade offers its customers relevant and accessible general and health insurance solutions. Acceptance of premium and reserve risk from these product is its core business. The random nature of general and not-similar-to-life-technique health insurance exposes Generali Schade to extreme and irregular events that cause an accumulation of claims related to that single event.
To limit the impact of the indicated premium and reserve risks, Generali Schade applies the following criteria that should lead to a less risky portfolio:

- Generali Schade focusses on the acceptance of risks that are inherent to the core insurance business;
- Generali Schade minimises any exposure to risks that do not lead to increased profitability in the medium term;
- Generali Schade pursues opportunities to diversify the risk exposure and avoid excessive accumulation of risk exposures.

Besides the indicated criteria, Generali Schade uses reinsurance to mitigate the reserve risks. The main counterparty is Generali Group (GHO). For non-life insurance, the retention levels are set per claim. Each year, the reinsurance contracts are revaluated by Generali Schade to validate whether the agreed terms and conditions are sufficient to mitigate the risks for Generali Schade. New limits and retention levels are set on a yearly basis.

Catastrophe risk

The stand-alone SCR for catastrophe risk (before diversification) is € 11.3 million (31 December 2016: € 9.2 million). Catastrophe risk is caused by an accumulation of claims related to a single adverse event. It can occur as a result of an extreme event or as a result of an irregular event. The Standard Formula contains a number of pre-defined catastrophic events. For Health insurance the catastrophe risk will be described in C.1.2.

For non-life general insurance products, the catastrophic events that are relevant for Generali Schade are divided in natural catastrophe events and man-made catastrophe events. In the Netherlands, storm and hail are recognised in the Standard Formula as natural perils with a probable catastrophic impact for fire, marine/aviation/transport and motor (the latter for hail only) insurance. Some man-made catastrophe events are defined as losses occurring from the biggest exposures (Fire and Marine/Aviation/Transport insurance). Some events are losses proportional to the size of the underlying risk (number of cars, sums insured, gross premiums). The net SCR is calculated by calculating the risk mitigating effect of reinsurance resulting from the reinsurance contracts when the event would occur.

To mitigate the risk of catastrophes Generali Schade excluded war and terrorism in the policy conditions. These measures, however, do not mitigate the impact from all extreme events or catastrophic accidents. Generali Schade mitigates its catastrophe risk by using reinsurance specific for catastrophe risk. The limit of the reinsurance program is based on the internal risk assessment and the 200 year stress scenario of the Standard Formula and the expected growth in the portfolio for the coming year. This limit is monitored annually, but the SCR calculations are performed quarterly, so each quarter Generali Schade performs checks to verify that the reinsurance program is sufficient. Not only the perils hail and windstorm are covered within this reinsurance program but also the perils flood and earthquake for the Motor portfolio. Fire claims resulting from flood and earthquake are excluded in the policy conditions within the Fire portfolio.

Lapse risk

The stand-alone SCR for lapse risk (before diversification) is € 6.2 million (31 December 2016: € 4.2 million). Lapse risk is only relevant as far as that lapse occurs during the time frame that falls within the contract boundary of a policy. Premiums for non-life policies, normally, are risk-based. Generali Schade can adjust premiums to account for changes in risks and costs. Such changes cannot occur within a year after the last premium adjustment. In general, contracts are renewed annually and Generali Schade has the right to refuse the renewal. For the most policies, the contract boundary is therefore one year from the last renewal date. This contract boundary results in a lapse risk that is limited compared to the premium and reserve risk and catastrophe risk for Generali Schade. Therefore, Generali Schade applied no risk mitigating techniques for this type of risk.

Diversification non-life underwriting risk

The diversification effect within the SCR for non-life underwriting risk is € 13.5 million (31 December 2016: € 10.3 million).

C 1.2 Health Underwriting Risk

In the previous section C.1.1 the non-life underwriting risks applicable to Generali Schade are described. Besides non-life underwriting risks, the portfolio of Generali Schade also contains Health underwriting risks. In this section the risk profile regarding the Health underwriting portfolio is described. Two types of Health Insurance are applicable to Generali Schade:

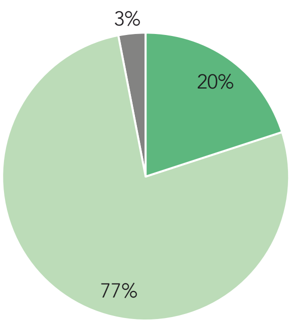
- Similar-to-life-technique (SLT) Health Insurance; and
- Non-similar-to-life-technique (non-SLT) Health Insurance.

This results in the following risk types:

- Health Underwriting Risk, SLT;
- Health Underwriting Risk, Non-SLT;
- Catastrophe Risk: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events'.

The SCR for Health underwriting risk is € 12.1 million (31 December 2016: € 11.7 million). The results for health underwriting risk are shown in figure 13.

Figure 13 The SCR for Health underwriting risk



SCR Health, Similar-to-life technique	20%
SCR Health, Not-similar-to-life technique	77%
SCR Health, Catastrophe	3%

Health underwriting similar-to-life-technique risk

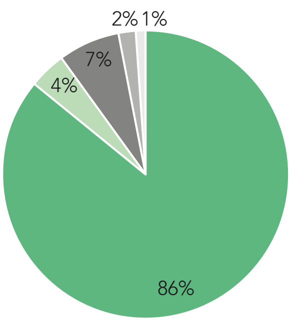
The stand-alone SCR for health similar-to-life risk (after diversification) is € 3.5 million (31 December 2016: € 2.3 million).

The Generali Schade portfolio contains three types of products that are valuated with Health similar-to-life techniques, which are AOV, WIA and WAO. The valuation techniques for these type of products show many resemblances with life Insurance products: potentially long term payments and dependency on life expectancy. The following risks are identified within the class of SLT Health underwriting risk:

- Longevity Risk - this risk arises in insurance products for which payments depend on the policyholder being alive and the policyholder lives longer than expected;
- Disability Risk - the risk arising from increasing disability rates;
- Lapse Risk - the risk of losses in case of surrender;
- Expense Risk - the risk that emanates from increased expenses;
- Revision Risk - the risk that arises from increase of payments due to deteriorating health;
- Mortality Risk - the insurance obligations for which payments has to be made in case of the policyholder's death during the contract term.

The contribution of the risk types to the total SCR for Health SLT underwriting risk is depicted in figure 14.

Table 14 The SCR for Health SLT underwriting risk



SCR Health, Disability	86%
SCR Health, Lapse	4%
SCR Health, Expense	7%
SCR Health, Revision	2%
SCR Health, Longevity	1%
SCR Health, Mortality	0%

The disability risk related to the AOV product mainly contributes to this capital requirement. To mitigate the risks Generali Schade applies reinsurance. The risks arising from the AOV B product are the most significant for Generali Schade as this product covers more than 92% of the Best Estimate for Health underwriting. For this product a so called XL reinsurance is applied. This reinsurance provides coverage for all losses between € 30,000 and € 95,000. Revision risk and Mortality risk are not applicable for Generali Schade.

Health diversification effect

The diversification effect within the SCR for Health underwriting risk is € 2.1 million (31 December 2016: € 1.7 million).

Health underwriting non-similar-to-life-technique risk

The stand-alone SCR for the non-similar-to-life risks (after diversification) is € 9.6 million (31 December 2016: € 10.1 million).
The risk involved with the non-SLT type of health insurance is similar to that involved with general insurance. The following risks are identified within the class of non-SLT Health underwriting risk and have been discussed in section C.1.1:

- *Premium And Reserve Risk*: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from fluctuations in the timing, frequency, and severity of insured events, and in the timing and amount of claim settlement';
- *Lapse Risk*: the 'risk of loss or of adverse change in the value of insurance liabilities resulting from changes in the level, or volatility of policy lapses, terminations, renewals and surrenders'.

The composition of the total SCR for Health non-SLT is shown in figure 15.

Figure 15 The SCR for non-SLT

In this section the risk mitigating techniques applied by Generali Schade to limit the underwriting risks were described. For both non-life underwriting risk and health underwriting risk Generali Schade applies mainly reinsurance to mitigate the risk. Following the Generali Group policy, the main counterparty for Generali Schade is Generali Group. Therefore some risk concentration is applicable to Generali Schade. Also the fact that a large part of Generali Schade's business is within the car insurance market results in some concentration risk, because the fact that the SCR for non-life underwriting risk mainly emanates for the car insurance results in limited diversification benefits with other lines of business. Generali Schade reduces the impact of the concentration risk by applying reinsurance to the Motor LOB.

Health catastrophe risk

The stand-alone SCR for Health catastrophe risk (before diversification) is € 1.1 million (31 December 2016: € 1.0 million).
Catastrophe risk was described for non-life general insurance underwriting. However, catastrophe risk is also applicable to health insurance. The Standard Formula defines a health catastrophe scenario that applies to both SLT and other health insurance.
The events are Health specific:

- Mass accident event: predefined percentage of population is evolved in a mass accident;
- Accident concentration scenario: possible mass accident in one building;
- Pandemic scenario: increase of payments due to an infectious disease.

C.2 Market risk

Market risk is the 'risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments'. Policyholders pay premiums up front. This causes a mismatch between cash inflows and cash outflows, because cash outflows occur only after a claim. To match the cash inflows of Generali Schade with the cash outflows, Generali Schade invests excess cash in financial instruments. This results in an exposure to financial market risks for Generali Schade.

The exposure to market risk is not limited to the cash investments. Additionally, the Solvency II Directive requires that Generali Schade:
- Shall value its assets at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Shall value its liabilities at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

The Solvency II Directive also requires that Generali Schade values the technical provisions by discounting expected liability cash flows. A change in the term structure of interest rates will cause the values of liabilities to change. The values of fixed income assets are also sensitive to changes in the term structure of interest rates. Unless the changes in the values of liabilities and assets are matched, changes in the term structure of interest rates will have an impact on the financial situation of Generali Schade.

Many financial markets theories consider the prices of financial instruments to reflect the discounted value of the cash flows generated by those financial instruments. EIOPA considers prices of equity, property, and currencies as separate risk drivers. EIOPA also considers credit spreads over the risk-free interest rate term structure as an additional risk driver for fixed income instruments, with an exception for government debt issued in the own currency of EU member states. In reality, however, these debt issues are also subject to credit risk. Generali Schade cannot account for its own credit standing when valuing its liabilities.

Generali Schade mainly invests in fixed income instruments and deposited excess liquidity with banks or invested it in a money market fund that is managed by Generali Group. Currency exposures emanate from operational activities. Within Generali Group, local entities in different countries act as claims handling agents for foreign group entities. As long as accounts are not settled between the local and foreign entities, the local entity runs the risk of a change in the relevant exchange rate.

In the Own Risk and Solvency Assessment (ORSA), Generali performed an assessment of the goodness of fit of the Standard Formula to the risk exposure of Generali. For Generali the conclusion is that there is no reason to assume that the Standard Formula is inappropriate for the risks applicable to Generali. For Generali Schade this means that the following market risks are identified in line with the Standard Formula.
- *Interest Rate Risk:* the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from a change in the term structure of interest rates, or in the volatility of interest rates;
- *Equity Risk:* the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from a change in the level, or in the volatility of market prices of equities;
- *Spread Risk:* the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from a change in the level, or in the volatility of credit spreads over the risk-free interest rate term structure;
- *Concentration Risk:* covers all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the insurance undertaking.

Of the market risks specified in the Solvency II Directive both the spread risk and interest rate risk are the most significant risks for Generali Schade. In the following sections a description of the risk profile of Generali Schade and the measures applied to mitigate the risks are provided. In general, Generali Schade formulated the following risk preference statements regarding market risk:
- Focus on acceptance of risks that are inherent to the core insurance business of Generali Schade;
- Minimise any exposure to risks that do not lead to increased profitability in the medium term;
- Pursue opportunities to diversify the risk exposure and avoid excessive accumulation of risk exposures.

Interest rate risk

Interest rate risk is caused by changes in the term structure of interest rates, or in the volatility of interest rates. When interest rates decrease, it will become increasingly difficult to cover Generali Schade's future cost of interest. When interest rates become more volatile, big changes in interest rates become more probable. To assess the risk of changing interest rates, Generali Schade applies the Standard Formula. The interest rate risk is the maximum loss of an upward shock or a downward shock of the yield curve as prescribed by EIOPA. This results for Generali Schade in a capital requirement of € 5.5 million (31 December 2016: € 3.0 million).

To mitigate the interest rate risk Generali Schade matches the duration of its liabilities with the duration of the assets. The cash flow matching is based on the outcomes of sensitivity analyses applied by Generali Schade.

Equity risk

Equity risk is caused by a change in the level, or in the volatility of market prices of equities. When prices of stocks decrease, the value of Generali Schade's investments in stocks and other equity instruments decrease. Excess interest sharing, sometimes, is based on a portfolio that invests in stocks. Excess interest sharing behaves like an option. When stock prices become more volatile, this option becomes more valuable.

For Generali Schade the risks arising from these investments are limited, since the exposure in equity is limited for Generali Schade. The SCR for equity risk is only € 1.3 million (31 December 2016: € 0.3 million) for Generali Schade. In case of increasing investments in equity, Generali Schade applies the Generali Group policy to mitigate the risk of these exposures. This policy prescribe to apply diversification is determining the investment mix.

Spread risk

Spread risk is caused by a change in the level or in the volatility of credit spreads over the risk-free interest rate term structure. Many fixed income instruments carry a risk that the issuer will not be able to pay coupons and repay principal on time and in full. Investors demand a premium return over the comparable risk-free interest rate when they invest in such instruments. This premium return, or credit spread, should compensate them for the risk that the issuer will not fulfil its obligations on time and in full. When the likelihood increases that the issuer will not fulfil its obligations, the value of the instrument decreases. This drop in the value of the fixed income instrument shows up by way of a higher credit spread. The SCR for spread risk is € 5.8 million (31 December 2016: € 4.8 million) for Generali Schade. This capital requirement is determined by applying the standard model to the portfolio of Generali Schade.

To mitigate the spread risk Generali Schade applies the Generali Group Risk Guidelines that sets limits regarding rating and ultimate issuer of credits.

Concentration risk

Concentration risk is caused by an accumulation of exposures to a single source of risk. It can also be caused by single exposure that has the potential to threaten the financial position of the insurance undertaking. For Generali Schade the concentration risk emanates from its investments in two BBB rated bonds that represent more than 1.5% of Generali Schade's investments and two AAA bonds issues by the 'Bank Nederlandse Gemeenten' that represent more than 3% of Generali Schade's investments. The capital requirement arising from this portfolio is € 0.4 million (31 December 2016: € 0.7 million).

To mitigate the concentration risk Generali Schade applies the Generali Group Risk Guidelines that sets restrictions regarding the exposure of Generali Schade in various bonds.

Generali's Solvency Capital Requirement takes into account the market risks of the assets and financial and insurance liabilities. As shown in figure 11, the Solvency Capital Requirement for market risk makes up 5% (31 December 2016: 9%) of the Basic Solvency Capital Requirement.

Figure 16 shows the market risks exposures of Generali Schade. The largest contributors to the SCR for Market risk for Generali Schade are interest rate risk and spread risk. The exposure to equity risk is negligible for Generali Schade.

Figure 16 Composition of market risk Solvency Capital Requirement

The Solvency Capital Requirement for spread risk (SCRspread) depends on both the duration and credit rating of bonds and loans. Duration is a measure for the average time-to-maturity of coupon payments and repayments on a bond or loan. It also is a measure of the sensitivity of a bond or loan to changes in interest rates. The Solvency Capital Requirement for spread risk, therefore, depends on the interest rate sensitivity and credit rating of the financial instrument.

Credit rating agencies assign credit ratings to financial instruments and issuers of financial instruments. These ratings reflect the credit risk of the instrument or issuer. The rating is given by a letter code. The highest rating category is AAA. The second highest rating category is AA. The third highest rating category is A. Bonds and loans that are rated BBB, or Baa and higher commonly are classified as 'investment grate'. Bonds and loans that are rated BB, or Ba and lower are commonly classified as 'high yield'.

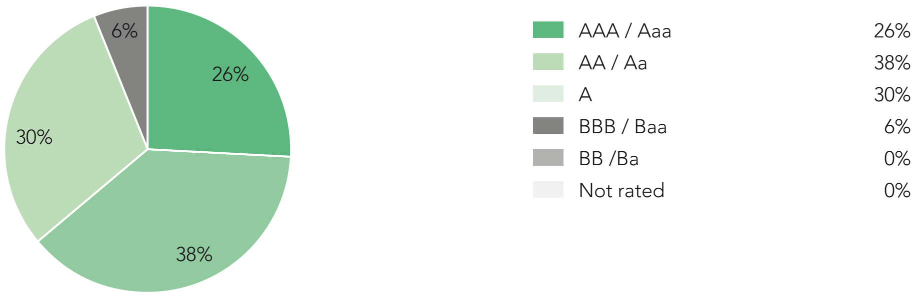
Figure 17 shows the Solvency Capital Requirement for spread risk for each credit rating.

Figure 17 Spread risk Solvency Capital Requirement by rating category

The credit rating classes assigned use a 'second best' rating principle: i.e., the second highest available rating is determined from three credit rating agencies. These agencies are Moody's, Standard & Poor's and Fitch. The same figure 17 also shows that 48% (31 December 2016: 78%) of Generali Schade's Solvency Capital Requirement for spread risk derives from corporate bonds and loans rated A or BBB. There is no Solvency Capital Requirement for spread risk on bonds and loans issued by European governments and central banks. Such bonds and loans are exempt from a Solvency Capital Requirement for spread risk if they are issued in the currency of the issuing country. Nor is there a Solvency Capital Requirement for spread risk for bonds issued by certain international agencies. These agencies include the European Central Bank, the International Monetary Fund and the European Investment Bank.

In practice, credit ratings vary across European countries. Credit spreads on government bonds also vary across European countries and in line with their credit ratings. Figure 18 shows the composition of Generali Schade's portfolio of government bonds by credit rating category. Again, Generali Schade applies the 'second best' rating principle. The sovereign rating of the Netherlands is AAA.

Figure 18 Constitution of the government bonds portfolio by rating category

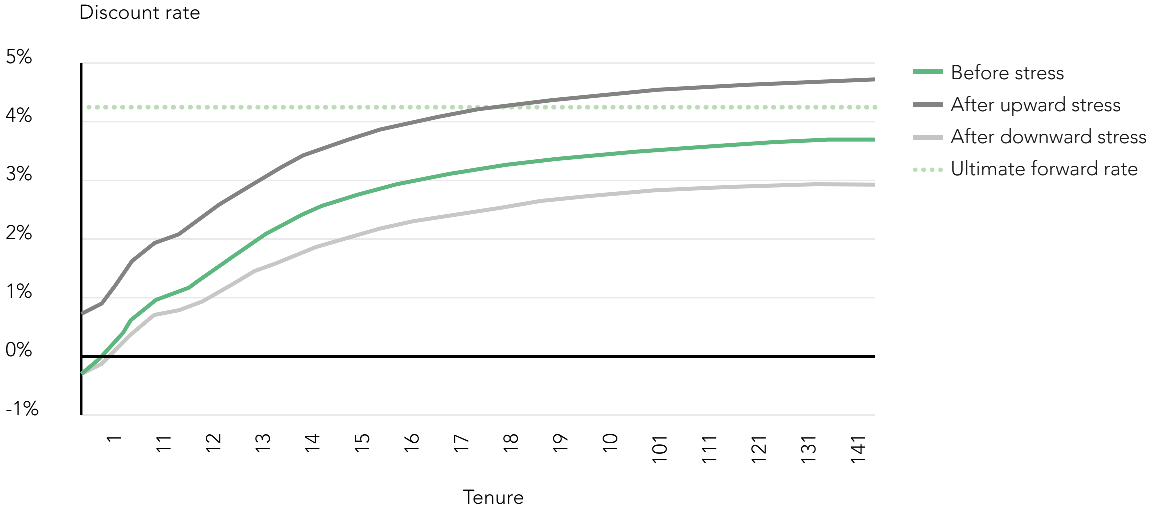


Interest rate risk is caused by a mismatch of incoming and outgoing cash flows. Incoming cash flows comprise premiums paid by policyholders and income from the fixed income investments. Outgoing cash flows comprise expected payments to beneficiaries. Generali Schade strives to match the interest rate sensitivity of its investments to that of its insurance liabilities.

Matching interest rate sensitivities of investments to that of insurance and financial liabilities is complicated under the Solvency II regime. Under the Solvency II regime, liabilities and assets are sensitive to changes in different term structures of risk-free interest rates. One of these is inferred from observed prices of financial assets. Prices for insurance liabilities cannot be observed. They must be calculated. For this purpose, the Standard Formula uses observed interest swap rates for a limited number of tenures. It then extrapolates the observed partial term structure of risk-free interest rates. It does so in a way that the annual risk-free interest rate converges to a fixed number, the ultimate forward rate. This extrapolated term structures of risk-free interest rates is not necessarily consistent with observed asset prices.

Figure 19 shows the extrapolated term structures of risk-free interest rates at 31 December 2017. It also shows the term structures of risk-free interest rates after the upward and downward interest stresses are applied. The upward stress shifts the term structure of risk-free interest rates by 100 base points and in a parallel manner. For Generali Schade the biting stress is an upward stress of the interest rates. The decrease of the value of the investments exceeds the decrease of the value of the liabilities. The scenario prescribed by EIOPA results in a capital requirement of € 5.5 million.

Figure 19 Extrapolated term structure of the risk free interest rates at 31 December 2017



C.3 Credit risk

Credit risk consists of counterparty default risk, spread risk and concentration risk. It is the 'risk of loss or adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the insurance undertaking is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations'. The spread and concentration risk arise for Generali Schade from the investment activities. These risks and the risk mitigating techniques applied by Generali Schade have been covered by the previous section about market risk. In this chapter, the risk profile of Generali Schade regarding counterparty default risk is described. Counterparty default risk is the 'risk of loss or of adverse change in the financial situation, resulting from unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the insurance undertaking'. Exposures to these counterparties and debtors arise directly from the insurance activities of Generali Schade. The direct loss in case of a default consists of the part of the claim on the counterparty that will no longer be received by Generali Schade. There can also be an indirect loss if Generali Schade has to pay another party a premium to buy a new re-insurance cover or a new risk mitigation contract.

As indicated before, Generali Schade use the Standard Formula to measure its risk exposure. Also the scenarios of the ORSA are evaluated to determine the risk exposure of the Generali Schade portfolio. EIOPA divides the counterparties and debtors in two types:
- Type 1: non homogeneous, individually identified counterparties such as banks and re-insurers; and
- Type 2: groups of homogeneous counterparties such as intermediaries, policyholder debtors and mortgage lenders.

The capital requirement for Generali Schade regarding counterparty default risk is € 7.4 million (31 December 2016: € 6.5 million). Of this SCR € 4.2 million (31 December 2016: € 3.9 million) relates to type 1 counterparty default risk, € 3.7 million (31 December 2016: € 3.0 million) to type 2 counterparty default risk and diversification benefits lead to a decrease of € 0.5 million in the SCR for counterparty default risk.

For Generali Schade the following type 1 exposures are applicable:
- Several reinsurance contracts with Generali Group as counterparty;
- Several reinsurance contracts with reinsurers as Swiss Re and Munich Re as counterparty;
- Several banks at which Generali Schade deposits its cash.

Cash that is not invested, is deposited in securities with banks. This results in type 1 counterparty default risk for Generali Schade. To mitigate the underwriting risk, part of the insurance portfolio is reinsured. Generali Schade reinsured this part of the insurance portfolio with Generali Group. These contracts leads to counterparty default risk for Generali Schade. Generali Group is the main counterpart for Generali Schade and this leads to concentration risk in the credit risk portfolio of Generali Schade.

The type 2 risk for Generali Schade emanates from the receivables and policyholder debtors.

Risk profile of Generali Schade

Generali Schade applies the Standard Formula to calculate the capital requirement for counterparty default risk. As indicated above, Generali Schade is exposed to both type 1 and type 2 counterparty default risk. In this section a description of the risk profile of Generali Schade and the measures applied to mitigate the risks is provided. In general, Generali Schade formulated the following risk preference statement regarding counterparty default risk:
- Limit the exposure to counterparty default risk.

However, counterparty default risk is inherent to the insurance business and risk mitigation techniques applied by Generali Schade and therefore this risk is acceptable. The failure of one of Generali Schade's counterparties has a significant impact on Generali Schade, therefore the counterparty default risk results in a capital requirement. In case of failure of one of the counterparties, the liquidity and Solvency position of Generali Schade will be affected. As a consequence the risk preference statement is formulated to reduce the counterparty default risk for the Generali Schade portfolio.

In calculating the counterparty default risk the credit quality of the counterparty is used. To determine the credit quality of the counterparties, Generali Schade uses information of the three largest rating agencies (Moody's, Fitch and S&P). The credit quality that is applied, is based on the second highest rating given by these rating agencies.

Managing the risk
Generali Schade reduces the probability of a counterparty default by dealing with creditworthy counterparties (at least BBB rated) when large sums of money are involved. To this end, Generali Group keeps a list of admitted counterparties. If Generali Schade wants to do business with a counterparty that is not yet on this list, approval of Generali Group is required. Generali Group then assesses whether the proposed counterparty is creditworthy. When possible, the consequences of a counterparty default are mitigated by drawing a collateral service agreement.

Banks will not post collateral against current account balances. Commercial banks transform short term deposits into long term loans. If they are required to post collateral they will not be able issue loans. To reduce the risk that a banking counterparty fails, Generali Schade deposits its money with investment grade banks. To reduce the exposure to banks, cash that is not immediately required for operational purposes is invested in a diversified money market fund managed by Generali Group.

Debtors also will not post collateral against accounts payable as this would withhold them access to that money just as paying the bill would. Borrowers may post their insurance policy as collateral or mortgage their homes. Only certain life insurance policies can be used as collateral.

C.4. Liquidity risk

Generali Schade wants to meet its insurance and other financial obligations in a timely manner and in full. Liquidities are required to settle the insurance and other financial obligations. Liquidity risk is the risk that Generali Schade cannot meet its insurance and other financial obligations in a timely manner and in full.

A liquidity is any asset that can be used to settle the insurance and other financial obligations. Cash and money-in-the-bank are examples of such liquidities. Sometimes, other assets serve as liquidity. Financial obligations include the obligation to post collateral when required on the basis of a collateral servicing agreement. German and Dutch government bonds are often accepted as collateral. In such a case, these bonds serve as liquidities.
To keep matters simple, in this section the liquidities are referred to as cash.

Generali Schade delivers relevant and accessible insurance solutions. In exchange for this insurance cover, Generali Schade receives premiums from its customers. The receipt of insurance premiums, generally, will not match payments on insurance claims. Generali Schade invests its excess cash to match the incoming to the outgoing cash flows and to add to the profitability. Variations in the timing and size of insurance claims may result in a shortfall in cash when payments are due. If there is a shortfall in cash, other assets need to be converted into cash. A liquid asset is an asset that can be converted into short notice and at low cost. This cost includes fees and the discount to the observed market price Generali Schade has to accept when converting an asset into cash. It is likely that the discount to the observed market price will be lowest for assets that are traded frequently and in large volumes on regulated markets.

The premiums do also include the EPIFP: the expected profit in future premiums. The EPIFP for Generali Schade is € 0.8 million per 31 December 2017 (31 December 2016: € 2.8 million).

Risk profile
Generali Schade formulated the following risk preference statement related to liquidity risk:
- Generali Schade maintains adequate liquidity to settle insurance and other financial claims both in a timely manner and in full, allowing for an adverse market stress scenario.

An unexpected increase in demand for cash and similar liquidities might force Generali Schade to sell financial instruments and other assets. If markets for these financial instruments and other assets are illiquid, Generali Schade might have to accept a discount on the perceived market prices. A failure to post adequate collateral may constitute a credit default and threaten the continuity of Generali's business. Generali Schade wants to reduce liquidity risk of the former type and avoid the risk of defaulting on its obligations. Therefore, to mitigate the risk of illiquidity Generali Schade holds a sufficient amount of cash on its bank account. This cash is available in case sudden payments have to be made.

On 31 December 2017, Generali Schade held € 21.6 million (31 December 2016: € 9.9 million) in liquid assets. There is minimal liquidity risk involved with these assets. It is Generali's intention to invest much surplus cash in the future.

Around 26% of Generali Schade's € 190.1 million portfolio of government bonds was invested in bonds that are rated AAA. Generali Schade holds considerable amounts of German and Dutch government bonds. These are also considered highly liquid assets.
Generali Schade is of the opinion that it has sufficient liquid assets to settle the insurance and other financial obligations at short notice and under even the severest market conditions.

Managing the risk

Generali Schade holds sufficient money in current accounts with investment grade banks for operational purposes. By using expert judgement, the amount of money that should be sufficient is determined based on the quarterly reports sent to Generali Group. To mitigate the risk of incurring a loss of value due to a distressed sale of assets, Generali Schade invests in sufficiently liquid assets. By taking into account the size of the portfolio, approximately € 297.3 million mainly consisting of premium reserves, and the strong reinsurance program, Generali Schade assumes the liquidity position to be sufficient. In case immediate liquidity is required, Generali Schade holds an investment of approximately € 50 million in liquid AAA rated assets.

C.5. Operational risk

Operational risk is the 'risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events'. The Solvency Capital Requirement covers operational risk. Within Generali operational risk is divided in compliance risk and operational risk. Examples of operational risks that are covered by SCR Standard Formula are:

- Internal and external fraud;
- Damage to physical assets;
- Process management;
- Outsourcing;
- Financial reporting risk;
- IT and security risk.

Specific compliance risks

In chapter B.4 compliance risk is defined as the risk of legal or regulatory fines, material financial losses or loss to reputation that a company may suffer as a result of not complying with laws or internal or external regulations applicable to its activities. Compliance risks includes:

- The risk of legal or regulatory sanctions: e.g., loss of license or a fine from the regulator;
- The risk of litigation by any interested party;
- The risk of reputational damage;
- The risk of other financial loss.

External fraud

External fraud concerns fraud committed by customers, suppliers, or third parties and is defined as wrongful or criminal deception intended to result in financial or personal gain for oneself or another. External fraud is a high risk scenario for Generali Schade. In particular, Generali Schade is here exposed to the risk factors products / services, supply chains, and customers. This risk scenario is particularly high with regards to customers, as there is a possibility for customers to defraud Generali Schade by sending in false claims, payment reversal, exaggeration, and concealment of relevant customer information. With regard to suppliers and third parties, Generali Schade can be exposed to intermediary/underwriting fraud where agents miss-sell or misrepresent Generali Schade products to customers.

Cybercrime

Cybercrime is defined as criminal activities carried out by means of computers or the Internet. These activities can take the form of fraud, data leaks, ransomware, and system failures as a result of cyber-attacks. Cybercrime is a high risk scenario for Generali Schade. In particular, Generali Schade is exposed to the risk factors supply chains, customers, and third parties. Generali Schade is especially vulnerable to cybercrimes regarding loss of customer data, both through the direct channel as the Intermediary one. As such, Generali Schade can fall victim to a hack of its own customer database and IT environment, as well as experience leaks resulting from agents and intermediaries with whom Generali Schade is doing business.

Next to external fraud and cybercrime risk Generali Schade considers the follow risks as significant as well:

- Privacy risk;
- Data protection risk.

Risk profile

Regarding operational risk Generali Schade formulated the following risk preference statements:
- Generali Schade acts in compliance with local legislation and with regulations that govern its industry and business;
- Generali Schade minimises any exposure to risks that do not lead to increased profitability in the medium term.

Generali Schade's policy holders expect their insurer to offer them relevant and accessible solutions. They will expect Generali Schade to do so in an effective and efficient manner. They also must rely on local legislation and regulations that protect their interests. Generali Schade, therefore, does not expect them to bear the cost of failed internal processes, personnel or systems. Consequently, Generali Schade wants to avoid operational risk.

To assess the operational risk, Generali Schade applies the standard formula model as prescribed by EIOPA. This leads to a capital requirement of € 9.2 million (2016: € 8.4 million).

Managing the risk

Generali adopted the enterprise risk management framework of the Committee of Sponsoring Organisations of the Treadway Commission (the COSO framework). This framework builds on its earlier developed internal control integrated framework. The COSO framework structure helps Generali Schade in assuring achievement of the objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Internal controls can be either preventive or detective. Effective preventive controls help us avoid or mitigate operational risk.

Next to the COSO framework Generali Group has drawn up a Directive on Internal Control and Risk Management System. This directive aims at 'ensuring a consistent internal control and risk management system framework for the Group by providing the Group Legal Entities with coherent rules'. Generali Schade builds on Generali Group's directive to implement effective controls. More details related the risk management framework in place and the setup of the internal control framework can be found in chapter B.3 and B.5 of this document.

The main material risk concentrations and sensitivity for Generali Scgade is reaching the critical scale and size of our organization in combination with availability of knowledge and expertise.
That is also the reason that the main highest scored key risks in the Group Risk Assessment are:
- Loss of Key staff;
- Internal control framework.

C.6. Other material risks

All risks included in the SCR of Generali Schade are the most material risks the company is exposed to. These risks are already described in the previous paragraphs of this chapter. Therefore, no other information is included here.

C.7. Any other information

All relevant information regarding the risk profile of Generali Schade is included in the previous paragraphs of this chapter. Therefore, no other information is included here.

D Valuation for Solvency purposes

General information
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 is given for 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.

D.1 Assets

In this chapter Generali Schade describes the valuation principles used to generate the Solvency II balance sheet. It includes the valuation of assets. In separate chapters, the valuation of the technical provisions and other liabilities are described.

Generali Schade adopted the IFRS valuation method as adopted by the EU as the basis for the financial statements. To a large extent the IFRS method used coincide with the Solvency II valuation method used to realise the Solvency II economical balance sheet. This is in accordance with article 9 of the Delegated Regulation. Article 9 of the Delegated Regulation furthermore states that only valuation methods consistent with article 75 of the Directive are to be used. Solvency II balance sheet items that are adjusted (from the IFRS value) to be consistent with article 75 are described below.
Differences between the Solvency II and IFRS valuation method exist due to reclassifications and revaluations of the assets and liabilities.

Reclassifications
Reclassifications have no influence on the amount of the own funds, but are mere differences in the presentation. The reclassifications relate to:
1. Accrued interest: interest accrual on assets and liabilities is shown separately under IFRS, whereas it is included within the market value of the specific asset or liability under Solvency II ;
2. Reclassifications for collateralised securities, according to Solvency II classification definitions;
3. Deferred taxes: Deferred tax assets and liabilities are shown combined as asset or liability under IFRS, whereas the asset and liability are shown separately under Solvency II.

Revaluations
Revaluations are a consequence of differences in valuation principles between IFRS and Solvency II. Revaluations influence the amount of own funds. To arrive at the Solvency II valuation of an asset or liability, EIOPA defined hierarchal valuation levels (article 10 of the Delegated Regulation):
- Level 1: quoted prices (unadjusted) in an active market for the same or similar assets, as defined in articles 10.2 and 10.3;
- Level 2: valuation methods in which all inputs other than quoted prices are based on observable market data (observable inputs), as defined in article 10.6;
- Level 3: valuation methods in which inputs are based on unobservable market data (unobservable inputs), only to be applied when insufficient observable and relevant market data are available to perform a full valuation based on unobservable inputs, as defined in article 10.6.

For Generali Schade the balance sheet items that are valued differently using the Solvency II requirements are:
- Deferred tax effects: Solvency II valuation is based on the IFRS deferred taxes including the tax component over the taxable valuation differences between Solvency II and IFRS;
- Loans: Solvency II valuation is based on market value, IFRS valuation regards amortised cost;
- Technical provisions and reinsurance recoverables: The value of reinsurance recoverables directly depends on the valuation methodology of the technical provisions. As the technical provisions are valuated differently under Solvency II compared to IFRS, this is reflected on the reinsurance recoverables as well. The Technical Provisions are described in paragraph D.2;
- Contingent liabilities: Under Solvency II, contingent liabilities are to be valued on the balance sheet when they are deemed to be material. Generali Schade recognises one type of contingent liabilities. Analysis of the contingent liabilities shows that it is immaterial and therefore it is valued at zero. For IFRS purposes within the normal course of business Generali Schade can be party to activities, which risks are not reflected in the financial statements. These contingent liabilities are included in the notes of the balance sheet, unless there is only a minor chance on an outflow of cash, or other valuables.

Reconciliation of the balance sheet from IFRS to Solvency II

Based on the reclassifications and revaluations specified above, the next table details the movements per balance sheet item related to as well the assets as liabilities and technical provision:

Table 12 Reconciliation IFRS to SII

(in € 1,000)	IFRS 31 December 2017	Reclassifications	Revaluations	Solvency II 31 December 2017
Assets				
Deferred tax assets	1,129	0	2,500	3,629
Participations	3,775			3,775
Investments Available for Sale	267,652	7,355	6	275,013
Loans & mortgages	4,989	-3,792	1	1,198
Reinsurance recoverables	66,209		3,811	70,020
Deposits to cedants	417			417
Insurance & intermediaries receivables	19,218			19,218
Reinsurance receivables	2,122			2,122
Receivables (trade, not insurance)	8,303			8,303
Cash and cash equivalents	21,639			21,639
Other assets (accrued interest)	3,563	-3,563		0
Total assets	**399,016**	**0**	**6,318**	**405,334**
Equity				
Paid-up and called capital	1,361			1,361
Share premium reserve	27,803			27,803
Surplus funds	51,458			51,458
Reconciliation reserve	0		3,473	3,473
Total equity	**80,622**	**0**	**3,473**	**84,095**
Liabilities				
Technical provisions - non-life (excluding health)	308,137	-76,375	618	232,380
Technical provisions - health (similar to non-life)	0	19,043	-4,902	14,141
Technical provisions - health (similar to life)	0	57,332	3,471	60,803
Deferred tax liabilities	3,663		3,658	7,321
Insurance & intermediaries payables	1,641			1,641
Reinsurance payables	3,351			3,351
Payables (trade, not insurance)	1,602			1,602
Total liabilities	**318,394**	**0**	**2,845**	321,239
Total equity and liabilities	**399,016**	**0**	**6,318**	**405,334**

Table 13 Reconciliation IFRS to SII, previous year

(in € 1,000)	31 December 2016	Reclassifications	Revaluations	31 December 2016
Assets				
Deferred tax assets	0	1,641	1,846	3,487
Participations	0			0
Investments Available for Sale	242,339	7,489	-14	249,814
Loans & mortgages	5,044	-3,847	1	1,198
Reinsurance recoverables	61,626		-4,356	57,270
Deposits to cedants	400			400
Insurance & intermediaries receivables	20,702			20,702
Reinsurance receivables	6,443			6,443
Receivables (trade, not insurance)	7,804			7,804
Cash and cash equivalents	9,881			9,881
Other assets (accrued interest)	3,641	-3,641		0
Total assets	**357,880**	**1,642**	**-2,523**	**356,999**
Equity				
Paid-up and called capital	1,361			1,361
Share premium reserve	7,803			7,803
Surplus funds	60,137			60,137
Reconciliation reserve	0		4,318	4,318
Total equity	**69,301**	**0**	**4,318**	**73,619**
Liabilities				
Technical provisions - non-life (excluding health)	272,125	-80,728	-7,366	184,031
Technical provisions - health (similar to non-life)	0	18,318	-4,060	14,258
Technical provisions - health (similar to life)	0	62,411	1,299	63,710
Deferred tax liabilities	3,026	1,641	3,286	7,953
Insurance & intermediaries payables	5,061			5,061
Reinsurance payables	4,327			4,327
Payables (trade, not insurance)	4,040			4,040
Total liabilities	**288,579**	**1,642**	**-6,841**	**283,380**
Total equity and liabilities	**357,880**	**1,642**	**-2,523**	**356,999**

The column 'reclassifications' includes the reclassification of the accrued interest. Under IFRS the accrued interest for both assets and liabilities is separately recognised as 'other assets' and 'other liabilities', for Solvency II reporting the accrued interest is reclassified to the specific assets and liabilities as required by article 9 of the Delegated Regulation as specified in the next table (table 14):

Table 14 Reclassification of accrued interest Generali Schade

IFRS (in € 1,000)		Solvency II (in € 1,000)	
Other assets	-3,563	Investments (other than assets held for index-linked and unit-linked contracts):	
		- Government bonds	2,670
		- Corporate bonds	893
		- Derivatives	
		- Other investments	3,792
		Loans and mortgages:	
		- Other loans and mortgages	-3,792
Total assets	**-3,563**	Total assets	**3,563**
		Financial liabilities	
Other liabilities	0	Total liabilities	0
Total liabilities	**0**	**Total liabilities**	**0**

Table 15 Reclassification of accrued interest Generali Schade, previous year

IFRS (in € 1,000)		Solvency II (in € 1,000)	
Other assets	-3,641	Investments (other than assets held for index-linked and unit-linked contracts):	
		- Government bonds	2,773
		- Corporate bonds	868
		- Derivatives	
		- Other investments	3,847
		Loans and mortgages:	
		- Other loans and mortgages	-3,847
Total assets	**-3,641**	**Total assets**	**3,641**
Other liabilities	0	Financial liabilities	0
Total liabilities	**0**	**Total liabilities**	**0**

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

Determination of fair value and fair value hierarchy

The following is a description of Generali Schade's methods of determining fair value, and a quantification of its exposure to financial instruments measured at fair value.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Financial instruments measured at fair value on an ongoing basis include investments for own account and investments for the account of policyholders.

Generali Schade uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that Generali Schade can access at the measurement date;
- Level 2: 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) using valuation techniques for which all significant inputs are based on observable market data;
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is the existence of published priced quotations in an active market.

Valuation techniques
In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used. The judgment as to whether a market is active may include, although not necessarily determinatively, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets assurance is obtained that the transaction price provides evidence of fair value or is determined that adjustments to transaction prices are necessary to measure the fair value of the instrument. The majority of valuation techniques are based only on observable market data, and therefore the reliability of the fair value measurement is high.

Description per asset category
The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category.

Goodwill and Intangible assets
The intangible assets related to goodwill, pre-paid commissions and other intangible assets are not recognised in the Solvency II framework and are set to nil.

Deferred tax
As described earlier any adjustment from IFRS to Solvency II -reporting will lead to a deferred tax effect for Solvency II -reporting. The deferred tax assets are related to changes between IFRS and Solvency II for the following items:
- Technical provisions
- Reinsurance recoverables

The recoverability of the net deferred tax asset was assessed both for IFRS and Solvency II purposes.

Investments – Holdings in related undertakings, including participations
No differences in valuation under IFRS and Solvency II.

Investments - Equity
The valuation techniques for financial instruments start from present value calculations. 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) (Level 3).

Investments - Bonds
The valuation of these assets is consistent with the IFRS fair value hierarchy as described above by Determination of fair value and fair value hierarchy.

Loans and mortgages
The valuation of loans is based on the level 2 method of the fair value hierarchy. The fair value of the loans is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

Reinsurance recoverables
The movement in 'reinsurance recoverables' reflects the total change in the technical provision.

Other assets
These comprise the following asset classes:
- Deposits to cedants;
- Insurance and intermediaries receivables;
- Reinsurance and trade receivables;
- Cash and cash equivalents;
- Other assets.

D.2 Technical provisions

Lines of business

The starting point in determining the technical provisions is allocating the (re)insurance assets and liabilities to homogeneous risk groups. This process is a proper trade-off between homogeneity and a significant size of the group to perform actuarial techniques. The aggregation of these homogeneous risk groups (HRG) results in the different lines of business. Based on the Solvency II lines of business as specified in Delegated Regulation 2015/35 Annex I, the table below details the lines of business applicable for Generali Schade, the HRG recognised and the products included:

Table 16 Homogeneous risk groups per LoB

Line of Business	Homogeneous risk group	Product
Non-Life and Health similar to non-life		
2. Income protection	AOV A (Provincial)	Disability
	Accident (Provincial, Underwriting Agents)	Accident
	Sickness (Provincial, Underwriting Agents)	Sickness
4. MTPL	MTPL (Provincial, Underwriting Agents, VVS)	Motor insurance (WA)
		Delivery vehicle insurance
5. Other motor	Motor Hull (Provincial, Underwriting Agents, VVS)	Motor insurance (allrisk cover)
		Caravan insurance
6. Marine, aviation and transport insurance	Marine (Bourse)	Marine
7. Fire and other damage to property	Fire (Bourse, Provincial, Underwriting Agents, Fronting)	Fire: Building insurance, Content insurance, Business interruption
	Others (Provincial, Underwriting Agents)	Other: Atomic, Bicycles, Preciosa, Electronics, Travel, Others, Pleasure crafts, Glass
8. General liability	GTPL (Provincial, Underwriting Agents, Fronting)	Personal liability
		Commercial liability
10. Legal expenses insurance	Legal expense (Provincial)	Legal expenses
Health similar to life (SLT Health)		
29. Health insurance	AOV B (Provincial)	Disability
	WAO (Provincial)	WAO
	WIA (Provincial)	WIA

Below a detailed explanation is given for the line of business Fire for Generali Schade. The classification of other LOBs is believed to be self-evident:

Fire and other damage to property

This line of business Generali Schade includes the homogeneous risk groups Fire provincial, Fire underwriting agents, Fire bourse, Other provincial, Other underwriting agents, Fire commercial fronting.
To the homogeneous risk groups Other UA/provincial the products Bicycles, Preciosa, Electronics, Travel, Others, Pleasure crafts and Glass are assigned. All these products have the same character since it compensates for loss of personal belongings. The product Travel insurance was originally intended to be assigned to the Solvency II line of business Assistance Insurance since it covers assistance for persons who get into difficulties while travelling. However the premium volume of this insurance product is too small (around € 600,000) to make it a separate homogeneous risk group and is therefore replaced to the line of business Assistance.

Non Proportional and proportional reinsurance

The lines of businesses non proportional reinsurance applicable for Generali Schade concern contracts related to MTPL, Motor Other, Fire and GTPL and income protection. As the non-proportional part is not material, Generali Schade treats all the indirect business as proportional reinsurance.

Calculation of technical provisions
Below the calculation method used to calculate the technical provisions is described.

In line with article 77(1) of the Solvency II Directive the technical provision of Generali Schade consists of the best estimate liability (BEL) and the risk margin.
The calculation of the Best estimates is split up in two main parts:
- Non-Life and Health non-SLT (Income protection);
- Health SLT (annuities stemming from non-life).
The calculation of the risk margin is described separately.

Non-Life and Health non-SLT (Income protection) Best Estimates
For Solvency II purposes the best estimate provisions, premiums and other information must be reported per line of business. Generali Schade calculates the best estimate per homogenous risk group for all non-life lines of business as well as income protection. The best estimates are determined based on the IFRS claim development tables. Using the technique of Development Factor Modelling (DFM), development patterns for claims paid and claims incurred are determined. The development patterns of the claims paid and claims incurred result in a best estimate of future claims cash flows.
The cash flows are discounted with the risk-free interest rate term structure curve as calculated by EIOPA to determine the best estimate per homogeneous risk group.

After determining the gross technical provisions, the process is repeated for the data net of reinsurance. If the best estimate net of reinsurance in a certain line of business is at least 85% of the gross amount, the same model choices will be applied. The model choices for other lines of business are separately defined for gross and net. The difference between the gross and the net technical provisions is the amount of reinsurance recoverables.

Estimated future expenses
The estimated future expenses are split up in two parts:
- Expenses based on the provision for claims outstanding (current open claims); and
- Expenses based on the premium provision (expected future claims).

The expenses are divided in the categories as described in the Delegated Regulation article 31:
- Administrative expenses;
- Claims management expenses;
- Acquisition expenses;
- Investment expenses.

The projection of expenses is based on the assumption that the undertaking will write new business in the future. The cash flow of expenses is discounted with the risk-free interest rate term structure curve as calculated by EIOPA to determine the best estimate per homogeneous risk group.

Health SLT (annuities stemming from non-life) Best Estimates
Generali Schade determines the best estimate liability (BEL) for Health SLT products in line with article 77(2) of the Solvency II Directive. In particular, the best estimate liability is determined as the probability-weighted average of future cash-flows, taking into account the time value of money, using the relevant risk-free interest rate term structure. This structure is described in the section related to the risk-free interest rate term structure. With regards to the BEL, Generali Schade distinguishes between the best estimate provision for claims outstanding and the best estimate premium provision, in line with article 36 of the Delegated Regulation.

In line with article 80 of the Solvency II Directive and article 55 of the Delegated Regulation, Generali Schade applies the best estimate calculation for all segmented homogeneous risk groups that are classified as Health SLT, as described in the section Lines of business.
The total Health SLT provision contains the best estimates of:
- Long term disability for self-employed and directors (AOV B);
  - AOV B VPU (reserve as of nine months disability);
  - AOV B IBNR (reserve as of three months till nine months disability);
- Long term disability for employees (WIA/ WGA);
- Long term disability for employees, old legislation before 2007 (WAO).

Generali Schade calculates the best estimates of Health SLT within the system Prophet (SunGard), a tool for modelling cash flows. The modelled cash flows consists of benefits, expenses, inflation and product dependent properties (indexation).

Risk Margin

The calculation of the Risk Margin is in line with the Solvency II methodology as described in the Delegated Regulation 2015/35 in article 37. For the projection of the SCR a simplification is used as discussed in article 58(a). The run off pattern of the undiscounted payments is used to project the SCR. Next a cost of capital percentage of 6% is applied, as provided in article 39 of the Delegated Regulation.

Using the above mentioned simplification the following steps are taken for calculating the risk margin:

- Standard Formula stresses are applied to determine pre-diversified capital requirements for the total portfolio;
- The basic SCR of non hedgeable risks is determined (SCR without Market Risk and Adjustments for tax;
- The future cash flow projections of all products of Generali Schade are determined. This is a combination of Non-Life and Health SLT cash flows;
- The run off pattern of the undiscounted payments of all products is used to project the SCR;
- A cost of capital percentage is applied to the projected diversified capital requirements;
- The annual cost of capital charge is discounted, with the basis risk-free rate without volatility adjustment, to obtain the total risk margin;
- The total risk margin is divided in lines of business, as described in the lines of business section. The allocation is based on the individual capital requirements.

Table 17 Risk Margin divided to Non-Life and Health SLT

(x € 1,000) Solvency Capital Requirement (before Individual Tax Absorption)	Gross of LAC	Risk Margin Non-Life	Risk Margin Health SLT
Market Risk			
Counterparty Default Risk	**7,427**	**6,569**	**767**
Life Underwriting Risk			
Health Underwriting Risk	**12,095**	**8,889**	**3,206**
- Health - SLT	3,470	0	3,470
- Health - Non-SLT	9,621	9,621	0
- Health - CAT	1,086	798	288
Non-Life Underwriting Risk	**69,572**	**69,572**	**0**
- Non-Life UW - Premium and Reserve	65,601	65,601	0
- Non-Life UW - Lapse	6,210	6,210	0
- Non-Life UW - CAT	11,298	11,298	0
Intangible			
Sum of Individual risk capital charges	**89,094**	**85,030**	**3,973**
Diversified BSCR	74,855	73,815	3,478
Operational Risk	9,158	8,501	656
Solvency Capital Requirement (SCR)	84,013	82,316	4,134
Solvency Capital Requirement (SCR)		**79,995**	**4,018**

For calculating the risk margin the same assumptions are used as for calculating the best estimate with the exception of the discount curve. Whereas the best estimate is based on an interest curve with ultimate forward rate, credit risk adjustment and volatility adjustment, the risk margin is based on an interest curve with ultimate forward rate and credit risk adjustment but without volatility adjustment.

Overview of Technical Provisions

Below an overview is presented of the composition of the Technical Provisions.

Table 18 Technical provision movement Generali Schade

(in € 1,000)	31 December 2017	31 December 2016	Difference
Best estimate liability gross of reinsurance	297,325	254,626	42,699
Recoverables from reinsurance	70,351	57,270	13,081
Best estimate liability net of reinsurance	226,974	197,356	29,618
Risk Margin	10,000	7,373	2,627
Technical provision	**236,974**	**204,729**	**32,245**

Table 19 Technical provision per Line of Business Generali Schade

(in € 1,000) Line of Business	Best estimate	Risk Margin	Technical provision	Statutory reserves
Health insurance (direct business)	59,267	1,536	60,803	57,332
Income protection insurance	13,319	822	14,141	19,043
Motor vehicle liability insurance	121,834	3,362	125,196	111,322
Other motor insurance	38,846	1,406	40,252	45,362
Marine, aviation and transport insurance	15,783	1,003	16,786	19,062
Fire and other damage to property insurance	37,098	1,447	38,545	41,604
General liability insurance	10,359	417	10,776	12,907
Legal expenses insurance	819	7	826	819
Total	**297,325**	**10,000**	**307,325**	**307,451**

Table 20 Technical provision per Line of Business Generali Schade previous year

(in € 1,000) Line of Business	Best estimate	Risk Margin	Technical provision	Statutory reserves
Health insurance (direct business)	62,891	819	63,710	62,411
Income protection insurance	13,459	799	14,258	18,318
Motor vehicle liability insurance	86,589	2,216	88,805	89,103
Other motor insurance	27,297	1,122	28,419	32,571
Marine, aviation and transport insurance	17,555	857	18,412	18,456
Fire and other damage to property insurance	34,002	1,130	35,132	38,021
General liability insurance	12,789	429	13,218	13,200
Legal expenses insurance	45	2	47	45
Total	**254,627**	**7,374**	**262,001**	**272,125**

Other methodologies

Below a description is given of the inclusions and exclusions within the valuation and calculations methods used by Generali Schade to calculate the final amount of technical provisions:

- Generali Schade does not model extremely large claims separately because there is not a significant amount of large claims in the history of the portfolio. Large claims that are still open after seven years need to be specified by the claim experts;
- For Generali Schade, there is no lapse assumed because of the short contract durations for all policies in the portfolio;
- Generali Schade does not use technical provisions that have been calculated as a whole;
- Generali Schade uses unbundling of material contracts. Part of the distribution channel Underwriting agents is the underwriting agent VVS. As this agent represents a material part of the portfolio, with specific fronting products, Generali Schade separates this specific agent from the distribution channel underwriting agents. The lines of business of the VVS portfolio are separate homogeneous risk groups within Generali Schade;
- There are no material options or guarantees within the portfolio of Generali Schade;
- Generali Schade did not apply a procedure to get approval from DNB for the use of transitional measures, neither does Generali Schade hold any matching adjustment portfolio.

Finally, the Actuarial Function validates the entire best estimate process. Also back testing – comparing the current model with the model of the previous year – is part of the process for both Non-life and Health SLT best estimates.

For all groups the distribution channel Generali Direct (which was introduced in 2015) is allocated to the Provincial risk group. Generali Direct sells the same products as Provincial. The Generali Direct channel does not have enough history to be used separately in the actuarial analysis. This is annually being re-evaluated.

Contract boundaries

Solvency II requires the calculation of liabilities and expected profits in future premiums (EPIFP). For this, the starting point is that the contract boundaries need to be clear. The guidelines for these contract boundaries are described in the Delegated Regulation (articles 17, 18 and 36). In addition EIOPA also issued Guidelines on contract boundaries.

Non-life and Health non-SLT (income protection)
In order to calculate the future premium per year, Generali Schade uses the contract boundary (as remaining part of the year* annual premium). Due to the short contract boundaries this only concerns 2018 and for products within the bourse sales channel also a small part of 2019.

Health SLT (annuities stemming from non-life)
The contract boundaries are determined in line with Guidelines on contract boundaries that EIOPA issued. According to the policy terms of the Generali Schade disability products the premium of the individual policyholders can be adjusted annually, therefore the contract boundary is set on one year.

Expected Profits Included in Future Premiums
The next step is to calculate the Expected Profits Included in Future Premiums (EPIFP), where besides the future premium, also expenses (administration expenses, claim handling expenses and investment expenses), the claims payment pattern and the loss ratio data are used.

Non-Life and Health non-SLT (income protection)
Both the administration and claim handling expenses are allocated to the different lines of business. The assumption is that 25% of the administration expenses is allocated as a percentage of the paid claims and 75% is allocated as a percentage of the premium of the active policies. The full claim handling costs are allocated to the claims and transferred as a percentage of the (future) paid claims.

The future claims (claims payment pattern) are estimated by using the loss ratio per line of business. The loss ratios of the last three years are determined and a weighted average is calculated (3:2:1). Generali Schade can adjust the weightings if:
- An extreme event has taken place in one of the years;
- There is a trend in the last three years;
- Information indicates that future claims will be notably different, such as premium adjustments, claim handling process adjustments or macro-economic factors.

The total annual estimated claim costs are based on both the loss ratio and the future premium and (using the payment pattern) projected to a cash flow.
The annual expenses are based on a mix of future premium (percentage of the administration expenses), future claims (administration and claim handling expenses) and the estimated reserves (investment expenses).
The EPIFP is the discounted sum of the resulting cash flows and is only taken, according to EIOPA guideline 75, if the outcome is negative (when the future premiums exceed the cash out-flows (expenses and claim costs)).

Health SLT (annuities stemming from non-life)
The future claims are based on the portfolio on the reporting date and the disability rates used in calculating the best estimate. The cash flow of the expenses follows the payment pattern of these claims. Investment expenses are excluded. The total level of reserves determines the level of the cash flows.
Disability rates are based on the AOV 2009 market model.

Risk-Free interest rate
Generali Schade uses, as risk-free interest rate term structure for Solvency II purposes, the Swap curve plus ultimate forward rate (UFR) plus volatility adjustment (VA) plus credit risk adjustment (CRA), provided by the European Insurance and Occupational Pensions Authority (EIOPA).

Generali Schade does not use the Economic Scenario Generator. The impact of a change to zero if the volatility adjustment on the financial position of Generali Schade is shown in the following table:

Table 21 Impact of volatility adjustment Generali Schade

(in € 1,000)	with VA	without VA	impact VA
Best Estimate	297,325	297,650	325
Risk Margin	10,000	10,004	4
Solvency Capital Requirement	83,398	83,480	82
Minimum Capital Requirement	37,529	37,566	37
Basic Own Funds	84,095	83,897	-198
Amounts of Own Funds to cover the Minimum Capital Requirement	84,095	83,897	-198
Amounts of Own Funds to cover the Solvency Capital Requirement	84,095	83,897	-198
Solvency Capital Requirement	**101%**	**100%**	**0%**

Table 22 Impact of volatility adjustment Generali Schade, previous year

(in € 1,000)	with VA	without VA	impact VA
Best Estimate	254,626	255,570	944
Risk Margin	7,373	7,373	0
Solvency Capital Requirement	66,204	66,437	233
Minimum Capital Requirement	29,792	29,897	105
Basic Own Funds	73,620	73,057	-563
Amounts of Own Funds to cover the Minimum Capital Requirement	73,620	73,057	-563
Amounts of Own Funds to cover the Solvency Capital Requirement	73,620	73,057	-563
Solvency Capital Requirement	**111%**	**110%**	**1%**

The impact of the volatility adjustment on the Solvency II ratio is 0.3%.

D.3 Other liabilities

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 methods for IFRS and Solvency II purposes are addressed in detail per liability category.

Deferred tax liabilities
The deferred tax movements are mainly related to revaluation of the BEL.

Other liabilities
Thee comprise the following liability classes:
- Insurance and intermediaries payables;
- Reinsurance payables;
- Payables (trade, not insurance).

Provisions
Provisions are defined as:
- present obligation (legal or constructive) as a result of a past event;
- It is probable (i.e. more likely than not, >50%) that an outflow of resources embodying economic benefits will be required to settle the obligation, and;
- A reliable estimate can be made of the amount of the obligation.
- Solvency II prescribes that all provisions be recognised on the Solvency II balance sheet.

Contingent liabilities
Contingent liabilities are defined as:
- a possible (<50%) 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 not recognised on the IFRS balance sheet.

Solvency II prescribes that all contingent liabilities be recognised on the Solvency II balance sheet. This covers cases where the amount cannot be measured reliably or when the probability is <50%. A regular process is in place to determine the amount of contingent liabilities that should be recognised on the Solvency II balance sheet.

D.4 Alternative methods for valuation

Generali Schade does not value the assets and liabilities (including TP) different than described in paragraphs D.1, D.2 and D.3 of this document.

D.5 Any other information

All relevant information regarding the valuation of the assets and liabilities is included in the previous paragraphs. Therefore, no other information is included.

E Capital management

Insurance undertakings must hold sufficient risk capital to give policyholders and other beneficiaries reasonable assurance that payments are made when they fall due. On 1 January 2016, the Solvency II Guidelines of the European Union took effect. These new solvency guidelines define more risk-based capital requirements for insurance undertakings than the old solvency guidelines. This capital requirement should reflect the true risk profile of the insurance undertaking.

Generali Schade uses the Standard Formula defined in the Solvency II Guidelines for the calculation of its Solvency Capital Requirement. In this chapter the solvency position of Generali Schade is described. The capital management policy is described in this chapter. This policy is used by Generali Schade to manage its own funds. The capital position is described in paragraph E.1. In this report the term ‘own funds’ is used to discern between the Solvency II and other definitions of capital. In paragraph E.2. the solvency position of Generali Schade is described. This position is expressed as the ratio between the eligible own funds and the Solvency Capital Requirement.

In general, all own funds of Generali Schade are tier 1 own funds, which means they are of the highest possible quality. As indicated the own funds, SCR and MCR of Generali Schade are described in this chapter. In calculating the own funds, Generali Schade makes no use of any transitional arrangements, simplifications or undertaking specific parameters. Ancillary own funds are not applicable to Generali Schade and the undertaking does not apply any deductions to the own funds.

Capital Management policy

The principles for capital management are documented in the capital and dividend policy of Generali Schade. At the core of this capital and dividend policy is the ratio of eligible own funds to the Solvency Capital Requirement. This is known as the Solvency II ratio. Generali Schade wants to hold sufficient eligible own funds to cover at least 110% of its Solvency Capital Requirement, which is the hard risk tolerance.

Besides this risk tolerance, also an ‘early warning threshold’ is defined. When the Solvency II ratio drops below this level, Generali Schade will implement measures to avoid that it ends up below the risk tolerance limit. Therefore, the early warning threshold for the Solvency II ratio is set at 125%. Actions that can be taken in case of a warning vary from lowering the risk profile of Generali Schade to applying for a capital endowment from Generali Group. The ambition of Generali Schade is higher than the early warning threshold.

The solvency position of Generali Schade is assessed on a quarterly basis. The assessment involves the calculation of both the own funds and the Solvency Capital Requirement. The outcomes of these calculations are discussed with the Chief Financial Officer of Generali Nederland and presented to the Executive board of Generali Nederland. At least annually, the Executive board is presented with a report on the Own Risk and Solvency Assessment. This gives a more comprehensive picture of the risk management activities and how they contribute towards achieving the strategic objectives of Generali Schade.

Generali Nederland’s Own Risk and Solvency Assessment report discusses the solvency position of both the life insurance and general and health insurance entities of Generali Nederland. The report provides projections of the own funds and Solvency Capital Requirement for a period equal to the strategic planning cycle. Projections are provided for a range of scenarios. This allows the Executive board of Generali Nederland to have a better view and understanding of the risks to which Generali Schade is exposed and to draw up contingency plans in case adverse scenarios materialise. Besides discussing the content of the ORSA with the Executive board, the most recent quarterly results and the report on the Own Risk and Solvency Assessment are also discussed with the Supervisory Board of Generali Nederland.

E.1 Own funds

At 31 December 2017, Generali Schade had € 87.1 million (31 December 2016: € 73.6 million) capital according to International Financial Reporting Standards. This capital measure is also known as equity. Under Solvency II, different reporting standards are applied. Under Solvency II, all the assets and liabilities are valued as if they are traded on free markets. This results in a different capital measure that is known as 'own funds'.

Table 23 reconciles the company's own funds with its reported equity. The table shows that there is a total positive adjustment of € 4.6 million (31 December 2016: € 5.8 million) before corporate tax. This adjustment, primarily, is due to the discounting of expected claims settlements. International Financial Reporting Standards do not allow for discounting future payments on claims. Discounting of future payments reflect the opportunity for the insurer to generate interest income during the period that the insurer processes the claim. The deferred corporate tax on aforementioned market value adjustments amounts to 25% of the adjustment, being € 1.2 million (31 December 2016: € 1.4 million). The reconciliation reserve equals the market value adjustment to equity, after allowing for corporate tax. On 31 December 2017, the reconciliation reserve amounted to € 3.5 million (31 December 2016: € 4.3 million).

Table 23 Own funds at 31 December 2017

Adjustment (in € 1,000)	Capital 31 December 2017	Capital 31 December 2016
Equity (International Financial Reporting Standards)	80,622	69,301
Loans valued at amortised cost	8	-13
Capital after adjustment of investments and financial liabilities	**80,630**	**69,288**
Technical provisions after reinsurance	4,623	5,770
Own Funds before deferred tax adjustments	**85,253**	**75,058**
Deferred tax adjustment	-1,158	-1,439
Available Own Funds	**84,095**	**73,619**

Table 24 provides a more detailed analysis of the change in own funds during 2017. In May 2017, Generali Schade received a capital endowment of € 20 million. Assicurazioni Generali made a capital endowment through the Generali Nederland holding company. Because of the growth in its insurance portfolio during 2016, Generali Schade experienced an increase in its Solvency Capital Requirement. The € 20 million capital endowment covered the increase in the Solvency Capital Requirement and allowed for further growth in the insurance portfolio during 2017.

In 2017, Generali Schade suffered a book loss of € 5.7 million. In addition, the revaluation reserve for its bonds portfolio decreased by € 3.0 million. International Financial Reporting Standards recognise profits on bonds upon sale. As long as the bonds remain in portfolio, the unrealised profit shows as revaluation reserve in the company's accounts. In total, therefore, equity increased by € 14.3 million after corporate tax. In addition to these changes in book values, there was a decrease in the reconciliation reserve of € 0.8 million, after corporate tax.

Table 24 Movement in own funds during 2017

Own Funds (in € 1,000)	Capital 31 December 2017	Capital 31 December 2016
Ordinary share capital	1,361	1,361
Share premium reserve	7,803	7,803
Other reserves	60,137	57,701
Equity at 1 January	**69,301**	**66,865**
Reconciliation reserve	4,318	4,189
Own Funds at 1 January	**73,619**	**71,054**
Result for the period	-5,667	4,667
Movements in other reserves	-3,012	-2,230
Capital endowment	20,000	0
Movement in the reconciliation reserve	-845	128
Own Funds at 31 December 2017	**84,095**	**73,619**

Generali Schade also assesses the quality of available own funds. For this purpose, the available own funds are classified as either tier 1, tier 2 or tier 3 own funds. The highest quality own funds are classified as tier 1. The lowest quality own funds are classified as tier 3. Solvency II regulations set restrictions to the amounts of own funds classified as tier 2 or tier 3 that can serve to cover Generali Schade's Solvency Capital Requirement and its Minimum Capital Requirement. Generali Schade's own funds are 100% tier 1 own funds.

Solvency II regulations limit the amounts of tier 2 and tier 3 own funds that are eligible to cover the SCR and MCR, but this restriction is not applicable to Generali Schade as all own funds classify as tier 1. This means that all own funds are eligible to cover the SCR and MCR of Generali Schade.

Subsequent events
On 5 February 2018 100% of the shares in Generali Nederland nv were acquired by ASR Nederland NV. As of that date the statutory directors and supervisory directors resigned and were replaced by appointees of ASR, and the name of Generali Nederland nv was altered to ASR Utrecht NV. The articles of association were modified. Various other changes are planned and integration plans are being fleshed out in order to integrate Generali Nederland nv and its subsidiaries into the ASR group of companies. Some of these plans will require approval from the Company's Works Council. Public records, such as the registers of the Chamber of Commerce, have been adjusted to reflect these changes. The governance structure has been adjusted to comply with that of ASR.

Relationships with companies belonging to the Assicurazioni Generali group were severed to the extent possible, although several transitional arrangements have been entered into to limit the disruption caused by the change in ownership.

Every effort has been made to inform customers and business partners of the change in ownership.

High level integration plans, which were shared with regulators as part of the process of gaining approvals for the change of control, are being worked out in further detail and are expected to lead to further changes in 2018 and subsequent years as the activities of Generali Nederland nv and its subsidiaries will be integrated into those of the ASR group of companies.

Following the change in ownership of Generali Nederland nv and in line with the plans submitted to the Dutch regulatory authorities the existing board members all resigned from their functions and were discharged of their responsibilities to Generali Nederland nv. A new Generali Schade Management Board was appointed consisting of the following individuals:
- Mr Jos Baeten CEO
- Mr Chris Figee CFO
- Ms Karin Bergstein, and
- Mr Michel Verwoest

Similarly, a new Generali Nederland Supervisory Board was appointed consisting of:
- Mr Kick van der Pol, Chair
- Ms Annet Aris
- Mr Cor van den Bos, and
- Mr Herman Hintzen

E.2 Solvency Capital Requirement and Minimum Capital Requirement

In table 25 the composition of the Solvency Capital Requirement is described.

Table 25 SCR break-down

(in € 1,000)	31 December 2017	31 December 2016
Financial risks	8,810	7,027
Credit risks	7,427	6,502
Life underwriting risks	0	0
Health underwriting risks	12,095	11,730
Non-Life underwriting risks	69,572	54,743
Intangible risks	0	0
Diversification benefits	-19,972	-17,740
SCR after diversification	**77,932**	**62,262**
Operational risks	9,158	8,408
SCR before tax	**87,090**	**70,670**
Tax absorption	-3,691	-4,464
Total SCR	**83,398**	**66,206**

The SCR increased from € 66.2 million to € 83.4 million ultimo 2017, an increase of € 17.2 million.

In table 26 the composition of the BSCR before and after diversification per 31-12-2017 is described:

Table 26 SCR break-down

	31 December 2017		
(in € 1,000)	Before diversification	After diversification	After diversification %
Market risks	8,810	3,514	5%
Counterparty default risks	7,427	4,521	6%
Life underwriting risks	-	-	
Health underwriting risks	12,095	2,507	3%
Non-Life underwriting risks	69,572	67,390	86%
Intangible risks	-	-	
Diversification benefits	-19,972	-	
BSCR after diversification	**77,932**	**77,932**	**100%**

In table 27 the composition of the market risks before and after diversification per 31-12-2017 is described:

Table 27 Market risks Break-down

	31 December 2017		
(in € 1,000)	Before diversification	After diversification	After diversification %
Interest risks	5,487	3,418	39%
Equity riks	1,312	848	10%
Property risks	-	-	
Spread risks	5,840	4,523	51%
Concentration risks	434	21	0%
Currency risks	-	-	
Diversification benefits	-4,263		
Market risks after diversification	**8,810**	**8,810**	**100%**

In table 28 the composition of the counterparty default risks before and after diversification per 31-12-2017 is described:

Table 28 Counterparty default risks Break-down

	31 December 2017		
(in € 1,000)	Before diversification	After diversification	After diversification %
Default type 1	4,248	4,012	54%
Default type 2	3,689	3,415	46%
Diversification benefits	-510		
Default risks after diversification	**7,427**	**7,427**	**100%**

In table 29 the composition of the health underwriting risks before and after diversification per 31-12-2017 is described:

Table 29 Health underwriting risks break-down

	31 December 2017		
(in € 1,000)	Before diversification	After diversification	After diversification %
Health SLT underwriting risks	3,470	2,454	20%
Health NSLT underwriting risks	9,621	9,250	77%
Health Catastrophe risks	1,086	391	3%
Diversification benefits	-2,083		
Health risk after diversification	**12,095**	**12,095**	**100%**

In table 30 the composition of the health SLT underwriting risks before and after diversification per 31-12-2017 is described:

Table 30 Health SLT underwriting risks break-down

	31 December 2017		
(in € 1,000)	Before diversification	After diversification	After diversification %
Mortality risk	-	-	-
Longevity risk	238	40	1%
Disability risk	3,131	2,974	86%
Lapse risk	597	142	4%
Expenses risk	331	235	7%
Revision risk	427	80	2%
Diversification benefits	-1,254		
Health SLT risk after diversification	**3,470**	**3,470**	**100%**

In table 31 the composition of the health SLT underwriting risks before and after diversification per 31-12-2017 is described:

Table 31 Health NSLT underwriting risks break-down

(in € 1,000)	31 December 2017 Before diversification	After diversification	After diversification %
Premium and reserve risk	9,558	9,496	99%
Lapse risk	1,098	125	1%
Diversification benefits	-1,035		
Health NSLT risk after diversification	**9,621**	**9,621**	**100%**

In table 32 the composition of the Non-Life underwriting risks before and after diversification per 31-12-2017 is described:

Table 32 Non-Life underwriting risks break-down

(in € 1,000)	31 December 2017 Before diversification	After diversification	After diversification %
Premium and reserve risks	65,601	64,520	93%
Lapse risks	6,210	554	1%
Non Life Catastrophe risks	11,298	4,498	6%
Diversification benefits	-13,537		
Non Life risk after diversification	**69,572**	**69,572**	**100%**

In table 33 the composition of the Minimum Capital Requirement is described:

Table 33 BSCR break-down

	31 December 2017		31 December 2016	
(in € 1,000)	Non-life activities	Life activities	Non-life activities	Life activities
MCRNL Result	39,645		32,450	
MCRL Result		1,027		1,112
Overall MCR calculation				
Linear MCR		40,672		33,562
SCR		83,398		66,206
MCR cap		37,529		29,792
MCR floor		20,850		16,551
Combined MCR		37,529		29,792
Absolute floor of the MCR		3,700		3,700
Minimum Capital Requirement		**37,529**		**29,792**

The MCR increased from € 29.8 million to € 37.5 million ultimo 2017, an increase of approx. € 7.7 million.

Figure 20 shows the eligible own funds at 31 December 2017 as well as the Solvency Capital Requirement and Minimum Capital Requirement for Generali Schade. It shows that Generali Schade holds sufficient eligible tier 1 own funds to cover both the Solvency Capital Requirement and Minimum Capital Requirement. Such was the case all through the year.

Figure 20 Eligible own funds in € 1,000

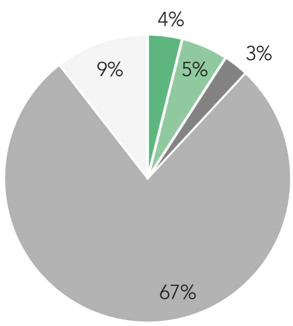
On 31 December 2017, the Solvency Capital Requirement for Generali Schade stood at € 83.4 million (31 December 2016: € 70.7 million), after diversification and before taxes. The company's balance sheet shows a net deferred tax liability on fair value basis of € 3.7 million (31 December 2016: € 4.5 million). Dutch tax legislation allows for a carry forward of taxable losses up to nine years, lowering the future tax burden. The lower tax burden, effectively, absorbs part of the loss. This loss absorbing capacity of the net deferred taxes, results in a Solvency Capital Requirement after tax of € 83.4 million.

The eligible own funds that covered the Solvency Capital Requirement amounted to € 84.1 million at December 2017 (31 December 2016: € 73.6 million). The 2017 Solvency II ratio, therefore, is 101% (31 December 2016: 111%).

Generali Schade applies the Standard Formula to calculate both its Solvency Capital Requirement and its Minimum Capital Requirement. At December 2017, the MCR of Generali Schade is € 37.5 million (31 December 2016: € 29.8 million). The coverage of this € 37.5 million MCR by the eligible own funds is 224% (31 December 2016: 247%). In chapter C the composition of the Basic Solvency Capital Requirement was provided.

In the following figure, the composition of the SCR excluding the LAC DT is provided.

Figure 21 SCR before LAC DT



SCR Market	4%
SCR Default	5%
SCR Life	0%
SCR Health	3%
SCR Non-life	67%
SCR Intangible	0%
SCR Operational	9%

When the own funds are calculated, a volatility adjustment is applied by Generali Schade. To avoid Generali Schade's dependency on this adjustment, it also wants to hold sufficient eligible own funds to cover its Solvency Capital Requirement in case the volatility adjustment would not be applied. The Solvency II ratio of Generali Schade without the volatility adjustment is 100% (31 December 2016: 110%).

The volatility adjustment aims to eliminate the impact of changes in yield spreads on the financial position of insurers. It does so for changes in yield spreads that are not attributable to the likelihood of a default. The yield spread, or spread is the premium over the relevant risk-free interest rate that an interest-paying instrument yields. An investor will demand such a premium over the risk-free interest rate to compensate him for investment risks. One of the risks involved with investing in an interest-paying instrument is the risk that its issuer will default on his obligations. The yield spread will also depend on the investors' attitudes towards investment risks. Yield spreads fluctuate over time in line with the perceived riskiness of investments and attitudes towards that riskiness. Insurers that invest in an interest-paying instrument have the opportunity to hold it until it matures. When they do, they are only exposed to the probability that the issuer of the interest-paying instrument defaults on his obligations. As a consequence, it can earn the spread unless the issuer of the interest-paying instrument defaults on his obligations.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

For Generali Schade the equity exposure is very limited. Therefore, the duration-based equity risk sub-module is not used in the determining the SCR for equity risk.

E.4. Differences between the Standard Formula and any internal model used

Generali Schade applies the Standard Formula as provided by EIOPA. Therefore, no documentation on an Internal Model is included.

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

Generali Schade is in compliance with the requirements for the MCR and SCR, therefore no information on the non-compliance with the Delegated Regulation is included.

E.6 Any other information

All relevant information regarding the Own Funds and Solvency Capital Requirement is included in the previous paragraphs of this chapter. Therefore, no other information is included.

Appendix I Public Disclosure Templates

Based on Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council, insurance and reinsurance undertakings are required to publicly disclose as part of their solvency and financial condition report the templates as listed below (the numbers are disclosed in thousands of units):

- Template S.02.01.02, specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC;
- Template S.05.01.02, specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
- Template S.12.01.02, specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT') for each line of business as defined in Annex I to Delegated Regulation (EU) 2015/35;
- Template S.17.01.02 of Annex I, specifying information on non-life technical provisions, following the instructions set out in S.17.01 of Annex II for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
- Template S.19.01.21 of Annex I, specifying information on non-life insurance claims in the format of development triangles, following the instructions set out in S.19.01 of Annex II for the total non-life business;
- Template S.22.01.21, specifying information on the impact of the long term guarantee and transitional measures;
- Template S.23.01.01, specifying information on own funds, including basic own funds and ancillary own funds;
- Template S.25.01.21, specifying information on the Solvency Capital Requirement calculated using the Standard Formula;
- Template S.28.01.01, specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance.

S.02.01.02 - Balance sheet

(in € 1,000)		Solvency II value
Assets		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	3,629
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked funds)	R0070	**278,788**
Property (other than for own use)	R0080	
Participations	R0090	3,775
Equities	R0100	*945*
Equities - listed	R0110	
Equities - unlisted	R0120	945
Bonds	R0130	*270,269*
Government Bonds	R0140	195,179
Corporate Bonds	R0150	75,090
Structured notes	R0160	
Collateralised securities	R0170	3,799
Investment funds	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked funds	R0220	
Loans & mortgages	R0230	**1,198**
Loans & mortgages to individuals	R0240	
Other loans & mortgages	R0250	
Loans on policies	R0260	1,198
Reinsurance recoverables from:	R0270	**70,020**
Non-life and health similar to non-life	R0280	*59,639*
Non-life excluding health	R0290	58,088
Health similar to non-life	R0300	1,550
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	*10,381*
Health similar to life	R0320	10,381
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	417
Insurance & intermediaries receivables	R0360	19,218
Reinsurance receivables	R0370	2,122
Receivables (trade, not insurance)	R0380	8,303
Own shares	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	21,639
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	**405,335**

(in € 1,000)		Solvency II value
Liabilities		
Technical provisions – non-life (Statutory column)	R0510	
Technical provisions - non-life (excluding health)	R0520	**232,381**
TP calculated as a whole	R0530	
Best Estimate	R0540	224,739
Risk margin	R0550	7,642
Technical provisions - health (similar to non-life)	R0560	**14,141**
TP calculated as a whole	R0570	
Best Estimate	R0580	13,319
Risk margin	R0590	822
Technical provisions - life (excluding index-linked and unit-linked) (Statutory column)	R0600	
Technical provisions - health (similar to life)	R0610	**60,803**
TP calculated as a whole	R0620	
Best Estimate	R0630	59,267
Risk margin	R0640	1,536
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	**0**
TP calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	**0**
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	7,321
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	1,641
Reinsurance payables	R0830	3,351
Payables (trade, not insurance)	R0840	1,602
Subordinated liabilities	R0850	**0**
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	**321,240**
Excess of assets over liabilities	R1000	**84,095**

S.05.01.02 - Premiums, claims and expenses

(in € 1,000)		Line of Business for: non-life insurance and reinsurance obligations (direct busines and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and surityship insurance	Legal expenses insurance	Assistance	Miscella-neous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110		25,390		88,058	82,231	19,492	64,903	10,150		1,825							**292,049**
Gross - Proportional reinsurance accepted	R0120		173		2,307	1,366		596	608									**5,050**
Gross - Non-proportional reinsurance accepted	R0130																	**0**
Reinsurers' share	R0140		2,319		4,688	17,447	750	5,183	1,401		2,228							**34,016**
Net	R0200	**0**	**23,244**	**0**	**85,677**	**66,150**	**18,742**	**60,316**	**9,357**	**0**	**-403**	**0**	**0**	**0**	**0**	**0**	**0**	**263,083**
Premiums earned																		
Gross - Direct Business	R0210		25,137		88,157	68,751	19,436	64,190	10,148		1,821							**277,640**
Gross - Proportional reinsurance accepted	R0220		188		2,634	1,638		581	697									**5,738**
Gross - Non-proportional reinsurance accepted	R0230																	**0**
Reinsurers' share	R0240		2,342		5,038	5,063	750	5,251	1,510		2,219							**22,173**
Net	R0300	**0**	**22,983**	**0**	**85,753**	**65,326**	**18,686**	**59,520**	**9,335**	**0**	**-398**	**0**	**0**	**0**	**0**	**0**	**0**	**261,205**
Claims incurred																		
Gross - Direct Business	R0310		16,100		73,587	45,977	11,734	42,191	4,658		-6							**194,241**
Gross - Proportional reinsurance accepted	R0320		24		-4,160	413	1	9	-327									**-4,040**
Gross - Non-proportional reinsurance accepted	R0330																	**0**
Reinsurers' share	R0340		836		-1,836	3,690	-965	536	1,405		2							**3,668**
Net	R0400	**0**	**15,288**	**0**	**71,263**	**42,700**	**12,700**	**41,664**	**2,926**	**0**	**-8**	**0**	**0**	**0**	**0**	**0**	**0**	**186,533**
Changes in other technical provisions																		
Gross - Direct Business	R0410																	**0**
Gross - Proportional reinsurance accepted	R0420																	**0**
Gross - Non-proportional reinsurance accepted	R0430																	**0**
Reinsurers' share	R0440																	**0**
Net	R0500	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	R0550		**6,434**		**25,516**	**19,743**	**4,832**	**21,866**	**4,376**		**-370**							**82,397**
Other expenses	R1200																	
Total expenses	R1300																	**82,397**

S.05.01.02 - Premiums, claims and expenses (continued)

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	16,264								16,264
Reinsurers' share	R1420	2,184								2,184
Net	R1500	**14,080**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**14,080**
Premiums earned										
Gross	R1510	16,409								16,409
Reinsurers' share	R1520	2,191								2,191
Net	R1600	**14,218**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**14,218**
Claims incurred										
Gross	R1610	2,562								2,562
Reinsurers' share	R1620	2,200								2,200
Net	R1700	**362**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**362**
Changes in other technical provisions										
Gross	R1710									0
Reinsurers' share	R1720									0
Net	R1800	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	R1900	**5,156**								**5,156**
Other expenses	R2500									
Total expenses	R2600									**5,156**

S.12.01.02 - Technical Provisions relating to life insurance and health insurance

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options and guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010						**0**
Total Recoverables from reinsurance and SPV before the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		59,267				**59,267**
Total recoverables from reinsurance and SPV before the adjustment for expected losses due to counterparty default	R0080		10,380				**10,380**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		**48,887**	0	0	0	**48,887**
Risk Margin	R0100	**1,536**					**1,536**
Amount of the transitional on Technical Provisions							
Technical provisions calculated as a whole	R0110						**0**
Best Estimate	R0120						**0**
Risk Margin	R0130						**0**
Technical provisions - total	R0200	**60,803**			**0**	**0**	**60,803**

S.17.01.02 - Non-life Technical Provisions

		Line of Business for: non-life insurance and reinsurance obligations (direct busines and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
(in € 1,000)		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and surityship insurance	Legal expenses insurance	Assis-tance	Miscel-laneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	0
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expectefd losses due to counterparty default associated to TP as a whole	R0050																	**0**
Technical Provisions calculated as sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	R0060	**0**	**-805**	**0**	**13,918**	**32,770**	**-136**	**4,914**	**-873**	**0**	**48**	**0**	**0**	**0**	**0**	**0**	**0**	**49,836**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		-22		315	29,712	0	381	157		48							30,591
Net Best Estimate of Premium Provisions	R0150		-783		13,603	3,058	-136	4,533	-1,030		0							19,245
Claims provisions																		
Gross - Total	R0160	**0**	**14,124**	**0**	**107,916**	**6,076**	**15,919**	**32,184**	**11,232**	**0**	**771**	**0**	**0**	**0**	**0**	**0**	**0**	**188,222**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		1,573		14,969	695	1,011	5,844	3,809		765							28,666
Net Best Estimate of Claims Provisions	R0250		12,551		92,947	5,381	14,908	26,340	7,423		6							159,556
Total Best estimate - gross	R0260	**0**	**13,319**	**0**	**121,834**	**38,846**	**15,783**	**37,098**	**10,359**	**0**	**819**	**0**	**0**	**0**	**0**	**0**	**0**	**238,058**
Total Best estimate - net	R0270	**0**	**11,768**	**0**	**106,550**	**8,439**	**14,772**	**30,873**	**6,393**	**0**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**178,801**
Risk margin	R0280		822		3,362	1,406	1,003	1,447	417		7							8,464
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320	**0**	**14,141**	**0**	**125,196**	**40,252**	**16,786**	**38,545**	**10,776**	**0**	**826**	**0**	**0**	**0**	**0**	**0**	**0**	**246,522**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0330	**0**	**1,551**	**0**	**15,284**	**30,407**	**1,011**	**6,225**	**3,966**	**0**	**813**	**0**	**0**	**0**	**0**	**0**	**0**	**59,257**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	**0**	**12,590**	**0**	**109,912**	**9,845**	**15,775**	**32,320**	**6,810**	**0**	**13**	**0**	**0**	**0**	**0**	**0**	**0**	**187,265**

S.19.01.21 - Non-life Insurance claims information

Gross Claims Paid (non-cumulative)		Development year (absolute amount) 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100	226,892	154,540	28,133	14,989	9,297	8,057	5,540	3,081	1,231	1,966	4,803	R0100	281	458,530
2008	R0160	49,716	40,546	7,683	2,708	3,737	972	949	1,049	93	284		R0160	284	107,737
2009	R0170	65,819	41,996	9,539	3,908	2,104	1,432	1,068	672	213			R0170	213	126,749
2010	R0180	68,260	56,113	12,069	4,313	3,659	1,785	851	983				R0180	983	148,031
2011	R0190	76,253	51,232	10,790	5,370	2,995	1,541	1,749					R0190	1,749	149,931
2012	R0200	85,716	52,297	11,861	5,620	4,602	2,251						R0200	2,251	162,346
2013	R0210	85,798	56,573	14,166	5,977	5,173							R0210	5,173	167,686
2014	R0220	82,436	39,083	11,145	5,665								R0220	5,665	138,329
2015	R0230	83,753	38,466	11,182									R0230	11,182	133,401
2016	R0240	97,400	48,625										R0240	48,625	146,024
2017	R0250	102,576											R0250	102,576	102,576
												Total	R0260	**178,982**	**1,841,340**

Gross undiscounted Best Estimate Claims Provisions Paid (non-cumulative)		Development year (absolute amount) 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170
Prior	R0100										1,777	6,436	R0100	5,119
2008	R0160									1,042	753		R0160	1,098
2009	R0170								1,459	956			R0170	752
2010	R0180							2,888	2,673				R0180	934
2011	R0190						4,666	3,591					R0190	2,660
2012	R0200					6,148	5,583						R0200	3,580
2013	R0210				13,536	13,111							R0210	5,567
2014	R0220			15,420	11,694								R0220	13,044
2015	R0230		21,633	16,348									R0230	11,556
2016	R0240	76,599	31,903										R0240	16,201
2017	R0250	89,005											R0250	31,617
												Total	R0260	**92,128**

S.22.01.21 - Impact of the long term guarantee and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	307,325			307,654	
Basic Own Funds	R0020	84,095			83,897	
Eligible own funds to meet Solvency Capital Requirement	R0050	84,095			83,897	
Solvency Capital Requirement	R0090	83,398			83,480	
Eligible own funds to meet Minimum Capital Requirement	R0100	84,095			83,897	
Minimum Capital Requirement	R0110	37,529			37,566	

S.23.01.01 - Information on own funds, including basic own funds and ancillary own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**1,361**	1,361			
Share premium account related to ordinary share capital	R0030	**27,803**	27,803			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	**0**				
Subordinated mutual member accounts	R0050	**0**				
Surplus funds	R0070	**0**				
Preference shares	R0090	**0**				
Share premium account related to preference shares	R0110	**0**				
Reconciliation reserve	R0130	**54,931**	54,931			
Subordinated liabilities	R0140	**0**				
An amount equal to the value of net deferred tax assets	R0160	**0**				
Other items approved by supervisory authority as basic own funds not specified above	R0180	**0**				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	**0**				
Total basic own funds after adjustments	R0290	**84,095**	**84,095**	**0**	**0**	**0**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	**0**				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	**0**				
Unpaid and uncalled preference shares callable on demand	R0320	**0**				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	**0**				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	**0**				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	**0**				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	**0**				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	**0**				
Other ancillary own funds	R0390	**0**				
Total ancillary own funds	R0400	**0**			**0**	**0**

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	**84,095**	**84,095**	**0**	**0**	**0**
Total available own funds to meet the MCR	R0510	**84,095**	**84,095**	**0**	**0**	
Total eligible own funds to meet the SCR	R0540	**84,095**	**84,095**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	R0550	**84,095**	**84,095**	**0**	**0**	
SCR	R0580	**83,398**				
MCR	R0600	**37,529**				
Ratio of Eligible own funds to SCR	R0620	**101%**				
Ratio of Eligible own funds to MCR	R0640	**224%**				

Reconciliation reserve		
Excess of assets over liabilities	R0700	**84,095**
Own shares	R0710	
Forseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**29,164**
Adjustment for restricted own fund items in respect of matching adjustment and ring fenced funds	R0740	
Reconciliation reserve	R0760	**54,931**

Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	935
Expected profits included in future premiums (EPIFP) - Non Life Business	R0780	-109
Total EPIFP	R0790	**826**

S.25.01.21 - Solvency Capital Requirement calculated using the Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market Risk	R0010	8,810		
Counterparty default risk	R0020	7,427		
Life underwriting risk	R0030			
Health underwriting risk	R0040	12,095		
Non-life underwriting risk	R0050	69,572		
Diversification	R0060	-19,973		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	**77,931**		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	9,158
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-3,691
Capital requirement for business operated in acordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	83,398
Capital add-on already set	R0120	
Solvency capital requirement	R0220	**83,398**
Other information		
Capital requirment for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustments portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance

Linear formula component for non-life insurance or reinsurance obligations

		Non-Life activities	
		Net (of reinsurance) best estimate provisions	Net (of reinsurance) written premiums in the last 12 months
MCR calculation Non-Life		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	11,768	23,244
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	102,756	85,677
Other motor insurance and proportional reinsurance	R0060	8,440	66,150
Marine, aviation and transport insurance and proportional reinsurance	R0070	14,771	18,742
Fire and other damage to property insurance and proportional reinsurance	R0080	30,874	60,316
General liability insurance and proportional reinsurance	R0090	6,393	9,357
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110	7	
Assistance and its proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance or reinsurance obligations

		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Life		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	48,886	
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	**39,645**	
MCRL Result	R0020		**1,027**

Overall MCR calculation		C0070
Linear MCR	R0300	**40,682**
SCR	R0310	**83,398**
MCR cap	R0320	**37,529**
MCR floor	R0330	**20,850**
Combined MCR	R0340	**37,529**
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	R0400	**37,529**

Important legal information

Generali Schade's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 on the Dutch Civil Code.

In preparing the financial information in this document, the same accounting principles are applied as in the 2017 Generali Schade's Annual Accounts, except as indicated in chapter D 'Valuation for Solvency Purposes' of the 2017 Solvency and Financial Condition Report.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements in this document are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation:

1. changes in general economic conditions, in particular economic conditions in Generali Schade's core markets,
2. changes in performance of financial markets, including developing markets,
3. consequences of a potential (partial) breakup of the Eurozone,
4. changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally,
5. the frequency and severity of insured loss events,
6. changes affecting mortality and morbidity levels and trends,
7. changes affecting persistency levels,
8. changes affecting interest rate levels,
9. changes affecting currency exchange rates,
10. changes in investor, customer and policyholder behaviour,
11. changes in general competitive factors,
12. changes in laws and regulations,
13. changes in the policies of governments and/or regulatory authorities,
14. conclusions with regard to accounting assumptions and methodologies,
15. changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,
16. changes in credit and financial strength ratings,
17. Generali Schade's ability to achieve projected operational synergies and
18. the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by Generali Schade and/or related to Generali Schade.

Any forward-looking statements made by or on behalf of Generali Schade speak only as of the date they are made, and, Generali Schade assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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