SFCR ASR Basis Ziektekosten-verzekeringen N.V.

2023

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

SFCR ASR Basis Ziektekosten-verzekeringen N.V.

2023

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Introduction

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

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

Summary

The 2023 Solvency and Financial Condition Report provides a.s.r. health basic's stakeholders insight in:

A Business and performance

The Solvency II ratio stood at 133% as at 31 December 2023 (31 December 2022: 124%), based on the standard formula as a result of € 253,052 thousand Eligible Own Funds (EOF) and € 189,980 thousand Solvency Capital Requirement (SCR).

Profit for the year before taxes was € 23,027 thousand in 2023 (2022: € -23,422 thousand). Insurance service operating expenses stood at € 33,659 thousand (2022: € 37,683 thousand). Premiums received increased to € 1,721 million (2022: € 1,030 million). New business increased to € 321,811 thousand (2022: € 55,899 thousand).

Specifically, regarding a.s.r. health basic in 2023, no dividend or capital withdrawals have taken place. Full details on the a.s.r. health basic's business and performance are described in chapter A Business and performance.

B System of governance

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

General

a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities.

Risk management

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

Control environment

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

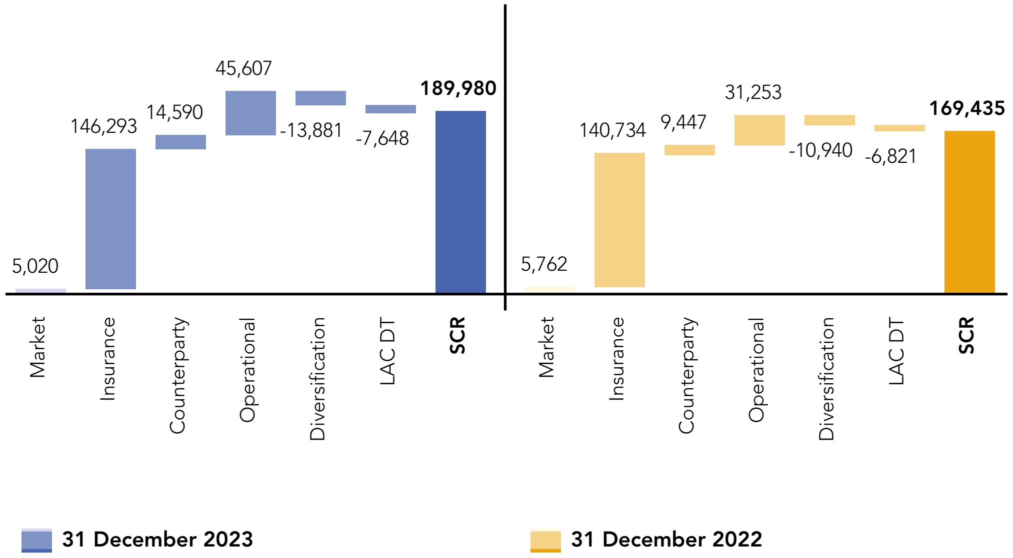
Full details on the a.s.r. health basic's system of governance are described in chapter B System of governance.

C Risk profile

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

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

The SCR is build up as follows:



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

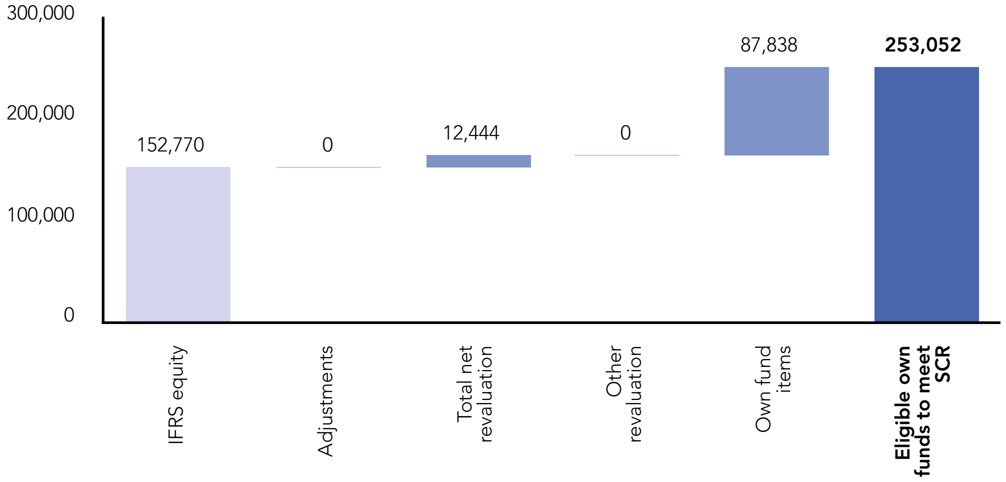
D Valuation for Solvency purposes

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

The reconciliation of IFRS equity and Excess Assets over Liabilities (Solvency II basis) can be summarised for a.s.r. health basic as follows:

- Derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet, for instance goodwill, pre-paid commissions and other intangible assets;
- Revaluation differences on mainly insurance liabilities and other assets which are valued other than fair value in the IFRS balance sheet.
- Subordinated liabilities: in accordance with the Delegated Regulation the subordinated liabilities are part of the EOF.

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



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

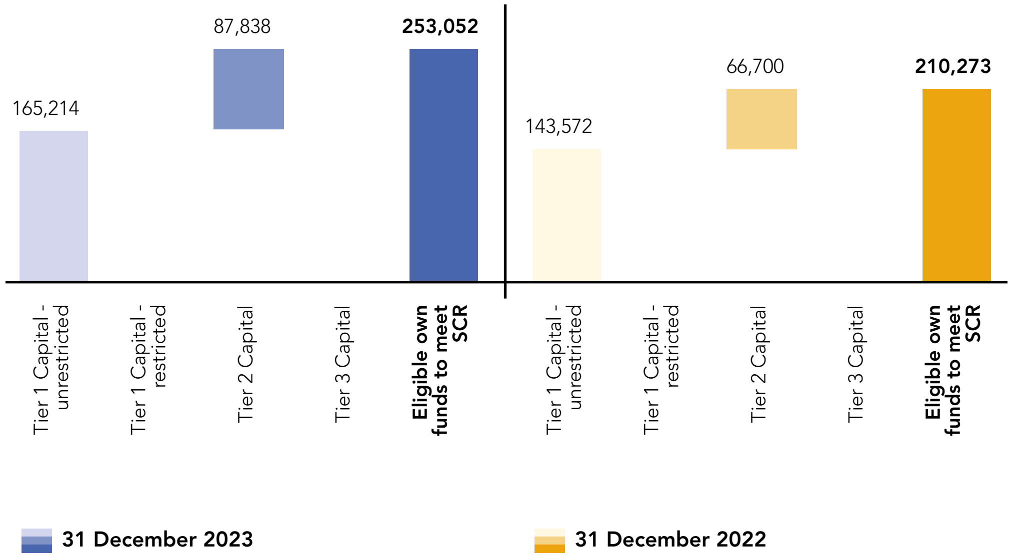
E Capital management

Overall capital management is administered at group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to achieve management's targets.

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

The internal minimum Solvency II ratio for a.s.r. health basic as formulated in the risk appetite statement is 110%. The Solvency II ratio was 133% at 31 December 2023.

The EOF are build up as follows:



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

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

A Business and performance

A.1 Business

A.1.1 Profile

Object of the company
ASR Basis Ziektekostenverzekeringen N.V. (a.s.r. health basic) provides healthcare insurance to all persons who are entitled to a health insurance under the Dutch Healthcare Insurance Act.

a.s.r. health basic aims to promote the ambitions and build on the transition to a healthcare business that works for a generation of customers who opt for a healthy and sustainable lifestyle by focusing on client satisfaction, opportunities to help customers improve their health and profitable growth of the customer base. In addition a.s.r. health supplementary aims to maintain future-proof healthcare. a.s.r. health basic offers well priced quality products, attractive information and services focused on improvement of health and general well-being, excellent client service and well-known brands with a drive for sustainability.

Core activities
The core activity of a.s.r. health basic is the provision of basic health insurance under the Dutch Healthcare Insurance Act. In addition to basic health insurance, ASR Nederland N.V. (a.s.r.), the group company, also offers supplementary insurance through ASR Aanvullende Ziektekostenverzekeringen N.V. (a.s.r. health supplementary) and long-term care insurance through ASR Wlz-uitvoerder B.V. In the long-term care insurance a.s.r. is an implementer of the Dutch Long term Health act (Wlz) (a.s.r. long-term care). a.s.r. health basic, a.s.r. health supplementary and a.s.r. long-term care form a personnel and administrative union (hereafter referred to as a.s.r. health). At year-end 2023, the number of insured persons of a.s.r. health basic amounted to 789,443 (2022: 554,595).

In 2023, the healthcare market was served under two labels. a.s.r. offered health insurance under the a.s.r. and Ditzo brands. From April onwards the Ditzo brand was renamed into a.s.r. Ik Kies Zelf.

The label a.s.r., focuses mainly on entrepreneurs (SMEs), employees and self-employed workers. Distribution mainly occurs through the intermediary channel. The second label, a.s.r. Ik Kies Zelf, focuses on customers looking for a good quality health insurance product, offering services exclusively via the direct online channel. a.s.r. health basic operates all of its healthcare insurance policies under its own management. This provides the best opportunities to improve customer service for the existing labels.

Legal structure of the company
a.s.r. health basic is a wholly-owned subsidiary of ASR Ziektekostenverzekeringen N.V., which in turn is a wholly-owned subsidiary of a.s.r. a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands, and registered with the Dutch Chamber of Commerce under number 30070695. a.s.r. has chosen the Netherlands as ‘country of origin’ (‘land van herkomst’) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and the Euronext Dublin. (Ticker: ASRNL).

Internal organisational structure and staffing
Internal organisational structure
In 2023, the organisation of a.s.r. health basic consisted of the following three divisions: (1) Operations and Information Management, (2) Health and Customer and (3) Finance, Risk and Control. The Operations department encompasses three value chains:

- 'I want to pay': this value chain focuses on payment-related processes;
- 'I want to apply': here, the emphasis is on application and modification procedures;
- 'I use care': this value chain pertains to utilizing healthcare services.

Information Management includes the Data team and Information Management Health. Health and Customer can be subdivided into the Medical Advice Group, Procurement MSZ (specialist medical care), Procurement Primary Health, Procurement Policy and the Customer & Proposition team. The division Finance, Risk and Control includes Health Control, Management support, Strategy, Business Risk Management, Business Actuarial and team Finance.

Headcount
All employees are employed by a.s.r. The a.s.r. employees that work for a.s.r. health basic, work for a.s.r. health basic as well as a.s.r. health supplementary and ASR Wlz-uitvoerder B.V. In 2023, a.s.r. health employed an average of 226 (2022: 233) internal FTEs. In addition, a flexible layer was used, mostly during November/December, when the bulk of new business was acquired. Specific teams were supported by temporary external employees.

The Executive Board (EB) consists of T.P.H. Oremus and J.M. Hendriks. The composition of the Supervisory Board (SB) of a.s.r. health basic is as follows: I.M.A. de Swart, G. van Vollenhoven, S. Barendregt and J.P.M. Baeten. The composition of the SB remained unchanged.

Strategy and achievements
In 2023, the strategy of a.s.r. health basic was further refined in response to developments in the market and society, to provide cover for health care that is future-proof, i.e. cover that is and will remain efficient, affordable and accessible. In the revised strategy, sustainability has acquired an even greater prominence. In terms of sustainability, a.s.r. health basic will continue to accelerate the sustainable transition through cooperation with suppliers, health care providers, customers and other health insurers. Furthermore, with

the revised strategy a.s.r. health basic aims to maintain a stable customer base, and to refrain from further growth.

a.s.r health basic also took further steps towards sustainability in 2023. The addition of the 'find a sustainable care provider' (*de groene zorgzoeker*) function to a.s.r. health basic's health care application makes it easier for customers to see which care providers are more sustainable. The search function enables customers to find health care providers in a particular location. Physical medical cards have also been replaced by digital versions, unless customers opted for keeping their physical card.

a.s.r. health basic has developed various initiatives aimed at promoting future-proof health care, partly by encouraging policyholders to maintain a healthy lifestyle. Examples include the 'take care of yourself' (*zorg voor jezelf*) programme, in which a.s.r. health basic provides free health care programmes which contribute to a healthy lifestyle. Three programmes rolled out in the past year were the 'healthy habits' (*gezonde gewoonte*) programme, the 'eat more sustainably' (*duurzamer eten*) programme and the 'I bounce back' (*ik veer mee*) programme.

The NPS-c measures customers satisfaction during contact moments, please refer to the result in the graph.

With an NPS-c of 35 in 2023 (2022: 49), customer satisfaction fell during the year, partly due to an unexpectedly high influx of customers which led to long waiting times, especially at the start of the year. Comparing the first half of 2023 to the second half of 2023, it was found that the NPS-c had increased to 45 due to investments in the improvement of customer-driven service

Customer-driven service remains a key element of the strategy, and is thus constantly being improved. a.s.r. health basic has transformed its customer service in order to serve customers better and faster. The digitalisation strategy, which assists customers towards self-service and removes low impact contact, is also improving the speed and efficiency of customer service. Finally, more attention has been given over the past year to non-Dutch language customers, and a start has been made on improving the availability of information in English.

Market and distribution developments

Market

Two types of products are offered on the Dutch health insurance market: basic cover and supplementary cover. In the highly regulated health care market, all Dutch citizens are obliged to take out basic health insurance based on an annual contract. The contents of this basic cover are set by the government, but health insurers are permitted to add some variation in order to distinguish their products from each other. This mainly involves how claims are processed and the number of medical providers whose treatment is eligible for cover.

Insurers are obliged to accept anyone who is legally required to take out basic health cover as a policyholder. A state-managed risk equalisation system protects an insurer in case its consumer base typically shows behaviour that is detrimental for its health situation, leading to higher costs for the insurer. The compensation paid to insurers depends on the anticipated costs, based on the characteristics of their customer base. This risk equalisation system is constantly being adjusted.

The number of policyholders who switch to another health provider at the end of the year remained unchanged at 6-7% for the past 9 years. This year, however, the percentage rose to 8.5% (1.5 million policyholders), the highest number of person switching providers since the introduction of the Health Insurance Act in 2006.

Unlike basic health insurance, supplementary health cover is not compulsory. In 2023, 82.5% of policyholders on the Dutch market opted for supplementary health insurance (2022: 83.5%). Following an increase in this percentage in 2021 in response to the Covid-19 pandemic, the declining trend which set in last year continued. Within a.s.r., the number of policyholders opting for supplementary health cover went up to 96.3 % in 2023 (2022: 95.5%). The number of claims made under this form of cover increased similarly.

Products

The health insurance offerings of a.s.r. health basic offers basic health insurance with a broad coverage of healthcare costs, the content of which is prescribed annually by the government. a.s.r. health basic offers three types of basic health insurance:

- Contracted care policy, in which the insurer remunerates costs directly to contracted care providers;
- Noncontracted care policy, in which the customer is reimbursed for medical care payments, including for treatment from noncontracted care providers;
- A combination of the two, applied through a combination of both policies.

The most popular basic health cover on the Dutch market is the contracted care policy[1]. At year-end 2023, 76% of total policyholders had taken out a contracted care policy.

Internal control of processes and procedures

For a.s.r. health basic an adequate risk management system is essential for internal control of processes and procedures, the implementation of the strategy and continuous operational improvement. In order to do so, a Risk Management (RM) framework is implemented, based on internationally recognised and accepted standards. Using this framework, material risks that a.s.r. health basic is, or can be, exposed to, are identified, measured, managed, monitored, reported and evaluated, in line with risk appetite statements. The statements highlight the risk preferences and limits of the organisation and are viewed as key elements for the realisation of the strategy.

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

Performing annually the Strategic Risk Analysis (SRA), the Own Risk and Solvency Assessments, (ORSA), assessment of sustainability, business processes, financial reporting, outsourcing and information technology, monitoring operational incidents and project risk assessments are also important parts of risk management. Products and services and accompanying customer information undergo an internal ‘Product Approval and Review Process (PARP)’.

In 2023, Identity and Access Management to the main systems and the Risk Control Matrix (RCM) for a.s.r. health basic received extra attention and improvements were implemented. Frequent consultation with internal and external cybersecurity experts takes place in order to optimise the risk management process and to anticipate on developments and cybersecurity threats.

In 2023, a.s.r. health basic continued to check whether the insurance claims are compliant with the Dutch Healthcare Act (zorgverzekeringswet) and legislation of the Dutch Healthcare Authority (NZa). Controls are implemented on formal, material, medical necessity and fraud aspects in order to reduce the need for retrospective corrections. The Healthcare Control department reports to the CFRO of a.s.r. health basic.

In 2022, a.s.r. health basic performed a Systematic Integrity Risk Analysis (SIRA). The for a.s.r. health basic important integrity risks including fraud are sufficiently controlled and periodically tested by means of a system of internal control measures and the most important of which are included in the Risk and Control matrix (RCM). The results of this assessment are discussed quarterly within the Business Risk Committee of a.s.r. health and, where necessary, additional repressive or preventive control measures are taken.

Quality control

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

a.s.r. health basic attaches great importance to feedback from its customers. That is why, in 2023, continuous feedback was asked by means of the Net Promotor Score (NPS) on both customer contact (contact measurement) and the handling of complaints (process measurement). In 2023 a.s.r. health basic measured NPS on Whatsapp, Chat en Telephony.

This resulted in an even better insight into what customers think of its information provision, services, First Time Right service approach and the quality of its customer contact in general. The feedback was used to improve processes and train employees. a.s.r. health basic also uses the Customer Effort Score (CES) to get an insight into how much effort customers must deliver, for example when submitting an invoice. The results have given a.s.r. health basic input for improvements. The NPS-c score in 2023 was considerably lower than in 2022 (2022: +49; 2023: +35). This was due to our enormous growth in the number of new customers, which meant that we were unable to deliver on our services.

In 2022, a.s.r. health basic has implemented a new system to improve customer service. Thanks to the implementation of Microsoft Dynamics 365 (MSD), we are now able to better record the reasons for contact and link this to our internal data with which we can improve our customer communication.

In 2023, a.s.r. basic health has further developed MSD. We also ran a pilot with the voice assistant in 2023. This voice assistant ensures that customers are immediately referred to the right team.

In 2023, a.s.r. health basic worked with several agile teams to improve the provision of information on the topics about which customers contact us, so that customers can better find the information themselves.

1 Vektis Zorgthermometer 2023.

In 2023, there was an increased inflow of complaints. a.s.r. health received 2,077 complaints (2022: 1,098). Mainly new insured submit complaints due to comparison with their former health insurance. The main cause of the complaints were the amount/height (and denial) of coverage under the insurance agreement.

A KPI for complaints is the average lead time. a.s.r. health basic strives to answer at least 90% of complaints to completion within 21 workdays. In 2023, 70.5% of complaints were answered to completion within 21 workdays, with an average of 20 workdays. This performance is stable compared to 2022 (71.4%), with a slightly lower average of 18 workdays. In 2023, a.s.r. health basic invested in improvements to reach the 90% of complaints competed within 21 workdays, as strived for in the KPI. In the last quarter of 2023, the effect of the improvements was visible, as the average number of workdays in which 90% of complaints was completed was reduced to 13 workdays.

Finance

Overall capital management takes place at group level. a.s.r. health basic is activated separately. Excess capital above management's objectives that is not allocated to profitable new business growth can be used to repay previous capital investments to the extent permitted by local regulations and within the internal risk appetite statement. For a.s.r. health basic upstreaming of capital or dividend to the group level is not allowed. All available capital is used to strengthen the capital positioning, investments or to maintain a socially responsible pricing level. As a result of a growing health portfolio in 2023, a.s.r. distributed a subordinated loan of € 20 million in the first quarter of 2023 to bring the solvency ratio of a.s.r. health basic above the lower solvency limit (125%).

A.1.2 General information

The SFCR has been prepared by and is the sole responsibility of the Company's management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements. KPMG has examined the 2023 financial statements and issued an unqualified audit report thereon. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority

Name:	De Nederlandsche Bank
Visiting address:	Spaklerweg 4, 1096 BA Amsterdam
Phone number (general):	+31 800 020 1068
Phone number (business purposes):	+31 20 524 9111
Email:	info@dnb.nl

Name and contact details of the external auditor

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

A.2 Key figures

- The net result amounted to € 17.1 million (2022: € - 17.3 million);
- Premiums received increased to € 1,722 million (2022: € 1,030.8 million);
- Service operating expenses decreased to € 33.7 million (2022: € 37.7 million Insurance);
- Combined Ratio improved to 98.7% (2022: 101.6%).

Key figures

(in € thousands, unless stated otherwise)	31 December 2023	31 December 2022
Premiums received	1,721,872	1,030,859
Insurance service operating expenses	33,659	37,683
Result before tax	23,027	-23,422
Income tax gain / (expense)	-5,939	6,043
Net result	17,087	-17,379
New business	321,811	55,899
Combined ratio	**98.7%**	**101.6%**
- Claims ratio	96.7%	97.9%
- Commission ratio	0.3%	1.0%
- Expense ratio	1.6%	2.7%

Premiums received

The premiums received increased to € 1,721.9 million (2022: € 1,030.9 million). The increase is the result of the growth of the portfolio.

Insurance service operating expenses

The insurance service operating expenses amounted to € 33.7 million (2022: € 37.7 million).Insurance service operating expenses decreased compared to prior year, because the acquisition costs reported in 2022 (incurred for the portfolio growth in 2023) were significantly higher than the acquisition costs incurred in 2023, associated with the decline in portfolio in 2024.

Profit/(loss) for the year before taxes

The net result in 2023 amounted to € 17.1 million, an increase of € 34.4 million compared to 2022. A higher net underwriting result and lower insurance operating expenses led to an improvement in the result. The higher underwriting result is due to the favorable development of the combined ratio (CoR) on the current claim year. Also the previous claim years showed improvements compared to earlier expectations, mainly because of received information of ZIN.

Gross new business (Solvency II)

a.s.r. health basic had a growth in the number of insured persons in 2023 of almost 235 thousand policyholders. A well-considered premium setting and an engaging combination of supplementary insurance products contributed to this net growth. In the combination a.s.r. had several top 3 positions of the comparators. The total gross new Healthcare business of € 321.8 million (nominal premiums; 2022: € 55.9 million) is accounted mainly by the Ditzo brand (in April renamed into a.s.r. Ik Kies Zelf).

Combined ratio

Combined ratio improved compared to last year due to an improvement in the claims ratio, expense ratio as well as in the commission ratio. This development is due to the rise of the earned premium in 2023. This year also the commission ratio improved due to lower cost of acquisition compared to 2022. The cost of acquisition decreased due to a lower growth in number of people insured in 2024.

COVID-19

Health insurers consider COVID-19 part of the ordinary business operations in 2023. Healthcare and delayed care as a consequence of COVID-19 are an integral part of regular healthcare contracting for 2023. Solely in a pandemic crisis situation, joint agreements between general hospitals, university medical centers and health insurers remain valid. At the end of December 2023 a.s.r. health basic received a provisional settlement of the catastrophe arrangement. The outcome confirmed the excpectations. No further actions had to be done. A trusted third party provided this information. The final settlement of the catastrophe arrangement will be made in 2025.

A.3 Investment performance

a.s.r. health basic's investment policy is aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context.

A.3.1 Financial assets and derivatives

Investments

	31 December 2023	31 December 2022
At FVTPL	246,259	340,417
Total investments	**246,259**	**340,417**

Breakdown of investments

	31 December 2023	31 December 2022
Mortgage equity funds	90,745	91,467
Government bonds	58,221	150,557
Corporate bonds	97,062	95,854
Other investment funds	-	2,540
Private loans	230	-
Total investments at FVTPL	**246,259**	**340,417**

Government bonds decreased mainly due to the sale of government bonds.

Mortgage equity funds relates to the investment in ASR Mortgage Fund. For this associate a.s.r. health basic applies the option to measure this associate as at fair value through profit or loss under IFRS 9.

Based on their contractual maturity, an amount of € 137,392 thousand (2022: € 102,564 thousand) of debt instruments is expected to be recovered after more than one year after the balance sheet date. For assets without a contractual maturity date, it is expected that they will be recovered after more than one year after the balance sheet date.

At year-end 2023 and 2022, debt instruments at FVTPL consisted entirely of investments mandatorily measured as such.

a.s.r. health basic has bonds that have been transferred, but do not qualify for derecognition amounting to € 45,963 thousand (2022: € 53,108 thousand). The majority of these investments are part of a securities lending programme whereby the investments are lent in exchange for a fee with collateral obtained as a security. The collateral furnished as security representing a fair value of € 49,768 thousand (2022: € 60,787 thousand) consists of corporate and government bonds.

Investment income

Breakdown of investment income per category

	2023	2022
Interest income from investments at FVTPL	12,146	3,968
Interest income from derivatives	3,416	263
Total interest income	**15,562**	**4,231**
Dividends received	2,139	626
Other direct investment income	20	5
Total dividend and other investment income	**2,160**	**631**
Total direct investment income	**17,722**	**4,862**

Interest income mainly increased due to increasing interest rates, interest from Dutch National Health Care Institute (Zorginstituut Nederland) and interest received from ASR Betalingscentrum B.V.

A.3.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December

(in € thousands)	2023	2022 restated
Net result	**17,087**	**-17,379**
Total items that will not be reclassified to profit or loss	-	-
Total other comprehensive income, after tax	-	-
Total comprehensive income	**17,087**	**-17,379**

The comparative figures for 2022 have been restated (see chapter 2.3.1 of the 2023 annual report of a.s.r. health basic). Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format to ensure comparability.

A.3.3 Information about investments in securities

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

A.4 Performance of other activities

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

A.5 Any other information

No other information is applicable.

B System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

a.s.r. health basic has an EB and a SB.

Executive Board

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

The General Meeting of Shareholders (AGM) appoints the members of the EB and may suspend or dismiss any member of the EB at any time. The SB may also suspend any member of the EB. A suspension by the SB may be overruled by the AGM at any time. a.s.r. aims to have an adequate and balanced composition of the EB. In 2023 the EB consisted of two male members. In 2017, the SB adopted a formal diversity policy. a.s.r. uses the following definition for diversity: a balanced composition of the workforce, based on age, gender, cultural or social origin, competences, views and working styles. At year-end, a.s.r. health supplementary does not meet all the requirements of this policy, but due to the limited number of board members no action is taken.

Supervisory Board

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

The SB consists of four members. The AGM appoints the members of the SB and may suspend or dismiss any member of the SB at any time.

The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years. The self-assessment for 2023 was carried out with external guidance. The assessment was based on written and oral input from the members of the SB, the EB and the Company Secretary. The following aspects were assessed:

- Composition and functioning of the SB (strengths and points for improvement);
- Effectiveness of processes (information-gathering and decision-making);
- Supervision and advisory role;
- Role as an employer.

The outcome of the assessment was discussed in a formal meeting of the SB with the EB. The overall impression that emerged from this self-assessment was positive. The SB is seen as a properly operating group in terms of content, with a balanced and high-quality composition.

B.1.1.1 Supervisory Board Committees

Audit and Risk Committee

The SB did not institute an Audit and Risk Committee.

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

Remuneration Committee

The SB did not institute a Remuneration Committee.

Selection & Appointment Committee

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

B.1.1.2 Corporate Governance

a.s.r. health basic is a limited liability company. The company has a two-tier board; a SB and an EB. The General Meeting of Shareholders is authorised to appoint and dismiss members of the EB and the SB.

B.1.1.3 Executive Board

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

Composition

The EB will consist of a minimum of two members, in 2023 these were J.M. Hendriks and T.P.H. Oremus. The General Meeting of Shareholders appoints the EB members and may at any time suspend or dismiss any member of the EB. Only candidates found to meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment.

Education and evaluation

The members of the EB followed individual development programs in 2023 as part of their continuing education and development. In addition, much attention was devoted to knowledge-development in the areas of strategic challenges, risk and compliance. The decision making process of the EB was self-evaluated in 2023 and discussed with the deputy directors. Goal of the evaluation and discussion was to find useful elements and ways to further enhance the effective decision-making and information gathering. In addition to the self-evaluation, the performance of the members of the EB was also assessed by the SB.

B.1.1.4 Supervisory Board

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

Composition

The SB of a.s.r. health basic consists of four members: I.M.A. de Swart (chairman), J.P.M. Baeten, S. Barendregt and G. van Vollenhoven. The composition of the SB remained unchanged in 2023.

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

Education and evaluation

In 2023, specific sessions were also organised jointly with the SB of a.s.r. for the benefit of further education. The first programme, consisting of four sessions, was focused on the Partial Internal Model (PIM). The second session focused on the International Financial Reporting Standard (IFRS) 17. Third, there was a session on investment plan and interest risk.

The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years. The self-assessment for 2023 was carried out with external guidance. The assessment was based on written and oral input from the members of the SB and the EB. The following aspects were assessed:

- Composition and functioning of the SB (strengths and points for improvement);
- Effectiveness of processes (information-gathering and decision-making);
- Supervision and Advisory role;
- Role as an employer.

The outcome of the assessment was discussed in a formal meeting of the SB with the external supervisor of the evaluation. The overall impression that emerged from the self-assessment was positive. The SB is considered a well functioning group in both content and governance structure. The relationship with the EB is open and positive, and the EB successfully keeps the SB well-informed.

B.1.1.5 Corporate Governance Codes and regulations

Dutch Health Insurers Code

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

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for EB and SB members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the EB and SB members, individuals holding a management position immediately below the EB who are responsible for staff who may have a significant influence on the risk profile of the insurance company, are also required to take the oath, as are certain other employees.

This includes individuals who may (independently) significantly influence the risk profile of the undertaking as well as those who are or may be involved in the provision of financial services.

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

B.1.2 Related-party transactions

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

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

1. The remuneration of the EB and SB of a.s.r. health basic are described in chapter B.1.3;
2. The operating expenses, reported in chapter 2.5.8 of the 2023 annual report of a.s.r health basic, are predominantly intercompany, consisting of allocated expenses from head office, support functions and expenses related to personnel;
3. Transactions with a.s.r. concern the payment of taxes as a.s.r. heads the fiscal unity, see chapter 2.5.9 of the 2023 annual report of a.s.r health basic.

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

The table below shows the financial scope of the related party transactions of a.s.r. health basic with associates and other related parties (including a.s.r. and its subsidiaries).

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

	2023	2022
Balance sheet items with related parties as at 31 December		
Other assets	82	12,128
Subordinated liabilities	95,034	71,709
Transactions in the income statement for the financial year		
Insurance service expenses	77	-
Direct investment income	1,298	-
Other finance expenses	5,485	2,335
Investment operating expenses	446	337

In 2022, a.s.r. health basic bought mortgages from a.s.r. non-life at a market value of € 90 million. The market value of these mortgages at the end of 2023 is € 91 million.

No provisions for impairments have been recognised for the years 2023 and 2022.

The members of the EB and the SB of a.s.r. health supplementary have mortgage loans amounting to € 628 thousand (2022: € 644 thousand) respectively € 1,633 thousand with a.s.r. that have been issued subject to normal employee conditions. The employee conditions include limits and thresholds to the amounts that qualify for a personnel interest-rate discount. For mortgage loans higher than € 340 thousand arm's length conditions apply. The average interest rate on the mortgage loans of the EB is 2.6% (2022: 2.6%) and for SB 2,1%. In 2023, the mortgage loans of the EB were settled for an amount of € 15 thousand (2022: € 13 thousand) and for the SB for an amount of € 22 thousand.

During 2023, a.s.r. health basic paid no dividend to a.s.r. (2022: nil).

B.1.3 Remuneration of Supervisory Board and Executive Board

The remuneration policy of the EB and SB members is determined in accordance with the current Articles of Association of a.s.r. The WNT is applicable to a.s.r. health basic. The applicable remuneration maximum (WNT Maximum) excluding pension benefits is € 272 thousand in 2023 and € 265 thousand in 2022, based on a.s.r. health basic being a health insurer with more than 300 thousand policyholders. In this paragraph, 'senior executive' refers to the EB and SB of a.s.r. health basic.

Explanatory notes to WNT

Until 2021, the WNT reporting has been drawn up at a total combined level based on the remuneration of natural persons, while in the case of WNT institutions within a group, the reporting per WNT institution is based on the amount charged to this WNT institution, based on the costs incurred by that WNT institution for the performance of the duties of senior executives. The Dutch Ministry of the Interior and Kingdom Relations (hereafter: 'BZK') indicated this in November 2022, when publishing the WNT Implementation Regulation 2023. The amendment of Article 5c, third paragraph, in the WNT Implementation Regulation 2023 has provided clarity about the method of accountability. However, this change led to the transition of senior executives employed with an employment relationship to senior executives without an employment relationship, and the allocation of the remuneration to individual WNT institutions instead of accounting for the remuneration in total. This caused difficulties with regard to both reporting and audit of WNT group reporting. It created ambiguity in the standards of the concept of remuneration, the scope of the employment contract (part-time factor or hours commitment), the individually applicable maximum remuneration, and as a result of this all a possible undue payment.

The issues of WNT group reporting emerged as a result of the amendment to the WNT Implementation Regulations 2023. The Ministry of BZK has indicated that amendment of this legislation (2nd WNT Evaluation Act) cannot come into force until 2025 at the earliest. Despite this indication, at the end of April 2023, the Ministry of BZK published a WNT 2023 Reporting Model. In that model the Ministry of BZK called attention to WNT group reporting, but did not adequately include the expected further clarification.

Despite all efforts made by various parties to receive more clarification after April 2023, either by obtaining clarity on the standard, or by amending the Regulation on the Sectoral Remuneration Standard for senior executives of Health Insurance Companies, or by means of a temporary WNT implementation regulation, or otherwise, the WNT group reporting problem has not been solved to date. The Ministry of BZK insists on implementing the WNT group reporting based on the amended explanation as included in the explanatory memorandum to the WNT Implementation Regulations 2023.

Further explanation of WNT reporting issues

As stated above, the amendment to the WNT 2023 Implementation Regulations in the case of intra-group secondment has resulted in reporting problems with regard to the remuneration concept, the scope of employment (part-time factor or hours of service), the individually applicable remuneration maximum and, as a result, a possible undue payment. This situation arises due to two key reasons: First of all, the legislation and regulations do not give unambiguous standards to senior executives in the case of intra-group secondment. As a result, a.s.r. health basic is forced to apply its own interpretations as to what should be accounted for as remuneration, part-time factor or time commitment, individually applicable remuneration maximum and resulting undue payment.

Second, given the time of publication of the WNT 2023 Implementation Regulations and the further interpretation that only became available during 2023, a.s.r. health basic was unable to anticipate on and comply with the changed interpretation of WNT regulations. Considering the ambiguity of the standards, a.s.r. health basic underscores that achieving completeness for future years is also not feasible.

A clarification of Article 5c, third paragraph, in the WNT Implementation Regulation 2023 is included in the published WNT 2023 Reporting Model by the Ministry of BZK at the end of April 2023. It indicates that the required data for each senior executive manager involving intra-group secondment must be recorded. This relates to the part-time factor (after 13th month of filling the position), the hourly commitment (in 1st 12 months of filling the position) and the costs charged on for filling the position of top official. An explanation of each element is included below.

Determination of part-time factor

In October 2023, a Q&A was published clarifying how to determine the part-time factor. It states that the part-time factor must be determined based on what is stipulated in the employment contract concluded with the holding company or personnel company or what is stipulated in the articles of association. It must also be determined whether the agreed terms correspond with practice. The application of this leads to reporting and control problems regarding the part-time factor.

Determination of hourly commitment
In the first twelve months of a senior executive's employment, the actual hours worked must be recorded. For senior executives with intra-group secondment there is often no (conclusive) registration of hours as the senior executive is employed by another legal entity within the group. If insight into the total actual hours worked does exist, the reliable distribution of the hours worked to individual WNT institutions is an issue. This results in reporting and control problems regarding the number of hours worked.

Determining charged expenses for performing the duties of a senior executive
The charged costs for fulfilling the position of senior executive should be determined on the basis of Article 2a of the Implementation Regulations. The application of this article leads to accounting and auditing problems, since the laws and regulations do not elaborate on the remuneration concept in the case of intra-group secondment. Therefore, the remuneration of fulfilling the position of a senior executive is an open-ended concept, as the elements that determine the maximum remuneration are not defined in legislation and regulations. For example, a further definition of office costs and how common costs may or must be allocated to individual senior executive or WNT institutions has not been included. Finally, no objective standard is included in the WNT for the allocation of the total costs to individual (WNT) institutions.

The lack of clarity regarding the foregoing affects the individually applicable maximum and thus the possibility of undue payment. The above shows that there is ambiguity in the standards for various elements of the WNT group reporting. In addition, it is not possible for a.s.r. health basic as a WNT institution to retroactively meet the requirements for the necessary data published by the Ministry of BZK in November 2022 and during 2023. As a result, a.s.r. health basic is forced to use its own assumptions and starting points when preparing the WNT 2023 Reporting Report. The assumptions and starting points used are explained in more detail below.

In the 2022 annual report, a.s.r. health basic employed identical assumptions and starting points for WNT accounting as those used in the 2023 annual report. Consequently, the same uncertainties described above are equally applicable.

Determining allocation remuneration EB and SB to a.s.r. health basic
The total remuneration for the senior executives is determined in line with the provisions as included in laws and regulations. Due to a lack of clarity on standards, a.s.r. health basic is forced to determine the allocation of this total remuneration to the individual WNT institution based on its own interpretations and in line with the accountability of previous years. The allocation is determined by allocating the total remuneration on the basis of the cost allocation key for the allocation of these costs to the individual WNT institution. The remuneration of supervisory board members is on the basis of chargeback at arm’s length. Of the remuneration paid to the senior executives 77.20% for 2023 (2022: 77.46%) is accounted to a.s.r. health basic. The applicable WNT maximum is calculated accordingly.

Further explanation of scope of employment (as part-time factor in FTE)
Due to lack of clarity of standards, a.s.r. health basic is forced to determine the scope of the employment as a part-time factor in FTE based on our own interpretations. The part-time factor included is based on the cost allocation key used to allocate salary costs to the individual WNT institution multiplied by the scope of the top officials employment, with a maximum of 1 FTE.

Further explanation employment
As of 2022, senior executives involving intra-group secondment are no longer processed as being senior executives in employment, but as senior executives without employment relationship in line with article 5c third paragraph of the WNT Implementation Regulation 2023. The table includes senior executives without a direct employment contract but with an employment relationship with the WNT institution (intra-group secondment) starting from the 13th month of their tenure.

Further explanation remuneration
The remuneration included is not the remuneration received by the senior executive as a natural person, but the costs charged on the WNT institution for the performance of the position of the senior executive in question. Due to lack of clarity in standards, a.s.r. health basic is forced to determine the remuneration based on its own interpretations, as explained in the previous sections. a.s.r. health basic has determined the remuneration on the basis of charged costs on the basis of the salary costs charged from the payroll administration, plus costs that can obviously be attributed to the senior executive for performing the position, such as the lease costs for the car provided. The total of these costs is allocated to the individual WNT institution on the basis of the cost allocation key as applied. Any amount unduly paid but since refunded has been deducted from this in accordance with the requirements. The remuneration payable at a future date is not included in the determination of the sectoral remuneration maximum for health insurers as it applies to senior executives with an employment relationship.

Further explanation of individually applicable remuneration maximum
For senior executives without an employment relationship with intra-group secondment, given the lack of clarity regarding the part-time factor, there is also a lack of clarity regarding the applicable individual remuneration maximum. In addition, the laws and regulations do not include a specific standard for intra-group secondment, which does not involve the remuneration of natural persons, but the costs charged for the fulfilment of the position of senior executive. The individually applicable remuneration maximum is determined by multiplying the scope of employment, as explained above, by the remuneration maximum applicable to the WNT institution.

This maximum excludes remuneration payable in the future. The fact that for health insurers the sectoral remuneration standard is increased by the provisions for remuneration payable in the future has to be taken into account for the determination of any undue payment. This consists of the amount of the employer's contribution to the premium for the regular pension agreements of the applicable pension plan of the executive officer. This is taken into account in determining whether an overrun constitutes an undue payment. In view of the above, this is not the case for all executive officers of the WNT institution, as included in the accounts.

B.1.3.1 Remuneration of Supervisory Board members

Remuneration of the Supervisory Board members

in € thousands		2023	WNT maximum	2022	WNT maximum
Supervisory Board member	**Function**				
I.M.A. de Swart[1]	Chairman of the SB	-	41	-	40
J.P.M. Baeten[2]	Member of the SB	-	27	-	27
S. Barendregt[3]	Member of the SB	5	27	4	27
G. van Vollenhoven[4]	Member of the SB	5	27	4	27
Total		**9**	**122**	**8**	**120**

The annual remuneration for the members of the SB is accounted for in the remuneration paragraph of the annual report of a.s.r. In 2023, only the amount of compensation paid for the services provided by the SB members S. Barendregt, and G. van Vollenhoven were charged to a.s.r. health basic and is subsequently accounted for in the result of a.s.r. health basic. Members of the SB who are also members of the EB of a.s.r. receive no compensation for their services.

B.1.3.2 Remuneration of Executive Board members

The remuneration of members is in accordance with the 2023 remuneration policy.

Annual remuneration for members of the Executive Board 2023

Executive Board member	Function	Quarter	Fixed and variable employee benefits	Pension benefits	Total
2023					
T. Oremus[5]	Member of the EB	Q1	63	10	73
		Q2-Q4	157	30	187
J.M. Hendriks RA[6]	Member of the EB		166	44	210
Total			**386**	**84**	**470**

Executive Board member	Function	Quarter	Total Employee benefits	WNT maximum
2023				
T. Oremus[5]	Member of the EB	Q1	73	78
		Q2-Q4	187	187
J.M. Hendriks RA[6]	Member of the EB		210	254
Total			**470**	**519**

In 2023, both EB members were in function from 1 January 2023 until 31 December 2023, on a 0.77 FTE basis each. All EB members were employed by a.s.r., there is no employment relationship with a.s.r. health basic. Employee benefits disclosed above were charged to a.s.r. health basic based on the aforementioned allocation basis. The allocation is based on activity based costing. The outcome would be similar if senior executives would register hours by entity. The allocation method and outcome are similar to 2022. Wage components which are included in the employee benefits are fixed salary, holiday allowance, 13th month, various remunerations (working from home allowance), one-off payments, VPL allowance and lease cost for the car provided and pension benefits.

1 I.M.A. de Swart was appointed member of the SB prior 1 January 2022, is still a member of the SB and as per 19 May 2021 chairman.
2 J.P.M. Baeten was appointed member of the SB prior 1 January 2022 and still a member of the SB.
3 S. Barendregt was appointed member of the SB prior 1 January 2022 and still a member of the SB.
4 G. van Vollenhoven was appointed member of the SB as per 6 July 2022 and is still member of the SB.
5 Member of the EB since 1 April 2022.
6 Member of the EB since 1 April 2015.

Annual remuneration for members of the Executive Board 2022

Executive Board member	Function	Fixed and variable employee benefits	Pension benefits	Total
2022				
T. Oremus	Member of the EB	149	26	174
J.M. Hendriks RA	Member of the EB	171	33	204
J.D. Lansberg	Member of the EB	51	10	60
Total		**370**	**68**	**438**

Executive Board member	Function	Total Employee benefits	WNT maximum
2022			
T. Oremus	Member of the EB	174	201
J.M. Hendriks RA	Member of the EB	204	238
J.D. Lansberg	Member of the EB	60	60
Total		**438**	**500**

In 2022, J.M. Hendriks was in function from 1 January 2022 until 31 December 2022, J.D. Lansberg was in function from 1 January 2022 and left on 1 April 2022, T.P.H. Oremus was in function from 1 April 2022 until 31 December 2022. They were in function on a 0.77 FTE basis each. All EB members were employed by a.s.r., there is no employment with a.s.r. health basic.

B.2 Fit and Proper requirements

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

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

The fit and proper requirements that are imposed on persons who effectively run the undertaking and other key functions are included in the job profile, which is used as a basis for recruitment. a.s.r. has a program for the continuing education of persons who effectively run the undertaking and other key functions.

B.3 Risk management system including the Own Risk and Solvency Assessment Risk Management System

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

B.3.1 Risk Management Framework

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

Risk Management framework

The RM framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and RM process. The RM framework contributes to achieving the strategic, tactical and operational objectives as set out by a.s.r. The overall effectiveness of the RM framework is evaluated as part of the regular internal review of the system of governance.

Risk strategy (incl. risk appetite)

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

- Strategic, tactical and operational objectives that are pursued;

- The risk appetite in pursuit of those strategic, tactical and operational objectives.

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the Executive Board (EB) and the Supervisory Board (SB) (see chapter Risk strategy and risk appetite).

Risk governance

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

Systems and data

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

Risk policies and procedures:

Risk policies and procedures at least:

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

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

Risk culture

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

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

Within a.s.r. risk culture is an important element that emphasises the human side of RM. The EB has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter Risk culture).

Risk management process

The RM process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and RM framework. At a.s.r., the RM process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter Risk Management process).

B.3.1.1 Risk management strategy and risk appetite

This paragraph discusses the risk appetite of a.s.r. health basic and is derived from the policy document Capital and Dividend Policy of a.s.r. health basic and a.s.r. health supplementary.

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

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

Each year, specific objectives (management target) and risk limits (risk appetite) for the capital position of a.s.r. health basic are set by the EB, with the approval of the SB. A solvency objective (management target) reflects the level of solvency sought and contains a reasonable buffer above the internal limits of the risk appetite statement. The difference between the limits of the risk appetite statement and the objectives (management target) is that a limit is very strict and that breaking a limit will have to be remedied immediately, whereas an objective is a long-term target value.

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

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

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

B.3.1.2 Risk governance

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

- risk ownership;

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

Risk ownership

The EB of a.s.r. group has the final responsibility for risk exposures and management within the organisation. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the risk exposures.

Three lines of defence

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

Three lines of defence

First line of defence	Second line of defence	Third line of defence
• Executive Board / Management Board • Management teams of the business lines and their employees • Finance & risk decentral	• Group Risk Management department - Risk management function - Actuarial function • Compliance - Compliance function	• Audit department - Internal audit function
Ownership and implementation	**Policies and monitoring implementation by 1st line**	**Independent assessment of 1st and 2nd lines**
• Responsible for the identification and the risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is responsible for implementing risk frameworks and policies.	• Challenges the 1st line and supports the 1st line to achieve their business objectives in accordance with the risk appetite • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking • Responsible for developing risk policies and monitoring the compliance with these policies	• Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defence

Positioning of key functions

Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation. They play an important role as countervailing power of management in the decision-making process. The four key functions are independently positioned within a.s.r. In all the risk committees one or more key functions participate. None of the functions has voting rights in the committees, in order to remain fully independent as countervailing power. All functions have direct communication lines with the EB and can escalate to the chairman of the Audit & Risk Committee of the SB. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank (DNB) and/or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management

Group Risk Management (GRM) is responsible for the execution of the RM function (RMF) and the actuarial function (AF). The department is led by the RMF holder. At year-end GRM consists of the following four sub-departments:

- Enterprise Risk Management;
- Financial Risk Management;
- Model Validation & Model Risk.
- Methodology

Enterprise Risk Management

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

Financial Risk Management

Financial Risk Management (FRM) is responsible for the second line financial RM and supports both the AF and RMF. An important task of FRM is to be the countervailing power to the EB and management in managing financial risks for a.s.r. and its subsidiaries. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. As part of the AF, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the AF expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The AF also expresses an opinion on the adequacy of reinsurance arrangements. Other responsibilities of financial RM are e.g. monitoring Solvency II compliancy (e.g. changes in Solvency II regulation), updating policies on valuation and risk, activities related to the DNB, assessment of the ORSA (financial parts), assessment of strategic initiatives.

Model Validation

The Model Validation (MV) department is responsible for performing validation activities or having them carried out in accordance with the drawn up annual model validation plan. MV is responsible for supervising compliance with the model validation policy, discussing and challenging the (draft) validation reports and advising the Model Committee. The MV is a separate sub-department within GRM. The MV is part of the RMF and operates independent of the AF.

Methodology
Methodology is responsible for establishing methodologies for PIM (Aegon and a.s.r. group) and Standard Formula (SF: Aegon entities).

Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operation.

As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies. Compliance supports the first line in the identification of compliance risks and assesses the effectiveness of RM on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with RM, Compliance also creates further awareness to comply with the rules and desired ethical behavior. Compliance coordinates interaction with regulators in order to maintain effective and transparent relationships with those authorities.

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

Risk committee structure
a.s.r. health has established a structure of risk committees with the objective to monitor the risk profile in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

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

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

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

B.3.1.3 Systems and data
GRC tooling is implemented to support the RM process by giving guidance and insight into the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. With the adoption of the Aegon partial internal model a.s.r. explores the added value of implementing (part) of the Aegon Data governance and Quality policy into its own framework. The quality of the information is reviewed based on the following aspects, based on Solvency II:
- completeness (including documentation of accuracy of results)
- adequacy
- reliability
- timeliness

Adherence to this policy is ensured by the three lines of defence risk governance model. With a Central Data Office and a Data Quality Improvement Programme, additional measures are taken to increase maturity in data management practices.

The preparatory body or department checks the assumptions made and the plausibility of the results and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

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

a.s.r.'s information security policy is based on relevant laws and market standards, like ISO 2700x, COBIT 2019, NIST Cybersecurity framework, SOC2 principles, PCI DSS, COSO, BS 25999, ISO 31000, ITIL. These standards describes best practices for the implementation of information security.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons to compromise a.s.r. data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls are aimed at preventing hackers and other unauthorised persons from accessing information stored on a.s.r. systems. Nevertheless, confidential information can also have been committed to paper. On top of technical measures a.s.r. implemented physical measures and measures that help create the desired level of awareness of personnel as part of the information security environment. The resilience of these measures is actively tested.

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

B.3.1.4 Risk policies and procedures

a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, underwriting, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by GRM and Compliance. These departments also monitor the proper implementation of the policies in the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously. a.s.r. has drawn up an integrated policy calendar which includes all risk related documents. This guarantees that policies are drawn up and reassessed in a timely manner and that tasks and responsibilities are clear.

B.3.1.5 Risk culture

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

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

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

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

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

B.3.1.6 Risk management process

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

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

Measuring
After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:
- Sensitivity analysis
- Stress testing
- Scenario analysis
- Expert judgments (regarding likelihood and impact)
- Portfolio analysis

Managing
Typically, there are four strategies to managing risk:
- *Accept*: risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures.
- *Avoid*: risk avoidance is the elimination of activities that cause the risk.
- *Transfer*: risk transference is transferring the impact of the risk to a third party.
- *Mitigate*: risk mitigation involves the mitigation of the risk likelihood and / or impact.

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

1 Based on COSO ERM en ISO 31000.

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

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

B.3.2 a.s.r.'s risk categories
a.s.r. health is exposed to a variety of risks. There are six main risk categories that a.s.r. recognises, as described below. In addition, a.s.r. health recognises sustainability risks arising from environmental, social or governance (ESG) events or conditions. The sustainability risks can be financial and non-financial and can be both strategic and operational. This means that all six main risk categories that a.s.r. health recognises can be affected by sustainability risks. Chapter 2.5.3 Environmental, social and governance of the 2023 Annual Report of a.s.r. briefly describes how a.s.r. identifies, measures and manages climate risks and opportunities for its business.

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

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

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

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

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

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

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

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

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

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

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

B.4 Internal control system

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

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

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

B.4.1 Strategic and operational risk management

The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic.

B.4.1.1 Strategic Risk Management

Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.'s strategic objectives. Subsequently, the aim is to identify and analyse the risk profile as a whole, including risk interdependencies. The process of strategic risk analysis (SRA) is designed to identify, measure, manage, monitor, report and evaluate those risks that are of strategic importance to a.s.r.:

Identifying

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

Measuring

Through the SRA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes is used to gain additional insights into the likelihood and impact. One single risk priority can take multiple risks into account. In this manner, the risk priorities provide (further) insights into risk interdependencies.

Managing

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

Monitoring and reporting

The output of the SRA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed in the a.s.r. risk committee and the Audit & Risk Committee. At the level of the product lines, risks are discussed in the BRC's.

Evaluating

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

Climate change

One of the areas within Strategic Risk Management concerns climate change. For a.s.r., climate change is a direct and indirect risk, both to its assets and liabilities. In chapter 3.6.3 Identified risks of the Annual report of a.s.r. and 2.5.3 Environmental, social and governance of the Annual report of a.s.r., the relevant climate related risks for a.s.r. are discussed including how these risks are managed. Climate change related risks have had no direct impact on the valuation in the current accounting and disclosures of a.s.r.'s assets and liabilities.

B.4.1.2 Operational Risk Management

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

Identifying

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

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

Measuring

All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Gross risks with a level of concern 3 or 4 are considered 'key'.

Managing

For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. An estimation is made of the net risk, after implementing the control(s). A more effective and efficient approach to managing risks is required driven by increased complexity of processes, data processing and the need for a timely and accurate view on the risk profile. a.s.r. is therefore in the process of shifting towards a more automated approach to manage risks, for example automated controls and data analysis.

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

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

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

ICT
Through IT risk management, a.s.r. devotes attention to the confidentiality, integrity and availability of ICT, including End User Computations. The logical access control for key systems used in the financial reporting process remains a high priority in order to enhance the integrity of applications and data. The logical access control procedures also prevents fraud by improving segregation of duties and by offsetting current and desired access levels within the systems and applications. Proper understanding of information, security and cyber risks is essential and the reason for which continuous actions are carried out to create awareness among employees. All of a.s.r.'s security measures are tested periodically. To increase cyberresilience, a.s.r. is participating in de DNB Threat Intel Based Ethical Red Teaming exercise.

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

Critical processes and activities and the tools necessary to use for these processes are identified during the Business Impact Analysis. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. defines a crisis as: one or more business lines are (in danger of being) disrupted in their operations, due to a calamity, or when there is a reputational threat. In order to manage the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has set up a crisis organisation.

There is a central crisis team led by a member of the board. Each business line has their own crisis team led by the director of the business line. The continuity of activities and the systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights in how they function during emergencies and to help them perform their duties more effectively during such situations. Some important training scenarios used are scenarios that include cyber threats.

Recovery and Resolution
a.s.r. has to comply with Dutch legislation that addresses the recovery and settlement of insurance companies ('Wet herstel en afwikkeling van verzekeraars' in Dutch). The objective is that insurance companies and supervisors are better prepared against a crisis and that insurance companies can recover from a crisis without government aid. On 5 April 2023 a new policy rule on resolvability of insurance companies was published. The policy rule specifies the criteria DNB has to take into account when identifying impediments to resolution in relation to Dutch insurance companies.

As part of the legislation a.s.r. is obliged to have a Preparatory Crisis Plan('Voorbereidend Crisisplan' in Dutch) in place that has been approved by DNB. a.s.r.'s Preparatory Crisis Plan helps to be prepared and supports the organisation in various scenarios of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to handle a crisis situation and to resume business. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles, impact on clients and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of early intervention in the event of a financial crisis situation and to further guarantee that the interest of clients and other stakeholders are protected.

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

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

B.4.2 Compliance function
The Compliance department (Compliance) is a centralised function within a.s.r., headed by the compliance manager for both a.s.r. and its subsidiaries. Being part of the second line of defence, Compliance is considered a key function in line with the Solvency II regulation. The Compliance key function-holder is hierarchically managed by and reports to the CRO, a member of the Management Board. The CRO ensures that the Compliance annual plan proposed by the Compliance key function-holder is adopted by the Management Board.

To enhance and ensure sound and controlled business operations, Compliance is responsible for:

- Encouraging compliance with relevant legislation and regulations, self-regulation, ethical standards and the internal standards derived from them (the rules), by providing advice and drafting policies;
- Monitoring compliance with the rules;

- Monitoring management of compliance risks by further developing adequate compliance risk management, including, where necessary, advising on business measures and actions;
- Creating awareness of the need to comply with the rules and desired ethical behaviour;
- Interaction with regulators in order to maintain effective and transparent relationships.

The compliance manager also has an escalation line to the CEO and/or the Chair of the A&RC and/or the Chair of the SB in order to safeguard the independent position of the compliance function and to allow it to operate autonomously.

The compliance manager issues quarterly reports on compliance matters and on the progress made with regard to recommended business measures and actions at Group level, supervised entity (OTSO) level and business line level. The quarterly report at the divisional level is discussed with the management responsible and with the relevant Business Risk committees. The quarterly report at Group and OTSO levels is presented to and discussed with members of the MB, with the Non-Financial Risk Committee, with the Risk Committee and with the A&RC of the SB. The report is shared and discussed with Dutch Central Bank (*De Nederlandsche Bank*; DNB), the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*; AFM) and the internal and external auditors.

With a view to the institution of the compliance function in connection with the integration of Aegon NL, Compliance set up a number of work flows in order to further develop the integration of the compliance function. The matters considered in this context included the standardisation of policies, processes, monitoring and reports, including the best practices of Aegon NL. The Compliance department itself, which will be integrated in 2024 and tailored to the new a.s.r. organisation, was also taken into consideration.

Compliance risks

Developments in legislation and in the management of (identified) compliance risks and action plans provide the basis for the annual compliance plan and compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses their impact on a.s.r. and the corresponding measures to be taken.

In 2023, a.s.r. paid specific attention to:

- Customer Due Diligence (CDD), including Anti-Money Laundering and Anti-Terrorist Financing.
- Privacy laws and regulations, including the General Data Protection Regulation (GDPR). a.s.r. considers it important that personal data are handled with care.
- Sustainability regulation, such as the SFDR, the EU Taxonomy Regulation and the CSRD. Increasing attention has been given to sustainability and the implementation of regulations as part of the EU Green Deal, as well as to expressions in the field of sustainability.
- The further development and safeguarding of the PARP, in collaboration with the PARP Board and the relevant business units;
- Compliance participated in the so-called baseline risk measeurement which started immediately after the Aegon NL transaction was completed.

a.s.r. monitors sound and controlled business operations, including the management of reputational risks. The framework for monitoring and reviewing is based on the rules, regulations and also standards of a.s.r. itself, including the a.s.r. code of conduct. In 2023, a.s.r. monitored compliance with e.g. the rules, regulations and policies on CDD, privacy, remuneration, the digital agenda, sustainability (including the assessment of communications expressions), handling of customer requests and the quality of information provided to customers. The CDD Centre is continuously working on an improvement plan for CDD-related risks. The implementation was carried out in line with this plan in 2023.

In addition, a.s.r. continued to work on further improvement of ongoing monitoring activities in 2023, by reviewing the compliance risk and monitoring framework and its translation into the business units' Risk Control Matrix (RCM). It is the ambition of a.s.r. to increasingly integrate behaviour and culture into its monitoring surveys. Good insight into behaviour and culture, together with the analysis of process design and monitoring, provides an integral picture of the control environment.

B.5 Internal audit function

The Audit Department provides a professional and independent assessment of the governance, risk management and internal control processes with the aim of aiding management in achieving the company's objectives. This statement of duties has been set down in the Audit Charter for a.s.r. and its subsidiaries. The Audit Department reports its findings to the managing board of a.s.r. health basic and, by means of the quarterly management report, to the a.s.r. Risk Committee and to the SB of a.s.r. health basic.

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

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with the supervisors (DNB and AFM) and to discuss the risk assessment, findings and audit plan. The department also takes the initiative to organise a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2023 no tripartite consultation was held for a.s.r. health basic.

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

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

Audit applies the standards of the IIA, NBA and NOREA for the profession of internal auditing. Each year, Audit performs a self-assessment and an internal quality review and reports the results to the chairman of the board and to the members of the a.s.r. Audit and Risk Committee. In accordance with the standards of the IIA, an external quality review is performed every five years. During the last review in 2022, Audit was approved by the IIA and received the Institute's quality certificate.

B.6 Actuarial function

The Actuarial Function (AF) is one of four key functions in a.s.r.'s system of governance.

The main tasks and responsibilities of the AF are to:
- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system.

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

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

There are three Actuarial Function Holders in place at a.s.r. Two function holders have a joint responsibility for the Life segment (with underlying business lines Individual Life & Funeral and Pensions), one is responsible for ASR Leven and the other for Aegon Leven as well as Aegon Spaarkas. The third function holder is responsible for the Non-life segment (with underlying legal entities as well as Property & Casualty, Disability and Health business lines).

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

Independence of the AF is secured through several measures:
- The AF holders are appointed and dismissed by the Board. Both the appointment and the dismissal of the holders is, together with an advice from the Audit and Risk Committee, submitted to the SB for approval;
- The AF holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The AF holders have a direct reporting line to the a.s.r. Risk Committee or EB and the Audit and Risk Committee of a.s.r. The AF is free to report to one of the management or risk committees when considered necessary;
- The AF is free to report all relevant issues;
- In case of a conflict of interest with the CRO, the function holders may escalate directly to the CEO and to the Chairperson of the Audit & Risk Committee of a.s.r.;
- If the AF is asked to perform tasks that are outside the formal scope described in a charter, the function holder(s) assess if there is a conflict of interest. If so, the AF will not execute the task unless there are sufficient additional measures to mitigate conflicts of interest;
- The Internal Audit Department evaluates periodically the governance of a.s.r. including the (independent) operation of the AF;
- Target setting and assessment of the function holders is done by the CRO taking into account the opinion of the Executive Board and the Audit & Risk Committee.

B.7 Outsourcing

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

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

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

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

In light of recent developments, it's worth noting that a.s.r. is updating the outsourcing policy and practices with regards to the impact of the Digital Operational Resilience Act (DORA) and the Corporate Sustainability Reporting Directive (CSRD). DORA introduces specific and prescriptive requirements that have impact on how financial organisations manage ICT and cyber risks. As for the CSRD, it is EU legislation that requires to publish regular reports on environmental and social impact activities.

B.8 Any other information

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

C Risk profile

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

Risk governance

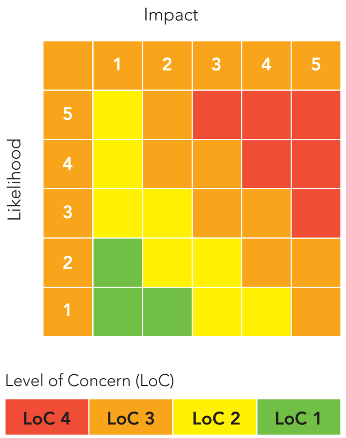
The risks identified are clustered into:

- Strategic risks (including emerging risks);
- Financial risks;
- Non-financial risks.

Management of strategic risks

a.s.r. health basic's risk priorities and emerging risks are defined annually by the Executive Board (EB), based on strategic risk analyses. a.s.r.'s risk priorities and emerging risks are defined as the main strategic risks which could materially affect its strategic, financial and non-financial targets. To gauge the degree of risk, a.s.r. uses a risk scale (see image) based on likelihood and impact (Level of Concern). For each risk priority, the degree of risk is determined for the gross and net risks. Gross risk is the degree of risk when no (control) measures are in place. Net risk is the degree of risk with mitigating (control) measures in place. Each of a.s.r.'s risk priorities has a gross and net risk Level of Concern 3 or 4, outside risk appetite boundaries. a.s.r.'s risk priorities and emerging risks are described in Strategic risks and in Emerging risks.

Risk scale



Management of financial risks

a.s.r. health basic aims for an optimum trade-off between risk, return and capital. Steering on risk, return and capital is done by decision-making throughout the entire product cycle from the Product Approval & Review Process (PARP) to the payment of benefits and claims. At a more strategic level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income. Risk tolerance levels and limits are disclosed in the financial risk appetite statements (RAS) and are monitored by the Business Risk Committee (BRC) and management. Where appropriate, a.s.r. health basic applies additional mitigating measures.

In 2023, the Actuarial Function (AF) performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions and contributing to the Risk Management Framework (RMF). The AF report on these topics was discussed by the EB, FRC and A&RC.

Management of non-financial risks

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

a.s.r. employees gain risk management knowledge and skills through the implementation of risk management policies, procedures and practices and the execution and testing of controls within business processes for sound and controlled business operations. In addition, risk management employees keep their knowledge and skills up to date through training courses - among which in the context of permanent education - that cover specific risk-related topics.

For more detailed information on the identified risks for the several risk categories described above, reference is made to chapter 1.6 of the Annual Report 2023 of a.s.r. health basic.

Risk appetite

Risk appetite is defined as the level and type of risk a.s.r. health basic is willing to bear in order to meet its targets while maintaining the right balance between risk, return and capital. a.s.r. health basic's risk appetite contains a number of qualitative and quantitative RAS and gives direction to the management of both FR and NFR. The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of a.s.r.'s strategy.

According to the annual risk management cycle in 2023, to ensure alignment with a.s.r. health basic's (risk) strategy, the RAS and RAS limits were evaluated and updated by the EB and approved by the SB.

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

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2023, expressed as the impact on the a.s.r. health basic solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
UFR 3.2%	-	-	-	-	-	-
Interest rate +0.5% (incl. UFR 3.45% for 2023 and 2022)	-	-	-	-	-	-
Interest rate -0.5% (incl. UFR 3.45% for 2023 and 2022)	-	-	-	-	-	-
Interest steepening +10 bps	-	-	-	-	-	-
Volatility Adjustment -10bp	-	-	-	-	-	-
Spread +75bps/ VA +17bps (2022: VA +18bps)	-	-	-	-	-	-

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk - UFR 3.2%	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged. The impact on available capital, required capital and ratio relates to a comparison with a solvency ratio measured at a UFR of 3.45% for 2023 and 2022.
Interest rate risk (incl. UFR 3.45%)	Measured as the impact of a parallel 0.5% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.45% for both 2023 and 2022) after the last liquid point of 20 years remained unchanged.
Interest steepening	Measured as the impact of a steepening of the curve of 10 bps between 20Y and 30Y.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Mortgage spread	Measured as the impact of a 50 bps increase of spreads on mortgages.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 17 bps (2022: +18bps) based on reference portfolio.

The Solvency II sensitivities in 2023 are similar to 2022. Furthermore, the magnitude of the Solvency II sensitivities is small, as the insurances are short-cycle.

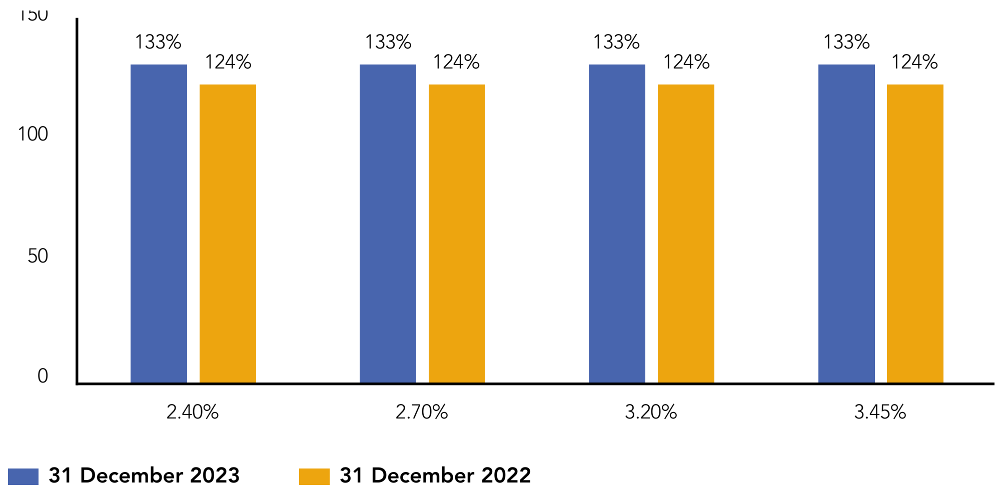
Expected development Ultimate Forward Rate

European Insurance and Occupational Pensions Authority (EIOPA) may reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. There are various scenarios regarding lowering the Ultimate Forward Rate (UFR).

After a decline of the UFR by 15 bps per year for several years in a row, as of 2023 the UFR remained stable at 3.45% (2022: 3.45%). The solvency ratio is still above internal solvency objectives.

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

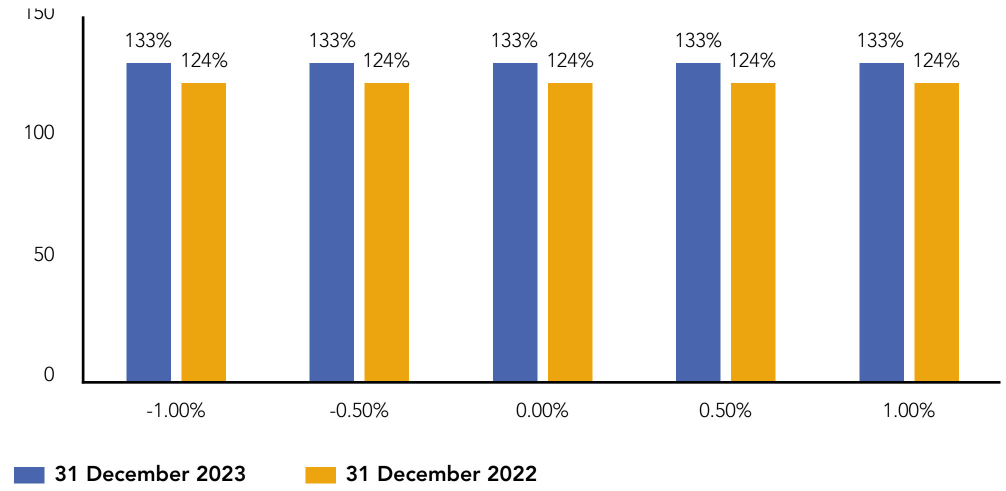
Sensitivity Solvency II ratio to UFR



Interest rate sensitivity of Solvency II ratio

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

Sensitivity Solvency II ratio to interest rate



Loss absorbing capacity of deferred tax

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

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

LAC DT Components

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

The outcome is an unrounded LAC DT factor.

1. The unrounded LAC DT factor is determined based on component 1 – 3 only.

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

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

C.1 Insurance risk

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

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

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

The insurance risk arising from the health insurance portfolio of a.s.r. health basic is as follows.

Insurance risk - required capital

	31 December 2023	31 December 2022
Health insurance risk	146,293	140,734

C.1.1 Health insurance risk

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

This includes the diversification within the NSLT Health underwriting risk and Catastrophe risk. There is an increase in the Health insurance risk at the end of 2023, due to an increase of premium volume 2023 during the year as a result of additional inflow of insureds during the year and adjustment of expected equalization premium received from the National Health Care Institute. The number of insurance contracts for 2024 has decreased with approximately 20% (a decrease 170,000 insurance contracts) and as a result the premium volume for 2024 is lower than the premium volume for 2023. However, based on the Solvency II standard formula the maximum of the premium volume 2023 and 2024 is used as the volume measure for premium risk.

NSLT Health Risk

Premium and reserve risk

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

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

NSLT lapse risk

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

Health catastrophe risk

A health catastrophe for NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by Dutch Central Bank in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act for Health Insurance. After year T the risk is ‘zero’.

Health insurance risk - required capital

	31 December 2023	31 December 2022
Health SLT	-	-
Health Non-SLT	144,640	138,869
Catastrophe Risk (subtotal)	6,129	6,838
Diversification (negative)	-4,477	-4,973
Health (Total)	**146,293**	**140,734**
Medical expenses insurance and proportional reinsurance	144,640	138,869
Income protection insurance and proportional reinsurance	-	-
Diversification (negative)	-	-
Health Non-SLT (subtotal)	**144,640**	**138,869**
Mass accident risk	334	385
Accident concentration risk	-	-
Pandemic risk	6,120	6,827
Diversification (negative)	-325	-374
Catastrophe risk (subtotal)	**6,129**	**6,838**

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

NSLT Health portfolio - technical provision

	31 December 2023	31 December 2022
Best estimate	162,264	222,924
Risk margin	14,668	13,416
Technical provision	**176,932**	**236,341**

The table above shows a decrease in the best estimate. Although the number of insurance contracts in 2023 increased the claim provision decreased due to a faster claim process and higher ex post (the difference between the estimated risk equalisation premium in the spring of the year for which the premium is intended ("lenteherberekening") and the realised equalisation premium) which is accounted for as a negative claim provision. Furthermore, the premium provision per year-end 2023 is lower than in 2022 which results in a lower best estimate.

The increase in risk margin is in line with the increase in volume measure for premium risk being one of the risk drivers in the calculation of the risk margin.

C.1.2 Managing health insurance risk

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

Claims frequency, size of claim and inflation

To mitigate the risk of claims, a.s.r. health basic bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. In order to limit claims and/or ensure that prices are adjusted correctly, the product line health NSLT also uses knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims.

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

Handling time

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

Benefit and claims handling costs

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

Concentration risk

Geographically, the risk exposure of a.s.r. health basic on its health portfolio is almost entirely concentrated in the Netherlands.

C.2 Market risk

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

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below. The first table summarises the required capital for market risks based on the standard model:

Market risk - required capital

	31 December 2023	31 December 2022
Interest rate	1,408	1,462
Equity	-	4
Property	-	-
Currency	11	42
Spread	4,163	4,875
Concentration	25	-
Diversification (negative)	-586	-621
Total	**5,020**	**5,762**

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

a.s.r. accepts and manages market risk for the benefit of its customers and other stakeholders. a.s.r.'s risk management and control systems are designed to ensure that these market risks are managed effectively and efficiently, aligned with the risk appetite for the different types of market risks. Market risk reports are submitted to either FRC or RCC at least once a month. In these reports different types of market risks are monitored and tested against the limits according to the financial risk policies.

The value of investment funds at year-end 2023 was € 90,745 thousand (2022: € 94,006 thousand). a.s.r. health basic applies the look through approach for investment funds to assess the market risk.

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

C.2.1 Interest rate risk

Interest rate risk is the risk that the value of assets or liabilities will change due to fluctuations in interest rates. a.s.r. is exposed to interest rate risk, as both its assets and liabilities are sensitive to movements in long- and short-term interest rates. Insurance products are exposed to interest rate risk.

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities. Among other instruments, swaptions and interest rate swaps are used for hedging. An interest rate risk policy is in place for a.s.r. Group as well as for the registered insurance companies. Interest rate risk reports are submitted to either FRC or RCC at least once a month. In these reports the interest rate risk is monitored and tested against the limits according to the financial risk policies.

The Solvency II SF interest rate risk is the maximum loss of (i) an upward shock and (ii) a downward shock of the yield curve.

- The used shocks vary by maturity and the absolute shocks are higher for shorter maturities (descending: 75% to 20% and ascending: -70% to -20%):
- The yield curve up shock contains a minimum shock of 100bps;
- The yield curve down shock is zero in case the yield curve is negative;
- The yield curves of all currencies are shocked simultaneously.
- All adjustments (credit spread, volatility adjustment) on the yield curve are considered constant.
- The yield curve is extrapolated to the UFR. The yield curve after shock is not extrapolated again to the UFR.

Interest rate risk - required capital

	31 December 2023	31 December 2022
SCR interest rate risk up	-	-
SCR interest rate risk down	-1,408	-1,462
SCR interest rate risk	**1,408**	**1,462**

a.s.r. health basic has assessed various scenarios to determine the sensitivity to interest rate risk. The impact on the solvency ratio is calculated by determining the difference in the change in available and required capital.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
UFR 3.2%	-	-	-	-	-	-
Interest rate +0,5% (incl. UFR 3.45%)	-	-	-	-	-	-
Interest rate -0.5% (incl. UFR 3.45%)	-	-	-	-	-	-
Interest steepening +10 bps	-	-	-	-	-	-
Volatility Adjustment -10bp	-	-	-	-	-	-

C.2.2 Equity risk

The equity risk takes into account the risk arising from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investments. In order to maintain a good understanding of the actual equity risk, a.s.r. applies the look-through approach for investment funds to assess the equity risk.

The Solvency II SF equity risk is determined by calculating the impact on the available capital due to an immediate drop in equity prices.

- Equities listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment (type I).
- Equities in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment (type II).
- Investments of a strategic nature are shocked by 22%.
- The equity capital of the renewable investments qualifying as an infrastructure investment is shocked by 30% together with the symmetric adjustment.

Equity risk - required capital

	31 December 2023	31 December 2022
SCR equity risk - required capital	-	4

a.s.r. health basic does not invest in equities as of 2023, there for no SCR equity risk applies per year-end 2023.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Equity prices -20%	-	-	-	-	-	-

Composition of equity portfolio

a.s.r. health basic does not invest in equities at year-end 2023 (2022: € 10 thousand). At year-end 2022 look through could not be applied on a very limited part of the investment funds . This resulted in an exposures of € 10 thousand in scope of SCR equity risk.

C.2.3 Property risk

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

C.2.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates.

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

An currency risk policy is in place for a.s.r. Group as well as for the registered insurance companies. For different investment categories a.s.r. has defined a target hedge ratio. Currency risk reports are submitted to either FRC or RCC at least once a month. In these reports the currency risk is monitored and tested against the limits according to the financial risk policies.

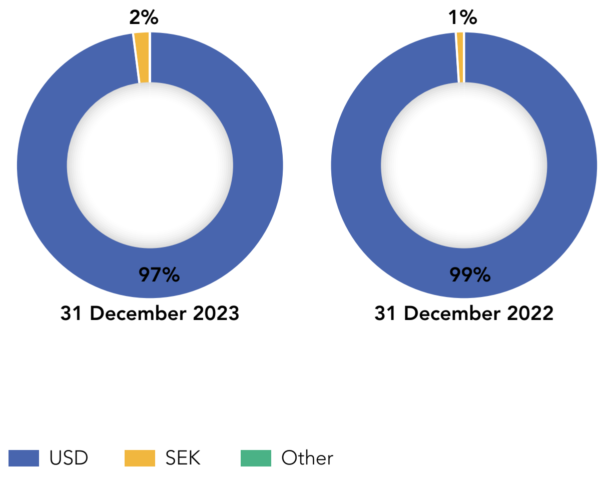
The table below provides an overview of the currencies with the largest exposures.

Currency risk - required capital

	31 December 2023	31 December 2022
SCR currency risk - required capital	11	42

Currency risk has decreased to € 11 thousand, and is still very limited.

Composition currency portfolio



C.2.5 Spread risk

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

The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

Spread risk - required capital

	31 December 2023	31 December 2022
SCR spread risk - required capital	4,163	4,875

The SCR spread risk decreased in 2023 due to the run-off of the bond portfolio, which resulted in lower durations and therefore lower spread risk.

The sensitivity to spread risk is measured as the impact of an increase of spreads on loans and corporate bonds of 75 bps. The volatility adjustment is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 17 bps in 2023 (2022: +18 bps).

Solvency II sensitivities - spread risk

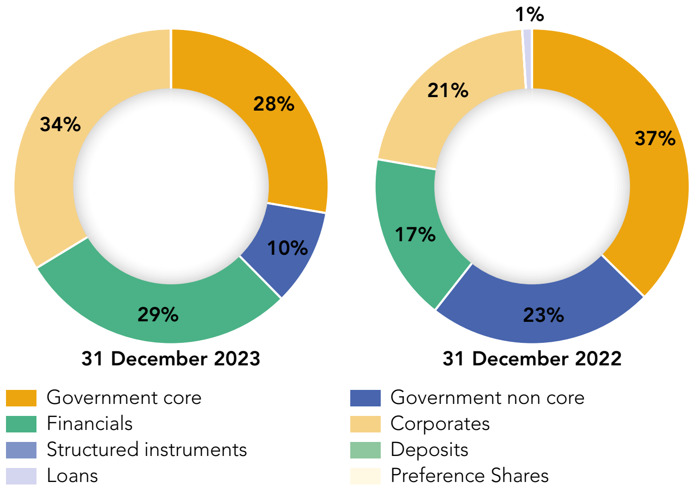
Scenario (%-point)	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Spread +75bps/ VA +17bps (2022: VA +18bps)	-	-	-	-	-	-

Composition of fixed income portfolio

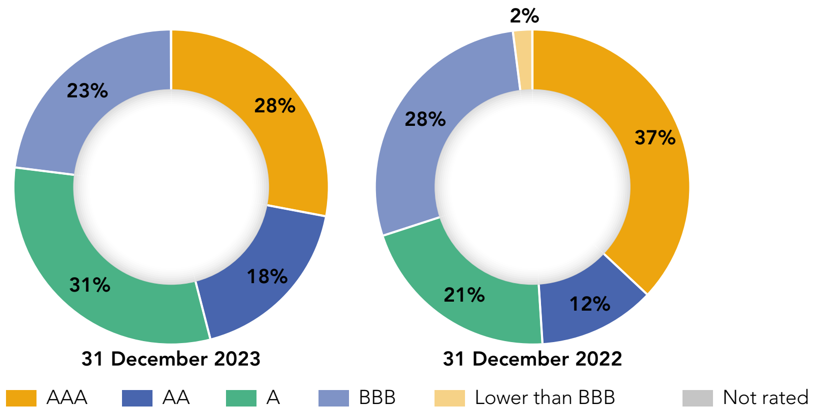
Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk.

The total exposure of assets in scope of spread risk is € 155,283 thousand (2022: € 248,841 thousand). The decreased bond portfolio is mainly because a.s.r. health basic has reduced government bond exposures.

Composition fixed income portfolio by sector



Composition fixed income portfolio by rating



C.2.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:

1. determine the exposure above threshold. The threshold depends on the credit quality of the counterparty;
2. calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. aggregation of individual capital requirements for the various counterparties.

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

a.s.r. continuously monitors exposures in order to avoid concentrations in a single obligor outside of the risk appetite and has an overall limit on the total level of the required capital for market risk concentrations. The calculation of the market risk concentrations applies to the total investment portfolio, where, in line with Solvency II, government bonds are not included.

The required capital for market risk concentrations is € 25 thousand per year-end 2023 (2022: nil).

C.3 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:
- mortgages
- savings-linked mortgage loans
- derivatives
- reinsurance
- receivables
- cash and deposits

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa. The Solvency II regime makes a distinction between two types of exposures:
- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified.
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

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

Counterparty default risk - required capital

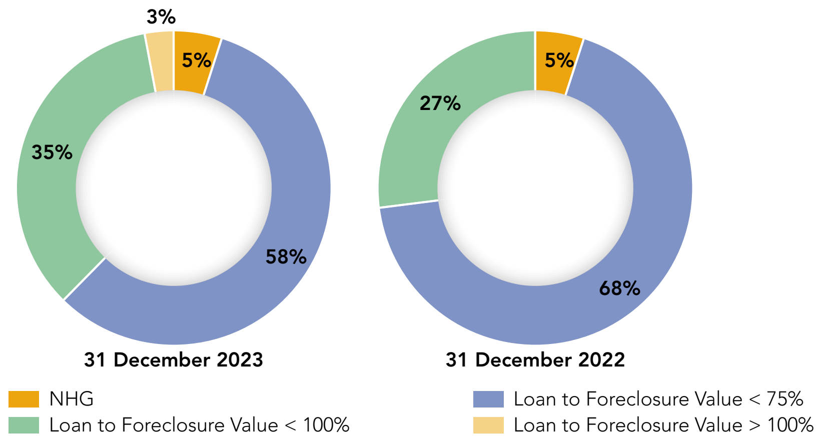
	31 December 2023	31 December 2022
Type 1	136	304
Type 2	14,488	9,216
Diversification (negative)	-34	-74
Total	**14,590**	**9,447**

The increase of Type 2 risk is the result of the increase of receivables exposure (€ 28,792 thousand). The total counterparty risk has increased by € 5,143 thousand.

C.3.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r. health basic's own account. The a.s.r. health basic portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of the a.s.r. health basic's mortgage portfolio was € 90,745 thousand at year-end 2023 (2022: € 91,834 thousand), as a result of participations in the ASR Mortgage Fund.

Composition of mortgage portfolio



The Loan-to-Value ratio is based on the value of the mortgage according to Solvency II principals with respect to the a.s.r. calculated collateral. The percentage of mortgages which are in arrears for over three months has increased from 0.03% in December 2022 to 0.04% in December 2023.

C.3.2 Savings-linked mortgage loans

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

C.3.3 Derivatives

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

C.3.4 Reinsurance

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

C.3.5 Receivables

The receivables with a counterparty default risk amounted to € 258,268 thousand at year-end 2023. This mainly consits of Health insurance fund receivables (€ 158,800 thousand), policyholders (€ 10,576 thousand) and other receivables (€ 89,892 thousand).

C.3.6 Cash and cash equivalents

The current accounts amounted to € 2,234 thousand per year-end 2023 (2022: € 4,680 thousand).

Composition cash accounts by rating

	31 December 2023	31 December 2022
AAA	0	0
AA	0	0
A	2,234	4,680
Lower than A	0	0
Total	**2,234**	**4,680**

C.4 Liquidity risk

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

a.s.r. health basic recognises different levels of liquidity management. First, short-term liquidity management which covers the day-to-day cash requirements and aims to meet short term liquidity risk targets. Second level covers the long-term liquidity management. This, among others, considers the strategic matching of liquidity & funding needs in different business conditions in which market liquidity risk could materialise. Finally stress liquidity management refers to the ability to respond to a potential crisis situation as a result of a market event and/or an a.s.r.-specific event.

Since market interest rates started rising in 2022, a.s.r. experienced liquidity outflow as a result of cash variation margin outflow related to the ISDA/CSA- and Clearing agreements of derivatives. The cash outflow was financed by returning earlier received cash collateral to counterparties and by liquidating assets. As at 31 December 2023 a.s.r. is a net payer of cash collateral. Other sources of liquidity risk are overdue healthcare claims. a.s.r. monitors its liquidity risk via different risk reporting and monitoring processes including cash management reports, cash flow forecasts, liquidity stress tests and liquidity dashboards in which liquidity outflows are calculated for different (stress) scenarios. For long-term liquidity management purposes, liquidity is also taken into account in the asset allocation process.

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

In managing the liquidity risk from financial liabilities, a.s.r. health basic relies on holding liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold or lend to meet liquidity requirements. As at 31 December 2023, a.s.r. health basic had cash (€ 2,234 thousand), liquid government bonds (€ 58,221 thousand) and other bonds and shares.

EPIFP

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

EPIFP

	31 December 2023	31 December 2022
EPIFP	24,084	10,801

The EPIFP per 31 December 2023 for a.s.r. health basic increased to € 24,084 thousand (2022: € 10,801 thousand) due to higher expected profits for 2024 contracts.

C.5 Operational risk

Operational risk concerns the risk of direct and / or indirect losses which can occur within a.s.r. as a result of inadequate or failing (changing) internal processes, people, systems and/or as a result of external events. Operational risks occurred are most times being caused by the failure of processes, people, systems, external events or a combination of these factors.

Operational risk - required capital

	31 December 2023	31 December 2022
SCR operational risk - required capital	45,607	31,253

The SCR for operational risk amounts to € 45,607 thousand at the end of 2023 and is determined with the standard formula under Solvency II. The operational risk is based on the basic solvency capital requirement, the volumes of premiums and technical provisions, and the amount of expenses.

Operational risk increased with € 14,354 thousand from 2022 to 2023 due to higher premium volume.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against a.s.r.'s actual solvency capital position. The most important risks to which a.s.r. is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach. After assessment of the effectiveness of the mitigating measures, the risks with the highest 'Level of Concern' (LoC) are translated to the a.s.r. risk priorities and relevant risk scenarios for the ORSA. The following risks, outside the scope of the standard formula, are recognised by a.s.r. as being potentially material:
- Inflation risk;
- Reputation risk;
- Liquidity risk;
- Contagion risk;
- Legal environment risk;
- Model risk;
- Risks arising from non-insurance activities (non-OTSOs);
- Strategic risk;
- Climate risk and sustainability risk;
- Emerging risk;
- Environmental, Social & Governance (ESG) risk.

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

C.7 Any other information

C.7.1 Description of off-balance sheet positions
Not applicable for a.s.r. health basic.

C.7.2 Reinsurance policy and risk budgeting

C.7.2.1 Reinsurance policy
a.s.r. health basic does not reinsure any specific underwriting risk at this moment.

C.7.2.2 Risk budgeting
The FRC assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure the predefined levels in the risk appetite statement will not be violated.

C.7.3 Monitoring of new and existing products
Group Risk Management, Compliance, and Legal Affairs participate in the Product Approval and Review Process Board. All these departments evaluate whether risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and secure for the client. New products must also be strategically aligned with a.s.r.'s mission to be a solid and trustworthy insurer. In addition, the risks of existing or modified products are evaluated, as requested by the PARP, as a result of product reviews.

C.7.4 Prudent Person Principle
a.s.r. complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. The prudent person principle ensures that assets are managed on behalf of its subsidiaries, policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk. a.s.r. has mandated ASR Vermogensbeheer N.V. as their asset manager.

a.s.r. ensures that assets of policyholders or other stakeholders are managed in a prudent manner. a.s.r. complies with the Prudent Person Principle by investing only in assets and instruments which a.s.r. can adequately assess, measure, monitor, control, maintain and report the risks. All assets will be assessed against solvency criteria according to article 45 (1a).

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

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

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

a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings.

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

D Valuation for Solvency purposes

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

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

This is described in paragraph D.2. Other liabilities are described in paragraph D.3.

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

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

Based on the differences in this template a reconciliation is made between IFRS equity and Solvency equity for 2023.

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2023 IFRS	Revaluation	31 December 2023 Solvency II
1. Deferred acquisition costs	-	-	-
2. Intangible assets	-	-	-
3. Deferred tax assets	265	-1,096	-831
4. Property, plant, and equipment held for own use	-	-	-
5. Investments - Property (other than for own use)	-	-	-
6. Investments - Equity	90,745	-	90,745
7. Investments - Bonds	155,283	-	155,283
8. Investments - Derivatives	1,334	-	1,334
9. Unit-linked investments	-	-	-
10. Loans and mortgages	-	-	-
11. Reinsurance	-0	0	-
12. Cash and cash equivalents	2,234	-	2,234
13. Any other assets, not elsewhere shown	312	251,064	251,376
Total assets	**250,173**	**249,968**	**500,142**
14. Technical provisions (best estimates)	-11,544	173,808	162,264
15. Technical provisions (risk margin)	-	14,668	14,668
16. Unit-linked best estimate	-	-	-
17. Unit-linked risk margin	-	-	-
18. Pension benefit obligations	-	-	-
19. Deferred tax liabilities	-	3,231	3,231
20. Subordinated liabilities	95,034	-7,196	87,838
21. Other liabilities	13,914	53,012	66,926
Total liabilities	**97,404**	**237,524**	**334,928**
Excess of assets over liabilities	**152,770**	**12,444**	**165,214**

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

Reconciliation excess of assets over liabilities to Eligible Own Funds

	Gross of tax	31 December 2023
IFRS equity		**152,770**
Revaluation assets		
i. Intangible assets	-	
ii. Loans and mortgages	-	
iii. Reinsurance	0	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	-154,377	
Subtotal		**-154,377**
Revaluation liabilities		
i. Technical provisions (best estimates)	193,903	
ii. Technical provisions (risk margin)	-14,668	
iii. Unit-linked best estimate	-	
iv. Unit-linked risk margin	-	
v. Subordinated liabilities	3,162	
vi. Other liabilities	-	
Subtotal		**182,397**
Total gross revaluations		28,020
Tax percentage		25.8%
Total net revaluations		**20,791**
Other Revaluations		
i. Goodwill	-	
ii. Participations	-	
Subtotal		**-**
Solvency II equity		**165,214**
Own fund items		
i. Subordinated liabilities		87,838
ii. Foreseeable dividends		-
Eligible Own Funds Solvency II		**253,052**

D.1 Assets

Valuation of most financial assets is based on fair value. In the paragraph below, this valuation methodology is described. For different line items will be referred to this method. In this paragraph line items 1 – 13 from the simplified balance sheet above are described.

D.1.1 Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Delegated Regulation and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value: Level 1: Fair value based on quoted prices in an active market. Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:

- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

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

Level 2: Fair value based on observable market data

Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:

- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

This category primarily includes:

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

Level 3: Fair value not based on observable market data

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

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

Introduction
Summary
Business and performance
System of governance
Risk profile
Valuation for Solvency purposes
Assets
Technical provisions
Other liabilities
Alternative methods for valuation
Any other information
Capital management

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

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

D.1.2 Assets per asset category

The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category. The figures correspond to the extended balance sheet which has been reported as QRT S 02.01.

1. Deferred acquisition costs

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

2. Intangible assets

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

3. Deferred tax assets

The basis for the DTA / DTL position in the IFRS balance sheet is temporary differences between fiscal and commercial valuation. This DTA / DTL position is the base for this line item on the Solvency II balance sheet, adjusted for Solvency II revaluations, such as revaluation of technical provisions.The deferred tax effects involve a correction related to the fact that (most of) the revaluations as described in this chapter are gross of tax. The tax effect is calculated at 25.8%.

In accordance with the Delegated Regulation and the recommendations of DNB, netting is only allowed with same tax authority and with same timing. The balance sheet of a.s.r. health basic contains a DTL.

4. Property plant, and equipment held for own use

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

5. Investments - Property (other than for own use)

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

6. Investments – Equity

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

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

7. Investments – Bonds

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

8. Investments – Derivatives

The valuation of these assets is consistent with the fair value hierarchy as described in paragraph D.1.1. The valuation of listed derivatives is based on the level 1 method of the fair value hierarchy. The valuation of unlisted interest rate contracts is based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares.

9. Unit-linked investments

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

10. Loans and mortgages

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

11. Reinsurance recoverables

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

12. Cash and cash equivalents

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

13. Any other assets, not elsewhere shown

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

D.2 Technical provisions

D.2.1 Introduction
In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by a.s.r. health basic.

D.2.2 Technical provisions methods

D.2.2.1 Medical expense insurance
What follows is a description of the policies, methods and principal assumptions that were decisive in determining the value of the technical provisions and the risk margin.

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

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

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

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

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

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

D.2.2.2 Bases and methods
Best estimate claim provision a.s.r. health basic
The inflation method is used for the first months of the new year because little is known about the use of health care and its declaration pattern of the new year. The inflation rate is based on the existing contracts from the previous year which are under negotiation for new year and market rates for healthcare consumption.

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

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

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

Impact COVID-19
No new COVID-19 arrangements have been made between health providers and health insurers.

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

Health insurers consider COVID-19 part of the ordinary business operations in 2024. Solely in a pandemic crisis situation, joint agreements between general hospitals, university medical centers and health insurers remain valid.

The catastrophe arrangement Healthcare Insurance Act (article 33 of the ZVW) terminated by operation of law on the 31st of December 2021. The provisional catastrophe contribution for 2020 and 2021 has been disbursed in 2022 by the National Health Care Institute. The final settlement of the catastrophe arrangement will be made in 2025.

Cash flows a.s.r. health basic

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

Best estimate of premium provision a.s.r. health basic

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

The cash flow pattern of the future claim provision is based on paid claims in a development factor model. The assumptions are:

E. Claims received in past months are predictive for the future payment pattern of claims.
F. The payment patterns are constant / equal divided for the coming months to year end.
G. The payment pattern for the future claims is equal to the payment pattern of the current (already) paid claims. The same yield curve, which a.s.r. sets internally at group level and subsequently supplied to the supervised entity, is used as for the outstanding claims provisions.

Claims handling costs a.s.r. health basic

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

Risk margin methodology

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

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

Impact volatility adjustment

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

Impact of applying VA = 20 bps

	VA = 20 bps	VA = 19 bps	VA = 0 bps		Impact	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
TP	176,932	236,341	177,384	236,841	451	500
SCR	189,980	169,435	190,003	169,454	23	19
MCR	75,591	60,880	76,141	60,904	550	23
Basic own funds (total)	253,052	210,273	252,717	209,902	-335	-371
Eligible own funds	253,052	210,273	252,717	209,902	-335	-371

Table: impact of applying VA = 0 bps

D.2.3 Level of uncertainty

a.s.r. distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below.

Process risk

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

Model risk

The second risk that a.s.r. has identified in relation to the technical provisions is model risk. Regular procedures have provided adequate certainty with regard to this risk. To illustrate, the reporting manager in charge signs off documents to demonstrate that the reported figures do not contain any material mistakes or that no key facts have been omitted. In addition, FRM, in its role as the second line of defence, performs an independent internal review of the technical provisions as described in the previous phase.

D.2.4 Reinsurance and special purpose vehicles (SPVs)
Not applicable to a.s.r. health basic.

D.2.5 Technical provisions
In the table below a reconciliation is made between the Solvency II and the IFRS valuation of provisions. Solvency figures are part of the balance sheet S.02.01. The next paragraph describes a brief explanation of these differences.

Technical provisions: IFRS versus Solvency II

31 December 2023	IFRS	Revaluation	Solvency II
Similar to non-life			
Best estimate	-		162,264
Risk margin	-		14,668
Technical provision	**-11,544**	**188,477**	**176,932**

The IFRS17 technical provisions do not include the contractual service margin (hereafter: CSM); the CSM is not at all applicable to a.s.r. health basis since the Premium Allocation Approach (PAA) methodology is used.

D.2.6 Reconciliation between IFRS and Solvency II
Under Solvency II, the technical provisions are calculated using a different method compared to IFRS17. In this section the reconciliation between IFRS17 and Solvency II is described.

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

- The applied yield curve
- Contract boundary and recognition; Solvency II comprises the total of new business written for 2024 whereas IFRS17 comprises only the loss component for onerous contracts written for 2024.
- Accounting methodology differences

Risk adjustment / risk margin:

- The applied yield curve
- Operational risk is taken into account for Solvency II
- Model differences; Solvency II takes into account the future premium volume unlike IFRS17

D.3 Other liabilities

D.3.1 Valuation of other liabilities
In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the valuation methods for IFRS and Solvency II purposes are addressed in detail per liability category. In this paragraph line items 18-21 from the simplified balance-sheet above are described

18. Pension benefit obligations
Not applicable for a.s.r. health basic.

19. Deferred tax liabilities
See 3. Deferred tax assets.

20. Subordinated liabilities
In IFRS the perpetual hybrid loans are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r. health basic. In the first quarter of 2023, a tier 2 loan of € 20 million was provided bij a.s.r. holding.

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

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

21. Other liabilities
Other Liabilities contains different small line items:

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

Trade payables (non-insurance)
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category receivables.

Any other liabilities not disclosed elsewhere
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1. This item consists primarily of tax payables.

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

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

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

The a.s.r. health basic Solvency II capital ratio does not include contingent liabilities.

D.3.2 Reconciliation from Solvency II equity to EOF

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

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

Foreseeable dividends and distributions
Not applicable for a.s.r. health basic.

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

Tier 3 Limitation
In accordance with the Delegated Regulation EOF is divided in tiering components. There are boundary conditions related to the size of these components. Excess of this limits results in capping of EOF. For a.s.r. health basic capping does not apply per year-end 2023.

D.4 Alternative methods for valuation

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

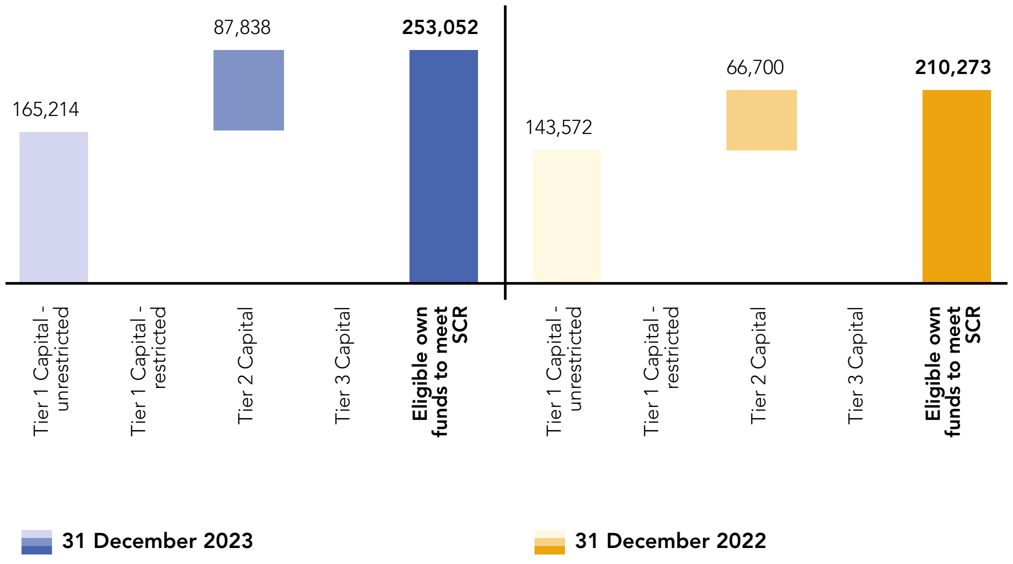
D.5 Any other information

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

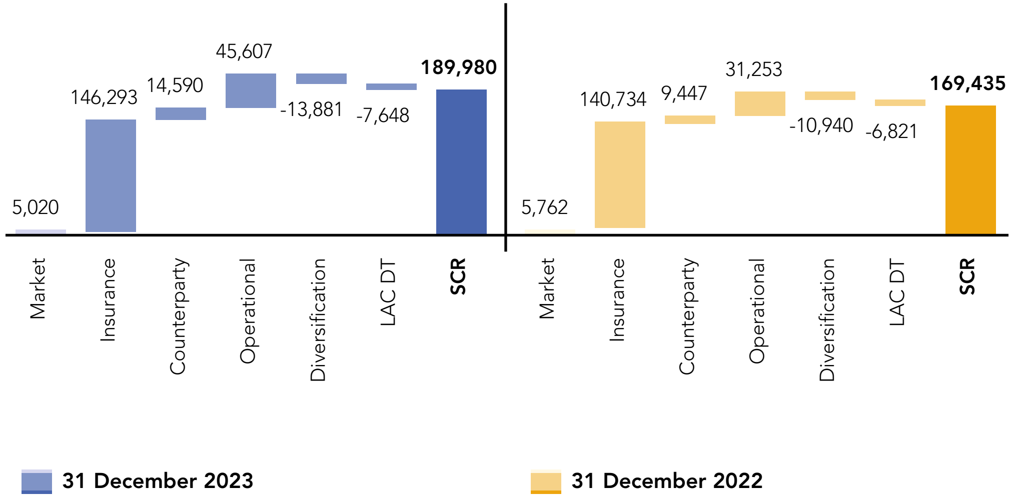
E Capital management

Key figures

Eligible own funds

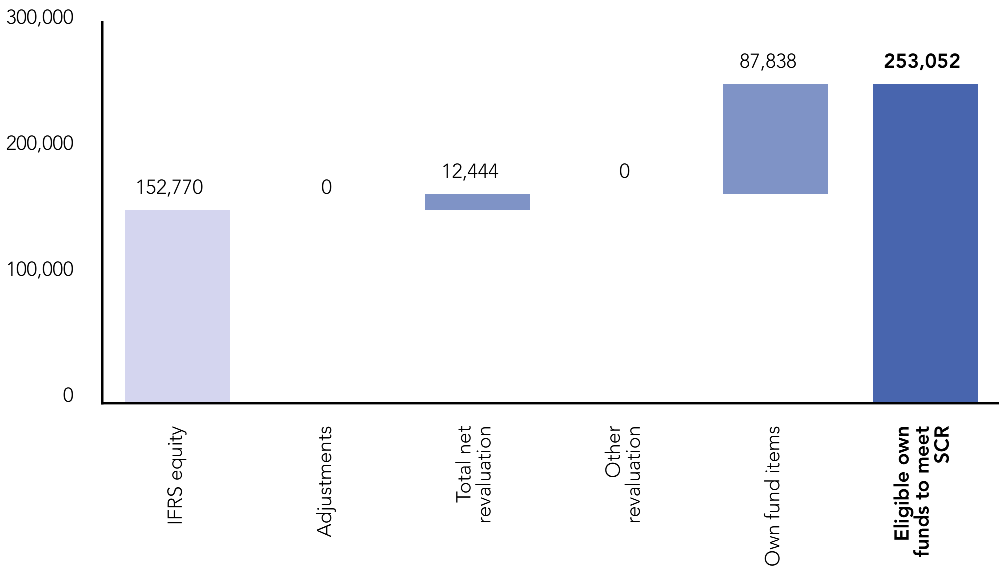


SCR



The solvency ratio stood at 133% as at 31 December 2023 based on the standard formula as a result of € 253,052 thousand EOF and € 189,980 thousand SCR. EOF increased compared to last year, mainly due to profitable new business at the end of 2023. SCR (insurance- and operational risk) also increased as a result of a growing portfolio in 2023. For this reason an additional subordinated loan of € 20 million was issued in the first quarter of 2023.

Reconciliation total equity IFRS vs EOF Solvency II



The replacement of the IFRS provision for the best estimate and risk margin, increases EOF by € 12,444 thousand. This is after tax-impact of 25.8%. The own funds items amounted to € 87,838 thousands in 2023 and relates to the addition of the subordinated loans.

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

E.1 Own funds

E.1.1 Capital management objectives

Management

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

a.s.r. health basic does not have a management target. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be upstreamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow.

Objectives

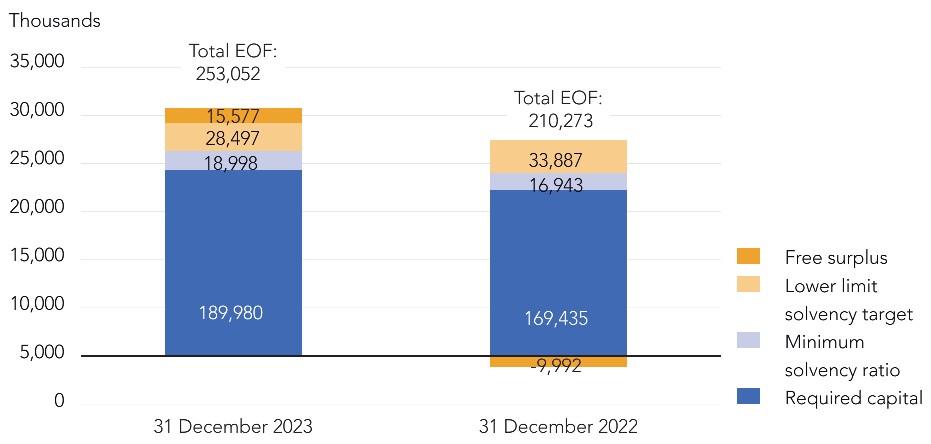
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a "single A" rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. health basic as formulated in the risk appetite statement is 110%. The lower limit solvency target is 125%. For a.s.r. health basic a management threshold is not applicable as a.s.r. health basic thinks it is inappropriate to distribute dividend from the compulsory health insurance. The solvency ratio stood at 133% at 31 December 2023, which was above the internal requirement of 110%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding a.s.r. health basic in 2023, no dividend or capital withdrawals have taken place.

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

Market value own funds under SCR



E.1.2 Tiering own funds

The table below details the capital position of a.s.r. health basic as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorise own funds into the following three tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Ordinary Share Capital and Reconciliation reserve.
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. a.s.r. health basic has no ancillary own fund items. Basic Tier 2 capital increased in 2023 as an additional subordinated loan of € 20 million was issued.
- Tier 3 consists of Deferred tax assets. a.s.r. health basic has no Tier 3 own fund items. a.s.r. health basic has a deferred tax liability of € 4,062 thousand.

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

Eligible Own Funds to meet the SCR

	31 December 2023	31 December 2022
Tier 1 capital - unrestricted	165,214	143,572
Tier 1 capital - restricted	-	-
Tier 2 capital	87,838	66,700
Tier 3 capital	-	-
Eligible own funds to meet SCR	**253,052**	**210,273**

E.1.3 Own funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2023	31 December 2022
Tier 1 capital - unrestricted	165,214	143,572
Tier 1 capital - restricted	-	-
Tier 2 capital	15,224	12,176
Tier 3 capital	-	-
Eligible own funds to meet MCR	**180,438**	**155,748**

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

According to Delegated Regulation article 248 to 251 the MCR (€ 76,119 thousand) of a.s.r. health basic is calculated as a linear function of premiums, technical provisions and capital at risk.

E.1.4 List of hybrid loans

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

List of hybrid loans

Nr	Description	Nominal amount	Issue date	Tiering
1	ASR_6.5%_29-03-2049	10,000,000	29-03-2019	2
2	ASR_5.5%_19-12-2049	9,000,000	19-12-2019	2
3	ASR_4.2%_30-12-2030	17,000,000	30-11-2020	2
4	ASR_4.2%_30-06-2031	9,000,000	30-06-2021	2
5	ASR_7.5%_31-01-2033	26,000,000	29-12-2022	2
6	ASR_7.5%_31-01-2033	20,000,000	31-01-2023	2

E.2 Solvency Capital Requirement

Capital requirement

The required capital stood at € 189,980 thousand per 31 December 2023. The required capital (before diversification) consists for € 5,020 thousand out of market risk, the insurance risk amounted to € 146,293 thousand, operational risk was € 45,607 thousand and counterparty default risk amounted to € 14,590 thousand as per 31 December 2023. a.s.r. health basic complied during 2023 with the applicable externally imposed capital requirement. The table below presents the solvency ratio as at the date indicated. The Solvency II ratios presented are not final until filed with the regulators.

Eligible Own Funds to meet the SCR

	31 December 2023	31 December 2022
Eligible Own Funds Solvency II	253,052	210,273
Required capital	189,980	169,435
Solvency II ratio	**133%**	**124%**

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in-200-year loss ("Shock loss"). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit for a.s.r. health basic is € 7,648 thousand (2022: € 6,821 thousand).

a.s.r. uses an advanced model for the LAC DT of both a.s.r. life and a.s.r. non-life and a 'basic' model for a.s.r. health basic and supplementary. In the advanced model future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

On December 14, 2023, a political agreement was reached on amendments to the Solvency II Directive, following the 2020 review of the Solvency II framework. The formal adoption of the amendments to the directive is expected to take place by April 2024. The amendments are expected to take effect in EU member states by mid 2026 or 1st of January 2027. The proposed amendments consist of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA), the equity risk module for the SCR calculation, the introduction of a prudential climate-transition plan and sustainability-related considerations in the prudent person principle and in the ORSA and group supervision. . Some measures could include a phase-in period. The amendments to the Solvency II Directive will require amendments to the Solvency II Delegated Regulation and/or the introduction of additional delegated acts and guidelines, to be developed by EIOPA.

In addition to the revisions to the Solvency II Directive, an agreement was reached on the Insurance Recovery and Resolution Directive (IRRD), which provides for recovery and resolution framework for insurance companies at European level and to be implemented by EU member states, comparable to the Act on Insurance Recovery and Resolution, currently in force in the Netherlands.

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

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

a.s.r. health basis does not invest in equities as per 2023, therefore the equity risk is not applicable. For 2022, this was very limited.

E.4 Differences between Standard Formula and internal models

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

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

As a.s.r. health basic has not faced any form of non-compliance with the Minimum Capital Requirement or significant non-compliance with the Solvency Capital Requirement during the reporting period or at the reporting date, no further information is included here.

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