Generali Group

SOLVENCY AND FINANCIAL CONDITION REPORT 2022

Fortuna Lebens-Versicherungs AG, Vaduz

(hereinafter called LFL)

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Introduction

Fortuna Lebens-Versicherungs AG, Vaduz (hereinafter called LFL) is falling under the scope of Solvency II Directive reporting and is required to predispose its own Solvency and Financial Condition Report (SFCR).

This is in accordance with the Directive 2009/138/EC ('Solvency II Directive') as well as with the Delegated Regulation 2015/35/EC ('Delegated Act') and related Guidelines.

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market requiring insurance and reinsurance undertakings to disclose publicly, at least on an annual basis, a report on their solvency and financial condition.

LFL has prepared its Solvency and Financial Condition Report (SFCR) in line with the requirements for public disclosure under the Solvency II regulatory regime and the Supervisory Reporting and Public Disclosure Group Policy, which was issued by the Generali Group and was also adopted by LFL.

Following these requirements this report was approved by Board of Directors of LFL on 5 April 2023.

Reference date of the reporting is 31 December 2022, covering the reporting period between 01 January 2022 and 31 December 2022.

Reporting currency is CHF.

Please note that concerning tables small rounding differences in sums are possible.

As part of the solvency and financial condition report the following quantitative templates are disclosed:

(a) template S.02.01 of Annex I specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC, following the instructions set out in section S.02.01 of Annex II to this Regulation;

(b) template S.05.01 of Annex I, specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.01 of Annex II to this Regulation, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;

(c) template S.05.02 of Annex I, specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in section S.05.02 of Annex II;

(d) template S.12.01 of Annex I, specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT') for each line of business as defined in Annex I to Delegated Regulation (EU) 2015/35, following the instructions set out in section S.12.01 of Annex II to this Regulation;

(e) template S.22.01 of Annex I, specifying information on the impact of the long term guarantee and transitional measures, following the instructions set out in section S.22.01 of Annex II of Delegated Regulation (EU) 2015/35;

(f) template S.23.01 of Annex I, specifying information on own funds, including basic own funds and ancillary own funds, following the instructions set out in section S.23.01 of Annex II of Delegated Regulation (EU) 2015/35;

(g) template S.25.01 of Annex I, specifying information on the Solvency Capital Requirement calculated using the standard formula, following the instructions set out in section S.25.01 of Annex II of Delegated Regulation (EU) 2015/35;

(h) template S.28.01 of Annex I, specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity, following the instructions set out in section S.28.01 of Annex II of Delegated Regulation (EU) 2015/35.

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Glossary & Abbreviations

AMSB: Administrative, Management and Supervisory Board; for LFL synonym with BoD

ARC: Audit and Risk Committee

Best estimate liability: The best estimate liability represents the expected present value of future cash flows related to insurance and reinsurance obligations in force at valuation date. The best estimate liability is calculated on a gross of reinsurance basis, i.e. without any deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

Best estimate operating assumptions: The assumptions on all those non-financial factors which can have an impact on future cash-flows, including not only the most common operating factors (i.e. mortality/longevity, disability/morbidity, lapses, expenses), but also those contractual policyholders' options that can be exercised by policyholders at pre-determined conditions (e.g. annuity take-up rates, voluntary premium increases, maturity extensions…).

BoD: Board of Directors

BSCR: Basic Solvency Capital Requirement according to Standard Formula; equals the SCR before adjustments to consider loss absorbing capacity of profit sharing of life insurance contracts and deferred taxes and before aggregation with the capital requirements for operational risks.

Cash and cash equivalents: this asset class includes money in the physical form, cash equivalents, bank deposits and other money deposits.

Contract boundaries: This is the limit beyond which possible cash flows are excluded from the calculation of technical provisions. It is defined in line with Article 18 of the Delegated Acts, which states that:

"Obligations which relate to insurance or reinsurance cover provided by the undertaking after any of the following dates do not belong to the contract, unless the undertaking can compel the policyholder to pay the premium for those obligations:

a) the future date where the insurance or reinsurance undertaking has a unilateral right to terminate the contract;

b) the future date where the insurance or reinsurance undertaking has a unilateral right to reject premiums payable under the contract;

c) future date where the insurance or reinsurance undertaking has a unilateral right to amend the premiums or the benefits payable under the contract in such a way that the premiums fully reflect the risks."

Counterparty default risk adjustment: The counterparty default adjustment is the amount of reinsurance recoverables that the Company expects not to be able to recover as a consequence of the possible default of the reinsurance counterparty at any point in time in the future.

CRO: Chief Risk Officer

EEA: European Economic Area

ExCo: Executive Committee

Fixed income instruments: direct investments in government and corporate bonds, mortgage and loans.

FRR: Financial Reporting Risk

FTE: Full time equivalent

GAAP: Generally Accepted Accounting Principles

Generali Group: Global Group of Generali at Corporate Level with GHO in Trieste

GS: Generali Switzerland

GHO: Generali Head Office in Trieste

Gross written premiums (GWP): Equal to gross written premiums of direct business and accepted by third parties.

Gross direct premiums (GDP): Equal to gross written premiums of direct business.

ICS: Internal Control System

Investments back to unit and index-linked policies: includes various types of investments backing insurance liabilities related to unit and index-linked policies

LAT: Liability Adequacy Test

LFL: short name used in the report for the reporting company Fortuna Lebens-Versicherungs AG, Vaduz

Long term guarantee adjustments and transitional measures: This expression refers to the matching adjustment (as set out in article 77b of Solvency II Directive), the volatility adjustment (as set out in article 77d of Solvency II Directive), the transitional measure on the risk-free interest rates (as set out in article 308c of Solvency II Directive) and the transitional measure on technical provisions (as set out in article 308d of Solvency II Directive).

Matching adjustment: it refers to an adjustment applicable on top of the risk free rate curve. The application of such an adjustment is subject to prior supervisory approval and to strict requirements on the related portfolio of assets and liabilities. In particular, this adjustment can be applied for the valuation of matched business, i.e. in case of business where asset cash flows match (in terms of timing and amounts) liability cash flows. The calculation of the adjustment reflects the spread over the risk free rate of the assigned portfolio of assets, after a deduction for default and downgrade.

Minimum Capital Requirement (MCR): The Minimum Capital Requirement corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk were insurance and reinsurance undertakings allowed to continue their operations. It corresponds to the Value-at-Risk of the basic own funds subject to a confidence level of 85% over a one-year period (Solvency II Directive 2009/138/CE, Art. 129).

Net cash inflows: it is an indicator of cash flows generation of the life segment. It is equal to the amount of premiums collected net of benefits paid.

Other investments: includes participations in non-consolidated Group companies, derivative investments and receivables form banks and customers, the latter mainly related to Group banking operations.

Outstanding Claims Reserves: The Outstanding Claims Reserves (or Claims Provisions) are reserves for the outstanding claims, whether reported or not, occurred before the evaluation date whose costs and related expenses have not been completely paid by that date.

PY: Previous Year

Reinsurance recoverables: Reinsurance recoverables represent the amount of best estimate liability expected to be recovered via reinsurance treaties or special purpose reinsurance vehicles and correspond to the expected present value of the future cash flows referring to the in force reinsurance agreements.

Return on investments: it is an indicator of both life segment and property and casualty segment, calculated as the ratio between the result and the average investments calculated based on the balance sheet values.

Risk Adjusted Capital (RAC): The Risk Adjusted Capital is defined as the one-year change in basic own funds calculated at various percentiles (e.g. 1-in-10, 1-in-200). It is derived by reading the points from the full Probability Distribution Forecast (PDF) of the one-year changes in own funds, generated by the Partial Internal Model.

Risk Appetite Framework (RAF): The Risk Appetite Framework sets the overall risk strategy in terms of aggregate level of risk that the company is willing to accept or avoid in order to achieve its business objectives.

Risk margin: The risk margin is the part of technical provisions that should ensure that the overall value of the technical provisions is equivalent to the amount a third party would theoretically require in order to take over and meet the insurance liabilities, taking into account the cost of capital required to support those liabilities over their remaining future lifetime and regarding non-hedgeable risks such as underwriting and operational risks.

SF: Solvency II Standard Formula

Solvency II ratio: defined as the ratio between the Eligible Own Funds and the Group Solvency Capital requirement, both calculated according to the definitions of the SII regime. Own funds are determined net of proposed dividend. The ratio has to be intended as preliminary since the definitive Regulatory Solvency Ratio will be submitted to the supervisory authority in accordance with the timing provided by the Solvency II regulations for the official reporting.

Solvency Capital Requirement (SCR): The Solvency Capital Requirement is determined as the economic capital to be held by insurance and reinsurance undertakings in order to ensure that ruin occurs no more often than once in every 200 cases or, alternatively, that those undertakings will still be in a position, with a probability of at least 99.5%, to meet their obligations to policyholders and beneficiaries over the following 12 months (Solvency II Directive 2009/138/CE, Introduction, c. 64).

Technical provisions: The technical provisions correspond to the algebraic sum of the best estimate liability and risk margin. In case technical provisions are considered on a net of reinsurance basis, the amount of reinsurance recoverables after counterparty default adjustment is deducted from the technical provisions.

YE: Year End

Executive Summary

BUSINESS AND PERFORMANCE (SECTION A)

The present report is published in accordance with the Solvency II Regulatory framework and discloses detailed quantitative and qualitative information about the solvency and financial condition of the company for the reporting year 2022.

LFL is a life insurance company based in Vaduz. The company is owned by Generali (Schweiz) Holding and is embedded within the globally acting Generali Group with its Head Office in Trieste, Italy.

LFL stopped its new business production in 2015 and the insurance portfolio has been in run-off ever since. Up to 2015, LFL carried out its business under the principle of “Freedom to provide services”, mainly in EEA countries and in Switzerland. The insurance portfolio is dominated by savings and annuity products, mainly in the unit-linked business.

In 2022, gross premiums written decreased by 13.6% to 33.2 CHF millions due to the run-off situation of the portfolio and the devaluation of the euro against the CHF. After tax, LFL reported a loss of -0.2 CHF millions (previous year loss of -5.3 CHF millions). As in the previous year, this loss is primarily the result of the strengthening of the insurance provisions and the costs from the use of derivative financial instruments. In 2022, the provisions were increased by a gross amount of 7.6 CHF millions (previous year 12.8 CHF millions). This measure is a consequence of the low interest environment and the uncertainties of the financial markets. The improvement in the result of the reporting period compared to the previous year is also primarily due to these provisions.

SYSTEM OF GOVERNANCE (SECTION B)

LFL relies on a sound risk management system including governance and structured risk management processes. It is the set of rules, procedures and structures that ensures the effective operation of the company and enables it to identify, measure, manage, control, and report the main risks to which it is exposed. To ensure a consistent framework, LFL has adopted the Generali Group Directives on the System of Governance, complemented by Group Risk Policies. The internal control and risk management system is founded on the establishment of the three lines of defense:

- Operating Functions (the “risk owners”), which represent the first line of defense and have ultimate responsibility for risks relating to their area of expertise;
- Actuarial, Compliance and Risk Management Functions, which represent the second line of defense;
- Internal Audit, which represents the third line of defense.

RISK PROFILE (SECTION C)

LFL is mainly exposed to market, life underwriting, credit and operational risks. The nature of these risks and the overall risk profile description are provided in Section C.

LFL measures its risks by means of the Solvency II Standard Formula (SF) for market, life underwriting risks and credit risks. Operational risks are also measured by means of the Standard Formula, complemented by qualitative risk assessments. The SF provides an adequate representation of the main risks to which LFL is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the LFL’s own funds.

For the other risks, not measured by the SF, qualitative risk assessments are performed, which showed no material risks for LFL in 2022.

VALUATION FOR SOLVENCY PURPOSES (SECTION D)

Under Solvency II, the balance sheet of the company is valued based on an economic, market-consistent approach as required by the Solvency II regulatory framework. Section D includes a complete overview of the valuation of the Solvency II assets and liabilities, by disclosing qualitative and quantitative information for all differences between SII and statutory valuation.

In particular, assets and liabilities other than technical provisions are recognized in compliance with IFRS standards, where applicable, also taking into account the specific Solvency II requirements for some balance sheet items, where IFRS standards cannot be applied.

Technical Provisions under Solvency II are calculated as the sum of the best estimate of liabilities net of reinsurance plus risk margin and amount to 538.0 CHF millions at YE2022 (YE2021: 717.7 CHF millions). The difference between the statutory reserves and Solvency II Life Technical Provisions is due to substantial methodological differences between the two valuation approaches. The evaluation of the

SII Life Technical Provisions depends not only on the methods, models, and data used, but also on the assumptions concerning a number of economic and operational factors whose future realizations might differ from the expectations at the valuation date. The main methods and assumptions used in this calculation are detailed in chapter D2.

CAPITAL MANAGEMENT (SECTION E)

Capital management activities aim to establish common guiding principles and standards for carrying out management and control procedures of own funds in accordance with the relevant regulatory requirements and legislative frameworks, and in line with the level of risk appetite of LFL.

The capital position at YE2022 is presented in Section E, which provides a detailed overview of the structure of Own Funds, as well as the components related to Solvency Capital Requirements (SCR). At YE2022, LFL’s eligible Own Funds are all categorized as Tier 1 or Tier 2. The SCR and Minimum Capital Requirement (MCR) coverage are both on an adequate level. The SCR coverage significantly increased from 150.8 % at YE2021 to 230.0 % at YE2022 due to a lower SCR, stemming from reduced Life Underwriting and Market Risk, as well as increased Own Funds.

A. Business and Performance

A.1. BUSINESS

A.1.1. GENERAL INFORMATION

Fortuna Lebens-Versicherungs AG (LFL), located in Vaduz, Principality of Liechtenstein, belongs to the Generali Switzerland (GS), through which LFL is part of the globally operating Generali Group with its Head Office (GHO) in Trieste. The shares of LFL are 100% owned by Generali (Schweiz) Holding AG. Generali (Schweiz) Holding AG is a 100% owned subsidiary of Generali Group under the leadership of Assicurazioni Generali S.p.A., located in Trieste, Italy. LFL was founded in 1996 and started its business operation in spring 1997.

GENERALI

Generali (Schweiz) Holding AG

Nichtleben	Leben	Kapitalanlagen	Innovation
Generali Allgemeine Versicherungen AG Nyon	Generali Personenversicherungen AG Adliswil	Generali Investments (Schweiz) AG Adliswil	House of InsurTech Switzerland AG Adliswil
Fortuna Rechtsschutz-Versicherungs-Gesellschaft AG Adliswil	Fortuna Lebens-Versicherungs AG Vaduz		

LFL is supervised by the Liechtenstein Financial Market Supervisory Authority (FMA)[1], Vaduz, Liechtenstein, and audited by KPMG (Liechtenstein) AG[2], Vaduz, Principality of Liechtenstein.

Responsible for the financial supervision of the Generali Group conglomerate to which LFL belongs is the Italian Supervisory Authority IVASS[3] (Istituto per la Vigilanza sulle Assicurazioni), Rome, Italy.

LFL is a life insurance company in run-off. Until 2015, LFL acted under the principle of “Freedom to provide services” for life insurance within the liberalization of the European insurance-market. LFL carried out its business mainly in EEA countries and in Switzerland and is specialized in unit-linked insurance business and traditional insurance products with profit participation. The product portfolio in both lines of business is mainly dominated by savings products (endowment or capitalization insurance) and annuity products. In unit-linked business, the products were offered with or without guarantees with the possibility for the inclusion of supplementary insurances (premium waiver and disability rider). Insurance contracts are mainly based on CHF or EUR, and to a lower extent on USD, as a contract currency.

In unit-linked insurance business, savings premiums are invested according to the customer’s choice from a set of unit-linked investment plans with different investment strategies.

[1] https://www.fma-li.li/de/fma/kontakt.html
[2] https://home.kpmg/ch/de/home/ueber-uns/standorte/vaduz.html
[3] https://www.ivass.it/consumatori/contact-center/index.html

A.1.2. OVERALL PERFORMANCE

Profit and Loss Account in TCHF

			Change	
Local GAAP	**2022**	**2021**	**absolute**	**%**
Technical Result (Underwriting Performance)	3'672	608	3'064	504%
Investment Result (Investment Performance)	-3'818	-5'634	1'817	32%
RESULT BEFORE TAXES	**-146**	**-5'026**	**4'881**	**24%**
Taxes	-72	-252	180	-71%
Total Net Result	**-218**	**-5'278**	**5'060**	**504%**

In 2022, gross premiums written decreased by 13.6% to 33.2 CHF millions due to the run-off situation of the portfolio and the devaluation of the euro against the CHF. After tax, LFL reported a loss of -0.2 CHF millions (previous year loss of -5.3 CHF millions). As in the previous year, this loss is primarily the result of the strengthening of the insurance provisions and the costs from the use of derivative financial instruments. In 2022, the provisions were increased by a gross amount of 7.6 CHF millions (previous year 12.8 CHF millions). This measure is a consequence of the low interest environment and the uncertainties of the financial markets. The improvement in the result of the reporting period compared to the previous year is also primarily due to these provisions.

The underwriting performance and the investment performance are described in more detail in the following sections A.2 and A.3.

A.1.3. OTHER RELEVANT INFORMATION

As of July 2014, LFL stopped selling life insurance products in countries outside Switzerland/Liechtenstein and as of March 2015, new business was completely stopped and LFL has been in “Run-Off” since this point of time.

A.2. UNDERWRITING PERFORMANCE

A.2.1. UNDERWRITING PERFORMANCE BY LINE OF BUSINESS

Premiums, claims and expenses by line of business in TCHF

YE 2022	Line of Business for: life insurance obligations		Total YE2022	YE2021	Line of Business for: life insurance obligations		Total YE2021
	Insurance with profit participation	Index-linked and unit-linked insurance			Insurance with profit participation	Index-linked and unit-linked insurance	
Premiums written							
Gross	641	32’539	33’180		814	37’576	38’390
Reinsurers' share	-5	15	10		5	319	324
Net	646	32’524	33’170		809	37’257	38’066
Premiums earned							
Gross	641	32’539	33’180		814	37’576	38’390
Reinsurers' share	-5	15	10		5	319	324
Net	646	32’524	33’170		809	37’257	38’066
Claims incurred							
Gross	10’245	33’123	43’368		10’632	43’617	54’249
Reinsurers' share	-	-	-		0	0	0
Net	10’245	33’123	43’368		10’632	43’617	54’249
Changes in other technical provisions*							
Gross	7’846	91’818	99’664		2’999	-29’272	-26’273
Reinsurers' share	-	233	233		0	156	156
Net	7’846	91’584	99’431		2’999	-29’429	-26’430
Expenses Incurred	300	3’532	3’831		358	3’576	3’934
Other expenses			250				318
Total expenses			4’082				4’252

*sign convention for changes in other technical provisions: positive sign: decrease in provisions (=income) / negative sign: increase in provisions (=expense)

In terms of Gross Written Premiums (GWP), 98% of the business is underwritten in the unit-linked insurance, 2% in the insurance with profit participation. 52% of the premium income is deriving from capitalization insurance policies, 39% from endowment and 8% from life annuity insurance contracts. The proportion of pure risk insurance policies is around 1% of the total premium income. This product mix remained stable in the reporting period compared to the previous year (PY).

The amount of GWP reported in 2022 is 13.6% below 2021 due to the run-off status of the insurance portfolio and the devaluation of the EUR against the CHF.

Claims incurred of 43.4 CHF millions in the reporting period are below PY, due to the decrease in surrender benefits paid (15.9 CHF millions in 2022 vs. 27.9 CHF millions in 2021). Maturities, Annuities and Claims paid recorded a slight increase compared to the PY (27.4 CHF millions in 2022 vs. 26.4 CHF millions in 2021).

Change in other technical provisions of the index/unit-linked insurance reported a significant decrease in the reporting year. The decline in the index/unit-linked portfolio is mainly a result of the negative performance of the underlying assets. The decrease in the technical provisions of the not-linked business is a consequence of the outflows in the portfolio due to surrenders and maturities paid.

The decrease in expenses in 2022 compared to the previous year goes hand in hand with the decrease of the managed insurance portfolio.

Other expenses refer to cancellations of premiums due to lapses, which relate to premiums written in previous years.

The technical margin of the insurance business amounts to 7.8 CHF millions in 2022 (PY 4.8 CHF millions). The technical margin is mainly the profit margin out of premium income, claims incurred and change in technical provisions, and the fees profit margins from investment funds of the unit linked business. The improvement compared to the previous year is primarily due to the lower strengthening of the insurance provisions.

After deduction of the expenses related to the technical component of the business the Technical Result of the reporting period amounts to 3.7 CHF millions (PY 0.6 CHF millions).

Profit and Loss Account			in TCHF
Local GAAP	**YE2022**	**YE2021**	**Change in %**
Technical Result (Underwriting Performance)	**3’672**	**608**	**504%**
Technical Margin	7’804	4’799	63%
Expenses	-4’131	-4’191	1%

* Expenses Incurred in the Technical Result include Acquisition Costs, Administration Expenses and Claims Management Expenses. Investment Management Expenses are shown within the Investment Result in section A.3.1.

A.2.2. UNDERWRITING PERFORMANCE BY GEOGRAPHICAL AREA

Premiums, claims and expenses by country	Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations				
	YE2022	LI	FR	CH	DE	AT	FI	YE2021	LI	FR	CH	DE	AT	FI
		2022	2022	2022	2022	2022	2022		2021	2021	2021	2021	2021	2021
Premium written														
Gross	**29,869**	391	8,113	7,907	6,653	3,977	2,828	**34,623**	430	8,994	8,388	7,906	4,683	4,222
Reinsurers' share	**0**	0	0	0	0	0	0	**0**	0	0	0	0	0	0
Net	**29,869**	**391**	**8,113**	**7,907**	**6,653**	**3,977**	**2,828**	**34,623**	**430**	**8,994**	**8,388**	**7,906**	**4,683**	**4,222**
Premium earned														
Gross	**29,869**	391	8,113	7,907	6,653	3,977	2,828	**34,623**	430	8,994	8,388	7,906	4,683	4,222
Reinsurers' share	**0**	0	0	0	0	0	0	**0**	0	0	0	0	0	0
Net	**29,869**	**391**	**8,113**	**7,907**	**6,653**	**3,977**	**2,828**	**34,623**	**430**	**8,994**	**8,388**	**7,906**	**4,683**	**4,222**
Caims incurred														
Gross	**39,854**	307	3,280	10,981	14,589	6,524	4,173	**49,766**	1,037	3,831	12,089	23,031	7,188	2,590
Reinsurers' share	**0**	0	0	0	0	0	0	**0**	0	0	0	0	0	0
Net	**39,854**	**307**	**3,280**	**10,981**	**14,589**	**6,524**	**4,173**	**49,766**	**1,037**	**3,831**	**12,089**	**23,031**	**7,188**	**2,590**
Changes in other technical provisions														
Gross	**89,306**	1,289	14,649	22,448	30,239	12,901	7,781	**-10,128**	150	-4,849	-9,320	5,922	1,198	-3,229
Reinsurers' share	**0**	0	0	0	0	0	0	**0**	0	0	0	0	0	0
Net	**89,306**	**1,289**	**14,649**	**22,448**	**30,239**	**12,901**	**7,781**	**-10,128**	**150**	**-4,849**	**-9,320**	**5,922**	**1,198**	**-3,229**
Expenses incurred	**3,066**	45	831	810	682	408	290	**3,512**	8	922	860	810	480	433
Other expenses	223							249						
Total expenses	**3,289**							**3,761**						

* sign convention for change in other technical provisions: positive sign: decrease in provisions (=income) / negative sign: increase in provisions (=expense)

In terms of Gross Written Premiums (GWP) the top 5 countries are: 25% of the life insurance obligations are deriving from policyholders resident in France, 24% in Switzerland, 20% in Germany, 12% in Austria and 9% in Finland. Within the single countries, no significant distinctions of the Business-Mix and underwriting performance are detectable.

Based on the higher average seniority of the insurance portfolio in Germany, Switzerland and Austria compared to the other countries (in particularly to France or Finland), the run-off of the portfolio is mainly evident in these countries. As a result, maturities paid are significantly higher than in other countries.

A.3. INVESTMENT PERFORMANCE

A.3.1. INVESTMENT RESULT

Profit and Loss per Asset Class — in TCHF

Local GAAP in TCHF	YE2022	YE2021	Change in %
Investment Result (Investment Performance)	**-3’818**	**-5’635**	**32%**
Investment Result Traditional Business	**-2’045**	**-1’653**	**-24%**
Investment Result Traditional Business Gross of PH Participation	401	1’025	-61%
Net Investment Income Bonds	-66	458	-
Net Investment Income Loans	26	74	-65%
Net Investment Income Collective Investments Undertakings	1’027	1’145	-10%
Net Investment Income Cash	0	18	-
Investment Management Expenses	-586	-670	13%
Policyholder Share of Total Investment income Not Linked Business	-2’446	-2’678	9%
Investment Result Unit-Linked Business	**-244**	**156**	-
Investment Result Unit-Linked Business Gross of PH Share	-87’181	39’229	-
Policyholder Share of Total Investment income Unit-Linked	86’937	-39’073	-
Result from Derivatives	**-1’528**	**-4’137**	**63%**

Overall, Fortuna shows an investment result of -3.8 CHF millions in the reporting period, which is 1.8 CHF millions above the value of the previous year. The negative result is primarily driven by the costs incurred to hedge financial risks and the foreign currency losses because of the devaluation of the euro against the Swiss franc.

The investment result of the Traditional Business shows a loss of 2.0 CHF millions (PY -1.7 CHF millions). This decrease is primarily driven by the foreign currency losses of the bond portfolio, which are hedged but this cannot be recognized in the statutory financial statements as the lower of cost or market value principle is required for these derivatives. The devaluation of the Euro against CHF leads to a decrease in the investment income of the Bonds portfolio. The sale of the collective investment at the beginning of the reporting year resulted in a profit of around CHF 1.0 CHF millions. Due to the run-off, the policyholder share decreases in the reporting period compared to 2021.

With regard to the development of prices on the capital market, the reporting year was very difficult. The strong increase in interest rates as well as the decline in share prices led to losses in the value of the investments held. This is also reflected in the investment result of the Unit Linked Business, where the result is shared with policyholders.

A.3.2. GAINS AND LOSSES RECOGNIZED IN EQUITY

In the statutory accounts, according to Liechtenstein generally accepted accounting principles (local GAAP), no gains and losses are recognized in equity and no other comprehensive income accounts are recycled within the equity. The equity is only composed of share capital, retained earnings and net earnings of the current year

A.3.3. INVESTEMENTS IN SECURITISATION

There are no investments in securitization in the LFL investment portfolio.

A.4. PERFORMANCE OF OTHER ACTIVITIES

There are no material income and expenses from any other activities than already reported in sections A.2. and A.3.

LFL does not have any leasing arrangements.

A.5. ANY OTHER INFORMATION

There is no other material information regarding business and performance to be reported for LFL.

Annex A – Public QRTs YE2022

Premiums, claims and expenses by line of business (Template S.05.01)

in TCHF

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to	Annuities stemming from non-life insurance contracts and relating to	Health reinsurance	Life reinsurance	Total
Premiums written									
Gross		641	32’539						33’180
Reinsurers' share		-5	15						10
Net		**646**	**32’524**						**33’170**
Premiums earned		-	-						-
Gross		641	32’539						33’180
Reinsurers' share		-5	15						10
Net		**646**	**32’524**						**33’170**
Claims incurred		-	-						-
Gross		10’245	33’123						43’368
Reinsurers' share		-	-						-
Net		**10’245**	**33’123**						**43’368**
Changes in other technical provisions		-	-						-
Gross		7’846	91’818						99’664
Reinsurers' share		-	233						233
Net		**7’846**	**91’584**						**99’431**
Expenses Incurred		**300**	**3’532**						**3’831**
Other expenses									**250**
Total expenses									**4’082**

Premiums, claims and expenses by country (Template S.05.02)

in TCHF

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	LI	FR	CH	DE	AT	FI	
Premium written							
Gross	391	8’113	7’907	6’653	3’977	2’828	29’869
Reinsurers' share	0	0	0	0	0	0	0
Net	**391**	**8’113**	**7’907**	**6’653**	**3’977**	**2’828**	**29’869**
Premium earned							0
Gross	391	8’113	7’907	6’653	3’977	2’828	29’869
Reinsurers' share	0	0	0	0	0	0	0
Net	**391**	**8’113**	**7’907**	**6’653**	**3’977**	**2’828**	**29’869**
Caims incurred							0
Gross	307	3’280	10’981	14’589	6’524	4’173	39’854
Reinsurers' share	0	0	0	0	0	0	0
Net	**307**	**3’280**	**10’981**	**14’589**	**6’524**	**4’173**	**39’854**
Changes in other technical provisions							0
Gross	1’289	14’649	22’448	30’239	12’901	7’781	89’306
Reinsurers' share	0	0	0	0	0	0	0
Net	**1’289**	**14’649**	**22’448**	**30’239**	**12’901**	**7’781**	**89’306**
Expenses incurred	**45**	**831**	**810**	**682**	**408**	**290**	**3’066**
Other expenses							**223**
Total expenses							**3`289**

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1. INFORMATION ON GOVERNANCE

LFL's shareholder, Generali Switzerland Holding AG (GSH), has assigned the management of LFL to the Board of Directors according to Art. 180 of the Liechtenstein Law on Persons and Companies (PGR) and the Organizational Rules of LFL. The BoD is supported by the Executive Committee.

Legally, LFL is a wholly owned subsidiary of GSH and functionally integrated into the processes of the insurance companies of Generali Switzerland which are, ultimately, outsourced to GPV. The composition of LFL's BoD and the Executive Committee as of 31 December 2022 is shown below:

Board of Directors (BoD)	
R. Schmid (Chairman)	A. Sarti
N. Rebic	N. Soboleva

↑

Executive Committee	
CEO	**Deputy CEO**
A. Lacher	T. Huber
CFO	
F. Miola	

The Risk Governance shall ensure an effective organization with clearly defined key risk roles and responsibilities and a set of policies.

The key risk roles and responsibilities for LFL are the following:

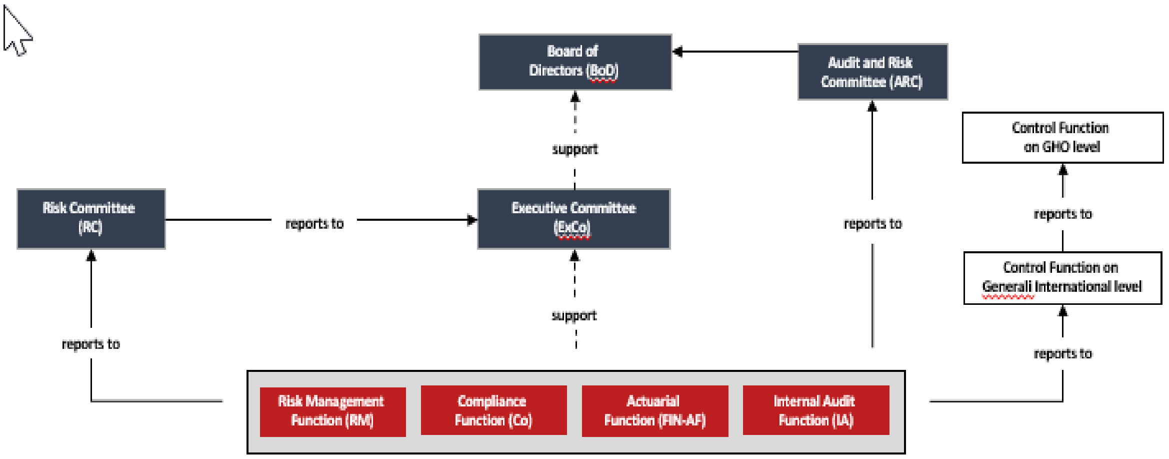
Key Risk Role	Description
Board of Directors (BoD)	The BoD ensures that the most significant risks for LFL are identified, evaluated and managed. Ultimately, the BoD is responsible for the implementation, adequacy and sustainability of LFL's risk management strategy and control framework in terms of completeness, functioning and effectiveness.
Audit and Risk Committee (ARC)	The primary role of the Audit and Risk Committee is to ensure the integrity of the financial reporting and audit process and to oversee the maintenance of sound internal control and risk management systems. The Chairman is Alessio Sarti.
Executive Committee (ExCo)	The ExCo is responsible for the operative implementation, maintenance and monitoring of LFL's risk and control framework.
Risk Owners	The Heads of the Operating Units are the so-called Risk Owners. They regularly identify, analyze and control the risks relating to their processes. The Operating Units perform these risk management activities in cooperation with GPV's RM-FOR (Risk Management Framework and Operational Risk) team and Compliance function.

Also in 2022, measures were taken to preventively strengthen the solvency ratio of the company (anticipating, inter alia, impending model adjustments). A contribution into the capital reserves ("Kapitalreserven", according to art. 1068 of the Liechtenstein Persons and Companies Act [PGR]) from Generali (Switzerland) Holding Ltd to LFL in the amount 7 CHF millions was granted.

In addition, further derisking measures were taken, and the Lapse Risk Stop Loss Reinsurance Agreement was renewed (see also section C).

There were no other material transactions during the reporting period with shareholders or persons who exercise a significant influence on LFL (incl. LFL's BoD members).

The following organizational chart shows the reporting lines of LFL's control functions (Risk Management, Compliance, Actuarial Function and Internal Audit) as of 31 December 2022:


Board of Directors (BoD)
Audit and Risk Committee (ARC)
Control Function on GHO level
support
Risk Committee (RC)
reports to
Executive Committee (ExCo)
reports to
reports to
Control Function on Generali International level
support
reports to
reports to
Risk Management Function (RM)
Compliance Function (Co)
Actuarial Function (FIN-AF)
Internal Audit Function (IA)

A comprehensive description of key roles and responsibilities of the control functions is stated in the "Group Directives on the System of Governance" and the "Risk Management Group Policy".

In section B.1.4 more details are disclosed for the relevant control functions (Risk Management, Compliance, Actuarial Function and Internal Audit).

Annex B lists all regulations relating to the System of Governance of the company.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Concerning the composition of the Board of Directors and the Executive Committee, the following changes occurred in 2022: Mr. Bernhard Locher resigned from the Board of Directors with effect as of the Extraordinary General Meeting of April 28, 2022. At the Extraordinary General Meeting of April 28, 2022, Ms. Natalia Soboleva, Mr. Mirko Sartori and Mr. Ralph Schmid were elected to the Board of Directors of LFL. The Board of Directors subsequently constituted itself via circular resolution on May 20, 2022 and elected Mr. Alexander Lacher as Chairman of the Board (Mr. Alessio Sarti was confirmed as Vice-Chairman). In its ordinary meeting of June 15, 2022, the Board of Directors appointed Mr. Thierry Huber as General Counsel and member of the Executive Committee as of August 1, 2022. He succeeded Mr. Andreas Letsch who left the company. By circular resolution dated August 18, 2022, the Board of Directors approved the dismissal of Mr. Georgios Koletsis as CEO LFL with effect August 31, 2022 and approved the appointment of Mr. Alexander Lacher as CEO LFL with effect September 1, 2022. Consequently, Mr. Alexander Lacher resigned as Chairman and Member of the Board of Directors as of August 31, 2022. In its ordinary meeting of September 15, 2022, the Board of Directors appointed Mr. Ralph Schmid as Chairman. Mr. Mirko Sartori resigned from the Board of Directors with effect as of the Extraordinary General Meeting of September 23, 2022. At the Extraordinary General Meeting of September 23, 2022, Mr. Neven Rebic was elected to the Board of Directors LFL. By circular resolution dated October 26, 2022, Mr. Fabrizio Miola was appointed CFO LFL and member of the Executive Committee by the Board of Directors. The Delegate of the Board of Directors was formally abolished as of December 1, 2022. The Board of Directors constituted itself in its ordinary meeting of December 20, 2022 and confirmed Mr. Ralph Schmid as Chairman and Mr. Alessio Sarti as Vice-Chairman.

B.1.3. REMUNERATION POLICY

The GS Remuneration Committee is formed by a representative of the shareholder together with representatives from GHO. The Committee convenes whenever business requires, but at least once a year.

The GS Remuneration Committee determines the remuneration of the CEO and the members of the Executive Committee and in particular the Head Internal Audit, Chief Risk Officer and Head of Compliance.

Remuneration Principles

The Reward Strategy for GS includes the following key elements:

- A focus on total compensation (base salary, bonus and value of long-term incentives) with variable payout depending on the individual performance;
- A total remuneration package which is competitive in relation to comparable organizations in the Swiss Insurance Industry;
- Equity and consistency of remuneration in relation to the assigned responsibilities and demonstrated capabilities;
- Alignment with the corporate strategy and targets;
- A consistent compliance with our “Equal Pay” principle;
- Value merit and performance in terms of results, behaviors and values;
- Clear governance and compliance with the regulatory framework (IVASS 39 Regulation).

Remuneration Philosophy

In managing the remuneration of employees, the following objectives are pursued:

- Providing a competitive total remuneration package in both cash and non-cash components for talent attraction and retention;
- Rewarding the people in a fair and consistent way, in line with GHO reward philosophy and the local market practices;
- Ensuring internal and external equity for the reward system;
- Promoting pay-for-performance culture and differentiating reward based on performance and competences.

B.1.4. INFORMATION ON CONTROL FUNCTIONS

For the organizational chart showing integration and reporting lines for the relevant control functions (Risk Management, Compliance, Internal Audit and Actuarial Function) please refer to section B.1.1.

The risk and control functions of LFL are outsourced to GPV and operate according to the “Three Line of Defense” approach:

1.) The Operating Units are the First Line of Defense and have ultimate responsibility for risks concerning their area;
2.) The Risk Management, Actuarial, and the Compliance function form the Second Line of Defense;
3.) The Internal Audit function is the Third Line of Defense.

Control Functions	Description
Risk Management Function	The Risk Management Function of LFL is integrated into the risk management processes of the insurance companies of Generali Switzerland. The Risk Management Function consists of the Risk Management Framework and Operational Risk (RM-FOR) department and the quantitative risk management departments (including Solvency II Life and Financial and Investment Risk Management). The RM-FOR department is, in particular responsible for qualitative risk management (including operational risks) as well as for the implementation and supervision of the risk management system. In addition, RM-FOR acts together with the Compliance Function as the coordinator for the Internal Control System (ICS) of LFL. The quantitative risk management departments are, in particular, responsible for the calculation and reporting of risk capital according to Solvency II, the Own Risk Solvency Assessment (ORSA) as well as for monitoring of the liquidity situation and investment risks and limits. The Risk Management Function works closely with the first line of defense (i.e., the heads of the operating business units and the risk owners) and helps to identify and assess risks and key controls. It also helps to monitor the risk profile and develops risk mitigation strategies. The Risk Management Function provides information and suggestions to the Risk Committee (RC), which discusses the risk profile and risk management activities of LFL. The Risk Management Function and the Risk Committee advise and support LFL's ExCo and BoD/ ARC in respect of the definition of the Risk Appetite Framework and the respective level of risk capital.
Compliance Function	The Compliance function is responsible for the identification, evaluation and prevention of risks derived from failures to comply with external and internal regulations. The Compliance function supports GS's legal entities and employees in observing/complying with the relevant laws, regulations, internal policies and Generali's ethical standards.
Internal Audit Function	GPV's Internal Audit function is responsible for independent audits and assessments of the effectiveness of the LFL's Governance, Risk and Control framework as well as business processes using a systematic and risk-based audit approach. The Internal Audit function performs audits within both, the first and the second line of defense.
Actuarial Function	The Actuarial function is responsible for the adequacy of technical provisions.

B.1.5. INDEPENDENCE AND QUALIFICATIONS OF THE CONTROL FUNCTIONS

The independence requirements, responsibilities, duties and authorities of the control functions (Risk Management, Compliance, Internal Audit and Actuarial Function) are defined in respective policies. The respective policies are mentioned in Annex B.

As LFL outsources its control functions to GPV (as part of GS), LFL benefits from an experienced and diverse team of more than 30 employees. Moreover, LFL benefits from the knowledge and support from the globally operating Generali Group.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED FOR KEY FUNCTIONS

For its key functions, LFL's BoD has implemented a Fit & Proper Group Policy (along with relevant procedures) in line with Generali's group-wide standards and Solvency II requirements.

"Fitness" includes general and specific qualifications, knowledge, experience and understanding related to LFL's business (including actuarial and financial analyses, governance, the regulatory framework and the market environment). Collectively, the qualification, knowledge and experience of LFL's key functions must be adequate. This will ensure sound and prudent management.

Knowledge of LFL's environment requires awareness and understanding of a wide array of relevant aspects, including the macro- and microeconomic environment, and customer-related matters. Understanding LFL's business also includes its strategy and operating model as well as the ability to read and understand the firm's actuarial and financial information, to identify, assess, and address risks and potential issues. In addition, LFL's key functions must be able to assess the effectiveness of the company's arrangements and to implement adequate governance, oversight and controls. Last but not least, the awareness for and understanding of LFL's regulatory environment is required in order to effectively deal with legal and regulatory changes.

B.2.2. PROCESS FOR ASSESSING FITNESS AND PROPERNESS

LFL's Fit & Proper Policy requires regular checks of its key personnel. These checks are provided by the relevant personnel (self-assessment) and/or by the person or body appointing the relevant personnel. Fitness evaluation shall assess the person's professional qualification, knowledge and experience for the respective role. Properness checks assess whether the personal and business conduct of the relevant personnel is adequate for its function.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

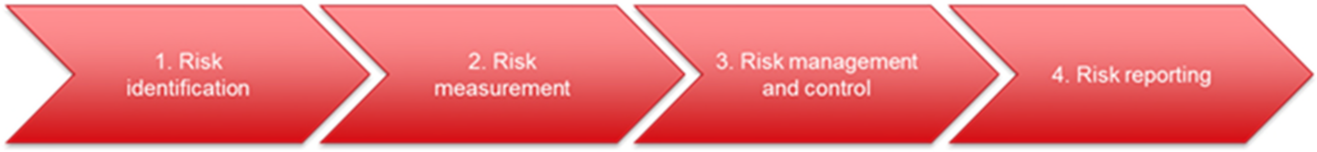
B.3.1. RISK MANAGEMENT SYSTEM

The purpose of the Risk Management System is to ensure that all risks to which LFL is exposed are properly and effectively managed on the basis of the risk strategy defined, following a set of processes and procedures and based on clear governance. LFL is fully integrated into the risk management processes of the insurance companies of Generali Switzerland.

The principles defining the Risk Management System are provided in the Risk Management Group Policy, which is the cornerstone of all risk-related policies and guidelines.

The Risk Management Group Policy covers all risks to which LFL is exposed on a current basis or on forward-looking basis.

The Risk Management process of LFL is defined on the following phases:



1. Risk identification

The purpose of the Risk identification phase is to ensure that all material risks to which LFL is exposed are properly identified. For that purpose, the Risk Management Function interacts with the main Risk Owners in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process.

Based on Solvency II risk categories and for the purpose of Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Generali Risk Map corresponding to the EIOPA Standard Formula. Relevant risk modules for LFL are Market Risk, Counterparty Default Risk (Credit Risk), Life Underwriting Risk and Operational Risk.

Risk Map

Risks covered by SCR (Standard Formula)					
BSCR (Standard Formula)					Standard Formula
Market Risks	**Counterparty Default Risk**	**Non-Life Underwriting Risk**	**Life Underwriting Risk**	**Health Risk**	**Operational Risk**
Interest Rate		Premium & Reserve	Mortality		
Equity		Non-Life Lapse	Longevity		
Property		CAT	Disability/ Morbidity		
Spread			Life Lapse		
Currency			Expenses		
Concentration			Revision		
			CAT		

LFL adapted an effective Risk Management System for the Other Risks (Non-quantifiable risks), which are not included in the SCR calculation (i.e. Liquidity Risk, Strategic Risk, Reputational Risk, Contagion Risk, Emerging Risk and Sustainability Risk).

2. Risk measurement

The risks identified during the Risk identification phase are then measured through their contributions to the SCR, eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the risk profile of LFL. Using the same metric for measuring the risks and the SCR ensures that each risk is covered by an adequate amount of Solvency Capital, which could absorb the loss incurred, if the risk went to materialize.

In compliance with Solvency II regulation, the SCR is calculated based on the EIOPA Standard Formula.

The Non-quantifiable risks, which are not included in the SCR calculation, are evaluated based on other quantitative and qualitative techniques / models.

3. Risk Management and control

As part of Generali Group, LFL operates under a sound Risk Management System in line with the processes and the strategy set by Generali Group. To ensure that the risks are managed according to the risk strategy, LFL follows the governance defined in the Group Risk Appetite Framework (RAF). RAF governance provides a framework for risk management embedding in day-to-day and extraordinary business operations, control mechanisms as well as escalation and reporting processes.

The purpose of the RAF is to set the desired level of risk (in terms of Risk Appetite and Risk Preferences) and limit excessive risk-taking. Tolerance Levels on the basis of capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are then activated.

4. Risk reporting

Risk monitoring and reporting is a key Risk Management process, which allows maintaining Risk Owners, ExCo, Risk Committee, BoD /ARC and also the Supervisory Authority aware and informed on the risk profile development, risk trends and breaches of Risk Tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis. The ORSA process ensures ongoing assessment of the solvency position in line with the Strategic Plan and Capital Management Plan, followed by a regular communication of ORSA results to the Supervisory Authority after BoD approval. In case of negative developments of the solvency position/ risk profile corresponding measures are proposed by the control functions and discussed with the BoD. More details are provided in section B.3.2.

Risk governance

The above Risk Management process is ensured by the Risk Management Function, which in compliance with Solvency II and the principles set in the Risk Policies, supports the BoD/ARC, Risk Committee and the ExCo in ensuring the effectiveness of the Risk Management System. The Risk Management Function is responsible for reporting to the BoD/ ARC the most significant risks identified and for coordinating the ORSA process. The Risk Management Function has the responsibility to:

- Assist the Administrative, Management or Supervisory Board (AMSB, corresponding to BoD) and other functions in the effective operation of the Risk Management System;
- Monitor the Risk Management System and the implementation of the Risk Management Group Policy;
- Monitor the general risk profile of LFL and coordinate the risk reporting, including the reporting in case of tolerances breaches;
- Advise BoD and support main business decision-making processes including those related to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments.

For the organizational chart of the relevant control functions including Risk Management, please refer to section B 1.1.

B.3.2. ORSA PROCESS

The ORSA process is a key component of the Risk Management System, which aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The CRO (Chief Risk Officer) is responsible for the preparation of the ORSA Report and is supported by the GHO CRO in terms of methodological support, process definition and reporting templates. The GHO process is cross referenced in all companies' processes and consistent with the Strategic Planning process.

The ORSA Report is produced on an annual basis. In addition to the annual ORSA Report, non-regular ORSA Reports are produced when the risk profile has changed significantly.

All results are properly documented in the ORSA Report and discussed within the Risk Committee. After discussion and approval by the BoD, the Report is submitted to the Liechtenstein Supervisory Authority FMA. As a general rule, the information included in the ORSA Report is sufficiently detailed in order to ensure that the relevant results can be used in the decision-making process and in the business planning process.

The results of the local ORSA are also reported to the GHO as an input to the ORSA process of GHO. For this reason, LFL follows the principles set in the Risk Management Group Policy and additional operating procedures e.g. the ORSA Reporting Group Guideline, which details the requirements of the key elements presented in the ORSA Report.. These are issued by GHO to grant consistency of the ORSA process across the companies of GHO.

For further details please refer to the ORSA Report YE2021 of LFL.

B.3.3. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

The Capital Management Group Policy was adopted by LFL and approved by the BoD.

Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.

By means of the ORSA process the projection of capital position and the forward-looking risk profile assessment contribute to the Strategic Planning and Capital Management process.

The ORSA Report also leverages on the Capital Management Plan to verify the adequacy, including the quality, of the Eligible Own Funds to cover the overall solvency needs on the basis of the plan assumptions.

B.4. INTERNAL CONTROL SYSTEM

B.4.1. DESCRIPITON OF THE INTERNAL CONTROL SYSTEM

The requirements concerning the Internal Control System are defined in the Group Directives on the System of Governance (see B1.1) and the Internes Kontrollsystem Framework Policy. The Group Directives on the System of Governance and the Internes Kontrollsystem Framework Policy were adopted by LFL and approved by the BoD.

The Internal Control System (ICS) of the legal insurance entities of GS including LFL is based on the COSO[4] framework and consists of:

- Process Components:
  - Entity-wide processes
  - Business processes
- Control Components:
  - Entity Level Controls
  - IT General Controls (ITGC)
  - IT Application Controls (ITAC)
  - Manual Controls
- Operational Risk Components as listed in section C.5.1, including also:
  - Financial Reporting Risk (FRR)
  - IT Risks
  - Compliance Risks
- Reporting: To the BoD / Audit and Risk Committee
- Documentation in Policies und Guideline
- The documentation of business processes including key controls is risk-oriented and archived in a GRC-IT-Tool provided and maintained by GHO

For business processes shared within GS also covering LFL (like for example accounting processes) the respective key controls are submitted to regular control testing by either the 1st line of defense (Management Testing), the 2nd line of defense (Independent Testing by the Risk Management/ Compliance Function) or GHO`s FRR Testing.

The Solvency II regulation requires insurance undertakings to have internal processes and procedures in place to ensure the appropriateness, completeness and accuracy of the data used in Standard Formula and in the calculation of the Technical Provisions.

In order to comply with the Data Quality requirements, LFL implemented an appropriate process for monitoring the Data Quality for the calculation of the Standard Formula SCR and the Technical Provisions, based on the GHO Integrated Data Quality System Framework.

Concerning further information on Operational Risk please refer to section C.5.

As a major risk mitigation action concerning business contingency the companies of GS have an adequate Business Continuity Management System and Disaster Back-up in place.

B.4.2. IMPLEMENTATION OF THE INTERNAL CONTROL FUNCTION

The ICS Function is included in the second line of defense (Risk Management Function and Compliance Function). For the organizational structure and decision-making process of these functions, please refer to sections B.1.1 and B.1.4.

B.5. INTERNAL AUDIT FUNCTION

In LFL the internal audit activities are performed by the Internal Audit function in line with organizational rules defined in the Audit Group Policy approved by the Board of Directors of Assicurazioni Generali S.p.A. (Generali Group ultimate parent company) and in the local Audit Policy of LFL approved by the local Board of Directors. The Internal Audit Function is attached legally to Generali Personenversicherungen AG.

The Internal Audit Function is an independent and objective function established by the BoD with the aim to examine and evaluate the adequacy, effectiveness and efficiency of the internal control system and of all the other elements of the system of governance, through assurance and advisory activities for the benefit of the BoD/ARC, Senior Management and other stakeholders.

[4] Committee of Sponsoring Organizations of the Treadway Commission; https://www.coso.org

It supports the BoD/ARC in identifying the strategies and guidelines on internal control and risk management, ensuring that they are appropriate and valid over time, and provides the BoD/ARC with analysis, appraisals, recommendations and information concerning the activities reviewed.

In line with the Audit Group Policy, on the basis of a solid line reporting model, the Head of the Internal Audit function reports to the BoD/ARC and, ultimately, to the Head of Group Audit, through the Head of Business Unit Audit.

The Head of the Internal Audit function does not assume any responsibility for any other operational function and has an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities. This ensures autonomy to act and independence from operational management as well as more effective communication flows. It covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration, sizing and budget in agreement with the BoD/ARC), target setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the BoD/ARC for approval.

The Internal Audit function is provided with appropriate human, technical and financial resources and its staff possesses and obtains the knowledge, skills and competencies needed to perform its role and mission, including technical capabilities to perform audit activities with the support of data analytics as well as the knowledge to perform audit activities on digital processes.

The Internal Audit function has full, free, unrestricted and timely access to any of the organization’s records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of the Internal Audit function has free and unrestricted access to the BoD/ARC.

The Internal Audit function acts in compliance with the guidelines issued by The Institute of Internal Auditors’ (i.e. International Professional Practices Framework – IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

All personnel of the Internal Audit function comply with specific fit and proper requirements as requested by the Fit & Proper Policy and avoids, to the maximum extent possible, activities that could create conflicts of interest or be perceived as such. The internal auditors of the Internal Audit function behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks shall always be kept strictly confidential.

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

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

The Internal Audit function is not a part of, nor responsible for, the Risk Management, Compliance, Actuarial or Anti-Money Laundering Functions. It cooperates with other key functions, as well as Anti-Money Laundering Function, where present, and external auditors to continuously foster the efficiency and effectiveness of the internal control system.

At least annually, the Head of the Internal Audit function proposes an Internal Audit Plan for LFL to the BoD/ARC for its approval. The Plan is developed based on a prioritization of the audit universe using a risk-based methodology and takes into account all the activities, the system of governance, the expected developments of activities and innovations, the organization’s strategies, the key business objectives, the inputs from the Senior management and BoD/ARC. Furthermore, the Plan takes into account any deficiencies found during the audits already performed and any new risk detected.

The Audit Plan defines at least the audit engagements, the criteria on the basis of which they have been selected, their timing as well as budget and human resources requirements and any other relevant information. The Head of the Internal Audit function communicates to the BoD/ARC the impact of any resource limitations and significant changes occurred during the year. The BoD/ARC discusses and approves the plan along with the budget and human resources required to deliver it.

The Plan is reviewed and adjusted on a regular basis during the year by the Head of the Internal Audit function in response to the changes in the organization’s business, risks, operations, programs, systems, controls and audit findings. Any significant deviation from the approved Plan is communicated through the periodic reporting process to the BoD/ARC and submitted for its approval. If necessary, the Internal Audit function may carry out audits, which are not included in the approved Audit Plan. Such additions and their results are reported to the BoD/ARC at the earliest possible opportunity.

All audit activities are carried out following a consistent Group methodology (detailed in the Group Audit Manual), including the use of the Group audit IT tool. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization’s governance, risk management, and internal control processes in relation to the organization’s defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued by the Internal Audit function to the auditee and the auditee's hierarchy. Such report indicates the significance of the issues found and covers any issues regarding the effectiveness, efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures, processes and company's objectives. It includes the proposal of the corrective actions taken or to be taken concerning the issues identified and the proposed deadlines for their implementation. While the responsibility for addressing issues raised remains with business management, the Internal Audit function is responsible for implementing appropriate follow-up activities on issues raised and their corresponding remedial actions.

Based on its activity and in accordance with Group methodology, the Internal Audit function is responsible for reporting significant risk exposures and identified control issues to the BoD/ARC, including fraud risks, governance issues and other matters needed or requested by the BoD/ARC.

The Head of the Internal Audit function, at least on a semiannual basis, provides the BoD/ARC with a report at local level on the activities performed, their results, the issues identified, the action plans for their resolution, their status and the timing for their implementation. It also includes the results of the follow-up activities, indication of the persons and/or functions responsible for the implementation of the action plans, timing and effectiveness of the actions implemented to remove the issues initially found. The BoD/ARC determines what actions shall be taken with respect to each issue and ensures that those actions are carried out. However, in the event of any particularly serious situations arising in between the normal reporting cycle, the Head of the Internal Audit function will immediately inform the BoD/ARC, the local Senior Management, the Head of Business Unit Audit and the Head of Group Audit.

The Internal Audit function develops and maintains both an assurance program, which includes internal and external assessments aimed at covering all aspects of the audit activity, and a continuous improvement program. These programs evaluate, among others, the efficiency and effectiveness of the activities performed, identify the related opportunities for improvement and assess the audit activity's compliance with professional standards, Audit Group Policy, audit methodology detailed in the Group Audit Manual and The Institute of Internal Auditors Code of Ethics.

B.6. ACTUARIAL FUNCTION

The main responsibilities of LFL's Actuarial Function, as required by the Solvency II principles (article 48 of Directive 2009/138/EC), are the following:

- coordinate the calculation and validate the Solvency II technical provisions;
- inform the Board of Directors of LFL on the reliability and adequacy of the calculation of the Technical Provisions;
- express an opinion on the overall Underwriting Policy;
- express an opinion on the adequacy of the reinsurance arrangements;
- contribute to the effective implementation of the Risk Management System.

The Actuarial Function is located under the CInsO area of the service provider GPV to ensure an effective coordination for the calculation of technical provisions. In addition, to preserve the independence in carrying out his activities, the head of Actuarial Function functionally reports to the BoD /ARC, to which he has independent and direct access.

The Own Funds and Reserving team is located under the CFO area of the service provider GPV and performs the calculation of the technical provisions in Solvency II. The Actuarial Function is responsible for the coordination of the activities (methodology, reporting, processes), as well as the independent validation of the technical provisions in Solvency II.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Outsourcing Group Policy is intended to set consistent minimum mandatory outsourcing standards at Group level, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established within any outsourcing initiative.

The Group Policy also lays down the outsourcing requirements foreseen in the context of outsourcing to cloud service providers whether it is directly provided or is a part of the sub-outsourcing chain.

The Group Policy introduces a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile (distinguishing between critical or important and non-critical or non-important outsourcing), the materiality of each outsourcing agreement and the extent which Generali Group controls the service providers.

The Group Policy requires the appointment, for each outsourcing agreement, of a specific outsourcing business referent. The outsourcing business referent is responsible for the overall execution of the outsourcing lifecycle, from the risk assessment to the final management of the agreement and subsequent monitoring activities of the service level agreements defined in each contract.

The Outsourcing Group Policy was adopted by LFL and approved by its BoD.

Furthermore, LFL has adopted a local guideline on the materiality of outsourcings which considers the relevant regulatory and Group Policy requirements and determines a specific process for the categorization of contracts.

B.7.2. OUTSOURCING ARRANGEMENTS

LFL has made use of the option to delegate the functions listed below within GS respectively within Generali Group (group of companies, which are directly or indirectly affiliates of Assicurazioni Generali S.p.A.) and Ernst & Young (Investigating Officer). The direct service providers of the mentioned functions are domiciled in Switzerland with the exception of the direct service provider, who is responsible for investment of assets and portfolio management (Investment Function), which is domiciled in Italy.

Critical Functions:

- Internal Audit (Key Function)
- Finance (incl. Actuarial Function as Key Function)
- Risk Management (Key Function)
- Legal & Compliance (Key Function)
- IT
- Customer Service
- Life & Pension, Product Pricing (Actuarial Service)
- Claims
- Investments
- Investigating Officer

Other Functions:

- Product Management
- Claims Special Services
- Human Resources
- Logistics
- Sales Partner Support

B.8. ANY OTHER INFORMATION

The ORSA process resulted in no major issues and no action is required. There is no evidence that the System of Governance is not adequate.

Annex B – List of all regulations relating to the System of Governance

Name of regulation	Category
Fit & Proper Group Policy	Policy
Internes Kontrollsystem Framework - Policy	Policy
Integrated Data Quality Group Policy	Policy
Risk Management Group Policy	Policy
Operational Risk Management Group Policy	Policy
Generali Internal Regulations System (GIRS) Policy	Policy
Capital Management Group Policy	Policy
Treasury Group Policy	Policy
Reinsurance and Other Risk Mitigation Techniques Group Policy	Policy
Liquidity Risk Management Group Policy	Policy
Remuneration Policy Generali Switzerland	Policy
Compliance Management System Group Policy	Policy
Group Directives on the System of Governance	Policy
Data Governance Group Policy	Policy
Investment Governance Group Policy	Policy
Audit Policy	Policy
Swiss Addendum to the Audit Group Policy	Policy
Actuarial Function Group Policy	Policy
Life Underwriting and Reserving Group Policy	Policy
Outsourcing Group Policy	Policy
Risk Concentrations Management Group Policy - Investment Exposures	Policy
Risk Concentrations Management Group Policy - Reinsurance and Underwriting Exposures	Policy
Volatility Adjustment Group Policy	Policy
Business Continuity Management Group Policy	Policy
Business Continuity Management Policy	Policy
Business Continuity Management Strategie | Stratégie Business Continuity Management	Policy
Intragroup Transactions Group Policy	Policy
Valuation of Assets and Liabilities other than Technical Provisions Group Policy	Policy
Supervisory Reporting and Public Disclosure Group Policy	Policy
Tax Absorption Capacity of Deferred Taxes Group Policy	Policy
Anti-Money Laundering & Counter-Terrorism Financing Group Policy	Policy
Group International Sanctions Policy	Policy
Related Party Transaction Procedure	Policy
Security Group Policy	Policy

Name of regulation	Category
Weisung Schulungskonzept Compliance-spezifische Trainings	Weisung
Weisung zum Versicherungsvertrieb	Weisung
Yearly Process Landscape Review Guideline	Weisung
Internes Kontrollsystem Framework – Weisung (LFL)	Weisung
Weisung betreffend Bearbeitung von Kundenbeschwerden	Weisung
Weisung zur Organisation der Compliance Funktion	Weisung
Weisung betreffend das Weisungswesen | Directive concernant les directives	Weisung
Weisung zur Wesentlichkeit von Outsourcings	Weisung
Handbuch zum Business Continuity Management System	Weisung
Weisung Zeichnungsberechtigung | Directive relatif aux autorisations de signer	Weisung
Digital Risk Management Group Guideline	Guideline
Treasury Group Guidelines	Guideline
Capital Management Group Guideline	Guideline
Compliance Function's Operating Model Group Guideline	Guideline
Actuarial Function Group Guidelines	Guideline
Risk Management and Actuarial Function Joint Group Guidelines	Guideline
Data Governance Group Guideline	Guideline
Anti-Money Laundering & Counter-Terrorism Financing Risk-based Approach Group Guideline	Guideline
Anti-Money Laundering & Counter-Terrorism Financing Suspicious Activity Reporting Group Guideline	Guideline
Anti-Money Laundering & Counter-Terrorism Customer Due Diligence Group Guideline	Guideline
Anti-Bribery and Anti-Corruption Group Guideline	Guideline
International Sanctions Guideline	Guideline
Conflicts of Interest Group Guideline	Guideline
Reputational Risk Group Guideline	Guideline
Guideline on Nomination, Delegated Powers and Remuneration Group Guideline	Guideline
Liquidity Risk Group Guideline	Guideline
Tax Group Guideline	Guideline
Integrated Data Quality Group Guideline	Guideline
Legal Affaires Group Technical Measure	Technical Measure
Operating Procedure on Intragroup Transactions	Operating Procedure

C. Risk Profile

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

THE RISK EXPOSURE AND ASSESSMENT

The portfolio of LFL consists of unit-linked insurance with or without guarantees and traditional life insurance. There are mainly endowment, capitalization and annuity products, which can be sold together with premium waiver and disability rider (only for Swiss customers). LFL does not have any health business.

Life Underwriting Risks include Biometric and Operating Risks embedded in the Life insurance policies. Biometric Risks derive from the uncertainty in the assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in the insurance liability valuations. Operating Risks derive from the uncertainty regarding the amount of expenses and from the adverse exercise by the policyholders of their contractual options. Along with the premium payment, the lapse of the policy is the most significant contractual option held by the policyholders.

The Life Underwriting Risks identified in the Risk Map are:

- Mortality Risk, defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities. Mortality Risk include also Mortality Catastrophe Risk, as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events;
- Longevity Risk that, similarly to Mortality, is defined as the risk resulting from changes in the mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities;
- Disability and Morbidity Risks are defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the disability, sickness, morbidity and recovery rates;
- Lapse Risk is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. This includes also the catastrophic event on lapse;
- Expense Risk, as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the expenses incurred in servicing insurance or reinsurance contracts.

The main Underwriting Risks in LFL's portfolio are Lapse and Expense Risks. LFL's portfolio has a prevailing component of saving business that is exposed to Lapse Risk and also includes some annuity portfolios, with the presence of Longevity Risk. Finally, Expense Risk is present in all the products in the portfolio. As the portfolio is in run-off there is no significant change of the risk profile during the reporting period.

The approach underlying the Life Underwriting Risk measurement is based on the calculation of the loss for LFL resulting from unexpected changes in biometric/operating assumptions. In particular, the capital requirements for Life Underwriting Risks are calculated on the basis of the difference between the Solvency II (SII) Technical Provisions after the application of a stress to the biometric/operating assumptions and the SII Technical Provisions under best-estimate expected conditions.

The Life Underwriting Risks are measured through a quantitative model aimed at determining the Solvency Capital Requirement (SCR), based on the methodology and parameters defined in the SII Standard Formula approach.

The risk measurement derives from the application of a pre-defined stress to the best estimate biometric/operating assumptions with a probability of occurrence equal to 0.5%.

For Mortality and Longevity Risks, the uncertainty in insured population mortality and its impact on LFL are measured applying permanent and catastrophe stresses to the policyholders' death rates.

For Morbidity and Disability Risks, the uncertainty in insured population sickness or morbidity and its impact on LFL are measured applying permanent or catastrophe stresses to the policyholders' morbidity, disability and recovery rates.

In case of Lapse Risk, risk calibration and loss modelling aim at measuring the uncertainty in policyholder behavior with respect to legal or contractual options that give them the rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Similarly to Biometric Risks, the measurement is done via the application of permanent and catastrophe stresses to these policyholders behavior.

Expense Risk is measured through the application of stresses to the amount of expenses and expense inflation that LFL expects to incur in the future.

For quantitative information about the breakdown of the SCR by risk module, please refer to the table *Total SCR split by Risk* in the section E.2.1.

No changes in risk measurement occurred over the reporting period.

RISK MANAGEMENT AND MITIGATION

Since LFL is in run-off and does not underwrite any new business anymore, no specific risk management or risk mitigation actions are required related to the pricing, product approval or underwriting processes.

For the existing business, a reinsurance program is in place (see above), covering underwriting death and disability risks of the insurance portfolio by a surplus reinsurance treaty. Starting from YE2019 a stop loss reinsurance treaty is in place covering part of the lapse risk. In 2020 the scope of the contract was extended to the unit linked portfolio with guarantee denominated in CHF and EUR, beforehand it was limited to the respective EUR portfolio. The treaty has been renewed in December 2022. The reinsurance program is subject to the Life Actuarial Function opinion regarding its risk mitigation efficiency and adequacy in accordance with the GHO Group Actuarial Function Policy and related guidelines.

C.1.2. NON-LIFE UNDERWRITING RISK

Non-Life Underwriting Risk is not applicable for LFL.

C.2. MARKET RISK

C.2.1. RISK EXPOSURE AND ASSESSMENT

As a life insurer, LFL collects premiums from policyholders in exchange of payment promises contingent on pre-determined events.

For the investment of the savings premium of the unit-linked business the customer can choose from unit-linked investment plans, which in case of unit-linked with guarantee are defined by LFL. For unit-linked without guarantees LFL holds no Market Risk. For the traditional business LFL invests the collected premiums in a wide variety of financial assets, with the purpose of honoring future promises to policyholders and generating value for its shareholders.

LFL is then exposed to the following Market Risks, that:

- Invested assets do not perform as expected because of falling or volatile market prices;
- Cash of maturing bonds are reinvested at unfavorable market conditions, typically lower interest rates.

Nevertheless, LFL is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements. For quantitative information, please refer to section E.2.

For this purpose, LFL manages its traditional investments in a prudent way according to the so-called ‘Prudent Person Principle’ and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency.

The Market Risks included in the Risk Map are:

- Interest Rate Risk is defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. LFL is mostly exposed to downward changes in interest rates as lower interest rates increase the present value of the promises made to policyholders more than the value of the assets backing those promises. As a result it may become increasingly expensive for the Company to maintain its promises thereby also leading to financial losses;
- Interest Rate Volatility Risk is defined as the risk of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of interest rate implied volatilities. This comes for example from insurance products sold with

embedded minimum interest rate guarantees, the market consistent value of which is sensitive to the level of interest rates volatility. The SII Standard Formula does not cover the Interest Rate Volatility Risk. Analyses show no major impact for LFL;

- Equity Risk is defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices, which can lead to financial losses. Exposure to Equity Risk arises from positions that are sensitive to equity prices, e.g. shares that LFL has invested in or embedded derivatives in a Life product that invests parts of the policyholder assets in equity;
- Equity Volatility Risk is defined as the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the volatility of equity markets. Exposure to Equity Volatility Risk arises from asset or liability positions that have embedded equity options. The SII Standard Formula does not cover the Equity Volatility Risk. Analyses show no major impact for LFL;
- Property Risk is defined as the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices. Exposure to Property Risk arises from property asset positions;
- Currency Risk is defined as the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates. Exposure to Currency Risk arises from direct or indirect asset or liability positions that are sensitive to changes in exchange rates;
- Concentration Risk is defined as the risk of incurring in significant financial losses because the asset portfolio is concentrated to a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by LFL.

For the evaluation of its Market Risks, LFL makes use of the SII Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate. Under the SII Standard Formula the Spread Risk is aggregated in the Market Risk module, see section C 3.1..

Market Risk concentration is explicitly modelled by the Standard Formula. Based on the results of the model and on the composition of the balance sheet. LFL has a small concentration risk as of YE 2022.

Based on this methodology, the breakdown of the SCR originating from Market Risks indicates that Equity Risk and Currency Risk are the most relevant Market Risks for LFL.

For quantitative information about the breakdown of the SCR by risk module, please refer to the table *Total SCR split by Risk* in the section E.2.1.

The methodology used to evaluate the Market Risks is unchanged, with respect to the previous reporting period.

C.2.2. RISK MANAGEMENT AND MITIGATION

The Market Risks borne by LFL are managed in different ways:

- The aim of the Strategic Asset Allocation process is to define the most efficient combination of asset classes which, according to the ‘Prudent Person Principle’ set out in the Solvency II Directive and related relevant implementation measures, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.
- The annual SAA proposal defines target exposure and limits, in term of minimum and maximum exposure allowed, for each relevant asset class.
- In addition to risk tolerance limits set on LFL solvency position defined within the Risk Appetite Framework, the current risk monitoring process of LFL is also integrated by the application of the Investment Risk Group Guidelines (IRGG) provided by GHO.
- The IRGG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.
- In 2022 LFL purchased no additional equity puts to mitigate the equity risk. At YE22 LFL did not have any equity puts in force.
- In 2022 LFL purchased no additional swaptions to mitigate the interest rate risk.
- In 2022 LFL also held FX Forwards in respect of currency risk

C.3. CREDIT RISK

C.3.1. RISK EXPOSURE AND ASSESSMENT

As a life insurer, LFL collects premiums from policyholders in exchange of payment promises contingent on pre-determined events.

For the investment of the savings premium of the unit-linked business the customer can choose from unit-linked investment plans, which in case of unit-linked with guarantee are defined by LFL. For the traditional business LFL invests the collected premiums in a wide variety of financial assets, with the purpose of honoring future promises to policyholders and generating value for its shareholders.

Some of these financial investments are subject to the following Credit Risks, that:

- Invested assets do not perform as expected because of perceived or actual deterioration of the credit worthiness of the issuer;
- Derivative or reinsurance contracts do not perform as expected because of perceived or actual deterioration of the credit worthiness of the counterparty.

Nevertheless, LFL is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements. For quantitative information, please refer to section E.2.

For this purpose, LFL manages its investments in a prudent way according to the so-called ‘Prudent Person Principle’ and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency position.

The Credit Risks included in the Risk Map are:

- Spread Widening Risk is defined as the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spread widening risk either because the market’s assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets. Under the SII Standard Formula the Spread Widening Risk is aggregated in the Market Risk module;
- Default Risk is defined as the risk of incurring in losses because of the inability of a counterparty to honor its financial obligations. Distinct modelling approaches have been implemented to model default risk in the bond portfolio (referred to as Credit Default Risk) and the default risk arising from the default of counterparties in cash deposits, risk mitigation contracts (including reinsurance), and other type of exposures subject to credit risk (referred to as Counterparty Default Risk).

In order to ensure that the level of Credit Risks deriving from the invested assets are adequate to the business run by LFL and to the obligations taken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the ‘Prudent Person Principle’ set out in Article 132 of Directive 2009/138/EC.

The practical implementation of the ‘Prudent Person Principle’ is applied independently of the fact that assets are subject to Market Risks, Credit Risks or both, so the same principles and processes described in section C.2.2. apply also to the optimization of the portfolio allocation with respect to Credit Risks.

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by LFL.

For the evaluation of its Credit Risks, LFL makes use of the SII Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

Credit Risk concentration is explicitly modelled by the EIOPA Standard Formula. Based on the results of the model and on the composition of the balance sheet LFL has no material risk concentrations.

The methodology used to evaluate Credit Risks is unchanged with respect to the previous reporting period.

C.3.2. RISK MANAGEMENT AND MITIGATION

The Credit Risks borne by LFL are managed in different ways:

- For the unit-linked business, the premium is invested in different investment plans, which in case of business with guarantee are predefined by LFL. The current risk monitoring process of LFL is also integrated by the application of the Investment Risk Group Guidelines (IRGG) provided by the GHO. The IRGG include general principles, quantitative risk limits (with a strong focus on Credit and Market concentration), authorization processes and prohibitions.
- For policy loans, the amounts outstanding, including interest, are either repaid by the customer or the outstanding amount can be fully deducted from the surrender value in case of lapse of the policy or from the benefit payment at the expiry of the policy.
- The underlying swaption portfolio is collateralized reducing the risk in case of default of the counterparty.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Liquidity Risk is defined as the uncertainty, emanating from business operations, investment or financing activities, over the ability of the insurer to meet payment obligations in a full and timely manner, in a current or stressed environment. This could include meeting commitments only through a credit market access at unfavourable conditions or through the sale of financial assets incurring in additional costs due to illiquidity of (or difficulties in liquidating) the assets.

LFL is exposed to Liquidity Risk as a result of insurance operating activity due to the potential mismatches between the cash inflows and the cash outflows deriving from the business. Liquidity Risk can additionally stem from investing activity, due to potential liquidity gaps deriving from the management of the LFL's assets portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity of being sold at a fair price in adequate amounts and within a reasonable timeframe) in case of disposal. Finally, LFL can be exposed to liquidity outflows related to issued guarantees, commitments, or regulatory constraints that could impact its capital position.

GHO's Liquidity Risk measurement relies on projecting cash obligations and available cash resources into the future, so as to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period.

GHO has defined a set of medium-term Liquidity Risk Metrics that are used to regularly monitor the liquidity situation of each Group insurance company. One metric is forward-looking, i.e. it is calculated at a future date based on projections of cash-flows, assets and liabilities and an estimation of the level of liquidity of the asset portfolio. Another metric is measuring the "as-is" liquidity situation. The metrics are aimed at measuring the ability of LFL to ensure the fulfilment of its regulatory requirement as well as its cash obligations towards customers and other stakeholders.

All defined metrics are calculated under the so-called 'base scenario', in which the values of cash-flows and assets correspond to those projected according to LFL's Strategic Plan. Additionally for one metric a so-called 'stress scenario' is applied, in which the projected cash inflows and outflows as well as the market value of assets are recalculated to take into account circumstances that would adversely impact LFL's liquidity.

Liquidity Risk limits have been defined together with GHO in terms of values of the above-mentioned metrics that LFL cannot exceed. The limit framework is designed to ensure that LFL holds a 'buffer' of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenario.

LFL's latest liquidity metrics calculated have shown no liquidity gap.

Material Liquidity Risk concentrations could arise from large exposures to individual counterparties or groups. In fact, in case of default or other liquidity issues of a counterparty towards which a significant risk concentration exists, this may negatively affect the value or the liquidity of LFL's investment portfolio and hence its ability to promptly raise cash by selling the portfolio on the market in case of need. GHO has set investment limits that enable an effective management of risk concentrations.

As per YE 2022 LFL does not have any external financing corresponding to previous year.

C.4.2. RISK MANAGEMENT AND MITIGATION

In 2022 LFL has managed and mitigated Liquidity Risk in consistency with the framework set in the Group internal regulations. LFL aims at ensuring the capacity to meet its commitments also in case of adverse scenarios, while achieving its profitability objective. To that end, it manages expected cash inflows and outflows so as to maintain a sufficient available cash level to meet the short and medium term needs and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. LFL considers the prospected liquidity situation in plausible market conditions as well as under stressed scenarios.

LFL has established clear governance for Liquidity Risk measurement, management, mitigation and reporting in consistency with GHO regulations, including the setting of specific limits and escalation processes in case of limits breach or other liquidity issues.

Investment limits have been imposed to LFL in order to ensure that the share of illiquid assets is kept within a level that does not impair LFL's asset liquidity.

C.4.3. EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

The Expected Profits Included in Future Premiums (EPIFP) represent 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. These 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.

For Life business, the expected profits included in future premiums are calculated as the difference between a calculation of Best Estimate Liabilities under the assumption that future premiums (and related benefits) expected to emerge from existing contracts will not occur and the official calculation of Best Estimate Liabilities. The calculation is performed only for contracts for which premiums are expected to be received in the future, in line with the contract boundaries definition. Contracts for which all the premiums have already been received are excluded (e.g. single premium contracts).

Amount of expected profits included in future premiums

The amount of EPIFP for the Life business written by LFL has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 3.9 CHF millions at YE2022 compared to 3.6 CHF millions at YE2021 (net of reinsurance).

C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and Financial Reporting Risks fall within this category.

In line with the industry practices, LFL adopted the following classification categories (consistent with GHO`s approach):

- Internal fraud defined as the events arising due to intentional acts that are illegally performed by one or more Staff Member, in order to obtain a profit for themselves or for others, resulting in a damage for the Company;
- External fraud defined as the events arising due to fraud, robbery or misappropriation, which involve only external parties with the purpose to obtain a personal profit causing a damage to the Company;
- Employment Practices and Workplace Safety defined as the events arising due to being inconsistent with applicable laws on employment, health and safety, and events that provide compensation to employees;
- Clients, Products and Business Practices defined as the events arising due to failure of the organizations to meet promises made to their clients as a result of unintended circumstances rising from negligent practices;
- Damage to Physical Assets defined as the events arising due to natural/industrial disasters and malicious damage of the Company property;
- Business disruption and system failures defined as the events arising due to system failures, technology breakdown, interruption or dysfunction, including utilities;
- Execution, Delivery and Process Management defined as the events arising due to failed transaction processes, or process management failures in general, or to errors in relationship management with trade counterparties and suppliers. Operational

Risk events arising in back office areas fall within this category. These events will often be unintentional and could involve failure to properly document and/or complete business transactions.

Following best industry practices, the framework for Operational Risk Management includes within its main activities the Overall Risk Assessment (ORA) and the Loss Data Collection (LDC):

- The ORA provides a forward-looking view on the risks and requires an analysis of the risks performed jointly with the business owners and the Compliance Function. The ORA provides a high-level evaluation of the forward-looking residual risk exposure of the company;
- The LDC is the process of collection of losses suffered as result of the occurrence of Operational Risk events and provides a backward-looking view of the historical losses suffered due to Operational Risk events.

Moreover, the Generali Group exchanges (since 2015) internal loss data in an anonymized way through the 'Operational Risk data eXchange Association (ORX)', a global association of Operational Risk practitioners and with the participation of the main industry players. The aim is to use the data from the peers to learn from their loss experiences, improving the internal controls and anticipating emerging losses.

Main risks arising from ORA 2022

The Overall Risk Assessment (ORA) is a recurring process, the results of which must be subjected to workshop discussion with the risk owners, validated at least annually by the Senior Management and then submitted to the Board of Directors. The objective is to provide clarity on those risks that may affect, also in a forward-looking perspective, the business planning and strategies, to support risk-informed decisions at the Senior Management (Executive Committee) level and to enable proper risk oversight by the BoD.

The ORA contains a mandatory set of risks which is defined by GHO within the Group Operational and Compliance Risk Catalogue and which must be assessed at a local level. This catalogue is organized in three levels and is periodically reviewed to take into consideration the Risk Owner's inputs and changes in the internal or external environment. The ORA must be performed at the third level of the Group Risk Catalogue taxonomy. Compared to last year's ORA the methodology and process steps remain unchanged. Although a simplified and purely qualitative assessment is allowed for non-Internal Model Legal Entities, with the aim to ensure cross-company consistency and comparability, Risk Management Framework and Operational Risk applies the quantitative approach also for LFL.

Each third level risk in the Group Risk Catalogue is evaluated according to the following dimensions:

Potential Risk Exposure (PRE):

The PRE is the inherent risk derived from a combination of the probability that a given risk will occur in a year and the potential impact of the risk, without considering the internal controls that mitigate such risk. Each risk in scope is classified according to a 5 level scale:

- Very Low
- Low
- Medium
- High
- Very High

Control System Adequacy (CSA):

- Adequate: Mitigating activities are adequate;
- Mainly Adequate: Only minor weaknesses or inadequacy of the internal control system;
- Partially Adequate: Partial weaknesses or inadequacy of the internal control system;
- Inadequate: No mitigating activities exist or, if they exist, are entirely inadequate.

The combination of the PRE and CSA then gives the residual risk, which is plotted on a risk Heat Map.

The following Operational Risks have been identified to be the top five:

- Failure to comply with laws/ regulations concerning Personal Data Protection;
- Flaws in product development and documentation;
- IT attack with loss or alteration of data;
- Failure to comply with laws/ regulations concerning tax avoidance and evasion;
- Incorrect data entry/ transfer.

Risks above a defined threshold are discussed together with related mitigation actions to ensure that main risks are addressed (e.g. with specific projects) or accepted.

Loss Data Collection

During the reporting period ten LDC cases were registered. Two losses are referring to compensation payments made to customers due to poor performance of product and to avoid potential legal and reputational impacts.

The other eight losses are related to the legal litigation for which a provision was already built in the past.

For the evaluation of its Operational Risk capital requirement, LFL makes use of the SII Standard Formula, as ruled by the Solvency II Directive.

For quantitative information about the breakdown of the SCR by risk module, please refer to the table Total SCR split by Risk in the section E.2.1..

C.5.2. RISK MANAGEMENT AND MITIGATION

In order to identify, measure, monitor and mitigate the Operational Risk, Risk Management Framework and Operational Risk was given the mandate to coordinate the Operational Risk program. Risk Management Framework and Operational Risk is supported by the Group Risk Management of GHO. The risks related to non-compliance are monitored by the independent Compliance Function. For a description of these control functions, please refer to section B 1.2.

Overarching risk mitigation actions

The insurance companies of Generali Switzerland have set up an Internal Control System (ICS, for further information please refer to B.4) and an appropriate Risk Management System with regard to Operational Risks to ensure that potential risks are identified and assessed at an early stage and that measures are taken to prevent or mitigate significant risks and risk accumulation. The methodology for assessing Operational Risks has been standardized within Generali Group.

Compliance Risk

In this regard, there are various policies and guidelines (for example the Group Compliance Management System Policy, Code of Conduct, Compliance Manual and guidelines on anti-money laundering and terrorism financing) that are accessible to the relevant employees and must be complied with. Employees are additionally supported with appropriate trainings and a quarterly legal radar, highlighting the most significant upcoming changes in laws and regulations.

The Operational Risk situation and the status of the Internal Control System (ICS) are regularly presented and discussed in the Risk Committee by Risk Management Framework and Operational Risk.

C.6. OTHER MATERIAL RISK

As part of the qualitative Risk Management framework, also the following risk categories are considered. The definition of these Other Risks (Non-quantifiable risks) is as follows:

- Strategic Risk referring to current or forward-looking decline in earnings or business sustainability over time, including the non-capacity to generate adequate return on capital given the risk appetite defined, as a consequence of external changes and/or internal decisions, inadequate decision making or improper contagion risk management as well as inadequate adaptation to market environment;
- Reputational Risk is defined as risks referring to potential losses arising from a deterioration or a negative perception of the company or Generali Group’s image in respect to its customers (i.e. due to increasing conflicts with policyholders, poor services and inadequate selling and liquidation practices) as well as to its reputation in respect to other counterparties (i.e. supervisory authority);
- Contagion risk deriving from issues within one of the Group's Legal Entities affecting the solvency, economic or financial situation of other Group's Legal Entities or the Group as a whole.

Emerging and Sustainability risks, due to their cross-cutting nature, are characterized by a long-term time span and may also impact on the other risk categories:

- Emerging risks characterized by major uncertainty in terms of future development, referring to trends deriving from internal or external environment changes and that may lead to increased exposures to risks already identified or new risks;

- Sustainability risk referring to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability.
  Management of sustainability risks (outside-in), as well as management of potential negative impacts of business decisions on sustainability factors[5] (inside-out) for LFL, are mainly ruled in the Investment Governance Group Policy and Life Underwriting and Reserving Group Policy, further detailed in the related guidelines[6]; among sustainability risk a standalone risk framework is provided for climate change risk, incurred by the Group (outside-in) as a risk that arise from the physical effects of climate change (physical risk) and from the transition to a low-carbon and climate-resilient economy (transition risk). Also, climate change risk generated by Group (inside-out), consequent to the potential misalignment to Group decarbonization targets is considered.

Categorized as 'other risks' on the Group Risk Map, they are not included in the solvency requirement calculation (so-called 'non-quantifiable risks').

The performed risk assessments of these Other Risks highlighted no significant impact on the Risk Profile of LFL in 2022.

C.7. ANY OTHER INFORMATION

To test LFL's solvency position resilience to adverse market conditions or shocks a set of stress test and scenario analyses are performed. These are defined considering unexpected, potentially severe, but plausible events. The outcome, in terms of impact on financial and capital position, prepares LFL to take appropriate management actions if such events occur.

The sensitivity analysis considers simple changes in specific risk drivers (e.g. Interest Rates, equity shock and credit spreads). Their main purpose is to measure the variability of the Own Funds and Solvency Ratio to variations in specific risk factors. The set chosen aims to provide the assessment of resilience to the most significant risks.

In order to verify the adequacy of solvency capital position to the changing of the market conditions, the following main sensitivity analyses have been performed:

Risk Free Rate: interest rate change	+/-50 bps
Credit spread of corporate bonds on Swap	+50 bps
Equity Price fair value change	+/-25%

Starting from January 2023, the risk free rate (RFR) for CHF will not be based on Swiss government bond rates anymore but on swap rates (OIS/SARON). The "'Risk Free Rate: EIOPA Update of CHF Yield Curve to OIS/SARON" in the table below shows the Eligible Own Funds and the SCR as at YE22 with CHF RFR based on OIS/SARON. The sensitivities below are all based on CHF RFR with OIS/SARON and therefore the deltas are versus the "'Risk Free Rate: EIOPA Update of CHF Yield Curve to OIS/SARON".

The impacts of the above sensitivities on the Solvency Ratio are shown in the following table:

[5] Sustainability factors are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

[6] It is worth noting that the integration of sustainability risk is planned progressively and in line with the Group strategy and regulatory requirements.

Sensitivities in Mio. CHF

	Eligible Own Funds	Delta Eligible Own Funds	Delta Eligible Own Funds %	Solvency Capital Requirement	Solvency Ratio
Official value	102.0			44.4	230.0%
Risk Free Rate: EIOPA Update of CHF Yield Curve to OIS/SARON	107.4			41.9	256.3%
Risk Free Rate: interest rate change +50 bps	108.5	1.1	1.1%	41.1	264.0%
Risk Free Rate: interest rate change -50 bps	106.1	-1.2	-1.2%	42.8	248.2%
Credit spread of corporate bonds on Swap +50 bps	109.5	2.1	2.1%	41.5	264.0%
Equity Price fair value change +25%	119.0	11.6	11.4%	44.5	267.4%
Equity Price fair value change -25%	103.8	-12.6	-12.4%	39.5	240.1%

LFL has implemented a capital strengthening in 2022 to rise the Solvency Ratio over the business reporting period (sections B.1 and E1 explain the implemented measures.

D. Valuation for Solvency Purposes

GENERAL SOLVENCY II VALUATION FRAMEWORK

The Solvency II (SII) regulatory framework standardizes valuations and measurements of assets and liabilities for the SII balance sheet, largely referring to and in conformity with IFRS principles adopted by the European Commission in accordance with Regulation (EC) No 1606/2002, and requiring an economic, market-consistent approach as set out in Article 75 of the Directive 2009/138/EC.

The main general principles of this approach, as far as they are relevant for LFL, are described and applied by LFL as follows:

In accordance with the provisions of Article 75 of the Directive 2009/138/EC, a fair value measurement approach is applied, taking into consideration the risks that arise from a particular balance sheet item and using assumptions that knowledgeable market participants would use in valuing the asset or the liability.

In accordance with the provisions of Article 9 of the Delegated Regulation (EU) 2015/35, the international accounting standards (IFRS) are applied as the default accounting framework for the recognition/derecognition and the valuation of the assets and liabilities, unless otherwise clearly stated and required by Arts. 8 & 11 – 16 of the Delegated Regulation (EU) 2015/35 and provided that the valuation approach under the IFRS is consistent with the fair value measurement approach as set out in Article 75 of the Directive 2009/138/EC.

In LFL, IFRS financial statements are regularly prepared, as the company is required to report its financial statements under IFRS for Generali Group reporting purposes. Therefore, for asset and liability classes, where LFL uses a valuation approach under IFRS in line with the principles stated above, the fair value of the IFRS Balance Sheet is also used as the fair value in the SII Balance Sheet. For asset and liability classes, where the relevant IFRS does not include or LFL does not apply a fair value approach under IFRS, and no other specific SII valuation approach is required, the fair value is derived from IFRS values by using assumptions, which are deemed to be consistent with Article 75 of the Directive 2009/138/EC and to be proportionate with respect to the nature, scale and complexity inherent in the business of the undertaking.

Based on the explanations above, the general valuation approaches used in LFL for the different asset/liability classes in the SII Balance Sheet are summarized in the following table:

General valuation approach adopted by LFL per asset/liability class

Source of fair value / valuation approach	Asset/Liability class	Reference
Fair values taken from IFRS financial statements	Financial Investments, Employee Benefits	Paragraph D.1., D.3.
Fair values evaluated according to SII valuation specificities (Delegated Regulation (EU) 2015/35, Arts. 8 & 11 – 16)	Technical Provisions (incl. Reinsurance Recoverables), Contingent Liabilities, Deferred tax assets/liabilities, Deferred acquisition costs	Paragraphs D.1., D.2., D.3.
Fair values derived from IFRS financial statements	all other assets/liabilities	Paragraphs D.1., D.3.

The evaluation of the fair values in each of the three approaches is based on the following general basic principles:

Basic valuation principles

- Individual assets and liabilities are valued separately.
- The valuation of the assets and liabilities is based on a going concern assumption.

Fair value measurement approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between knowledgeable market participants at the measurement date under current market conditions.

For the fair valuation of liabilities no adjustment to take account of the own credit standing of the undertaking is made, in accordance with the provisions of Article 75 of the Directive 2009/138/EC.

According to IFRS 13 *Fair Value Measurement*, the definition of a fair value is based on an 'exit price' notion and uses a 'fair value hierarchy' which results in a market-based, rather than entity-specific measurement.

Fair value hierarchy

On the basis of the fair value hierarchy, the following hierarchy of high-level principles is applied, when valuing assets and liabilities other than technical provisions:

- Whenever available, quoted market prices are used in active markets for the same assets or liabilities.
- Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences are used.
- If there are no quoted market prices in active markets available, mark-to-model techniques are used.
- Maximum use is made of relevant observable inputs and market inputs, whereas undertaking-specific inputs are reduced to a minimum in order to minimize the use of unobservable inputs.

Following these principles, the highest priority is given to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy categorizes the inputs used in valuation techniques into three levels. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgment).

- **Level 1 inputs**

  Level 1 inputs are unadjusted current quoted prices from ordinary transactions in active markets for identical assets or liabilities that can be accessed at the measurement date.

- **Level 2 inputs**

  Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

- **Level 3 inputs**

  Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure the fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs are developed, using the best information available in the circumstances, which also includes the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Valuation techniques

The fair value measurement is performed by applying the most appropriate valuation technique with respect to the circumstances and available inputs. The most appropriate valuation technique is the one, for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The following valuation techniques are used in accordance with Art. 10.7 of the Delegated Regulation (EU) 2015/35:

- market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business);
- income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.
- cost approach or current replacement cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);

For further details and explanations regarding the valuation techniques applied for the individual asset or liability classes, please refer to the following paragraphs D.1. *Assets*, D.2. *Technical provisions*, and D.3. *Other liabilities*.

For the SII values of each asset and liability class of the reporting period, please refer to the tables “SII Balance Sheet – Assets” and “SII Balance Sheet – Liabilities” (template S.02.01) in the Annex D at the end of this chapter.

D.1. ASSETS

The following paragraphs aim to describe the value of assets for solvency purposes and for statutory financial statements, the recognition and valuation basis applied as well as the methodology used by LFL for the determination of the SII value.

For their valuation, assets have been aggregated into asset classes which are consistent with the asset classes in the Solvency II Balance Sheet (template S.02.01, → see Annex D), thus ensuring transparency and comparability between the methods used and the amounts recognized.

Compared to the previous year, no changes have been applied to the valuation methodologies for assets or to the aggregation of asset classes, neither for Solvency II nor for Statutory purposes.

D.1.1. VALUATION OF ASSETS FOR SOLVENCY II BALANCE SHEET

In the Solvency II environment, assets are generally measured at fair value in accordance with IFRS principles, applying the framework as described above under the section “General Solvency II Valuation Framework” (→ paragraph D – introduction). As also indicated in the introduction, for some specific items exceptions are required or IFRS valuation methods are excluded. The valuation methods for these specific items are described below in the section “Asset Classes with Solvency II Valuation Specificities”, as far as they are relevant for LFL.

In the following sections, an overall description of the SII valuation method for each class of assets is provided, complementary to the general valuation for solvency purposes (→ paragraph D - introduction).

ASSET CLASSES AT FAIR VALUE

For LFL, all asset classes except for Reinsurance Recoverables, Deferred Acquisition Costs, and Deferred Tax Assets, where specific SII valuations apply, have been measured at fair value as follows:

Financial Assets

A market approach is used for the valuation of all financial asset classes based on their fair value hierarchy and the availability of observable inputs. Financial assets in LFL are mostly classified within level 1 of the fair value hierarchy, as quoted market prices are available. This applies for Bonds, Collective Investment Undertakings, and Assets held for index-linked and unit-linked contracts. Derivatives are **“**Over the counter derivative financial instruments” and are classified within level 2 of the fair value hierarchy, as the inputs used for the pricing can be corroborated by observable market data for the full contractual term of the asset.

For all financial asset classes the fair values in the SII Balance Sheet are taken from the relevant positions of the IFRS Balance Sheet, where the same measurement principles are applied. Under IFRS, LFL measures its financial assets at fair value, based on the classification of the financial asset at “Available for sale” or at “Fair Value through Profit or Loss”. Since fair values under IFRS are clean fair values (excluding accrued interests), the fair value transferred to the SII Balance Sheet is the sum of the IFRS fair value plus accrued interest for each financial asset class.

Cash

In LFL, this position only includes cash at bank. Therefore, the fair value is deemed to be equal to the IFRS carrying amount due to close duration and maturity.

Policy Loans

Due to the lack of observable market inputs for the fair valuation of policy loans, a cost approach has been used for the determination of the fair value, by approximating and deriving the fair value from the IFRS amortized cost value, taking into consideration the risks for this specific balance sheet item.

Based on the business rules for policy loans in LFL, the risks associated with the policy loans are considered to be negligible for the following reasons: The amount of a policy loan including outstanding interest payments from the policyholder is limited to a certain percentage (50 – 90%, depending on the tariff) of the cash surrender value of the insurance contract. Therefore, the mathematical reserve of the policy acts as a full collateral for the policy loan. Amounts outstanding under a policy loan, including interests, are either repaid by the customer or the outstanding amount can be fully deducted from the surrender value in case of a lapse of the policy or from the benefit payment at the expiry of the policy.

Therefore, the fair value of the policy loans is deemed to be equal to the IFRS amortized cost value.

Receivables and any other assets

Due to the lack of observable market inputs for the fair valuation of these asset classes, a cost approach has been used for the determination of the fair value, by approximating and deriving the fair value from the IFRS amortized cost value, taking into consideration the risks for this specific balance sheet item.

Thereby, as a general assumption, the SII fair value is expected to be equal to the IFRS cost value due to close duration and maturity and to the absence of expected interest cash-flows. Furthermore, regarding to the specific types of receivables recognized in the Balance Sheet, the counterparty default risk is estimated to be negligible. For further details please refer to section D.1.3, where specific explanations are given to the different types of receivables (→ Receivables (R0360/R0380).

ASSET CLASSES WITH SOLVENCY II VALUATION SPECIFICITIES

As mentioned above, the Solvency II regulatory framework (Delegated Regulation (EU) 2015/35, Arts. 8 & 11 – 16) requires some exceptions from general Solvency II valuation principles. In particular, these exceptions for assets, as far as they are relevant for LFL, refer to:

- Reinsurance Recoverables (Art. 8 Delegated Regulation (EU) 2015/35)
- Deferred Acquisition Costs (Art. 12 Delegated Regulation (EU) 2015/35)
- Deferred Tax Assets (Art. 15 Delegated Regulation (EU) 2015/35)

For these asset classes, the following valuation principles have been applied in line with Solvency II requirements:

Reinsurance Recoverables

Reinsurance recoverables are technical provisions from ceded reinsurance contracts and are measured according to the same principles that apply to technical provisions. Reinsurance recoverables under SII are adjusted for the expected losses due to the counterparty default risk. The Solvency II valuation of the technical provisions including reinsurance recoverables is disclosed in the following paragraph D.2. *Technical provisions*.

Deferred acquisition costs

In accordance with the provisions of Art. 12 of Delegated Regulation (EU) 2015/35, goodwill and intangible assets, which include deferred acquisition costs, are to be valued at zero, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Since there is no quoted market price for deferred acquisition costs or any similar assets, the deferred acquisition costs of LFL have been derecognized in SII balance sheet.

Deferred tax assets (DTA)

SII deferred taxes are based on the difference between the SII value of assets and liabilities and the value for tax purposes on an item-by-item basis, using the expected tax rate to be applied when assets (liabilities) are realized (settled). Valuation is in line with IAS 12 requirements and is additionally considering SII valuation specificities.

According to the SII framework (Art. 15 of Delegated Regulation (EU) 2015/35), deferred taxes emerge from temporary differences with tax values of assets and liabilities, and, when applicable, from tax losses/credits carry-forwards.

DTA is recognized on an item-by-item basis for those balance sheet items, where the change to SII value is a decrease of the value of an asset item, or an increase of the value of a liability item.

In accordance with the SII framework, the recognition of a deferred tax asset (DTA) is subject to a recoverability test: DTA can only be recognized to the extent that it is probable that future taxable profit will be available against which the DTA can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

The table "*Comparison of SII and Statutory Balance Sheet / Assets"* in section D.1.3. shows an overview of the valuation techniques used for each asset class under the SII valuation framework in comparison to the Statutory accounts valuation and provides qualitative and quantitative information on the differences.

D.1.2. STATUTORY VALUATION

For the statutory account valuation, the generally accepted accounting principles of Liechtenstein (local GAAP) have been applied by using the following valuation techniques per individual class of asset:

Financial Instruments

Under local GAAP, the following valuation techniques are used for the valuation of financial instruments:

- Linear Amortized Cost (LAC) – The premium or discount (the difference between the payment and the repayment amounts) is distributed over the term on a linear basis;
- Market approach / market value – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities;
- Lower of cost or market (LCM) – The lower of the acquisition price or market value is used for valuation.

In the local financial statements of LFL the LAC approach is used for the valuation of the Bonds, and the LCM approach is used for the valuation of the Collective Investment Undertakings and the Derivatives. Assets held for index-linked and unit-linked contracts are valued at market value according to the market approach.

Reinsurance Recoverables

Reinsurance recoverables are valued according to the actuarial specifications for the reinsurance technical provisions without consideration of expected losses due to counterparty default risk.

Deferred acquisition costs

For insurance products, where acquisition costs are not taken into account in the zillmerization of the mathematical provisions, the acquisition costs directly related to the acquisition of new business are deferred and subsequently amortized over a period of five years.

Receivables and any other assets

For receivables and any other assets nominal value is stated in the Statutory Balance Sheet.

The table "*Comparison of SII and Statutory Balance Sheet / Assets"* in section D.1.3. shows an overview of the valuation techniques used for each asset class under the local accounting framework in comparison to the valuation under Solvency II and provides qualitative and quantitative information on the differences.

D.1.3. DIFFERENCES BETWEEN SOLVENCY II AND STATUTORY BALANCE SHEET

Differences in values between SII and statutory financial statements are generally due to the fact that for specific balance sheet items within the statutory balance sheet valuations different from fair value are used. Please refer to previous sections for a description of the SII valuation (→ paragraph D.1.1.) and the statutory valuation (→ paragraph D.1.2.) approach applied for assets.

The following table shows the main differences for each class of asset between the figures reported in the SII Balance Sheet and those reported in the Statutory Balance Sheet as at 31 December 2022. All differences result from the different valuation principles applied for the SII resp. for the statutory valuation of the assets, as described above. For each class of asset the relevant valuation principles under SII and Statutory Accounts are also indicated in the table and a qualitative explanation for the differences is given after the table.

Comparison of the valuation in Solvency II and Statutory Balance Sheet - Assets

Assets	Ref.	Solvency II (a)		Statutory (b)		Delta (a-b)
TCHF		Solvency II Value	Solvency II Valuation	Statutory Accouts Value	Statutory Valuation	Change to SII Value
		YE2022		YE2022		YE2022
Goodwill	R0010	-		-		-
Deferred acquisition costs	R0020	-	derecognition	-	according to tariff	-
Intangible assets	R0030	-		-		-
Deferred tax assets	R0040	6,875	Art. 15 Delegated Regulation (EU) 2015/35 (in line with IAS12)	-	n.a.	6,875
Pension benefit surplus	R0050	-		-		-
Property, plant & equipment held for own use	R0060	-		-		-
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**204,675**		**257,963**		**-53,288**
Property (other than for own use)	R0080	-		-		-
Holdings in related undertakings, including participations	R0090	-		-		-
Equities	*R0100*	-		-		-
Equities - listed	R0110	-		-		-
Equities - unlisted	R0120	-		-		-
Bonds	*R0130*	203,348	fair value / market approach	257,271	linear amortized cost	-53,922
Government Bonds	R0140	149,330	fair value / market approach	192,409	linear amortized cost	-43,079
Corporate Bonds	R0150	54,018	fair value / market approach	64,862	linear amortized cost	-10,844
Structured notes	R0160	-	fair value / market approach	-	linear amortized cost	-
Collateralised securities	R0170	-		-		-
Collective Investments Undertakings	R0180	59	fair value / market approach	59	lower of cost or market	-
Derivatives	R0190	1,267	fair value / market approach	633	lower of cost or market	634
Deposits other than cash equivalents	R0200	-		-		-
Other investments	R0210	-		-		-
Assets held for index-linked and unit-linked contracts	**R0220**	**419,309**	**fair value / market approach**	**419,449**	**fair value / market approach**	**-140**
Loans and mortgages	**R0230**	**916**		**916**		**-**
Loans on policies	R0240	916	fair value / current replacement cost approach	916	nominal value	-
Loans and mortgages to individuals	R0250	-		-		-
Other loans and mortgages	R0260	-		-		-
Reinsurance recoverables	**R0270**	**-395**		**197**		**-592**
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-		-		-
Health similar to life	R0320	-		-		-
Life excluding health and index-linked and unit-linked	R0330	-		-		-
Life index-linked and unit-linked	R0340	-395	best estimate basis (see chapter D.2.)	197	according to treaty specifications	-592
Deposits to cedants	R0350	-		-		-
Insurance and intermediaries receivables	R0360	465	fair value / cost approach (= IFRS cost value)	465	nominal value	-
Reinsurance receivables	R0370	29		29		-
Receivables (trade, not insurance)	R0380	4,707	fair value / cost approach (= IFRS cost value)	4,707	nominal value	-
Own shares (held directly)	R0390	-		-		-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	6,000		6,000		-
Cash and cash equivalents	R0410	21,309	fair value / cost approach (= IFRS cost value)	21,309	nominal value	-
Any other assets, not elsewhere shown	R0420	1,897	fair value / cost approach (= IFRS cost value)	1,897	nominal value	-
Total assets	**R0500**	**665,789**		**712,933**		**-47,145**

EXPLANATION OF MAIN DIFFERENCES PER ASSET CLASS:

Deferred Acquisition costs (R0020)

As stated in section D.1.1., Deferred acquisition costs are not recognized as an asset under SII valuation principles.

Deferred Tax Assets (R0040)

For calculating the amount of deferred taxes, any difference between the SII value of assets/liabilities and their related carrying value for tax purposes is considered on an item-by-item basis. As stated in section D.1.1., DTA is recognized for balance sheet items, where the change to SII value is a decrease of the value of the asset item, or an increase of the value of the liability item, resulting in a future taxable loss.

The differences are subject to a deferred tax rate of 12.5 %, which corresponds to the expected average local tax rate for LFL. Compared to the previous year, the applicable tax rate remained unchanged. The same tax rate is also applied for the calculation of deferred taxes in the IFRS reporting of LFL for Generali Group reporting purposes, in line with IAS 12 requirements. The expected average tax rate is evaluated by an external tax expert on a yearly basis.

The recoverability of the carrying amount has been reviewed at balance sheet date, assuming an expiry date of 7 years. Based on this review and due to a total balance of deferred taxes on the liability side (DTA: TCHF 6’875; DTL: TCHF 8’204), deferred tax assets have been recognized to the entire amount (TCHF 6’875; YE2021: TCHF 249), since sufficient future taxable profits are expected to be available against which the DTA can be utilized.

No offsetting is made between Deferred Tax Assets and Deferred Tax Liabilities.

DTA are related to the following SII items:

Deferred tax assets related to SII items | **in TCHF**

Deferred Tax Assets	**Change from Statutory to SII Value**	**DTA**	**DTA**
Tax rate: 12.5 %	**YE2022**	**YE2022**	**YE2021**
DTA on Bonds (R0130)	53’922	6’740	-
DTA on Reinsurance recoverables (R0270)	592	74	173
DTA on Contingent Liabilities (R0740)	227	28	28
DTA on Pension Benefit Obligations & Payables (R0760/R0840)	262	33	48
Total gross deferred tax assets	**55’004**	**6’875**	**249**
Offsetting with deferred tax liabilities			-
Total deferred tax assets in SII Balance Sheet	**55’004**	**6’875**	**249**

Compared to the previous year, deferred tax assets increased due to large differences concerning bonds. For further details, please refer to section D.3.

Investments (other than assets held for index-linked and unit-linked contracts) (R0070)

The change of the SII value compared to the statutory value is due to the different accounting approach. Under SII all financial instruments belonging to this category are measured at fair value, using a market approach, while under statutory accounting a linear amortized cost approach is used for Bonds and a lower cost or market approach is used for Collective Investments Undertakings and Derivatives. As a result, the total change in value for this asset class amounts to TCHF -53’288 (YE2021: TCHF 8’530).

Assets held for index-linked and unit-linked contracts (R0220)

There is no difference between statutory accounts and SII value since Assets held for index-linked and unit-linked contracts are recognized at fair value by using the same valuation technique under both accounting frameworks.

Policy Loans (R0240)

The change from cost value under statutory accounts to fair value principle under Solvency II does not result in a change of value. For more detail regarding the SII valuation, please refer to the relevant section in paragraph D.1.1.

Reinsurance Recoverables (R0270)

The reinsurance recoverables in the amount of TCHF -395 (YE2021 CHF -922) relate to Life index-linked and unit-linked business.

Receivables (R0360/R0380)

No adjustment is made to the values of receivables, when changing the accounting scheme from nominal value under statutory accounts to fair value measurement under Solvency II.

As stated in paragraph D.1.1, the SII value for receivables is expected to be equal to the nominal value due to close duration and maturity and due to the absence of expected interest cash-flows. The counterparty risk is deemed to be negligible based on the following considerations:

- Insurance and intermediaries receivables (0360) are receivables from outstanding premiums in course of collection, which are completely recoverable according to the General Terms and Conditions of the insurance contract.
- Non insurance receivables (R0380) are intercompany receivables from entities belonging to the Generali Switzerland. Therefore no credit default adjustment is deemed to be required.

Amounts due in respect of own fund items or initial fund called up but not yet paid in (R0400)

This amount contains the capital increase, not yet paid in.

Cash and Cash Equivalents (R0410)

Based on the consideration that this balance sheet item only represents cash at bank, no change to SII value is deemed to be necessary when moving from statutory to SII accounts due to close duration and maturity. Therefore, there is no difference between statutory value and SII value.

Any other assets, not elsewhere shown (R0420)

This residual class of asset items includes prepayments, deferrals and other accrued income. Based on the low materiality and due to the short-term nature of these assets as well as the absence of expected interest cash-flows, no adjustment is made when moving from nominal value in statutory accounts to fair value in SII accounts.

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II Life Technical Provisions at the end of 2022 have been calculated according to articles 77 to 83 of the Directive 2009/138/EC.

The following table shows the amount of Life TP at the end of 2022, split by main components: the best estimate of liabilities, the reinsurance recoverables net of the counterparty default adjustment and the Risk Margin.

SII Life Technical Provisions: split by component CHF millions

	YE2022	YE2021
Best estimate of Liabilities - gross of reinsurance	522.2	688.5
Risk Margin	15.5	28.3
Technical Provisions - gross of reinsurance	**537.6**	**716.8**
Reinsurance Recoverables	0.4	0.9
Technical Provisions - net of reinsurance	**538.0**	**717.7**

**** positive signs represent a liability*

The best estimate of liabilities corresponds to the average of the present values of expected future cash flows generated from contracts present in the company portfolio, and therefore includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of the risk-free interest rates as at 31 December 2022, as observed in the market and officially communicated by EIOPA. This curve (derived, for the main markets, from interbank swap rates and government bonds for CHF for 2022) includes both an adjustment to consider the residual default risk of these instruments (the so-called "credit risk adjustment", amounting to -10 bps for Euro and Swiss Franc) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called "volatility adjustment", equal to +19 bps in the Euro area and -3 bps for Switzerland).

The method used to derive the best estimate of liabilities is based on a direct approach that involves the projection and discounting of all future expected incoming and outgoing cash flows for the duration of the policyholder’s liabilities, in line with the contractual limits defined by regulations (contract boundaries). In particular, the projections consider all future premiums and all outflows associated with both the occurrence of insured events (e.g. claims and capital payable in case of survival of the insured when the contract expires) and the possible exercise of contractual options (for example surrender options).

Depending on the type of portfolio and risk inherent in them, the expected future cash flows have been assessed in a deterministic scenario (i.e. “Certainty equivalent” scenario) or as the mean value of a set of stochastic scenarios, to allow the calculation of the cost of financial guarantees and contractual options. In the latter case, in the actuarial platforms were also implemented specific assumptions on future management decisions (so-called "management actions", relating for example to future profit sharing).

The best estimate of liabilities of a minor part of the portfolio (relating to a product which bears almost no risk due to it’s non insurance like characteristics) were evaluated using a simplified approach and assumed equal to the IFRS reserves.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to 522.2 CHF millions and entirely refers to direct business.

The risk margin represents an allowance to take account of the inevitable uncertainty linked to the volatility of the operating assumptions and inherent in future cash flows. The risk margin is calculated by means of a cost of capital approach, which considers the cost associated with the non-hedgeable risks.

The capital requirement needed to cover the non-hedgeable risk was determined using the SII standard formula. The rate used to determine the cost of capital is 6% per annum. The cost of capital of each projection year was discounted at the valuation date using the term structure of interest rates, without the volatility adjustment. In line with the regulation, the risk margin is calculated net of reinsurance. The future projection of the capital requirement needed to cover the non-hedgeable risks and its allocation by business lines was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the calculation of risk margin.

At 31 December 2022, the risk margin associated with LFL life insurance contracts is equal to 15.5 CHF millions.

In conclusion, the total value of the Solvency II Life Technical Provisions of LFL at 31 December 2022, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin, amounted to 538.0 CHF millions (2021: 717.7 CHF millions).

The following table reports the amount of the Solvency II Life Technical Provisions split by lines of business:

SII Life Technical Provisions: split by Line of Business CHF millions

YE2022	Statutory reserves	IFRS reserves	Solvency II reserves
Life other than index-linked and unit linked	122.1	95.3	94.8
Index-linked and unit-linked	480.7	480.5	442.8
Health similar to life	0.0	0.0	0.0
TOTAL Technical provisions (gross of reinsurance)	**602.8**	**575.8**	**537.6**

**** positive signs represent a liability*

LFL Solvency II Life Technical Provisions net of reinsurance mainly consist of direct unit-linked life business with options and guarantees, of direct traditional business and of direct unit-linked business without options and guarantees.

There are some changes in the best estimate operating assumption factors disability/morbidity, mortality, surrender and expenses. The changes are due to a yearly process of updating the statistics for best estimate operating factor determination.

The new business production has been stopped during 2015, hence the portfolio is in run off.

The following table compares the technical provisions reported in the financial statements with the Solvency II Life Technical Provisions at the end of 2022:

Financial Statement - Solvency II CHF millions

YE2022	Statutory reserves	Solvency II reserves	Delta
Gross reserves / Best estimate of liabilities gross	602.8	522.2	80.5
Ceded reserves / Reinsurance Recoverables	-0.2	0.4	-0.6
Risk Margin	0.0	15.5	-15.5
Net reserves / Technical provisions	**602.6**	**538.0**	**64.4**

The difference between the statutory reserves and Solvency II Life Technical Provisions is due to substantial methodological differences between the two approaches making the comparison between the two amounts not informative of the adequacy of the current reserving basis. The Solvency II assessment, in fact, considers the future cash flows projected taking account of best estimate assumptions, future profit sharing (financial and technical) and the financial cost of the guarantees, using as the discount rate the current structure of interest rates. The evaluation of the technical liabilities in the statutory balance sheet, instead, uses the assessments of the technical provisions calculated in accordance with local accounting principles and thus generally uses demographic pricing assumptions, discounts the contractual flows at the technical rate defined at the issue of the contract and, in general, does not consider any future financial profit share on unrealized gains / losses in force at the valuation date.

More specifically, the main differences between the two evaluations are attributable to the following items:

Cash flows resulting from premiums, future expenses and contractual options:

- Premiums: statutory reserves are usually calculated using pure premiums (i.e. loadings are excluded from the calculation); conversely, in Solvency II valuation, all premiums collected are considered;
- Expenses: typically future costs are excluded from the assessment of statutory reserves or, depending on the type of product, they are measured indirectly by means of the provision of loadings collected in the past (management reserves); on the contrary the Solvency II valuation includes the best estimate of the present value of the costs that will be incurred by the company to fulfil all the contractual obligations;
- Contractual options: typically the calculation of statutory reserves does not consider the probability of exercise by the insured of contractual options such as surrenders or failure to pay premiums; conversely, these elements are appropriately considered in Solvency II.
- Operating assumptions: the reserves reported in the statutory financial statements are generally valued using conservative operating assumptions (or first order), and the technical reserves of Solvency II are valued using best estimate assumptions (or second order).
- Economic assumptions: the Solvency II technical provisions are valued using the current economic framework both in terms of interest rate curves and market values of backing assets. In practice, this impacts:
  - projected economic returns and, consequently, future policyholder bonuses included in future cash flows;
  - interest rates used for discounting.

  On the contrary, financial statement reserves cash flows typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at the inception of the contract.
- Methodology used to evaluate the business with profit sharing and guarantees: for this type of contract, the Solvency II technical reserves are valued using stochastic actuarial platforms that capture a wide spectrum of possible financial scenarios and thus allow an explicit assessment of the cost of options and guarantees held by the insured. In contrast, statutory reserves do not include the assessment of that cost.
- Counterparty Default Adjustment: unlike the statutory valuation, the amount of reinsurance recoverables of Solvency II is adjusted to take into account the probability of default of the counterparty.
- Risk Margin: unlike the statutory reserves, Solvency II includes an explicit assessment of the amount to be held against the non-hedgeable risks.

SOURCES OF UNCERTAINTY

The evaluation of the Solvency II Life Technical Provisions depends not only on the methods, models, and data used, but also on the assumptions on a number of economic and operational factors whose future realizations might differ from the expectations at the valuation date.

The underwriting parameters impact LFL`s portfolio only slightly. However it has to be noted that this is due to diversification effects and changes in lapse rates for sub portfolios only, could have a higher impact. In particular the most relevant operating factor is the lapse risk which affects the unit-linked business with guarantees. A decrease of 10% in the surrender assumptions increases the best estimate of liabilities by about 2 CHF millions. This can be explained by the high guarantees of older tariffs compared to the current still lower interest rate environment.

On the other hand, when analyzing the impact on the best estimate of liabilities resulting from possible changes regarding the economic environment in a sensitivity analysis, as shown in section C.7., it was observed that, the technical provisions are sensitive to interest rates and equity capital value movement. Hence a change in one of these economic assumptions can have a material impact on the technical provisions.

LONG-TERM GUARANTEE MEASURES

The valuation of the best estimate of liabilities has been performed using the volatility adjustment (as referred to in Article 77d of the Directive 2014/51/EU) provided by EIOPA for EURO and CHF currency and equal to +19 bps respectively -3 bps at YE2022 (YE2021: to 3 bps respectively 4 bps). A change to zero of the volatility adjustment would correspond to an increase of 4.1 CHF millions in the Life Technical Provisions of LFL. The results of the volatility adjustment set to zero on the technical provisions and on the other financial positions including own funds and MCR/SCR are shown in the table *Impact on long term guarantees measures and traditional* (template S.22.01) in Annex E at the end of section E. Capital Management.

The matching adjustment (as referred to in Article 77b of the Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate-term structure (as referred to Article 308c of the Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of the Directive 2014/51/EU) have not been used.

D.3. OTHER LIABILITIES

The following paragraphs aim to describe the value of liabilities other than technical provisions (other liabilities) for solvency purposes and for statutory financial statements, the recognition and valuation basis applied as well as the methodology used by LFL for the determination of the Solvency II value.

For their valuation, the other liabilities have been aggregated into liability classes which are consistent with the liability classes in the Solvency II Balance Sheet (template S.02.01, → see Annex D), thus ensuring transparency and comparability between the methods used and the amounts recognized.

Compared to the previous year, no changes have been applied to the valuation methodologies for other liabilities or to the aggregation of liability classes, neither for Solvency II nor for Statutory purposes.

D.3.1. VALUATION OF OTHER LIABILITES FOR SOLVENCY II BALANCE SHEET

In the Solvency II environment, other liabilities are generally measured at fair value in accordance with IFRS principles, applying the framework as described above under the section “General Solvency II Valuation Framework” (→ paragraph D – introduction). As also indicated in the introduction, for some specific items exceptions are required or IFRS valuation methods are excluded. The valuation methods for these specific items are described below in the section “Liability Classes with Solvency II Valuation Specificities”, as far as they are relevant for LFL.

In the following sections, an overall description of the SII valuation method for each class of other liabilities is provided, complementary to the general valuation for solvency purposes (→ paragraph D - introduction).

LIABILITY CLASSES AT FAIR VALUE

For LFL, all liability classes except for Technical Provisions, Contingent liabilities and Deferred tax liabilities, where specific SII valuations apply, have been measured at fair value as follows:

Provisions other than technical provisions

Provisions other than technical provisions for Solvency II purposes are valued in accordance with IAS 37. The valuation under IAS 37 is expected to be a good approximation for the fair value, and the IAS 37 valuation is deemed to be compliant with Solvency II requirements.

Employee/Pension benefit obligations

Pension benefit obligations are valued in accordance with the principles of IAS 19, which are in compliance with the Solvency II requirements. The valuation method adopted is called projected unit credit method and is based on an actuarial approach. The valuation is carried out by an acknowledged external expert.

The amount recognized as a liability represents the net total of the followings:

- the present value of the defined benefit obligation (DBO) at valuation date; minus
- the fair value at the valuation date of plan assets out of which the obligations are to be settled directly.

Furthermore, payables for other long-term employee benefits, such as jubilee benefits, are valued on the expected value of discounted future cash flows, also considering turnover assumptions, and are recognized as payables in the Solvency II Balance Sheet.

Deposits from reinsurers, Payables and any other liability

All other liability classes, such as deposits from reinsurers, payables or other liabilities have been valued by estimating the amount that would rationally be paid to settle the obligation at the end of the reporting period or to transfer it to a third party at that time, also taking into consideration the business rules for the different types of liabilities. According to these considerations and due to close duration and maturity the SII value is expected to be equal to the IFRS nominal value. For further details please refer to section D.3.3, where specific explanations are given to the different types of payables (→ Payables R0820/R0830/R0840).

LIABILITY CLASSES WITH SOLVENCY II VALUATION SPECIFICITIES

As mentioned above, the Solvency II regulatory framework (Delegated Regulation (EU) 2015/35, Arts. 8 & 11 – 16) requires some exceptions from general Solvency II valuation principles. In particular, these exceptions for liabilities, as far as they are relevant for LFL, refer to:

- Technical provisions (Art. 8 Delegated Regulation (EU) 2015/35)
- Contingent Liabilities (Arts. 11 & 14 Delegated Regulation (EU) 2015/35)
- Deferred tax liabilities (Art. 15 Delegated Regulation (EU) 2015/35)

The valuation of technical provisions has already been disclosed in the previous paragraph D.2. *Technical provisions*.

For Contingent liabilities and Deferred tax liabilities, the following valuation principles have been applied in line with Solvency II requirements:

Contingent liabilities

For the definition of contingent liabilities, Solvency II regulation (Art. 11 of the Delegated Regulation (EU) 2015/35) refers to IAS 37 § 10. In particular, contingent liabilities include present obligations, where the “contingency” implies uncertainty about the amounts and timing.

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities. However, other than under IFRS, in case that a contingent liability is material and the possibility of an outflow of resources embodying economic benefits is not remote, the contingent liability has to be recognized on the Solvency II balance sheet.

In accordance with the provisions of Art.11 of Delegated Regulation (EU) 2015/35, contingent liabilities are considered material, if information about the current or potential size, or nature of that liability could influence the decision-making or judgment of the intended user of that information.

In the valuation for solvency purposes in accordance with Art. 14 of Delegated Regulation (EU) 2015/35, the contingent liabilities are valued on the expected value of future cash flows that are required to settle the liability over its lifetime. The estimation is based on an expected present value approach (i.e. a probability-weighted average of the present values of the outflows for the possible outcomes).

For each contingent liability, the possible exposure and the likelihood of these outcomes is considered in determining the value of the contingent liability.

Deferred tax liabilities (DTL)

Deferred taxes recognized as a liability in the balance sheet follow the same assumptions as deferred taxes recognized as an asset. Consequently, the same consideration as provided in D.1. *Assets* have been applied for liabilities purposes.

DTL is recognized on an item-by-item basis for those balance sheet items, where the change to SII value is an increase of the value of an asset item, or a decrease of the value of the liability item, e.g. a decrease in technical provisions.

Based on its origin, DTL is the recognition of a tax liability due to future taxable profits, whereby DTL is always recognized to the full amount.

The table “*Comparison of SII and Statutory Balance Sheet / Liabilities”* in section D.3.3. shows an overview of the valuation techniques used for each liability class under the SII valuation framework in comparison to the Statutory accounts valuation and provides qualitative and quantitative information on the differences.

D.3.2. STATUTORY VALUATION

For the statutory account valuation, the generally accepted accounting principles of Liechtenstein (local GAAP) have been applied. For all liability classes belonging to *D.3 Other Liabilities,* the carrying amount according to local GAAP is stated in the Statutory Balance Sheet. According to local GAAP, the carrying amount is the nominal amount of the liability.

The table “*Comparison of SII and Statutory Balance Sheet / Liabilities”* in section D.3.3. shows an overview of the valuation techniques used for each liability class under the local accounting framework in comparison to the valuation under Solvency II and provides qualitative and quantitative information on the differences.

D.3.3. DIFFERENCES BETWEEN SOLVENCY II AND STATUTORY BALANCE SHEET

Differences in values between SII and statutory financial statements are mainly due to the fact that for specific balance sheet items within the statutory balance sheet valuations different from fair value are used. Please refer to previous sections for a description of the SII valuation (→ paragraph D.3.1.) and the statutory valuation (→ paragraph D.3.2.) approach applied for liabilities.

The following table shows the main differences for each class of liability between the figures reported in the SII Balance Sheet and those reported in the Statutory Balance Sheet as at 31 December 2022. All differences result from the different valuation principles applied for the SII resp. for the statutory valuation of the liabilities, as described above. For each class of liability the relevant valuation principles under SII and Statutory Accounts are also indicated in the table and a qualitative explanation for the differences is given after the table.

Comparison of the valuation in Solvency II and Statutory Balance Sheet - Liabilities

Liabilities	Ref.	Solvency II (a)		Statutory (b)		Delta (a-b)
in TCHF		Solvency II Value	Solvency II Valuation	Statutory Accouts Value	Statutory Valuation	Change to SII Value
		YE2022		YE2022		YE2022
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	**94,844**	**best estimate basis (see chapter D.2.)**	**122,107**	**according to tariff/ first order basis**	**-27,263**
Technical provisions calculated as a whole	R0660	-		-		-
Best estimate	R0670	93,229		-		
Risk margin	R0680	1,615		-		
Technical provisions - index-linked and unit-linked	**R0690**	**442,801**	**best estimate basis (see chapter D.2.)**	**480,674**	**according to tariff/ first order basis**	**-37,873**
Technical provisions calculated as a whole	R0700	-				
Best estimate	R0710	428,946				
Risk margin	R0720	13,856				
Other technical provisions	R0730	-		-		-
Contingent liabilities	R0740	227	recognized in accordance with IAS 37 including SII specific criteria	-	not recognized under local GAAP	227
Provisions other than technical provisions	R0750	861	recognized in accordance with IAS 37	861	nominal amount	-
Pension benefit obligations	R0760	225	recognized in accordance with IAS 19	-	not recognized under local GAAP	225
Deposits from reinsurers	R0770	-	IFRS nominal amount	-	nominal amount	-
Deferred tax liabilities	R0780	8,204	Art. 15 Delegated Regulation (EU) 2015/35 (in line with IAS12)	-	n.a.	8,204
Derivatives	R0790	125		125		-
Debts owed to credit institutions	R0800	1,282		1,282		-
Financial liabilities other than debts owed to credit institutions	R0810	-		-		-
Insurance & intermediaries payables	R0820	14,382	IFRS nominal amount	14,382	nominal amount	-
Reinsurance payables	R0830	21	IFRS nominal amount	21	nominal amount	-
Payables (trade, not insurance)	R0840	347	IAS 19 for other long-term employee benefits IFRS nominal amount for other payables	309	nominal amount	38
Subordinated liabilities	**R0850**	-		-		-
Any other liabilities, not elsewhere shown	R0880	427	IFRS nominal amount	427	nominal amount	-
Total liabilities	**R0900**	**563,745**		**620,188**		**-56,443**
Excess of assets over liabilities	**R1000**	**102,043**		**92,745**		**9,298**

EXPLANATION OF MAIN DIFFERENCES PER LIABILITY CLASS:

Technical Provisions (R0650/R0690)

The difference between the SII value and the statutory accounts value of the technical provisions (-65.1 CHF millions for total technical provisions; YE2021: -6.6 CHF millions) is due to the different valuation principles for technical provisions under SII and under local GAAP. Under local GAAP, the technical provisions are calculated according to the tariff specifications using a first order basis, whereas the SII values of the technical provisions have to be assessed on a best estimate basis, including a risk margin. For a detailed explanation of the SII valuation of the technical provisions and the differences to the statutory valuation, please refer to section D.2. *Technical Provisions*.

Contingent Liabilities (R0740)

As stated in D.3.1, contingent liabilities for SII purposes are valued according to the principles given by IAS 37 and are recognized in the balance sheet, when material.

For the valuation of the contingent liabilities, the estimated maximum outflow was considered based on the expected present value of future cash-flows required to settle the contingent liabilities over its lifetime. Future Cash-flows were discounted at risk-free rate. Additionally, the likelihood of these outcomes (probability of occurrence) was considered in order to determine the value to be recognized on the SII Balance Sheet. Following this approach, the overall amount to be recognized in the SII Balance sheet at YE2022 has been calculated at TCHF 227 (YE2021: TCHF 221).

The contingent liabilities are mainly composed of a contingent liability already built in 2017 and still unchanged (TCHF 204), reflecting a possible future risk exposure in some countries with business underwritten under the "Freedom to provide services" framework and contingent liabilities in 2022 for litigation from policyholders (TCHF 15; YE2021: TCHF 17).

Due to the uncertainty of occurrence (< 50 %) the contingent liabilities do not qualify as under statutory criteria, resulting in valuation differences of TCHF 227.

Provisions other than Technical Provisions (R0750)

For SII purposes, provisions other than technical provisions have been valued according to the principles given by IAS 37. IAS 37 is regulating these types of provisions and it is deemed to be compliant with the SII accounting principles.

The statutory values are recognized according to local GAAP principles. Some of these local GAAP provisions do not qualify as provisions under IAS 37 requirements and are therefore derecognized under SII accounts.

The following table shows the details for this position:

Provisions other than technical provisions in TCHF

Other provisions	SII Value	Statutory value	SII Value	Statutory value
	YE2022	YE2022	YE2021	YE2021
Provisions for legal litigation	861	861	921	921
TOTAL other provisions	**861**	**861**	**921**	**921**

The provisions other than technical provisions contain provisions for legal litigation and stagnated nearly on the same level as in 2021.

Pension Benefit Obligations (R0760)

Pension Benefit Obligations under Solvency II are valued in accordance with IAS 19 principles. Since these obligations are not recognized under statutory valuation, valuation differences of TCHF 225 (YE2021: TCHF 353) between SII and statutory accounts occur. IAS 19 valuation results in the following values for YE 2022 (Employee Benefits of LFL are categorized in "Post-employment benefits", which correspond to the position "Pension benefit Obligation" and "Other long-term employee benefits", which are treated as payables):

Employee Benefits in TCHF

	YE2022	YE2021
Post-employment benefits (Pension Benefit Obligation; R0760)	225	353
Other long-term employee benefits (Jubilee Benefits; R0840)	38	33

For the determination of the economic values of the employee benefits, the following actuarial and economic assumptions were applied:

Principal actuarial and economic assumptions

Beginning of Period End of Period	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Discount rate (beginning of period)	0.20%	0.15%
Discount rate (end of period)	1.90%	0.20%
Expected return on plan assets (in period)	0.20%	0.15%
Interest on savings-account	1.90%	0.30%
Salary increase rate	1.75%	1.25%
Pension increase rate	0.00%	0.00%
Lump-sum withdrawal rate	10.00%	10.00%
Mortality table	BVG 2020 GT	BVG 2020 GT
Disability table	BVG 2020	BVG 2020 GT
Turnover table	very high	very high
Treatment of contributions from employees	IAS19.93(a)	IAS19.93(a)

As stated in section D.3.1., the amount recognized as a liability represents the net total of the followings:

- the present value of the defined benefit obligation (DBO) at valuation date; minus
- the fair value at the valuation date of plan assets out of which the obligations are to be settled directly

Pension Benefit Obligation in TCHF

	YE2022	YE2021
Defined Benefit Obligation	1'737	1'883
Plan Assets	1'512	1'529
Pension Benefit Obligation	**225**	**353**

The following table shows the details for the defined benefit obligation (DBO):

Movement in the defined benefit obligation (DBO) in TCHF

	YE2022	YE2021
DBO at beginning of period	1'883	1'731
Current service cost	84	86
Interest cost	3	3
Contributions by plan participants	46	44
Actuarial (gain)/loss on demographic assumptions	-7	-27
Actuarial (gain)/loss on financial assumptions	-363	-18
Experience (gains)/losses	70	44
Exchange rate changes	-	-
Benefits paid	20	20
Past service cost and plan settlements	-	-
Business combinations	-	-
DBO at end of period	**1'737**	**1'883**

The plan assets at YE 2022 amount to TCHF 1'512 (YE2021: TCHF 1`529). The plan assets are managed by the local independent pension fund foundation and are invested according to the following strategic asset allocation:

Strategic Asset Allocation of Plan Assets

	YE2022	YE2021
Cash and cash equivalents	0.0%	0.0%
Equity instruments	26.0%	26.0%
Debt instruments	64.5%	64.5%
Real estate	7.5%	7.5%
Alternative instruments	2.0%	2.0%

Source: https://www.vorsorgestiftung.li/de/anlagen/anlagestrategien/konservativ

Deposits from Reinsurers (R0770)

In case of low materiality no adjustment is made to the value of reinsurance deposits, when changing the accounting scheme from statutory accounts to fair value measurement under Solvency II, since in this case the nominal amount is considered to be a reasonable approximation for the fair value. As of YE 2022 no deposits of reinsurers exist.

Deferred Tax Liabilities (R0780)

For calculating the amount of deferred taxes, any difference between the SII value of assets/liabilities and their related carrying value for tax purposes is considered on an item-by-item basis. As stated in section D.3., DTL is recognized for balance sheet items, where the change to SII value is an increase of the value of the asset item, or a decrease of the value of the liability item, resulting in a future taxable profit.

The differences are subject to a deferred tax rate of 12.5 %, which corresponds to the expected average local tax rate for LFL. The same tax rate is also applied for the calculation of deferred taxes in the IFRS reporting of LFL for Generali Group purposes, in line with IAS 12 requirements. The expected average tax rate is evaluated by an external tax expert on a yearly basis. Compared to the previous year, the applicable tax rate remained unchanged.

No offsetting is made between Deferred Tax Assets and Deferred Tax Liabilities.

DTL are related to the following SII items:

Deferred tax liabilities related to SII items in TCHF

Deferred Tax Liabilities	Change from Statutory to SII Value	DTL	DTL
Tax rate: 12.5 %	YE2022	YE2022	YE2021
DTL on Derivatives (R0190)	634	79	1'066
DTL on Insurance provisions (R0650/R0690/R220)	64'996	8'125	827
Total gross deferred tax liabilities	**65'630**	**8'204**	**1'893**
Offsetting with deferred tax assets	-	-	-
Total deferred tax liabilities in SII Balance Sheet	**65'630**	**8'204**	**1'893**

Compared to the previous year, deferred tax liabilities mainly increased, due to an increase of the valuation differences between Solvency II and Statutory valuation for the technical provisions. For further details of the valuation, please refer to section D.1.3. *Differences between Solvency II and Statutory Balance Sheet* and D.2. *Technical Provision.*

Insurance & Intermediaries Payables (R0820)

No adjustment is made to the value of Insurance & Intermediaries Payables, when changing the accounting scheme from statutory accounts to fair value measurement under Solvency II, since the nominal amount is considered to be a reasonable approximation for the fair value. Based on the different types of payables within this liability class, different considerations have to be made in order to support this assumption.

The different types of payables within this liability class are shown in the following table, followed by the relevant explanations for the determination of the fair value:

Insurance & Intermediaries payables in TCHF

Insurance & Intermediaries payables	**YE2022**	**YE2021**
Premium Deposits	2’551	2’999
Prepaid Premiums	491	572
Payables to Policyholders	10’195	8’706
Payables to intermediaries	1’145	1’241
Total Insurance & Intermediaries payables	**14’382**	**13’518**

“Premium Deposits” are cash deposit accounts held by the policyholder in order to pay future premiums for the insurance contract. The deposits are subject to interest payment. According to the contractual agreements of the premium deposit accounts, the amount of prepaid premiums in the deposit cannot exceed the amount of total future outstanding premiums for the policy to be paid-up. The interests to be paid on the premium deposit accounts are based on market interest rates and, according to the business rules, can be adjusted at any time at the discretion of the undertaking. Interest rates are reviewed regularly, at least on a quarterly basis, or whenever deemed necessary. For these reasons, the cash value of the premium deposit account is considered to be a reasonable approximation for the fair value, and no adjustment is made when changing the accounting scheme from nominal value under statutory accounts to fair value measurement under Solvency II.

For all other types of payables no relevant change to SII value is expected when moving from statutory to SII accounts due to close duration and maturity and to the absence of expected interest cash-flows. As a general assumption, the nominal amount is considered to be a reasonable approximation of the fair value and no adjustment is made.

Compared to previous year, the Insurance & Intermediaries payables slightly increased due to the payables to Policyholders.

Reinsurance Payables and other payables (R0830, R0840)

Reinsurance payables and most other non-insurance payables, such as tax payables, social security payables, or intercompany current accounts are carried at the original invoiced amount (nominal amount), which is considered to be a reasonable approximation of the fair value due to the short-term nature. Therefore, and due to the absence of interest cash-flows, no adjustment is made when moving from nominal value in statutory accounts to fair value in SII accounts.

Payables for other long-term employee benefits (e.g. jubilee benefits), which are also shown in this position, are valued according to IAS 19 principles (expected discounted cash flows, also considering turnover assumptions), resulting in a valuation difference of TCHF 38 at YE2022 (YE2021: TCHF 33) compared to statutory accounts. For economic assumptions applied, please refer to the explanation given above for the position Pension Benefit Obligations (R0760).

Any other liabilities not elsewhere shown (R0880)

This residual class of liability items mainly includes accruals. Based on the low materiality and due to the short-term nature of these liabilities as well as the absence of expected interest cash-flows, no adjustment is made when moving from nominal value in statutory accounts to fair value in SII accounts.

D.4. ALTERNATIVE METHODS FOR VALUATION

SII valuation of all asset and liability classes is in line with the solvency II valuation framework and no alternative methods have been applied.

D.5. ANY OTHER INFORMATION

There is no other material information regarding the valuation of assets and liabilities for solvency purposes to be reported for LFL.

Annex D - Public QRTs YE2022

Balance sheet – Assets (Template S.02.01)

in TCHF

	Solvency II value	Statutory accounts value
Assets		
Intangible assets	0	0
Deferred tax assets	6'875	0
Pension benefit surplus	0	0
Property, plant & equipment held for own use	0	0
Investments (other than assets held for index-linked and unit-linked contracts)	**204'675**	**257'963**
Property (other than for own use)	0	0
Holdings in related undertakings, including participations	0	0
Equities	*0*	*0*
Equities - listed	0	0
Equities - unlisted	0	0
Bonds	*203'348*	*257'271*
Government Bonds	149'330	192'409
Corporate Bonds	54'018	64'862
Structured notes	0	0
Collateralised securities	0	0
Collective Investments Undertakings	59	59
Derivatives	1'267	633
Deposits other than cash equivalents	0	0
Other investments	0	0
Assets held for index-linked and unit-linked contracts	**419'309**	**419'449**
Loans and mortgages	**916**	**916**
Loans on policies	916	916
Loans and mortgages to individuals	0	0
Other loans and mortgages	0	0
Reinsurance recoverables from:	**-395**	**197**
Non-life and health similar to non-life	0	0
Non-life excluding health	0	0
Health similar to non-life	0	0
Life and health similar to life, excluding health and index-linked and unit-linked	0	0
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	0	0
Life index-linked and unit-linked	-395	197
Deposits to cedants	0	0
Insurance and intermediaries receivables	465	465
Reinsurance receivables	29	29
Receivables (trade, not insurance)	4'707	4'707
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	6'000	6'000
Cash and cash equivalents	21'309	21'309
Any other assets, not elsewhere shown	1'897	1'897
Total assets	**665'789**	**712'933**

Balance sheet – Liabilities

in TCHF

	Solvency II value	Statutory accounts value
Liabilities		
Technical provisions - non-life		
Technical provisions - non-life (excluding health)		
TP calculated as a whole		
Best estimate		
Risk margin		
Technical provisions - health (similar to non-life)		
TP calculated as a whole		
Best estimate		
Risk margin		
TP - life (excluding index-linked and unit-linked)	**94’844**	**122’107**
Technical provisions - health (similar to life)		
TP calculated as a whole		
Best estimate		
Risk margin		
TP - life (excluding health and index-linked and unit-linked)	**94’844**	**122’107**
TP calculated as a whole		
Best estimate	93’229	
Risk margin	1’615	
TP - index-linked and unit-linked	**442’801**	**480’674**
TP calculated as a whole		
Best estimate	428’946	
Risk margin	13’856	
Contingent liabilities	227	
Provisions other than technical provisions	861	861
Pension benefit obligations	225	
Deposits from reinsurers		
Deferred tax liabilities	8’204	
Derivatives	125	125
Debts owed to credit institutions	1’282	1’282
Financial liabilities other than debts owed to credit institutions		
Insurance & intermediaries payables	14’382	14’382
Reinsurance payables	21	21
Payables (trade, not insurance)	347	309
Subordinated liabilities		
Subordinated liabilities not in BOF		
Subordinated liabilities in BOF		
Any other liabilities, not elsewhere shown	427	427
Total liabilities	**563’745**	**620’188**
Excess of assets over liabilities	**102’043**	**92’745**

Life and Health SLT Technical Provisions (1/3) (Template S.12.01)

in CHF thousand	Insurance with profit	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
Technical provisions calculated as a whole	**0**	**0**			**0**			**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0			0			0
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	**93’229**		**85’912**	**343’033**		**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	-395		0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	93’229		85’912	343’428		0	0	0
Risk Margin	**1’615**	**13’856**			**0**			**0**
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	0	0			0			0
Best estimate	0		0	0		0	0	0
Risk margin	0	0			0			0
Technical provisions - total	**94’844**	**442’801**			**0**			**0**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**94’844**	**443’196**			**0**			**0**

Life and Health SLT Technical Provisions (2/3) (Template S.12.01)

in CHF thousand	Accepted reinsurance					
		Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health	**Total (Life other than health insurance, incl. Unit-Linked)**
Technical provisions calculated as a whole	**0**	**0**	**0**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	**0**	**0**	**0**	**0**	**0**	**522’174**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	-395
Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	0	0	0	0	522’569
Risk Margin	**0**	0	0	0	0	**15’471**
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	0					0
Best estimate	0					0
Risk margin	0					0
Technical provisions - total	**0**					**537’645**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**0**					**538’040**

Life and Health SLT Technical Provisions (3/3) (Template S.12.01)

in CHF thousand	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	**0**			**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0			0	0	0
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate		**0**	**0**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re		0	0	0	0	0
Risk Margin	**0**			**0**	**0**	**0**
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	0			0	0	**0**
Best estimate	0	0	0	0	0	**0**
Risk margin	0			0	0	**0**
Technical provisions - total	**0**			**0**	**0**	**0**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**0**			**0**	**0**	**0**

E. Capital Management

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT

The Capital Management Group Policy defines principles for Capital Management activities to which the Assicurazioni Generali S.p.A. and the Group Legal Entities in scope must adhere.

The objective of the Capital Management Group Policy is to provide the entities in scope with a framework designed to:

- classify and periodically review Own Funds in order to guarantee that Own Funds items meet the requirements of the applicable capital regime both at issuance and subsequently;
- regulate issuance of Own Funds according to the medium-term Capital Management Plan and Strategic Plan also to guarantee that Own Funds are not encumbered, that all actions required or permitted related to the governance of the Own Funds are timely completed, that ancillary Own Funds are timely called, that terms and conditions are clear and unambiguous, including instances in which distributions on an Own Funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analyzing the capital position;
- establish driving principles and common standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks at Group and Local level, and in line with the stated risk appetite and strategy of the Generali Group.

The Capital Management Group Policy has been approved by the BoD of LFL.

The Capital Management Plan (CMP) represents a part of the overall three-year Strategic Plan and ensures the consistency of the CMP with the three-year Strategic Plan assumptions, which include inter alia:

- financial scenarios;
- strategic asset allocation;
- business mix.

The CMP includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan year figures.

In case the three year Strategic Plan needs to be resubmitted to GHO due to a significant variation of Own Funds or SCR also the CMP has to be updated accordingly.

Local CFOs are responsible to produce local CMP and to submit them to the relevant BoD for approval. Furthermore, local Entities include the CMP in the information package to be delivered to the GHO in the planning process. The main elements of the CMP are reviewed and monitored by the GHO.

If extraordinary operations (i.e. M&A, Own Funds issuance) are foreseen in the plan period, their impact is explicitly included in the Own Funds and Regulatory Solvency Ratio development and further details are included in the relevant documentation. Own Funds issuances are explicitly included in the CMP with a detailed description of the rationale.

The description of the development of Own Funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of Own Funds items and their impacts on the limits on tiers. Any variation in the valuation of Own Funds items is also indicated, with additional qualitative details in terms of limits on tiers when needed.

The CMP is defined taking into account limits and tolerances set in the Risk Appetite Framework.

In the CMP any transitional measure has to be reported in terms of impact on the solvency position current and at the end of the transitional period (both at Group and Local level), duration and general features including their absorption capacity in times of stress.

Along with the Capital Management Plan, a Capital Management Report is produced once a year providing amongst others, a detailed analysis of the changes to the Own Funds and to the Solvency Ratio between different reporting periods.

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

ELIGIBLE OWN FUNDS TO MEET SCR AND MCR

LFL's eligible own funds are generally categorized as Tier 1 – unrestricted. Per YE2022 there were 6 CHF millions of share premium account related to ordinary share capital that were still unpaid and therefore temporarily classified as Tier 2. The total Own Funds amount to 102.0 CHF millions (YE2021: 97.5 CHF millions) to cover the SCR of 44.4 CHF millions (YE2021: 64.6 CHF millions) and 98.3 CHF millions (YE2021: 80.7CHF millions) to cover the MCR of 11.1 CHF millions (YE2021: 16.2 CHF millions).

Solvency Ratio – SCR coverage

(CHF millions)	YE2022	YE2021	Change
Eligible Own Funds	102.0	97.5	4.6
Solvency Capital Requirement	44.4	64.6	-20.3
SCR Coverage	**230.0%**	**150.8%**	**79.2 pp**

Solvency Ratio - MCR Coverage

(CHF millions)	YE2022	YE2021	Change
Eligible Own Funds	98.3	80.7	17.6
Minimum Capital Requirement	11.1	16.2	-5.1
MCR Coverage	**885.8%**	**499.4%**	**386.4 pp**

Explanations for significant changes between YE2021 and YE2022 can be found below.

Eligible Own Funds are calculated based on the following components (for the full tables of the public QRT (template S. 23.01) please refer to the Annex E at the end of this chapter):

BASIC OWN FUNDS

Own funds

(CHF millions)	YE2022	YE2021	Change
Ordinary share capital (gross of own shares)	11.0	11.0	-
Share premium account related to ordinary share capital	86.0	79.0	7.0
Surplus funds	-	-	-
Preference shares	-	-	-
Share premium account related to preference shares	-	-	-
Reconciliation reserve (see below table)	5.0	7.5	-2.4
Subordinated liabilities	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-
Deductions for participations in financial and credit institutions	-	-	-
Total basic own funds after deductions	**102.0**	**97.5**	**4.6**

As at YE2022, total basic own funds amount to 102.0 CHF millions (YE2021: 97.5 CHF millions) including 11.0 CHF millions (YE2021: 11.0 CHF millions) ordinary share capital, 5.0 CHF millions (YE2021: 7.5 CHF millions) reconciliation reserve (see details below) and 86 CHF millions (YE2021: 79.0 CHF millions) share premium account related to ordinary share capital. In its own funds, LFL does not hold any financial subordinated liabilities or any other own funds items. There are no items to be deducted from basic own funds.

As at YE2022 6.0 CHF millions (YE2021: 20.0 CHF millions) of the share premium account related to ordinary share capital were still unpaid and therefore temporarily categorized as Tier 2. The other 80.0 CHF millions of the share premium account (YE2021: 59.0 CHF millions) are categorized as Tier 1. In total Own funds of 96.0 CHF millions (YE2021: 77.5 CHF millions) are categorized as Tier 1 – unrestricted.

The main reasons for the increase in own funds value are the capital strengthening in 2022 in the amount of 7.0 CHF millions, the significantly higher interest rates and the update of the volatility adjustment. On the other hand, updates in operating assumptions and the performance of the unit linked funds had a negative impact. Overall, the own funds increased by 4.6 CHF million.

RECONCILIATION RESERVE AND EPIFP

In the following table, the reconciliation reserve is determined starting from excess of assets over liabilities in the Solvency II Balance Sheet:

Reconciliation reserve

(CHF millions)	YE2022	YE2021	Change
Assets – Liabilities (from Annex D)	102.0	97.5	4.6
Own shares	-	-	-
Foreseeable dividends and distributions	-	-	-
Other basic own fund items	97.0	90.0	7.0
Restricted own fund items due to ring fencing	-	-	-
Reconciliation Reserve	**5.0**	**7.5**	**-2.4**

The only elements to be deducted from the Solvency II excess of assets over liabilities for obtaining the reconciliation reserve are the ordinary share capital in the amount of 11.0 CHF millions (YE2021: 11.0 CHF millions) and the share premium account related to ordinary share capital in the amount of 86.0 CHF millions (YE2021: 79.0 CHF millions). No ordinary dividends are foreseen to be paid in 2023 for business year 2022, the same as in 2022.

The EPIFP is a component of the excess of assets over liabilities under Solvency II. The following table shows the EPIFP at reporting date.

Expected Profits Included in Future Premiums (EPIFP)

(CHF millions)	YE2022	YE2021	Change
EPIFP - Life Business	**3.9**	**3.6**	**0.3**

RESTRICTIONS TO OWN FUNDS

As per YE2022, there is no restriction applicable to LFL’s own funds, corresponding to YE2021

ANCILLARY OWN-FUND

As per YE2022, there are no ancillary own-funds present, corresponding to YE2021

RECONCILIATION BETWEEN STATUTORY SHAREHOLDER FUNDS AND OWN FUNDS FOR SOLVENCY PURPOSES

Reconciliation between Statutory Equity and Excess of Assets over Liabilities

(CHF millions)	YE2022
Statutory Equity	**92.7**
Statutory Capital reserves and other reserves	98.0
Of which:	
Share capital	11.0
Capital reserves	87.0
Other equity instruments	-
Reserve for currency translation differences	-
Own shares	-
Statutory Revenue reserves	-5.3
Of which	
Revenue reserves	-5.0
Result of the period	-0.2
Adjustment on Intangible	-
Adjustment on Investment	-53.4
Adjustment on Net Technical Provision	64.5
Adjustment on Financial and Subordinated debt	
Adjustment on Other Items	-0.5
Adjustment on Deferred Taxes	-1.3
Excess of Assets over Liabilities	**102.0**

The difference between statutory equity and Excess of Assets over Liabilities under Solvency II is mainly explained by the market value adjustments made on investments and technical provisions following the application of Solvency II principles. For details on the differences between Solvency II and statutory valuation, please refer to chapter D.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

For the calculation of the Solvency Capital Requirements and the Minimum Capital requirements LFL applies the Standard Formula approach, following the process described in the Directive 2009/138/EC and the Delegated Regulation (EU) 2015/35, as defined by EIOPA.

The main results are summarized as follows (for the full tables of the public QRTs (templates S. 25.01 and S.28.01) please refer to the Annex E at the end of this chapter):

SCR Value

(CHF millions)	YE2022	YE2021	Change
Solvency Capital Requirement	**44.4**	**64.6**	**-20.3**

The SCR calculation is based on Standard Formula for YE2022 corresponding to YE2021.

There are no regulatory capital add-ons and no simplified calculations of SCR were used for YE2022 corresponding to YE2021.

As LFL has no non-life or health business no undertaking specific parameters were used for YE2022 corresponding to YE2021.

Explanations for significant changes between YE2021 and YE2022 can be found below.

MCR Value

(CHF millions)	YE2022	YE2021	Change
Minimum Capital Requirement	**11.1**	**16.2**	**-5.1**

MCR is calculated based on the following inputs:

Input MCR calculation

(CHF millions)	YE2022	YE2021	Change
BEL - Insurance with profit participation minimum guarantee component	92.2	119.3	-27.2
BEL - Insurance with profit participation Future Discretionary benefits	1.0	0.5	0.6
BEL - unit-linked contracts	429.3	569.6	-140.3
Capital at Risk	265.3	298.4	-33.1
SCR	**44.4**	**64.6**	**-20.3**

The relevant MCR constraint is the MCR floor and so MCR follows the development of SCR.

E.2.2. SCR BREAKDOWN

Total SCR YE2022 split by Risk before and after diversification

(CHF million)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	**71.4**	**100%**		
Market Risks	47.2	66%	36.4	65%
Counterparty Default Risks	2.9	4%	2.8	5%
Life Underwriting Risks	21.3	30%	16.7	30%
Health Underwriting Risks	0.0	0%	0.0	0%
Non-Life Underwriting Risks	0.0	0%	0.0	0%
Intangible	0.0	0%	0.0	0%
Diversification benefit	-26.7		-11.3	
nBSCR after Diversification	**44.6**			
Operational Risk	1.1			
Notional SCR arising from RFF	0.0			
Total SCR before Taxes	**45.7**			
Tax absorption	-1.3			
Total SCR	**44.4**			

Total SCR YE2021 split by Risk before and after diversification

(CHF million)	Before Diversification		After Diversification	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	**102.5**	**100%**		
Market Risks	58.0	57%	47.1	55%
Counterparty Default Risks	7.7	8%	7.2	9%
Life Underwriting Risks	36.8	36%	30.6	36%
Health Underwriting Risks	0.0	0%	0.0	0%
Non-Life Underwriting Risks	0.0	0%	0.0	0%
Intangible	0.0	0%	0.0	0%
Diversification benefit	-37.7		-20.1	
nBSCR after Diversification	**64.8**			
Operational Risk	1.3			
Notional SCR arising from RFF	0.0			
Total SCR before Taxes	**66.1**			
Tax absorption	-1.5			
Total SCR	**64.6**			

The total SCR decreased by 20.3 CHF millions compared to the previous year, which is mainly driven by a reduction of lapse risk due to the higher level of interest rates. Furthermore the overall Market Risks after diversification decreased mostly due to equity risk.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

LFL does not use the duration-based equity risk sub-module in the calculation of the SCR.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section is not applicable for LFL, since only Standard Formula is applied for SCR calculation.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There is no non-compliance to be reported by LFL for YE2022. MCR and SCR results as well as the coverage ratios by eligible own funds are fully compliant with the Solvency II requirements.

E.6. ANY OTHER INFORMATION

Stress tests and sensitivities for different scenarios have been performed with regard to the sensitivity of the Solvency Ratio. For a description of methods and assumptions used in this analysis as well as for the results, please refer to section C.7.

There is no other material information regarding the capital management to be reported for LFL.

Annex E - Public QRTs YE2022

Impact of long term guarantees measures and transitional (Template S.22.01)

TCHF	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	537’645	0	0	4’074	0
Basic own funds	102’043	0	0	-3’565	0
Eligible own funds to meet Solvency Capital Requirement	102’043	0	0	-3’565	0
Solvency Capital Requirement	44’370	0	0	2’017	0
Eligible own funds to meet Minimum Capital Requirement	98’262	0	0	-3’565	0
Minimum Capital Requirement	11’093	0	0	504	0

Own funds – Solo (1/3) (Template S.23.01)

TCHF	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	11'000	11'000	0	0	0
Share premium account related to ordinary share capital	86'000	80'000	0	6'000	0
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0	0	0	0
Subordinated mutual member accounts	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve	5'043	5'043	0	0	0
Subordinated liabilities	0	0	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	**0**
Total basic own funds after deductions	**102'043**	**96'043**	**0**	**6'000**	**0**

Own funds – Solo (2/3) (Template S.23.01)

TCHF	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0	0	0	0	0
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0	0	0	0	0
Unpaid and uncalled preference shares callable on demand	0	0	0	0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0	0	0	0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0	0	0	0	0
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0	0	0	0	0
Other ancillary own funds	0	0	0	0	0
Total ancillary own funds	**0**	**0**	**0**	**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**102’043**	**96’043**	**0**	**6’000**	**0**
Total available own funds to meet the MCR	**102’043**	**96’043**	**0**	**6’000**	**0**
Total eligible own funds to meet the SCR	**102’043**	**96’043**	**0**	**6’000**	**0**
Total eligible own funds to meet the MCR	**98’262**	**96’043**	**0**	**2’219**	**0**

Own funds – Solo (3/3) (Template S.23.01)

TCHF	Total
SCR	**44'370**
MCR	**11'093**
Ratio of Eligible own funds to SCR	**230,0%**
Ratio of Eligible own funds to MCR	**885,8%**
Excess of assets over liabilities	102'043
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	97'000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**5'043**
Expected profits included in future premiums (EPIFP) - Life Business	3'905
Expected profits included in future premiums (EPIFP) - Non- life business	0
Total Expected profits included in future premiums (EPIFP)	**3'905**

Solvency Capital Requirement - for undertakings on Standard Formula (Template S.25.01)

TCHF	Net solvency capital requirement	Gross solvency capital requirement
Market risk	36'430	36'430
Counterparty default risk	2'757	2'757
Life underwriting risk	16'728	16'728
Health underwriting risk	0	0
Non-life underwriting risk	0	0
Diversification	-11'277	-11'277
Intangible asset risk	0	0
Basic Solvency Capital Requirement	**44'638**	**44'638**

Calculation of Solvency Capital Requirement	
Adjustment due to RFF/MAP nSCR aggregation	0
Total capital requirement for operational risk	1'060
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	-1'328
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	44'370
Capital add-on already set	0
Solvency capital requirement	**44'370**

Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	44'370
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment
Net future discretionary benefits	1'049

MCR Result for life activities (Template S.28.01)

TCHF	Life activities
MCRL Result	6’547

Linear formula component for life insurance and reinsurance obligations (Template S.28.01)

MCR calculation Life In TCHF	Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	92’180	0
Obligations with profit participation - future discretionary benefits	1’049	0
Index-linked and unit-linked insurance obligations	429’340	0
Other life (re)insurance and health (re)insurance obligations	0	0
Total capital at risk for all life (re)insurance obligations	0	265’269

Overall MCR calculation (Template S.28.01)

In TCHF	
SCR	44’370
MCR cap	19’967
MCR floor	11’093
Combined MCR	11’093
Absolute floor of the MCR	3’660
Minimum Capital Requirement	11’093