Elips Life AG
Solvency and Financial Condition Report 2018

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1 Introduction

Elips Life AG (ELAG) is a Swiss Re[1] subsidiary and owns Elips Versicherungen AG. Wherever possible, both entities are governed and steered in identical structures; when this is the case, "elipsLife" is used as abbreviation.

[1] Swiss Re Ltd (Swiss Re, together with its direct and indirect subsidiaries, the Swiss Re Group)

2 Business and Performance

ELAG is an insurance company located and incorporated under the laws of Liechtenstein and regulated by the Finanzmarktaufsicht Liechtenstein (FMA); ELAG is audited by PWC, Birchstrasse 160, 8050 Zürich, Switzerland. Lead auditor is Enrico Strozzi. ELAG is part of the Swiss Re Group.
ELAG underwrites the following material lines of business: life and non-life insurance (1 Appendix 2 VersAG and 1/2 appendix 1 VersAG) in the form of mortality and disability covers.

Business performance
Gross premiums grew in the reporting year from CHF 203.1 million to CHF 261.2 million. Statutory pre-tax earnings decreased from CHF 11.6 million to CHF -5.1 million, driven by the creation of provisions for adverse deviations (PAD) and foreign exchange effects.

ELAG's premium grew considerably in the core markets Switzerland and the Netherlands. ELAG is expanding into Germany and Italy, driven by the still ongoing market entry and build-up phase volumes were still moderate in 2018.
The overall business environment was not favourable due to low interest rates.
The gross premiums, gross claims (both in CHF million) and loss ratios for ELAG's core markets Switzerland and the Netherlands are shown in the following table. In both countries, ELAG underwrites mortality and disability covers; disability covers amounts to about 58% of the premiums.

(values for 2017 in brackets)

Country	Switzerland/Liechtenstein	Netherlands	Total
Gross Premium	46.9 (34.5)	201.6 (163.3)	261.2 (203.1)
Gross claims	41.2 (26.6)	138.2 (110.1)	214.1 (136.7)
Loss ratio gross	87.8% (77.1%)	68.5% (67.4%)	82.0% (67.3%)

(values in CHF million)

Investment performance
At year-end 2018, ELAG's investments consist of fixed-income assets (incl. cash) and a collective investment undertaking. The income of the investments was CHF 1.8 million while the expenses amounted to CHF 3.7 million.

Other material income and expenses
ELAG continues to invest heavily into future business growth (e.g. IT Systems, geographic expansion). The costs of this business expansion is included in the operating expenses.

Other material information
There is no further material information.

3 System of Governance

3.1. Structure of the management and supervisory body, roles & responsibilities

ELAG's management and supervisory body consists of the Board of Directors (BoD) and the Executive Board (EB). The members of the BoD bear ultimate responsibility and liability for meeting applicable legal obligations.

As determined by applicable law, other rules and regulations and the Articles of Association, the BoD is vested with the broadest powers to perform all acts of administration, acquisition and disposal and take decisions on behalf of elipsLife and in elipsLife's interest except in the case of acts reserved by Liechtenstein law or the Articles of Association to the general meeting of shareholders.

The BoD has delegated responsibilities and authorities to the EB, subject to the responsibilities expressly retained by the BoD. The Chief Executive Officer (CEO) and, under the CEO's leadership, the EB may further delegate certain responsibilities and authorities to individual EB members.

3.2. Remuneration policy

3.2.1. Remuneration Entitlements of the Administrative, Supervisory or Management Body (AMSB)

The members of the BoD are not paid directly for their activities.

3.2.2. Variable Compensation

The elipsLife members of the Executive Board, the Managing Directors, the Directors (since 2015) and other staff employed on senior level (since 2017) are eligible for a discretionary, variable compensation. This scheme distinguishes between the following variable compensation elements: an Annual Performance Incentive (API), a Value Alignment Incentive (VAI) for APIs exceeding CHF 100'000, and a Leadership Performance Plan (LPP). The cash payment of VAI and LPP are deferred and vest after 3 years.

For elipsLife employees who are not eligible for an API, other types of variable compensation elements can be paid out, such as sales commissions (for sales staff) or gratifications (for other staff).

Annual Performance Incentive
With regard to the API, elipsLife's remuneration policy is aligned with the Swiss Re Group Compensation Policy. According to this policy, the variable compensation may not encourage inappropriate risk taking. The compensation system of Swiss Re Group complies with the FINMA Circular 2010/1 on remuneration schemes. The FINMA standards have a group-wide scope and also apply to foreign subsidiaries and branches which are part of the consolidated insurance groups supervision exercised by FINMA. At Swiss Re, all material compensation decisions are taken by the Swiss Re Group Board of Directors or the Compensation Committee of the Swiss Re Group Board of Directors.

For elipsLife, the total amount of API compensation is determined on the basis of an overall API pool which is built on the baseline of the total sum of Target Annual Performance Incentives (TAPI) and defined through the annual results of Swiss Re Group, Life Capital, and elipsLife. The TAPI is set as an amount for each eligible employee on a discretionary basis and determined by factors, including the hierarchical job level, market situation, internal benchmarks. Similar to the determination of the base salary, the employee's total compensation and overall pay-mix are taken into account when setting the TAPI.

The effective allocated cash API ranges from 0% to 200% of the TAPI. On the basis of the overall API pool for elipsLife, the effective individual API is determined in the context of the employee performance measurement process, i.e. by the employee's achievement of the own individual goals. The performance measurement and API weighting factors take into account the achievement of quantitative targets (financial results), behaviour targets (reflecting the corporate values) and other qualitative targets. The definition of the TAPI of the following business year is part of the annual salary review process which is equally linked to the annual performance management process.

3.3. Fit & Proper

ELAG requires that all persons effectively running the company and key functions holders (a "Relevant Person"[2]) are "fit and proper". The fit and proper requirements demand qualities in relation to the integrity demonstrated in personal behaviour and business conduct, soundness of judgment and a sufficient degree of knowledge, experience and professional qualifications. These qualification criteria must be fulfilled at all times to provide for a sound and prudent management of the company.

Policies and procedures are in place to assess the fitness and propriety of all relevant persons prior to joining the company and annually throughout their employment.
The fit and proper evaluation process prior to joining the company can be described with the following steps:

1. At the commencement of the recruitment or nomination process, all candidates for the position will be made aware that any offer of employment or engagement is conditional on meeting elipsLife's fit and proper criteria.
2. A candidate or nominee with an imminent offer of employment or engagement will be provided with a copy of the fit and proper policy and will be required to demonstrate their compliance with the policy by signing the declaration of fitness and propriety.
3. HR is responsible for conducting the assessment against the fit and proper criteria based on references provided, documentation from the candidate, completed fit and proper declaration and the results of the background check.
4. In considering whether the candidate meets the fit and proper criteria HR will consider the materiality, relevance and timing of any matters identified in the assessment process.
5. The outcome of the assessment will be documented and stored in the HR file.
6. Should the candidate or nominee be assessed as not having met the criteria any offer of employment or engagement shall be withdrawn.

The annual evaluation process is a detailed attestation by the relevant individual. This includes declarations concerning criminal convictions, adverse findings by courts or regulatory authorities, bankruptcy orders or liquidation or similar proceedings against them, potential or actual conflicts of interest, and engagement in dishonest or improper business practices.

[2] Members of the BoD, the EB, the Head of Compliance, the Head of Corporate Actuary and Risk Management, the Appointed Actuary/Actuarial Function Holder, the Head of Internal Audit and Branch Managers.

3.4. Risk Management Framework

The Risk Management Framework sets out how elipsLife organizes and applies its risk management practices to ensure that all corporate activities are conducted according to the principles outlined in the Risk Policy. The Risk Management Framework represents what is also referred to as "Enterprise Risk Management" or "System of Risk Management".
The major elements of elipsLife's Risk Management Framework are the following:

- The Risk Policy and risk governance documentation;
- The fundamental roles for the delegation of risk taking;
- Risk culture and behaviour;
- The organization of risk management, including responsibilities at Board and executive level;
- The Risk Control Framework, which defines the standards for risk control tasks that are required to ensure that elipsLife engages in controlled risk taking;
- Risk appetite framework.

3.4.1. Risk Policy

The Risk Policy is owned by the BoD. It defines the broad delegation of risk taking to the Executive Management of elipsLife – the Risk Mandate – and describes the key risk management principles.

3.4.2. Fundamental Roles for Delegated Risk Taking

Under the risk management principles set out in the Risk Policy, all risk taking of elipsLife must be controlled, have clear accountability and be monitored by an independent risk controlling function.
To ensure that risk taking conforms to these principles, the Risk Management Framework establishes three fundamental roles in the delegation of risk taking:

- The Risk Owner (e.g. the BoD) establishes the Risk Strategy, assumes responsibility for achieving the objectives and maintains ultimate responsibility for the outcomes;
- The Risk Taker (e.g. the Executive Team and the country units) takes steps to achieve this objective within a clearly specified authority delegated by the Risk Owner; it is the duty of each Risk Taker to inform the relevant Risk Controller of all facts relevant for the discharge of their duties;
- The Risk Controller (e.g. the CRO, Head of Legal & Compliance or the Internal Audit Function) is tasked by the Risk Owner with the oversight of risk-taking activities to mitigate potential conflicts of interest between Risk Owner and Risk Taker; as part of his fundamental role, the Risk Controller is responsible for escalating to the Risk Owner or a higher level Risk Controller any decision or issue that he or she might be concerned about.

At each level of delegation, these three roles must be clearly identified with a clear description of their respective responsibilities.

3.4.3. Three Lines of Defence

Risk-taking activities are typically subject to three lines of control which are also referred to as the three lines of defence:

- Day-to-day risk control activities performed by the Risk Takers in the country units or the corporate functions (e.g., authority limits and related deal sign-off or portfolio management);
- Risk oversight and accumulation control, which is executed in a first instance by the Risk Management function, in a second instance by the Risk Management Committee (RIM) and, in respect of compliance risks, by the Compliance function;

- Independent review of risk control processes and procedures by Swiss Re Group Internal Audit (GIA).

The first two lines of defence are defined in further details in the Risk Control Framework section.

3.4.4. Risk Control Framework

The Risk Control Framework – which represents the first two lines of defence as described above – is a subset of the Risk Management Framework comprising tasks to control risks originated by any of elipsLife's activities or arising from the company's operations. elipsLife's Risk Control Framework consists of a set of standards to ensure controlled risk taking. These standards set responsibilities for the Risk Taker and the Risk Controller and require that they are discharged in well defined, auditable processes.
The Risk Control Framework is comprised of the following key tasks, with each representing a key component of the risk management cycle:

- Risk oversight of planning;
- Risk identification;
- Risk measurement;
- Risk exposure control;
- Risk reporting.

For certain applications of the Risk Control Framework, the above elements may be grouped along the risk cycle consisting of planning, origination, in-force management, as well as balance sheet valuation assurance.

3.4.5. Risk Control Functions at elipsLife

Based on the mandate received from the BoD, the CEO delegates the responsibility for risk controlling across the company to the Chief Risk Officer who heads the Risk Management Committee.
The Risk Management Committee is composed by the EB, Head of Legal & Compliance, the Chief Risk Officer and the Appointed Actuary.
The role and responsibilities of the Risk Management Committee (RIM) are defined in the Risk Policy.
The Risk Management function is tasked with providing independent assurance to the EB and BoD that all risks throughout elipsLife are appropriately managed. The Risk Management function also has reporting duties to the EB and BoD (as described in the bylaws).
In executing this task, the Risk Management function relies on risk control activities performed by country units and corporate functions such as Finance, Legal & Compliance or the Sales and Underwriting functions.
In addition, the BoD tasks GIA with providing independent assurance that internal control processes are appropriate and being adhered to. In this capacity GIA provides support to the Risk Control Framework (refer also to the above section on the three lines of control). Compliance, also serves as a risk control function by overseeing ELAG's legal and regulatory compliance.
Risk Management, Compliance and GIA are independent functions as reflected in elipsLife's organizational structure.

3.5. ORSA process

elipsLife's Own Risk and Solvency Assessment (ORSA) process is part of the risk management framework and the business plan process. It is defined in detail through elipsLife's ORSA policy.
The ORSA policy encompasses the governance, framework, processes, frequency, output, and quality control.

The ORSA process seeks to understand the risks and solvency requirement of elipsLife by linking together the outputs from the strategic and business plan; the capital plan; reinsurance and other capital support arrangements with Swiss Re Group, together with an analysis of risks and uncertainties.
The integration of the above, together with qualitative and quantitative risk analysis will provide an assessment of economic and solvency capital needed to support the strategic plan under both normal and stressed scenarios over the three year planning horizon.
The results of the ORSA are documented in the yearly ORSA report. Each component of the ORSA process is developed in detail based on the specifics of elipsLife's risk processes:

- Identification of key input and outputs required under ORSA;
- Design of the ORSA structure and assessment plan;
- Support in understanding and conducting the ORSA process for the responsible country units (ORSA working sessions), and in documenting the specific ORSA component.

The entire report is then discussed with and signed off by the EB and BoD.

Suppliers	Inputs	Assessments	Outputs	Users
• BoD/Executive Team • Strategy • Sales • Risk Management • Actuarial • Finance • Operations	• 3-year Plan • SII Balance Sheet • SII Own funds • Base MCR/SCR • Risk Assessments • Risk Appetite	• Review Risk Management System • Current Solvency Position • Projected Solvency Position • Deviations from original assumptions • Overall capital need • Scenario testing • Business decisions	• Record of the ORSA process results • Sensitivity of ORSA assumptions to business strategy • Management Actions	• Operational units • Risk Management • BoD/Executive Team • Regulator

Table 1: ORSA Process

Vision, Mission and Goals statement and Strategy statement are approved by the BoD and provide the strategic direction for the business. This provides the basis for articulating elipsLife's risk appetite statements that define a clear mandate for the amount and type of risk to accept and manage, along with the types of risks to avoid.

elipsLife's Risk Appetite addresses the attitude of its BoD towards overall and the main categories of risk, and includes both qualitative and quantitative statements.
elipsLife prepares its business plan over a three-year planning horizon, as it believes that this is the optimal time period for its business, recognizing the inherent uncertainty of the markets in which it operates. The business plan is developed with reference to, and is consistent with, elipsLife's risk appetite and provides the forward looking view of the risk profile.

elipsLife's Minimum and Solvency Capital requirements (MCR and SCR) are calculated using the Solvency II Standard Formula. The Solvency II Standard Formula helps to identify the key drivers for solvency capital requirements and supports the refinement of the business plan.
All existing and emerging material risks relevant to elipsLife's activities are identified in the Key Risk Database and managed and monitored through the Risk Management Committee.
elipsLife performs the ORSA annually in line with the agreed scope in order to assess its own risk and solvency position. Under normal activity and stable market conditions the BoD considers an annual ORSA to be sufficiently frequent to provide confidence in how risk and capital is being managed within elipsLife. However, it is recognized that the ORSA process periodically runs alongside the business planning and the reporting cycle and may fall outside of the usual annual assessment period due to certain trigger events.

3.6. Internal Control System

The Internal Control System (ICS) is understood as all control procedures effected by elipsLife's EB (other than Chief Risk Officer), Chief Risk Officer, Head of Risk Management or designated Operational Risk manager which must be operationally independent from the risk owner and risk taker (first line of defence). The purpose of the ICS is to assure:

- Effectiveness and efficiency of operations processes, addressing the basic business objectives, including performance and profitability goals and safeguarding of resources;
- Reliability of financial reporting relating to the preparation of reliable published financial statements, including financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly; and
- Compliance with applicable laws and regulations to which elipsLife is subject to.

In line with the Risk Management Standards, the ICS is based on the concept of the "Three Lines of Control". The Self-Assessment performed within quarterly RIM meetings is an important instrument used to identify and document key risks (including non-quantifiable risks, too). As part of the assessment, issues with actions need to be raised by the owner, where risks are not mitigated below key risk tolerance levels, gaps in meeting the standards exist, or any deterioration in a risk mitigating process is recorded. Additionally, operational risks are managed in line with Swiss Re Group's operational risk framework.
Effective controls ensure that control standards are met. The documentation of a control sets forth who does what, how, in which frequency and explains the expected outcome and formal evidence.

3.7. Compliance Function

The Compliance Function, as a part of the internal control system, is one of the key functions. The Compliance Function is independent of the country units and operates under the oversight of and reports to the management body with a dotted reporting line to the Chairman of the BoD.
The responsibilities, competencies and reporting duties of the Compliance Function are laid down in the Compliance Charter adopted by the BoD. The Compliance Charter provides that elipsLife has a flexible, risk-based annual Compliance Plan approved by the BoD and EB setting out the compliance work and covering all areas of the company taking into account their susceptibility to compliance risk.
By means of a companywide Compliance Program, elipsLife supports and follows internationally and nationally recognized guidelines and standards for rules-compliant and value-based corporate governance. These include the principles of economic and financial sanctions and combating bribery, corruption, money laundering and terrorism financing. Through these standards, elipsLife aims to avoid the risks that might arise from non-compliance.
The independent Compliance Function is responsible for ensuring the effective implementation and monitoring of the Compliance Program within elipsLife, as well as for investigating potential compliance infringements. This includes the identification, assessment, and reporting of compliance risks. In addition, the Compliance Function advices the management body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II as well as the impact of any changes in the legal environment on the operations of the company.
The standards of conduct established by elipsLife's Code of Conduct are obligatory for all employees. The Code of Conduct and the internal guidelines derived from it provide all employees with clear guidance on behaviour that lives up to the values of elipsLife. In order to transmit the principles of the Code of Conduct and the Compliance Program, elipsLife has implemented a training program.
During the reporting period, the compliance organisation has been amended to take into account the company's growth.

3.8. Internal audit

The internal audit function is provided by GIA. GIA performs its internal audit activities with independence and objectivity. Activities are coordinated with the Risk and Compliance functions. GIA has no direct operational responsibility or authority over any of the activities it reviews.
Authority is granted for full, free and unrestricted access to any and all of the Company's property and personnel relevant to any function under review. All employees are required to assist GIA in fulfilling their duty.

3.9. Actuarial Function

The actuarial function has a direct reporting line to the CFO and coordinates the calculation of the technical provisions, advises the CFO on underwriting guidelines and reinsurance and other risk mitigation measures and supports the CFO in the calculation of elipsLife's solvency capital in line with applicable regulations.
The actuarial function also provides advice to the EB on elipsLife's risks in so far as they may have a material impact on elipsLife's ability to meet the regulatory capital requirements.
The actuarial function produces at least annually a written report to be submitted to the EB. The report documents all tasks that have been undertaken by the actuarial function and their results. In particular the report shall include an opinion on the underwriting policy and the reinsurance arrangements and shall consider the interrelations between these and the technical provisions.

3.10. Outsourcing

elipsLife has an Outsourcing Policy which has been approved by the BoD. The policy is in line with the Solvency II requirements as well as the requirements of the Liechtenstein Insurance Supervision Act (ISA) and defines the governance, processes and approvals for using outsourced services. Based on the risks involved with the outsourcing it ensures a proper due diligence process for any service provider and it also lays out the ongoing obligations with regard to the oversight on the services provided by the third party.

elipsLife's Outsourcing Policy ensures that any third party arrangement entered into does not lead to impairment of either the company's systems of governance and internal control, or the relevant supervisory authority in monitoring compliance risks, does not unduly increase the operational risk and does not undermine continuous and satisfactory service to customers.

In addition to the outsourcing of Asset Management as critical and such important function, ELAG outsources the key function Internal Audit to Swiss Re Group. The outsourcing pursues the following objectives:

- Concentration on the core business;
- Increasing profitability;
- Professionalization;
- Increasing quality;
- Ensuring the necessary expertise and the related to this the avoidance / minimization of risks.

3.11. Adequacy of the system of governance

ELAG's risk are linked to the business strategy, underwriting life business in different currencies; these are typical insurance risks and not interconnected with financial risks. The governance is considered adequate considering the relatively low complexity.

3.12. Other material Information

Where possible and appropriate ELAG leverages best practice know-how on governance, policies and procedures from Swiss Re Group.

4 Risk profile

Quantitative information for the different risk categories is given in section 6.2.

4.1. Underwriting risk

Underwriting risk is the risk that the claims resulting from the underwritten business are higher than expected. It is the highest risk category for ELAG.

4.2. Market Risk

The second biggest risk category for ELAG is market risk due to the participation in Elips Versicherungen AG and currency risk since ELAG underwrites in CHF and EUR. Interest rate risk is relatively low due to the alignment of assets and liabilities.

4.3. Credit risk

Credit risk is a material risk for ELAG due to the reinsurance structure chosen for its insurance business. Credit risk arises from the possibility of counterparty defaults; ELAG reinsures with Swiss Re subsidiaries exclusively.

4.4. Liquidity Risk

ELAG is primarily exposed to liquidity risk through the uncertainty of the size and timing of insurance claims arising out of its insurance business. ELAG does not rely on expected profits included in future premiums for liquidity considerations.

4.5. Operational Risk

Operational risk is defined as the expected and unexpected economic impact of inadequate or failed internal processes, people, and systems or from external events.

4.6. Risk exposure measurement

For most parts, risks are measured by the Solvency II standard formula, calculating a 99.5% value at risk. Operational risk is additionally assessed in a Risk Matrix. Liquidity risk is mainly controlled through a liquidity ratio.

4.7. Risk concentration

Material risk concentrations for ELAG lie in the participation of Elips Versicherungen AG and the reinsurance agreements.

4.8. Risk mitigation

The main financial risk mitigation method for ELAG is reinsurance.

4.9. Stress testing and sensitivity analysis

In order to test ELAG's solvability, the solvency ratio is calculated for different scenarios in the annual ORSA. The scenarios reflect the specific risks that EVAG is exposed to. In all scenarios ELAG maintained a solvency ratio of more than 100%.

4.10. Any other material information

There is no further material information.

5 Narrative information on valuation for solvency purposes

5.1. Information on valuation of assets

5.1.1. Asset classes

ELAG only uses the asset classes as prescribed by the Solvency II balance sheet template.

5.1.2. Methods applied for valuation of material asset classes

Material assets by Solvency II valuation basis as at 31 December 2018 were as follows:

- Investments (other than assets held for index-linked and unit-linked funds);
- Holdings in related undertakings;
- Reinsurance recoverables;
- Deposits to cedents;
- Other assets.

Investments: ELAG's investment portfolio currently consists of fixed income securities, collective investments undertakings, and of deposits with banks.
The bonds are valued in the statutory accounts at amortized costs (lower value of 'amortized costs' and 'market value'). Additional depreciation or write-downs are recognized if a permanent impairment is expected.
Under Solvency II, bonds are recognized at market value. This can therefore generate a difference in valuation.
Deposits with banks are valued at nominal value both for Solvency II as well as for statutory accounts.

Holdings in related undertakings: Under Solvency II ELAG's 100% participation in Elips Versicherungen AG is valued with the full excess of assets over liabilities of Elips Versicherungen AG's Solvency II calculation while in statutory accounting only the book value is used.

Reinsurance recoverables: The share of technical provisions for retroceded business is determined with reference to the contractual agreement and the underlying gross best estimate liability per treaty. Solvency II reinsurance recoverables are derived from the statutory values and valued at market value. It should be noted that this position is shown as a negative liability in the company's Financial Report (in accordance to VersAV, Anhang 4) whereas under Solvency II it is reported as an asset.

Deposits to cedents: none

Tangible assets: In statutory accounts, tangible assets are measured at historical cost and depreciated using the straight-line method over the expected useful life. Since it can be assumed that this mostly corresponds to a market-to-market consideration, the same values are used for Solvency II accounts.

Intangible assets: there are no intangible assets recognized under Solvency II.

Receivables and accruals: both asset types are measured in statutory accounts at par value (less specific valuation allowance). Since it can be assumed that this mostly corresponds to a market-to-market consideration, the same values are used for Solvency II accounts.

5.1.3. Assumptions and judgements applied for valuation of material assets

Solvency II Investments are valued at market value which is determined as far as possible by reference to observable market prices. Where observable market prices are not available, elipsLife follows the fair value measurement methodology. There are no major sources of estimation uncertainty when using judgments to determine valuations.

5.1.4. Changes made to recognition and valuation basis of material assets during the year

No changes.

5.1.5. Drivers of difference between Solvency II and Company statutory accounts

The difference between Solvency II balance sheet and the statutory balance sheet are explained by the different valuation methodologies used as described above.

5.1.6. Property (held for own use)

elipsLife does not hold property for own use.

5.1.7. Inventories

elipsLife does not hold any inventories as at 31 December 2018.

5.1.8. Intangible assets

There are no intangible assets at ELAG under Solvency II.

5.1.9. Methods and assumptions applied in determining the economic value of financial assets

Most financial asset prices are sourced from BlackRock. The list of vendors used by BlackRock to confirm pricing is held by Swiss Re Asset Management. When BlackRock prices are not available a market price from an alternative vendor is selected. These are pre-agreed vendors depending on the type of the financial assets. In addition, prices are checked by Swiss Re's independent pricing verification team to ensure agreement.

5.1.10. Lease assets

elipsLife does not have any material financial and operating leasing arrangements.

5.1.11. Holdings in related undertakings

ELAG owns 100% of Elips Versicherungen AG, which is a related undertaking.

5.1.12. Deferred tax assets

For Solvency II purposes, deferred income tax assets have been recognized for all deductible temporary differences and for the carry forward on unused tax losses and unused tax credits, to the extent that the realization of the related tax benefit through expected future taxable profits is probable.

5.2. Information on valuation of technical provisions

5.2.1. Value of technical provisions by line of business

ELAG writes mainly business in the category 'Other Life' and a small share which is classified as 'Nonlife'.
For mortality and disability assumptions, BVG tables are used in Switzerland and GBM/WGA/AOV tables are used in the Netherlands.
The Solvency II technical provisions are outlined in the below table:

	Other life		Nonlife		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Best-estimate	444.0	620.6	0.0	17.1	444.0	637.8
thereof expected profit from future premiums	*-26.2*	*-85.7*	*0.0*	*0.0*	*-26.2*	*-85.7*
Risk Margin	15.1	16.3	0.0	0.0	15.1	16.3

(values in CHF million)

5.2.2. Material differences with statutory reserves

The material differences between technical provisions under Solvency II and reserves under Liechtenstein GAAP are the following:

- Discounting: under Solvency II, the interest rates published by European Insurance and Occupational Pensions Authority (EIOPA) are used, while under Liechtenstein GAAP discounting rates of 0.5% and the interest rate curves published by De Nederlandsche Bank are used (for Switzerland and the Netherlands respectively).
- Present Value of Future Profits: Under Solvency II the profit that is expected from future premiums of in-force contracts is subtracted from the technical provisions.
- Risk Margin: The Solvency II technical provisions contain a risk margin.

5.2.3. Level of uncertainty of technical provisions

The main level of uncertainty of technical provisions is driven by sudden and unexpected large claims. The size of our portfolio is not sufficient yet for easily absorbing large deviations from the expected values. Reinsurance is therefore used for reducing this risk (see next point).

5.2.4. Description of the recoverables from reinsurance contracts

The following reinsurance covers are in-force:

- Quota-share, where premiums, claims and claims reserves, and profit commissions are shared
- Excess-of-loss reinsurance cover

The 2018 recoverables amount to CHF 216.7 million (2017: CHF 185.2 million) and represent the reinsured share of the technical provisions excluding claim cost reserves.

5.2.5. Risk Margin

The risk margin is according to the standard formula 6% of the present value of the projected SCR. It amounts to CHF 16.3 million (2017: CHF 15.1 million).

5.3. Information on Valuation of other liabilities

(values for 2017 in brackets)

	Solvency II	Statutory	Difference
Deposits from reinsurers	0 (0)	0 (0)	0 (0)
Deferred tax liabilities	18.1 (8.2)	1.1 (0)	17.0 (8.2)
Total of all other liabilities not listed above	37.8 (35.1)	37.8 (35.1)	0 (0)
Total other liabilities	**55.9** (43.3)	**38.9** (35.1)	**17.0** (8.2)

(values in CHF million)

5.3.1. Provisions other than technical provisions

There are no provisions other than technical provisions.

5.3.2. Deposits from reinsurers

There are no deposits from reinsurers.

5.3.3. Deferred tax liabilities:

Under Solvency II, deferred tax assets and liabilities are considered based on temporary differences between the Solvency II balance sheet and the local statutory balance sheet. The analysis is performed on basis of the local branches of the company and the corresponding jurisdictional tax regulations were taken into account. Deferred tax assets are calculated on all balance sheet differences which are recognized as being temporary and which will have a tax reversal impact in the foreseeable future. The valuation of the deferred tax assets can be supported by projections of the future taxable profits. The projections are based on prior year experience considering expectations about future business. ELAG is presumed not to enter into run-off after a shock loss, and credit is only given for deferred tax assets utilized within a 3 year timeframe.

In statutory accounts, no deferred tax liabilities are recorded since values are identical to those used for tax calculation. There are no temporary differences to be recorded.

5.3.4. All other liabilities (accounts payable and other provisions):

Accounts payable are recorded at par value in both Solvency II and statutory accounts. Other provisions are raised for obligations that are probable but uncertain (either in amount or timing) on the reporting date. Under Solvency II and in statutory accounts, the amount is based on a best estimate of the future cash outflow. Provisions are tested for adequacy on every reporting date.

5.4. Any other material information

There is no further material information.

6 Capital Management

6.1. Own Funds

ELAG's own funds consist completely of Tier 1 capital; the own funds are planned within the financial planning with a time horizon of three years. Any necessary increase of own funds is planned as injection of capital. At the end of 2018 the basic own funds amounted to CHF 193.4 million.

6.1.1. Differences between statutory and Solvency II

The basic own funds under Solvency II differ from the assets over liabilities under Liechtenstein GAAP as follows:

- market values for bonds and technical provisions are considered;
- the participation in Elips Versicherungen AG impacts the own funds positively;
- the present value for future cash-flows impact the basic own funds positively;
- the risk margin impacts the basic own fund negatively;
- adjustments for outstanding premiums and expected claims;
- inclusion of tax assets and liabilities.

(values for 2017 in brackets)

		Statutory		Solvency II	
ASSETS	Intangible assets	19.7	*(17.2)*	0	*(0)*
	Pension benefit surplus	0	*(0)*	1.1	*(1.2)*
	Property, plant & equipment held for own use	2.3	*(2.1)*	2.3	*(2.1)*
	Holdings in related undertakings	6.6	*(6.6)*	115.5	*(97.2)*
	Bonds	350.6	*(143.0)*	358.3	*(147.9)*
	Collective investments undertakings	28.4	*(0)*	28.4	*(0)*
	Deposits other than cash equivalents	0.0	*(113.5)*	0	*(113.5)*
	Loans	10.0	*(10)*	10.0	*(10)*
	R/I recoverables	251.7	*(193.0)*	254.7	*(185.2)*
	Insurance and intermediaries receivables	25.6	*(16.1)*	25.6	*(16.1)*
	Reinsurance receivables	10.5	*(0)*	10.5	(0)
	Receivables (trade, not insurance)	5.1	*(0)*	5.1	
	Cash and cash equivalents	39.8	*(69.5)*	39.8	*(69.5)*
	Any other assets, not elsewhere shown	4.4	*(3.9)*	4.4	*(3.9)*
	Total Assets	**754.6**	***(574.8)***	**817.8**	***(646.5)***

		Statutory		Solvency II	
LIABILITIES	Technical provisions	650.1	(461.8)	568.4	(459.1)
	thereof: Best Estimate (excl. EPIFP)	*650.1*	*(461.8)*	*637.8*	*(470.3)*
	thereof: Expected profit in future premiums (EPIFP)	*0*	*(0)*	*-85.7*	*(-26.2)*
	thereof: Risk margin	*0*	*(0)*	*16.3*	*(15.0)*
	Deferred tax liabilities	0	*(0)*	18.1	*(8.2)*
	Insurance & intermediaries payables	12.2	*(11.6)*	12.2	*(11.6)*
	Reinsurance payables	0	*(4.3)*	0	*(4.3)*
	Payables (trade, not insurance)	5.8	*(0)*	5.8	*(0)*
	Any other liabilities, not elsewhere shown	19.8	*(19.2)*	19.8	*(19.2)*
	Basic Own Funds	65.6	*(77.8)*	193.4	*(144.1)*
	Total Liabilities	**754.6**	***(574.8)***	**817.8**	***(646.5)***

(values in CHF million)

6.2. Solvency Capital Requirement (SCR) / Minimum Capital Requirement (MCR)

	2017	2018
Solvency Ratio	**212%**	**161%**
Basic Own Funds	**144.1**	**193.4**
Solvency Capital Requirement	**67.9**	**120.4**
Diversification	-24.7	-41.9
Loss absorbing capacity of technical provisions and taxes	-18.2	-25.2
Life & Health underwriting risk	51.2	87.3
Market risk	41.9	79.6
Counterparty Default Risk	8.6	10.7
Operational Risk	9.2	9.8

(values in CHF million)

The MCR is calculated as linear interpolation between 25% and 45% of the SCR and amounts to CHF 43.2 million (2017: 30.5 million), the MCR ratio is 448% (472%).
ELAG isn't using simplified calculations or undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC.
Due to simultaneous publication and submission to the regulators, the calculation of the capital requirements have not yet been approved by FMA.

6.3. Any other material information

There is no further material information.

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S.02.01. Balance sheet - Assets

	Rows	Column 1	Column 2	Column 3
		Solvency II value	Statutory accounts value	ssification adjustr
Assets				
Assets	1			
Goodwill	2			
Deferred acquisition costs	3			
Intangible assets	4		19,659,748	
Deferred tax assets	5			
Pension benefit surplus	6	1,113,782		
Property, plant & equipment held for own use	7	2,265,228	2,265,228	
Investments (other than assets held for index-linked and unit-linked contracts)	8	502,242,107	385,599,012	
Property (other than for own use)	9			
Holdings in related undertakings, including participations	10	115,492,731	6,600,000	
Equities	11			
Equity - listed	12			
Equity - unlisted	13			
Bonds	14	358,312,646	378,999,012	
Government Bonds	15	105,281,902	114,877,087	
Corporate Bonds	16	253,030,744	264,121,926	
Structured notes	17			
Collateralised securities	18			
Collective Investments Undertakings	19	28,436,730		
Derivatives	20			
Deposits other than cash equivalents	21			
Other investments	22			
Assets held for index-linked and unit-linked contracts	23			
Loans and mortgages	24	10,000,000	10,000,000	
Loans on policies	25			
Loans and mortgages to individuals	26			
Other loans and mortgages	27	10,000,000	10,000,000	
Reinsurance recoverables from:	28	216,746,464	251,662,721	
Non-life and health similar to non-life	29			
Non-life excluding health	30			
Health similar to non-life	31			
Life and health similar to life, excluding health and index-linked and unit-linked	32	216,746,464	251,662,721	
Health similar to life	33	-		
Life excluding health and index-linked and unit-linked	34	216,746,464	251,662,721	
Life index-linked and unit-linked	35			
	36			
Deposits to cedants	37			
Insurance and intermediaries receivables	38	25,616,913	25,616,913	
Reinsurance receivables	39	10,494,139	10,494,139	
Receivables (trade, not insurance)	40	5,132,417	5,132,417	
Own shares (held directly)	41			
Amounts due in respect of own fund items or initial fund called up but not yet paid in	42	-	-	
Cash and cash equivalents	43	39,785,237	39,785,237	
Any other assets, not elsewhere shown	44	4,358,397	4,358,397	
	45			
Total assets	46	817,754,684	754,573,812	

S.02.01. Balance sheet - Liabilities

	Rows	Column 1	Column 2	Column 3
		Solvency II value	Statutory accounts value	ssification adjustr
Liabilities				
Technical provisions	1			
Technical provisions - non-life	2	17,126,298	17,126,298	
Technical provisions - non-life (excluding health)	3	17,126,298	17,126,298	
Technical provisions calculated as a whole	4	17,126,298		
Best Estimate	5			
Risk margin	6			
Technical provisions - health (similar to non-life)	7			
Technical provisions calculated as a whole	8			
Best Estimate	9			
Risk margin	10			
Technical provisions - life (excluding index-linked and unit-linked)	11	551,280,966	632,958,681	
Technical provisions - health (similar to life)	12			
Technical provisions calculated as a whole	13			
Best Estimate	14			
Risk margin	15			
Technical provisions - life (excluding health and index-linked and unit-linked)	16	551,280,966	632,958,681	
Technical provisions calculated as a whole	17			
Best Estimate	18	534,945,513		
Risk margin	19	16,335,453		
Technical provisions - index-linked and unit-linked	20			
Technical provisions calculated as a whole	21			
Best Estimate	22			
Risk margin	23			
Other technical provisions	24			
Contingent liabilities	25			
Provisions other than technical provisions	26	-	-	
Pension benefit obligations	27			
Deposits from reinsurers	28			
Deferred tax liabilities	29	18,124,735	1,129,974	
Derivatives	30			
Debts owed to credit institutions	31			
Debts owed to credit institutions resident domestically	32			
Debts owed to credit institutions resident in the euro area other than domestic	33			
Debts owed to credit institutions resident in rest of the world	34			
Financial liabilities other than debts owed to credit institutions	35			
Debts owed to non-credit institutions	36			
Debts owed to non-credit institutions resident domestically	37			
Debts owed to non-credit institutions resident in the euro area other than domestic	38			
Debts owed to non-credit institutions resident in rest of the world	39			
Other financial liabilities (debt securities issued)	40			
Insurance & intermediaries payables	41	12,201,088	12,201,088	
Reinsurance payables	42	-	-	
Payables (trade, not insurance)	43	5,832,926	5,832,926	
Subordinated liabilities	44			
Subordinated liabilities not in Basic Own Funds	45			
Subordinated liabilities in Basic Own Funds	46			
Any other liabilities, not elsewhere shown	47	19,767,232	19,767,232	
	48			
Total liabilities	49	624,333,245	689,016,199	
	50			
Excess of assets over liabilities	51	193,421,438	65,557,613	

S.05.01. Premiums, claims & expenses by Line of Business

	Rows	Column 4	Column 9
	1		
	2	Other life insurance	Total
Premiums written	3		
Gross	4	261,189,477	261,189,477
Reinsurers share	5	120,414,681	120,414,681
Net	6	140,774,796	140,774,796
Premiums earned	7		
Gross	8	260,922,387	260,922,387
Reinsurers share	9	120,532,927	120,532,927
Net	10	140,389,460	140,389,460
Claims Incurred	11		
Gross	12	211,644,679	211,644,679
Reinsurers share	13	91,483,439	91,483,439
Net	14	120,161,240	120,161,240
Changes in other technical provisions	15		
Gross	16		
Reinsurers share	17		
Net	18		
Expenses Incurred	19	40,972,553	40,972,553
Administrative expenses	20		
Gross	21	5,712,930	5,712,930
Reinsurers share	22		
Net	23	5,712,930	5,712,930
Investment management expenses	24		
Gross	25	1,037,200	1,037,200
Reinsurers share	26		
Net	27	1,037,200	1,037,200
Claims management expenses	28		
Gross	29		
Reinsurers share	30		
Net	31		
Acquisition expenses	32		
Gross	33	34,222,423	34,222,423
Reinsurers share	34	-	-
Net	35	34,222,423	34,222,423
Overhead expenses	36		
Gross	37		
Reinsurers share	38		
Net	39		
Other expenses	40		
Total expenses	41		40,972,553
Total amount of surrenders	42		

S.05.02. Premiums, claims & expenses by Line of Business by country

Premiums, claims and expenses by country	Rows	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
		Life obligations for home country	Life obligations by country (top 5 countries)					Life obligations for top 5 countries and home country (by amount of gross premiums written)
Premiums written	1	Home country	SWITZERLAND	NETHERLANDS	BELGIUM	ITALY	GERMANY	home country (by amount of
Gross	2	5,007,110	41,940,332	201,612,280	5,362,808	6,956,376	114,016	260,992,923
Reinsurers' share	3	2,324,669	19,471,790	93,022,594	2,474,365	3,218,915	52,335	120,564,668
Net	4	2,682,441	22,468,542	108,589,687	2,888,443	3,737,460	61,681	140,428,255
Premiums earned	5							
Gross	6	5,007,110	41,940,332	201,612,280	5,362,808	6,923,540	76,316	260,922,387
Reinsurers' share	7	2,324,669	19,471,790	93,022,594	2,474,365	3,204,139	35,370	120,532,927
Net	8	2,682,441	22,468,542	108,589,687	2,888,443	3,719,401	40,946	140,389,460
Claims incurred	9							
Gross	10	3,865,597	37,349,533	138,172,891	14,556,585	5,530,864	51,424	199,526,894
Reinsurers' share	11	1,739,519	16,807,290	62,177,801	6,550,463	2,451,297	24,796	89,751,166
Net	12	2,126,078	20,542,243	75,995,090	8,006,122	3,079,567	26,628	109,775,729
Changes in other technical provisions	13							
Gross	14	-	-	-	-	-	-	-
Reinsurers' share	15	-	-	-	-	-	-	-
Net	16	-	-	-	-	-	-	-
Expenses incurred	17	2,616,987	21,920,179	11,191,819	297,698	2,110,877	2,072,635	40,210,195
Other expenses	18							
Total expenses	19							40,210,195

S.12.01. Life and Health SLT Technical Provisions

	Rows		Column 4	Column 5	Column 12
	1	rcını	Other life insurance		Total health insurance, in
	2	ıct d	Contracts without options and guarantee	Contracts with options and guarantees	
	3				
(Replicable portfolio)	4				
expected losses due to counterparty default associated to	5				
BE and RM (Non-Replicable portfolio)	6				
Best Estimate	7				
Gross Best Estimate	8		534,945,513		534,945,513
	9				
before the adjustment for expected losses due to counter	10		216,746,464		216,746,464
before adjustment for expected losses	11		216,746,464		216,746,464
for expected losses	12				
before adjustment for expected losses	13				
the adjustment for expected losses due to counterparty d	14		216,746,464		216,746,464
from reinsurance and SPV - total	15		318,199,049		318,199,049
	16				
Risk Margin	17			16,335,453	16,335,453
on Technical Provisions	18				
Technical Provisions calculated as a whole	19				
Best estimate	20				
Risk margin	21				
	22				
Technical provisions - total	23			551,280,966	551,280,966
from reinsurance / SPV and finite Re - total	24			334,534,502	334,534,502
	25				
with a surrender option	26				

S.23.01. Own funds - General information (1)

	Rows	Column 1	Column 2	Column 3	Column 4	Column 5
		Total	Tier 1	Tier 1		
Overview - solo		(Tier 1 to 3)	unrestricted	restricted	Tier 2	Tier 3
Total available own funds to meet the SCR	1	193,421,438	193,421,438			
Total available own funds to meet the MCR	2	193,421,438	193,421,438			
	3					
Total eligible own funds to meet the SCR	4	193,421,438	193,421,438			
Total eligible own funds to meet the MCR	5	193,421,438	193,421,438			
	6					
SCR	7	120,371,737				
MCR	8	43,207,274				
Ratio of Eligible own funds to SCR	9	161				
Ratio of Eligible own funds to MCR	10	448				

Embedded data from R40, Basic own funds (solo/group)			Classification of own funds			
	1	Total	Tier 1		Tier 2	Tier 3
sector as foreseen in article 68 of Delegated Regulation 2	2	(Tier 1 to 3)	unrestricted	restricted		
Total basic own funds after deductions	3	193,421,438	193,421,438			
	4					
Ordinary share capital (gross of own shares)	5	12,400,000	12,400,000			
Share premium account related to ordinary share capital	6	40,300,000	40,300,000			
Initial funds, members' contributions or the equivalent ba	7	10,100,000	10,100,000			
Subordinated mutual member accounts	8					
Surplus funds	9					
Preference shares	10					
Share premium account related to preference shares	11					
Reconciliation reserve	12	130,621,438	130,621,438			
Subordinated liabilities	13					
An amount equal to the value of net deferred tax assets	14					
Other items approved by supervisory authority as basic ov	15					
Minority interests (if not reported as part of a specific owi	16					
		Total				
Own funds from the financial statements	17					
that should not be represented by the reconciliation rese	18	-	-			
	19					

			Classification of own funds			
	20					
	21	Total	Tier 1		Tier 2	Tier 3
Deductions	22	(Tier 1 to 3)	unrestricted	restricted		
Deductions for participations in financial and credit instit	23					
Deductions for participations in other financial undertaki	24					
whereof deducted according to art 228 of the Directive 20	25					
Deductions for participations where there is non-availabil	26					
Deduction for participations included by using D&A whei	27					
Total of non-available own fund items	28					
Total deductions	29					

S.23.01. Own funds - General information (2)

Embedded data from R40, Reconciliation reserve, EPIFP (solo/group)		Total	
	1	(Tier 1 to 3)	
Total - Reconciliation reserve	2	130,621,438	
Excess of assets over liabilities	3	193,421,438	
Own shares (held directly and indirectly)	4		
Foreseeable dividends, distributions and charges	5		
Other basic own funds items	6	62,800,000	
Adjustment for restricted own fund items in respect of matching ac	7		
Other non available own funds	8		
	9		Tier 1 unrestricted
Total Expected profits included in future premiums (EPIFP)	10	47,784,589	
Expected profits included in future premiums (EPIFP) - Life business	11	47,784,589	
Expected profits in future premiums (EPIFP) - Non-life business	12		

S.25.01. Solvency Capital Requirement - for undertakings/groups on Standard Formula

	Rows	Column 1	Column 2	Column 3	Column 4	Column 5
	1	Net solvency capital requirement (including the loss-absorbing capacity of technical provisions)	Gross solvency capital requirement (excluding the loss-absorbing capacity of technical provisions)	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
	2					
Market risk	3	79,599,646	79,599,646	-		-
Counterparty default risk	4	10,706,456	10,706,456	-		
Life underwriting risk	5	87,108,572	87,108,572	-	-	-
Health underwriting risk	6	214,811	214,811	-	-	-
Non-life underwriting risk	7	-	-	-	-	-
Diversification	8	(41,919,981)	(41,919,981)			
	9					
Intangible asset risk	10	-	-			
	11					
Basic Solvency Capital Requirement	12	135,709,505	135,709,505			
	13					
Calculation of Solvency Capital Requirement	14					
Adjustment due to RFF/MAP nSCR aggregation	15	-				
Operational risk	16	9,828,695				
Loss-absorbing capacity of technical provisions	17	-				
Loss-absorbing capacity of deferred taxes	18	(25,166,463)				
Capital requirement for business operated in accordance	19	-				
	20					
Solvency Capital Requirement, excluding capital add-on	21	120,371,737				
Capital add-ons already set	22	-				
Solvency Capital Requirement	23	120,371,737				
Solvency capital requirement for undertakings under con	24					
Other information on SCR	25					
Capital requirement for duration-based equity risk sub-m	26	-				
Total amount of Notional Solvency Capital Requirements f	27	-				
Total amount of Notional Solvency Capital Requirements f	28	-				
Total amount of Notional Solvency Capital Requirements f	29	-				
Diversification effects due to RFF nSCR aggregation for ar	30	-				
Method used to calculate the adjustment due to RFF/MAF	31	No adjustment				
Net future discretionary benefits	32	6,066,088				
Minimum consolidated group solvency capital requiremer	33					

S.28.01. Minimum capital Requirement - Both life and non-life insurance activity

	Rows	Column 1	Column 2	Column 3	olumn	Column 5	Column 6	olumn	Column 8	Column 9
	1		MCR components			Background information				
	2		Non-life activities	Life activities		Non-life activities			Life activities	
	3		MCR(NL,NL) Resul	MCR(NL,L) Result						
Linear formula component for non-life insurance o	4									
	22									
	23		Non-life activities	Life activities		Non-life activities			Life activities	
	24		MCR(L,NL) Result	MCR(L,L) Result						
Linear formula component for life insurance or reir	25		804,936	42,402,338						
	26					rance) best estim	insurance) capit		urance) best estima	reinsurance) capital
Obligations with profit participation - guaranteed l	27									
Obligations with profit participation - future discre	28									
Index-linked and unit-linked obligations	29									
Other life (re)insurance and health (re)insurance ob	30					17,126,298			318,199,049	
Capital at risk for all life (re)insurance obligations	31									51,028,797,460
	32									
	33									
Overall MCR calculation	34									
Linear MCR	35	43,207,274								
SCR	36	120,371,737								
	37									
MCR cap	38	54,167,281								
MCR floor	39	30,092,934								
Combined MCR	40	43,207,274								
Absolute floor of the MCR	41	6,984,889								
	42									
Minimum Capital Requirement	43	43,207,274								
	44									
Notional non-life and life MCR calculation	45		Non-life activities	Life activities						
Notional linear MCR	46		804,936	42,402,338						
Notional SCR excluding add-on (annual or latest ca	47		2,242,482	118,129,254						
	48									
Notional MCR cap	49		1,009,117	53,158,164						
Notional MCR floor	50		560,621	29,532,314						
Notional Combined MCR	51		804,936	42,402,338						
Absolute floor of the notional MCR	52		2,816,488	4,168,402						
Notional MCR	53		2,816,488	42,402,338						