MAASLLOYD
schadeverzekeringen

Solvency and Financial Condition Report (SFCR) 2021

Index

1. Introduction

1.1. Structure and context

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared in accordance with annex XX of the Delegated Acts. The subjects addressed are based on article 51 to 56 of the Solvency II directive and article 292 up to 298 of the Delegated Acts.

The figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates.

All amounts quoted in this report are in thousands of euros (€), unless stated otherwise. The figures and explanations on the figures are per 31-12-2021, unless stated otherwise.

In line with the implementing regulation (EU) 2015/2452 of December 2 2015, article 4, the Quantitative Reporting Templates (QRT's) which are subject to public disclosure are made available in electronic form (MS Excel) separate to this SFCR document.

This Solvency and Financial Condition Report has been approved by Maas Lloyd's Management Board on 22 April 2022.

1.2. Summary

Business and external developments

Maas Lloyd is active in the field of discontinued operations for mainly general liability insurances. The portfolio has developed through the acquisition of run-off portfolios of other (re-) insurance companies including the active reinsurance structure of those portfolios. After receiving DNB approval in 2019, Maas Lloyd started to underwrite new business again via underwriting agents (UA's) in pools for 2020 risks. Through focus, knowledge and efficient processes Maas Lloyd generates value in managing the development of reserves and settlement of claims as well as generating investment income. The updated business strategy is aimed at adding business volume via underwriting of new business via UA's as of 2020 to reduce the dependency on run-off activities and have a more diversified insurance portfolio.

Premiums

On 1 January 2020, the Company started with active underwriting with providing insurance capacity to underwriting agents in the non-life Dutch insurance market. In total the gross premiums written for the year 2021 were Euro 13.9 million (2020: Euro 3.0 million), the net premium earned for the year was Euro 1.1 million (2020: Euro 0.45 million).

Claims

The run-off of the claims reserves showed a positive development. In total the net claims incurred for the year were Euro 0.2 million positive (2020: Euro 5.4 million positive).

Investment income

Overall, the investment income in 2021 including the change in unrealised revaluation of the investments in shares, bonds and real estate was Euro 0.53 million (2020: Euro 0.35 million). The investment return net of expenses was Euro 0.40 million positive (2020; Euro 0.19 million positive).

System of Governance

Regarding its System of Governance, Maas Lloyd has a Management Board of two Management and a Supervisory Board members of four members. Within the Supervisory Board, two members represent the ultimate shareholders and two fully independent members are represented.

Risk profile

The risk universe for Maas Lloyd has been dominated by:

- Underwriting risk due to uncertainty around the adequacy of its reserves, so called reserve risk for its insurance book, premium risk for underwriting new business as well as catastrophe risk
- Market risk related to its investments (interest rate, real estate, credit spread, concentration, currency risk and strategic participation risk)
- Counterparty default (credit) risk related to certain investments (cash deposits) and reinsurance or other counterparties
- Operational risk due to expansion of activities by accepting new business

Related to the run-off portfolio of Maas Lloyd, strategic including cost risk were critical risk factors on the mid- to long-term horizon as one of the key challenges for Maas Lloyd is to align the cost levels of the organisation with the development of the business volume. Using a relatively flexible organization and variable costs as much as possible are important mitigations in that regard.

Underwriting new business provides a clear risk mitigating effect in that regard: With the Omnibus 2 project Maas Lloyd has increased the business volume and service activity. The new business activities have the same objective as acquiring run-off portfolios but provide a more controlled and fluent (more predictable timing) growth path than the one resulting from acquisitions of run-off portfolios.

The key changes to the risk profile of Maas Lloyd as a result of accepting new business is that inherently the strategic risk profile of the company changes. Furthermore:

- Market risk slightly increases (due to injection of capital via Real Estate)
- Underwriting risk (non-life) increases and premium risk is added
- Counterparty default risks increases (due to the reinsurance strategy)

Operational risk increases (due to increased complexity, business volume and outsourcing of core processes and IT).

Capital management

The capital position of Maas Lloyd per 31-12-2021 is the following:

SCR & MCR		
Amounts in € thousands		
Solvency II	31-12-2020	31-12-2021
SCR	5.729	6.295
Own Funds	27.629	27.440
Solvency Ratio	482%	436%
MCR	3.700	3.700
Own Funds	27.629	27.440
Solvency Ratio	747%	742%

The solvency position has decreased from 482% to 436%, but is still well above regulatory and internal limits and targets.

2. A. Business and Performance

2.1. A.1 Business and external developments

2.1.1. A.1.1 General information and company structure

The Company, domiciled in Rotterdam, is a public limited company.

The Company's principal activities are mainly in industrial insurance services.

The Company started in 1985 with the run-off of a discontinued liability portfolio and started to underwrite risks in the Netherlands. Since the end of 1987 the Company is in run-off and has not undertaken underwriting activities since then. Since 2007 the Company acquired several (non-life) run-off portfolios and or insurance companies in run-off.

In 2002 the Company was acquired by the Hampden Group.

At the end of 2020, the shares were held by Hampden Insurance Group B.V., a subsidiary of the ultimate parent Company Hampden Holdings LTD. In 2019, the Company received approval from DNB to start active underwriting (new business) again.

The Company is not listed and has no staff.

All management services are outsourced to Hampden Insurance Group B.V.

Name and contact details of the external auditor

Name: Mazars Accountants N.V.

Visiting address: Wilhelmina Tower, Delflandlaan 1

P.O. Box 7266, 1007 JG Amsterdam

Phone number (general): +31 (0)88 277 24 00

Email: Amsterdam.audit@mazars.nl

Name and contact details of the supervisory authority

Name: De Nederlandsche Bank

Visiting address: Westeinde 1, 1017 ZN Amsterdam

Phone number (general): +31 800 020 1068

Email: info@dnb.nl

Qualifying holdings

At the end of 2021, 100% of the shares in the Company were held by Hampden Insurance Group B.V., a subsidiary of the ultimate parent Company Hampden Holdings LTD.

Name: Hampden Holdings LTD

Visiting address: Hampden House, Great Hampden, Great Missenden, Buckinghamshire, HP16 9RD, England

Phone number (general): +44 (0) 1494 488 888

Hal@hampden.co.uk

2.1.2. A.1.2 Business portfolio and lines of business

The Company started in 1985 with the run-off of a discontinued US liability portfolio and started to underwrite risks (motor, transport and general liability) in the Netherlands. Since 1987 the Company is in run-off and has not undertaken underwriting activities since then.

In 2007, the Company merged with its sister operation N.V. Algemene Verzekering Maatschappij “De Zee”. This was a small insurance Company, established in 1977, which has gone into run off in 1988 and which was bought by N.V. Schadeverzekeringsmaatschappij Maas Lloyd in 2006.

On 30 September 2010, the Company bought all shares of Phoenix N.V. and all shares of N.V. Schadeverzekering Maatschappij van 1890 and merged with both companies as per 1 October 2010.

Phoenix N.V. was a small insurance company, established in 2002, which has gone in run-off since 2007.

N.V. Schadeverzekering Maatschappij van 1890 was a small insurance company, established in 1890, which has gone in run-off since 1991.

Also on 30 September 2010 the Company acquired a reinsurance portfolio of Achmea Re. This reinsurance portfolio is in run-off since 1991.

On 30 May 2012, for own account and expense as per 1 January 2012, the Company acquired a Dutch insurance portfolio in run-off from Malayan Insurance Company Inc.

On 21 November 2012, for own account and expense as per 15 October 2012, the Company acquired a liability portfolio from Delta Lloyd Schadeverzekering N.V. The main part of this portfolio was written from 1967 to 1976.

On 7 November 2013 the Company acquired, for own account and expense as per 1 April 2013, the insurance portfolio of its sister company Hampden Insurance N.V. This portfolio was written from 1990 to 2002.

On 2 April 2015 the Company acquired, for own account and expense as per 1 January 2015, a non-life underwriting agents portfolio of Delta Lloyd Schadeverzekering N.V. This portfolio was written from 1975 to 2005.

On 5 September 2017, the Company acquired, for own account and expense as per 1 January 2017, the insurance portfolio from AIOI Nissay Dowa Insurance Company Ltd. This portfolio was written in the Netherlands from 1976 till 1998.

In 2018, the Company acquired a small reinsurance portfolio from R&V Versicherung AG. This liability portfolio was written from 1974 to 1980.

In 2019, the Company acquired a small reinsurance portfolio from Continentale AG. The portfolio was written from 1974 to 1980.

In 2019 the company prepared its organisation in order to act as a commercial insurer in the Dutch non-life insurance market. As of 2020 Maas Lloyd accepted new business.

The lines of business of the current technical provisions are Casualty, Property, Motor Car Liability, Personal Accident and Transport.

The main line of run-off business is General Liability which covers more than 90% of the Best Estimate Technical provisions.

The acquired run-off portfolios are:

- EU liabilities: Losses outstanding from mainly Dutch origin.

- US liabilities Direct: Direct policies on coinsurance basis in respect of US liabilities. (in run-off before 1987)

- US liabilities Reinsurance: Inwards Reinsurance policies mainly in respect of US liabilities. (in run-off before 1991.

2.1.3. A.1.3 External and Strategic developments

The Companies strategy was to acquire (re)insurance portfolios and providing run-off management services. In 2019, Maas Lloyd received approval to underwrite new business again. Maas Lloyd added a new activity as a result of and in accordance with its strategy.

Maas Lloyd will target only non-life business for Personal and Commercial Lines (SME). The key role for Maas Lloyd is to ensure efficient distribution, smart use of data and IT and monitoring the quality of data throughout the value chain.

2.2. A.2. Underwriting Performance

2.2.1. A.2.1 Life

Not applicable. Maas Lloyd doesn't have any Life business in its portfolio.

2.2.2. A.2.3 Non-Life

The technical result per main line of business is the following in 2021:

Technical account (Euro x 1,000)	Total	Fire and other damage to property insurance	Other motor insurance	Motor vehicle liability insurance	General liability insurance	Other branches
	2021	2021	2021	2021	2021	2021
Gross premiums written	13.864	7.151	2.478	2.710	1.340	185
Reinsurer's share	-10.880	-5.777	-1.883	-2.070	-1.005	-145
Net premiums written	**2.984**	**1.374**	**595**	**640**	**335**	**40**
Change in gross premium reserve	-995	-1.338	33	12	195	103
Reinsurer's share	-840	217	-312	-324	-318	-103
Change in net premium reserve	**-1.835**	**-1.121**	**-279**	**-312**	**-123**	**-**
Net premiums earned	**1.149**	**253**	**316**	**328**	**212**	**40**
Allocated investment income	**178**	**22**	**5**	**10**	**136**	**5**
Other technical income	**853**	**-42**	**-**	**-**	**895**	**-**
Gross claims paid	5.060	1.824	949	439	1.509	339
Reinsurers share	-2.352	-1.241	-609	-282	-203	-17
Net claims paid	**2.708**	**583**	**340**	**157**	**1.306**	**322**
Change in gross claims reserve	-542	1.191	506	1.031	-2.573	-697
Reinsurers' share	-2.402	-986	-378	-767	-258	-13
Change in net claims reserve	**-2.944**	**205**	**128**	**264**	**-2.831**	**-710**
Net claims incurred	**-236**	**788**	**468**	**421**	**-1.525**	**-387**
Acquisition expenses	4.326	2.353	699	770	446	59
Other operating expenses	3.297	1.188	618	286	983	221
Reinsurance commission income	-4.240	-2.229	-751	-794	-407	-59
Net operating expenses	**3.383**	**1.312**	**566**	**262**	**1.022**	**220**
Result technical account	**-967**	**-1.867**	**-713**	**-345**	**1.746**	**212**

The following claim run-off results in 2021 can be calculated based upon the change of the net claim reserve and the paid claims:

EURO x 1,000	Net claim reserve 31-12-2020	Claims paid	Net claim reserve 31-12-2021	Run-out results
< 2020	13,291	1,555	9,745	1,991
2020	117	81	43	(7)
2021	-	1,072	832	(1,904)
Total	**13,408**	**2,708**	**10,620**	**80**

The details per line of business can be summarized as following:

EURO x 1,000	2021	2020	< 2020	Total
Fire and other damage to property insurance	(815)	(5)	31	(790)
Other motor insurance	(423)	(8)	(37)	(468)
Motor vehicle liability insurance	(460)	5	33	(421)
General liability insurance	(192)	0	1,563	1,371
Other branches	(14)	0	401	388
Total	**(1,904)**	**(7)**	**1,991**	**80**

The run out results contain the claims paid during the financial year concerning all claim years and the changes in claim reserve, deducted by the reinsurers' share.

Since the underwriting business has started from 2020 and all run-off activities have a claim year before 2020, a split between run-off and underwriting business is shown as well.

2.3. A.3 Investment Performance

2.3.1. A.3.1 Investment result and its components

Over the year, the total investment portfolio decreased from Euro 43.5 million at the end of 2020 to Euro 37.7 million at year end 2021.

The total investment portfolio at year-end 2021, of which was invested in real estate (19%), fixed-income (51%), deposits at banks (22%), bond related investment funds (8%). This is in line with the investment policy.

In 2021 the interest rates in the markets, where the Company operates, decreased.

Overall, the investment income including the change in unrealised revaluation of the investments in shares, bonds and real estate was Euro 0.525 million (2020: Euro 0.35 million).

Investment return 2021	Dividend	Rent	Interest	Revaluation and disposal result	Total
1. Government bonds			277.027	-432.415	-155.388
2. Corporate Bonds			87.428	-34.469	52.959
3. Investment funds	23.290			-52.004	-28.714
4. Bankdeposits			16.329		16.329
5. Real estate		118.505		495.000	613.505
6. Other Investments			3.889	22.685	26.574
Returns	23.290	118.505	384.673	-1.203	525.265
Investment management fees					123.147
Result					402.118

In comparison the results in 2020 were the following:

Investment return 2020	Dividend	Interest	Revaluation and disposal result	Total
1. Government bonds		387.424	-222.741	164.683
2. Corporate Bonds		76.501	-43.983	32.518
3. Investment funds	36.946		34.675	71.621
4. Bankdeposits		32.431		32.431
5. Participations			0	0
6. Other Investments		48.790		48.790
Returns	36.946	545.146	-232.049	350.043
Investment management fees				156.554
Result				193.489

2.3.2. A.3.2 Overall investment performance

Like in 2020 the Investment profile remained “Very Defensive” in 2021.

The interest rates in the markets, in which the Company operates, increased during 2021. The average investment return including the change in the unrealized revaluation and excluding investment expenses was 0.8%.

2.3.3. A.3.3 Projections over the business planning time period

In the ORSA 2021 the Company has projected the composition of the investments and its returns up to and including 2029. The composition of the investments is based on the “Very Defensive” investment profile.

The Company has projected the following investment returns for the following investment classes:

- Government bonds (0%)
- Corporate bonds (0%)
- Participations (0%)
- Liquid assets (0%)
- Real Estate (3.0%)

2.3.4. A.3.4 Gains/Losses recognised directly in equity
The Company has not processed any Gains and or Losses on investments directly in the equity.

2.4. A.4 Performance of other activities
The Company has not performed other activities than settlement of the remaining legitimate insurance claims, new business underwriting and management of its assets.

2.5. A.5 Any other information
There is no further information other than the information published already elsewhere in this document.

3. B. System of Governance

3.1. B.1 General information on the System of governance

Maas Lloyd N.V. is a 100% subsidiary of Hampden Insurance Group (HIG) B.V. and is active on the Property & Casualty (P&C) market.

On December 31 2021 the Supervisory Board of Maas Lloyd consists of 4 members:

Mr. F.W. Johnston (Chairman of the Supervisory Board)

Mr. S.J. Harris

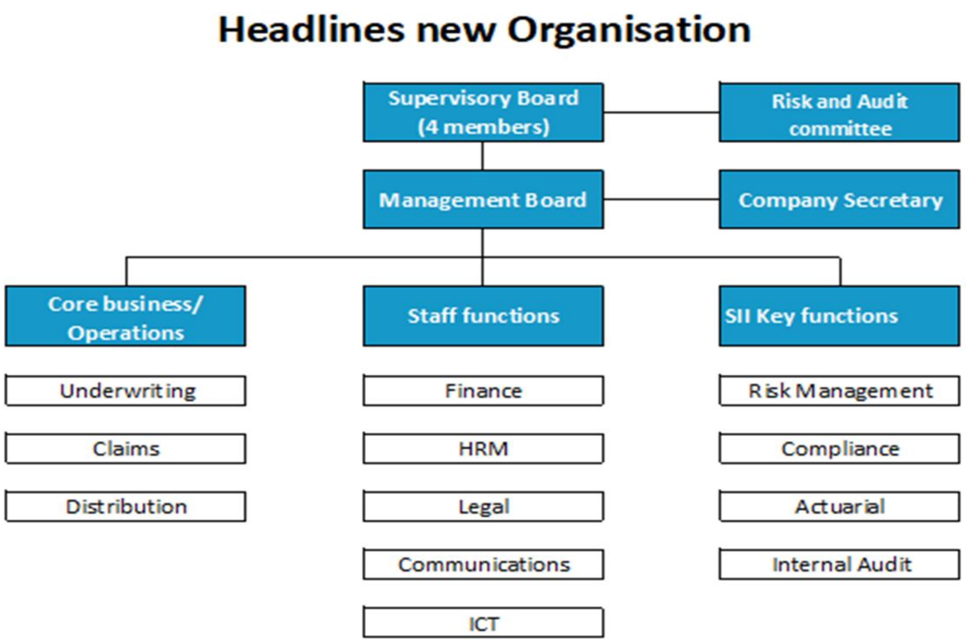
Mr. B. van der Weide (Chairman of the Audit and Risk Committee)

Mr. J. Trip

Within the Supervisory Board an Audit & Risk Committee is formed in which Mr. Van der Weide is chairman. Mr. Trip and Mr. Johnston are members. Maas Lloyd has a Supervisory Board in which two members represent the ultimate shareholders and two fully independent members are represented. Bye-laws are in place that outline the responsibilities and tasks of the Supervisory Board in detail.

Per December 31, 2021, the Management Board of Maas Lloyd N.V. consists of two members:

CEO Elbert-Jan Offereins, CFO, Jos Bogaerts. Bye-laws are in place that outline the responsibilities and tasks of the Management Board in detail.



All personnel (11,15 FTE) is employed by Hampden Insurance Group B.V. and perform activities for the respective entities including Maas Lloyd. Also there are a number of self-employed people or people employed via a staffing agency for Claims handling, IT development, Actuarial and Internal Auditing.

The governance system of a Solvency II insurer like Maas Lloyd has four key functions:
- the risk management function
- the compliance function
- the actuarial function
- the internal audit function

These key functions are intended to provide countervailing power to the business, in order to ensure sound and controlled operations.

Maas Lloyd uses the '3 Lines of Defence' model in which the risk management, compliance and actuarial functions form the second line and the internal audit function the third line, while the execution of the insurance business takes place in the first line. For each key function a dedicated key function holder is appointed. The Compliance function and Internal Audit report to the CEO, the Risk Management function and Actuarial Function report to the CFO. Regular reporting to and discussion with the Supervisory Board/RAC is assured.

In 2021 the Company further continued the activities to act as commercial insurer and to prepare for leadership in pools. As commercial insurer the company will only provide capacity to underwriting agents to participate, in first instance, as follower in insurance pools. This means that the Company has outsourced the main part of its underwriting activities. The Company has procedures in place to select monitor and evaluate the performance of the underwriting agents.

The Actuarial and Internal Audit function are outsourced to respectively ADDACTIS Netherlands BV and ARC People B.V.

- Risk Management Function: Mr. I. Kadijk MSc
- Compliance Function: Mrs. M. Bruinzeel-Tak LL.M
- Actuarial Function: Mr. A.M. Roest AAG from ADDACTIS Netherlands BV
- Internal Audit Function: Mr. J.H.M. van Grinsven MSc RE from ARC People B.V.

Some changes to the management structure of Maas Lloyd have been implemented as a result of underwriting new business as of 2020. Additional (managerial) staff has been employed to manage the capacity and to coordinate the audit activities towards the Underwriting Agencies, Additional staff has been employed as well to manage IT and Data Quality related activities.

3.1.1. Remuneration

Maas Lloyd has a remuneration policy in place. The remuneration policy for identified staff of Hampden Insurance Group and its related entities (incl. Maas Lloyd) is outlined, as well as for the non-identified staff. The remuneration policy formalizes key decision-making processes, responsibilities and key principles around the remuneration. The remuneration policy is an integral part of the corporate strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on our responsibility towards our clients, society and all other stakeholders.

Specific requirements apply to identified staff including Supervisory Board members, members of the Management Board and holders of Solvency II key functions. All other employees are considered non-identified staff.

The remuneration package for the Management Board has three components;

1. Fixed remuneration. The fixed remuneration consists of base salary and base salary related allowances (mainly 8% holiday allowance),
2. Pension and other employee benefits (such as company car and health care insurance contribution) and
3. Variable remuneration. Currently variable remuneration is not applicable.

The remuneration packages for the Supervisory Board and heads of SII key functions is limited to a fixed remuneration only.

All other staff that do not fall in the categories of Supervisory Board, Management Board or Solvency II Key Functions and are employed by HIG B.V. are referred to as non-identified staff who follow the CAO verzekeringsbedrijf agreements. Employees can be granted in exemptional situations an extra remuneration as reward for a specific task that has been performed during the past year. The fulfilment of this task has to be important for Hampden and in line with the strategy and the policies.

No material transactions with shareholders or board members have taken place in 2021.

3.2. B.2 Fit and Proper

Maas Lloyd has a Fit and Proper policy in place that describes the core processes and principles for ensuring that the Solvency II Key Function holders and Board members of Maas Lloyd are fit and proper to perform their function and related duties. Its' aim is to safeguard compliance with regulatory requirements (Solvency II and Wft) and ensure continuity for Maas Lloyd. In scope are the Supervisory Board, Management Board and Solvency II Key Function holders of Maas Lloyd, regardless whether or not they are outsourced.

Regulatory notification or clearance procedures can be applicable for functions subject to this policy. Internal review of the fit and proper principles should be conducted before the regulatory clearance is requested.

Processes ensuring compliance with the Fit and Proper requirements include three elements:

1. Fit and proper assessment recruitment: during the recruitment process of a function in scope of the policy a Fit and Proper assessment should be performed. This includes:
    a. the evaluation of the match of the candidate's ability with the requirements outlined in the job description and function profile, s. If deemed necessary an assessment can be part of the recruitment process.
    b. The proper requirements are evaluated by performing background checks on public sources on the candidate and a certificate of good conduct.
    c. If uncertainties arise from the background check on public sources a more in-depth pre-employment screening should be performed.
    d. The results of the fit and proper assessments are documented and stored.
2. Fit and proper assessment on-going.

On a periodic basis the fit and proper assessment must be performed and documented.

    a. Full ad-hoc reviews will be required in case incidents involving the function holder or board member are reported or uncovered including, but not limited to a breach of the internal code of conduct, a regulatory fine, internal fraud, a conviction, or a change in personal circumstances resulting in a potential risk (personal bankruptcy, distraint on wages). No such incidents have occurred at Maas Lloyd.
    b. A regular periodic review takes place at least once every two years re-assessing the function holder or board member's performance in relation to the job and function requirements.
    c. The results of the fit and proper assessments are documented and stored.

3. Training

There are Permanent Education (PE) requirements applicable for the board positions as well as for any potential function holder. Maas Lloyd assures that they receive appropriate training in order to constantly fulfil their duties and fitness requirements of their responsibilities.

3.3. B.3 Risk Management system

3.3.1. Risk Management Framework.

The SII key function holder Risk Management is owner of the Risk Management Policy and assures reporting of the actual Solvency II ratios to the Supervisory Board as well as to the regulator is performed in timely and adequately. The Risk Management Policy outlines the principles for the Risk Management Function as well as the tasks and processes and the roles and responsibilities around Risk Management Function.

The three lines of defence framework applies, in which the first line represent the day to day management of the organisation who are the risk takers, the second line includes the Risk Management Function who provides independent risk oversight, and the third line of defence which is represented by the Internal Audit function who provides independent oversight on the overall System of Governance.

The Risk Management Function safeguards that there is an effective risk management framework in place covering all material risks relevant to Maas Lloyd. The Risk Management Function assists the Management Board and the Supervisory Board in the effective operation of the Risk Management System.

The Risk Management Function provides detailed reporting on risk exposures and advises the Management Board and Supervisory Board on risk management matters, including in relation to strategic affairs such as mergers and acquisitions and major projects and investments. Examples of these reports include actual solvency ratio versus solvency limits, as well as actual investments compared to the asset allocation of the chosen investment profile.

The Risk Management Function works closely together with Compliance Function on compliance risks (incl. the performance of the Systematic Integrity Risk Assessment – SIRA) and with the Actuarial Function on risk quantification and reporting.

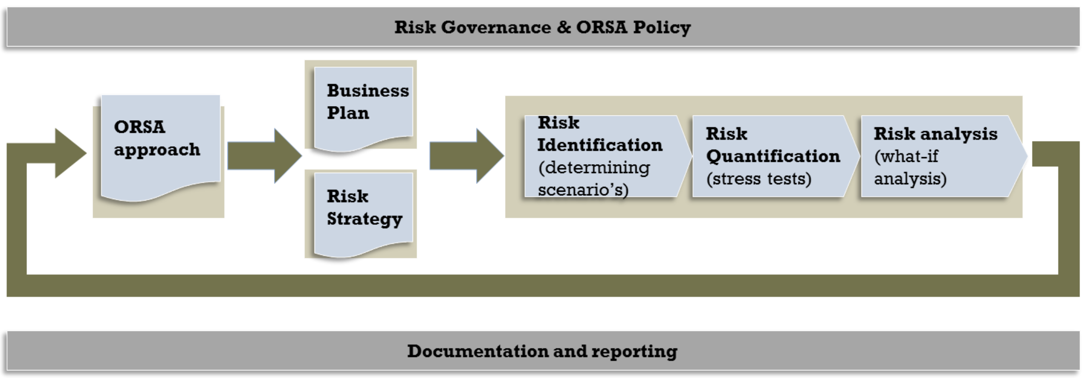
Risks are systematically identified, assessed and treated (mitigated, transferred, accepted, etc.). This involves a quantitative approach based on Solvency Capital Requirements related to the risk as well as a quantification based on probability and (financial and non-financial) impact and an assess of the effectiveness of internal controls in place (see also par. B4 Internal Control).

The Risk Management System also covers capital and solvency management by reviewing the policies and the capital composition. Maas Lloyd does not use any of the transitional measures under Solvency II. No usage is made of the Matching Adjustment, Volatility Adjustment or Ultimate Forward Rate. The Supervisory Board approves the organisation's risk appetite. Also, in its supervisory role, the Supervisory Board assesses the risk management activities as performed by the Management Board. A periodic review is done to determine that the companies' activities, it's risk profile, the capital allocation and liquidity position are in line with the approved risk appetite (amongst other the by determining that the actual solvency ratio is in line with the target solvency ratios). The Capital Management Policy will be discussed with the Supervisory Board before approval of the Management Board. The Supervisory Board will be asked for consent.

The Prudent Person principle is an integral part of the Investment Policy, in which the principle has been translated into concrete guidelines for Maas Lloyd on the allowed usage of types of investment categories and instruments, the external asset manager, the accounting method (fair value) as well as the requirements for liquidity and duration.

3.3.2. Own Risk and Solvency Assessment (ORSA)

The ORSA process of Maas Lloyd can be described as follows:



ORSA approach

The ORSA process starts with a meeting with the (Risk & Audit Committee of the) Supervisory Board, the Management Board and SII key function holders to discuss the approach of the ORSA. In preparation of the discussion the relevant information (e.g. feedback from regulator, risk assessments) are evaluated and key assumptions for the upcoming period are defined taking into account the business developments (new business underwriting and run-off) and other developments that could impact the ORSA, for example cost levels and the composition of the product mix. Developments that could imply additional scenarios (e.g. climate related risks, significant changes in the reinsurance programme) are evaluated and in case additional scenarios are justified, these will be taken into account in the ORSA.

Business plan and risk strategy

Key ingredients for the ORSA are the multi-year business plan and the Risk Strategy.

The business plan includes a qualitative description of the interpretation of market developments as well as planned strategic decisions from the insurance entity. The focus of Maas Lloyd's business plan is on underwriting new business via Underwriting Agencies and the management of the run-off portfolio.

Additionally, it serves as a financial plan outlining balance sheet and profit & loss projections for the upcoming years. Acquisitions of run-off portfolios are no longer a key part of the business strategy of Maas Lloyd and in the business plan no annual acquisition volume is considered anymore. However, as acquisitions are not fully ruled out and are uncertain in nature and timing, the variations are also duly considered in the stress scenarios.

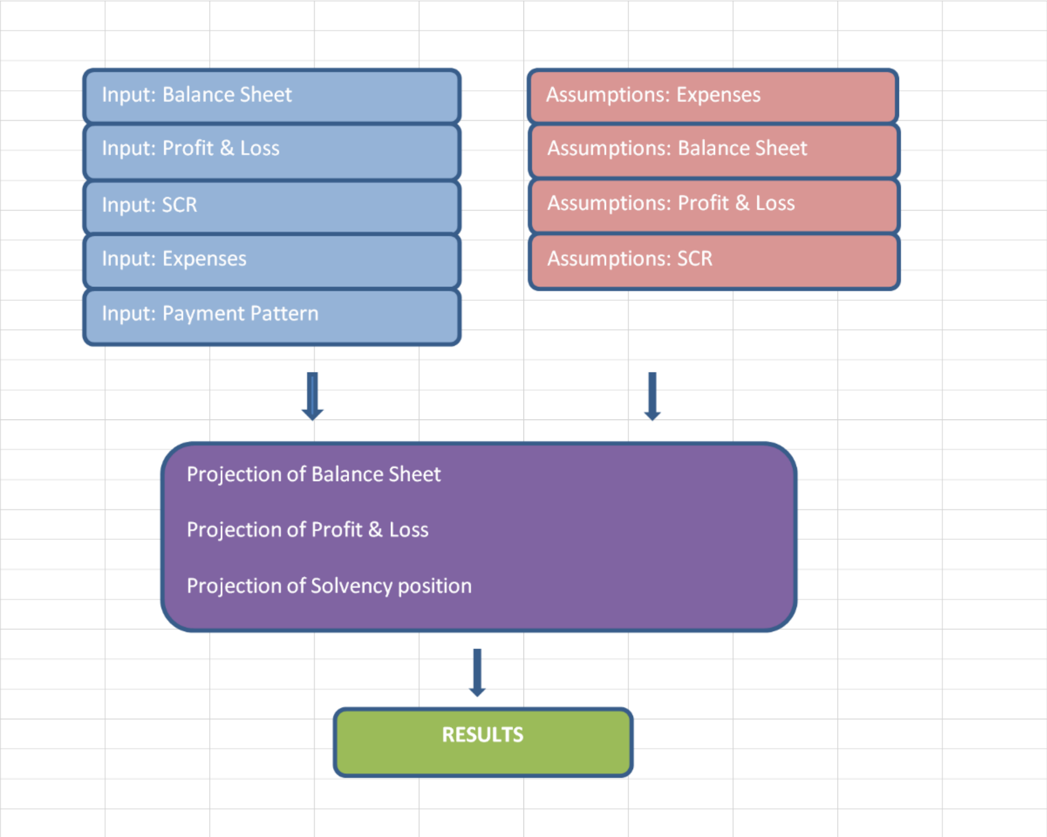
The risk strategy is described in the Risk Management policy. With regards to financial ratios, the Capital Management policy outlining Solvency II limits as well as the Investment Management Policy outlining investment related limits, are specifically relevant. These documents form the framework in which the solvency ratio should develop.

Risk identification

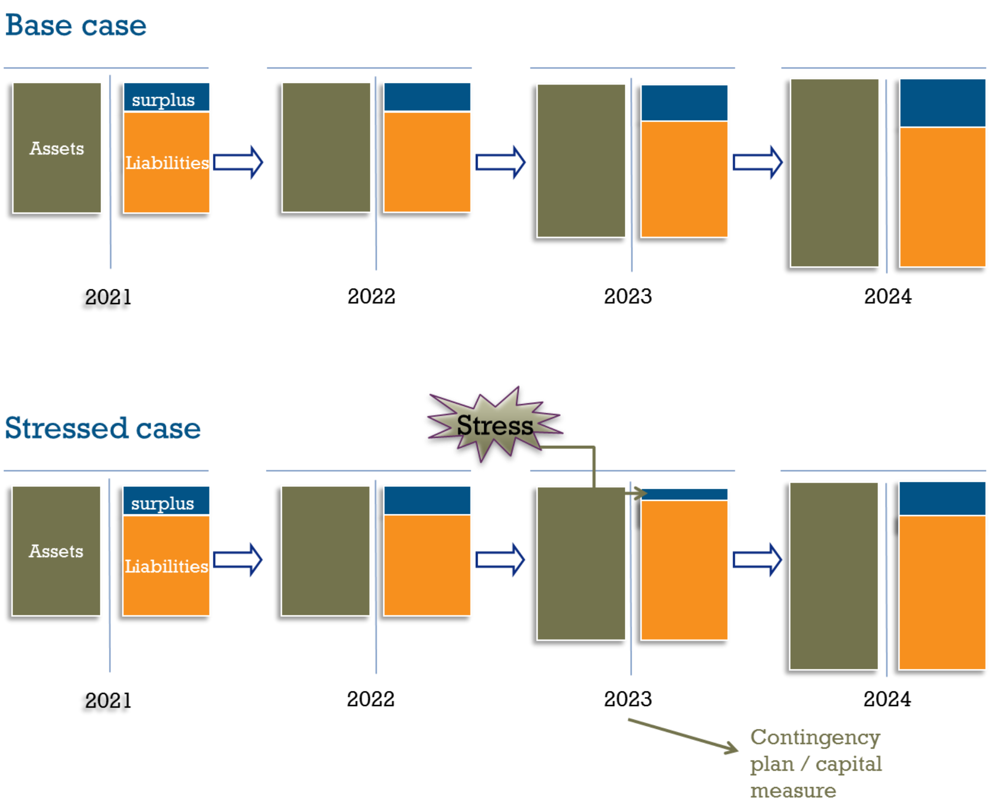
With Risk identification risk scenarios are defined which are most relevant to Maas Lloyd. Adverse scenarios that may have a reasonable probability, but a high impact to the continuity of Maas Lloyd are identified and translated into model parameters. Developments in the risk universe of Maas Lloyd are duly considered as well as more generic developments in the environment Maas Lloyd operates in.

Risk quantification

The first step of the Risk quantification is to execute the ORSA calculations, in particular the base case projections, based on the required input and assumptions. The process used for the ORSA calculations can be depicted as follows:



Within Risk Quantification the risk scenarios are used to stress the developments of the capital requirements, and available funds – and thus the Solvency II position - over the multi-year projection horizon of the business plan.



Risk analysis

In the risk analysis phase, the impact of the stress scenarios is analysed in detail and evaluated. Also, potential measures are defined in case limits are breached under a particular scenario. This is usually the case when a scenario would lead to a continuing negative impact that could be prevented or (partly) mitigated or reduced by taking intervening actions. Those measures could also impact the business plan, or can include the formulation of key risk indicators that will be closely monitored to assess the development of a risk in the next periods.

Review

The Actuarial Function Holder (AFH) performs a review and provides an opinion on the adequacy of on the ORSA projection model, including its assumptions and the assumed stress scenarios. Additionally, the AFH makes recommendations. In addition, Internal Audit audits the ORSA and reports to the Management Board. The Management Board provides a response to the review / audit and recommendations. The ORSA exercise also provides insights for the AFH, to provide an opinion on the solvency position, underwriting policy and the reinsurance policy.

3.4. B.4 Internal Control

3.4.1. Internal Control System

Maas Lloyd's Internal Control System aims to manage and mitigate the key operational risks including financial misstatement risk and compliance risk. The following diagram outlines the key processes of Maas Lloyd's business model and operations:

Underwriting	•Assessment of underwriting agents and portfolio performance •Monitoring developments •Auditing
Acquisitions	• Portfolio assesment • Portfolio acquisition and integration
Claims management	•Claims handling •Claims reserving •Fraud and litigation management
Reinsurance	•Contract management •Recoveries management
Investment management	•Strategic Asset Allocation •Asset Liability management •Performance management
Enterprise Support	•HR, IT •Finance •Audit, Risk, Legal & Compliance

Key processes have been documented in process flows and descriptions. A Risk & Control Self Assessment (RCSA) cycle has been implemented. The RCSA is a commonly used practice to implement a risk management cycle for operational risks. Outsourcing, IT and Data Quality risks will have priority in the implementation of the RCSA cycle.

Risk rating					
Probability					
Very likely	Low	Medium	High	Very high	Very high
Likely	Low	Medium	High	Very high	Very high
Possible	Very low	Low	Medium	High	Very high
Unlikely	Very low	Low	Medium	High	High
Very unlikely	Very low	Very low	Low	Medium	High
	Insignificant	Limited	Fair	Significant	Very significant

Per risk a risk tolerance has been defined and control measures have been defined and documented to mitigate the risks below or equal to the tolerance level. The defined controls are periodically performed and their effectiveness is assessed. Reported operational losses or near misses can be used as a source in this evaluation. The Risk Management Function reviews the assessment of the control effectiveness. The Internal Audit Function reviews the effectiveness of the operational risk management framework. Also, the External Auditor considers the effectiveness of the internal controls framework related to the financial figures as part of its scope of work for the Annual Report.

3.4.2. Compliance Function

Compliance can be defined as the total of measures aimed at the implementation, monitoring and adherence to laws and regulations, including the internal procedures and codes of conduct preventing financial damage, license issues and the deterioration of Maas Lloyd's reputation and integrity.

The ultimate responsibility for compliance of Maas Lloyd rests with the Management Board. The Manager Compliance is SII key function holder Compliance is part of the second line of defence in the 'three lines of defence' model

The report of the Compliance Function is discussed with the Management Board and the Supervisory Board and shared with the other key functions. Also, the Supervisory Board oversees the appropriate follow-up of compliance findings or issues and approves the Compliance policy.

The key tasks of the Compliance Function are:

- Identification of applicable legislative framework and monitoring of relevant changes in this framework for Maas Lloyd
- Establish the Compliance policy and related procedures and keep them up-to-date.
- Foster Compliance awareness with all employees and relevant suppliers for Maas Lloyd.
- Coordinate the performance of Compliance Risk assessments and advice on the implementation of risk mitigating measures. A risk assessment methodology is used in which the inherent risks are assessed based on probability and impact (financial and non-financial), the control measures are assessed based on their effectiveness. Then the residual risk is determined and compared with the applicable risk tolerances. If needed additional measures are implemented.
- Management of compliance incidents and follow up of actions, including investigating alleged abuse or breaches of integrity rules.
- Issuing advice on disciplinary and employment measures upon proven violations

- Monitoring and reporting on Compliance to the Management Board and Supervisory Board
- Support communication on Compliance with regulators

3.5. B.5 Internal Audit Function

Maas Lloyd has an Internal Audit policy in place which describes the core processes and principles regarding the Internal Audit Function. It outlines the principles, internal audit framework and roles and responsibilities around the Internal Audit Function.

The guiding principles for the Internal Audit Function are:

- The Internal Audit Function is independent from the operational functions and activities and preferably also from the other Solvency II key functions
- The Internal Audit Function is subject to the requirements of the Outsourcing policy and to the Fit and Proper policy.
- The generic requirements of the Fit and Proper policy (integrity, reputation, competence, capability) apply as well as specific requirements for the holder of the Internal Audit Function including, but not limited to: active membership of Norea or IIA, independence in mind, state and appearance, understanding of the organization of insurance and its processes.
- Outsourcing of the Internal Audit Function should be approved by the Supervisory Board and reported to the DNB.
- Following the definition of the Institute of Internal Auditors (IIA), the Internal Audit Function of Maas Lloyd fulfils the third line of defence.
- In order to fulfil its responsibility, the Internal Audit Function should have unrestricted access to all information necessary to perform its duties.
- The audit plan is approved by the Audit Committee of the Supervisory Board.
- Audit reports concluding the audit work are presented at least annually to the Management Board and the Supervisory Board.
- Suspicion of Fraud or illegal activity detected by or reported to the Internal Audit Function is to be reported to the Management Board and Supervisory Board.

Since June 2020, the Internal Audit Function of Maas Lloyd has been outsourced to Mr. J.H.M. van Grinsven MSc RE from ARC People B.V. The outsourcing is to ensure independence from the operational management of Maas Lloyd and the other Solvency II key functions, while safeguarding the expertise and experience from auditing point of view. The Outsourcing policy applies to outsourcing of the Internal Audit Function. The outsourcing of the Internal Audit Function is evaluated as proportional to the risk profile of Maas Lloyd.

3.6. B.6 Actuarial Function

Maas Lloyd has an Actuarial policy in place which describes the core processes and principles regarding the Actuarial Function of Maas Lloyd. It outlines the principles, actuarial framework and roles and responsibilities around the Actuarial Function.

The Actuarial Function safeguards that all material assumptions, actuarial techniques and methods applied, and data modifications or expert judgement are documented and controlled appropriately. This includes ensuring the consistency of applied techniques and data over time.

The Actuarial Function contributes both to the Business Management as well as to the Risk Management of Maas Lloyd. The ultimate responsibility for the Actuarial Function rests within the Management Board of Maas Lloyd.

To enhance the level of independence and to safeguard sufficient actuarial knowledge is available to Maas Lloyd the Actuarial Function is outsourced to Mr. A.M. Roest AAG from ADDACTIS Netherlands BV. ADDACTIS provides assurance on the actuarial calculations and provides an independent actuarial report on an annual basis to the Management Board and Supervisory Board. Segregation of duties within the supplier's organization safeguards that the Actuarial Function as performed by the Certified Actuary is not involved in the actual calculation processes but retains sufficient level of independence to formulate its independent opinion. Some first line of defence calculations are performed internally, some are performed by the supplier. All first line of defence calculations performed by the supplier are performed by other employees than the key function holder of the Actuarial Function and are supervised and approved by the CFO of Maas Lloyd.

3.7. B.7 Outsourcing

Maas Lloyd has defined an Outsourcing policy which describes the core processes and principles regarding the outsourcing of services and functions by Maas Lloyd. Its aim is to safeguard compliance with regulatory requirements (Solvency II and WFT) and ensure continuity for Maas Lloyd. The Outsourcing Policy outlines the definitions for Outsourcing, clear roles and responsibilities around outsourcing and the requirements for selecting and monitoring Outsourcing partners.

Given the small scale of operation for Maas Lloyd, Outsourcing is seen is a key measure to mitigate the key person risk within the operation and to assure the appropriate knowledge and skills can be obtained in a cost-efficient and flexible manner. Currently the following activities and SII key functions are outsourced:

- Underwriting and claims management is outsourced to Underwriting Agents;
- IT (infrastructure);
- Asset Management;
- The Internal Audit and Actuarial Function are outsourced.

Key considerations are applied to Outsourcing:

- Before any outsourcing agreement or contract is signed, all internal approvals should be obtained and all prerequisites (e.g. risk analysis) should be fulfilled.
- Outsourcing of tasks should not negatively influence Maas Lloyd quality of operation, supervision or system of governance.
- Maas Lloyd remains fully responsible for any activity, service or function it wishes to outsource.
- Maas Lloyd should retain the ability to appropriately oversee the quality and performance of the Outsourcing parties.
- The outsourcing agreements should safeguard the right to access and audit by Maas Lloyd's internal and external audit function as well as by the DNB.
- Maas Lloyd must ensure adequate documentation of the Outsourcing throughout all phases of the Outsourcing process.
- A register is kept of all material outsourcing agreements.

3.8. B.8 Any other information

There is no other information regarding our System of Governance that should be mentioned in this section.

4. C. Risk profile

The risk universe for Maas Lloyd has been dominated by:

- Underwriting risk due to uncertainty around the adequacy of its reserves, so called reserve risk for its insurance book, premium risk for underwriting new business as well as catastrophe risk
- Market risk related to its investments (interest rate, real estate, credit spread, concentration, currency risk and strategic participation risk)
- Counterparty default (credit) risk related to certain investments (cash deposits) and reinsurance or other counterparties
- Operational risk due to expansion of activities by accepting new business (in particular ICT and Outsourcing risk)

Related to the run-off portfolio of Maas Lloyd, strategic including cost risk were critical risk factors on the mid- to long-term horizon as one of the key challenges for Maas Lloyd is to align the cost levels of the organisation with the development of the business volume. Using a relatively flexible organization and variable costs as much as possible are important mitigations in that regard.

Underwriting new business provides a clear risk mitigating effect in that regard as Maas Lloyd has increased the business volume and service activity. The new business activities have the same objective as acquiring run-off portfolios but provide a more controlled and fluent (more predictable timing) growth path than the one resulting from acquisitions of run-off portfolios.

The key changes to the risk profile of Maas Lloyd as a result of accepting new business since 2020 is that inherently the strategic risk profile of the company has changed. Furthermore:

- Market risk slightly increases (due to injection of capital via Real Estate)
- Underwriting risk (non-life) increases and premium risk is added
- Counterparty default risks increases (due to the reinsurance strategy)
- Operational risk increases (due to increased complexity, business volume and outsourcing of core processes and IT).

4.1. C.1 Underwriting risk

Underwriting new business has changed the scope of underwriting risk of Maas Lloyd. New underwriting is accepted via underwriting agents and will be reinsured to a large extent. Also, Premium Risk is added to the risks for Maas Lloyd. As such underwriting risk is added in the short term. No Life/Health business is included in the portfolio.

The underwriting risk is partly mitigated by reinsurance. The reinsurance structure applied for the run-off portfolio is usually dependent on the structure applied when the portfolio was acquired by Maas Lloyd. The foundation of the reinsurance programme is a quota share contract, complemented with excess of loss contracts. In 2022 the reinsurance programme was extended with an excess of loss contract for both Property and GTPL.

The majority of the run-off underwriting risk relates mainly to the General Liability business. Within General Liability, European risks are in the books as well as US risks. For more details on the composition of the Technical Liabilities, please refer to paragraph 5.3.

The capital requirement for the non-life risk is shown in the table below.

SCR Non Life Risk Amounts in € thousands	31-12-2020	31-12-2021
Premium & Reserve Risk	4.085	3.297
CAT Risk	576	1.342
Diversification	-396	-781
SCR Non Life Risk	**4.266**	**3.859**

The premium risk has increased due to increased premium volume and reserve risk has decreased due to the lower best estimate loss reserves. Since the decrease of reserve risk was larger than the increase in premium risk, the capital requirement for Premium & Reserve risk has decreased. The increase in Cat risk is caused by the expected growth in premium volume for 2022.

4.2. C.2 Market risk

The assets are invested based on the Investment Management Policy of Maas Lloyd. The Prudent Person principle is the key guidance for this Investment Management Policy. The Prudent Person principle assures that:

- All investments are made in the best interest of policyholders
- Adequately match of investments and liabilities (ALM)
- Paying due attention to financial risks (e.g. liquidity and concentration risk)
- All assets, but in particular those covering SCR/MCR ensuring security, quality, liquidity and profitability of the investment portfolio as a whole.

It includes the following requirements

- Requirement to invest only in assets and instruments whose risks can be properly identified, measured, monitored, controlled and report and considered in the ORSA
- Assets held to cover Technical Provisions must be appropriate to the nature and duration of (re) insurance liabilities
- Diversification necessary to avoid excessive accumulation of risk
- Mixing necessary to avoid excessive risk concentration
- The use of derivative instruments is only allowable insofar
  - they contribute to a reduction of risks or
  - facilitate efficient portfolio management
- Prudent levels for investments/assets not traded on a regulated financial market

For Maas Lloyd, these principles and requirements have been translated in detailed investment guidelines in the Investment Management Policy.

Underwriting new business has led to a change in market risk. Real Estate risk was added to the risk profile in 2019 and increased further in 2021. This resulted in a capital charge (before diversification within Market Risk) of 25% of the exposure value.

Interest rate risk might increase when the own retention on reinsurance increases, but the impact will be limited due to the anticipated matching of assets and liabilities. No additional currency risk results from the new business activity as both the underwriting as well as the reinsurance contracts will be in EUR.

Overall, the capital requirement for market risk has increased due to the purchase of real estate (as investment) and the positive revaluation of the real estate portfolio. Due to the addition of real estate the concentration risk also increased, which results in an increase of the diversification.

The Solvency Capital Requirement for Market Risk per 31-12-2021 (and 31-12-2020) is the following:

SCR Market Risk Amounts in € thousands	31-12-2020	31-12-2021
Interest rate Risk	268	249
Equity Risk	0	0
Property Risk	439	1.794
Spread Risk	247	286
Concentration Risk	187	307
Foreign currency Risk	16	193
Diversification within module	-466	-772
SCR Market Risk	**690**	**2.057**

4.3. C.3 Credit risk

Credit risk has increased because of the new business underwriting following claims amounts which are held as receivables or recoverable towards the reinsurance parties. A Reinsurance Policy has been defined in which the credit rating and quality of the reinsurance parties is appropriately considered.

Maas Lloyd holds a significant concentration of cash deposits at a Dutch bank . This bank is currently mostly state-owned, the likelihood of this bank going into default is very limited. However, if the ownership structure changes in the coming period, Maas Lloyd will take appropriate steps to reduce this concentration.

The capital requirement for the counterparty default risk is subdivided into type I and type II counterparty default risk.

Counterparty Default Risk Amounts in € thousands	31-12-2020	31-12-2021
Type I Reinsurers/Banks	1.265	1.133
Type II Intermediaries/Brokers	73	252
Diversification within module	-17	-53
SCR Counterparty Default Risk	**1.321**	**1.333**

4.4. C.4 Liquidity risk

Liquidity risk could result from a mismatch in the timing of cash flows resulting from liabilities and assets. This is mitigated by investing mainly in liquid assets and holding a buffer in cash. As valuation is on fair value basis, liquidation of assets will not lead to a direct Profit & Loss or Balance Sheet impact. As the cash volume will increase significantly with the addition of the new business this risk will become more important. Agreements with Underwriting agencies and Reinsurance parties on liquidity and payment terms are crucial.

4.5. C.5 Operational risk

The new activities will lead to an increase in the operational risk. The total volume and complexity of the business increases, and IT and outsourcing are more important for Maas Lloyd.

This is largely mitigated by experienced IT staff and/or working closely together with a very knowledgeable party in the IT domain and assuring the outsourcing with all the Underwriting agencies is properly managed via quality standards (such as NVGA membership and NVGA agreements and protocols) and continuous monitoring and audit efforts from Maas Lloyd towards the Underwriting agencies. Maas Lloyd has to hold more capital for operational risk because of the new business activities as the Solvency II standard formula calculates this on a factor-based approach of either gross premium or gross reserves. Given the projected gross premiums related to the new business underwriting, this will become the dominant factor driving the risk capital requirement for operational risk significantly up in future years. This factor based approach for operational risk can potentially be considered a weakness of the Standard model and will be duly included in the appropriateness assessment of the standard model for Maas Lloyd in future years.

SCR Operational Risk Maas Lloyd Amounts in € thousands Solvency II Operatational Risk		31-12-2020	31-12-2021
Discounted best estimate (gross)	A	14.641	15.222
Operational risk charge - based on reserves	**B=3%*(A)**	**439**	**457**
Earned premium - previous 12 months (gross)	C1	2.335	12.953
Earned premium - 12 months before previous 12 months (gross)	C2		2.335
Operational risk charge - based on premiums A	D1=3%*(C1)	70	389
Operational risk charge - based on premiums B	D2=3%*(C1-120%*C2)		305
Operational risk charge - based on premiums	**D=C1+C2**	**70**	**693**
SCR Operational Risk	**E=MAX(B;D)**	**439**	**693**

The new activities have resulted in an increase in the operational risk due to the increase of premium volume of the new activities. The SCR for operational risk for 2021 is calculated as a percentage of the premium volume. The calculations are shown in the table above. The total volume and complexity of the business increases, and IT and outsourcing have become more important for Maas Lloyd.

4.6. C.5 Other material risks

Other risk categories include:

The following impacts are qualitatively assessed for the other risk categories (which are not included in the Solvency II risk capital calculation:

Strategic risks relate to costs, future acquisitions, reputation, the execution of its strategy. Also external developments are considered such as, risks resulting from Brexit, climate change and risk of a pandemic. Below a more detailed description can be found:

Cost Risk: the risk that the cost levels of the organisation cannot be aligned sufficiently with the development of the run-off and volume of the new business portfolios. Using a relatively flexible organisation and variable costs as much as possible are important mitigations in that regard. Adding the new underwriting is also clearly a risk mitigation. Adding volume through new business provides better chances to a sustainable business model. Also, the proposed underwriting of new business provides a more predictable and controlled manner of growth than through acquisitions of run-off portfolios. However, there is some cost risk related to the investments needed to set up the new activity and the cost levels as such will increase in absolute terms, which means that the same relative deviations could have a larger absolute impact.

The strategic risk profile of Maas Lloyd has changed. Currently the strategic risks relate mainly to any potential future acquisitions and the introduction of new business and the speed of the realisation of the growth strategy. Several mitigating controls are in place for the risks related to acquisitions such as governance, due diligence, ad-hoc ORSA, and regulatory approvals. The new activities also seek to further reduce this risk and allows for a more controlled and predictable growth than via acquisitions of run-off portfolios. Maas Lloyd will become more exposed to developments in general market conditions or competitive environment. Specific risks related to the new business strategy of Maas Lloyd include the dependency on the DUC market in the Netherlands and the dependency on the reinsurance markets and partners as well as the progress Maas Lloyd is able and allowed to make in realising growth in premium volume and transforming into a leading position in pools.

Although Reputational risk is always an applicable strategic risk for any insurance entity, the risk is fairly low for Maas Lloyd as it has not been active in Life insurance (which is a key market under reputational pressure in the Netherlands) and was for a long-time active in the run-off business with limited direct exposure to insurance clients. As a result of the new activity Maas Lloyd will become somewhat more exposed to this risk as it will no longer be just active in the run-off portfolios only but will engage in underwriting of new business. As new business will be underwritten via Underwriting agencies the direct reputational exposure to customers is limited. However, reputational risk management has become more relevant in the relationship with Underwriting agencies as well as in the (indirect) exposure to customers via Underwriting agencies and as such will be an element of the quality monitoring and audits of the Underwriting agencies.

Maas Lloyd also reviews potential risks related to the Brexit. Related currency risks are limited given its limited currency exposure and matching approach. No significant risks are currently identified related to having a parent company in the UK. Some risks are identified related to potential acquisitions from the UK market for Maas Lloyd. However, these are only potential risks in case these opportunities would arise, and currently there are no such opportunities. Maas Lloyd closely monitors the developments in the Brexit negotiations between EU and UK. Regarding the new activities Maas Lloyd is working closely with reinsurance companies regarding the reinsurance of the new business portfolio. In the run-off portfolio, only a limited number of reinsurance parties are active for a limited amount. As such the risks related to Brexit are very limited for Maas Lloyd and do not present a direct or significant risk for Maas Lloyd to continue its business without any interruption.

Given the world-wide COVID-19 pandemic Maas Lloyd has re-assessed the Pandemic risk and specifically the risk related to COVID-19. Maas Lloyd has reviewed its direct exposure from its insurance book and its operation as well as considered some indirect aspects.

Direct risks

- (Non-Life) Underwriting risk: Maas Lloyd's exposure to pandemic related insurance coverage is close to non-existent. In the run-off portfolio it is not present, and in the portfolio of the active underwriting it is also not covered as Maas Lloyd mainly underwrites Property and Motor lines of business. For liability (commercial lines) insurances this risk is excluded. Cargo, marine and travel related risks are not underwritten yet. If so, pandemic related risks will be excluded.
- A pandemic scenario like COVID-19 can impact the availability of key staff critical to the continuation of the operation. In 2021, Maas Lloyd was able to continue its normal operation and services by applying a flexible IT infrastructure that allows to work from home in line with government guidelines. Given the current phase of new business with Underwriting agencies and as follower in pools, the actual servicing of clients is not strongly dependent on Maas Lloyd. For the run-off business the timeliness of responses is less urgent given the nature of the portfolio.
- Pandemic scenarios are also regularly assessed as part of the Preparatory Crisis Plan (Voorbereidend Crisisplan – VCP).

Indirect Risks

- Some of the indirect effects of a pandemic scenario might impact Maas Lloyd. A pandemic could result in a downturn of the economy, declining financial and real estate markets. This would lead to losses on the financial markets, decreased value of real estate and downward pressure on premiums and premium volume. Maas Lloyd feels that this is sufficiently covered in the standard Solvency II model as well as in its ability to annually reprice its insurance business. Effects on the insurance demand and supply are hard to predict and even show an ambiguous picture in the current COVID-19 pandemic. Pandemic scenarios are also regularly assessed as part of the Preparatory Crisisplan (Voorbereidend Crisisplan – VCP).

Maas Lloyd has assessed its exposure to climate related risks. This risk assessment covers both the asset side of the balance sheet as the technical provisions and its reflection below is based on the residual risk assessment. Following the good practice as published by DNB Maas Lloyd considers physical risks (e.g. change in weather patterns due to climate change, increase storm frequency, flooding, etc.) as well as transitional risks (risks related to change to CO2 neutral business models, increased regulation, changed customer preferences).

Type of risk	Assets	Liabilities
Physical risks - Flood, increased storm frequency and severity, etc.	LOW RISK	MEDIUM RISK
Transition risks - High CO2 industries less valuable, consumer preferences, increased regulation	LOW RISK	LOW RISK

Physical risks – Assets: given the composition of the asset categories and the investment strategy, assets which are subject to physical risks related to climate change are very limited.

One could argue that only the direct investment in real-estate (Office building for own use) is exposed to this risk directly. Part of this risk is mitigated via through an insurance policy via a third party (flood risk excluded from coverage). The value of property is relatively low and other asset categories are either not subject to physical risk or well diversified. It can therefore be concluded that this risk is low.

Transition risks – Assets: Investments in bonds and investment funds are managed via an external asset manager.

The mandates for both the EUR and USD provide a low risk profile on ESG, CO2 impact and a positive or neutral impact on SDG’s.

For other assets this type of risk is less relevant. It can therefore be concluded that this risk is low.

Physical risks – Liabilities: Natural Catastrophe risks (CAT risk) are referring to an event caused by natural forces and generally results in a large number of individual losses, involving many insurance policies. In the run-off portfolio CAT risk is non-existent, because this portfolio is 99% related to liability risks and all policies are inactive. But in the active underwriting Cat risk this risk is partly covered and as such almost fully reinsured. In July 2021 such an event, in the form of a flood, occurred in Limburg. Fortunately, the impact for Maas Lloyd was limited to a very limited number of losses. An increase in CAT risk related losses could potentially over time lead to an increase of reinsurance premiums or worst case scenario in the unavailability of CAT risk covers in the reinsurance market. Specifically for liability, the physical risks are even more limited than for property. As with property, natural catastrophes are generally excluded, but additionally a causal relationship between the event and the loss is not likely to be established. In case of potential liability claims on large corporations (e.g. Shell), a court might take into account the impact on the society and therefore might determine large corporations to bear the losses. Given the portfolio of Maas Lloyd (consumers and SME), this effect is negligible.

Although this risk is relatively small given the size of the active underwriting portfolio at this stage, it could potentially increase over the next years as premium volumes increase for Maas Lloyd. As such, this risk is classified as medium.

Transition risks – Liabilities: transitional risk resulting from the technical provisions are limited. This is due to the fact that Maas Lloyd doesn't insure CO2 intensive industries (such as oil & gas) and large corporates. Some changes resulting from the transition towards more electrical cars and solar panels on real estate for example can be well covered in the period underwriting and loss ratio monitoring processes. Specific guidelines on this are already included in the underwriting guidelines applicable at Maas Lloyd. Therefore, the risk is classified as low.

The general <u>risk of contamination,</u> resulting from adverse developments elsewhere in the group of entities related to Maas Lloyd, is limited. Most risks are related only to the balance sheet of the respective entities and do not have a direct or indirect impact on the own funds or solvency ratio of Maas Lloyd. There are also no intercompany loans or callable Own Fund components that could be impaired by a reduced creditworthiness of related entities.

A secondary effect could entail that the possibility for Maas Lloyd to raise or attract additional capital in the context of the Group should Maas Lloyd need this additional capital could be reduced.

The risk of contamination between the new activity and the run-off portfolios will be duly managed. Additional staff will be employed focusing solely on the new business. A choice for the new activity also means that Maas Lloyd is no longer dependent on the strategy of acquiring additional run-off portfolios. The competing capital consumption requirements will be duly managed. Diversification remains a key priority and the new activity will contribute to that, especially in the next few years.

5. Valuation for Solvency purposes

5.1. D.0 reconciliation Solvency II and statutory reporting.

All amounts are in EUR x 1.000, - unless mentioned otherwise. As the Statutory reporting is in thousands and the Solvency II reporting is in full amounts, in some cases this has led to rounding differences (EUR x 1.000,-). The Solvency II and Statutory Balance Sheet per December 31, 2021 is the following:

BALANCE SHEET 31 December 2021					
Euro x 1.000					
Assets	**Solvency II**	**Statutory**		**Classification**	**Revaluation**
Intangible assets	0	1.380			-1.380
Deferred tax assets	0	447			-447
Investments					
Real estate	7.175	7.175			
Shares	0	2.916		-2.916	
Bonds	19.229	19.108		121	
Collective Investments Undertakings	2.916	0		2.916	
Deposits at Banks	8.421	8.421			
Funds held by ceding company	107	107			
Total Investments	**37.848**	**37.727**			
RI premium reserve	-819	-819			0
Reinsurance share of technical provisions	**4.158**	**4.192**			-34
Receivables					
Direct insurance	1.311	1.311			
Reinsurance	371	371			0
Other Receivables	0	731		-731	
Total Receivables	**1.682**	**2.413**			
Other Assets					0
Tangible fixed assets	0	22		-22	
Cash at Banks	5.401	5.401		0	
Other Assets	897	0		878	19
Total Other Assets	**6.298**	**5.423**			
Prepaid expenses and Accrued income	**0**	**246**		-246	
Total Assets	**49.167**	**51.009**		**0**	**-1.842**
Liabilities					
Shareholder's Equity	**27.440**	**28.871**			-1.431
Gross premium reserve	**1.257**	**1.257**			0
Technical Provisions	**13.965**	**14.070**			-105
Risk margin	**742**	**742**			
Deferred tax liabilities	**773**	**1.129**			-356
Liabilities					
Direct insurance	981	981			
Reinsurance payables	3.142	3.092			50
Other	867	181		686	
Total Liabilities	**4.990**	**4.254**			
Accrued expenses and deferred income	**0**	**686**		-686	
Total Liabilities	**49.167**	**51.009**		**0**	**-1.842**

The Solvency II and Statutory Balance Sheet per December 31, 2020 (previous reporting period) was the following:

BALANCE SHEET 31 December 2020				
Euro x 1.000				
Assets	**Solvency II**	**Statutory**	**Classification**	**Revaluation**
Intangible assets	0	847		-847
Investments				
Real estate	1.755	1.755		
Shares	0	3.483	-3.483	
Bonds	23.096	22.904	192	
Collective Investments Undertakings	3.483	0	3.483	
Deposits at Banks	15.258	15.258		
Funds held by ceding company	108	108		
Total Investments	**43.700**	**43.508**		
RI premium reserve	-567	340		-907
Reinsurance share of technical provisions	**1.697**	**1.706**		-9
Receivables				
Direct insurance	323	323		
Reinsurance	19	19		
Other	142	142		
Total Receivables	**484**	**484**		
Other Assets				
Tangible fixed assets	0	23	-23	
Cash at Banks	2.094	2.094	0	
Other Assets	86	3	83	
Total Other Assets	**2.180**	**2.120**		
Prepaid expenses and Accrued income	**0**	**252**	-252	
Total Assets	**47.494**	**49.257**	**0**	**-1.763**
Liabilities				
Shareholder's Equity	**27.629**	**29.522**		-1.893
Gross premium reserve	**458**	**479**		-21
Technical Provisions	**14.183**	**14.034**		149
Risk margin	**1.080**	**1.080**		
Deferred tax liabilities	**253**	**253**		0
Liabilities				
Direct insurance	2.159	2.159		0
Reinsurance payables	1.094	1.094		
Other	638	258	380	
Total Liabilities	**3.891**	**3.511**		
Accrued expenses and deferred income	**0**	**378**	-378	
Total Liabilities	**47.494**	**49.257**	**2**	**-1.765**

Comments to accounting principles:

The financial statements of the Company have been prepared in accordance with part 9 of book 2 of the Netherlands Civil Code and the financial statements are prepared in conformity with accounting principles generally accepted in the Netherlands (Dutch GAAP). All amounts mentioned in EUR x 1000.

The classification and revaluation differences are due to Solvency II accounting regulations.

Comments regarding material classification differences per year-end 2021:

In the Statutory accounts under "Shares" an amount of Euro 2.916 is included as Investment funds.
The Investment funds are investment funds in Bonds (Euro 2.916).
In the Solvency II accounts under "Bonds" an amount of Euro 121 is included as accrued interest.
Accrued interest under "Bonds" is classified under "Prepaid expenses and Accrued Income" in the Statutory account.
In the statutory accounts under "Prepaid expenses and Accrued Income" an amount of Euro 125 is classified as "Other Assets" in the Solvency II accounts.
Accrued expenses and deferred income (Euro 686) in the statutory accounts are classified under "Other liabilities" in the Solvency II accounts.
In the Solvency II accounts under "Other Assets" an amount of Euro 731 is classified under "Other Receivables" in the statutory accounts.
In the Statutory accounts under "Tangible Assets" an amount of Euro 22 is classified under "Other Assets" in the Solvency II accounts.

Comments regarding material valuation differences:

As per 1 January 2020 the Company has starting to act as commercial insurer by providing capacity to Underwriting Agents.
In order to report, monitor and analyse the underwriting data and evaluate the performance of the Underwriting agents, the Company started to develop a system and infrastructure and capitalised the external development cost of the system.
The statutory valuation for this intangible asset does not meet the valuation methodology used for Solvency II.
Quoted market prices in active markets for this unique asset are not available.
Therefor the Deferred tax liability (Euro 356), based on the value of this intangible asset, is not taken into account under Solvency II.
The valuation differences on the technical provisions are created due to a different valuation between the Statutory accounting principles and Solvency II valuation regulations.
In contrast to the Solvency II accounts the technical provisions are not discounted.
The discounting effect on the Gross Technical provisions is Euro 105.
The discounting effect on the Reinsurance share of the Technical provisions is Euro 34.
In the statutory accounts the Company has recognized a deferred tax asset of Euro 447 due to carry forward losses. For the Solvency II accounts this deferred tax asset is not recognized.
The net valuation difference on the Technical Provisions between the Statutory accounts and Solvency II accounts has resulted in a Deferred tax liability of Euro19 which is, due to reason of proportionality, not taken into account

5.2. D.1 Assets

Material asset categories (excluding reinsurance assets)

The market values of the various investments are delivered by the external asset manager. These are checked and controlled by Maas Lloyd, by taking various samples. Also, both the internal auditor as well as the external auditor include the valuation of assets in their scope of work for the Annual Report.

Investments

Real Estate

This consists of two office buildings in the Netherlands. The real estate in Rotterdam is let out for 50% and 50% is for own use. The real estate in Amsterdam was purchased in 2021 and is partly rented out but rentable for 100%.

As per December 2021 the two buildings are valued at Euro 7.175 by a valuation assessment from an independent real estate agent.

The valuation is based on the net market rent at the moment of the valuation.

Also condition of the real estate were defined as valuation parameters.

Bonds

This concerns several Bonds listed on Stock exchanges (Euro 19.229). The bonds can be divided in Government Bonds (Euro 16.041) and Corporate Bonds (Euro 3.188).

Investment funds

This concerns shares in a bonds related investment funds (Euro 2.916) listed on several stock exchanges.

The shares in several bond related investment funds are based on participations in corporate bonds worldwide.

Bank deposits

This concerns deposits at ABN-AMRO bank (Euro 8.421).

The deposits are valued at nominal value and are short term.

The durations of the deposits are shorter than one year.

Other material assets

Reinsurance assets

The reinsurance reserves are Euro 3.339 and the reinsurance receivables are Euro 371. These reinsurance assets are part of the calculation of the Counterparty default risk.

5.3. D.2 Technical provisions

Per Q4 2021 the technical provisions were the following:

Technical Provisions for all lines of business Amounts in € thousands per Q42021				
All Lines of Business	**Solvency II**	**Dutch GAAP**	**Revaluation**	**Reclassification**
Gross Best Estimates (undiscounted)	**15.328**	**15.328**	**0**	**0**
Discounting Effect	-105	0	-105	0
Gross Best Estimates (discounted)	**15.223**	**15.328**	**-105**	**0**
Risk Margin / Prudence Margin	742	742	0	0
Total Gross Technical Provisions	**15.965**	**16.070**	**-105**	**0**
Reinsurance Best Estimates (undiscounted)	**3.374**	**3.373**	**1**	**0**
Discounting Effect	-35	0	-35	0
Reinsurance Best Estimates (discounted)	**3.339**	**3.373**	**-34**	**0**
Total Net Technical Provisions	**12.626**	**12.697**	**-71**	**0**

Per Q4 2020 the technical provisions were the following:

Technical Provisions for all lines of business Amounts in € thousands per Q42020				
All Lines of Business	**Solvency II**	**Dutch GAAP**	**Revaluation**	**Reclassification**
Gross Best Estimates (undiscounted)	**14.490**	**14.512**	**-22**	**0**
Discounting Effect	151		151	0
Gross Best Estimates (discounted)	**14.641**	**14.512**	**129**	**0**
Risk Margin / Prudence Margin	1.080	1.080	0	0
Total Gross Technical Provisions	**15.721**	**15.592**	**129**	**0**
Reinsurance Best Estimates (undiscounted)	**1.139**	**2.046**	**-907**	**0**
Discounting Effect	-10		-10	0
Reinsurance Best Estimates (discounted)	**1.130**	**2.046**	**-916**	**0**
Total Net Technical Provisions	**14.592**	**13.546**	**1.045**	**0**

Comments Technical Provisions

Until 2019 Maas Lloyd was only active in the field of discontinued operations for general liability insurance.

Until December 31, 2019, there was no new premium nor new reinsurance activity involved. Through focus, knowledge and efficient processes Maas Lloyd generates value in managing the development of reserves and settlement of claims as well as generating investment income.

Most of the sub-portfolios are expected to be fully released within 10 years. But for some sub-portfolio's the expected run-off period can be relatively long. This is in particular the case for a part of the DLV liability sub-portfolio and a part of the Sampo Liability portfolio, which comprise the IBNR reserves for Dutch Asbestos.

Next to the run-off reserve risk the Company started in 2020 with underwriting non-life insurance risks in the Dutch insurance market, Premium Risk, Catastrophe Risk and Reserve risk are identified as new risks. The new underwriting risks are written in Personal Lines and in Small and Medium sized Enterprises in the Dutch insurance market. The Company started to underwrite new risks via pools as follower insurer. The nature of the technical provisions from the new business in 2020 and 2021 is for the main part short tail. The run-off portfolio has developed through the acquisition of run-off portfolios of other (re-) insurance companies including the active reinsurance structure of those portfolio.

Maas Lloyd reflects the value of the technical provisions in the Dutch GAAP report based on their best estimate calculations, which is set to the same value as the undiscounted Solvency II Best estimates. An additional prudency margin has been identified in the Dutch GAAP report, which is set to the same value of the Solvency II Risk Margin. The difference between the Solvency II and Dutch GAAP technical provisions is that the Solvency II claim reserves are discounted.

The gross, undiscounted best estimates per 31-12-2021 per significant lines of business can be shown as follows:

Undiscounted Best estimate Claim reserves (Gross) as at 31-12-2021 Amounts in Euro x 1,000		
Type	Department	Best Estimate Reserves
Direct Insurance	Motor Liability	1.488
Direct Insurance	Motor other	711
Direct Insurance	Transport	42
Direct Insurance	Property	2.521
Direct Insurance	Liability	7.552
Direct Insurance	Assistance	6
Direct Insurance	Miscelaneous financial loss	23
Direct Insurance	Non Proportional Liability	1.727
Total		**14.070**

The undiscounted reinsurance per 31-12-2021 per lines of business is the following:

Undiscounted Best estimate Claim reserves (Reinsurance) as at 31-12-2021 Amounts in Euro x 1,000		
Type	Department	Best Estimate Reserves
Direct Insurance	Motor Liability	904
Direct Insurance	Motor other	431
Direct Insurance	Transport	3
Direct Insurance	Property	1154
Direct Insurance	Liability	1681
Direct Insurance	Assistance	4
Direct Insurance	Miscelaneous financial loss	15
Direct Insurance	Non Proportional Liability	0
Total		**4.192**

The undiscounted premium reserve per lines of business is the following:

Overview Best Estimate Premium Provisions Amounts in € thousands								31-12-2021
	Other Motor Insurance	Motor vehicle liability insurance	General liability insurance	Fire and other damage to property insurance	Miscellaneous financial loss	Assistence	Marine, aviation and transport insurance	TOTAL
Best Estimate Premium Provision (GROSS)	20	22	-145	1.460	-41	-25	-33	1.258
Best Estimate Premium Provision (CEDED)	-309	-333	-296	220	-42	-25	-34	-819
Best Estimate Premium Provision (NET)	329	355	151	1.240	1	0	0	2.077

Disclaimer

The actual results will most likely differ from the estimated results since the actual events will not exactly resemble what has been assumed and forecasted. The resulting variations may be material.

In the process of estimating future claim payments, there is uncertainty about how these develop. In order to estimate the best estimate of unpaid claims, use is made of patterns observed in the past whereby expert judgement is applied to make an estimate for the future.

Here it is inevitable that there is a certain element of subjectivity. For example, if legislative changes occur or if the claims handling processes or underwriting processes have changed, this may have a material impact on the estimates. In addition, the portfolio changes over time, whereby the client mix can have different behavioural patterns.

Because of making best estimates for the technical provisions, there is inherent uncertainty.

Future results are, for example, depending upon various influences and factors which are not to be foreseen, such as:

- the claim handling processes;
- social and economic inflation;
- changes in legislation and case law;
- new types of claims that are not provided yet;
- New contingent claims;
- improvements in medical technology;
- other economic, legal, political and social trends and developments;
- different type of clients in a different market;
- pandemics such as COVID-19
- random fluctuations.

When estimating future results, it is to a large extend not possible to take into account the potential impact of these influences and factors, partly because it is not quantifiable.

The Actuarial Function can make a judgement and provide an opinion on the reasonableness of the models used, the assumptions used and the plausibility of outcomes. The Actuarial Function can however, mainly due to the reasons as provided above, not guarantee that the estimated reserves shall be adequate.

5.3.1. Portfolio Descriptions

In 2002 ABN AMRO sold Maas Lloyd to the Hampden Group, and since then Maas Lloyd has acquired various portfolio's in run-off containing, amongst other, US liability risks. Since then, various portfolios have been added to Maas Lloyd:

- In 2006 De Zee was acquired
- In 2010 Phoenix N.V.
- In 2010 N.V. Verzekering Maatschappij van 1890
- In 2010 a reinsurance portfolio of Centraal Beheer ("CBRe")
- In 2012 the Malayan portfolio in the Netherlands was acquired.
- In October 2012, the US liability portfolio (both direct and reinsurance) of Delta Lloyd was acquired.
- In November of 2014 (for risk and account since April 2014) the insurance portfolio of Hampden Insurance N.V. ("HI NV") is transferred to N.V. Schadeverzekeringsmaatschappij Maas Lloyd ("Maas Lloyd"), which is resulted in the situation whereby there is only one single supervised risk carrier.
- In October of 2015 (for risk and account since January 1 2015) a portfolio has been acquired from Delta Lloyd which is referred to as the "Delta Lloyd Volmacht" portfolio. Or the "DLV" portfolio.
- In 2017 the Dutch Run-off portfolio of AIOI Nissay Dowa Insurance Company Ltd has been acquired.
- In 2018, the Company acquired a small reinsurance portfolio from R&V Versicherung AG. The portfolio was written from 1974 to 1980.
- In 2019, the Company acquired a small reinsurance portfolio from Continentale AG. The portfolio was written from 1974 to 1980. In 2019 the company prepared its organisation in order to act as a commercial insurer in the Dutch non-life insurance market
- On 1 January 2020, the Company started with active underwriting with providing insurance capacity to underwriting agents in the non-life Dutch insurance market as a following insurer.

Maas Lloyd – US Liability

Between 1977 and 1985 Maas Lloyd (before RAK) has accepted US liability risks for US based corporates. Maas Lloyd mainly participated in the higher layers and the percentage of participation varies from 0,3% to 15%, limiting the maximum exposure per contract. The main portion of the claims are reinsured by various reinsurance companies.

Maas Lloyd – Dutch Portfolio

From 1985 to 1987 Maas Lloyd has accepted various regular insurance products such as Motor, Property/Engineering and Liability. This portfolio is almost completely settled with only two active claims remaining.

Hampden Insurance N.V.

In the period from 1991 until 2003 Hampden Insurance N.V. ("HI NV") and her legal predecessors have signed various risks. The products mainly relate to Casualty (employer liability, general liability and product liability) and Property/Engineering for Industry sector and small and medium size enterprises (SME). Hampden Insurance was also active in the co-insurance market both as leading as well as following insurer.

Delta Lloyd

The run-off business of the former Delta Lloyd portfolio contains three sub-portfolios depending on the underwriting party involved (H.S. Weavers Underwriting Agency ("HSW"), C.R. Driver Ltd. ("CRD") and various exposures singed in Amsterdam).

H.S. Weavers ("HSW")

The risks that were underwritten by HSW are mainly general liability for Fortune 500 multinationals and excess of loss reinsurance for local US entities and London Market risks, including facultative reinsurance. The Delta Lloyd's share is on average 5%. The HSW portfolio is reinsured based on excess of loss with a large number of international reinsurers.

C.R. Driver Ltd. ("CRD")

CRD was an intermediary active in the London Market. This portfolio is reinsured for Catastrophe coverage on a limited excess of loss basis which has been fully exploited.

APH Tekening in Amsterdam – "25"

Delta Lloyd has accepted a number of contracts with an APH element in Amsterdam. In 2006 there were 25 contracts in portfolio explaining the name "25". Most claims have been settled or closed.

Currently, only a small number of contracts are open, with only four of them with any significant activity. There is no reinsurance coverage for this portfolio.

CBRe

Centraal Beheer Reassurantie ("CBRe") is founded in 1978 as a reinsurance company (both incoming as well ceding) for the total Centraal Beheer Groep.

Of the incoming reinsurance only a small portion is active, and this portfolio is in run-off. Due to the character of the portfolio the remaining duration of the liabilities is relatively long. The strategy is to close as many contracts as possible by full and final settlement.

Currently the following contracts / risks are in portfolio:

- London Market Excess of Loss contracts ("LMX contracts"): Lloyds syndicates reinsured themselves with other syndicates, but also with international reinsurance companies such as CBRe
- Treaty business contracts: these are mainly contracts in which CBRe participated for a small portion (mainly in surplus treaties)
- Bodily Injury risks: liability contracts with long remaining durations.

Delta Lloyd Volmacht portolio or DLV Portfolio:

The portfolio is a run-off portfolio of products that were written via pools: either via authorized agents (pools volmacht) or via the bourse (beurs direct). The products include Fire, Marine and General Liability. The main risks that have remained in the portfolio are mainly related to asbestos. In addition, there are a few other bodily injury claims left.

Others – Phoenix, Verzekering Maatschappij 1890, Malayan, AIOI, R&V Versicherung AG and Continale AG.

Various other smaller insurance portfolios

5.3.2. Valuation Methods

General

This chapter describes the methodology used to calculate the market consistent value of the technical provisions. The total technical provisions for Maas Lloyd consist solely out of non-life provisions. This approach is used for the DLV portfolio as well as the SAMPO portfolio.

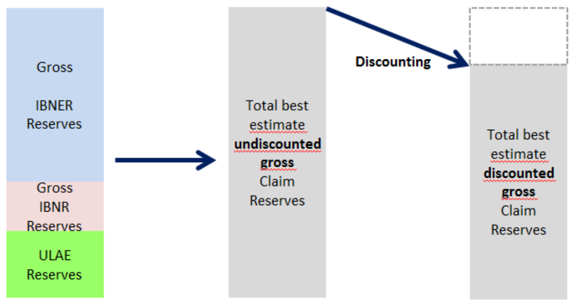
The total gross non-life provisions consist out of the following 3 components:

- Incurred But Not Enough Reported ("**IBNER**") provisions: these are provisions for claims that have already been reported, but have not yet been settled. Case reserves have been created for these outstanding claims. Most often, the IBNER provisions are equal to the case reserves, but this does not have to be the case necessarily.
- Incurred But Not Reported ("**IBNR**") provisions: these are the provisions for claims that have already incurred but have not yet been reported. In particular for asbestos claims, this is relevant.
- **Internal Claims handling reserves**, also known as "ULAE" provisions or reserves for Claims Handling Expenses ("CHE reserves"). These are reserves required for settling the IBNER claims and the IBNR claims, as just described.

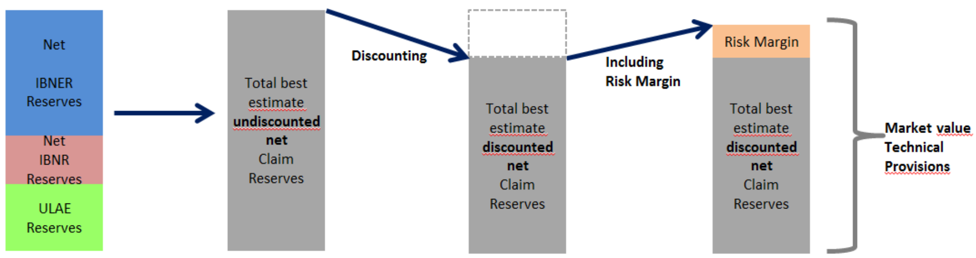
There are no explicit provisions required for external claims handling ("ALAE") provisions, as these are already implicitly included in the case reserves. Therefore, these are also implicitly included in the calculations of the IBNER and IBNR provisions.
After a calculation of the provision for these 3 components, an estimate of the discount effect has been made to ultimately reach the discounted gross best estimate for non-life provisions.

The same procedure is performed for the net provisions to ultimately reach the discounted best estimate of net provisions. Then, on the discounted net best estimate for non-life provisions, the additional risk margin is determined.

Before reinsurance



After Reinsurance



Given that the claims outstanding are specific and relatively complex, a lot of reliance is given to the estimates of the claims handlers.

In order to increase the understanding of the larger outstanding claims, one-page summaries of descriptions of the claims are provided.

Maas Lloyd has, for the largest claims, used expert judgment and has assessed the probability of 4 possible determined outcomes.

The four possible outcomes are:

- The possibility that the case will be won, so that there is no payment required. This is a "zero claim"
- The possibility that it is required to make a payment, but where there is a relatively favourable outcome. This is a "positive case claim"
- The possibility that it is required to make a payment and where the outcome is neither a favourable nor disappointing. This is a "medium case claim"
- The possibility that it is required to make a payment and where the outcome is unfavourable and where a high payment is required. This is a "worst case claim"

The total best estimate of the “case reserves” or the IBNER reserves is calculated as a weighted average of the sum of the outstanding claims.

Asbestos claims

The method for determining the IBNR reserves for Dutch asbestos claims is based on recent market information. The overview of the technical provisions and risk margin is shown in the tables below.

Overview Discounted technical provisions Amounts in € thousands	31-12-2020	31-12-2021
Discounted Best Estimate (GROSS)	14.641	15.222
Discounted Best Estimate (CEDED)	1.130	3.339
Discounted Best Estimate (NET)	**13.511**	**11.883**

Overview risk margin Amounts in € thousands Technical Provisions	31-12-2020	31-12-2021
Risk Margin	1.080	742

5.3.3. Overall conclusions of the Technical Provisions

The Actuarial Function Holder has concluded that the best estimate of the reserves is within a reasonable range of estimates.

It is inherent of such type of claims that the outcome of the ultimate settlement can differ from what is reserved by the claims handler and that there is uncertainty in the estimations of the reserves.

Nevertheless, Maas Lloyd has used all the required data that is available, including the qualitative assessment of the claims handlers and market figures to obtain a best possible best estimate and in addition understand what the uncertainties are.

In the qualitative assessment it is shown what the worst case outcome of the individual claims is. Furthermore the uncertainty is well described.

The same holds for the value of the IBNR reserves for Dutch asbestos. All key assumptions are well described and it is clear what the sensitivities of the key assumptions are.

Also, a couple of years ago, Maas Lloyd has conducted a study on the appropriateness of the standard formula for reserve risk, and the conclusion was that the standard formula is suitable.

5.4. D.3 Other liabilities

Material liabilities (excluding Technical provisions and Risk margin)

Direct insurance liabilities

This concerns direct insurance liabilities which are due in less than one year.

Inwards reinsurance Liabilities.

This concerns inwards reinsurance insurance liabilities which are due in less than one year.

5.5. D.4 Alternative methods for valuation

There are no items with an alternative method for valuation.

5.6. D.5 Other material information

Maas Lloyd does not use any transitional measures such as Matching Adjustment or Volatility Adjustment.

6. Capital Management

6.1. E.1 Own Funds

Structure, size and quality of the Own Funds

The Company's authorized share capital consists of 40,000 shares with a nominal value of NLG (1,000) (Euro 454) per share. As at December 31, 2021, 10,000 shares were issued and fully paid to an amount of Euro 4,537,802.

The movements in shareholders' equity in the annual report of December 31,2021 were as follows:			
(Euro x 1.000)			
		2021	2020
Issued and paid-up share capital	Euro	4.538	4.538
Share Premium reserves	Euro	6.755	6.755
Legal reserve	Euro	1.380	847
Revaluation reserve	Euro	315	0
Other Reserves	Euro	16.532	13.726
Result for the year	Euro	-649	3.656
Total Own funds	Euro	28.871	29.522
Excess assets above the liabilities as calculated for solvency II purposes	Euro	27.440	27.629
Capital Difference		**-1.431**	**-1.893**

100% of the total own Funds are Tier 1 eligible own funds.

Explanation to the capital difference between the Statutory and the Solvency II accounts;

The capital differences are mainly caused by the difference in valuation of the intangible asset in the statutory accounts, the deferred tax asset in the statutory accounts regarding carry forward losses and the discounting effect of the technical Provisions.

The 2021 difference in the net valuation effect can be shown as follows;				
(Euro x 1.000)		**Solvency II**	**Annual Report 2021**	**Valuation difference**
Discounting effect Gross technical provisions	**Euro**	105	0	
Discounting effect Reinsurance share of technical provisions	**Euro**	-34	0	
Net Technical provisions		71	0	71
Intangible asset not valued for Solvency II	**Euro**	0	1.380	-1.380
Deferred tax liabilities	**Euro**	-773	-1.129	356
Deferred tax asset	**Euro**	0	447	-447
Reinsurance payable	**Euro**	-3.142	-3.092	-50
Other differences	**Euro**	19	0	19
Capital Difference	**Euro**			**-1.431**

6.2. E.2. Solvency Capital Requirement and Minimum Capital Requirement

In the tables below the solvency position and own funds position are shown. Maas Lloyd uses the Standard Formula, without any Undertaking Specific Parameters (USP) to determine the Solvency Capital Requirement (SCR).

SCR & MCR Amounts in € thousands Solvency II	31-12-2020	31-12-2021
SCR	5.729	6.295
Own Funds	27.629	27.440
Solvency Ratio	482%	436%
MCR	3.700	3.700
Own Funds	27.629	27.440
Solvency Ratio	747%	742%

The solvency position has decreased from 482% at the end of 2020 to 436% per the end of 2021, but is still well above regulatory and internal limits and targets.

6.2.1. SCR calculation

The table below gives an overview of the composition of the SCR as at 31-12-2021 and 31-12-2020.

SCR Amounts in € thousands (sub) risk type	31-12-2020	31-12-2021
Market risk	690	2.057
Counterparty default risk	1.321	1.333
Life risk	0	0
Health risk	0	0
Non-Life risk	4.266	3.859
Intangible assets risk	0	0
Subtotal (before diversification)	6.277	7.248
Diversification	-987	-1.647
Basic SCR	5.290	5.602
Operational risk	439	693
Adj. for risk absorbing capacity of profit sharing		
Adjustment for risk absorbing capacity of DTL/DTA	0	0
SCR	**5.729**	**6.295**

6.2.2. MCR calculation

The tables below shows the calculation of the MCR.

MCR as of 31-12-2021 Amounts in € thousands						
Line of business	**SCR**	**Net TP**	**MCR factor**	**Net Premium**	**MCR factor**	**MCR**
Motor vehicle liability insurance		720	8,5%	640	9,4%	121
Other motor insurance		507	7,5%	595	7,5%	83
Marine, aviation and transport insurance		45	10,3%	13	14,0%	6
Fire and other damage to property insurance		2.452	9,4%	1.373	7,5%	333
General liability insurance		6.421	10,3%	335	13,1%	705
Assistance		2	18,6%	9	8,5%	1
Miscellaneous financial loss		5	18,6%	19	12,2%	3
Non-proportional casualty reinsurance		1.730	18,6%	0	15,9%	322
MCR calculated according to the linear apprach						**1.575**
MCR (lower bound 25% of SCR)	6.189				25,0%	1.547
MCR (upper bound 45% of SCR)	6.189				45,0%	2.785
AMCR						3.700
MCR						**3.700**

MCR as of 31-12-2020 Amounts in € thousands						
Line of business	**SCR**	**Net TP**	**MCR factor**	**Net Premium**	**MCR factor**	**MCR**
Motor vehicle liability insurance		412	8.5%	84	9.4%	43
Other motor insurance		397	7.5%	107	7.5%	38
Marine, aviation and transport insurance		713	10.3%	5	14.0%	74
Fire and other damage to property insurance		1,401	9.4%	304	7.5%	154
General liability insurance		8,573	10.3%	76	13.1%	893
Assistance		0	18.6%	0	8.5%	0
Miscellaneous financial loss		-4	18.6%	7	12.2%	0
Non-proportional casualty reinsurance		2,019	18.6%	0	15.9%	376
MCR calculated according to the linear apprach						**1,578**
MCR (lower bound 25% of SCR)	5,729				25.0%	1,432
MCR (upper bound 45% of SCR)	5,729				45.0%	2,578
AMCR						3,700
MCR						**3,700**

The MCR is equal to the maximum of the $MCR_{combined}$ and the AMCR. The AMCR is equal to 3.700 as at year end 2020.

The $MCR_{combined}$ is equal to the minimum of:

- The Maximum of the MCR_{linear} and 25% of the SCR
- 45% of the SCR

For Maas Lloyd, the MCR_{linear} is calculated using a factor-based approach on the net technical provisions.

6.3. E.3 use of duration based equity submodule

Maas Lloyd does not use the duration based equity submodule.

6.4. E.4 difference between standard formula and internal model used

Maas Lloyd does not use an internal model.

6.5. E.5 Non-compliance with MCR and SCR

Maas Lloyd has been continuously compliant with both the MCR as well as the SCR throughout 2021.

6.6. E.6 Any other information

In Solvency II, the DTL regarding the technical provisions should be recalculated, if the discounted best estimate of the technical provisions is lower than the held technical provisions.

The table below provides the calculation of the DTL adjustment:

Deferred tax liabilities Amounts in € thousands		31-12-2020	31-12-2021
	Formula		
Statutory: Net reserves	(A)	13.547	12.697
Solvency II: Net Best Estimate	(B)	13.511	11.883
Solvency II: Risk Margin	(C)	1.080	742
Difference statutory and SII	(D) = (A)-(B)-(C)	-1.045	72
SII Tax Adjustment (25.8% difference)	(E) 25.8%*(D)	-261	19
Calculated DTL SII	(F) = max(E;0)	0	19
Selected DTL SII	**(G)**	**0**	**0**

Due to reasons of proportionality, this deferred tax position is not taken into account.

Maas Lloyd has defined a Capital Management policy. Maas Lloyd aims to operate at a solvency ratio, calculated according to the standard formula. The minimum threshold level is defined at 150% of the Solvency Capital Requirement, whereby the target threshold level is defined as 180% of the Solvency Capital Requirement (‘’SCR’’).