SOLVENCY FINANCIAL CONDITION REPORT (SFCR)

Version 2019

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1. Management structure, remuneration and Membership

1.1. Management structure

a) Board of Directors (composition, duties, operation)

Competences

The Board of Directors outlines the general policy of the Association which is subject to prior agreement of the General Meeting.

The Board of Directors ensures the monitoring of the business of the Association and of its management by the Executive Committee, which is appointed by the Board from among its Members. The Board of Directors has a broad mandate to investigate in this respect. To protect the interest of the Association, every Director is requested to sign a confidentiality agreement.

The Chairman of the Board supervises the division of the powers / competencies between the Board of Directors and the Executive Committee.

The President of the Executive Committee is appointed by the Board of Directors in accordance with the NBB.

The Board of Directors, after consulting the NBB, shall confer to the Executive Committee the competence to take any decisions relating to the administration and the objects of the Association and to represent the Association, with regard to this management, in relations with members of staff, Members of the Association and any third parties, according to the laws and regulations in force and to the Articles of Association.

Composition

The NBB must be informed prior to as well the appointment or reappointment as the resignation of persons participating at the effective management.

The (re)nomination of members of the Board of Directors is subject to prior written approval by the Belgian supervisor who assesses the candidates in accordance with the principles included in the circular on Fit & Proper requirements and integrated in the Fit & Proper policy. The Board is responsible to install an appropriate recruitment-, evaluation- and education policy and will therefore perform an assessment of the candidate on fit- and properness at the moment of selection. The NBB will receive a copy of the fit and proper assessment.

The Board of Directors is appointed for a three-year period by the Annual General Meeting, who can dismiss them at any time, and is composed of at least 9 Directors.

A minimum of two Members of the Board are independent and the majority of Board members are non-executive Directors.

The composition of the Board is balanced considering the respective skills, experience and background of each of the Board members. Board members undertake that they have sufficient time to exercise their duties, taking into consideration the number and importance of their other commitments.

From among its Members who are not Members of the Executive Committee, the Board of Directors elects a Chairman and two vice-Chairmen for a period of three years. They are eligible for re-election.

In the absence of the Chairman, the Board of Directors meets under the presidency of a Vice-Chairman or in his absence, of a Director chosen by the Directors, who is not a member of the Executive Committee.

On completion of their three-year period of office, Directors are eligible for re-appointment.

If there is a vacancy for one or more Directors, the remaining directors have the right to arrange for temporary replacements until the next General Meeting.

The Board of Directors may call upon the services of any person whose presence is considered to be useful. Such person shall have no vote in the proceedings.

In line with the fit and proper requirements applicable by the fit and proper policy, the Board of Directors performs annually a self-assessment.

Incompatibilities

Members of the Board of Directors who are not Members of the Executive Committee may not engage in any management function of the Association.

Meeting dates and location

The Board of Directors meets, under the presidency of the Chairman, as often as the interests of the Association require, and whenever five or more Directors make a written request for such a meeting.

Convocation

Notice of Board meetings are sent by ordinary mail, by e-mail or by fax message at least ten days before the date of the meeting. This notice states the date, place, time of the meeting and the items on the agenda.

The Board of Directors can only take decisions if all the Directors have been given notice of the meeting.

Proceedings of the sitting

Each Director has one vote.

The Board of Directors can only take decisions if a majority of Directors are present or represented. Any Director may, by letter, by e-mail or fax, give authority to another Director, to represent him at a particular meeting of the Board of Directors and to vote in his name. No Director may exercise more than two such proxy representations.

In the case of a tied vote, the Chairman of the meeting has the casting vote.

All decisions of the Board of Directors are taken by simple majority of expressed votes, with the exception of:

A three-quarters majority of expressed votes is required to:

- cases stated in article 27 §3, §7 and 28 §1 of the Articles of Association,
- the acceptance of a new Member,
- the expulsion of a Member,
- the cessation of the issuing of insurance policies or
- the decision to dissolve the Association.

Reporting

Minutes are kept of every meeting. They are signed by the Chairman after approval. Copies and extracts of minutes are signed by the Chairman or a member of the Executive Committee.

Remuneration

Directors of the Mutual are not remunerated with the exception of the Independent Directors who receive an attendance fee. Board members, travelling on ELINI business will be reimbursed for travel expenses according the Board expense policy.

Conflict of interests

All members of the Board shall withhold from participating in discussions and decisions whereby they have a personal or business interest for their company, which is not compatible with the interests of ELINI or where the decisions within ELINI concerns the individual ELINI Member to which the Board member relates as an employee.

These members shall in each case where they feel confronted with such a conflict of interests, inform the Chairman of the meeting where such point is on the agenda, so that in due time can be decided how to deal with the further discussion and decision process.

b) Executive Committee (composition, functions, operation)

Competences

The Executive Committee has full authority to undertake the daily management of the Association.

The Executive Committee may in particular classify risks, amend such classifications, accept or refuse in whole or in part the risk proposed, determine the forms, the general and specific conditions of insurance policies, sign any co-insurance or reinsurance agreements, establish general administration costs, receive any income and fund sums, decide on the use of funds, make any payments with or without subrogation, accept any real or personal guarantees or dispense therewith, grant release of prior rights registered or mortgage rights as well as any notices of default, register attachments or other property rights and further impediments, with or without proof of payment, require conversion of registered public loan bonds into bearer bonds, prepare a list of guarantee fund investments, appoint and dismiss any Members of staff of the Association, determine their salaries, functions and, where applicable, establish any internal standing orders, negotiate, arrange composition, acquiesces, waive rights, compromise or reach a settlement with respect to any interests of the Association.

In line with the fit and proper requirements applicable by the fit and proper policy, the Executive Committee performs annually a self-assessment.

Composition

All Members of the Executive Committee are members of the Board of Directors, appointed or dismissed by the Board of Directors, subject to prior written approval by the Belgian supervisor who assesses each candidate in accordance with the principles included in the circular on Fit & Proper requirements.

There are no persons having the status of Executive Committee member but not the status of Board Member.

The Executive Committee meets under the presidency of its Chairman as often as the interest of the Association requires. In the absence of the Chairman of the Executive Committee, the Executive Committee meets under the presidency of a member of the Executive Committee chosen by the other members of the Executive Committee.

The Executive Committee may call upon the services of any person whose presence is considered to be useful. Such person shall have no vote in the proceedings.

Voting system

At this moment, the Articles of Association stipulate in Article 23 § 3 that all decisions of the Executive Committee are taken by simple majority of expressed votes. All members of the Executive Committee are entitled to one vote. In the case of a tied vote, the Chairman of the Executive Committee or the Chairman of the meeting shall have casting vote.

ELINI realizes that this practice is hardly compatible with the principle of collegiality applicably on the Executive Committee.

In order to avoid that the decision making procedure is blocked, the Executive Committee decided to decide by unanimity for as long as it is composed out of 2 members. When unanimity cannot be reached, the Executive Committee will inform the Board of Directors on each item leading to non-agreement within the Executive Committee. As of the moment the Executive Committee will be composed out of more than 2 members the voting rules as defined in the Articles of Association will be applied.

Remuneration

Members of the Executive Committee receive no additional compensation for their engagement and are just remunerated as salaried staff.

Internal distribution of the tasks of the Executive Committee members

The Executive Committee is a board acting jointly and collegially. It may delegate various tasks amongst its members, but this shall not detract from the fact that they are jointly and collegially responsible.

The Executive Committee may grant special, defined powers to one or more persons of its choice ad may be assisted by any member of staff of the Association.

The actual Executive Committee is composed by:

- D. Vanwelkenhuyzen
- J. Machtelinckx

Special powers of the Executive Committee

Special powers are determined and granted by the Board of Directors to the Members of the Executive Committee or to certain members of the personnel. These powers relate to financial and administrative matters and are published in the annexes to the Moniteur Belge.

c) Advisory Committees to the Board of Directors (composition, functions, operation)

The Board of Directors has created five specialized Committees with an advisory task.

The mission of these Committees is to analyse specific topics, to prepare matters for consideration and recommendation towards the Board. The final decision making process remains the competence of the Board. The existence of the Committees does not decrease the responsibility of the Board as a whole.

The Committees are nominated for the same 3 years term as the Board of Directors.

Committee members are nominated by the Board of Directors for their experience in the specific domains of the Committee they take part in. Every Committee consists of a mix of Board members, other Members and staff to ensure execution and communication on every level of the Association.

After each meeting, the Board of Directors will promptly be informed of discussions and recommendations through the circulation of minutes. The Board will also receive the Committee’s recommendations through the Chairman of the Committee or his delegate. Committee members travelling on ELINI business will be reimbursed for travel expenses according to the Advisory Committee expense policy.

In line with the fit and proper requirements, every Committee performs annually a self-assessment. The self-assessment form is yearly circulated in October in order to enable to report on the outcome to the Committee and the Board of Directors scheduled in March of the next year.

A description of the working of each Committee can be found on the individual Charter. Each of the members of Committees have to sign a confidentially agreement that is stored.

Conflict of interests

All members of the Advisory Committees shall withhold from participating in discussions and recommendations whereby they have a personal or business interest for their company, which is not compatible with the interests of ELINI or where the decisions within ELINI concerns the individual ELINI Member to which the Committee member relates as an employee.

These members shall in each case where they feel confronted with such a conflict of interests, inform the Chairman of the meeting where such point is on the agenda, so that in due time can be decided how to deal with the further discussion and decision process.

Audit Committee

The Audit Committee has been created to assist the statutory auditor in all aspects of follow-up, handling and development of the control system of the annual accounts.

The Audit Committee reports to and assists the Board of Directors in fulfilling its oversight responsibilities in the areas of corporate governance, risk management, corporate controls, financial communication and all other related areas as deemed appropriate. It is also authorized to obtain independent advice, including legal advice, if this is necessary for an inquiry into any matter under its responsibility. It is entitled to call on the resources that will be needed for this task. It is entitled to receive reports directly from the Statutory Auditor, including reports with recommendations on how to improve the Mutual's control process.

The Audit Committee is comprised of at least 3 financial literate members as determined and appointed by the Board of Directors. At least one member must be an Independent Director. The members of the Committee, individually or collectively, are entitled to receive all information needed to accomplish their tasks as defined and are authorized to request such information from any ELINI employee.

In the scope of the follow-up of the control system of the annual accounts, the Audit Committee with the Executive Committee can discuss and take any preventive / corrective actions if needed.

The Audit Committee reports to the Board of Directors.

Risk Committee

The Risk Committee provides the Board of Directors with oversight, assessment, and advice on:

- ELINI's current risk appetite, tolerance and strategy, material risk exposures and future risk strategy and their impact on capital;
- the structure of ELINI's Risk Management Framework and its suitability to react to forward-looking issues and the changing nature of risks;
- the risk policies such as capital management policy, internal control policy and risk management policy;
- its on-going and potential exposure to risks of various types.

The Risk Committee is comprised of the members of the Audit Committee and the risk management function. The Risk Committee is nominated for a period of 3- year in line with the term of the Board of Directors. The Board appoints the Chairman.

Members of the Risk Committee are subjected to the fit and proper requirements and therefore perform annually a self-assessment.

The Risk Committee has a Charter in which is explained the responsibilities and duties as an Advisory Committee. The Charter is annually evaluated and when necessary suggestions on amendments to the Committee's Charter are made to the Board for approval.

The Risk Committee meets, in person or by conference call, at least once per calendar quarter. A week before a meeting takes place the agenda is passed onto all members. A quorum exists if one half of the members of the Committee are present. Recommendations are formulated by simple majority with casting vote by the Chairperson. The Committee is authorized by the Board of Directors to engage independent counsel and other advisors as it determines necessary to carry out its duties, but they don't have a vote.

The Risk Committee maintains written minutes of its meetings. A summary of the different proposals is included at the end of the minutes of the meeting with the recommendation for approval to the Board of Directors. Recommendations made by the Risk Committee to the Board of Directors will be numbered. The minutes are to be signed by the Chairman of the Risk Committee.

Insurance Advisory Committee

The Insurance Advisory Committee has been created for considering and making recommendations to the Board of Directors on the underwriting of nuclear third party liability covers granted by the Association and major strategies.

The Committee is comprised of suitably qualified members as determined and appointed by the Board of Directors. The Committee establishes a regular meeting schedule and meets with such frequency and at such intervals as it determines necessary to carry out its duties and responsibilities, but in no event fewer than two times annually.

The Committee maintains minutes of its meetings, as well as records of the Committee's activities in carrying out its duties, and provides copies of such minutes and records to the Board and regularly reports on its actions to the Board. The Committee may seek advice from others and request attendance of any other person as it deems appropriate.

The working and responsibilities of the Insurance Advisory Committee are incorporated in the Charter of the Committee.

Finance and Investment Advisory Committee

The Board of Directors together with the Finance and Investment Advisory Committee have the responsibility and competence for the setting of the financial investment guidelines and the choice of the investment managers.

The Board decides on the strategic allocation of funds but the Committee may tactically from time to time deviate from this allocation to protect the treasury. The Committee's treasury management is frequently monitored by the Executive Committee and the Board of Directors.

The Finance and Investment Advisory Committee discusses and concludes a contract with the investment managers in line with the guidelines for investments, monetary and assets.

In the scope of the follow-up of the investment contract, the performances and results of the investment managers will be discussed. From these data, the Financial and Investment Advisory Committee will recommend upon the corrective and preventive actions to undertake and also identify any additional measures to be taken.

The Finance and Investment Advisory Committee will perform a financial assessment on candidate Members. Candidate Members with an external credit rating above the minimum that is required are considered to be financially robust and therefore able to meet their calls exposure. The same assessments will be also applied on an annual basis for existing Members. The calls exposure policy is further explained in the procedure manual.

The Committee is comprised of at least 4 suitably qualified members as determined and appointed by the Board of Directors. To ensure the implementation of the Committee's advice the Financial Manager and Asset Manager are also member.

The Committee may call upon other persons whose presence could be useful but their attendance is non-voting. The Finance and Investment Advisory Committee reports directly to the Board of Directors.

The working and responsibilities of the Finance and Investment Advisory Committee are incorporated in the Charter of the Committee.

Legal Advisory Committee

The Legal Advisory Committee is responsible for considering and making recommendations to the Board of Directors and to the Executive Committee on the legal matters of nuclear third party liability and insurance and on other legal business of ELINI.

To assist the Board of Directors, it is responsible for reviewing strategies, plans, policies and actions related to the legal matters within ELINI and the nuclear third party liability field.

The Legal Advisory Committee reports to the Board of Directors.

The working and responsibilities of the Legal Advisory Committee are incorporated in the Charter of the Committee.

1.2. Remuneration

a) Policy

ELINI's overall remuneration system has been designed to deliver compensation, driven by both mutual and individual performance, and according to its Members' interests. The focus will be on and long-term performance and will be aligned to market levels. Our principles are inspired by the Financial Stability Board principles for sound compensation practices.

Board Members as well as Executive Directors receive no remuneration. Only Independent Directors receive a fixed cash amount per year which is approved by the General Meeting for the current financial year. No variable nor incentive programs are included for any Board member.

Members of Advisory Committees receive no additional compensation, fixed or variable, for their contribution to the Mutual.

Actual expenses in connection with Board and Committee meetings are reimbursed.

Members of the Executive Committee receive no additional compensation, fixed or variable, for their contribution to the Mutual.

Senior Management and staff are employed on a contractual basis. Their remuneration is subject to annual reassessment. A desire to ensure that ELINI is able to attract and retain managers with the best possible qualifications and the existence of sound succession plans have a decisive influence on the remuneration. The compensation package consists of 3 integrated elements: a base pay, appropriate benefits and an annual pre-agreed, personalized incentive bonus. The remuneration policy is designed so as not to encourage unauthorised or unwanted risk-taking that exceeds the level of tolerated risk of the undertaking.

b) Implementation Process for ELINI staff

Base salary levels are designed to compensate the Mutual's officers for their responsibilities and their experience. Market levels for comparable positions are targeted for the base pay and the base pay levels are subject to regular reviews. Except for annual cost of living adjustments required under Belgian law, there is no mechanism for automatic adjustment. In addition, some appropriate employee benefits are given fully in line with what the insurance sector allows.

The annual incentive bonus recognizes and rewards individual performance as well as team performance but is never a substantial proportion of the compensation package. The form of variable compensation can be cash or option incentive plan. The funding levels for the annual incentive bonus are dependent upon non-financial criteria such as personal development and contribution to an improved Member-relationship. Bonuses are not guaranteed because they are not consistent with the pay-for-performance principle.

Annually, the Managing Director will present the total remuneration package to the Chairman of the Board of Directors for approval. He will conduct an independent review on the suggested bonuses and the proposed compensation policy for the next year.

Key/critical functions that are outsourced will follow the outsourcing policy and the outsourcing process in which a market competitive remuneration assessment is included.

1.3. Membership

a) Process for monitoring the changes in the Membership structure

The Members of the Association are most of the original “Signatory Members” of the Articles of Association, as published in the Moniteur belge of December 19th 2002, as well as all the “New Members” approved after this publication by the General Meetings as it is specified in article 6 §2 of the Articles of Association.

Election of a New Member shall be subject to the following conditions:

- The New Member must be a company or authority in the private or public sectors which has an insurable interest in a nuclear installation or installations, directly or indirectly, or their representatives.
- The New Member must be accepted by the Board of Directors on the basis of the terms laid down by the General Meeting.
- The New Member must unreservedly accept these Articles of Association.
- The New Member must take out or have the intention to take out at a later stage at least one insurance policy, with unreserved acceptance of the rights and obligations attaching hereto.

Membership shall be submitted to the Board of Directors and shall become effective when determined by the General Meeting.

The main benefits to Members of ELINI include:

- additional insurance capacity in view of a revision of the Paris Convention and Brussels Supplementary Convention
- alternative insurance capacity for terrorism cover and 30 years prescription period
- potential for contribution savings
- exchange of information and data on nuclear insurance matters.

Each of the ELINI Members is an important player on the international energy market and is therefore submitted at intensive surveillance by national and international authorities. Due to their size and (self)control, ELINI considers its Members as being reliable and financially sound. Still a financial assessment is performed for every candidate Member on the one hand and a yearly financial review for existing Members on the other hand.

b) Categories of Members

Insured Members

Members insured by the Association have the status of "Insured Members". However, a Member can only obtain the status of "Insured Member" after the acceptance of the proposed risk by decision of the Executive Committee applying article 22 of the Articles of Association. This status is retained by the "Insured Member" as long as an insurance policy issued in his name is in force.

Insured Members are divided in two categories:

- Insured Members who are required to have and maintain insurance or other financial security, in the strict context referred to by Article 3 § 1 of the Articles of Association, amounting to a maximum of 700.000.000 € belong to category A.

- Insured Members who are required to have and maintain insurance or other financial security, in the strict context referred to by Article 3 § 1 of the Articles of Association, amounting to an amount between 700.000.000 € and a maximum of 1.200.000.000 € belong to category B.

Non-Insured Members

Members having not fulfilled the obligation to take out at least one insurance policy but are likely to do so have the status of Non-Insured Member.

- Pre-Capitalized Non-Insured Members or Supportive Members

These Members take part in the constitution of the starting fund or of the guarantee fund with an amount fixed by the Board of Directors on the terms lay down by the General Meeting.

- Non-capitalized Non-Insured Members

These Members have not taken part in the constitution of the starting fund or of the guarantee fund.

c) Members Meeting

ELINI encourages its Members to participate at the Members Meetings. To facilitate this, agendas and all other relevant information are sent in advance of the Members Meetings. During the meeting, the Board of Directors presents a management report and financial overview of the latest financial figures.

Yearly there two Members Meetings can be organised, one usually held before the Annual General Meeting (AGM) and another in the second half of the year. As the AGM according to Article 11 § 1 of the Articles of Association must meet on the last Thursday of April, the Members Meeting and the Annual General Meeting are organized often on the same day.
Meeting are organized often on the same day.

2. Fit & Proper, external functions and transactions with Governing Bodies

2.1. Fit & Proper

a) Policy

Annually, ELINI updates and discloses a fit & proper policy to the NBB. Two standards of evaluation are at the center of the fit and proper policy:

1) Expertise (« fitness »):

A person is considered as being expert ("fit") for a specific function when he / she combines knowledge and experience, skills and the professional behaviour required for the function in question.

2) Professional worthiness (« properness »):

The professional worthiness concerns the honesty and the integrity of a person. A person is considered as professionally honorable (" proper ") in the absence of indicating elements the opposite and when there is either no reason for questioning reasonably the good reputation of the person involved. In other words, we can leave the principle that the person will execute in an honest, ethical and integrate way the task which is confided to him (her).

All people occupying critical functions in ELINI are aimed by this policy. By critical function we understand:

- The members of the Board;
- The members of the Executive Committee;
- Four key functions defined in the Directive Solvency II: Actuarial, Compliance, Risk Management and Internal Audit Function.
- Any other function which ELINI would estimate as critical for the smooth running of the company either internal or external.

Critical functions should have the necessary professional expertise, the skills and the worthiness to be able to perform their functions. The same requirements apply to the holders of any critical outsourced function.

b) Implementation Process

"Fit and proper" implies a thorough process of evaluation which allows to obtain, by means of various relevant elements, the most complete possible image of the capacity of a person for a determined function. The evaluations concerning, on one hand, the expertise and, on the other hand, the professional worthiness of a person, are complementary.

The available information which can support a "fit and proper" file is always used and balanced according to their relevance and to their importance compared with the responsibilities. Several weighting factors allow not granting the same importance for all the elements of the case. ELINI takes into account following weighting factors:

- The gravity of the information in the light of the objectives of the prudential control
- The seniority of the information
- The attitude and/or the motivation of the concerned person with regard to the information
- The combination of available information

A global overview of histories and available information allows to obtain a less static and precise image of the functioning of the person. The combination of the information gives an idea of the way of functioning and/or the carelessness of a person and can lead to the conclusion that the interested is not considered (any more) as being capable or has to improve its expertise on a very precise point.

The evaluation of capacity takes place as in principle before the entry in a function or during a change of function.

2.3. Loans, credits or guarantees and insurance contracts for Governing Bodies

a) Process for monitoring transactions with Governing Bodies

There are currently no loans, credits or guarantees and insurance contracts granted to Members of the Board of Directors or Executive Committee.

3. Risk Management System, ORSA process and risk management function

3.1. Risk Management System

a) Framework for risk appetite and tolerance limits

The appetite for risk represents the underlying foundation of any effective Risk Management System. Understanding risk appetite helps Boards and managements to make better strategic and tactical decisions. It enhances understanding of Board and stakeholder expectations and enables risk-reward decision-making. It reduces the likelihood of unpleasant surprises.

The ability to take on risks is determined by more than just a capacity to absorb losses. The ability to manage risks based on skill sets and experience, systems, controls and infrastructure is also crucial. Understanding risk appetite helps in the efficient allocation of risk management resources across a risk portfolio, and may enable the pursuit of business opportunities that, without an understanding of the appetite, would otherwise be rejected.

The Risk Appetite Framework (RAF) is defined as being the overall approach, including policies, processes, controls, and systems, through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF has been developed to articulate the level of risk that the Board is willing to accept in order to achieve the overall strategic objective.

The RAF contains the following characteristics:

- Identification of the key areas used to measure the success in achieving its overall objectives. These have been determined as free reserves, underwriting results, solvency, liquidity and reputation. These are referred to as “Dimensions” in this report;
- Quantification of the risk appetite attributed to each of the areas above, where quantifiable;
- Risk Profile (Risk Log): all of the risk faced by ELINI are identified, shortly described and categorised;
- Integration and control of the risk appetite through the Association;
- Dashboard.

We define the risk appetite as being the nature and quantity of risks that ELINI is ready to accept or to tolerate in the pursuit of its strategic objectives, taking into account the expectations of the stakeholders.

The risk tolerance defines the maximum amount of risk (bearing activities) needed to achieve all the organisational strategic objectives while simultaneously remaining compliant with the stakeholder’s expectations.

The risk target is the optimal risk level to achieve the strategic objectives with respect of the tolerance limits.

b) General risk management policy

ELINI assumes risk to generate an adequate return on capital. The success of its business model therefore depends materially on its ability to manage risk. ELINI considers the implementation of a suitable and effective Risk Management system as a strategic imperative not only to meet increasingly changing regulatory requirements but also to gain a competitive edge by improving its understanding of its own risks and overall solvency needs.

As an integral part of ELINI's business cycle, the Board shall approve the Risk Strategy and issue a Statement of Risk Appetite. "Risk" is defined as the degree of uncertainty with respect to achieving planned goals and targets and equally encompasses the probability of loss or gain. The Risk Strategy, including the Statement of Risk Appetite shall be clearly reflected in the agreed business targets, financial budgets, underwriting guidelines, and operational plans.

The Board delegates to the Executive Committee the responsibility of implementing adequate risk management processes and policies to ensure risk management is correctly embedded within all operations and in all departments. The Board and Executive Committee are assisted in this task by the Risk Manager and Risk Committee.

A Risk Management Policy documents ELINI's internal Risk Management guidelines that staff members are required to observe when exercising their day-to-day responsibilities. The purpose of the Risk Management Policy is to establish a Risk Management framework that enables ELINI to achieve an accurate and timely understanding of (1) the nature, materiality and sensitivity of the risks to which it is exposed, (2) its ability to mitigate and manage them, and (3) to deal with them should they fall outside the stated Risk Appetite and agreed risk tolerances and limits. ELINI's Board owns the Risk Management Policy. As such, the Board is responsible for the approval of any periodic changes and revisions introduced to this document.

ELINI's Risk Management Policy, its Risk Management System and ORSA are to be reviewed by the Board at least annually. The review will be based on input provided by the Risk Manager and Senior Management. More regular reviews may be undertaken when required or when there is a material change in the business or risk profile of ELINI or where a risk issue which raises doubts about the effectiveness of the Risk Management System has been identified.

The Executive Committee is informed at least monthly. The Risk Management function will annually disclose a risk management report as well as for the year to come a risk management plan.

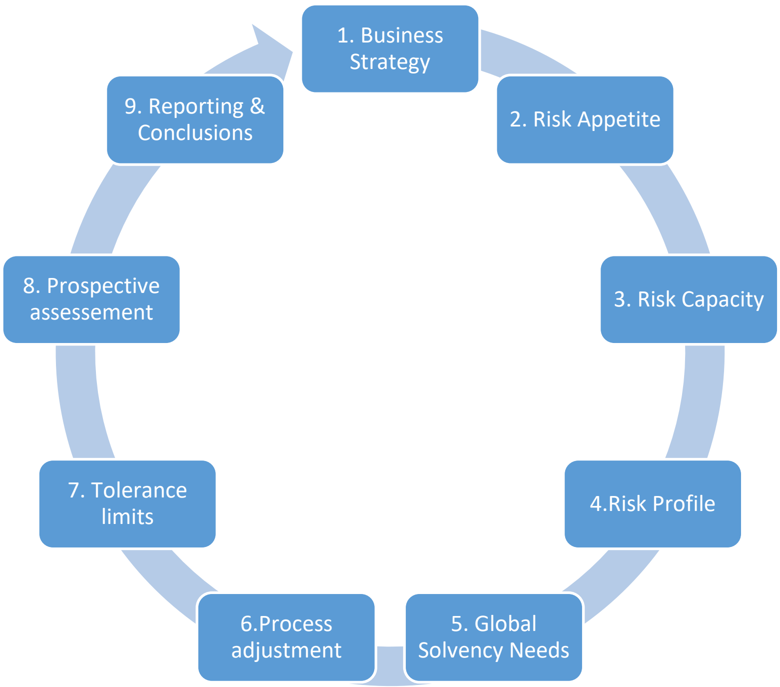
The Executive Committee will report to the Board at least yearly on its assessment of material risks and on any significant changes to the overall risk profile of the company including actions being taken to mitigate or control key risk exposures. It reports also on the failures in relation to the risk appetite and precises if that is an asset or a liability breach.

3.2. ORSA process

a) ORSA policy

The ORSA process seeks to draw together considerations of risk, capital and returns within the context of the overall business strategy, both in the present and forward looking, providing a holistic view of the capital, risk and return over the forecast period.

The process is iterative, as outlined below:



The ORSA process is used to:

- Ensure there is sufficient capital available to meet the current business requirements (Solvency II compliance);
- Determine the supplementary capital required to meet the growth and diversification plans and other strategic decisions;
- Ensure that any risks that exceed the risk appetite are identified, assessed and if required the remedial action plan in place;
- Provide assurance to the Board, financial regulators and other stake holders that risk management and capital planning processes are embedded within the business.

The adjustments are the result of exchanges between management and the Board, while operational limits are developed jointly by the risk taker and risk management function.

We must therefore expand and review some future scenarios (defined in terms of the most significant risks), to change the risk parameters and compare the different risk margins and the respective capital requirements and then take recapitalization measures or risk mitigation if necessary. We are then able to conclude whether the tolerance limits are exceeded and whether measures should be taken.

It is important that the ORSA process is a continuous reiterative process which is embedded within the business decision making and strategy setting process.

ELINI performs an ORSA at least annually or when the risk and solvency profile change significantly. The risk profile is continuously monitored against the risk appetite and periodically reported by Risk Manager.

b) Implementation process

The overall purpose for the ORSA assessment is to ensure that we can continuously meet our current and planned future regulatory targets and internally set capital target, in the face of planned changes to the risk profile and business plans as well as expected development in the external environment.

As a management tool, it is designed to embed risk awareness within the business culture and decision making. It is an integral to the successful delivery of the overall strategic plan as it provides the management with a good understanding of the risk it is assuming and the capital required to cover those risks. It must be treated as a management process rather than a compliance exercise.

The targeted Solvency ratio under Solvency 2 for the next 3 years is minimum 149 % including eligible tier 1 and eligible tier 2 ancillary own funds.

TIME HORIZON
The time horizon of the ORSA is fixed to 5 years, same horizon as used in the strategic business plan. The strategic business plan is the Base scenario of the forecasted P&L and Balance Sheet. For the solvency projections in ORSA use will be made of best estimates, market value balance sheet and SCR from Pillar I calculations as starting point.

SCENARIO - STRESS TESTS
The Strategic Business Plan (SBP) figures will be used for projection of the technical provisions and cash flows in and out. The calculation of the projected SCR can then be done. The final result is the “Base Case” and gives the expected capital needs/surpluses.

Besides the base scenario, we analyse also the effects of adverse developments on its solvency position. This is done with the help of scenario analysis and stress testing: we define scenario analysis as assessing the impact of a combination of factors. Stress testing is an extreme scenario that crosses the boundaries of the SCR-MCR. By applying scenarios, we want to:

- Address the main risk factors we may be exposed to;
- Address specific vulnerabilities (regional, sectorial characteristics, specific products or business, …);
- Contain a narrative scenario which includes various trigger events;

A range of scenarios are considered encompassing different events and degrees of severity:

- normal business scenarios
- more pessimistic scenarios
- stress scenarios
- reverse scenarios

Concerning stress testing, we have our own guidance:

- We regularly review the stress testing program and assesses its effectiveness;

- The stress testing program is used as a risk management tool supporting business decisions and actions;
- We perform sensitivity analysis for specific risks, if necessary;
- Reverse stress testing, of issues that threaten the viability of the company, are also analysed.

USE OF THE ORSA RESULTS

A part of the ORSA is the determination of the capital needed to manage the business. The results of ORSA are used for:

- Yearly evaluation of the risk appetite framework in relation to the capital position and the strategy;
- Start the strategic business plan with the most recent capital assessment;
- Monitoring capital position from regulatory, rating agencies and internal angle;
- The assessment of the target and realized solvency ratios;
- An analysis of the evolution of the capital position and the forecast of eventual funding requirements on the horizon period.

MANAGEMENT ACTIONS

We use also the results of the ORSA to take management actions:

- Hold the risks
- Mitigate the risks
- Transfer the risks
- Terminate the risk generating activity

FREQUENCY OF THE ORSA AND TRIGGERS

We perform an ORSA at least annually and an update when the risk and solvency profile change significantly. The risk profile is continuously monitored against the risk appetite and periodically reported.

The first step in the ORSA is to determine if the information used in the last ORSA is still up to date:

- Any material changes in the business strategy?
- Any changes in the risk appetite?
- Has the risk profile changed?
- Analyse the capital position and the quality of capital (classification in tiers);
- Analyse the appropriateness of the model (standard model) for representing the risk profile.

Examples of trigger for updating the ORSA:

- An event that significantly changes risk profile
- A significant change in the financial markets that has a big impact on the value of the asset portfolio
- A significant change in regulation

The decision of performing an update of the ORSA is taken by the Executive Committee.

REPORTING

An annual ORSA Internal Report will be produced by the Risk Management Function. This report will contain at least information on:

1. Risk Profile
2. Key Observations

3. Risk Assessment
4. Regulatory Capital Requirements
5. ORSA Capital Requirements

This report will be discussed at different levels:
- First level: the report will be pre-discussed in the Risk Committee
- Second level: the resulting ORSA report will be approved by the Executive Committee
- Third level: finally, the report will be discussed and the sign off will be given by the Board of Directors.

QUALITY REVIEW
The quality review is conducted by the Internal Audit. The quality review will treat at least the following aspects:
- The ORSA policy
- The ORSA process
- The methods used
- The outcome of the ORSA and the follow-up of management actions

The following criteria will be judged to assess the quality:
- Training and experience of staff involved
- The cooperation between key functions: actuarial function, risk management, compliance, internal audit
- The involvement of management.

3.3. Risk Management Function

The Risk Management Function, is responsible to maintain an enterprise-wide aggregated view on ELINI's risk profile and operate its Risk Management System, monitors and reports to the Risk committee on actual risk exposures in comparison to Risk Appetite, Risk Tolerance and solvency requirements as set by the Board.

The Risk Management Function, objectively and free from the influence of other parties, is responsible for:
- implementing appropriate methodologies and procedures to assess ELINI's risks and solvency position ensuring their assessment is consistent with prevailing professional standards and regulatory requirements.
- implementing appropriate methodologies and procedures for risk assessment including Risk Policy and Risk Strategy.
- Reporting details of material risk exposures and advising the Board, Executive Committee and senior management with regard to risk management matters including the Risk Appetite, risk tolerances and risk limits.
- Monitoring risk aggregations (and diversifications) across lines of business, geographies, risk types and categories, etc.

A Risk Committee is established by and among the Board of Directors to properly align with Management as it embarks a risk management program. The primary responsibility of the Risk Committee is to oversee and recommend the Mutual-wide risk management practices and appraise the effectiveness of the risk management function. The Risk Committee has a charter at its disposal properly explaining its role and responsibilities.

The Board retains the ultimate responsibility for defining the ELINI’s Risk Strategy and Risk Appetite by setting the overall levels of business risk that are acceptable and approving its Risk Strategy having regard to generally accepted principles of prudence as well as prevailing legal and regulatory requirements.

More information on the working of risk management can be found in the Risk Management Policy and internal Control Policy.

4. Organizational structure, internal control, compliance function, integrity and IT infrastructure

4.1. internal Control System

a) Identification and assessment of the risks

The permanent control system has to lean on an analysis and a measure of the risks, regularly updated, by every person in charge of business units (which are risk owners).

Every stakeholder within ELINI has an internal control responsibility. The Board of Directors is responsible for promoting a high level of integrity and for establishing a culture within the Association that emphasis and demonstrates to all levels of personnel the importance of internal control. Management is responsible for the implementation of the internal control principles. It is therefore essential that everyone included all personnel, understand the importance of internal control and engage actively in the process according to their responsibilities and specific duties.

In establishing and maintaining an effective system of internal control, ELINI assess both the internal and external risks that it faces as well at the level of the Brussel's headquarter, as at the level of the branch in Switzerland. Assessment includes the identification and analysis of all significant risks that the mutual is exposed to. Once the Association has identified and analysed its risks, an annually evaluation of the effectiveness of our control system is performed. If required, further actions will be undertaken to mitigate the risk. A signed and dated self- assessment declaration by the risk owner or manager in question provides a detailed report on risk exposures and advise on risk-management matters.

For the identification and description of risks, ELINI has focused on key risks and on management related controls that mitigate those risks. ELINI's key risks definitions are based on existing information such as different control reports and regularly self-assessments. To lead to an efficient identification of those controls, interviews were conducted with every member of the Management. All this information has come together in a working document referred to as ELINI's risk log.

The risk log identifies ELINI's key risks. The management crosschecks the type of risk with existing control measures to see how they are currently mitigated. This exercise is performed at the end of each year and in preparation for the year to come.

In the risk log, ELINI additionally estimates the potential loss given default of each risk category in case the risk should occur. In order to quantify each individual risk, ELINI therefore combines two parameters which are the probability of occurrence and the (financial) loss impact. Furthermore, an evaluation is made on the effectiveness of the current controls so that the Association can target threats and plan actions were needed.

Each person in charge receives yearly a personal self-assessment form enumerating all risks falling under his authority. This form allows him to analyse and evaluate his control measures on risk and, if needed, plan action. Further, the person in charge declares that his self-assessment has been completed to his best ability before dating and signing off the document.

Finally, ELINI emphasises that risk awareness is a priority of every member of staff.

Policies and procedures

Policies and procedures are instruments of organization and control that contribute to the realization of the fixed objectives. They have to be in adequacy with the various identified, easily accessible risks and be the object of a communication and adequate trainings. They must be updated also regularly. The risk owners are responsible for the maintenance of processes and procedures.

Control plans

By "control" of course it is a question of supplying the assurance of the conformity of the operations and the processes with one or several standards or rules, as well as the good implementation of the procedures. In a general term, it indicates any measure taken by the management, the internal or external auditors or the other parties to manage the risks and increase the probability that the purposes and the fixed objectives will be reached. The risks so identified that we want to master give rise to the implementation of controls, automated or not, among which the intensity and the rhythm are proportioned at the level of incurred risk.

Control processes occur throughout the entire organisation, at all levels and in all functions, since everyone in ELINI bears responsibility in internal control. Focus will be on "at the top" perspectives, but adequate controls must exist and understood in all departments and by all employees with access to control mechanisms. ELINI uses the four eyes principle to protect itself against mistakes and dishonesty in day-to-day management and outgoing payments and communication.

The Executive Committee takes all necessary internal control measures to ensure that all the divisions of the Association have job descriptions with clear responsibilities. The Executive Committee is responsible for implementing the risk management strategy and designing the structure so it is integrated into the organisational structure.

Management is charged with the maintaining of the internal control systems. Every manager establishes in his department policies and procedures in order to secure that the internal control directives are carried out and that there are sufficient tools for monitoring. Those procedures are gathered in a global Internal Procedure Manual. A manager will regularly monitor whether his procedures are working by periodic checks and balances such as testing of the system, supervision of day-to-day operations, auditor reviews, staff meetings etc. This gathering of information helps him in evaluating if procedures are sufficient and understood by all applicable personnel. Evaluating his staff, a manager determines as to what their jobs are, what their limitations are and where personnel lacks formation.

Reporting and recommendations

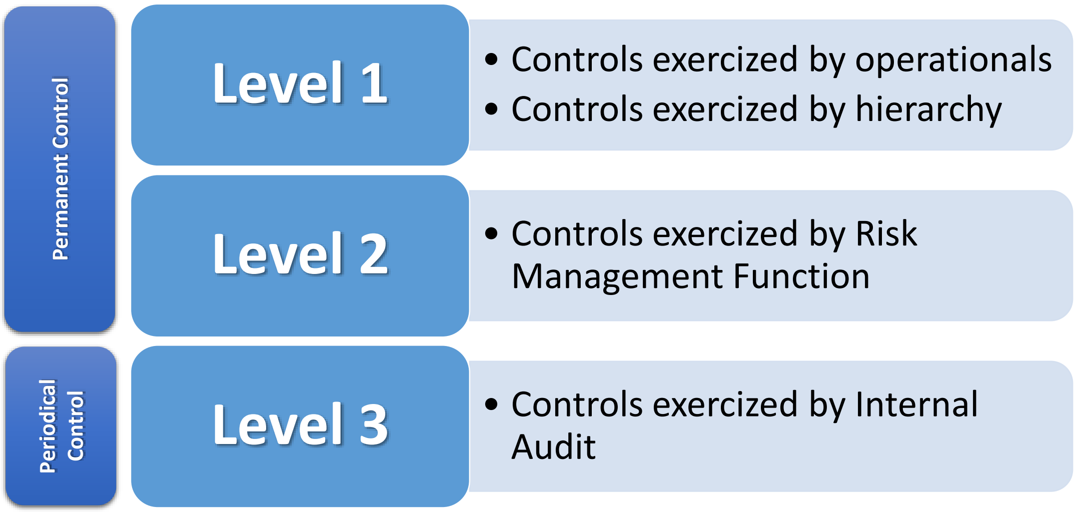
The reporting is the responsibility of the Risk management function.

Further to a report on a situation of failure or inefficiency or an evolution of the permanent control, various participants can emit a recommendation (the Supervisor, the Statutory Auditor, the Internal Auditor) or introduce an action of correction / prevention. The impulse of actions of correction or prevention and their follow-up are the current responsibilities of the management. The level of formalization in the action plan possibly implemented and its follow-up must be proportioned at the incurred risk, at the difficulty of implementation, at the desire at the risk of the Mutual.

Piloting, action, arbitration

Every person in charge examines regularly the business unit he is responsible for in order to enhance the control system, in particular the procedures, the controls or the monitoring systems of the risks. These decisions also include the organization and the affectation of means in resources (human or computing).

The piloting by the person in charge also has to take into account the contributions of the periodic control and those of the external audit and the Supervisor, of which in particular all the recommendations and the proposals concerning the permanent control system.



4.2. Compliance Function

The Compliance function is in ELINI executed by the Compliance officer. The Compliance officer makes proposals as regards the integrity policy to be followed by the Association and submits them for approval to the Board of Directors. He acts as an adviser to the Executive Committee on the measures to be taken within the context of integrity policy and applicable law, to ensure the development of the entity's integrity code.

The responsibility of the Compliance function is to proactively:

1. identify, assess and monitor the compliance risks faced by ELINI: in particular the most important mission of the Compliance officer is to master the legislative and statutory environment and to watch his respect by ELINI
2. assist, support and advise management in fulfilling its compliance responsibilities

3. advise any employee with respect to their (personal) compliance obligations thereby helping ELINI to carry on business successfully and in conformity with external and internal standards.

The task of the Compliance officer is not limited to analysing the situation, identifying a solution and giving advice to management. The Compliance officer must continue to pursue the matter until a satisfactory solution has been fully implemented. If necessary, the actions taken should include escalating the issue to a higher level.

The Compliance function activities includes:

- Identification and prioritization of potential compliance risks leading to damage to ELINI’s reputation, legal or regulatory sanctions, or financial loss to safeguard the Mutual’s reputation, the members of its legal organs of administration, the management, the employees, and in particular the rules of integrity and ethics. The function also includes assessing the possible impact of any changes in the legal environment on the operations of the insurance undertaking, and the identification and evaluation of risk of non-compliance
- Development and implementation of risk mitigating measures, including clear standards, procedures and guidelines (Business Standards – see point 2) to prevent, mitigate or minimise (important) compliance risks and to detect, report and respond to compliance violations.
- Risk monitoring
- Incidents management: reporting in the ad-hoc tool, initiate and drive appropriate action
- Training and education of personnel where needed
- Implementation of the Compliance policy and minimum standards
- Leading the relationship with the supervisor in compliance related matters.

Material compliance incidents are periodically reported.

The incidents can fall in one of the following categories:

1. Internal Crime and Fraud (e.g. internal fraud by employee)
2. External Crime and Fraud
3. Business Product Malpractice (e.g. misspelling/misleading a Member)
4. Employment Malpractice (e.g. harassment by ELINI’s employee)
5. Unauthorised activities (e.g. activities adverse to ELINI’s Business Standards)
6. Control failure (e.g. incorrect or late filing of regulatory report)

Independence

The Compliance function is a key function and must be fit and proper. Therefore, the Compliance function is independent of operational functions within ELINI and has the prerogatives and resources necessary for the proper performance of their duties. The remuneration of the Compliance function is set according to the objectives linked to this function, independent of the performance areas of controlled activities. To avoid potential conflicts of interests will report directly to the Executive Committee and the Board of Directors.

The compliance officer has the widest access right to the information. He benefits from the largest right of initiative. The compliance officer can rely on a Charter in which is explained the responsibilities and duties of the Compliance function.

Reporting & planning

A yearly compliance report and plan is provided to the Board and Executive Committee in which key risks, major developments and issues and compliance incidents are brought to attention, including recommendations for follow-up. The report is also disclosed to the Members on the Members meeting and to the Supervisor. The plan will contain focus points for the year to come.

If needed, the Executive Committee or Board gives new or complementary missions to the Compliance function.

Key function

The compliance officer works in parallel with the internal auditor, risk manager and the actuarial function who communicate him his notices on the contractual, statutory and regulatory measures.

Escalation procedure

In case of blocking, the compliance officer has the obligation to inform immediately the Chairman of the Board, and the internal and external auditors.

Capabilities

In case of replacement of the Compliance function, ELINI will inform the supervisor, motivate her decision and wait for confirmation before appointing his successor.

5. Internal Audit Function

Object

The Internal Audit function constitutes a function of independent evaluation within ELINI charged to examine and to estimate the efficiency and the management of its activities. The objectives of the Internal Audit function are to assist the Management of the Association and the Board in the effective fulfillment of their responsibilities by supplying analyses, evaluations, recommendations, advices and information about the examined activities and by promoting an effective control to a reasonable cost.

The Internal Audit function is controlled by the Board and its responsibilities are defined by the Audit Committee of the Board, as being part of the control function.

Professional standards

The staff of the Internal Audit, either the internal staff, or the staff of an outside consultant, will conform to the "Code of ethics" of the Institute of the Internal Audit. The "Standards for the Professional practice of the Internal Audit" and the "Definition of the Responsibilities" will constitute the procedures of functioning of the department.

Furthermore, the Internal Audit will conform to guidelines and to procedures of ELINI as well as to the "Internal Audit charter".

The Internal Audit function is considered to be a key function and has to be fit and proper. Therefore, the Internal Audit function is independent of operational functions within ELINI and has the prerogatives and resources necessary for the proper performance of their duties. The remuneration of the Internal Audit function is set according to the objectives linked to this function, independent of the performance areas of controlled activities.

Powers

Powers are granted to the Internal Audit function to guarantee a total, free and unlimited access to files, to material properties and to staff concerned by any examined function. All the employees are asked to give assistance to the Internal Audit function in the execution of its function. The Internal Audit function will also have a free and unlimited access to the Chairman of the Board and to the Audit Committee. Documents and information given to the Internal Audit function during a periodic examination are treated in the same careful way that by the employees who are normally responsible for it.

Organisation

Within ELINI, the function of Internal Auditor has been outsourced. However, there is sufficient experience within the Board to challenge the findings of the Internal Auditor. The Internal Auditor is nominated by the Board for a period of 3 years. To insure his/her independence, the Internal Auditor reports functionally and administratively to the Managing Director and to the Audit Committee as representative of the Board. Periodical monitoring by the management is implemented in order to verify if the Internal Audit and internal control processes are still functioning correctly.

Independence

No element within ELINI can influence the activities of Internal Audit, included the business within the framework of the audit, the procedures, the frequency, the timing or the contents of the reporting to guarantee an independent attitude and free objective reports.

The Internal Auditor will not assume either operational responsibilities or powers in connection with the activities which they examine. Besides, they are not authorised to develop or to promote systems or procedures, to prepare files or to make a commitment in any activity normally subject to an audit.

ELINI enables the person responsible for the Internal Audit to exercise his function in an objective and independent manner and this at every level of the Mutual. Periodical monitoring by the management is implemented in order to verify if the internal audit and internal control is still functioning correctly.

Audit field

The scope of work of the Internal Auditor is to determine whether ELINI's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and sufficient. The responsibilities of the Internal Auditor are further explained in the Internal Audit Charter.

The key role of the Internal Auditor is to assist the Board and the Audit Committee in discharging its governance responsibilities by delivering:

- An objective evaluation of the existing risk and internal control framework
- Systematic analysis of business processes and controls
- A source of information on irregularities and unacceptable levels of risk
- Reviews of the compliance framework and specific compliance issues.
- Evaluations of operational and financial performance
- Recommendations for more effective and efficient use of resources
- Feedback on the values and ethics of the association

Audit planning

The Internal Auditor starts at the end of year -1 by informing the Audit Committee of the issues and objectives he will focus on for the coming year.

Internal audits take place at the various divisions of the Mutual at regular times but at least twice a year.

Reporting

The audits are executed by an external person who will write down his observations in a report for the Audit Committee. This report, if necessary with comments from the Audit Committee, is finally presented to the Board. Yearly the Executive Committee reports to the Board on Internal Audit. The report is also disclosed to the Supervisor.

The person in charge of the Internal Audit can include in the audit report the reactions and the taken corrective actions or to take taking into account the conclusions and the recommendations. The remarks of the Management should include a schedule of completion of the actions to be taken and an explanation for any retained recommendation.

In case the internal audit report contains any remark, the management of the audited department will react, in writing, prior to next session of the Internal Auditor. The Internal Auditor will be responsible for the appropriate follow-up of the conclusions and the recommendations inherent to the Audit.

6. Actuarial function

The Actuarial function is in charge of the control on the calculations made by the ELINI and to give a level of comfort to the Board of Directors on actuarial processes.

In accordance with Article 48 (2) of the Solvency II Framework Directive, the Actuarial function is carried out by a person who has knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business and who is able to demonstrate their relevant experience with applicable professional and other standards.

The Actuarial function is a key function and must be fit and proper. Therefore, the Actuarial function is independent of operational functions within ELINI and has the prerogatives and resources necessary for the proper performance of its duties. The remuneration of the Actuarial function is set according to the objectives linked to this function, independent of the performance areas of controlled activities.

According to article 48 of the Directive Solvency II and based on the work of the Actuarial function has the following responsibilities:

Coordination of the technical provisions calculation

Control of the methodologies and hypotheses used for the calculation of the Best Estimates.

The Actuarial function must reveal any incoherence compared with the requirements defined to articles 76 - 85 of the Solvency II directive for the calculation of the technical reserves and proposes, if necessary, corrections.

Control and explanation of the evolution of the Best Estimates

According to the article 48 of the Solvency II directive, the Actuarial function has to explain, between two calculation dates, any importing effects on the technical amount of reserves due to the change of data, methodologies or hypotheses, if these technical reserves are already calculated on basis of the Solvency II directive.

Control the data quality

The Actuarial function estimates the coherence of the internal and external data used in the calculation of the technical reserves compared with the quality standards of the data defined in the Solvency II directive. If necessary, the Actuarial function should supply recommendations as for the internal procedures to improve the quality of the data to guarantee that the Mutual is capable of meeting the requirement of the directive.

Advice on the underwriting and reinsurance policies

The Actuarial function has to express her opinion on the Underwriting policy and on the Reinsurance policy of the Mutual.

When the Actuarial function expresses an opinion on these policies, it should consider the links between these and the technical reserves.

The Actuarial function shall analyse the calculations of BE, express an opinion and make recommendations to the Board of Directors and Executive Committee in the actuarial report.

Particular responsibilities

The Actuarial function shall guarantee the compliance of the management process with the outsourcing policy.

The Actuarial function shall contribute to a fluent relationship with Statutory Auditor and Supervisor.

7. Outsourcing

a) Policy

ELINI updates and discloses yearly an outsourcing policy to the NBB. The respect for this policy is compulsory every time a subcontracted activity can have a significant influence on the functioning of ELINI. The activity, the service or the process are assessed by:

- Strategic impact: The concerned activity is inherent to the status of ELINI;
- Significant impact on the control of the risks: the realisation of the tasks linked to the concerned activity implies significant risks and/or affects directly the control of the risks;
- Significant impact on the budget or the financial results: the realisation of the tasks linked to the concerned activity represents a significant cost and/or products a significant financial result.

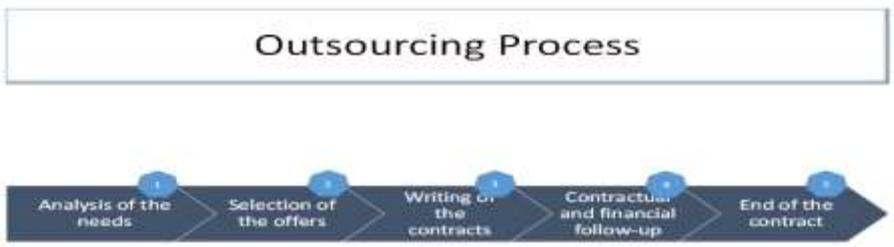
More information can be found in the Outsourcing Policy of ELINI.

b) Staffing of supervision

The subcontracting reduces in no way the responsibility of the Executive Committee and the Board of ELINI whether regarding the Members, Supervisory Authorities or other shareholders ELINI has to keep ultimate responsibility of its activity.

For any subcontracted essential activity, the Executive Committee of ELINI will appoint in house a person in charge of the subcontracted function to whom it will delegate the correct application of the present policy. This person will be in charge in particular of defining the contents of the subcontracting, the necessary internal resources, the interfaces between the parties, the controlling of the subcontracting, the establishment of the assessment of the subcontracted function (economic profits vs risks) and the reporting to the Executive Committee.

The subcontracted organization of the outsourced function will have to allow a permanent control of the provider. The subcontracted organization will have in particular the obligation to raise any operational incident having an impact on the subcontracted activities, as well as in emergency situation. The process of subcontracting is resumed in the plan below. Each of the stages of the process is explained in the outsourcing policy.



8. Other relevant governance domains: Swiss Branch

ELINI opened a Swiss branch as required by Swiss Supervisor FINMA. Currently, ELINI is applying for a license.

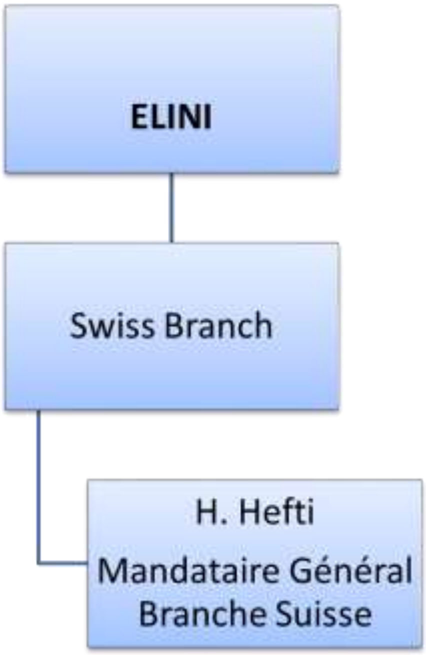
For the Swiss Branch, the Swiss technology regulations is followed up by the Swiss Branch Manager as well as the Compliance Officer and IT Manager from ELINI.

During the monthly Executive and Management meeting, the Swiss Branch Manager is represented and Swiss IT – Legal – Compliance processes are a permanent topic on the agenda for follow up.

ELINI is following carefully the European Data Protection Regulation and is compliant with it. The Swiss Data Protection Regulations is almost identic to the European GPDR regulations, and for that reason we are confident that also the Swiss Branch that only has one portable pc with no stand-alone IT system in Switzerland but with is working directly on the protected environment of the Brussels office is compliant with all IT regulations in place.

Although the Swiss Branch does not have to comply with the Swiss Solvency Test, ELINI itself is fully compliant with the Solvency II regulation which are equivalent to the SST.

Financial and non-financial reporting is mostly prepared by ELINI but is always checked by Swiss Branch Manager and audited by the Swiss Statutory Auditor. The actuarial report including the Market Value Margin is drafted by the Swiss appointed Actuary.



9. Status of the SFCR and date

For practical reasons, the SFCR is written in a masculine version where we often use words as he or his. In ELINI, where we believe in equal rights, it is not more than normal that those words can be used if appropriate in their feminine form.

A Mutual is always changing. To avoid continuous and minor adaptations to the SFCR, the Executive Committee yearly evaluates and updates the SFCR where necessary. A minimal improved version is too insignificant to be presented to the Board of Directors. However, major modifications that have a structural impact on the organization will have to be approved by the Board of Directors. Their consent will be expressed by the signature of the Managing Director.

Drawing up date	02-04-2019
Latest assessment Executive Committee	15-04-2019
Brought to the Board	06-06-2019

Approved by,

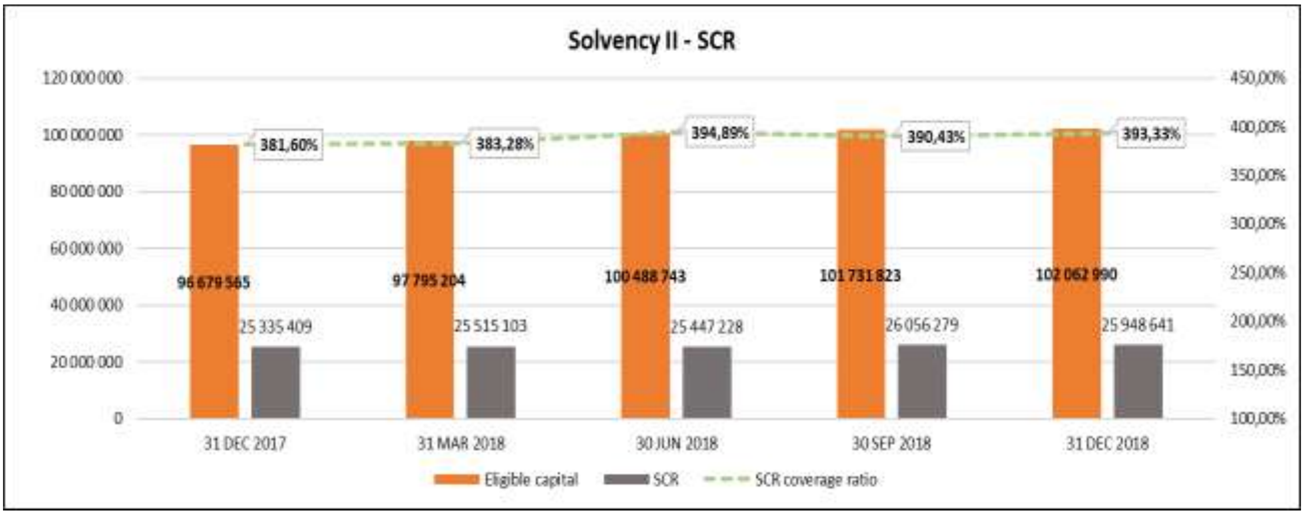
D. Vanwelkenhyzen
Managing Director

Marleen Vercammen
Finance Manager

ANNEX

1. Annex 1: SCR evolution

	31 DEC 2017	31 MAR 2018	*Change to 31 DEC 2017*	30 JUN 2018	*Change to 31 MAR 2018*	30 SEP 2018	*Change to 30 JUN 2018*	31 DEC 2018	*Change to 30 SEP 2018*
SCR	25 335 409	25 515 103	*+1%*	25 447 228	*-0%*	26 056 279	*+2%*	25 948 641	*-0%*
Eligible capital	96 679 565	97 795 204	*+1%*	100 488 743	*+3%*	101 731 823	*+1%*	102 062 990	*+0%*
surplus	71 344 156	72 280 101	*+1%*	75 041 515	*+4%*	75 675 544	*+1%*	76 114 349	*+1%*
SCR coverage ratio	**381,60%**	**383,28%**	*+2%*	**394,89%**	*+12%*	**390,43%**	*-4%*	**393,33%**	*+3%*



2. Annex 2: Valuation BEGAAP- SII

EUROPEAN LIABILITY INSURANCE FOR THE NUCLEAR INDUSTRY

BALANCE SHEET AS OF 31 DECEMBER 2018

(Currency - Euro)

ASSETS	BE Gaap	Solvency II	Difference	
C. Investments				
III. Other financial investments				
1. Parts in investment funds	98 163 177,90	97 845 061,59	- 318 116,31	
2. Bonds and other fixed interests	0,00	0,00	+ 0,00	
6. Term depositos	100 956,95	100 957,43	+ 0,48	*(5)*
	98 264 134,85	**97 946 019,02**	**- 318 115,83**	*(1)*
D. bis Part of reinsurers in the technical reserves				
I. Reserve for non-earned premiums and current risks	73 521,18	0,00	- 73 521,18	
III. Reserve for claim receivable	1 859,66	0,00	- 1 859,66	
	75 380,84	**0,00**	**- 75 380,84**	*(2)*
Reinsurance recoverables (Solvency II regime)				
Premium provisions - Total recoverable from reinsurance	0,00	73 597,72	+ 73 597,72	
Claims provisions - Total recoverable from reinsurance	0,00	1 398,80	+ 1 398,80	
	0,00	**74 996,52**	**+ 74 996,52**	*(2)*
E. Receivables				
I. Receivables resulting from direct insurance	41 465,47	41 465,47	+ 0,00	
1. Insurers	32 619,87	32 619,87	+ 0,00	
2. Intermediaries	8 845,60	8 845,60	+ 0,00	
II. Receivables resulting from reinsurance	5 442,00	5 442,00	+ 0,00	
III. Other receivables	306 513,75	306 513,75	+ 0,00	
IV. Subscribed capital, not paid	4 048 312,00	926 976,00	- 3 121 336,00	
	4 401 733,22	**1 280 397,22**	**- 3 121 336,00**	*(3)*
F. Other assets				
I. Tangible assets	499 330,50	499 330,50	+ 0,00	
II. Liquidities	5 193 026,74	5 198 822,76	+ 5 796,02	*(5)*
	5 692 357,24	**5 698 153,26**	**+ 5 796,02**	*(4)*
G. Transitory accounts				
I. Interests and rent & other transitory accounts	94 986,61	3 210 526,12	+ 3 115 539,51	
	94 986,61	**3 210 526,12**	**+ 3 115 539,51**	*(5)*
TOTAL ASSETS	***108 528 592,76***	***108 210 092,14***	***- 318 500,62***	

(1) Whereas investments are reported at their book value under Belgian GAAP,
the Solvency II regime takes into account multiple factors :
- the initial value of the investments is the market value at the reference date (= date of the balance sheet)
- possible shocks on the assets related to interest rate risk, equity risk, property risk, spread risk, currency risk and concentration risk
- accrued interest

(2) Provisions for reinsurance under the Solvency II regime are discounted to their net present value (NPV) at reference date and reported as "Reinsurance recoverables"

(3) No adjustments under Solvency II

(4) Tangible assets (excl. real estate) are valued at their book value both under Belgian GAAP as Solvency II.
Under Solvency II, the liquidities are valued at their nominal value including the accrued interests.

(5) Under the Solvency II regime, the amounts of accrued interests on assets are included in the value of the assets themselves.

BALANCE SHEET AS OF 31 DECEMBER 2018
(Currency - Euro)

LIABILITIES	BE Gaap	Solvency II	Difference	
A. Equity				
I. Subscribed capital or equivalent fund, net of uncalled capital				
1. Guarantee fund securities	72 504 497,08	72 504 497,08	+ 0,00	
V. Retained earnings including	-318 012,12	-318 012,12	+ 0,00	
1. Surplus (Deficit) of the period (Belgium)	0,00	0,00	+ 0,00	
2. Surplus (Deficit) of the period (Switzerland)	-79 171,90	-79 171,90	+ 0,00	
Reconciliation reserve (Solvency II regime)				
Asset adjustments (1) + (2) + (3) + (4) + (5)	0,00	-318 500,62	- 318 500,62	
Liabilities adjustments (8) + (9) + (10)	0,00	35 966 751,40	+ 35 966 751,40	
Technical provisions adjustment (7)	0,00	-2 650 410,04	- 2 650 410,04	
	72 186 484,96	**105 184 325,70**	**+ 32 997 840,74**	*(6)*
Technical provisions - non life (Solvency II regime)				
Best Estimate		834 776,21	+ 834 776,21	
Risk Margin		1 815 633,83	+ 1 815 633,83	
		2 650 410,04	**+ 2 650 410,04**	*(7)*
C. Technical reserves				
I. Reserve for unearned premiums and for unexpired risks	448 754,72	0,00	- 448 754,72	
III. Reserve for claims payable	397 887,28	0,00	- 397 887,28	
V. Reserve for egalization and catastrophes	35 120 109,40	0,00	- 35 120 109,40	
	35 966 751,40	**0,00**	**- 35 966 751,40**	*(8)*
G. Payables				
I. Payables resulting from direct insurance business	26 256,50	26 256,50	+ 0,00	
II. Payables resulting from reinsurance business	0,00	0,00	+ 0,00	
V. Other payables				
1. Fiscal and social payables				
a) Property tax and VAT	30 914,93	30 914,93	+ 0,00	
b) Social Payables	151 682,38	151 682,38	+ 0,00	
2. Other	71 417,92	71 417,92	+ 0,00	
	280 271,73	**280 271,73**	**+ 0,00**	*(9)*
H. Transitory accounts	95 084,67	95 084,67	+ 0,00	
	95 084,67	**95 084,67**	**+ 0,00**	*(10)*
TOTAL LIABILITIES	***108 528 592,76***	***108 210 092,14***	***- 318 500,62***	

(6) Under Solvency II, the own funds are calculated as the excess of assets over other liabilities.
and composed out of the capital and the reconcilation reserve
Non-eligible capital is cleared from the balance sheet (not mentioned as capital nor as reconciliation reserve)
The reconciliation reserve consists of the asset adjustments, liability adjustments and technical provision adjustments
(7) The technical provision is calculated as the sum of the Best Estimate (= discounted Premium and Claim reserves)
and the Risk Margin (= additional capital buffer to be calculated using a cost of capital of 6% p.a. and discounted at the risk-free rate.)
(8) Solvency II does not recognize technical reserves. These reserves are transfered to
- technical provisions (subject to calculation of shocks and to a discount factor)
- own funds (subject to calculation of shocks and to a discount factor)
(9) There is no distinction between the origin of the payables under Solvency II.
(10) Transitory accounts are valued at their nominal value under Solvency II

MCR & SCR RATIO - 31 December 2018				
Total Basic own funds			**105 184 325,70**	*(11)*
- Own funds Tier I		*104 257 349,70*		*(11a)*
- Own funds Tier II		*926 976,00*		*(11b)*
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds			**-3 121 336,00**	*(11c)*
Deductions for participations in financial and credit institutions			**0,00**	*(11d)*
Ancillary own funds			**0,00**	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0,00		**0,00**	
Eligible ancillary own funds			**0,00**	*(12)*
Total eligible own funds to meet the SCR (11a) + (11b) + (11c) + (11d) + (12)			**102 062 989,70**	*(13)*
Total eligible own funds to meet the MCR (11a) + (11b) with (11b) ≤ 20% of (16)			**102 062 989,70**	*(14)*
Solvency Capital Requirement (SCR)			**25 948 641,04**	*(15)*
Minimum Capital Requirement (MCR)			**6 487 160,26**	*(16)*
Linear MCR	930 925,31			
MCR floor = 25% of (15)	6 487 160,26			
Absolute floor (if both Linear MCR and MCR floor below)	3 700 000,00			
SCR ratio (13)/(15)			**393,33%**	*(17)*
MCR ratio (14)/(16)			**1 573,31%**	*(18)*

(11) See Solvency II balance sheet.

(11c) Uncalled capital or called capital that is not payable within 3 months are considered as non-eligible own funds, except for the capital that was called up prior to 2016.

(12) Supplementary members calls can be taken into account as ancillary own funds.
The amount of ancillary own funds is however limited to 50% of the SCR amount. = max 50% of (15)
and subject to approval by the regulator
(13) Total eligible own funds is the sum total basic own funds and the eligible ancillary own funds
(13) Total eligible own funds to meet the SCR is the sum total basic own funds and the eligible ancillary own funds
(14) To determine the eligible own funds to meet the MCR, only the Basic own funds are taken into account = (11).
However the Tier II capital taken into account is limited to 20% of the MCR. (Eligible Tier II capital = max 20% of (16)
(15) See seperate calculation sheet for the composition of the SCR
The SCR is the sum of market risks, counterparty risk and catastrophe risk, after a correlation factor is applied.
(16) The linear MCR is calculated according to the Solvency II guidelines (standard formula non-life business).
The MCR is equal to the linear MCR, however a minimum of 25% of the SCR is applied
(17) The SCR ratio is calculated as the total eligible own funds to meet the SCR (13) devided by the SCR (15)
(18) The MCR ratio is calculated as the total eligible own funds to meet the MCR (14) devided by the MCR (16)

INCOME STATEMENT FOR THE PERIOD ENDING 31 DECEMBER 2018

(Currency - Euro)

		2018-12-31
1 Earned premiums net of reinsurance		
a) Gross premiums		9 084 767,91
· Premiums written	9 084 767,91	
· Rebates to members	0,00	
b) Reinsurance premiums		-2 575 851,83
c) Variation of the reserve for unearned premiums and unexpired risks, gross of reinsurance (increase -, decrease +)		-87 874,17
d) Variation of the reserve for unearned premiums and unexpired risks, reinsurers part (increase +, decrease -)		45 260,61
		6 466 302,52
2bis Investment income		
b) Income from other investments		109 985,78
c) Write-back of adjustments on investments		191 375,90
d) Realized capital gains		470 259,50
		771 621,18
3 Other technical income net of reinsurance		**329 461,09**
4 Costs of claims, net of reinsurance (-)		
a) Net amount paid		
aa) gross amount		-10 759,02
bb) part of reinsurers		0,00
b) Variation of the claims services reserve, net of reinsurance		13 986,73
aa) Variation of the reserve for claims gross of reinsurance		13 986,73
bb) Variation of the reserve for claims part of reinsurance		0,00
		3 227,71
7 Net operating expenses (-)		
a) Acquisition expenses		-100 700,55
c) Administrative expenses		-1 932 575,24
		-2 033 275,79
7bis Expenses relating to investments (-)		
a) Expenses for managing investments		-58 163,03
b) Adjustments to investment values		0,00
c) Realized less values		-317 049,79
		-375 212,82
SURPLUS/(DEFICIT) OF THE PERIOD BEFORE VARIATION RESERVE FOR EGALIZATION AND CATASTROPHES		**5 162 123,89**
9 Variation in the reserve for egalization and catastrophes, net of reinsurance (increase -, decrease +)		**-4 975 096,48**
SURPLUS/(DEFICIT) OF THE PERIOD AVAILABLE FOR DISTRIBUTION		***187 027,41***
15 Taxes		**-28,57**
RESULT OF THE PERIOD		***186 998,84***

3. Annex 3: list of critical functions that are outsourced

outsourced function	full or partial outsourcing	internal person in charge
Actuarial function	full	Executive Committee
Internal Audit	full	Executive Committee
IT	partial	IT Manager
Swiss Branch	partial	Managing Director
Claim Handling System	partial	Underwriting & Claims Manager

4. Annex 4: list of loans/credits to Board members and EC (governing bodies)

Not applicable: no loans/credits to Board Members or Executive Members were allocated