Annual Report 2019

Lifetri Verzekeringen N.V.

-

Contents

1. Composition of the Board

The composition of the Management Board and the Supervisory Board of Lifetri Verzekeringen N.V. is shown below:

Management Board

P.D.A. Wits, CEO [1]

I.A.T. van den Bosch, CFRO [2]

Supervisory Board

J.H.D. van Hemsbergen, Chairman

N. Albert

P.K. Medendorp

R. Singhal

Installed and resigned

I. van Hoek, CEO a.i. [3]

T.P.M. Stoop, CFRO a.i. [4]

[1] Installed as at 1 February 2019

[2] Installed as at 1 April 2019

[3] Installed as at 13 June 2018 and resigned as at 1 February 2019

[4] Installed as at 13 June 2018 and resigned as at 1 April 2019

2. Introduction

2.1 Lifetri Verzekeringen

Lifetri Verzekeringen N.V. (Lifetri Verzekeringen) is a small life insurer in the Netherlands.

The activities of Lifetri Verzekeringen consist of servicing the clients and evaluating potential growth opportunities.

Currently all policies are 100% reinsured with Conservatrix Leven N.V.. The policies are administered with Lifetri Verzekeringen. Given the small size of the company, Lifetri Verzekeringen shares corporate services and key governance functions with Lifetri Groep B.V. (Lifetri Groep) and Lifetri Uitvaartverzekeringen N.V. (Lifetri Uitvaartverzekeringen).

2.2 Key figures

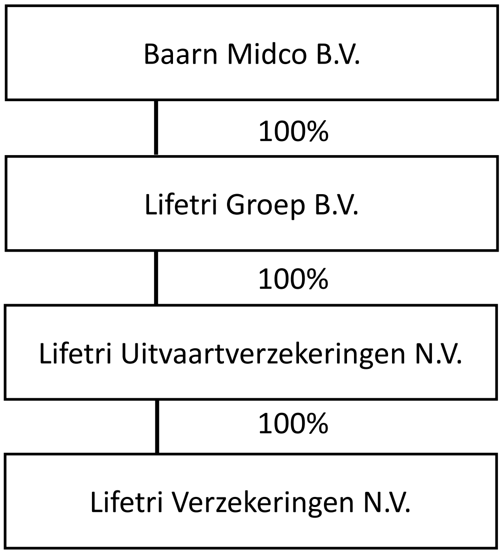
The company is well capitalised with a Solvency II ratio of 970% at 31 December 2019.

Key figures	
in thousands of euros	**31 December 2019**
Own funds	5,923
Eligible own funds to meet the SCR	5,515
Eligible own funds to meet the MCR	5,430
Solvency capital required (SCR)	568
Minimum capital required	3,700
Solvency II ratio	970%
Minimum Capital required ratio	147%
Net premiums earned	0
Claims and benefits paid	0
Total operating expenses	-137
Net result	-1,242

2.3 The ultimate shareholders (look through)

The ultimate shareholders, Sixth Street Partners (Sixth Street) managed investment funds, financed by institutional investors with a long term investment outlook. Sixth Street is focused primarily on the fundamental, long-term returns of its investments. Sixth Street does not guarantee a minimum return to its investors, rather Sixth Street considers many possible scenarios in assessing the business case of an investment, including the possibility of outperformance and underperformance relative to the base case. As a long-term investment manager, Sixth Street is mainly concerned with the sensible management of its investments and long-term capital creation and performance.

The legal structure of control is as follows:



3. Report of the Supervisory Board

3.1 General

The report of the Supervisory Board (SB) regards the activities for and supervision of Lifetri Uitvaartverzekeringen and its subsidiary Lifetri Verzekeringen.

Introduction

Following the creation of Lifetri Uitvaartverzekeringen, 2019 was the first full year in which Lifetri Groep and its subsidiaries were operating. During 2019 Lifetri Groep has prepared for further growth, based on an adapted strategic course of targeted acquisitions, integration of acquired portfolios and excellent customer service. The acquisition of Klaverblad Levensverzekering N.V. (Klaverblad Leven) was a highlight for Lifetri Groep in 2019. This required special attention and efforts from all those involved.

In 2019 the SB has invested further in the functioning of its committees, as well as the relationship between the SB members and the newly appointed Management Board (MB) members.

During 2019, the SB has been involved with supervision of the development and execution of the Lifetri Groep strategy, realising a noticeable professionalisation of the internal organisation.

Composition board of directors

Ingeborg van Hoek (CEO ad interim) and Dick Stoop (CFRO ad interim) have left the company in the first half of 2019. The SB thanks Ingeborg and Dick for their contributions. Philippe Wits (CEO) and Ilse van den Bosch (CFRO) have been appointed as MB members after a diligent recruitment process and careful consideration.

Composition SB

The SB consists of four persons:

Name	Age	Nationality	Principal position	Additional Positions	Term of Office
J.H.D. van Hemsbergen (Chair)	62	Dutch	None	Chair Supervisory Board, SRK Rechtsbijstand B.V. Board member, Stichting Beheer LTP Board member, Stichting Toegepaste Psychologie Member Advisory Board, Future of Finance Chair, AMREF Business Club	2018–2022
N. Albert	52	German	Managing Director TSSP	Board member, Northview Group Non-executive director, Clara-Pensions Group Ltd	2018–2021
P.K. Medendorp (Vice-chair)	65	Dutch	None	None	2018–2021
R. Singhal	32	British	Managing Director TSSP	Board member, Northview Group Board member, Clara-Pensions Group Ltd	2018–2021

3.2 Annual accounts

The SB discussed the annual accounts with the MB in the presence of the external auditor. The external auditor's statement of approval is included in the report. The SB is of the opinion that the annual accounts form a good basis for the accountability of the MB for the strategy pursued, and for the supervision by the SB.

The MB presents the annual accounts 2019 of Lifetri Uitvaartverzekeringen to the General Meeting of Shareholders on 9 June 2020. The annual report is offered to the general meeting for adoption and for discharging the MB for their management and the SB for their supervision during the previous financial year.

3.3 Meetings of the SB and its committees

In 2019 14 meetings of the SB with the MB took place, of which 4 were regular meetings and of which 10 were conference calls which were used to discuss matters that needed the attention of the SB in between regular meetings (for example time critical matters as potential mergers & acquisitions).

Topics discussed during the meetings were, amongst others, the governance of the company, the various roles of the board members, the Solvency II key functions, the budget and business plan for 2020, the Own Risk Solvency Assessment (ORSA), Capital Plan, the Systematic Integrity Risk Analysis (SIRA), relationship with the external regulator Dutch Central Bank (DNB) DNB and the projects at hand. Specific attention has been paid to the Klaverblad Leven acquisition, the pending approval of the DNB, and the resulting Klaverblad Leven migration program, possible acquisitions and the Asset management Improvement plan during the meetings. The SB has been informed about and has advised the expenses related to and expected profitability of M&A opportunities, HR and Lifetri's policies. The MB presented significant matters to the Supervisory Board for approval, e.g., the strategy, the budget, the investment plan and risk appetite.

The availability of Supervisory Board Members for meetings and consultation in-between scheduled meetings was good. The Chairman of the Supervisory Board has regular contact with the CEO, and Supervisory Board members are regularly approached outside meetings for advice on specific subjects within their area of expertise.

A permanent education (PE) programme is being developed for the SB members. In order to maintain good relations with the MB the PE programme is also developed for and attended by the MB. E.g., an educational programme was attended with Hemingway Professional Governance. The (self) evaluation of the SB and the evaluation of the MB members were discussed.

The SB intends to continuously review the active and positive dialogue with the MB and continues to invest in the team building within and between the MB and SB.

The SB holds meetings without the attendance of the MB, e.g., in order to prepare for MB/SB meetings and to discuss the governance of Lifetri. These meetings are held in person if possible and otherwise there is a schedule of monthly phone calls.

There are two committees: the Audit & Risk Committee (ARC) and the Nomination & Remuneration Committee (RemCo). The ARC, chaired by Paul Medendorp, met four times. The ARC exists of the SB members. The internal auditor function (IAF) and the external auditor and the MB have a standing invitation. The MB has attended all ARC meetings and the IAF and external auditor have also attended regular ARC/SB meetings. In case of involvement with relevant topics managers of the 1st and 2nd line are invited to join the meeting. The chair of the ARC regularly maintains individual contact with the CFRO and meets on an informal basis with Risk and Compliance management from time to time. Topics discussed in the ARC were, among others, performance reports, the improvements of the investment process and implementation, the solvency reports, solvency with regards to economic reality, the budget for 2020, second- and third-line reporting including fraud alerts and compliancy with rules and regulations, the audits performed including audit findings, the audit plan for 2020, and the updated policies.

The composition of the RemCo is the same as the composition of the ARC and the SB, although the chair function is held by Nils Albert. The RemCo met once, chaired by Nils Albert. Topics discussed were, among others, the Remuneration Policy and the composition and replacement of staff with regards to interim versus permanent employees.

The chairman of the SB has had a meeting with personnel representatives which was very useful and improved insights in how colleagues experience the Lifetri organisation and orientation.

KPMG issued a management letter on 18 March 2020 and a 2019 Audit report on 24 April 2020 to the Executive and Supervisory Boards. In the management letter KPMG states that in general, the internal control processes (three lines of defense) work adequately. There are a few items in the management letter which will require further attention, of which the most important relate to the on-going improvement of IT security measures.

Most recently (in 2020), the SB discussed the potential impact of the Corona crisis.

We express our appreciation to the MB and employees (both permanent and contract staff) for all their efforts and open discussions with the SB in 2019.

Hilversum, 24 April 2020

Herman van Hemsbergen, Chair
Nils Albert
Paul Medendorp, Vice-chair
Rohan Singhal

4. Report of the Management Board

4.1 Business Developments

General

Lifetri Verzekeringen is a small life insurer in the Netherlands, which on 20 June 2018 was granted the life insurance licence as referred to in Section 2:27 (1) of the Act on Financial Supervision and as such is subject to the Solvency II regime. Lifetri Verzekeringen is a fully owned subsidiary company of Lifetri Uitvaartverzekeringen. In 2018 Lifetri Verzekeringen acquired the Dutch business of Hooghenraed Levensverzekeringen N.V. (HUVA portfolio), a company within the Conservatrix Group.

Currently, the HUVA portfolio policies are 100% reinsured with Conservatrix Levensverzekeringen N.V. The policies in the HUVA portfolio are administered with Lifetri Verzekeringen. During 2019 the MB of Lifetri Verzekeringen has been in frequent contact with the MB of Conservatrix Group to discuss operational and strategic matters related to the reinsurance contract.

Lifetri Groep, Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen have unity of management, meaning that the same two persons have been appointed as members of the MB of each separate entity. With due respect to and compliance with the articles of association, charters and characteristics of each legal entity, Lifetri Groep is organisationally managed as a whole, sharing strategy and resources, executing the strategy. Below paragraphs describe business developments of the group as a whole.

Business strategy

Lifetri Groep's ambition is to become the best life insurer service book by focusing primarily on giving excellent and relevant service to existing customers. We intend to grow this business through mergers and acquisitions (M&A), finding and providing relevance through digital means. We believe that customers needs are not currently met by the industry. Customers want to be supported and helped to be able to make their own choices. The sale of a product or a service we provide is a logical consequence of information or data they have provided to us and on which we have based that specific offering to insure something or rather not insure it if that doesn't fit their needs. This means not creating fear but rather focusing on what is important to them. Talking about their lives not money, taking about their interests not products.

We have formulated our mission as follows:

We don't want to insure people, we want to make people self-assured.

We do this by providing our knowledge and having sincere interest in the lives of every customer. By mapping the largest financial life events and making it transparent and easy to understand and simply showing that not all worries and fears are realistic and need insurance.

Selling insurances is for us therefore not a purpose but a way to engage with customers about their lives.

First earn trust
Then sell

First give
Then earn

During 2019 the main focus for Lifetri Groep was fourfold:

1. stabilizing and professionalizing the organisation, at the same time providing the best service possible to our clients,
2. finishing the setup and integration of the Nuvema acquisition,
3. actively looking for M&A opportunities resulting in a major transaction acquiring Klaverblad Leven N.V., a portfolio of capital based funeral insurance policies and term life insurance policies, and
4. preparing the organisation for the closing of the transaction, designing and building the new Target Operating Model to be able to start servicing the Klaverblad Leven client base.

Strategic and management improvement

Anticipating the appointment of the new MB, the MB ad interim rightly focused in Q1 2019 on building the basics for growth and tying up loose ends earlier acquisitions, closed in 2018.

The new MB realized the company needed more direction, focus and a strong Target Operating Model suitable for growth and flexibility. They started creating the Lifetri Groep strategy to their personal insights and beliefs: the service book strategy executed by a client purpose driven digital insurer, focused on the long term. Showing and explaining this strategy helped win the Klaverblad Leven deal.

For all of 2019 most key positions have been occupied by highly qualified external hires. In order to be able to build own capabilities and be cost-efficient, recruitment and selection processes and job profiles have been upgraded, enabling Lifetri Groep to replace all external hires on key positions with permanent staff.

Cost reduction, productivity, service & quality improvement

The successful acquisition of Klaverblad Leven in May 2019 was followed by the set up and execution of major change programmes to both improve the current way of working and to fundamentally prepare the organisation for servicing the Klaverblad customers and policies. Although running the existing organization was possible, a consistent higher investment was required to reach the desired professional level.

The focus on continuous improvement and enabling people in the process to improve their own work and way of working by means of lean implementation, from May 2019 onwards, resulted in a very appreciated improvement of both efficiency (less waste), employee engagement and effectivity (from 6-8 days customer waiting time to same day handling).

As a consequence of the service book strategy & digital approach and the realization that customer needs were more effectively and efficiently met through digital means, regretfully all field sales staff have been made redundant in Q3 2019 and subsequently individually supported in the reorganisation process. As from Q1 2020 a specialized desk was setup who manages the customer relationship and provides advice through webcam and other digital means. Also non-effective use of Google advertising has been stopped, in July 2019 to focus on improving the Cost Per Acquisition and enabling reinvestment in Search Engine Optimization.

Rebranding of Nuvema to Lifetri, the IT disentanglement from Conservatrix and IT security improvements have been realized over the course of 2019.

Further professionalization for growth

The legacy Nuvema organization was adequate for an in-kind basic license funeral insurer. All based on a non-digital approach, a field sales staff on the ground, a simple risk profile. The organization was not ready for future and long term growth.

In order to be successful in the new strategy; servicing customers well and growing in size to also profit from economies of scale, a lot of changes were initiated by the new MB such as:

- creating a clear M&A strategy, process and focus on key targets,
- the acquisition of Klaverblad Leven,
- the change from a bond based Strategic Asset Allocation (SAA) to a more diversified SAA
- preparing further for the low interest environment,
- a completely new HR policy and implementation of key items for people to feel valued and enabled to perform at their best,
- a solid IT architecture with clear Core and Non-core choices, loosely couple infrastructure, focus on data and preparations for migration and integration of the Klaverblad Leven and Nuvema portfolio,
- reorganizing and choosing the right people to stay and come on board and finally
- building an inclusive culture focusing on recognizing people’s key strengths and development.

As a newcomer Lifetri has started designing and building a new platform with state of the art processes and systems. In parallel Lifetri has steadily and diligently upgraded finance, asset & liability management, risk management, performance management and HR.

Effective M&A activities

Based on continuous learnings through retrospectives in various M&A transactions in 2019, we have continuously adapted our M&A process, redefined existing roles and plot and defined missing roles.

Preparing the organisation for the closing of the transaction and the start of services to the Klaverblad Leven client base.

At the time of the signing of the Share Purchase Agreement at the start of May 2019, a program has been defined to prepare for the start of services to the Klaverblad Leven client base, encompassing all aspects of migrating the portfolio, integrating two organisations, delivering the services, from facilities and housing to HR, from marketing & sales to design of policy administration processes, actuary, risk and accounting & reporting. Once this is finished this will provide Lifetri Groep with a modern and scalable platform for funeral insurance products and individual life insurance products.

Main components are the setup of a new IT landscape, a new front and back-end with an efficient integration layer enabling quick changes to the front without having to change the administration, migration of all policies and fully replacing the Lifetri Groep's legacy IT landscape with advanced and proven solutions.

In 2019 we have selected and contracted an IT SAAS solution for our back end and a software development partner to help us develop our front end to get a head start. Ultimately the front-end will be developed inhouse by our own digital team to enable effective and fast time to market. The implementation of the new platforms has already started and will take the larger part of 2020.

Due to the current need for more flexibility in working space, a more modern way of working and the growth of the organisaton a new and larger office location will be needed to house our expanded staff. In 2019 we have selected our new office space in Bisonspoor, Maarssen. The move to these new premises is scheduled for May 2020.

4.2 Risk Management

The MB has expressed its risk appetite in a statement that serves as a foundation for all risk monitoring activities. The annual ORSA gives further detailed input and insights for managing all the significant risks. The scope of risk management consists of financial and non-financial risks (including compliance risk). Lifetri uses the three lines of defence (LoD) model for its organisation.

The performance of an Asset & Liability Management (ALM) study is used to steer the solvency targets and implement a Strategic Asset Allocation (SAA) target portfolio. Within the first line the tasks, responsibilities and authorizations have been segregated between the investment manager the investment risk manager, the actuarial and finance departments, the ALCCO and finally the MB.

Day-to-day monitoring of the portfolio is performed by the internal asset manager. The selection of investments and, if applicable, of external asset managers is based on the investment policy and specifically the key criteria. Investment proposals are prepared by the investment manager seeking positive ALCCO advice, before submitted to the MB for decision-making. The investment risk manager, using the investment proposal checklist, verifies the documentation to be send to the ALCCO, and thereafter the MB, to assess completeness and ensure that all required process steps are adhered to.

In addition there are second- and third-line key functions for risk management, compliance, the actuarial function (all second line), and the internal audit function (third line). All final investment proposals need to be reviewed by second line risk management, before being submitted to ALCCO, and thereafter MB for approval.

Lifetri Verzekeringen's risk management is identical to Lifetri Groep's risk management taking into consideration the unique characteristics of Lifetri Verzekeringen.

4.3 Capital Management

Capital Management aims to protect policyholder's rights and being able to capture financial setbacks without endangering the continuity of the business. Therefore Lifetri Verzekeringen wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital (SCR). The target solvency level is set at 160%, while the norm solvency level is set at 135%. At 31 December 2019 the solvency level was 970%, making Lifetri Verzekeringen a well-capitalised and solvent company.

4.4 Events after the Balance Sheet date

On 1 May 2019, Lifetri Groep announced its intention to acquire 100% of the shares of Klaverblad Leven. At the end of the financial year 2019 the group was awaiting the approval of the Dutch central bank (the approval has been received in 2020) before being able to proceed with the acquisition. As such, the financial effects of this transaction have not been recognised at 31 December 2019. The operating results and assets and liabilities of the acquired company will be consolidated from 31 March 2020 18:00 hours CET.

The acquisition is expected to increase our market share, to increase our volumes thereby improving our cost efficiency and to offer – together with the current Lifetri portfolios – a good basis for further growth.

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Klaverblad Leven. In particular, the fair values of the assets and liabilities have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of the acquired net assets or goodwill.

Lifetri Verzekeringen, subsidiary of Lifetri Groep B.V., will be impacted by this acquisition as it will share Lifetri Groep services with the newly acquired entity Klaverblad Leven N.V.

On 11 March 2020 the World Health Organization declared the Corona virus infection a pandemic. In response, governments in Europe and elsewhere, including the Dutch Government, have issued very impactful measures to control the pandemic. Worldwide financial market prices have severely declined, both fixed income and equity. Due to the long term nature of our life insurance business we expect no serious long term impact on our continuity, as evidenced by the results of the scenarios modelled in our Own Risk and Self Assessment (ORSA). In the short term, management, employees, partners and suppliers need to be very resourceful to handle all kind of impediments and obstacles to our normal way of working, raised by the implementation of government's measures and our compliance of it.

Hilversum, 24 April 2020

Philippe Wits

Ilse van den Bosch

5 Risk Governance and Capital Management

5.1 Risk Management

Lifetri Verzekeringen's risk management is identical to Lifetri Groep's risk management taking into consideration the unique characteristics of Lifetri Verzekeringen.

Scope

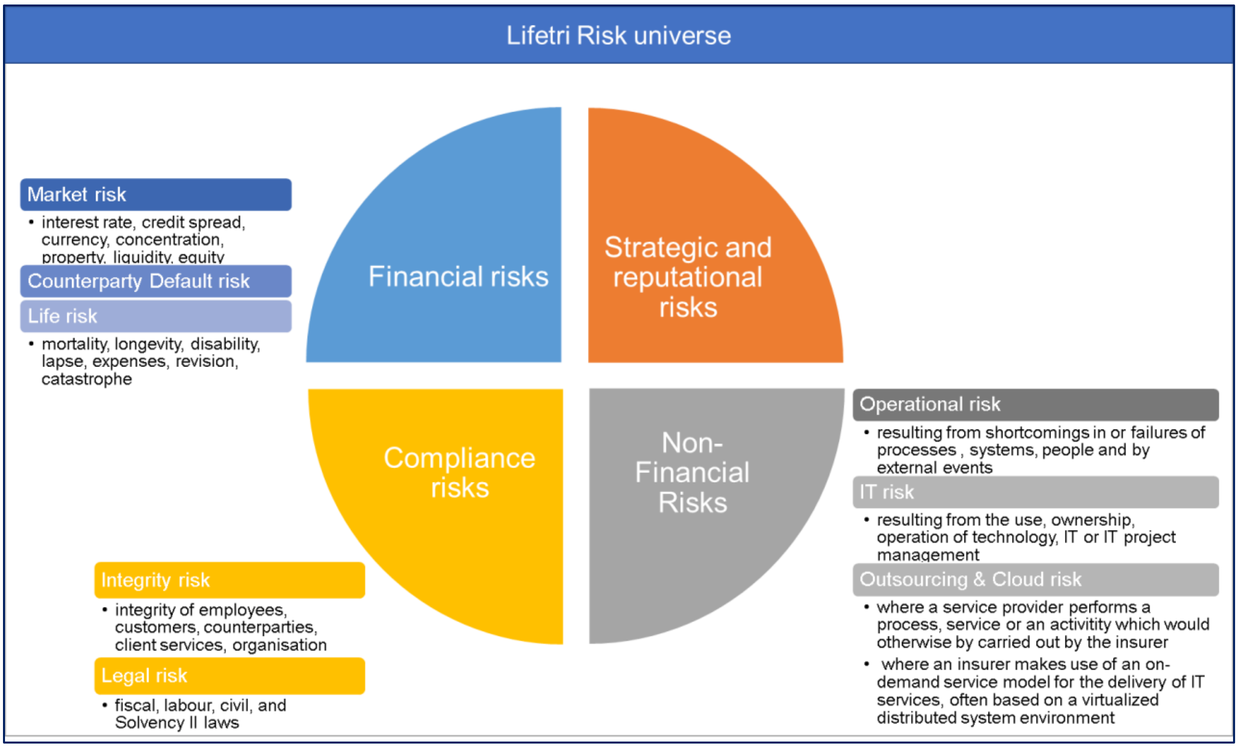
Risks are inherent in daily business. The insurer applies risk management processes to keep the risk within acceptable levels. These levels are defined in Lifetri Groep's Risk Appetite Statements and limits (see paragraph further below).

Lifetri Groep management, with the independent opinion of 2nd line Risk management and Compliance, determines the different risk types to which Lifetri Groep is, or could be, exposed (hereafter Risk Universe).

This Risk Universe is based, among other things, on relevant laws and regulations (e.g. Solvency II) and on Lifetri Groep's risk profile.

Lifetri Groep's Risk Universe is divided in four major risk categories: Strategic and reputational risks, Financial risks, Non-financial risks and Compliance risks.

The risk categories are divided in main risk types with detailed sub risks; see the figure below.



Lifetri Risk Universe

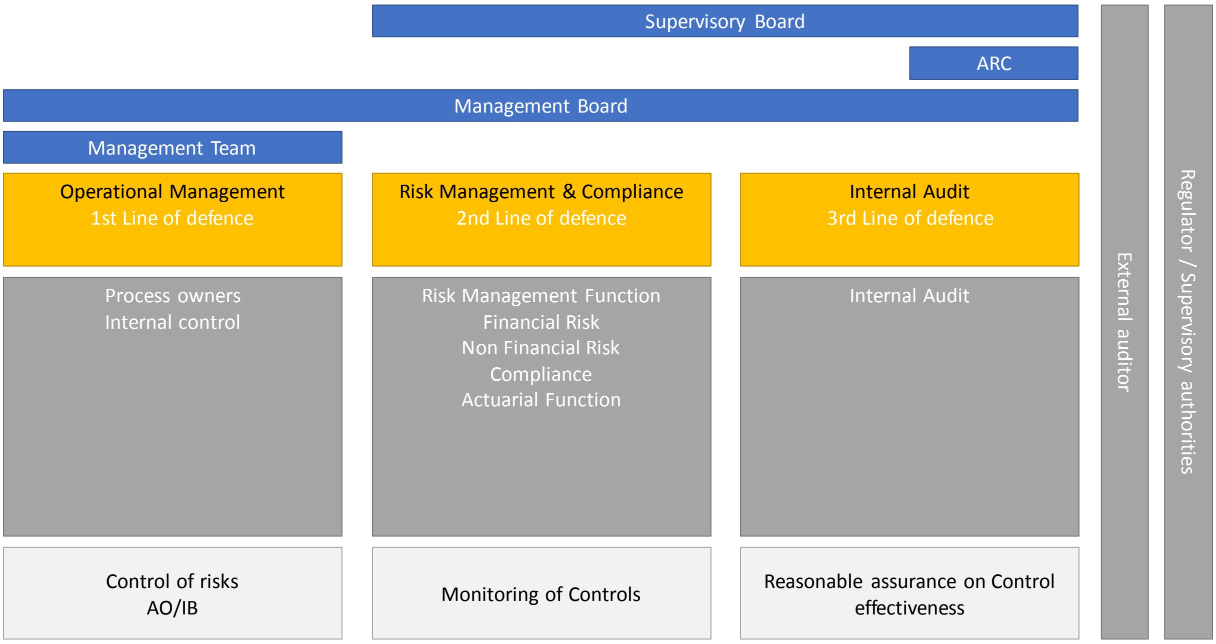
The financial risk types which Lifetri Groep uses are in line with the Solvency II regulation, and also recognize that different types of investment instruments can result in more than one risk category. The financial risks follow the Solvency II categorisation of market risks (interest rate, credit spread, currency, concentration, property, liquidity and equity), counterparty default risk and actuarial life risks (mortality, longevity, disability, lapse, expenses, revision and catastrophe).

The other risk types are generally more qualitative in nature.

The non-financial risk categories include: operational risk (caused by failures of processes, systems, people or external events), IT risk (including information security, continuity, integrity and availability of information systems and processes), outsourcing & cloud computing risk. Compliance risk categories include legal risk and integrity risk.

Organisation

The responsibilities for managing risks follow the governance structure of Lifetri Groep, which is based on three Lines of Defence (3LoD).



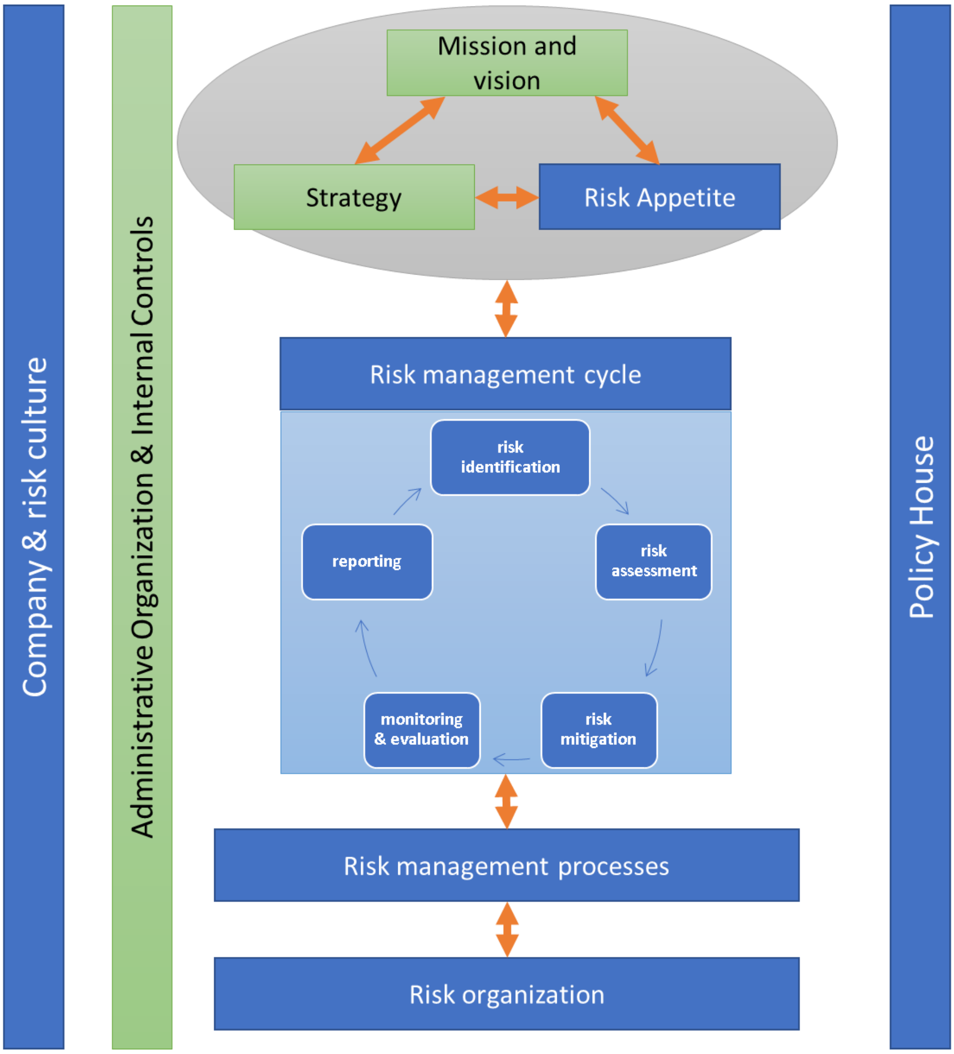
The first line of defence is the business itself, which is responsible for adherence with applicable laws and regulations, and for its own internal control of all activities and underlying processes.

The business is responsible for:

- Identifying and managing risks and handling incidents which impact the risk profile;
- Applying the risk management framework;
- Executing and monitoring an effective administrative organization & internal controls (AO/IC);
- Complying to all applicable laws and regulations.

The measures of internal control are amongst others: guidelines, committee structures, monitoring and segregation of duties, adequate AO/IC and countervailing checks and balances.

The second line risk management has as its primary responsibility supporting the business with and providing advice for the completeness and accuracy of risk identification. Second line provides countervailing power by challenging, evaluating, monitoring and reporting independently about the risks. The second line key governance functions have a special focus at whether the internal control measures are adequate to mitigate risks. Second line compliance advises the organization with the objective to meet requirements of laws and regulations and monitors if the business activities actually comply with these requirements. The risk management cycle below depicts the risk management process.



The third line of defence is the Internal Audit function, which gives reasonable assurance on the design, existence and operating effectiveness of the internal control system of the first and second lines of defence.

Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen have established a Supervisory Board whose duties, powers and working methods are regulated in the 'Supervisory Board charter'. The SB supervises the MB and its key functions and is informed at least annually or earlier if needed on the topics of risk management, laws and regulations and adherence thereof by Lifetri Uitvaartverzekeringen and by Lifetri Verzekeringen.

The Solvency II key functions are independent, report directly to the MB and have direct access to the ARC/SB for escalations.

Risk Appetite Statements and Limits

The risk appetite of Lifetri Groep is described in the risk appetite statements which include qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures related to operational and IT risks, reputation and integrity risks, as well as business ethics and conduct.

The risk appetite articulates at a high level, for each major risk type, Lifetri Groep's relative preference for that risk. Setting the risk appetite is inextricably part of strategy setting. Various factors may affect Lifetri's views of that risk, such as:

- The solvency position;
- The return that is expected to be earned;
- The importance of that risk in executing the business strategy;
- How well the risk diversifies with other risks; and
- The current operating and economic environment.

The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial and non-financial risks and compliance. The risk appetite statements are supported by risk tolerances for material risk types. This ensures plans and risk appetite are appropriately aligned.

Risk appetite defined

The risk appetite is further specified by quantitative risk limits for different risk categories in the investment policy. The policy also contains the investment beliefs. The main risk being interest rate risk is managed by limiting the economic hedge ratio and the Solvency II hedge ratio (including the ultimate forward rate – UFR) within separate, preset boundaries. The interest rate risk is also limited by a maximum tolerated impact on solvency of a 50 bp change in interest rates. A higher impact is tolerated at higher solvency levels. Others risk are being limited and monitored – amongst others - through Solvency Capital Risk (SCR) limits, cash limits, rating-based and issuer limits.

Risk appetite setting

The risk appetite statements are reviewed periodically to ensure their continuing relevance in providing guidance to the business. The risk appetite statements are established by the Management Board and approved by the Supervisory Board and completed alongside the business and financial planning process.

Breaching a risk tolerance level serves as a red alert for management: the risk position must be reduced. For day-to-day operational monitoring purposes, the risk tolerances are translated into risk limits. Breaching a risk limit (if defined for the risk type), however, acts more like an early-warning signal. Action is required, unless there are good reasons to maintain the current risk level and the risk is accepted by the Management Board.

Reporting

Periodic reports are prepared for the various risk categories, which are discussed in the relevant governance bodies. The reporting calendar managed by Finance contains an overview of these reports and other key management information.

In general, each of the 3LoD have their own report(s) as follows:

- 1st line reporting: the managers of the departments issue various management reports which analyze and explain the performance of financial and non-financial indicators for their responsibility area. Depending on the nature of the report the frequency is monthly or quarterly.
- 2nd line reporting: reports by the 2nd lines of defence, i.e. Risk Management and Compliance, contain an independent 2nd line review on the 1st line. Compliance reports in a combined report with non-financial risk management. The frequency of the reports is quarterly. The Actuarial Function reports once a year.
- 3rd line reporting: internal audit has its own reports which are discussed with the SB / ARC.

Depending on the nature of the report they are discussed in the Management Board, Management Board-Risk Compliance Committee, ALCCO and/or SB/ARC. The Financial Risk Management report is specifically discussed in the Asset Liability Capital Committee (ALCCO) and Management Board. The outcomes and possible improved risk responses resulting from these discussions are recorded in the meeting minutes and action list of the respective governance bodies.

Strategic Asset Allocation

As described in the investment policy and investment plan, Lifetri Groep has developed a SAA target portfolio. The SAA target consists of approximately 50% of liquid bonds and for 50% in illiquid assets, such as real estate and mortgages. The main considerations are a robust, long-term stable solvency ratio and reduction of interest rate risk by long-dated sovereign bonds. The main precondition is the liabilities extending over seventy years.

The government bonds are predominantly Austrian, French and Belgian bonds, partly for the available longer maturities, partly for earning a spread over German government bonds. The amount of cash has been reduced significantly for safety reasons by investing in short-term Dutch government bonds. In 2019, Lifetri Groep was in the process of gradually building the residential mortgages portfolio, consisting of an owner occupied mortgages fund, and a bespoke structure for buy-to-let mortgages.

Solvency position (31 December 2019)

Lifetri Verzekeringen wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital (SCR). The target solvency level is set at 160%, while the norm solvency level is set at 135%. At 31 December 2019 the solvency level was 970%, making Lifetri Verzekeringen a well-capitalised and solvent company.

Own Risk and Solvency Assessment (ORSA)

Lifetri Uitvaartverzekeringen has a national Basic licence, its subsidiary Lifetri Verzekeringen has an EU Solvency II licence. The ORSA is mandatory only for the latter. Given the relative size and the reinsurance of liabilities in Lifetri Verzekeringen, however, the ORSA projections have focused on Lifetri Uitvaartverzekeringen, with Lifetri Verzekeringen treated as a strategic equity position. The ORSA 2019 has as its starting point 30 September 2019 and is looking forward ten years. The ORSA 2019 is an update of the earlier risk assessment 2018.

The main goal of the ORSA is in showing the continuous compliance with the prescribed capital requirements. In particular, it should show the validity of the target solvency level of 160%. The outcomes of the Best Estimate scenario show the target solvency level is adequate and Lifetri Uitvaartverzekeringen is able to transfer its obligations at a relevant market rate. A wide set of scenarios has been tested. Relevant scenarios are a permanent low interest rate scenario and a scenario of a severe credit crisis. The former scenario underlines the importance of the compensating effect of the investment income for the future loss on the UFR in the valuation of the liabilities. The latter scenario is important for the SAA, also comprising residential mortgages and real estate. An additional analysis has been performed on the total level of the expenses.

Operational set-up and risks

The organisation from which financial and non-financial risks emanate is relatively operational in nature.

Lifetri Groep has company policies to support the effective governance and risk management of Lifetri Groep. Lifetri Groep has organized this in a Policy House that documents which company policy documents are required.

In addition, Lifetri Groep has a number of regulations ('regelingen') which describe in detail how certain policy is performed, such as the Incident regulation. Finally, Lifetri Groep has several elaborate documents ('uitwerkingen') which record the outcomes or results of applying policy processes e.g. Risk Appetite Statements (RAS), the Systematic Integrity Risk Analysis (SIRA), the Own Risk and Solvency Assessment (ORSA) and the Code of Conduct.

The Policy House is reviewed each year for completeness or possible necessary changes and is formally enacted in the Risk & Compliance Committee.

To comply with laws and regulations always is an important focus at an insurer. Where appropriate non-compliance issues are analysed and being solved.

The General Data Protection Regulation (GDPR) does not stipulate retention periods for personal data, but minimum and maximum periods follow from other legislation (e.g. on taxes). Information should not be retained longer than needed for the purpose for which it was collected or used. Lifetri Groep has a Data Protection Officer (DPO) to independently monitor the privacy of data.

5.2 Capital Management

in thousands of euros	2019		2018	
Own funds		**5,923**		**4,139**
Tier 1	5,430		3,982	
Tier 2	-		-	
Tier 3	493		157	
Total available own funds		**5,923**		**4,139**
Eligible own funds to meet the SCR		**5,515**		**4,036**
Solvency capital required				
Market risk	268		-	
Counterparty risk	360		351	
Life underwriting risk	136		-	
Diversification	-206		-	
BSCR		557		351
Operational risk		11		13
LACDT		-		-
Total solvency capital required		**568**		**364**
Minimum Capital requirement		3,700		3,700
Solvency II ratio		970%		1108%
Minimum Capital required ratio		147%		108%

Solvency and Risk Appetite

The management of capital is governed by the Capital Policy. The measure for adequacy of the capital position is the regulatory Solvency II ratio, defined as the ratio of eligible Own Funds (OF) over the Solvency Capital Requirement (SCR). The Capital Policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore Lifetri Groep wishes its insurance subsidiaries to hold an extra buffer apart from the technical reserves and the regulatory solvency capital. The target solvency level is set at 160%, while the norm solvency level is set at 135%. The underpinning of the target and lower limits is provided in the Capital Policy and assessed yearly in the ORSA. The target ratio could be increased if the economic valuation of the liabilities shows that a higher amount of assets is required to transfer the liabilities to a third party. Lifetri Groep applies the Standard Formula.

Both solvency levels are part of a more detailed capital intervention ladder in the Capital Policy. Above the target solvency level no measures are needed; below the lower limit measures will be taken, and in between these levels actions are being considered and prepared. A short-term measure to increase available capital is a capital injection; a short-term measure to decrease the SCR is a de-risking of market risks from the investment portfolio. Other medium- and long-term measures such as retaining profits, cost reduction, pricing, outsourcing, reinsurance and strategic measures are listed in the Capital policy. In practice, management intervention actions may further prevent risks.

Eligible Own funds

Solvency II distinguishes between three Tiers of Own funds (Tier I, II and II) and restricts the use (eligibility) of Tier 2 and Tier 3 capital in the determination of the solvency level. The positive difference between assets and liabilities, when valued on a Solvency II basis, constitutes core capital. For the Company this capital is Tier I capital, implicating no difference between available and eligible own funds in the determination of the solvency level. The available Deferred Tax

Liability does not influence the eligible own funds. The difference between shareholder funds and Eligible Own Funds is being the difference between the fair value provision and SII provision after tax.

6. Financial Statements

The financial statements concern the period 1 January 2019 – 31 December 2019 and have been compiled in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board. The notes on page 23 to 39 form an integral part of these financial statements.

6.1 Financial Developments

In 2019 the financial net result of Lifetri Verzekeringen was EUR -1,242k (2018: EUR – 335k).

Total operating expenses up to 31 December 2019 amounted to EUR 137k (2018: 22k).

Anticipating the risk of a possibly deteriorating solvency ratio of our re-insurer, the MB of Lifetri Uitvaartverzekeringen has approved a capital injection (share premium) of EUR 3 million to strengthen the capital position of Lifetri Verzekeringen as a mitigating measure if the risk will materialise.

The shareholders' funds were EUR 5,923 million (2018: EUR 4,139 million) on 31 December 2019.

6.2 Balance Sheet

Assets

in thousands of euros		31 December 2019		31 December 2018	
Investments					
Cash and cash equivalents	1.	3,157		5,013	
Financial investments	2.	4,485		-	
Total Investments			**7,641**		**5,013**
Deferred tax assets		493	**493**	157	**157**
Short term receivables					
Reinsurance	3.	1,159		2,544	
Other receivables		23		-	
Accrued interest bonds		13		-	
Reinsurance recoverable			**1,195**		**2,544**
Total Assets			**9,330**		**7,714**

Liabilities

in thousands of euros		31 December 2019		31 December 2018	
Shareholders' funds					
Share capital	4.	45		45	
Share premium	5.	7,429		4,429	
Revaluation reserve	6.	26		-	
Other reserves	7.	-336		-	
Result before appropriation	8.	-1,242		-335	
Total shareholders' funds			**5,923**		**4,139**
Insurance liabilities					
For own risk	9.	3,348		3,278	
Insurance liabilities			**3,348**		**3,278**
Other short-term liabilities	10.	59	**59**	297	**297**
Total Liabilities			**9,330**		**7,714**

6.3 Income Statement

in thousands of euros		2019		15 February 2017 to 31 December 2018	
Insurance premiums	1.				
Gross premiums		44		12	
Outgoing reinsurance premiums		-44		-12	
Net premiums			**0**		**-**
Total investment income	2.				
Interest from Bonds		28		-	
Other investment income		-7		-9	
Total investment income			**20**		**-9**
Unrealised gains and losses on investments			**-2**		**-**
Claims and benefits paid	3.				
Gross claims and benefits paid		-27		-12	
Reinsurers' share		27		13	
Net claims and benefits paid			**0**		**1**
Change in technical provisions	4.				
Gross change in technical provisions		-69		-374	
Reinsurers' share		-234		3	
Net change in technical provisions			**-303**		**-371**
Change in other provisions	5.		**-1,150**		**-**
Operating expenses					
Staff, overhead and depreciation costs		-137		-22	
Acquisition costs		-		-	
Total operating expenses	6.		**-137**		**-22**
Investment management expenses			**-12**		**-**
Investment income attributable to non-technical account			**-12**		**-4**
Result technical account life insurance			**-1,597**		**-405**
Investment income attributable from technical account			**12**		**4**
Result before tax			**-1,585**		**-401**
Income tax			**344**		**66**
Net Result			**-1,242**		**-335**

6.4 Statement of Comprehensive Income

in thousands of euros	2019	15 February 2017 to 31 December 2018
Net result	**-1,242**	**-335**
Change revaluation reserve investments	26	-
Other changes	-	-
Change revaluation reserve associates	-	-
Total amount recognized directly in equity	**26**	-
Total comprehensive income	**-1,216**	**-335**
Share capital issued	**-**	**45**
Share premium issued	**3,000**	**4,429**
Movement shareholders' funds	**1,784**	**4,139**

6.5 Cash Flow Statement

in thousands of euros	2019		15 February 2017 to 31 December 2018	
Cash flow from operational activities				
Result for the year		**-1.242**		**-335**
Adjusted for:				
Other provisions	1.151		-	
Interest on bonds	-28		-	
Interest on banks	-7		-9	
Change in technical provisions	70		3.278	
Change in technical provisions reinsurer	234		-2.544	
Unrealised gains and losses	2		-	
Tax expense	-344		-66	
Changes in:				
Receivables	-23		-	
Liabilities	-238		206	
Cash used in operating activities:		-425		530
Taxation Paid	-		-	
Interest Received	22		9	
Net cash from operating activities		**-403**		**539**
Cash flow from investing activities				
Investments and advances:				
Bonds	-4.453		-	
Net cash from investing activities		**-4.453**		**-**
Cash flow from financing activities				
Capital contribution	3.000		4.474	
Cash flow from financing activities		**3.000**		**4.474**
Net increase/decrease in cash		**-1.856**		**5.013**
Cash and cash equivalents beginning of period		**5.013**		**-**
Cash and cash equivalents end of period		**3.157**		**5.013**

6.6 Accounting Principles

Lifetri Verzekeringen N.V. ('the Company') with a statutory seat in Amsterdam, is a private limited liability company under Dutch law, Chamber of Commerce registration number 70913625. 100% of the shares of the Company are held by Lifetri Uitvaartverzekeringen N.V.. The ultimate parent of the Company in the Netherlands is Baarn Midco B.V.

The activities of the Company, with its registered office in Hilversum, consist of selling and managing in-kind funeral insurance policies on the Dutch market.

General
The financial statements have been compiled in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board. This implies that Guideline 605 has been applied in the preparation of this annual report.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities. Unless stated otherwise, assets and liabilities are recognised at their fair value. Income and expenses are allocated to the relevant year.

The financial statements have been drawn up on the basis of the going concern principle.

The financial statements are presented in euros ('EUR'), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand.

Business combinations
A business combination is a transaction whereby the Company obtains control over the assets and liabilities and the activities of the acquired party.

Business combinations are accounted for using the 'purchase accounting' method on the date that control is transferred to the Company (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value of it can be measured with reliability.

An agreed possible adjustment to the purchase price that is contingent on future events is included in the purchase price if the adjustment is probable and the amount can be measured reliably. It is also possible that a previous estimate of the adjustment to the purchase price must be revised. Such adjustments to the purchase price, that are recorded as changes in estimates, will also result in an adjustment to (positive or negative) goodwill. The adjusted goodwill is amortised prospectively from the date of the adjustment of the purchase price.

Subsequent events
Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of financial statements, the nature and estimated effects of the events are disclosed in the financial statements.

There are no subsequent events recognised in the balance sheet.

Use of estimates
The preparation of the financial statements requires the Management Board and management to make estimates and assumptions that can influence the application of accounting principles and the reported value of assets and liabilities. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

During the financial year 2019 the Dutch Tax Authorities planned to change the corporate income tax rates. The proposed change from 20,5% to 21,7% has been taken into account, because it has been approved in the "Eerste Kamer" as per 17-12-2019.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and require judgements, estimates and assumptions.

Fair value hierarchy
Financial assets and liabilities are categorised into the following fair value hierarchy.
Quoted prices in an active market (unadjusted, market observable prices) are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, the Company uses brokers' quotes.

Published prices in active markets (Level 1)
Fair value measured at Level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs (Level 2)
Fair value measured at Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a Level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages); and
- input variables arising mainly from, or confirmed by, observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs (Level 3)
Fair value measured at Level 3 uses inputs for the asset or liability that are not based on significant observable market data. Unobservable inputs can be used if observable inputs are not available, so fair value can still be measured at the reporting date in situations where there is no or almost no active market for the asset or liability.

Equipment
The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

Bonds
Bonds are measured at fair value. The fair value of investments are measured using the fair value hierarchy as described above. Changes in the fair value of investments are recorded in the investment revaluation reserve within the shareholder's funds, less any provision for deferred tax. When investments are sold or impaired the accumulated fair value adjustments are released from the revaluation reserve to the income statement. When the fair value is below cost price, the negative fair value adjustment is recorded in the income statement in the period in which the negative fair value change occurs. Quoted bonds in active markets are measured at fair value level 1, unquoted are measured at fair value level 2.

Mortgages
Mortgages are measured at fair value. The fair value of mortgages is measured using the fair value hierarchy as described above and conform article 75 of the Solvency II Directive (2009/138/EC), applying to the valuation of mortgage loans. This article provides that mortgage loans of insurance undertakings are valued at the amount for which they could be exchanged between knowledgeable and willing independent parties in an arm's length transaction. If no observable prices for the mortgage loans are available, it is required to make as much use as possible of relevant information from the market when determining the fair value of the mortgage loans. It stipulates that if the fair value cannot be determined on the basis of quoted prices in an active market (Level 1), it should be determined on the basis of observable market data of comparable market instruments (Level 2).
The Level 3 valuation method should only be applied when insufficient observable and relevant market data are available to perform a full valuation based on observable inputs. In that case the value of each loan part is calculated using the following steps:

1. Determining the contractual cash flows per mortgage loan part based on the mortgage loan (part) characteristics, adjusted for expected prepayments by applying a CPR.
2. Determining the discount factor using mortgage loan rates in the primary market as of the valuation date for mortgage loans with similar characteristics as the mortgage loan (part) to be valued.
3. Discounting the cash flows with the relevant discount rate.

4. Determining mortgage loan part value.

For loans in arrears and default, an adjustment is made to the cash flows to reflect the higher probability of default and loss-given-default. There is currently no indication that a (constant) default rate must be applied for BTL loans that are current.

Changes in the fair value of investments are recorded in the investment revaluation reserve within the shareholder's funds. When investments are sold or impaired the accumulated fair value adjustments are released from the revaluation reserve to the income statement. When the fair value is below cost price, the negative fair value adjustment is recorded in the income statement in the period in which the value change occurs.

Other loans
Loans are measured at fair value whereas discounted cash flows are calculated against the interest rate associated with the duration of that cash flow. Changes in the fair value of investments are recorded in the investment revaluation reserve within the shareholder's funds, less any provision for deferred tax. When investments are sold or impaired the accumulated fair value adjustments are released from the revaluation reserve to the income statement. When the fair value is below cost price, the negative fair value adjustment is recorded in the income statement in the period in which the negative fair value change occurs.

Receivables and other financial assets
Receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised costs, using the effective interest rate method, less impairment . A provision is created in case debtors have financial difficulties, on an individual basis. Receivables related to reinsurance contracts are short-term receivables from reinsurance companies.

Cash
Cash is directly available funds held in bank accounts. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash is measured against fair value Level 1.

Shareholders' equity
Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of profit distribution.

Financial instruments that are designated as financial liability by virtue of economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

The purchase of own shares is deducted from the other reserves.

Share premium
Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of the Company.

Revaluation reserve
Increases in the value of assets that are measured at fair value are included in the revaluation reserve. An exception to this are financial instruments and other securities that are measured at current value; increases in the value of such assets are recognised directly in the profit and loss account. In addition, a revaluation reserve is established for such assets with a corresponding charge against other reserves if frequent market quotations are not available.

The revaluation reserve is established per individual asset. It is not to exceed the difference between the carrying value based on historical cost and the carrying value based on fair value. The revaluation reserve is reduced by any realised revaluation.

If an asset is sold, any revaluation reserve pertaining to that asset is released and credited to other reserves. Any related deferred tax liability, calculated at the current tax rate, is offset against the revaluation reserve.

Provisions
Provisions are created for concrete or specific risks and obligations existing on the balance sheet date, where the magnitude is uncertain, but which can be reasonably estimated.

Insurance liabilities
The initial recognition of the acquired provision for insurance liabilities is calculated on basis of the fair value equal to the discounted value of the best estimate cash flows on basis of a market consistent discount rate excluding the ultimate forward rate (UFR).

The Solvency II provision for insurance liabilities is calculated based on the interest rate structure published by the regulatory authority, including volatility adjustment.

The Solvency II provision is the sum of:

- the expected value equal to the present value of the future annual payments plus the future costs of the insurances minus the gross premiums on the basis of best estimate assumptions;
- the required risk margin, given the calculated solvency capital requirement on the basis of the risks quantified for the company.

The provision for insurance liabilities is calculated on the basis of the Solvency II principles, plus the not amortized part of the difference between the fair value provision at acquisition date and SII provision. This difference will be amortized in the coming years in line with the main driver of aforementioned difference, being the impact on the provision with regard to the development of the UFR.

Provisions for deferred taxes
Deferred tax assets and liabilities are measured at nominal value. Provisions for deferred taxes concern the tax claim that rests on all qualifying differences between commercial valuations and valuations for tax purposes of assets and liabilities, as well as the amount for which the reserves permitted for tax purposes have been created.

The provisions are created in relation to a lower valuation for tax purposes of equities, bonds, loans and immovable property.

The provision is calculated on the difference between the tax and commercial value of the asset or liabilities, multiplied by the current company tax rate of 21,7%.

Long-term liabilities
Long-term liabilities include liabilities with a remaining term longer than one year.

The long-term liabilities are initially valued at fair value and are subsequently valued at amortised cost, on the basis of the effective interest rate method.

Short-term liabilities
The short-term liabilities have an expected term of a maximum of one year.

Premiums earned for own account
Premiums earned for our own account consist of regular gross premiums and single premiums minus outgoing reinsurance premiums.

Yields from investments
This includes the proceeds realised on investments such as bonds.

Unrealised gain or loss on investments
Unrealised equity price changes, determined for each individual fund that can no longer be withdrawn from the revaluation reserve created in previous years are debited to the profit and loss account. Unrealised price gains, determined for each individual fund, that pertain to price losses charged to the profit and loss account in previous years are recovered and credited to the profit and loss account.

Claims and benefits paid
The benefit payments own account consists of the total liabilities arising from the payment of life insurance policies minus the amounts to be received from the reinsurers.

Change in technical provisions for life insurance
The change in technical provisions is equal to the difference between the opening balance and the final balance of the technical provision.

This item therefore includes all the effects of financial transactions, adjustments to economic actuarial principles and deviations between actual and the previously applied assumptions.

Operating expenses
Operating expenses are determined on a historical basis and are allocated to the financial year to which they relate.

Income tax
Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is calculated on the result in accordance with the profit and loss account at a tax rate of 21,7%, with due consideration to the tax facilities.

Cash flow statement accounting principles
The statement of cash flows, prepared according to the indirect method, shows the structure of and changes in cash and cash equivalents of the Company during the financial year from cash flows arising from operating activities, investing activities and financing activities. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without significant risk of changes in value. The cash flows from investing activities primarily comprise changes in investment securities (such as securities available for sale or loans to customers). Financing activities include all cash flows from transactions involving the issuing of

own shares and paid share premium. Cash flows from operating activities include all other activities, which belong to the principal revenue-generating activities.

Related parties

All legal entities, natural persons and other related companies that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities, natural persons and other related companies that can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes as far as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is necessary in order to provide a true and fair view. Related party transactions not on an arm's length basis have not occurred.

Impairments of fixed assets

Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash- generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

An impairment loss of goodwill is not reversed in a subsequent period.

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

6.7 Profit appropriation

The Management Board proposes to charge the result of EUR – 1,242k (2018: EUR – 335k) to the other reserves within the shareholders’ funds. The SB has approved this proposal.

6.8 Notes to the Balance Sheet

Specification fair value hierarchy

in thousands of euros	Level 1	Level 2	Level 3	Total
Bonds	4,485	-	-	4,485
At 31 December	**4,485**	**-**	**-**	**4,485**

Investments:

Cash and cash equivalents (1.)

Cash and cash equivalents

in thousands of euros	2019	2018
Cash and cash equivalents		
Rabobank	3,122	4,968
Kasbank	35	-
State Street Bank	-	45
At 31 December	**3,157**	**5,013**

Financial investments (2.)

Bonds

in thousands of euros	2019	2018
At 1 January	**0**	-
Purchases	4,453	-
Disposals	-	-
Unrealized result	31	-
At 31 December	**4,485**	**-**

Cost of Bonds amounts to EUR 4,453,097 (Nil in 2018).

Bonds by type

in thousands of euros	2019	2018
Government bonds	4,485	-
At 31 December	**4,485**	**-**

Bonds by country

in thousands of euros	2019	2018
Austria	1,065	-
Belgium	1,077	-
Finland	1,046	-
France	1,075	-
Netherlands	222	-
At 31 December	**4,485**	**-**

Bonds by credit rating

in thousands of euros	2019	2018
AAA	222	-
AA	4,263	-
At 31 December	**4,485**	**-**

Reinsurance (3.)

Reinsurance

in thousands of euros	2019	2018
At 1 January	2,544	-
Received with acquisition	-	2,541
Addition through P&L	-235	3
Provision doubtful debtors	-1,150	-
At 31 December	**1,159**	**2,544**

Shareholders' funds

Share capital (4.)

Issued share capital

in thousands of euros	2019	2018
At 1 January	**45**	-
Issued share capital at creation of company	-	45
At 31 December	**45**	**45**

The authorised capital of Company amounts to EUR 225,000 (2018: EUR 225,000), divided into shares of Eur 1. The total number of issued and paid up shares is 45,001 (2018: EUR 45,001).

Share premium (5.)

Share premium

in thousands of euros	2019	2018
At 1 January	**4,429**	-
Share premium contribution at acquisition	-	2,679
Share premium contribution	3,000	1,750
At 31 December	**7,429**	**4,429**

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par value). The share premium is freely distributable.

Revaluation reserve (6.)

Revaluation reserve

in thousands of euros	2019	2018
At 1 January	**-**	**-**
Revaluation reserve bonds	26	-
At 31 December	**26**	**-**

Other reserve (7.)

Other reserve

in thousands of euros	2019		2018	
At 1 January		**-**		**-**
Correction last year	-1		-	
Result last bookyear	-335		-	
At 31 December		**-336**		**-**

Result before appropriation (8.)

Result before appropriation

in thousands of euros	2019		2018	
At 1 January		**-335**		-
Result current year	-1,242		-335	
Mutation to other reserve	335		-	
Result last bookyear	-		-	
At 31 December		**-1,242**		**-335**

The Board of Management proposes, with consent of the Supervisory Board, to the General Meeting to appropriate the loss after tax for 2019 as follows: To add the loss of EUR 1,242k to the other reserves. The proposed appropriation of profit has not been recorded in the financial statements.

Insurance liabilities (for own risk) (9.)

Insurance liability (for own risk)

in thousands of euros	2019		2018	
Best estimate	2,535		2,875	
Risk margin	812		403	
At 31 December		**3,348**		**3,278**

Other short-term liabilities (10.)

Other short-term liabilities

in thousands of euros	2019		2018	
Creditors	29		263	
Shareholder	30		15	
Reinsurer	-		12	
Other	-		7	
At 31 December		**59**		**297**

In the insurance contracts no other profit sharing, guarantees or other options are included other than the options stemming from the in-kind policies. The technical provision primarily has a long duration.

Events after the balance sheet date

On 1 May 2019, Lifetri Groep announced its intention to acquire 100% of the shares of Klaverblad Leven. At the end of the financial year 2019 the group was awaiting the approval of the Dutch central bank (the approval has been received in 2020) before being able to proceed with the acquisition. As such, the financial effects of this transaction have not been recognised at 31 December 2019. The operating results and assets and liabilities of the acquired company will be consolidated from 31 March 2020 18:00 hours CET.

The acquisition is expected to increase our market share, to increase our volumes thereby improving our cost efficiency and to offer – together with the current Lifetri portfolios – a good basis for further growth.

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Klaverblad Leven. In particular, the fair values of the assets and liabilities have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of the acquired net assets or goodwill.

Lifetri Uitvaartverzekeringen N.V. and Lifetri Verzekeringen, subsidiaries of Lifetri Groep B.V., will be impacted by this acquisition as they will share Lifetri Groep services with the newly acquired entity Klaverblad Leven.

On 11 March 2020 the World Health Organization declared the Corona virus infection a pandemic. In response, governments in Europe and elsewhere, including the Dutch Government, have issued very impactful measures to control the pandemic. Worldwide financial market prices have severely declined, both fixed income and equity. Due to the long term nature of our life insurance business we expect no serious long term impact on our continuity, as evidenced by the results of the scenarios modelled in our Own Risk and Self Assessment (ORSA). In the short term, management, employees, partners and suppliers need to be very resourceful to handle all kind of impediments and obstacles to our normal way of working, raised by the implementation of government's measures and our compliance of it.

6.9 Notes to the Income statement

The Income statement reflects the premiums, claims, operating expenses and net result of the Lifetri Verzekeringen N.V. business starting on 01 January 2019 and ending on 31 December 2019.

Net premiums earned (1.)

Premiums earned

in thousands of euros	2019	15 February 2017 to 31 December 2018
Gross premiums	44	12
Outgoing reinsurance premiums	-44	-12
Premiums earned	-	-

Total investment income (2.)

Total investment income

in thousands of euros	2019	15 February 2017 to 31 December 2018
Interest bonds	28	-
Interest banks	-7	-9
Total Investment income	**20**	**-9**

Claims and Benefits paid (3.)

Claims and benefits paid

in thousands of euros	2019	15 February 2017 to 31 December 2018
Gross claims and benefits paid	-27	-12
Reinsurers' share claims	27	13
Net claims and benefits paid	**0**	**1**

Change in technical provisions (4.)

Change in technical provisions

in thousands of euros	2019	15 February 2017 to 31 December 2018
Gross change in technical provisions	-69	-374
Reinsurance share	-234	3
Net change in technical provisions	**-303**	**-371**

Change in other provisions (5.)

Change in other provisions

in thousands of euros	2019	15 February 2017 to 31 December 2018
Change in provision for doubtful debtors	-1,150	-
Net change in other provisions	**-1,150**	**-**

Total operating expenses (6.)

Total operating expenses

in thousands of euros	2019	15 February 2017 to 31 December 2018
Recharges from group companies	-52	-15
Actuarial advisory expenses	-20	-3
Investment advisory expenses	-63	-
Bank costs	-2	-1
Other expenses	-	-4
Staff, overhead and depreciation costs	**-137**	**-23**

Lifetri Verzekeringen shares corporate services, key governance functions and personnel with Lifetri Uitvaartverzekeringen, therefore Lifetri Verzekeringen has no personnel.

The MB remuneration has been accounted for in Lifetri Groep B.V.'s annual report and the SB remuneration has been accounted for in Lifetri Uitvaartverzekeringen's annual report.

The auditor's expenses have been accounted for in Baarn Midco B.V.'s annual report.

6.10 Contingent liabilities and commitments

Fiscal unity

The Company is part of the fiscal unity which also includes Baarn Midco B.V., Lifetri Groep and Lifetri Uitvaartverzekeringen. As a result the Company is liable for all tax claims within the fiscal unity.

Cashpool

The Rabobank accounts of the Company are included in the Lifetri cash pool provided by Rabobank. The Lifetri cashpool consists of the Rabobank accounts of Lifetri Groep, Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen.

Hilversum, 24 April 2020

Supervisory board

Herman van Hemsbergen, Chair

Nils Albert

Paul Medendorp

Rohan Singhal

Management Board

Philippe Wits

Ilse van den Bosch

Other Information

7. Appropriation result according to the Articles of Association

According to the company's articles of association, the results are at the disposal of the Shareholders' General Meeting.

8. Independent auditor's report

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Lifetri Verzekeringen N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Lifetri Verzekeringen N.V. as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2019 of Lifetri Verzekeringen N.V. (the Company) based in Amsterdam.

The financial statements comprise:

1 the balance sheet as 31 December 2019;

2 the following statements for 2019: the profit and loss account, the statement of comprehensive income and statement of cash flows; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Lifetri Verzekeringen N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 72 thousand
— 1.75% of shareholders equity

Key audit matters
— Valuation of insurance contract liabilities

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 72 thousand (2018: EUR 125 thousand). The materiality is determined with reference to shareholders equity and amounts to 1.75%. We consider shareholders equity as the most appropriate benchmark based on our assessment of the general needs of users of the financial statements of a life insurance company. We believe that shareholders equity is a relevant metric for assessment of the financial performance of Lifetri Verzekeringen N.V. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 4,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit scope in relation to fraud

In accordance with the Dutch Standards on Auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

In determining the audit procedures, we use of the evaluation of management in relation to fraud risk management (prevention, detection and response), including ethical standards to create a culture of honesty, and to compliance with laws and regulations.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud (‘fraud risk factors’) to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit.

In accordance with the auditing standards we evaluated the fraud risk of management override of controls that is relevant to our audit.

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate this risk and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. In determining the audit procedures we made use of the company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the compliance reports and follow up by management.

We communicated about our risk assessment and audit response to management and the Supervisory Board. Our audit procedures differ from specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risks and did not result in findings to be included in this audit report.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulations relevant to the company.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements through discussion with management and the Supervisory Board. We discussed with them the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert in any indicators of non-compliance throughout our audit. The potential effect of these laws and regulations on the financial statements varies considerably.

- Firstly, the Company is subject to laws and regulations that directly impact the financial statements, including financial reporting, Solvency II and taxation. We assessed the extent of compliance with these laws and regulations as part of our audit of our procedures on the related financial statements items.
- Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:
- Wet financieel toezicht (wft);
- Anti-money laundering regulation;
- Data privacy regulation (GDPR).

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the company in each of the above areas. We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities

Description

Lifetri Verzekeringen N.V. has insurance contract liabilities of EUR 3.4 million representing 36% of its total liabilities. The valuation of the insurance contract liabilities involves judgement over uncertain future outcomes in the insurance contract liabilities as reported in the balance sheet and requires the application of significant management judgement in setting the assumptions related expense overrun, risk margin and counterparty default adjustment. The insurance portfolio is 100% reinsured.

Given the financial significance and the level of judgement required, we considered this a key audit matter.

Our response

- Our audit approach included testing both the effectiveness of internal controls around determining insurance contract liabilities as well as substantive audit procedures.
- Our procedures over internal controls focused on controls around the adequacy of policyholder data, the governance and controls around assumption setting and the review procedures performed on the Best Estimate Liability (BEL) and Risk Margin by the Actuarial Function Holder. In our audit we also considered the process around the internal validation and implementation of the models used to determine the valuation of the insurance contract liabilities.

With the assistance of our actuarial specialists we performed the following substantive audit procedures:

- Assessing the appropriateness of the data and verifying the accuracy and completeness of claim data used in the valuation and assumption setting;
- Assessing the appropriateness of assumptions used in the valuation of insurance contract by reference to company and industry data and expectations of investment returns and expense developments.
- Analysis of developments in actuarial results and movements in reserve adequacy during the year and corroborative inquiries with management and the Actuarial Function Holder in that regard.
- Evaluation of the robustness of management's substantiation that the insurance contract liabilities are adequate as at 31 December 2019.

Our observation

Overall, we found that management estimated the valuation of the insurance contract liabilities neutral. We also found the related disclosure to be adequate and refer to Note 9 of the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management of the Company is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of the Board of Directors of Baarn Midco B.V. as auditor of Lifetri Verzekeringen N.V., as of the audit for the year 2018 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Management of the Company and the Supervisory Board for the financial statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, Management should prepare the financial statements using the going concern basis of accounting unless Management of the Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix I of this auditor's report This description forms part of our auditor's report.

Utrecht, 24 April 2020

KPMG Accountants N.V.

A.J.H. Reijns RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix I

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management of the Company;
- concluding on the appropriateness of Management of the Company's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.