Solvency and Financial Condition Report (SFCR)
LIECHTENSTEIN LIFE ASSURANCE AG
as at 31 Dec 2018

LiechtensteinLife

SFCR REPORT

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List of abbreviations

AG	Public limited company
CFO	Chief Financial Officer
CSO	Chief Sales Officer
CHF	Swiss franc
EIOPA	European Insurance and Occupational Pensions Authority
EUR	Euro
FMA	Financial Market Authority Liechtenstein
ICS	Internal control system
ICS-FS	ICS Unit
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
Own Funds	Own funds
PGR	Law on Persons and Companies
RMF	Risk Management Function
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report Report on solvency and financial condition
TCHF	thousand Swiss francs
VersAG	Insurance Supervision Act (Liechtenstein)
VMF	Actuarial function

Summary

Solvency and Financial Condition Report (SFCR)

In the European Union (EU) and the European Economic Area (EEA), the new regulatory provisions for insurance under Solvency II came into force with effect from 1 January 2016. This obliges insurers and reinsurers to focus more on risk measurement and management. The rules and regulations lead to intensive internal and external communication on risks. The aim is to improve and harmonise risk management standards within the industry.

As an important part of the Solvency II Directive's extensive reporting requirements, all life, non-life and reinsurance undertakings subject to Solvency II are required to publish the Solvency and Financial Condition Report (SFCR). The publication of the SFCR is intended to increase the transparency of insurance undertakings and to make publicly available important information on the financial condition of the undertaking.

The SFCR provides quantitative and qualitative information in a format that enables the reader to obtain a comprehensive and accurate picture of the solvency and financial situation of the insurance undertaking. Within the Solvency II framework, the solvency ratio is one of the most frequently observed indicators for comparing the capital strength of companies. The solvency ratio considered on its own, however, bears the risk of simplifying the situation too much. Whether a company has a solid capital base, good risk management and a low probability of default should not be assessed solely on the basis of a single indicator. It is therefore important to acquire a sound understanding of various aspects in this context in order to gain a more realistic view of the company's situation. We therefore recommend that you take a closer look at various key figures.

Publication

This report is the third SFCR report of Liechtenstein Life Assurance AG. The subject of this SFCR is the reporting year 2018. The quantitative information in this report refers accordingly (unless otherwise stated) to the reporting date as at 31 Dec 2018.

Core business of Liechtenstein Life Assurance AG

Liechtenstein Life Assurance AG is an innovative life insurance company that concentrates almost exclusively on the sale of unit-linked life insurance policies with little or no guarantees. This significantly reduces the corporate risk compared with traditional life insurers and offers the client maximum product flexibility.

As a modern company, Liechtenstein Life Assurance AG also attaches great importance to maximum transparency and digitized services. The company's range of services includes an online portal through which customers, insurers and sales partners are connected online. It enables a fast and interactive communication with the customer and allows an efficient administration of the insurance contracts. In addition, the online portal offers enormous development potential for digital sales approaches.

Details of the business activities and results of operations are provided in section A.

Governance System Liechtenstein Life Assurance AG

Within the Solvency II regulatory framework, insurance companies are given numerous requirements regarding their governance system. Liechtenstein Life Assurance AG has developed an appropriate governance system based on the rules and regulations and tailored to the business model and size of the company. This is used for

continued growth. For the reporting period, all required guidelines and internal regulations were drawn up, adopted, the existing ones reviewed and communicated. The risk management team and the internal control system, including the compliance function, are key components of this system.

Details on the governance system of Liechtenstein Life Assurance AG are explained in Chapter B.

Risk mitigation measures have been effectively implemented

The most important risk categories for Liechtenstein Life Assurance AG are actuarial risk and market risk. In the 2018 reporting year, the existing risk mitigation techniques proved effective, enabling the Company to manage the risks entered into at all times.

Details on the risk profile of Liechtenstein Life Assurance AG are explained in Chapter C.

Asset and liability calculations as per standard formula

According to Solvency II regulations, market-oriented calculations of assets and liabilities may be carried out according to a model developed in-house or according to the prescribed standard formula. Due to the size and business structure of the company, Liechtenstein Life Assurance AG has decided to strictly adhere to the requirements of the Solvency II standard formula for its calculations. All stress tests were therefore carried out exactly according to this model. **Volatility adjustments, transitional measures or management rules were not applied.**

The report also contains explanations on the main differences in accounting under Solvency II and local accounting under Liechtenstein Person and Company Law (PGR), including their bases, methods and underlying assumptions.

Details of the valuation for solvency purposes of Liechtenstein Life Assurance AG are explained in Chapter D.

Own funds and SCR quota

The own funds situation was assessed as good. In the reporting period, Liechtenstein Life Assurance AG continuously complied with both the minimum capital requirement (MCR) and the solvency capital requirement (SCR).

The own funds of Liechtenstein Life Assurance AG are reported within the scope of this report in accordance with Solvency II balance sheet and in accordance with Liechtenstein Persons and Companies Law (PGR). According to the Solvency II balance sheet as at 31 Dec 2018, Liechtenstein Life Assurance AG has own funds of CHF 47,859 thousand, which are exclusively in the Tier 1 category. According to PGR, Liechtenstein Life Assurance AG has own funds of CHF 21,885 thousand.

As at 31 Dec 2018, the coverage ratio of the **Solvency Capital Requirement (SCR ratio)** – without the application of adjustments, transitional measures or management rules – **- is 178.9%. The coverage ratio of the minimum capital requirement (MCR ratio) is 715.8%.** Thus, the coverage ratios meet the requirements of Solvency II. The current risk situation is within the company's risk-bearing capacity.

Details on the capital management of Liechtenstein Life Assurance AG are explained in Chapter E.

In CHF thousand	31 Dec 2018
Own funds according to Solvency II	47,859
Own funds according to PGR	21,885
In percent	**31 Dec 2018**
SCR - Quota	178.9%
MCR - Quota	715.8%

A

Business activity and business results

A.1 Business activity

Business environment

In the first two quarters, the German economy was in a solid upswing, which was then interrupted in the third quarter. The gross domestic product fell by 0.2% compared to the previous quarter, which is due to strong imports and a noticeable increase in inventories. The WLTP (Worldwide harmonised Light Vehicle Test Procedure) issue in the automotive industry is also responsible for the decline in overall development. Here, a renewed upswing is expected in early 2019 thanks to the increasing winding-down of the registration backlog. Another important pillar of the German economy in 2018 was the positive development of the labour market and the strong wage growth.

While the Swiss economy, just as the German economy, continued to grow in the first two quarters, in the third quarter of 2018 gross domestic product slowed down with a decline of 0.2%. The industrial and service sectors contributed significantly to this decline. Household consumption expenditure, on the other hand, increased by 0.1% towards the end of 2018, while consumption expenditure by the Swiss Government declined by 0.1%.

The economy of the European Union as well as the United States retained an upward trend throughout the entire year. The global economy as a whole was also booming in 2018.

Business segment and product portfolio

For the Swiss and German markets, Liechtenstein Life Assurance AG has launched unit-linked life and pension insurance that are tax-privileged. The products contain no or only minor guarantees. This offers clients a real opportunity for attractive returns on the financial markets while maintaining the tax benefits. The so-called “Nettopolice” (net policy) is also very popular on the German market. All products of Liechtenstein Life Assurance AG impress with their high level of transparency for clients.

In our unit-linked product world we know the following product variants:

- Unit-linked life and pension insurance policies against regular premium payment or against single payment
- Unit-linked pension products that are tax-deductible and those that are not tax-deductible for private pension provision
- Unit-linked provision products with optional supplementary insurance, such as a disability pension or premium exemption in the event of disability or occupational disability
- Unit-linked provision products with guaranteed maturity benefits or without, for even greater flexibility in old-age provision and more active participation in the financial markets
- Unit-linked provision products as a net product or as a classic gross product

Facts & Figures Liechtenstein Life Assurance AG

Liechtenstein Life Assurance AG was founded on 10 Jan 2008 and is registered in the Public Register of the Principality of Liechtenstein under the company number FL-0002.254.494-2. Liechtenstein Life Assurance AG is a Liechtenstein life insurance company based in Ruggell.

The financial year of Liechtenstein Life Assurance AG begins on 1 Jan and ends on 31 Dec of each year.

The competent supervisory authority is the Financial Market Authority Liechtenstein (FMA):

Financial Markets Authority of Liechtenstein
Road 109, P.O. Box 279
9490 Vaduz, Liechtenstein

The external audit of the financial statements is carried out by PWC:
PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zürich

Shareholders and ownership structure
Since 30 Dec 2016, the prosperity company AG, Industriering 3 FL-9491 in Ruggell has held the majority of shares in Liechtenstein Life Assurance AG. The shareholders of the life insurer are entrepreneurs from the Principality of Liechtenstein, the neighbouring region and the Management.

A.2 Underwriting benefits

Liechtenstein Life Assurance AG generated a net profit of CHF 3,086 thousand for the 2018 financial year. The following table shows the main actuarial accounting components according to PGR:

	In CHF thousand
1. Gross premiums posted	100,600
2. Expenditures for insurance claims	-13,545
3. Operating expenses for own account	
a) Acquisition costs	-30,709
b) Administration expenses	-7,216
4. Expenses for capital investments	-1,183
5. Income from investments	2,025

Periodic gross premiums amounted to CHF 79,881 thousand and increased by 20% compared to the previous year.

Expenses for insurance claims amounted to CHF -13,545 thousand in the financial year.

Within the operating expenses for own account, acquisition costs amounted to CHF -30,709 thousand and administration expenses CHF -7,216 thousand.

A.3 Investment performance

The investment income and expenses allocated to the actuarial account are as shown in the following table:

	In CHF thousand
Income from investments	2,025
Unrealised gains from capital investments	16,962
Expenses for the administration of capital investments	-1,183
Unrealised losses from capital investments	-42,708
Total	**-24,904**

The result is attributable to the negative development on the stock markets.

Income and expenses from investments allocated to the non-actuarial account are as shown in the following table:

	In CHF thousand
Current income from other capital investments	23
Reversal of impairment losses	0
Gains on the disposal of capital investments	0
Expenses for the administration of capital investments	0
Depreciation, amortisation and impairment losses on capital investments	-128
Losses on disposal of capital investments	-122

A.4 Performance of other business activities

In the 2018 reporting year, the externally financed remuneration agreements were sold to an affiliated company.

A.5 Other disclosures

All material information on Chapter A "Business and performance" can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the year under review.

B

Governance system

B.1 General information on the Governance System

The Management of Liechtenstein Life Assurance AG considers the Governance System to be appropriate, taking into account the principle of proportionality, nature, scope and complexity of the business conducted, and believes that the organizational structure is designed to support the most important strategic objectives of Liechtenstein Life Assurance AG. The system will be further refined in the future as new business and the size of the portfolio increases. Currently, the governance system of Liechtenstein Life Assurance AG is based on the principles of the Three Lines Of Defence[1].

The responsibilities within the organisational structure are clearly defined and laid down in writing.

The organizational structure is supported by an effectively implemented and established process organization.
These include

- The Organization and Business Regulations of Liechtenstein Life Assurance AG
- Allocation of responsibilities within the Management
- Job descriptions
- Process descriptions
- Distribution of tasks in writing
- Guideline Fit & Proper, the strict application of which ensures the professional qualifications and personal reliability of the employees of Liechtenstein Life Assurance AG.

The business of Liechtenstein Life Assurance AG is conducted in accordance with Liechtenstein law, the Articles of Association of the Company and the Organization and Business Regulations.

Furthermore, the two management bodies of Liechtenstein Life Assurance AG are presented in more detail.

Administrative Board
The supreme body of the Company is the Administrative Board. It delegates the operational part of its tasks and expertise to the Management. The members of the Administrative Board should be able to contribute experience and knowledge from various areas to the Board and distribute the functions of management and control among themselves.

The main tasks of the Administrative Board include, among others:
- The ultimate direction of the Company, including the determination of the Company's objectives and the means to achieve them,
- The preparation of the regulations and guidelines required for orderly business operations,
- The appointment and dismissal of persons entrusted with the management of the company and the regulation of signing authority,
- The preparation of the annual report,
- Resolution on the business plan of the Management
- Fulfilment of the legal duties of orientation and action,
- Adopt a concept for the introduction of corporate governance as a constitution for the company and regulate checks and balances in order to ensure responsible corporate governance.

The Administrative Board of Liechtenstein Life Assurance AG is composed as follows:
- Gilles Meyer, Chairman of the Administrative Board
- Prof. Dr. Marco Josef Menichetti
- Dr. Rolf Nebel
- Dr. Marcel Vaschauner
- Dr. Franz Josef Kaltenbach

[1] The Three Lines of Defense Model is a model for the systematic approach to risks that can occur in companies. These must be recorded, identified, analysed and evaluated at an early stage. The first line of defence is operational management.

The Administrative Board is supported by various committees. These committees analyse specific subjects, topics and human resources in greater depth and serve to prepare decisions or reports. In addition, the Administrative Board may set up committees of qualified experts for special tasks, either for a limited period or for an indefinite period, which analyse further issues in depth and report on them in preparation for resolutions or to perform supervisory functions. Overall responsibility for the tasks delegated to committees remains with the Administrative Board.

The following standing committees exist:
- Audit Committee
- Risk Management Committee
- Compliance Committee
- Personnel Committee
- Investments Committee

Audit Committee
This committee is responsible for auditing the annual financial statements and reporting. It examines the valuation principles of the most important balance sheet and income statement items and may carry out random tests at its own discretion. It then reports to the full Administrative Board on the audit of the annual financial statements and the reporting.

Risk Management Committee
This committee is responsible for monitoring the Management in risk management issues. In particular, it shall assess the identification of risks and the methods used to limit them. It then reports to the full Administrative Board on the quality of risk management.

Compliance Committee
The Compliance Committee prepares the necessary compliance guidelines and is responsible for the introduction, monitoring and further development of a compliance system that complies with legal requirements. It monitors the Management and the compliance function and informs and advises the Administrative Board on compliance with laws and regulations.

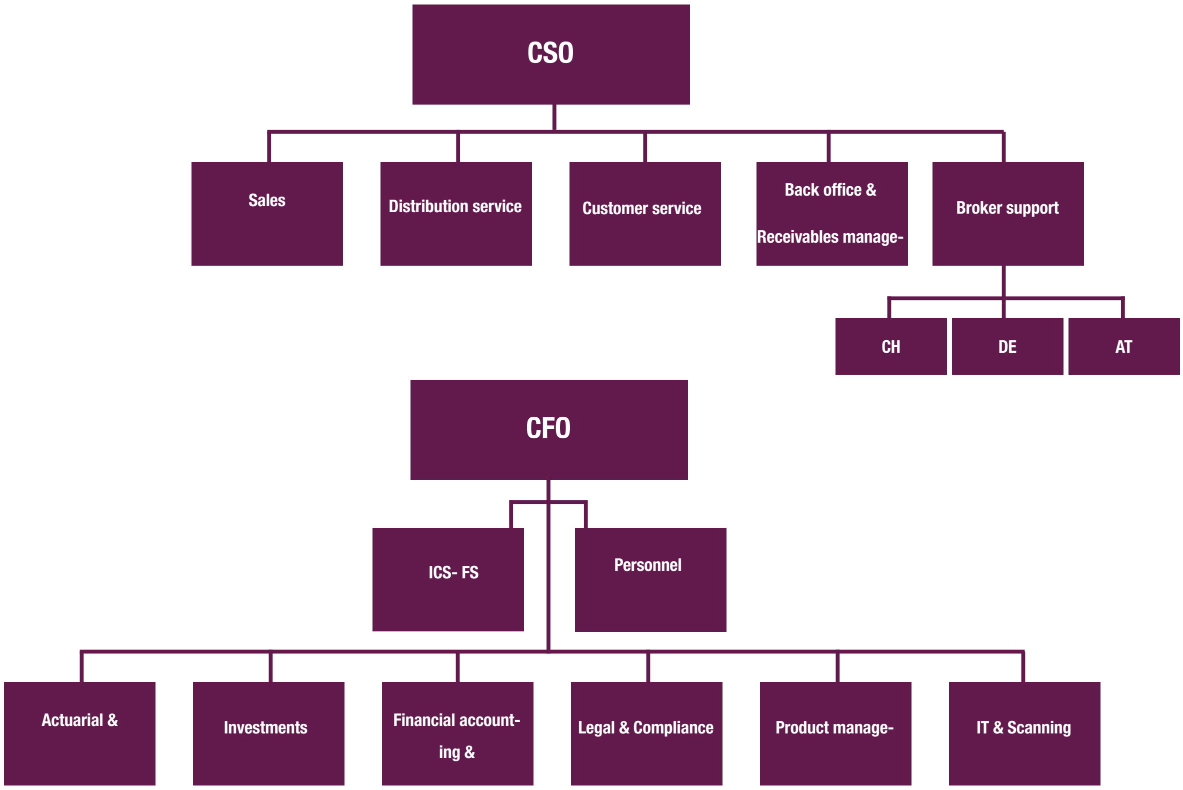
Personnel Committee
This committee is responsible for monitoring remuneration policies, practices and incentive structures. In doing so, it takes into account own funds and liquidity as well as the long-term interests of the insured, shareholders, creditors and employees of LLA. The Compensation Committee discusses with the Management in a timely manner all planned significant personnel changes in the organization and in the occupational benefit plans and determines with it the selection procedure appropriate to the level and the cornerstones of the compensation.

Investments Committee
The Investments Committee is primarily responsible for determining the asset allocation in relation to the Group's own investments and for determining the principles for reviewing the range of funds portfolio available to policyholders.

Management
The Management of Liechtenstein Life Assurance AG consists of the following members:
- Mr. Michael Blank, Chief Financial Officer (CFO)
- Mr. Holger Roth, Chief Sales Officer (CSO)
- Dr. Franz-Josef Kaltenbach (Delegate of the Administrative Board)

An experienced management team, which is responsible for the management of the individual departments / teams, reports to you.

The structure with the distribution of tasks and responsibilities can be seen in the following organisation chart:



The decision-making processes and the actual management are carried out by the three members of the Management, CFO Michael Blank, CSO Holger Roth and the Delegate of the Administrative Board Dr. Franz-Josef Kaltenbach. The detailed allocation of responsibilities as well as the duties, obligations and responsibilities of the managing directors are defined in the Organization and Business Regulations of Liechtenstein Life Assurance AG.

Compensation policies and practices

Remuneration is in line with the business and risk strategy as well as the risk profile of Liechtenstein Life Assurance AG. The remuneration policy is aligned with the company's long-term interests and performance. The Administrative Board, in particular the Personnel Committee, is responsible for designing the compensation system. Currently, the remuneration of almost all employees and Management consists only of a fixed salary. Variable compensation components for all employees who have a variable component at all are below the relevant threshold, which could tempt them to take special risks. The ratio of fixed to variable remuneration components was set in line with normal market practice. In addition, Liechtenstein Life Assurance AG reserves the right not to pay any variable remuneration components at all, especially in the event of non-achievement of corporate targets.

The compensation of the members of the Management consists of a non-performance-related component. This includes fixed remuneration. Its amount is determined by the assigned function and responsibility. The members of the Administrative Board receive remuneration for their activities in accordance with the Articles of Association. The remuneration for owners and employees of key functions is based on the principles set out above.

B.2 Fit and proper requirements

At Liechtenstein Life Assurance AG, employees play an important role in the governance system. Their professional qualifications ("fitness") and personal integrity ("propriety") are elementary prerequisites for professional business operations and are of great importance to Liechtenstein Life Assurance AG. A multidimensional process was implemented at Liechtenstein Life Assurance AG to ensure professional qualifications and personal reliability. Capability requirements to be met by the functionaries in detail also depend in particular on the specific business organisation including the underlying organisational structure and process organisation, the functional allocation of core business tasks and the defined risk management processes and reporting channels of the company concerned. Against this background, the Fit & Proper requirements of Liechtenstein Life Assurance AG were determined individually for the following four groups of persons.

Fit & Proper Grouping

- Members of the Administrative Board
- Members of the Management
- Owner key functions (actuarial function, risk management function, compliance function, internal audit function)
- other employees.

The Administrative Board as well as the Management of Liechtenstein Life Assurance AG act as collegial bodies: in the overall assessment of the abilities and qualifications of all their respective members, they must therefore be sufficiently qualified to fulfill their statutory, legal, and regulatory duties. The members of the Administrative Board, the Management and the holders of key functions must have the following qualifications (the exact description of the requirements is defined in the internal guideline Fit & Proper):

- Training requirements
- Requirements for professional experience
  In-depth knowledge in predefined areas.

It is essential for Liechtenstein Life Assurance AG to continuously monitor compliance with the criteria set out in the internal "Guideline for Requirements for Fit and Proper Requirements" (Guideline Fit & Proper) for all positions of the company. In addition to the recruitment-related tests, regular and occasion-related aptitude assessments were also defined against this background.

To demonstrate personal reliability, Liechtenstein Life Assurance AG assesses the honesty and financial soundness of the person concerned: this assessment is based on relevant evidence of character, personal conduct and business conduct, including criminal, financial and regulatory aspects.

B.3 Risk management system including the company's own risk and solvency assessment

Risk management Structure, roles and responsibilities

Liechtenstein Life Assurance AG operates an active risk management system. An appropriate risk culture is supported by transparent and comprehensible processes and decisions within the company. Employees who are familiar with the proper functioning of processes can make a decisive contribution to limiting risk. In addition, an efficient risk management system is a strategic competitive factor and serves to optimize and increase the transparency of internal processes.

Risk strategy
At Liechtenstein Life Assurance AG, the risk strategy was derived from the business strategy and is therefore the responsibility of the Management. The risk strategy describes the risks to which Liechtenstein Life Assurance AG is exposed with regard to their influence on the economic, financial or earnings situation. In order to be able to deal appropriately and consciously with these risks, the risk appetite has been defined according to risk category.

The most important points from the risk strategy are:
- Within Liechtenstein Life Assurance AG, risks must be quantified as far as possible so that a corresponding reaction can be determined (e.g., definition of risk-mitigating ex post measures, capital reserves).
- The risk appetite per risk must be defined in such a way that long-term SCR coverage is not endangered
- Risk mitigation measures
- Definition of risk-bearing capacity.

Risk management culture
The risk culture prevailing in a company is essential for an effective risk management system. This describes the employees' awareness of emerging risks and their attitude to them. Liechtenstein Life Assurance AG attaches great importance to creating a stable risk culture.

With the entry into force of Solvency II, it is the statutory obligation of every insurance company in the EU to ensure an appropriate risk management culture within the company. Liechtenstein Life Assurance AG has implemented the Solvency II regulations within the company.

Risk management organization
The individual operational departments are aware that they function as a "first line of defence". Problems in everyday business are first observed, evaluated and, if necessary, remedied here.

As a rule, the person responsible for risk management in the individual departments is also the head of department. In particular, they hold weekly team meetings in which the most important problems are discussed and report weekly to Management on any risks that may arise. The risks not resolved in the department are passed on to the next level (RMF, compliance function, VMF actuarial function).

ORSA Guideline
The ORSA (Own Risk and Solvency Assessment) guideline was adopted by the Administrative Board of Liechtenstein Life Assurance AG in 2015. The guideline regulates the procedure of the ORSA process including the triggering events for an ad-hoc ORSA, the responsibilities and mandatory elements of the ORSA report. The risk categories defined within Liechtenstein Life Assurance AG have been defined here.

ORSA Process
ORSA promotes the development and maintenance of an adequate risk culture and is a link between risk and capital management. One of the most important tasks of risk management is the execution of the annual ORSA process, which appropriately identifies, analyses, evaluates, documents and reviews the company's own risks. In order to guarantee this throughout the entire company, a survey is conducted every year in which all department heads are asked about the risks that exist in their area, the risk-reducing measures already implemented, how to deal with risks, risk awareness and much more with the help of a questionnaire and a risk template. The risk management department is responsible for the consolidation and discussion of the results, the verification of completeness is one of the responsibilities of the risk committee, which also defines the risk tolerance thresholds and the risk appetite in coordination with the Management. After approval by the Management, the results are presented to the Administrative Board and subsequently reported to the Liechtenstein Financial Market Authority.

B.4 Internal control system

The internal control system (ICS) basically consists of systematically designed technical and organizational rules for methodical control and controls within the company to comply with guidelines and to prevent damage that may be caused by the company's own personnel or malicious third parties.

The aim of an effective ICS at Liechtenstein Life is to safeguard and protect the claims of clients and the assets of Liechtenstein Life, to prevent and detect errors and irregularities, and to comply with laws and regulations. In a small company such as Liechtenstein Life, these fundamental requirements are implemented to an appropriate extent in accordance with the principle of proportionality.

The functionality of the ICS requires the participation of the management, executives and employees of Liechtenstein Life at all levels. The Management is responsible for the ICS. It is supported in this by the ICS specialist unit, which reports directly to the Management. During implementation, care is taken to ensure that the ICS is understood to mean a network spanning the entire organisation, the elements of which are integrated in a variety of ways into the organisational and technical processes.

The ICS of Liechtenstein Life consists of systematically designed organisational and technical measures and controls within the company. These include, for example:

- the four-eyes principle,
- the separation of responsibilities within Management
- Here, in particular, the separation between sales and customer service on the one hand and product development, risk management, actuarial services and financial accounting on the other.
- the documentation of the control within the processes as well as
- regular technical plausibility checks and access authorisations in the IT systems.

The core element is the institutionalised exchange of information and its documentation, as well as the documentation of the resulting controls and decisions.

This is done using an audit-proof electronic tool. The ICS of Liechtenstein Life has a function for monitoring compliance with the requirements.

B.5 Internal Audit function

The Internal Audit function provides independent and objective audit and advisory services aimed at creating added value and improving business processes. It supports Liechtenstein Life in achieving its goals by using a systematic and goal-oriented audit approach to assess the effectiveness of the risk management, compliance, internal management and control, and governance processes and by helping to improve them. The basis for this function is the Guideline on Internal Auditing of Liechtenstein Life Assurance AG adopted on 13 Dec 2018.

Internal Audit reports directly to the Audit Committee of the Administrative Board. It is under the organizational/administrative control of the owner of the spin-off officer for internal auditing. It is not subject to instructions in the exercise of its mandate. It has auditing, reporting and documentation duties as well as unrestricted information, access and inspection rights. Internal Audit can perform its duties within Liechtenstein Life objectively and independently. The recipients of the internal audit reports are the members of the Audit Committee of the Administrative Board, the Management, the audited entity and the external auditors. In addition, Internal Audit prepares an annual report to account for the performance of its duties and compliance with the requirements of the Guideline.

B.6 Actuarial function

The actuarial function (VMF) is entrusted with the following tasks:

- Coordination of the calculation of technical provisions;
- Ensuring that the methods and models used and the assumptions used in calculating technical provisions are appropriate;
- Assessment of the sufficient quantity and quality of the data used in the calculation of technical provisions;
- Comparison of the best estimates with the empirical values;
- Informing management bodies of the reliability and appropriateness of the calculation of technical provisions;
- Monitoring the calculation of technical provisions, including in cases where appropriate approximations, including case-by-case analyses, are used to calculate the best estimate
- Formulating an opinion on the general underwriting and acceptance policy;
- Formulating an opinion on the adequacy of reinsurance arrangements;

The VMF reports regularly, at least once a year, to the Management on the above tasks. In addition, in this report it makes recommendations to Management based on the findings of the reporting period.

In addition, the VMF contributes to the effective implementation of the risk management system, in particular with regard to the creation of risk models for the calculation of capital requirements and their assessment. It is ensured that the methodology between the calculation of technical provisions and the risk model is consistent, as Liechtenstein Life Assurance AG uses the standard model for this purpose. The actual calculation and validation process takes place independently of the VMF in the product management department of Liechtenstein Life Assurance AG.

B.7 Outsourcing

By outsourcing, Solvency II means an agreement in any form whatsoever concluded between an insurance undertaking and a service provider, which may be a regulated or unregulated entity, under which the service provider provides, directly or through further outsourcing, a process, service or activity which would otherwise be provided by the entity itself.

The regular annual review of service providers within Liechtenstein Life Assurance AG is carried out by the spin-off officers as part of a quality review.

The following points are of great importance in the review of outsourcing partners:

- It is checked whether relevant elements of the risk management system and the internal control system of the service provider are appropriate;
- It is checked whether the service provider has the necessary financial means to perform the additional tasks in an adequate and reliable manner and that all the staff of the service provider who will participate in the performance of the outsourced functions and activities are sufficiently qualified and reliable;
- It is checked whether the service provider has adequate contingency plans in place to deal with critical situations or business disruptions and, where necessary, provides regular back-up opportunities, taking into account the outsourced functions and activities.

The regular annual review of the outsourced processes and the service provider is ensured by means of the review process described above (internal model, questionnaire, quality review to be carried out annually by the outsourcing officers).

B.8 Other disclosures

All essential information on Chapter B "Governance System" can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to provide any further material information for the 2018 reporting year.

C
Risk profile

Liechtenstein Life Assurance AG attaches great importance to the appropriate identification, analysis, evaluation, documentation and monitoring of all risks to which it is exposed. Risk awareness anchored throughout the company, regular risk reporting and ongoing review and further development of risk mitigation measures ensure a sound understanding of the risks within the company.

The risk profile of Liechtenstein Life Assurance AG is characterized by its business activities as a life insurance company, which almost exclusively offers unit-linked life insurance and term life insurance with a maximum of low guarantees.

For the quantification of risks, various stress and scenario analyses on the one hand and empirical values within the framework of the company's own risk and solvency assessment (ORSA process) on the other were taken into consideration. These methods are continuously reviewed by the respective risk managers to ensure that they are up to date. Solvency capital requirements are calculated on the basis of Solvency II.

C.1 Underwriting risk

The underwriting risk in life insurance is the risk of changing cash flows due to unfavourable developments in the underlying actuarial bases.

At Liechtenstein Life Assurance AG, the underwriting risk currently consists of the following sub-modules:

- Mortality risk
- Catastrophe risk
- Disability risk
- Lapse risk
- Expense risk

For Liechtenstein Life Assurance AG, the most important sub-modules of the underwriting risk are the expense risk and the lapse risk.

Expense risk
The expense risk is that the costs incurred increase more than the revenues.

Lapse risk
The lapse risk materialises in the event of an increase in lapse rates, which in particular leads to increased administrative costs per insurance policy and reduced income.

Mortality risk and catastrophe risk
The mortality risk and the catastrophe risk describe the risk of an unfavourable development, i.e. a (permanent or one-off) increase in mortality rates.

Disability risk
In the disability risk an unfavourable development of the disability rates is considered. At Liechtenstein Life Assurance AG, this applies to contracts that have acquisition or occupational disability covers.

Applied risk mitigation techniques
Various review processes were used to mitigate the above-mentioned risks.

C.2 Market risk

Market risk is the risk of loss or adverse change in the financial condition arising directly or indirectly from fluctuations in the amount and volatility of market prices of assets, liabilities and financial instruments.

The market risk plays a less important role for a life insurance policy with unit-linked policies than for life insurance policies with (high) interest rate guarantees, as the investment risk is borne by the policyholders.

Significance for Liechtenstein Life Assurance AG

At Liechtenstein Life Assurance AG, the market risk is mainly reflected in the change in the value of own investments, in the changes in cost income from insurance policies caused by the market risk and in the possible change in the level of the exchange rate.

Due to the nature of the business conducted, it is not possible to completely avoid the investment risk. Liechtenstein Life Assurance AG is aware of the impact investment decisions can have. For this reason, various internal regulations have been adopted in this area.

The currency risk arises on the one hand from an investment in funds that invest heavily in assets in other currencies and do not provide for corresponding hedging.

The currency risk is also due to the fact that Liechtenstein Life Assurance AG has its registered office in the Principality of Liechtenstein and its balance sheet is prepared in the local currency of the Swiss franc.

All investments, revenues and expenses that are dominated in another currency (mainly EUR) are to be seen as investments and costs in foreign currency and therefore need to be specially monitored. The revenues are mostly in Swiss francs, the costs are usually also in Swiss francs (salaries, administrative expenses) due to the domicile in the Principality of Liechtenstein. In German business, expenses are increasingly being incurred in euros, which are almost entirely covered by the premiums paid in euros. This means that most of the revenue covers the costs incurred in the same currency.

Other currency pairs currently have no relevance for Liechtenstein Life Assurance AG.

Applied risk mitigation techniques

The investment risk for customer investments is managed by thoroughly examining the funds before they are taken up in the range of Liechtenstein Life Assurance AG; after inclusion, the funds in the range are compared at regular intervals in the respective peer group and checked to see whether they continue to meet the requirements (fund monitoring).

In making our own investment decisions, we pay attention not only to creditworthiness (rating) and liquidity but also to the admissibility of the asset classes and their share of the total investment in accordance with the strategic and tactical asset allocation (internal regulation to avoid high risk concentrations).

Most of the assets consist of investments for the account and risk of the policyholders (funds). Before new funds are included in the range of unit-linked insurance products, it is checked whether they meet the admission criteria of Liechtenstein Life Assurance AG.

During 2018, own investments were mainly invested in cash and short-term investments. Particular attention is paid to sufficient diversification.

With regard to currency risk, care shall be taken to ensure that revenue and expenditure are, as far as possible, denominated in the same currency. In order to better monitor current and future exchange rate fluctuations, liquidity is reported separately by currency and is also secured as planned for the coming 12 months by means of exchange rate forecasts. In order to ensure this, thresholds were set for the introduction of various measures.

C.3 Credit risk

Credit risk is the risk of a possible loss or adverse change in the value of the original own funds resulting from an unexpected default or deterioration in the creditworthiness of counterparties and debtors during the following twelve months.

Significance for Liechtenstein Life Assurance AG

Credit risk at Liechtenstein Life Assurance AG consists of three components:

1. Default or deterioration in the creditworthiness of banks and reinsurers.
2. Default or deterioration in the creditworthiness of cooperation partners with whom Liechtenstein Life Assurance AG cooperates closely.
3. Issuer risk: Liechtenstein Life Assurance AG purchases financial instruments for its own portfolio that become worthless.

Applied risk mitigation techniques

1. Risk analyses are carried out in important business policy decisions: in this case, the ratings of the banks or reinsurers and the associated probabilities of default must be taken into account (banks/ reinsurers with better ratings and diversification of bank deposits are preferred from a risk management perspective)
2. Since the cooperation partners of Liechtenstein Life Assurance AG are among the most important business partners, great importance is attached to the selection, evaluation and support of the partner.
3. When deciding on a purchase for the issuer's own holdings, the issuer is carefully examined on the basis of predefined criteria.

C.4 Liquidity risk

Liquidity risk is the risk that a company will not meet its payment obligations on time.

Significance for Liechtenstein Life Assurance AG

Liquidity risk is an essential component of the risk profile of Liechtenstein Life Assurance AG. For this reason, great importance is attached to regularly projecting the available liquidity for a certain period of time in order to minimize the liquidity risk. The risk reduction measures implemented mean strict controls that minimise the net risk to such an extent that it is ultimately classified as "insignificant".

Applied risk mitigation techniques

In order to monitor the liquidity risk, a weekly liquidity report is sent to the Management in which the most important key liquidity figures, the status of liquidity and expected inflows and outflows can be found. This enables a rapid response in the event of an imminent shortfall. Liechtenstein Life Assurance AG counters liquidity risk as part of its liquidity risk management policy within the framework of the general risk management system.

The expected profit for the fourth quarter of 2018, calculated on the basis of future premiums, amounted to CHF 39,965 thousand.

C.5 Operational risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, employees or systems or from external events.

Significance for Liechtenstein Life Assurance AG
For Liechtenstein Life Assurance AG, it is of great importance to sensitize all employees to the risks that may arise in their own area of responsibility and thus to minimize possible operational risks. For this reason, the documentation of the various processes, the manuals, guidelines and work instructions also play an important role within the entire business organization.

Applied risk mitigation techniques
Liechtenstein Life Assurance AG is aware that not all operational risks can be avoided. In a first step, the well-functioning internal control system is mentioned as a risk mitigation measure. This includes controls such as:

- A strict four-eyes principle
- Documentation of the essential business processes in an organization manual
- Weekly report of all department and team leaders
- Weekly meeting of all departmental and team leaders with awareness of the risks
- With regard to data protection: access controls, protection of IT systems with copy protection
- Documentation of the control within the processes

The analyses and controls regularly carried out by Internal Audit and the Compliance Officer are aimed, among other things, at examining the appropriateness of the internal control system (ICS).

C.6 Other material risks

Reputational risk
Reputational risk is the risk arising from possible damage to the company's reputation as a result of negative public perception (e.g. among customers, employees, business partners, shareholders, authorities).

Significance for Liechtenstein Life Assurance AG
Reputational risk was defined as an independent risk type in the list of possible events.

Applied risk mitigation techniques
As part of the internal control system, Liechtenstein Life Assurance AG attaches great importance to minimising any possible reasons for reputational risks. Due to the existing interaction with other risks / risk categories, the avoidance of reputational damage in many processes and control mechanisms is already part of day-to-day business operations.

Key person risk
The key person risk is the assumption that a key person is absent due to release, termination without notice, long illness or even accident / death.

Significance for Liechtenstein Life Assurance AG
All key decision-makers in a company are exposed to a key person risk. At Liechtenstein Life Assurance AG, this primarily concerns the Management and the holders of the key functions. The aim of risk management is to make the consequences of a potential default of these persons compensable, to limit them and to resolve any situation that may arise as quickly as possible.

Applied risk mitigation techniques
Substitutes are appointed for important activities of the above-mentioned key persons and so-called knowledge islands are actively avoided. In the event of the above-mentioned failure, tasks can also be performed temporarily by external service providers. In such cases, in order to ensure that new appointments are made as quickly as possible, there are clearly defined job descriptions, guidelines and the organisational and business regulations that describe the tasks to be performed and the responsibilities by function/position.

Strategic risk

Strategic risk includes all the negative effects of wrong business decisions, poor implementation of decisions or lack of adaptability to changes in the corporate world.

Significance for Liechtenstein Life Assurance AG
At Liechtenstein Life Assurance AG, the risks associated with the cooperation of major cooperation partners, the risks associated with structural and tax changes, and the risks associated with the development of digitization and general market development were defined as strategic risks within the framework of the ORSA Process 2018.

Applied risk mitigation techniques
The experience and expertise of the Management and other decision-makers ensure sustainable future planning and business orientation. Appropriate measures are taken to ensure that the strategic risks mentioned above are under control.

Outsourcing risk

More detailed information on this can be found in Chapter B under B7 Outsourcing.

C.7 Other disclosures

All material information on Chapter C "Risk profile" is provided in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the year under review.

D

Evaluation for Solvency purposes

In order to prepare the balance sheet in accordance with Solvency II, all assets and liabilities must be valued at their market value. Therefore, a revaluation of assets and liabilities valued according to PGR (hereinafter also referred to as local statutory accounting) is required. This applies in particular to underwriting liabilities for which market values are not directly available.

In principle, the Solvency II value is determined according to a three-level valuation hierarchy depending on the availability of market prices:

Level 1: Use of market prices quoted on active markets for identical assets or liabilities

Level 2: Use of market prices quoted on active markets for similar assets and liabilities, taking into account differences in the valuation object

Level 3: Application of alternative valuation methods based on appropriate input factors and valuation techniques.

In addition, there are specific requirements or simplification options for individual positions. The adoption of statutory values for solvency purposes may also be considered on a case-by-case basis if this is recognised by the supervisory authorities or is appropriate in accordance with the principle of proportionality.

Foreign currency translation

For the translation of all assets and liabilities not denominated in CHF, the exchange rate on the balance sheet date is used. The conversion rates used in the solvency balance sheet correspond to the rates used for the balance sheet according to local accounting principles.

D.1. Assets

This chapter contains the presentation and explanation of significant assets. The underlying assumptions according to Solvency II and local accounting for the calculation are also shown.

The differences between the two accounting standards lie, on the one hand, in the valuation of individual assets and, on the other, in the structure of the solvency balance sheet. For this reason, a direct comparison of all balance sheet items is difficult in some places.

As a matter of principle, the requirements of the implementing provisions and the technical specifications of EIOPA are taken into account when determining fair value in accordance with Solvency II. In the period under review, no methodological changes were made in the valuation.

The total assets as at 31 Dec 2018 in the valuation for solvency purposes are as follows:

CHF 261,868 thousand

The total of the assets at this time within the framework of the statutory valuation pursuant to PGR is

CHF 348,954 thousand

Compared to the statutory valuation, the total assets in the valuation for solvency purposes have thus decreased by CHF 87,086 thousand or approx. 25%.

The reduction is mainly attributable to the following items:

1. Amounts recoverable from reinsurance contracts
2. Intangible assets
3. Deferred acquisition costs

The following table shows the main assets with their valuations in the Solvency II balance sheet and the local balance sheet as at 31 December 2018.

Assets as at 31 Dec 2018 in CHF thousands	Solvency II	Local accounting according to PGR	Deviation[1]
Deferred acquisition costs	-	3,045	-3,045
Intangible assets	-	81	-81
Deferred tax assets	404	-	404
Property, plant and equipment held for own use	209	209	-
Investments	538	538	30
Assets for index- and unit-linked contracts	303,198	303,198	-
Loans and mortgages	961	961	-
Recoverables from reinsurance contracts	-84,365	-	-84,365
Receivables from policyholders and intermediaries	3,008	3,008	-
Receivables from reinsurers	3,308	3,308	-
Receivables (trade, not insurance)	2,179	2,179	-
Cash and cash equivalents	31,182	31,182	-
Other assets not reported else-where	1,245	1,245	-
Total assets	**261,868**	**348,954**	**-87,086**

Intangible assets
Intangible assets are valued at zero[2] under Solvency II. The reason for this is that intangible assets may only be recognised if they could be sold individually. In addition, these must have a price on active markets for identical assets.

Intangible assets mainly consist of software and licenses. The intangible assets had a value of CHF 81 thousand within the statutory valuation according to PGR.

[1] Rounding to CHF thousands may result in rounding differences

[2] Article 12: Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

Deferred tax assets
Deferred taxes play an important role in Solvency II, in addition to the calculation for the solvency balance sheet, especially in the calculation of the solvency capital requirement. Various effects can trigger deferred taxes, such as the revaluation of the PGR balance sheet in the solvency balance sheet or the inclusion of future amounts. Either a tax claim or a tax provision arises.

Deferred tax assets are also recognised on tax loss carry-forwards. A tax rate of 12.5% is applied to determine deferred taxes, whereby a maximum of 70% of the annual result achieved may be used to offset losses.

Deferred tax assets currently amount to CHF 404 thousand and form a special item in the Solvency II balance sheet.

Property, plant and equipment held for own use
Property, plant and equipment, such as furniture, etc., are valued under PGR on the basis of acquisition costs less depreciation. As the value of CHF 209 thousand is not material, it was included in the solvency balance sheet.

Attachments
The total value of investments (excluding assets for index- and unit-linked contracts) amounted to CHF 538 thousand as at 31 Dec 2018.

The capital investments in the solvency balance sheet of Liechtenstein Life Assurance AG are 100% corporate bonds.

Corporate bonds
For listed securities, the market price or market price of a recognised liquid market is used as the fair value. The corporate bonds have a market value of CHF 538 thousand as at 31 Dec 2018.

Assets for index- and unit-linked contracts
The assets for index- and unit-linked contracts include investments for the benefit and at the risk of life insurance policy holders. For the Solvency II valuation, the market value of the funds for the index-linked life insurance policies is used and corresponds to local accounting.

The assets for index- and unit-linked contracts have a value of CHF 303,198 thousand as at 31 Dec 2018.

Loans and mortgages
Loans are valued at nominal amounts less any individual value adjustments.

The value of the loans amounts to CHF 961 thousand.

Recoverables from reinsurance contracts
The amounts recoverable from reinsurance contracts include payments relating to the settlement of claims and unregulated claims. This also includes the expected premium payments by Liechtenstein Life Assurance AG to reinsurers within the framework of reinsurance contracts, which in this context lead to a negative value.

The recoverable amounts from reinsurance contracts have a value of CHF -84,365 thousand as at 31 Dec 2018.

Receivables from policyholders and intermediaries
Receivables from insurance policy holders and insurance brokers include amounts due in the short term from balances due from insurance policy holders and insurance brokers, which are not included in the calculation of technical provisions or in the item receivables (trade, not insurance). Since 2015, receivables from the purchase of remuneration agreements with insurance brokers have been recognised at cost less instalments already paid, reduced by value adjustments if necessary.

The value amounts to CHF 3,008 thousand and includes receivables from direct insurance business.

Receivables from reinsurers
The item Accounts receivable from reinsurance business includes the very short-term balances of receivables from ceded reinsurance business resulting from current settlements with reinsurers.

The value is CHF 3,308 thousand.

Receivables (trade, not insurance)
Other receivables amount to CHF 2,179 thousand and include receivables from affiliated companies and other debtors.

Cash and cash equivalents
Cash and cash equivalents mainly comprise current balances with banks and cash on hand. The statutory valuation is carried out at nominal amounts and corresponds to the market value. The value of the solvency balance sheet corresponds to the value in local accounting and has a value of CHF 31,182 thousand.

Other assets not reported elsewhere
Other assets not shown elsewhere include prepaid expenses (e.g. accrued interest, commissions) and have a value of CHF 1,245 thousand.

Deferred acquisition costs
The item prepaid expenses within the scope of the statutory valuation includes in particular deferred acquisition costs (i.e. repayments of acquisition costs included in future premiums) amounting to CHF 3,045 thousand. Under Solvency II, these are stated at zero, as they are taken into account in the cash flow projection for calculating insurance reserves. The acquisition costs are therefore not shown under assets in the solvency balance sheet and have a special item in local accounting under prepaid expenses.

D.2. Technical provisions

Liechtenstein Life Assurance AG does not apply any facilitations such as volatility adjustments, transitional measures or management rules for the calculation of technical provisions.

The technical provisions under Solvency II are the sum of the best estimate (BE) of the actuarial commitments and the risk margin (RM). Replication of actuarial cash flows using financial instruments and thus a valuation as a whole is out of the question.

The Best Estimate (BE)
The BE is a probability-weighted average of future cash flows taking into account the time value of money (expected present value of future cash flows) and using the relevant risk-free yield curve without volatility adjustment.

The best estimate (BE) for unit-linked products was calculated indirectly by deducting from the PGR provision for unit-linked products the present value of expected future profits from existing insurance contracts.

The risk margin
The risk margin reflects the cost of capital that another insurer would incur when assuming its obligations, as it would also have to meet the regulatory capital requirements for this. It is the theoretical premium on the best estimate which a receiving company would require for the non-hedgeable risks contained in the commitments.

The risk margin is calculated as the present value of the costs incurred for the provision of eligible own funds in the amount of the Solvency Capital Requirement (see E.2) to cover non-hedgeable risks until the expiry of the portfolio. The risk margin is intended to ensure that insurance obligations can be transferred to another insurance undertaking.

Methods and assumptions used
The policies of the existing portfolio are converted into model points for the calculation of technical provisions and in particular for Solvency II valuations. Each policy is displayed with its own model point. The basis for discounting future cash flows is the relevant risk-free yield curve derived from current market data and prescribed by the regulatory authorities without volatility adjustment. Financial guarantees are also taken into account in the valuation.

To determine the technical provisions, the cash flows are discounted accordingly using this curve. The risk-free base rate curve without volatility adjustment shall be calculated separately for each currency and maturity on the basis of all relevant data and information about that currency and maturity.

Liechtenstein Life Assurance AG did not apply for the transitional measures for risk-free interest rates and technical provisions permitted by supervisory law and therefore did not make use of them.

Differences between Solvency II values and statutory values
The value of the technical provisions under Solvency II differs significantly from the valuation of the technical provisions for unit-linked products in the PGR financial statements due to the procedure described above (deduction of the present value of future profits from existing insurance contracts). The aggregate reserve for unit-linked life insurance policies in the PGR financial statements is calculated on the basis of individual contracts using the retrospective method from the existing share units of the individual insurance policies, which are measured at fair value on the balance sheet date.

The value of the technical provisions under Solvency II corresponds to the current amount that insurance undertakings would have to pay if they were to transfer their insurance obligations immediately to another insurance undertaking.

The degree of uncertainty associated with the value of the technical provisions
There are always uncertainties in the estimation of assumptions about future developments. In order to keep these as low as possible, continuous monitoring and, if necessary, updating takes place. In particular, this also applies to the exercise probability of contractual options, such as premium exemptions, premium reductions, premium dynamics or (partial) annuity options, which for reasons of proportionality are not shown or are only shown in simplified form in the individual contractual projection of the actuarial cash flows.

In the estimation of Liechtenstein Life Assurance AG, the uncertainties presented by the simplified assumptions do not lead to a material uncertainty in the assessment of the value of the technical provisions.

D.3. Other liabilities

The valuation of other liabilities for solvency purposes was generally based on the values in the annual financial statements. Deferred tax liabilities, which must also be calculated under Solvency II, are an exception.

The following table shows the valuations in the solvency balance sheet and the balance sheet according to local accounting and explains the differences between the two methods.

Assets as at 31 Dec 2018 in CHF thousands	Solvency II	Local accounting according to PGR	Divergence
Provisions other than technical pro-visions	1,671	1,830	-159
Deposits from reinsurers	328	328	-
Deferred tax liabilities	3,653	-	3,653
Liabilities to other creditors	32,149	32,149	-
Liabilities to reinsurance companies	3,719	3,719	-
Payables (trade, not insurance)	3,884	3,884	-
Other liabilities not shown here	476	476	-
Other liabilities Total	**45,880**	**42,386**	**3,494**

Provisions other than technical provisions
This item includes other provisions, in particular premiums not (yet) allocated and additional payments to sales partners. As Solvency II value, the statutory value is adopted on the basis of the principle of proportionality for simplification purposes.

The difference of CHF 159 thousand results from a provision for precautionary reasons to avoid a future underfunding within the framework of the contribution guarantee in the PGR balance sheet. In the solvency balance sheet, this value was set to 0 because the value of the guarantees is already taken into account in the calculation of the technical provisions. The Solvency II value is CHF 1,671 thousand.

Deposits from reinsurers
Deposits from reinsurers reinsurance business include items from ceded reinsurance business. It is the capital for current EU benefit cases. The Solvency II value is CHF 328 thousand.

Deferred tax liabilities
Deferred tax liabilities are recognised if asset items in the economic balance sheet are higher or liabilities items are lower than in the tax balance sheet and if these differences are equalised again in the future as to the tax effect (temporary differences). The Solvency II value is CHF 3,653 thousand.

Liabilities towards insurance policy holders and insurance brokers
These are liabilities to insurance policy holders and cooperation partners as well as premiums not yet allocated. This item also includes payments for deaths, repurchases and maturities that have not yet been paid out. The liabilities to the cooperation partners are the cancellation reserves. Liabilities are valued at their nominal amount, which generally corresponds to the payment amount. For reasons of materiality, these very short-term positions are not discounted. Therefore, the carrying amount in the solvency balance sheet is identical to the carrying amount in the local financial statements. The Solvency II value is CHF 32,149 thousand.

Liabilities to reinsurance companies
The liabilities to reinsurance companies in the PGR balance sheet relate to settlement balances that were not paid until the new year. In the solvency balance sheet, the discounted future cash flows to reinsurers are also recorded here, resulting in this significant deviation. The Solvency II value is CHF 3,719 thousand.

Payables (trade, not insurance)
The statutory valuation is carried out at the settlement amount. These are liabilities from taxes, social security and to other creditors. The Solvency II value is CHF 3,884 thousand.

Other liabilities not shown here
Other liabilities include those items that cannot be allocated to the aforementioned items. The statutory balance sheet contains accruals and deferrals, which are also shown in the solvency balance sheet. The Solvency II value is CHF 476 thousand.

D.4 Alternative methods for valuation

No alternative valuation methods were applied for the 2018 reporting year.

D.5 Other disclosures

There is no material information on other disclosures for the 2018 reporting year.

E

Capital management

E.1 Own funds

Liechtenstein Life Assurance AG shall regularly, at least quarterly, review the capital resources required to comply with the requirements of Solvency II.

As at 31 Dec 2018, Liechtenstein Life Assurance AG had own funds amounting to CHF 47,859 thousand. The own funds of the solvency balance exceed the equity of the statutory balance sheet in the amount of CHF 21,885 thousand by CHF 25,974 thousand.

It is entirely Tier 1 own funds, i.e. core capital, and can therefore be used without restriction to cover the Solvency Capital Requirement and the Minimum Capital Requirement.

The own funds of Liechtenstein Life Assurance AG as at 31 Dec 2018 consist of the following components:

In CHF thousand	Solvency II	PGR balance sheet
Paid-in share capital	20,000	20,000
Establishment fund	6,500	6,500
Reconciliation reserve	21,359	-
Loss carried forward	-	-7,701
Annual earnings	-	3,086
Total equity	**47,859**	**21,885**

Differences between the surplus in the solvency balance sheet and the equity according to PGR:
The amount of the share capital or the establishment fund is identical in the PGR balance sheet and the solvency balance sheet. Essential differences result from the valuation differences of individual assets and liabilities as described in Chapter D. In total, these lead to a significant deviation between the loss carried forward and the annual profit according to PGR and the reconciliation reserve in the solvency balance sheet.

The composition of Liechtenstein Life Assurance AG's own funds among the individual classes ("Tiers") as at 31 Dec 2018 is shown in the following table (figures in CHF thousand):

In CHF thousand	31 Dec 2018
Tier 1 - unlimited	47,859
Tier 1 -restricted	-
Tier 2	-
Tier 3	-
Own funds	**47,859**

E.2 Solvency capital requirement and minimum capital requirement

Solvency Capital Requirement (SCR)
The SCR of Liechtenstein Life Assurance AG, which is relevant for regulatory purposes, is calculated using the standard formula based on the legal requirements of Solvency II (Art. 53ff VersAG). The risk-free yield curve specified by EIOPA without volatility adjustment was used as the yield curve. No management rules, company-specific parameters or other simplifications or transitional measures (matching or volatility adjustments) were used in the calculation.

The SCR of Liechtenstein Life Assurance AG as at 31 Dec 2018 is composed as follows:

Composition of the Solvency Capital Requirement (in CHF thousand)	
Market risk	6,377
Counterparty default risk	2,092
Actuarial risk	25,903
Diversification	-5,521
Basic solvency capital requirement	28,851
Operational risk	1,716
Loss-absorbing capacity of deferred taxes	-3,821
Solvency Capital Requirement (SCR)	26,746

Minimum Capital Requirement (MCR)

In addition to the Solvency Capital Requirement, the Minimum Capital Requirement represents a minimum level below which the capital resources may not fall. The Minimum Capital Requirement may not be less than 25% and not more than 45% of the Solvency Capital Requirement, including any applicable capital add-ons. In addition, the minimum capital requirement must not be less than EUR 3,700,000 or the equivalent in Swiss francs for life insurance companies. The minimum capital requirement for the scope of business of Liechtenstein Life Assurance AG as at 31 Dec 2018 amounts to CHF 6,686 thousand.

The coverage ratios are calculated as the quotient of eligible own funds and the solvency or minimum capital requirement. The following coverage ratios apply to Liechtenstein Life Assurance AG as at 31 Dec 2018:

SCR quota	178.9%
MCR quota	715.8%

The cover ratios thus meet the requirements of Solvency II, and the current risk situation is within the risk-bearing capacity of the company. There are no known risks that would lead to non-compliance with the minimum capital requirement or the solvency capital requirement of Liechtenstein Life Assurance AG.

E.3 Use of the duration-based sub-module equity risk in the calculation of the Solvency Capital Requirement

The duration-based equity risk sub-module does not apply to Liechtenstein Life Assurance AG.

E.4 Differences between the standard formula and possibly applied internal models

Liechtenstein Life Assurance AG uses the standard formula to assess risks. There is therefore no need to explain the differences.

E.5. Non-compliance with the Minimum Capital Requirement and the Solvency Capital Requirement

Liechtenstein Life Assurance AG complied with both the minimum capital requirement and the solvency capital requirement in the individual quarterly financial statements for 2018 and at the end of 2018.

E.6 Other disclosures

All essential information on Chapter E "Capital Management" can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the year under review.

Annex I

S.02.01.01 (in CHF thousand)
Balance

Assets		**Solvency II Value** **C0010**
Intangible assets	R0030	-
Deferred tax assets	R0040	404
Surplus in retirement benefits	R0050	-
Property, plant and equipment held for own use	R0060	209
Investments (other than assets for index-linked and unit-linked contracts)	R0070	538
Real estate (except for own use)	R0080	-
Participations in affiliated companies, including shares	R0090	-
Shares	R0100	-
Shares - listed	R0110	-
Shares - unlisted	R0120	-
Bonds	R0130	538
Government bonds	R0140	-
Corporate bonds	R0150	538
Structured debt instruments	R0160	-
Collateralised securities	R0170	-
Undertakings for collective investment	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other equipment	R0210	-
Assets for index- and unit-linked contracts	R0220	303,198
Loans and mortgages	R0230	961
Policy loans	R0240	-
Loans and mortgages to private individuals	R0250	150
Other loans and mortgages	R0260	811
Recoverables from reinsurance contracts of:	R0270	-84,365
Non-life insurance and health insurance policies of the non-life type	R0280	-
Non-life insurance other than health insurance	R0290	-
Health insurance policies similar to non-life	R0300	-
Life insurance and health insurance with similar to life technique with the exception of unit-linked and index-linked health insurance	R0310	1,458
Health insurance policies using similar to life technique	R0320	-
Life insurance other than health insurance and unit-linked and index-linked insurance	R0330	-1,458
Life insurance policies, unit- and index-linked	R0340	-82,906
Deposits with cedants	R0350	-
Receivables from insurance companies and insurance brokers	R0360	3,008
Receivables from reinsurers	R0370	3,308
Receivables (trade, not insurance)	R0380	2,179
Treasury shares (held directly)	R0390	-
Contributions due in respect of own funds items or funds originally called but not yet paid in	R0400	-
Cash and cash equivalents	R0410	31,182
Other assets not reported elsewhere	R0420	1,245
Total assets	**R0500**	**261,868**

Annex I

S.02.01.01 (in CHF thousand)
Balance

Liabilities		**Solvency II Value** **C0010**
Technical provisions - Non-life insurance	R0510	-
Technical provisions - Non-life insurance (except health insurance)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best estimate	R0540	-
Risk margin	R0550	-
Technical provisions – health (similar to non-life technique)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best estimate	R0580	-
Risk margin	R0590	-
Technical provisions – life (except unit- and index-linked insurance)	R0600	-2,128
Technical provisions – health (similar to life technique)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (except health insurance and unit- and index-linked insurance)	R0650	-2,128
Technical provisions calculated as a whole	R0660	-
Best estimate	R0670	-2,472
Risk margin	R0680	344
Technical provisions - unit- and index-linked insurance policies	R0690	170,257
Technical provisions calculated as a whole	R0700	-
Best estimate	R0710	152,636
Risk margin	R0720	17,621
Other technical commissions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	1,671
Pension obligations	R0760	-
Deposits from reinsurers	R0770	328
Deferred tax liabilities	R0780	3,653
Derivatives	R0790	-
Liabilities to banks	R0800	-
Financial liabilities other than liabilities to banks	R0810	-
Liabilities to insurance companies and intermediaries	R0820	32,149
Liabilities to reinsurance companies	R0830	3,719
Payables (trade, not insurance)	R0840	3,884
Subordinated liabilities	R0850	-
Subordinated liabilities not in basic own funds	R0860	-
Subordinated liabilities included in original own funds	R0870	-
Other liabilities not disclosed elsewhere	R0880	476
Total liabilities	**R0900**	**214,009**
Surplus of assets over liabilities	**R1000**	**47,859**

Annex I

S.05.01.02 (in CHF thousand)
Premiums, receivables and expenses by business segment

		Business area for: life insurance liabilities						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index- and unit-linked insurance	Other life insurance	Pensions from non-life insurance contracts and in connection with health insurance obligations	Pensions under non-life insurance contracts and in connection with other insurance obligations (excluding health insurance obligations)	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410			100,226	374					100,600
Reinsurers' share	R1420			25,582	96					25,677
Net	R1500			74,644	279					74,923
Premiums earned										
Gross	R1510			100,211	374					100,586
Reinsurers' share	R1520			25,582	96					25,677
Net	R1600			74,630	279					74,908
Claims expenses for expenditures for insurance claims										
Gross	R1610			13,665	25					13,690
Reinsurers' share	R1620			247	-					247
Net	R1700			13,418	25					13,443
Change in other technical provisions										
Gross	R1710			30,180	197					30,377
Reinsurers' share	R1720			94	-					94
Net	R1800			30,086	197					30,283
Expenses incurred	R1900			38,967	141					39,108
Other expenses	R2500									-
Total expenses	R2600									39,108

Annex I

S.05.02.01.05 (in CHF thousand)
Premiums, receivables and expenses by country

		Five main countries (by amount of gross premiums written) - Non-life insurance liabilities				
		Switzerland	Germany	Austria	Italy	Liechtenstein
Premiums written						
Gross	R1410	69,014	29,266	1,482	212	626
Reinsurers' share	R1420	21,295	4,060	206	29	87
Net	R1500	47,719	25,206	1,277	183	539
Premiums earned		69,004	29,262	1,482	212	626
Gross	R1510	21,295	4,060	206	29	87
Reinsurers' share	R1520	47,709	25,202	1,276	182	539
Net	R1600	8,546	3,181	955	487	522
Claims expenses for expenditures for insurance claims		111	85	26	12	14
Gross	R1610	8,436	3,096	930	474	508
Reinsurers' share	R1620	20,639	8,178	744	119	698
Net	R1700	94	-	-	-	-
Changes in the remaining actuarial provisions		20,545	8,178	744	119	698
Gross	R1710	20,494	17,238	105	24	64
Reinsurers' share	R1720	69,014	29,266	1,482	212	626
Net	R1800	21,295	4,060	206	29	87
Expenses incurred	R1900	47,719	25,206	1,277	183	539
Other expenses	R2500					
Total expenses	R2600					

Annex I

S.12.01.01 (in CHF thousand)
Technical provisions in life insurance and in health insurance business conducted with the similar to life technique

		Insurance with profit participation	Index- and unit-linked insurance			Other life insurance			Total (life insurance other than health insurance, including unit-linked business)
				Contracts without options and guarantees	Contracts with options or		Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010								
Total amounts recoverable from reinsurance policies/special purpose entities and financial reinsurers calculated after adjustment for expected losses on counterparty defaults on technical provisions as a whole	R0020								
Technical provisions calculated as the sum of best estimate and risk margin									
Best estimate									
Best estimate (gross)	R0030			160,144	-7,509		-2,472		150,164
Total amounts recoverable from reinsurance treaties/to special purpose entities and financial reinsurers after adjustment for expected losses due to counterparty defaults	R0080			-40,519	-42,387		-1,458		-84,365
Best estimate less amounts recoverable from reinsurance treaties/ special purpose entities and financial reinsurance - total	R0090			200,663	34,879		-1,013		234,529
Risk margin	R0100		17,621			344			17,965
Amount at application of the transitional measure for technical provisions									
Technical provisions calculated as a whole	R0110								
Best estimate	R0120								
Risk margin	R0130								
Technical provisions – total	R0200		170,257			-2,128			168,129

Annex I

S.23.01.01 (in CHF thousand)
Own funds

		Total	Tier 1 - not tied	Tier 1 - tied	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Original own funds before deduction of participations in other financial sectors as defined in Article 68 of the Delegated Regulation (EU) 2015/35						
Share capital (without deduction of treasury shares)	R0010	20,000	20,000			
Issue premium attributable to share capital	R0030					
Initial fund, member contributions or equivalent basic own-fund item of mutual associations and similar undertakings	R0040	6,500	6,500			
Subordinated member accounts of mutual insurance associations	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Premium on issue of preference shares	R0110					
Reconciliation reserve	R0130	21,359	21,359			
Subordinated liabilities	R0140					
Amount equal to the value of deferred net tax assets	R0160					
Other own funds items not listed above approved as original own funds by the supervisory authority	R0180					
Own funds shown in the annual accounts which are not included in the reconciliation reserve and which do not meet the criteria for being classified as Solvency II own funds						
Own funds shown in the annual accounts which are not included in the reconciliation reserve and which do not meet the criteria for being classified as Solvency II own funds	R0220					
Deductions						
Deductions for investments in financial institutions and banks	R0230					
Total amount of original own funds after deductions	R0290	47,859	47,859			
Supplementary own funds						
Unpaid and uncalled share capital, which may be called in upon request	R0300					
The initial fund, member contributions or equivalent basic own-fund item of a mutual or similar undertaking which has not been paid in and has not been called in but which may be called in upon request	R0310					
Preference shares not paid up and not called up that can be called up on demand	R0320					
A legally binding obligation to subscribe to and settle subordinated debt on demand	R0330					
Letters of credit and guarantees pursuant to Article 96(2) of Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than such as referred to in Article 96(2) of Directive 2009/138/EC	R0350					
Additional payment requests to members pursuant to the first subparagraph of Article 96(3) subpara 1 of Directive 2009/138/EC	R0360					
Additional payment requests to – other than those referred to in the first subparagraph of Article 96(3) subpara 1 of Directive 2009/138/EC	R0370					
Other supplementary own funds	R0390					
Total supplementary own funds	R0400					
Available and eligible own funds						
Total amount of own funds available to meet SCRs	R0500	47,859	47,859			
Total amount of own funds available to meet MCRs	R0510	47,859	47,859			
Total amount of own funds eligible for SCR compliance	R0540	47,859	47,859			
Total own funds eligible for MCR compliance	R0550	47,859	47,859			
SCR	R0580	26,746				
MCR	R0600	6,686				
Ratio of eligible own funds to SCR	R0620	1,789				

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S.23.01.01.02 (in CHF thousand)
Reconciliation reserve

		C0060	
Reconciliation reserve			
Surplus of assets over liabilities	R0700	47,859	
Own shares (held directly and indirectly)	R0710	-	
Predictable dividends, distributions and remunerations	R0720	-	
Other basic own funds items	R0730	26,500	
Adjustment for tied equity components in Matching Adjustment portfolios and special associations	R0740	-	
Reconciliation reserve	R0760	21,359	
Expected profits			
Expected profit factored into future premiums (EPIFP) - Life insurance	R0770	39,965	
Expected profit factored into future premiums (EPIFP) - Non-life insurance	R0780	-	
Total amount of expected profit included in future premiums (EPIFP)	R0790	39,965	

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S.25.01.01.01 (in CHF thousand)
Solvency capital requirement - for undertakings using the standard formula

		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
Market risk	R0010	6,377	6,377
Counterparty default risk	R0020	2,092	2,092
Actuarial risk	R0030	25,903	25,903
Health insurance risk	R0040	-	-
Non-life actuarial risk	R0050	-	-
Diversification	R0060	-5,521	-5,521
Risk of intangible assets	R0070	-	-
Basic solvency capital requirement	R0100	28,851	28,851

S.25.01.01.02 (in CHF)
Calculation of the Solvency Capital Requirement

Calculation of the Solvency Capital Requirement		C0100
Operational risk	R0130	1,716
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-3,821
Capital requirement for operations referred to in Article 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement without capital add-on	R0200	26,746
Capital add-on already fixed	R0210	-
Solvency capital requirement	R0220	26,746
Further information on the SCR		
Capital requirement for the duration-based sub-module equity risk	R0400	-
Total notional solvency capital requirement for the remainder	R0410	-
Total notional solvency capital requirement for special purpose entities	R0420	-
Total notional solvency capital requirement for Matching Adjustment portfolios	R0430	-
Diversification effects due to the aggregation of notional solvency balance sheet requirements for specialised associations under Article 304	R0440	-

Annex I

S.28.01.01 (in CHF thousand)
Minimum capital requirement - life insurance activity only or non-life insurance or reinsurance activity only

Component of the linear formula for life insurance and reinsurance obligations

		C0040
MCR_L - Result	R0200	2,158

		Best estimate (after reinsurance/special purpose entity deduction) and technical provisions calculated as a whole	Total risk capital (after reinsurance/ special purpose entity deduction)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	-	
Obligations with profit participation - future profit participation	R0220	-	
Obligations from index- and unit-linked insurance policies	R0230	235,542	
Other obligations from life (re)insurance and health (re)insurance	R0240	-	

Calculation of the total MCR

		C0070
Linear MCR	R0300	2,158
SCR	R0310	26,746
MCR upper limit	R0320	12,035
MCR lower limit	R0330	6,686
Combined MCR	R0340	6,686
Absolute lower limit of the MCR	R0350	4,170
Minimum capital requirement	R0400	6,686

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