Liechtenstein Life

2021
SFCR REPORT

Solvency and Financial Condition Report
Liechtenstein Life Assurance AG

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List of abbreviations

AG	Public limited company
CDO	Chief Digital Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CHF	Swiss franc
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
EUR	Euro
EEA	European Economic Area
FMA	Financial Market Authority Liechtenstein
ICS	Internal control system
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PGR	Law on Persons and Companies
RMF	Risk Management Function
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
TCHF	Thousand Swiss francs
VersAG	Insurance Supervision Act (Liechtenstein)
VMF	Actuarial function

Summary

Solvency and Financial Condition Report (SFCR)

The new regulatory provisions for insurance under Solvency II came into force in the European Union (EU) and the European Economic Area (EEA) with effect from 1 January 2016. They require insurers and reinsurers to focus more on risk measurement and risk management. The rules and regulations lead to intensive internal and external communication on risks. The aim is to improve and harmonise risk management standards throughout 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 a Solvency and Financial Condition Report (SFCR). The publication of the SFCR is intended to increase the transparency of insurance undertakings and to make important information on the financial condition of the undertaking publicly available.
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 regulatory framework, the solvency ratio is one of the most frequently observed key 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 key 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 sixth SFCR report for Liechtenstein Life – referred to in the following as Liechtenstein Life. The subject of this SFCR is the reporting year 2021. The quantitative information in this report refers accordingly (unless otherwise stated) to the reporting date as at 31 December 2021.

Core business of Liechtenstein Life

Liechtenstein Life is an innovative life insurance company that concentrates primarily 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 attaches great importance to maximum transparency and digitised services. The company's range of services includes an app solution and an online portal through which clients, insurers and sales partners are connected online. It enables a fast and interactive communication with the client and allows an efficient administration of the insurance contracts. What's more, the app and the online portal offer enormous development potential for digital distribution approaches.

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

Governance system Liechtenstein Life

Within the Solvency II regulatory framework, numerous requirements are placed on insurance companies regarding their governance system. Liechtenstein Life 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 being expanded with the continued growth of the company. For the reporting period, all required guidelines and internal regulations were drawn up and adopted, and 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 are explained in Chapter B.

Risk mitigation measures have been effectively implemented

The risk to which Liechtenstein Life is most exposed is the underwriting risk. In the 2021 reporting year, the existing risk mitigation techniques proves effective, enabling the company to manage the risks entered into at all times.

Details on the risk profile of Liechtenstein Life 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 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. NO volatility adjustments, transitional measures or management rules were applied.

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

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

Own funds and SCR ratio

The own funds situation was assessed as good. In the reporting period, Liechtenstein Life continuously complied with both the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR).

The own funds of Liechtenstein Life are reported within the scope of this report in accordance with Solvency II balance sheet and in accordance with Liechtenstein Law on Persons and Companies (PGR). According to the Solvency II balance sheet as at 31 December 2021, Liechtenstein Life has own funds of CHF 121,801 thousand, which are exclusively in the Tier 1 category. According to PGR, Liechtenstein Life has own funds of CHF 38,909 thousand.

In CHF thousand	31.12.2021
Own funds according to Solvency II	121,801
Own funds according to PGR	38,909
In per cent	**31.12.2021**
SCR ratio	169.5%
MCR ratio	678.0%

As at 31 December 2021, the coverage ratio of the Solvency Capital Requirement (SCR ratio) – without the application of adjustments, transitional measures or management rules – is 169.5%. The coverage ratio of the Minimum Capital Requirement (MCR ratio) is 678.0%. Thus, the coverage ratios meet the requirements of Solvency II. The current risk situation is within the company's risk-bearing capacity.

Details on Liechtenstein Life's capital management are explained in Chapter E.

A note on gender

For ease of reading, Liechtenstein Life has avoided gender-specific formulations. It goes without saying that both men and women are referred to, even if only one sex is explicitly addressed.

A
Business activity and results

A.1 Business activity

We can look back happily on another successful financial year. In a difficult economic environment, which has only eased marginally compared to 2020, Liechtenstein Life can once again report strong growth across all key financial figures. Once again, Liechtenstein Life can report a double-digit increase in the result – now for the fifth year in a row. Profit after taxes increased by 26.8% to CHF 8,170 thousand. Client assets under management increased by a remarkable 30.6% to CHF 648,814 thousand, and we already passed the magic mark of CHF 500,000 thousand in client assets under management in the first quarter of 2021. Another highlight is the 33.9% increase in gross premiums written to CHF 208,086 thousand, which Liechtenstein Life is proud to say is another new record for premiums.

A new alliance

In August 2021, the Portuguese insurance group Fidelidade – Companhia de Seguros, S.A. reached an agreement with the shareholders of the prosperity company AG to acquire 70.0% of the company's shares as at 31 January 2022. With this transaction, Fidelidade secures control over the prosperity company Group, with the current management team of the prosperity company AG also increasing its share in the company to 30%. Liechtenstein Life remains a wholly owned subsidiary of the prosperity company AG.
With Fidelidade, we were able to gain a forward-looking, renowned and technologically strong strategic partner. In this strong alliance, it is possible to consistently develop and implement the digitalisation and growth strategy and offer stakeholders even better and more comprehensive services.

Expansion of the product range

In the first quarter, Liechtenstein Life added the new Netto policy yourlife netto plus for German policyholders to its portfolio. This is a unit-linked pension plan product for which no acquisition costs are included – the insurance contract is concluded by the sales partner as a fee-based advisory service, which means that the remuneration between the sales partner and the policyholder is regulated in an agreement detached from the insurance contract. The fee-based advisory service guarantees total cost transparency. Another advantage of this Netto policy is the high investment ratio and thus the high surrender value right from the start, making it the ideal insurance solution for long-term asset accumulation. This new product will enable Liechtenstein Life to continue to position itself as a pioneer in the field of Netto policies.

In addition to the aforementioned Netto policy, Liechtenstein Life has also established the new value rent business for the German market. As a defined contribution plan, the value rent business offers the opportunity to make provisions for retirement or to aim for a medium- to long-term capital investment with insurance protection and to take advantage of tax benefits. The insurance includes a premium guarantee and, on expiry, a choice can be made between a lifelong annuity with a guaranteed pension increase of 1.0% per year or a full or pro rata capital payout.
The offer for Swiss clients was also expanded. The new KOKON value plus – green has been available since autumn 2021. The new insurance can be designed either as pillar 3a or pillar 3b. Similar to the conventional KOKON value plus, this is a unit-linked life insurance policy. The green option selects the sustainable alternative, with the only choice available being funds with an ESG certificate. The policy is generated in a CO_2-neutral way, and one tree is planted per insurance year of each policy to support climate and environmental protection.
Finally, it should be mentioned that Liechtenstein Life successfully entered the Italian market in the fourth quarter of 2021. The Italian market offers Liechtenstein Life an interesting opportunity to expand its presence in the European markets and to acquire

new clients with products specifically tailored to the Italian market. With the new insurance solution value invest italia, Liechtenstein Life can offer its Italian clients an optimal option for medium to long-term capital investment with integrated insurance cover.

Outlook for the future – client focus and satisfaction

In order to stand out in the global insurance market, policyholders must be offered added values that individually address clients and their wishes. Through close and genuine client care, it is possible to identify the requirements of the policyholders. As a result, it is up to Liechtenstein Life as a fintech insurance company to also develop the right digital solutions to best meet these client requirements. The foundation for a continued successful future has been laid with the service- and client-oriented approach and the broad network of competent sales partners.

Business segment and product portfolio

For the Swiss and German markets, Liechtenstein Life 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 impress with their high level of transparency for clients.

Liechtenstein Life’s unit-linked product world features 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 pension planning and more active participation in the financial markets
- Unit-linked provision products as a net product or as a classic gross product

Facts and figures Liechtenstein Life

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

The financial year of Liechtenstein Life begins on 1 January and ends on 31 December of each year.

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

Financial Market Authority Liechtenstein
Landstrasse 109, P.O. Box 279
9490 Vaduz, Liechtenstein

The external audit of the annual financial statements is performed by PWC:

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zürich

Shareholders and ownership structure

The prosperity company AG, Industriering 40 in 9491 Ruggell has been the sole shareholder in Liechtenstein Life since 31 December 2019.

The prosperity Group

Liechtenstein Life is the central part of this insurtech group as a wholly owned subsidiary of the prosperity company AG. To actively shape digital transformation within the industry instead of simply following it, the Group comprises various companies that contribute to the successful development of the Group as a whole. Our colleagues from prosperity solutions AG and prosperity solutions GmbH in Ruggell and Berlin for instance are supporting the entire Group with the development and improvement of the end user app, the prosperity.app. The company cashyou AG develops and markets innovative compensation solutions for the European market. Products with no acquisition commission – known as net products – form a major pillar of the product range. In combination with the range of services offered by cashyou AG, a real alternative to brokers is offered and the client's desire for fair remuneration for good advice on pension plans is met. The Group bundles marketing know-how and market expertise in prosperity brokershome AG – this assists the Group companies in acquiring additional sales channels and marketing its products and services.

A.2 Underwriting benefits

Liechtenstein Life generated a net profit of CHF 8,170 thousand for the 2021 financial year. The following table shows the main actuarial accounting components according to PGR:

	In CHF thousand
1. Gross premiums written	208,086
2. Claims expenses	–27,398
3. Operating expenses	
a) Acquisition expenses	–70,498
b) Administration expenses	–8,305
4. Expenses for capital investments	–1,620
5. Income from capital investments	4,397

Periodic gross premiums amounted to CHF 140,152 thousand and increased by 26.6% compared to the previous year. Expenses for insurance claims amounted to CHF –27,398 thousand in the financial year –70.4% higher than the previous year. This increase is primarily attributable to increased redemptions and, to a lesser degree, increased maturity benefits.

Within the operating expenses for own account, acquisition costs amounted to CHF –70,498 thousand (+58.2%) and administration expenses CHF –8,305 thousand (+41.2%).

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 capital investments	4,397
Unrealised gains from capital investments	72,867
Expenses for the administration of capital investments	–1,620
Unrealised losses from capital investments	–44,526
Total	**31,118**

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	75
Reversal of impairment losses	0
Gains on the disposal of capital investments	60
Expenses for the administration of capital investments	0
Depreciation, amortisation and impairment losses on capital investments	–39
Losses from the disposal of capital investments	0
Total	**96**

A.4 Performance of other business activities

No other business activities requiring disclosure were performed in the 2021 financial year.

A.5 Other disclosures

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

B
Governance system

The Management Board of Liechtenstein Life deems Liechtenstein Life's governance system appropriate, taking into account the principle of proportionality and given the nature, scale and complexity of the business undertaken. The Management Board is also of the opinion that the organisational structure is optimally aligned to aid the most important strategic objectives of Liechtenstein Life. 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 is based on the principles of the Three Lines Of Defence.
The responsibilities within the organisational structure are clearly defined and laid down in writing.

The organisational structure is supported by an effectively implemented and established process organisation.
At Liechtenstein Life these include:
- The Organisation and Business Regulations
- Allocation of responsibilities within the Management Board
- Job descriptions
- Process descriptions
- Distribution of tasks in writing
- Internal guidelines
- Documented digital internal control system
- Guideline Fit & Proper, the strict application of which ensures the professional qualifications and personal reliability of the employees of Liechtenstein Life.

The business of Liechtenstein Life is conducted in accordance with Liechtenstein law, the Articles of Association of the company and the Organisation and Business Regulations.
The Administrative Board and Management Board of Liechtenstein Life are presented in more detail below.

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 Board. 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, particularly:
- 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 Board
- 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 is composed as follows:

- André Simões Cardoso
  Chairman of the Administrative Board (since 01.02.2022)
- Gilles Meyer
  Chairman of the Administrative Board (until 31.01.2022)
  Member of the Administrative Board (since 01.02.2022)
- Reto Mathias Näscher
  Vice-Chair of the Administrative Board
- Luís Jaime Marques
  Member of the Administrative Board (since 01.02.2022)
- António Diogo Carreira da Cunha Belo Santos
  Member of the Administrative Board (since 01.02.2022)
- Prof. Dr Marco Josef Menichetti
  Member of the Administrative Board (until 31.01.2022)
- Dr Franz Josef Kaltenbach
  Member of the Administrative Board (until 31.01.2022)
- Dr Rolf Nebel
  Member of the Administrative Board (until 31.01.2022)
- Dr Stefan Debortoli
  Member of the Administrative Board (until 31.01.2022)

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 the committees remains with the Administrative Board.

The following standing committees exist:

- Audit Committee
- Risk 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 Committee

This committee is responsible for monitoring the Management Board in risk management issues. In particular, it assesses 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

This 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 Board and the compliance function and informs and advises the Administrative Board on compliance with laws and regulations.

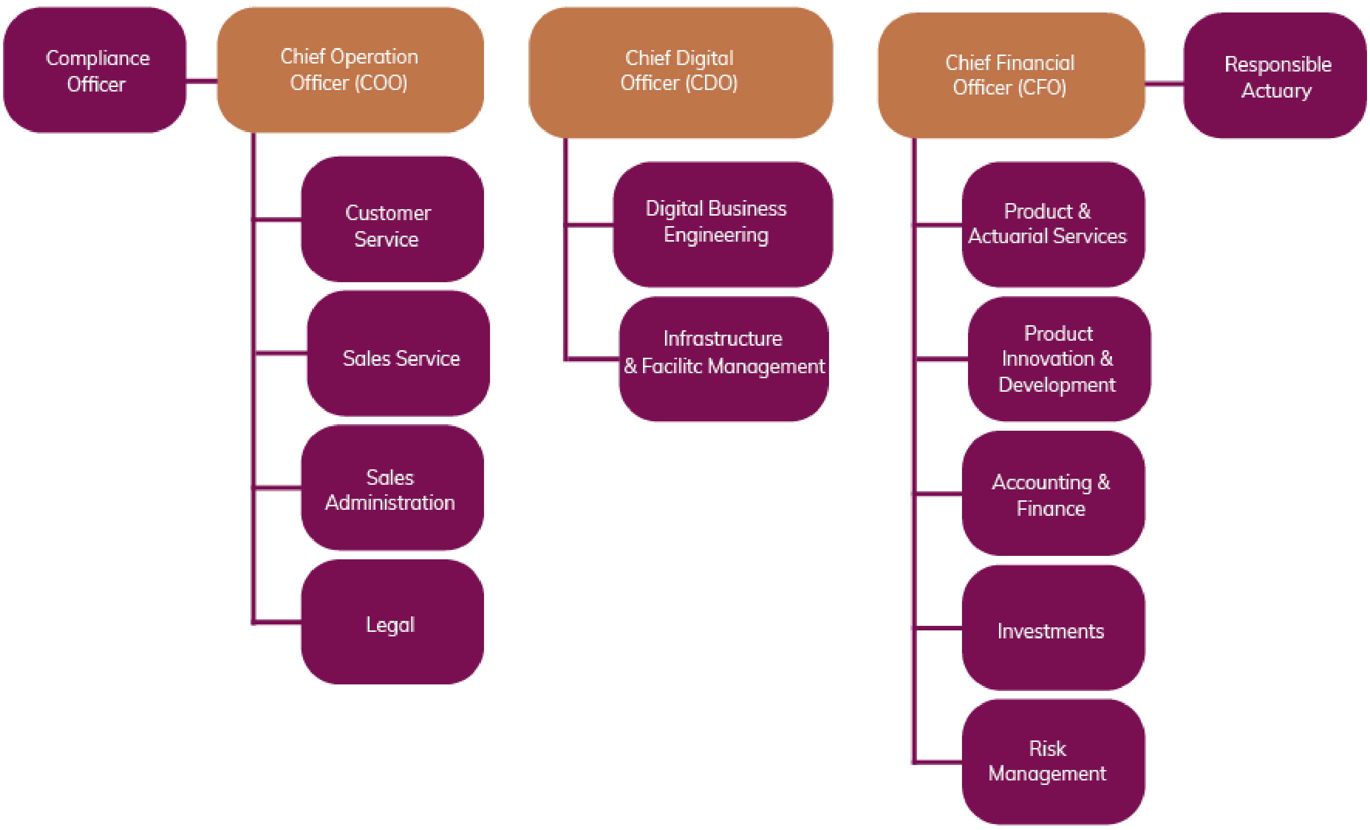
Personnel Committee
This committee is responsible for monitoring remuneration policies, practices and incentive structures. In doing so, it takes into account own funds and liquidity as well as the long-term interests of the insured, shareholders, creditors and employees of Liechtenstein Life. The Personnel Committee discusses with the Management Board in a timely manner all planned significant personnel changes in the organisation 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 in-vestments and for determining the principles for reviewing the range of funds portfolio available to policyholders.

Management Board
The Management Board of Liechtenstein Life consists of the following members:

- Mr Michael Blank, Chief Financial Officer (CFO)
- Mr Gordon Diehr, Chief Operating Officer (COO)
- Dr Aron Veress, Chief Digital Officer (CDO)

An experienced management team, which is responsible for the management of the individual departments, reports to them. 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 Board: CFO Michael Blank, COO Gordon Diehr and CDO Aron Veress. The detailed allocation of responsibilities as well as the duties, obligations and responsibilities of the managing directors are defined in the Organisation and Business Regulations of Liech-tenstein Life.

Remuneration policy and practices

Remuneration is in line with the business and risk strategy as well as the risk profile of Liechtenstein Life. 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. The remuneration of all employees and the Management Board consists only of a fixed salary.

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 & Proper requirements

At Liechtenstein Life, 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.

A multidimensional process is implemented at Liechtenstein Life to ensure professional qualifications and personal reliability. Capability requirements to be met by the functionaries in detail depend on the allocation of duties. Against this background, the Fit & Proper requirements of Liechtenstein Life are determined individually for the following four groups of persons.

Fit & Proper grouping

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

The Administrative Board as well as the Management Board of Liechtenstein Life act as collegial bodies and they must be sufficiently qualified to fulfil their statutory, legal, and regulatory duties.

The members of the Administrative Board, the Management Board 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

For Liechtenstein Life it is essential that the fulfilment of Fit & Proper requirements be reviewed on an ongoing basis for all positions within the company. In addition to the recruitment-related tests, regular and occasion-related aptitude assessments are also defined against this background.

To demonstrate personal reliability, Liechtenstein Life requires a good reputation and that the individual not be or have been subject to any criminal or debt collection proceedings.

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

Risk management structure, roles and responsibilities

Liechtenstein Life 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 optimise and increase the transparency of internal processes.

Risk strategy

At Liechtenstein Life, the risk strategy is derived from the business strategy and is therefore the responsibility of the Management Board. The risk strategy describes the risks to which Liechtenstein Life 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 is defined according to risk category (see Chapter C).

The most important points from the risk strategy are:

- Within Liechtenstein Life, risks must be quantified as far as possible so that a corresponding reaction can be determined
- 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 attaches great importance to creating a stable risk culture. Combining the internal control system and risk management in one tool ensures that employees are directly involved in risk management and mitigation. This serves to promote the risk awareness of all Liechtenstein Life employees.

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 has implemented the Solvency II regulations within the company.

Risk management organisation

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. The most important problems are discussed in weekly team meetings. The responsible individual reports on emerging risks during the Monday meeting, attended by Management Board and all the heads of department. The risks not resolved in the department are passed on to the next level (RMF compliance function, VMF actuarial function).

B.3.2 Company's own risk and solvency assessment

ORSA guideline

Liechtenstein Life's ORSA 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. Furthermore, the risk categories defined within Liechtenstein Life (see Chapter C) are defined.

ORSA process

One of the 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 areas, the risk-reducing measures already implemented, how to deal with risks, risk awareness and other relevant points. The risk management department is responsible for the consolidation and discussion of the results; the verification of completeness is also one of the responsibilities of the risk committee. After approval by the Management Board, the results are presented to the Administrative Board and reported to the Liechtenstein Financial Market Authority.

B.4 Internal control system

The internal control system (ICS) basically consists of systematically designed technical and organisational rules for methodical control and controls within the company to comply with guidelines and to prevent damage that could 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 Board is responsible for the ICS. It is supported in this by the ICS specialist unit, which reports directly to the Management Board. 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 the Management Board
- Here, in particular, the separation between sales, client service and product development on the one hand, and 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

Internal Audit 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 audit approach to assess the effectiveness of the risk management, compliance, internal management and control, and governance processes and by helping to improve them. Its duties, powers and responsibilities are outlined in the Guideline on Internal Auditing.

Internal Audit reports directly to the Administrative Board and the Audit Committee respectively and is coordinated administratively by the outsourcing officers. It has defined auditing, reporting and documentation duties, is not subject to instructions in the exercise of its mandate and has unrestricted information, access and inspection rights. As such, it can perform its duties in full without limitation, objectively and independently.
Internal Audit generates rolling annual planning, coordinating scheduling with the Management Board, and presents this to the Audit Committee for approval. A risk-based approach is adopted for defining and prioritising audit areas. Specific audit objectives and audit procedures are defined for each audit. The respective audit scale, objectives and results are reported on. Internal Audit also issues an annual report of its activities.

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 Board on the above tasks. In addition, in this report it makes recommendations to the Management Board 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 uses the standard model for this purpose. The actual calculation and validation process takes place independently of the VMF in the Product & Actuarial Services Department of Liechtenstein Life.

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.[1]
The annual review of the service provider is carried out within Liechtenstein Life by

the outsourcing officers as part of a quality review and with an additional questionnaire for the outsourcing officers.

The following points are of importance in the review and ongoing monitoring of the outsourcing partner:

- 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 ad equate 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.

B.8 Other disclosures

All essential information on Chapter B “Governance system” can be found in the previous sections. Liechtenstein Life is therefore not required to make any further significant disclosures for the year under review.

[1] Art.13. Section 28 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

C
Risk profile

Liechtenstein Life 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 is characterised 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.

Significance to Liechtenstein Life
At Liechtenstein Life, the underwriting risk currently consists of the following sub-modules:
- Mortality risk
- Catastrophe risk
- Disability risk
- Lapse risk
- Expense risk
- Longevity risk

For Liechtenstein Life, 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
The disability risk assumes an unfavourable development of disability rates. At Liechtenstein Life, this applies to contracts that have acquisition or occupational disability covers.

Longevity risk
For Liechtenstein Life, the longevity risk consists of the average life expectancy of all pension recipients turning out to be higher than expected when calculating the pension amount.

Applied risk mitigation techniques
Various review processes are used to mitigate the above-mentioned risks – including the reinsurance of certain events.

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 primarily unit-linked policies as the investment risk is borne by the policyholders. This is in contrast to the classic life insurance products with (high) interest rate guarantees.

Significance to Liechtenstein Life
For Liechtenstein Life, the market risk is reflected in a change in the value of its own capital investments. There is also the risk of cost income from insurance policies falling due to a negative change in value and/or change in the exchange rate. Liechtenstein Life identifies a second exchange rate risk which arises due to discrepancies between the contract currency of policyholders and the potential investment of premiums in foreign currency.

Completely avoiding the market risk is not possible. Liechtenstein Life is aware of the impact investment decisions can have. For this reason, there are various internal rules adopted by the Investment Committee in this area.

Applied risk mitigation techniques

Investment risk management
The investment risk for client investments is managed by thoroughly examining the funds before they are taken up in the range of Liechtenstein Life; 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 internal minimum requirements (fund monitoring).
In making own investment decisions, one pays attention not only to creditworthiness (rating) and liquidity but also to compliance with internal investment guidelines. Furthermore, Liechtenstein Life also considers the weighting of the investment in the overall portfolio in order to avoid high risk concentrations.

Currency risk management
With regard to currency risk, care is taken to ensure that revenue and expenditure are, as far as possible, denominated in the same currency. Liechtenstein Life's revenues are denominated mainly in Swiss francs, as are its costs (salaries, administration expenses).
Where related income and expenses are incurred within Liechtenstein Life, efforts are made to ensure these are currency-matched. For instance, the costs of the inventory management system for euro policies are also incurred in euros.

All in all, this means that most of the revenue covers the costs incurred in the same currency.
Furthermore, care is also taken to ensure as little foreign currency as possible is held in cash.

C.3 Counterparty default risk

The counterparty default 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 to Liechtenstein Life

The counterparty default risks consist of three components at Liechtenstein Life:
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 cooperates closely
3) Issuer risk: Liechtenstein Life purchases financial instruments for its own portfolio that become worthless.

Applied risk mitigation techniques

1) Risk analyses are carried out at least once a year 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 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 to Liechtenstein Life

Liquidity risk is a minor component of Liechtenstein Life's risk profile. Nonetheless, great importance is attached to regularly projecting the available liquidity for a certain period of time in order to minimise the liquidity risk.

Applied risk mitigation techniques

In order to monitor the liquidity risk, a weekly liquidity report is sent to the Management Board 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.

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 to Liechtenstein Life

For Liechtenstein Life, it is of great importance to sensitise all employees to the risks that may arise in their own area of responsibility and thus to minimise 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 organisation. The tool for the internal control system mentioned in Chapter B.4. serves as a monitoring instrument to ensure the control duties defined in the various documentation, guidelines and work instructions are fulfilled.

Furthermore, at Liechtenstein Life the outsourcing risk falls into the operational risk category. You can find out more about this in Chapter B.7.

Applied risk mitigation techniques

Liechtenstein Life is aware that not all operational risks can be avoided. The effective internal control system is used as a risk mitigation measure.

This contains the following checks:
- A strict four-eyes principle
- Documentation of the essential business processes in an organisation manual
- Weekly report of all department and team leaders
- Weekly meeting of all departmental and team leaders with awareness of the risks
- Access controls, protection of IT systems, multi-factor authentication, etc.
- 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.

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 clients, employees, business partners, shareholders, authorities, etc.).

Significance to Liechtenstein Life

The larger Liechtenstein Life becomes, the greater its reputation risk becomes.

Applied risk mitigation techniques

As part of the internal control system, Liechtenstein Life attaches great importance to minimising any possible reasons for reputational risks. Due to the existing interaction with other risk categories and their risks, 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 based on the assumption that key persons are absent due to a leave of absence, termination without notice, long illness or even accident/death.

Significance to Liechtenstein Life

The key person risk relates to all key decision makers in a company. Within Liechtenstein Life, it relates to other key persons outside of the Management Board.

The aim of risk management is to limit the negative impact of a potential absence of this person and to fill the vacant position with an appropriate candidate as quickly as possible.

Applied risk mitigation techniques

Substitutes are appointed for important activities of the above-mentioned key persons and knowledge islands are actively avoided. In the event of the above-mentioned failure, tasks can 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 Organisation 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 business decisions, flawed implementation of decisions or lack of adaptability to changes in the corporate world.

Significance to Liechtenstein Life

Within Liechtenstein Life the following risks were defined as strategic risks as part of the 2021 ORSA process:

- Change posed by digitalisation
- Dependency on distribution partners
- Structural changes
- Tax changes

Applied risk mitigation techniques

The experience and expertise of the Management Board 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.

C.7 Other disclosures

All material information on Chapter C “Risk profile” is provided in the previous sections. Liechtenstein Life is therefore not required to make any further significant disclosures for the year under review (2021).

D
Valuation for solvency purposes

In order to prepare the balance sheet in accordance with Solvency II (hereinafter referred to as the solvency balance sheet), all assets and liabilities must be valued at their market value. In order to do so, certain assets and liabilities from the PGR (hereinafter also referred to as local statutory financial statements) are revalued. 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. In the interests of simplification, the adoption of statutory values for solvency purposes may also be considered if this is recognised by the supervisory authorities or is appropriate in accordance with the principle of proportionality.

Foreign currency conversion

For the conversion 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 statutory 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 December 2021 in the valuation under PGR are as follows:
CHF 732,389 thousand

The total assets as at 31 December 2021 in the valuation for solvency purposes are as follows:
CHF 570,562 thousand

Compared to the statutory valuation, the total assets in the valuation for solvency purposes have thus decreased by **CHF 161,827 thousand or approximately 22.1% less**.

The reduction is mainly attributable to the following items:

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

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 2021.

Assets as at 31 December 2021 in CHF thousands	Solvency II	Local accounting according to PGR	Deviation[1]
Deferred acquisition costs	–	15,878	–15,878
Intangible assets	–	27	–27
Property, plant and equipment held for own use	154	154	–
Capital investments	698	655	43
Assets for index- and unit-linked contracts	648,814	648,814	–
Loans and mortgages	243	243	–
Amounts recoverable from reinsurance contracts	–145,965	–	–145,965
Receivables from policyholders and intermediaries	5,566	5,566	–
Receivables from reinsurers	23,168	23,168	–
Receivables (trade, not insurance)	511	511	–
Cash and cash equivalents	35,762	35,762	–
Other assets not disclosed elsewhere	1,611	1,611	–
Total assets	**570,562**	**732,389**	**–161,827**

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

Deferred acquisition costs

The item prepaid expenses within the scope of the statutory valuation includes in particular deferred acquisition costs. These are primarily future premiums for repayments of acquisition costs. Under Solvency II, these 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.

The Solvency II value as at 31 December 2021 is **CHF 0 thousand**.
The PGR value as at 31 December 2021 is **CHF 15,878 thousand**.

Intangible assets

Intangible assets mainly consist of software and licenses. Intangible assets are valued at zero 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.

The Solvency II value as at 31 December 2021 is **CHF 0 thousand**.
The PGR value as at 31 December 2021 is **CHF 27 thousand**.

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 is not material, it was included in the solvency balance sheet.

The Solvency II value as at 31 December 2021 is **CHF 154 thousand**.
The PGR value as at 31 December 2021 is **CHF 154 thousand**.

Capital investments

Under Solvency II, the market price or market price of a recognised liquid market is used for listed securities. Under PGR, capital investments are recognised in the balance sheet in accordance with the lowest value principle. The investments in the solvency balance sheet of Liechtenstein Life consist of corporate bonds and investment funds.

The Solvency II value as at 31 December 2021 is **CHF 698 thousand**.
The PGR value as at 31 December 2021 is **CHF 655 thousand**.

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. This valuation is identical to that in the local financial statements.

The Solvency II value as at 31 December 2021 is **CHF 648,814 thousand**.
The PGR value as at 31 December 2021 is **CHF 648,814 thousand**.

Loans and mortgages

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

The Solvency II value as at 31 December 2021 is **CHF 243 thousand**.
The PGR value as at 31 December 2021 is **CHF 243 thousand**.

[3] Art. 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).

Amounts recoverable from reinsurance contracts

This is an item that relates only to the solvency balance sheet.
This is the cash total of Liechtenstein Life’s future receivables from reinsurers based on anticipated claims. Expected cash premium payments to reinsurers from reinsurance contracts will be offset against this. Under Solvency this leads to a negative reinsurance balance.

The Solvency II value as at 31 December 2021 is **CHF –145,965 thousand**.
The PGR value as at 31 December 2021 is **CHF 0 thousand**.

Receivables from policyholders and intermediaries

Receivables from insurance policyholders and insurance brokers include amounts due in the short term from balances due from insurance policyholders and insurance brokers, which are not included in the calculation of technical provisions or in the item receivables (trade, not insurance).

The Solvency II value as at 31 December 2021 is **CHF 5,666 thousand**.
The PGR value as at 31 December 2021 is **CHF 5,566 thousand**.

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 Solvency II value as at 31 December 2021 is **CHF 23,168 thousand**.
The PGR value as at 31 December 2021 is **CHF 23,168 thousand**.

Receivables (trade, not insurance)

Other receivables include receivables from affiliated companies and other debtors.

The Solvency II value as at 31 December 2021 is **CHF 1,022 thousand**.
The PGR value as at 31 December 2021 is **CHF 1,022 thousand**.

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 Solvency II value as at 31 December 2021 is **CHF 35,762 thousand**.
The PGR value as at 31 December 2021 is **CHF 35,762 thousand**.

Rounding to CHF thousands may result in rounding differences

Other assets not disclosed elsewhere include prepaid expenses (e.g. accrued interest, commission).

The Solvency II value as at 31 December 2021 is **CHF 1,611 thousand**.
The PGR value as at 31 December 2021 is **CHF 1,611 thousand**.

D.2 Underwriting provisions

Liechtenstein Life 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.

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 is calculated indirectly by deducting from the PGR provision for unit-linked products the present value of expected future profits from existing insurance contracts.

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 models 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 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 is calculated separately for each currency and maturity on the basis of all relevant data and information about that currency and maturity.
Liechtenstein Life 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 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.

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 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, 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 are additionally calculated under Solvency II, are an exception.

The following subchapter 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 December 2022 in CHF thousands	Solvency II	Local accounting	Deviation
Provisions other than technical provisions	3,902	6,862	–2,960
Deposits from reinsurers	454	454	–
Deferred tax liabilities	12,199	–	12,199
Liabilities to other creditors	47,978	47,978	–
Liabilities to reinsurance companies	10,506	10,506	–
Liabilities to banks	173	173	–
Liabilities (trade, not insurance)	1,219	1,219	–
Other assets not disclosed elsewhere	128	128	–
Other liabilities total amount	**76,559**	**67,320**	**9,239**

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 mostly adopted on the basis of the principle of proportionality for simplification purposes. The difference 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 is set at 0 because the value of the guarantees is already taken into account in the calculation of the technical provisions (stochastic simulation).

The Solvency II value as at 31 December 2021 is **CHF 3,902 thousand**.
The PGR value as at 31 December 2021 is **CHF 6,862 thousand**.

Deposits from reinsurers

Deposits from reinsurers include items from ceded reinsurance business. It is the capital for current EU benefit cases.

The Solvency II value as at 31 December 2021 is **CHF 454 thousand**.
The PGR value as at 31 December 2021 is **CHF 454 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 as at 31 December 2021 is **CHF 12,199 thousand**.
The PGR value as at 31 December 2021 is **CHF 0 thousand**.

Liabilities to policyholders and insurance brokers

These are liabilities to insurance policyholders and cooperation partners as well as premiums not yet allocated. This item also includes payments for deaths, surrenders 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 as at 31 December 2021 is **CHF 47,978 thousand**.
The PGR value as at 31 December 2021 is **CHF 47,978 thousand**.

Liabilities to reinsurance companies

The liabilities to reinsurance companies relate to settlement balances that were not paid until the new year.

The Solvency II value as at 31 December 2021 is **CHF 10,506 thousand**.
The PGR value as at 31 December 2021 is **CHF 10,506 thousand**.

Liabilities to banks

These are short-term liabilities to banks settled the following month.

The Solvency II value as at 31 December 2021 is **CHF 173 thousand**.
The PGR value as at 31 December 2021 is **CHF 173 thousand**.

Liabilities (trade, not insurance)

The statutory valuation is carried at the settlement amount. These are liabilities from taxes, social security and to other creditors.

The Solvency II value as at 31 December 2021 is **CHF 1,219 thousand**.
The PGR value as at 31 December 2021 is **CHF 1,219 thousand**.

Other liabilities not disclosed elsewhere

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 as at 31 December 2021 is **CHF 128 thousand**.
The PGR value as at 31 December 2021 is **CHF 128 thousand**.

D.4 Alternative methods for valuation

No alternative valuation methods were applied for the 2021 reporting year.

D.5 Other disclosures

There is no material information on other disclosures for the 2021 reporting year.

E
Capital management

E.1 Own funds

Liechtenstein Life regularly, at least quarterly, reviews the capital resources required to comply with the requirements of Solvency II.

As at 31 December 2021, Liechtenstein Life had own funds amounting to **CHF 121,801 thousand**.
The own funds of the solvency balance exceed the equity of the statutory balance sheet in the amount of CHF 38,909 thousand by **CHF 82,892**.

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 as at 31 December 2021 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
Legal reserve	–	616
Reconciliation reserve	95,301	–
Profit/loss carried forward	–	3,623
Annual earnings	–	8,170
Total own funds	**121,801**	**38,909**

The reconciliation reserve includes an annual profit of **CHF 8,170 thousand** and a dividend payout of **CHF 2,500 thousand**.

The composition of Liechtenstein Life's own funds among the individual classes ("Tiers") as at 31 December 2021 is shown in the following table (figures in CHF thousand):

In CHF thousand	Solvency II
Tier 1 – unlimited	121,801
Tier 1 – restricted	–
Tier 2	–
Tier 3	–
Own funds	**121,801**

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.

The statutory reserve should only be applied in accordance with PGR.
The reconciliation reserve only exists under Solvency II. Future income is taken into account and discounted as at 31 December 2021. This future income is recognised as own funds and does not apply under PGR.

The annual earnings and profit carried forward are only shown in the local balance sheet. These items are already factored into the reconciliation reserve under Solvency.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

The SCR of Liechtenstein Life as at 31 December 2021 is composed as follows:

Composition of Solvency Capital Requirement (in CHF thousands)	
Market risk	24,955
Counterparty default risk	2,877
Life underwriting risk	69,118
Diversification	–16,912
Basic Solvency Capital Requirement	80,038
Operational risk	2,092
Loss-absorbing capacity of deferred taxes	–10,266
Solvency Capital Requirement (SCR)	71,864

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 25.0% and not more than 45.0% 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 thousand or the equivalent in Swiss francs for life insurance companies. The Minimum Capital Requirement for the scope of business of Liechtenstein Life as at 31 December 2021 amounts to **CHF 17,966 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 as at 31 December 2021:

SCR ratio	169.5%
MCR ratio	678.0%

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.

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.

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

Liechtenstein Life 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 complied at all times with both the Minimum Capital Requirement and the Solvency Capital Requirement in the individual quarterly financial statements for 2021 and at the end of 2021.

E.6 Other disclosures

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

Appendices

Annex I

S.02.01.01 (in CHF thousand) Balance sheet

Assets		Solvency II Value C0010
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Surplus in retirement benefits	R0050	–
Property, plant and equipment held for own use	R0060	154
Investments (except assets for index-linked and unit-linked contracts)	R0070	698
Real estate (except for own use)	R0080	–
Participations in affiliated companies, including shares	R0090	–
Shares	R0100	–
Shares – listed	R0110	–
Shares – unlisted	R0120	–
Bonds	R0130	540
Government bonds	R0140	–
Corporate bonds	R0150	540
Structured debt instruments	R0160	–
Collateralised securities	R0170	–
Undertakings for collective investment	R0180	158
Derivatives	R0190	–
Deposits other than cash equivalents	R0200	–
Other investments	R0210	–
Assets for index- and unit-linked contracts	R0220	648,814
Loans and mortgages	R0230	243
Policy loans	R0240	–
Loans and mortgages to private individuals	R0250	–
Other loans and mortgages	R0260	243
Amounts recoverable from reinsurance contracts:	R0270	–145,965
Non-life insurance and health insurance policies of the non-life type	R0280	–
Non-life insurance other than health insurance	R0290	–
Health insurance policies of the non-life type	R0300	–
Life insurance and health insurance with similar to life technique with the exception of unit-linked and index-linked health insurance	R0310	–798
Health insurance policies of the life type	R0320	–
Life insurance other than health insurance and unit-linked and index-linked insurance	R0330	–798
Life insurance, unit-linked and index-linked	R0340	–145,168

Assets		Solvency II Value C0010
Deposits with cedants	R0350	–
Receivables from insurance companies and brokers	R0360	5,566
Receivables from reinsurers	R0370	23,168
Receivables (trade, not insurance)	R0380	511
Own 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	35,762
Rounding to CHF thousands may result in rounding differences	R0420	1,611
Total assets	**R0500**	**570,562**

Annex I S.02.01.01 (in CHF thousand) Balance sheet

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	737
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 unit- and index-linked insurance)	R0650	737
Technical provisions calculated as a whole	R0660	–
Best estimate	R0670	1,104
Risk margin	R0680	367
Technical provisions – unit- and index-linked insurance	R0690	370,439
Technical provisions calculated as a whole	R0700	–
Best estimate	R0710	312,252
Risk margin	R0720	58,187
Other technical commissions	R0730	–
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	3,902
Pension obligations	R0760	–
Deposits from reinsurers	R0770	454
Deferred tax liabilities	R0780	12,199
Derivatives	R0790	–
Liabilities to banks	R0800	–
Financial liabilities other than liabilities to banks	R0810	173
Liabilities to insurance companies and brokers	R0820	47,978
Liabilities to reinsurance companies	R0830	10,506
Liabilities (trade, not insurance)	R0840	1,219
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	128
Total liabilities	**R0900**	**446,261**
Surplus of assets over liabilities	**R1000**	**124,301**

Annex I

S.05.01.02 (in CHF thousand)

Premiums, receivables and expenses by business segment

		Business segment for: Life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index- and unit-linked insurance	Other life insurance	Pensions under non-life insurance contracts and in connection with health insurance obligations	Pensions under non-life insurance contracts and in connection with other insurance obligations (with the exception of health insurance obligations)	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410			207,563	523					208,086
Reinsurers' share	R1420			44,912	113					45,025
Net	R1500			162,651	410					163,061
Premiums earned										
Gross	R1510			207,566	523					208,088
Reinsurers' share	R1520			44,912	113					45,025
Net	R1600			162,654	410					163,063
Claims expenses										
Gross	R1610			27,277	–					27,277
Reinsurers' share	R1620			87	–					87
Net	R1700			27,190	–					27,190
Change in other actuarial provisions										
Gross	R1710			147,903	372					148,275
Reinsurers' share	R1720			35	–					35
Net	R1800			147,938	372					148,310
Expenses incurred	R1900			–	–					
Other expenses	R2500									–
Total expenses	**R2600**									**80,423**

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	134,539	71,506	1,058	138	844
Reinsurers' share	R1420	40,364	4,532	67	9	54
Net	R1500	94,175	66,974	991	130	791
Premiums earned						
Gross	R1510	134,541	71,506	1,058	138	844
Reinsurers' share	R1520	40,364	4,532	67	9	54
Net	R1600	94,177	66,975	991	130	791
Claims expenses						
Gross	R1610	16,816	8,461	705	550	746
Reinsurers' share	R1620	87	–	–	–	–
Net	R1700	16,728	8,461	705	550	746
Changes in the remaining actuarial provisions						
Gross	R1710	89,759	57,637	844	140	–105
Reinsurers' share	R1720	–195	155	2	–	2
Net	R1800	89,954	57,481	842	140	–107
Expenses incurred	R1900	53,397	24,926	53	90	337
Other expenses	R2500					
Total expenses	**R2600**					

Annex I

S.12.01.01 (in CHF thousand)

Technical provisions in life insurance and in health insurance businesses conducted with the similar to life technique

		Insurance with profit participation	Index- and unit-linked insurance			Other life insurance			Total (life insurance excl. health insurance, incl. unit-linked business)
				Contracts without options and guarantees	Contracts with options or guarantees		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			329,060	–16,807		–1,104		311,148
Total amounts recoverable from reinsurance policies/special purpose entities and financial reinsurers calculated after adjustment for expected losses on counterparty defaults	R0080			–71,510	–73,658		–798		–145,965
Best estimate less amounts recoverable from reinsurance treaties/special purpose entities and financial reinsurance – total	R0090			400,569	56,851		–306		457,114
Risk margin	R0100		58,187			367			58,554
Amount on 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		370,439			–737			369,702

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 own 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	95,301	95,301			
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**	**121,801**	**121,801**			
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)(1) of Directive 2009/138/EC	R0360					
Additional payment requests to – other than those referred to in the first subparagraph of Article 96(3)(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	121,801	121,801			

		Total	Tier 1 – not tied	Tier 1 – tied	Tier 2	Tier 3
Total amount of own funds available to meet MCRs	R0510	121,801	121,801			
Total amount of own funds eligible for SCR compliance	R0540	121,801	121,801			
Total amount of own funds eligible for MCR compliance	R0550	121,801	121,801			
SCR	R0580	71,864				
MCR	R0600	17,966				
Ratio of eligible own funds to SCR	**R0620**	**1.6949**				
Ratio of eligible own funds to MCR	**R0640**	**6.7795**				

Annex I

S.23.01.01.02 (in CHF thousand)

Reconciliation reserve

		C0060
Reconciliation reserve		
Surplus of assets over liabilities	R0700	124,300
Own shares (held directly and indirectly)	R0710	–
Predictable dividends, distributions and remunerations	R0720	2,500
Other basic own-fund items	R0730	26,500
Adjustment for tied equity components in Matching Adjustment portfolios and special associations	R0740	–
Reconciliation reserve	R0760	95,301
Expected profits		
Expected profit factored into future premiums (EPIFP) – life insurance	R0770	140,021
Expected profit factored into future premiums (EPIFP) – non-life insurance	R0780	–
Total amount of expected profit included in future premiums (EPIFP)	**R0790**	**140,021**

Annex I

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	24,955	24,955
Counterparty default risk	R0020	2,877	2,877
Life underwriting risk	R0030	69,118	69,118
Health underwriting risk	R0040	–	–
Non-health underwriting risk	R0050	–	–
Diversification	R0060	–16,912	–16,912
Risk of intangible assets	R0070	–	–
Basic Solvency Capital Requirement	R0100	80,038	80,038

S.25.01.01.02 (in CHF)

Calculation of the Solvency Capital Requirement

Calculation of the Solvency Capital Requirement		C0100
Operational risk	R0130	2,092
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	–10,266
Capital requirement for operations referred to in Article 4 of Directive 2003/41/EC	R0160	–
Solvency capital requirement without capital add-on	R0200	71,864
Capital add-on already fixed	R0210	–
Solvency Capital Requirement	R0220	71,864
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 associations	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 – only life insurance or only non-life insurance or reinsurance business

Component of the linear formula for life insurance and reinsurance obligations

		C0040
MCR_L – results	R0200	4,087

		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	R0230	457,420	
Other obligations from life (re)insurance and health (re)insurance	R0240	–	
Total risk capital for all life (re)insurance obligations	R0250		1,264,123

Calculation of the total MCR

		C0070
Linear MCR	R0300	4,087
SCR	R0310	71,864
MCR upper limit	R0320	32,339
MCR lower limit	R0330	17,966
Combined MCR	R0340	17,966
Absolute lower limit of the MCR	R0350	3,834
Minimum Capital Requirement	R0400	17,966

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