American
Security Life

American Life Insurance Company Ltd.

Solvency & Financial Condition Report 2016

19 May 2017

American
Security Life

Contents

American
Security Life

EXECUTIVE SUMMARY

American Life Insurance Company Ltd. (“ASL” or the “Company”) is incorporated in Liechtenstein and is a wholly owned subsidiary of American International Group, Inc. (“AIG Inc.”) a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

The Company is authorised and regulated by the Finanzmarktaufsicht (FMA) in Liechtenstein.

The purpose of the Solvency and Financial Condition Report (SFCR) as set out in Article 51 of the Solvency II Directive is to provide the reader with an understanding of the Company’s Business and Performance, Systems of Governance, Risk Profile, Valuation for Solvency purposes and Capital Management.

Section A to the SFCR provides information on the Company’s business, performance and significant events during the year. On 1 January 2016, the Company smoothly transitioned into the Solvency II regime as required by FMA. No significant events impacted the Company in 2016.

Over the course of 2016, ASL made an overall pre-tax statutory loss of CHF 2.1m which mainly resulted from the following:

- CHF -1.9m from the increase in the cost reinforcements for funding the expected future run-off costs
- CHF -0.5m for the one-off payment of taxes on the retained earnings
- CHF 0.6m from the release of the surplus reserve.

Section B provides information on the Company’s system of governance. The Company continues to align its management and governance structure to proactively respond to business and regulatory needs.

Section C provides information on the Company’s risk profile over its Insurance Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk. This section further provides an overview for each of these 5 risks into their risk components, measures used to assess risks, risk concentration, risk mitigation techniques and the process for monitoring these risk mitigation techniques. The Company has an effective and embedded risk management framework proportionate to the size and complexity of ASL, which is crucial to maintaining efficient and sustainable business operations running off the insured portfolio. A governance structure and risk management processes are in place to meet risk management targets.

The Company’s adherence to its quantified risk parameters is supported by ongoing risk identification. The Company draws together the analysis of its risk profile within its ORSA (Own Risk and Solvency Assessment) documents. This allows management to identify any significant changes in the Company’s risk exposure and to implement the necessary measures for adequately mitigate the possible impact on ASL.

Section D provides information on the valuation of assets and liabilities on the Company’s Solvency II balance sheet and details of material differences from financial statements valuations. Key areas of valuation differences are around invested assets and technical provisions.

Section E provides information on the composition and quality of the Company’s own funds and material changes in own funds composition during the year, as well as its capital management policy. The Company maintains robust and sufficient capital to ensure the safety and stability of the Company whilst meeting regulatory and other business needs. In addition, to provide against material shocks, the Company would normally expect to hold sufficient capital to maintain a significant economic surplus.

The Solvency II surplus represents the excess of the Company's total eligible own funds over the SCR. The Solvency II coverage is calculated as the ratio of the Company's total eligible own funds to the SCR. Both metrics are defined by the regulations. During the year, the company ensured compliance with Solvency II requirements including maintaining capital resources above the solvency capital requirements and the minimum capital requirements. As at 31st December 2016, the Standard Formula SCR is CHF 5.5m covered by CHF 16.4m of capital resources thus providing a healthy 297% coverage ratio.

The Company has been fully compliant with Solvency II since its commencement and during 2016 it remained fully compliant.

ASL General Manager
Claudio Maffucci

American Security Life

A. BUSINESS AND PERFORMANCE

The 'Business and Performance' section of the report sets out the details regarding business structure, key operations, market position and the financial performance for 2016 of American Security Life Insurance Company Ltd. ("ASL" or the "Company")

A.1 BUSINESS

The 'Business' sub-section of the report provides an overview of the Company, and its legal position within the AIG Inc., major lines of business and strategy and objectives.

A.1.1. COMPANY INFORMATION

ASL is incorporated in Liechtenstein and is a wholly owned subsidiary of American International Group, Inc. ("AIG Inc.") a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

ASL was founded in 1996 as the Liechtenstein subsidiary of AIG Inc. with the intent to serve customers from Eastern European and CIS markets. The company is headquartered in Schaan (Liechtenstein) and holds a life insurance license from the Liechtenstein regulator FMA.

In the following years the company quickly expanded, which led to a growth in the number of policyholders to approximately 22,500. The product offer to Eastern Europe and CIS customers was mainly an ordinary life insurance endowment product with annual premiums. Most of the insurance policies sold were denominated in USD.

The successful development of the business model serving the Eastern European and CIS markets from Liechtenstein was halted when domestic AIG Inc. companies were founded to serve the same markets. During the year 2000, as a consequence of the domestic expansion to ASL's offshore markets, AIG Inc. decided to cease selling policies in the Eastern Europe and CIS via ASL. Subsequently, in July 2002, the Board of Directors of ASL and AIG Inc. decided to put the Liechtenstein subsidiary in run-off mode.

Currently, the company does not underwrite new business, does not maintain distribution channels and does not market products in any form. Furthermore, due to the long term run-off status of ASL, the company maintains only minimal necessary operational structures to support the run-off process. In particular in order to optimize costs, ASL has outsourced most of its administration services (claims, accounting, investments, actuarial services, IT services, and a part of the customer services) to AIG Life Insurance Company (Switzerland) Ltd., another 100%, directly-owned subsidiary of AIG, Inc.

The company is FMA authorised and regulated by the FMA, and owns the following licenses:

Registered Office	Supervisory Authority	External Auditors
American Security Life Insurance Company Ltd	Finanzmarktaufsicht Liechtenstein (FMA)	PricewaterhouseCoopers AG
Landstrasse 38	Landstrasse 109	Birchstrasse 160
9494 Schaan (FL)	9490 Vaudz (FL)	8050 Zürich
+423 237 68 86	+423 236 73 73	+41 58 792 44 00

American Security Life

A.1.2. POSITION WITHIN THE GROUP LEGAL STRUCTURE

The company is a 100% subsidiary of AIG Inc. and is directly held by AIG Inc. The company's results are reported under the "Legacy Portfolio" in AIG Inc.'s consolidated financial results in its annual Form 10-K, as filed with the U.S. Securities and Exchange Commission. The company operates independently and almost all operational decisions are made locally.

A.1.3. MATERIAL PARTICIPATING UNDERTAKINGS

The company has no subsidiaries nor undertakings.

A.1.4. MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

From an operating perspective ASL forms part of the Legacy Portfolio of AIG Inc.

The portfolio of American Security Life Insurance Company Ltd. (ASL) consists of the products described in the following.

- "Wealth Builder" (WB): ordinary endowment product with death benefits increasing by 4% per year and termination bonus paid out at maturity of the policy. An accidental death benefit is granted to policyholders not having a high risk occupation.
- "Money Multiplier" (MM): single premium unit-linked life insurance product with optional 100% capital guarantee. The assets backing this product are invested in 3 months money market bonds.
- "Premium Variable Life" (PVL): single premium unit-linked life insurance product with optional guaranteed death benefit amounting to the higher of the policy value and a rate between 100% and 110% of the total single premiums paid net of partial surrenders.
- "Universal Life" (UL): universal life insurance product with 4.5% guaranteed interest on the account value. The policyholder can choose between a level death benefit and a death benefit amounting to the initial face value plus account value. The guarantees within the product are reinsured by American Life Insurance Company of Willmington, Delaware US ("ALICO").

It was possible to add the following riders to the WB main insurance policy:

- "FlexAccount": a rider allowing the policyholder to deposit additional funds into the rider's side fund to earn interest. The minimum guaranteed interest rate on the rider's fund amounts to 3%. The total balance of the FlexAccount account is limited to 200% of the sum of the total WB premiums due.
- "Children's": each of the natural born children of the policyholder is insured in the event of death between the 1st and the 18th year of age. The death benefit amounts to USD 3'000 per insured child and is independent of the benefits of the main policy.

ASL products are allocated to Solvency II Lines of Business Insurance with profit participation, and Index-linked and unit-linked insurance.

The following table shows the solvency II line of business and the size of each product:

Product	S2 LoB	Number of policies	S2 technical provisions
Wealth Builder	Insurance with profit participation	161	8'015'841
Money Multiplier	Insurance with profit participation	32	523'822
Universal Life	Insurance with profit participation	27	12'488'186
PVL	Index-linked and unit-linked insurance	1	273'898

A.1.5. MATERIAL GEOGRAPHICAL LOCATIONS

ASL operates within Liechtenstein.

A.1.6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

No material events for ASL occurred during the reporting period.

A.1.7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No events have occurred after the reporting period which is material for ASL.

A.2 UNDERWRITING PERFORMANCE

The 'Underwriting Performance' subsection of the report aims to provide quantitative and qualitative information of the Company's underwriting performance for the financial year 2016 and has been prepared on a statutory basis which is the basis that the company prepares its financial statements in Liechtenstein.

A.2.1. UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS

There is only one reinsurance agreement in force at ASL which covers the product Universal Life. The reinsurance treaty fully transfer risks related to the Universal Life policies to the reinsurer at exception of the expenses related to the management of the product. In this regard, the reinsurer pays fees to ASL for work performed at the company for administrating the Universal Life portfolio. Ceding risks to reinsurer is typical within the Liechtenstein life insurance market.

American
Security Life

The following table summarizes the total premiums, claims and expenses for ASL at the 31st December 2016 split by Solvency II Lines of Business.

In CHF	Insurance with profit participation	Index-linked and unit-linked insurance	Total
Premiums written			
Gross	188'913		188'913
Reinsurers' share	(65'575)		(65'575)
Net	123'338		123'338
Premiums earned			
Gross	188'913		188'913
Reinsurers' share	(65'575)		(65'575)
Net	123'338		123'338
Claims incurred			
Gross	6'792'029		6'792'029
Reinsurers' share	(128'490)		(128'490)
Net	6'663'539		6'663'539
Expenses incurred	1'319'801	6'632	1'326'433

ASL pre-tax profit for 2016 was

Period ended 31.12.2016	In CHF
Gross Premiums	188'913
Reinsurer's share of premiums	(65'575)
Gross Claims	(6'792'029)
Reinsurer's share of claims	128'490
Change in technical reserves	5'905'378
Reinsurer's share of change in technical reserves	65'575
Expenses	(1'326'433)
Net investment income	280'152
Unrealized capital gains and losses	177'312
Extraordinary results	(702'451)
Pre-tax statutory profits	**(2'140'668)**

American Security Life

A.3 INVESTMENT PERFORMANCE

The 'Investment Performance' subsection of the report provides qualitative and quantitative information of the company's investment performance for the financial year 2016.

Summary of investments

Statutory amounts	2016 In CHF	2015 In CHF
Bonds (Government & Corporate)	32'401'176	14'579'881
Equities	38'109	-
Deposits other than cash equivalents	486'412	557'425
Total Investments	32'925'697	15'137'306
Cash and cash equivalents	1'073'583	26'639'617

A.3.1. NET INVESTMENT INCOME

Net investment income for ASL principally arises from fixed income government or other high quality bonds.

Net investment return includes investment income as well as realized gains and losses whereas unrealized gains and losses on financial assets are not considered within the statutory financial statements but only in the Solvency II own funds. This amount is net of interest payable, investment expenses and impairment losses on financial assets. Interest income is recognised as accrued based using the effective interest method.

As per the company's 2016 Financial Statement, net investment income by material asset class is shown below.

Statutory amounts	2016 In CHF	2015 In CHF
Bonds - Government	344'099	55'770
Bonds - Corporate	314'950	768'847
Equities	-	-
Deposits other than cash equivalents	2'449	1'510
Investment management expenses	-381'346	-135'879
Net investment income	**280'152**	**690'248**

Net investment income in 2016 dropped significantly compared to 2016 due to the following:

- ASL invests mainly in bonds with short term maturity and thus significant reinvestments are done annually. As the market yields has dropped the bonds income reduced as well.
- ASL invested most of the cash available at 31st December 2015 (CHF 26.6m) into bonds. As result investment expenses increased significantly compared to the prior year.

A.3.2. INVESTMENT ACTIVITIES BY ASSET CLASS AND CHANGES DURING THE REPORTING PERIOD

A.3.2.1. INCOME AND EXPENSES ARISING FROM INVESTMENTS BY ASSET CLASS

The assets invested by the company fall into the following asset classes (book value amounts):

1. Government bonds CHF 23’217’057

Over 2016, CHF 344’099 of income was earned and CHF 186’404 of realized losses were incurred. CHF 253’416 of unrealized gains incurred in 2016.

2. Corporate bonds CHF 9’184’119

The company has invested in high-quality corporate bonds (AA and AAA)

Over 2016, CHF 308’643 of income was earned and CHF 167’197 of realized losses were incurred. CHF 227’304 of unrealized gains incurred in 2016.

3. Short term money market CHF 486’412

The company has invested in three month USD and GBP fiduciary deposits.

4. Cash and cash equivalents: Bank deposits CHF 1'073'582.70

No material income or expenses were incurred in the year ending 31st December 2016 in respect of the cash and cash equivalents.

5. Equity: Private equity CHF 38’108

In 2016 ASL outsourced the investment activities to AIG Asset Management (Europe) Limited (“AAMEL”) which charged CHF 28’925 in 2016.

A.4 PERFORMANCE FROM OTHER ACTIVITIES

The ‘Performance from other activities’ subsection of the report aims to provide an overview of the qualitative and quantitative information regarding income from other activities, other expenses and lease arrangements.

ASL outsourced most of its administrative activities (see section B.8). The following outsourcing fees were generated in 2016:

- Third party agreement with AIG CH: CHF 801’014
- Actuarial support: CHF 84’696
- IT support: CHF 116’030

Furthermore, ASL had CHF 66’713 of fees from its legal advisor.

A.5 ANY OTHER MATERIAL INFORMATION

ASL paid in 2016 CHF 0.5m for one-off taxes on the statutory retained earnings and released the surplus reserve of CHF 0.6m.

As at 31st December 2016, there is no further material information regarding Business and Performance of the company.

B. SYSTEM OF GOVERNANCE

The 'System of Governance' section of the report set out details regarding the administration and management of the company. The section also outlines the process of risk management and the fit and proper and outsourcing arrangements put in place.

Key elements of the sections are:

- Overview of the System of Governance;
- Fit and Proper;
- Risk Management System;
- Own Risk and Solvency Assessment; and
- Outsourcing arrangements.

B.1 OVERVIEW OF THE SYSTEM OF GOVERNANCE

The 'Overview of the System of Governance' subsection of the report aims to provide details of the company's management structure along with roles and responsibilities and key functions of various committees and working groups.

B.1.1. MANAGEMENT AND GOVERNANCE STRUCTURE

Due to size and complexity of the Company and its run-off status, board and management have a clear overview over all activities as the business volume is continuously decreasing over the time.

Thus the Company adopted a slim governance structure with the board on the top of the structure, the management responsible of the daily activities and the Investment Department as support for fulfilling all internal and external capital requirements.

Furthermore, the internal control system and the ORSA process are two central elements for ensuring an adequate and effective control of the internal processes and risk management.

B.1.1.1. BOARD OF DIRECTORS

The role of the ASL Board is to exercise effective control and oversight over the business, setting the tone from the top, and ensuring the direction and performance of the business is aligned to AIG Inc. objectives and is managed in accordance with legislative and regulatory requirements.

The responsibilities of the ASL Board are contained within ASL Articles of Association the key ones including setting Company's organization, approving business plans, policies, and individual investment and divestment proposals, setting risk appetite, and reviewing business performance.

The Board of Directors of ASL is composed of the following three members: Adam Winslow, Mark Bintinger and Klaus Dieter Stark.

The Board meets regularly to exercise and discharge its obligations, and has the authority and the duty to use adequate, necessary and proportional means in order to fulfil its responsibilities. The Board as a whole is collectively accountable to the Company for adequately exercising its authority, powers and duties. ASL is duly represented by the general manager Claudio Maffucci for all matters within the limits set by the Board. The Board may sub-delegate authority where appropriate.

B.1.1.2. STATUTORY COMMITTEES

There are a number of key governance committees within ASL which include the Risk Committee and Investment Committee.

The Risk Committee: aims creating a formalized team within the Company which is responsible for the coordination of all local risk management activities. As such the Risk Committee oversees the risk management processes of ASL ensuring that all risks are formally evaluated and categorized, that plans for the management of such risks are effective, and that the Board are informed of the results of this analysis and monitoring work.

The Investment Committee: responsible for overseeing the performance of the assets held by ASL and identifying, developing and recommending appropriate investment strategies to ASL management based on the needs of the business. The Investment Committee gets support from AAMEL in this regard.

B.1.1.3. KEY FUNCTIONS, ROLES AND RESPONSIBILITIES

Claudio Maffucci is general manager of ASL. The company has one employee: T. Faszt in customer service located in Liechtenstein. She has a workload of 50 %.

Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements. The system of governance includes the risk management function, compliance function, actuarial function and internal audit function. Solvency II sets out specific responsibilities for each of these key functions. The responsibilities and reporting lines for each of these functions are set out in turn below:

Actuarial Function

The Actuarial function is held by the external actuary Sacha Bottoli, who is professionally qualified and performs its activities with personal integrity in compliance with the requirements according to art. 40 of the Insurance Supervision Act (ISA) and art. 7 of the Insurance Supervision Ordinance (ISO). The external actuary works closely with the company's general managers and reports directly to him. Under Solvency II, the Actuarial function's responsibilities include the following tasks:

- Coordinating the calculation of the technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of the technical provisions;
- Comparing best estimates against experience.

Responsible Actuary of ASL is Luca Matasci of Ernst & Young AG. Luca Matasci performs his activities as Responsible Actuary according to art. 41 of ISA, art. 8 of ISO and the Form "Vorgaben zum Aktuarsbericht".

Risk Function

Due to its structure ASL has no risk function. However, risk activities at ASL are performed by the risk function of AIG Life Switzerland ("AIG CH").

Compliance Function

Due to its structure ASL has no compliance function. However, risk activities at ASL are performed by the compliance function of AIG CH.

Furthermore, ASL receives additional support from GantenGroup to fulfil local compliance requirements.

Internal Audit Function

Due to its structure ASL has no internal audit function. However, internal audits at ASL are performed by the internal audit function of AIG Inc.

B.1.2. THE "THREE LINES OF DEFENCE" MODEL

The Solvency 2 directive states that an efficient Internal Control System is an ongoing process active at all Company levels. Control activities imply three phases: definition of the control procedures, implementation of such procedures, and control of their effective implementation. ASL's main control activities focus on the liquidity evolution monitoring, of the financial markets, and the good Company business performance. The current Company size does not allow appointing a person to a position fully dedicated to internal control, but controls are carried out at three hierarchical levels:

- **First Hierarchical Level**: These operational controls linked to the performance of operational activities are carried out by the operational personnel of each department either on a regular basis or when necessary.
- **Second Hierarchical Level**: These controls aim at ensuring the correct performance of activities of the operative units and are carried out by the persons responsible for the control of each department on a monthly basis or, in particular cases, annually.
- **Third Hierarchical Level**: These controls aim at controlling the accomplishment of the risk objectives and effectiveness and are carried out by the Management when needed but, by principle, at least once a year.

If deficiencies of the first level control procedures are revealed the responsible of the department must ensure that these deficiencies are corrected. The regular maintenance of the control process is ensured by the responsible for the second level control through annual certification.

The BoD is responsible for the definition, implementation control and the maintenance of a running and updated internal control system, the management is in charge of the implementation of the policies and the auditors verify the presence of the Internal Control System.

B.1.3. MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE DURING THE PERIOD

The only change in the system of governance in 2016 was the change in the responsible actuary to the person of Luca Matasci who replaced Sacha Bottoli in that position as Sacha Bottoli left Ernst & Young AG who was selected by ASL for performing the activity of Responsible actuary of the company.

American Security Life

B.1.4. REMUNERATION POLICY

The Board is responsible for setting the compensation programme.

ASL's employees only receive fixed basic salaries. No variable incentives are paid to the employees.

B.1.5. MATERIAL TRANSACTIONS DURING THE PERIOD

There were no material transactions in 2016.

B.2 FIT AND PROPER

It is ASL's goal to ensure that all persons who hold a key function within ASL are "fit and proper". In particular, persons holding a key function have to have adequate professional qualifications, knowledge and experience to enable sound and prudent management. In addition, they should be of good repute and integrity.

ASL follows the global AIG Inc. rules and policies. The Code of Conducts (AIG Director, Executive Officer and Senior Financial Officer Code of Business Conduct and the AIG Code of Conduct) of AIG Inc., which set the rules regarding personal conflicts of interest, are applicable to ASL and form the basis for a business conduct in compliance with fit and proper requirements. The Codes of Conduct are subject to annual mandatory trainings for all employees.

B.3 RISK MANAGEMENT SYSTEM

The risk management framework has been adequately set consistently with size and complexity of ASL and is structured as following:

- **Three lines of defense**: Internal activities are carried out at three hierarchical levels:
  - **First Hierarchical Level**: These operational controls linked to the performance of operational activities are carried out by the operational personnel of each department either on a regular basis or when necessary.
  - **Second Hierarchical Level**: These controls aim at ensuring the correct performance of activities of the operative units and are carried out by the persons responsible for the control of each department on a monthly basis or, in particular cases, annually.
  - **Third Hierarchical Level**: These controls aim at controlling the accomplishment of the risk objectives and effectiveness and are carried out by the Management when needed but, by principle, at least once a year.
- **Internal Control System**: All controls to be performed at first and second level are set within the ICS that aims an effective limitation of inaccuracies within the internal activities.
- **ORSA**: ORSA is used by the Company for assessing and monitoring the risk exposure and for setting necessary mitigating measures regarding identified significant risk elements.

Several directives and policies are set with respect to risk management and relevant risks.

B.4 OWN RISK AND SOLVENCY ASSESSMENT

The Own Risk & Solvency Assessment (ORSA) is a set of processes undertaken throughout the year to define, assess and manage the risk and solvency capital position of the Company's strategy and business plans. The ORSA Process draws together the results and analysis delivered through each of the risk processes and provides a current and forward-looking assessment of the Company's risk profile and assesses the level of solvency capital required over the period of the plan.

The ORSA process is part of the risk management process and considers the following:

- Data quality and valuation model assessment
- Business planning cycle
- Emerging risk assessment
- Identification and assessment of key risks associated with ASL business
- Capital management assessment
- Stress scenario testing of the business model and capital condition
- Review of the risk management framework.

The ORSA report is co-ordinated and produced by AIG CH risk officer with inputs from the Business and in particular quantitative results, model assessments and capital assessments from the Actuarial.

The various inputs are combined into an ORSA report which is updated, at a minimum on an annual basis or when material changes to the risk profile are identified.

B.4.1. ORSA GOVERNANCE

The ORSA process forms a key element of ASL Risk Management. ORSA results are reviewed and approved by the ASL Board. There is also an ASL ORSA Policy which is owned by ASL general manager and approved by the Board.

The ORSA report is usually produced in Q4. The report is reviewed by the management and submitted to the Board for review and approval. The ORSA is submitted to the FMA within 2 weeks of approval by the Board.

An interim ORSA or ORSA update would be prepared if there are any material changes in the Business or to the company's risk profile that could impact the solvency capital requirement over the remaining period of the plan and prior to the next full assessment being due. The interim ORSA would be provided to the Board for review and approval prior to submission to the regulator.

B.5 INTERNAL CONTROL SYSTEM

ASL has implemented an "Internal Control Directive" . This directive assesses the following risks as key risks:

- Liquidity (due to the run-off status of ASL)
- Disaster Recovery (since the disaster recovery system is currently deficient)
- Financial Risk (due to uncertainties regarding the financial markets)

The directive states that an efficient Internal Control System is an ongoing process active at all Company levels. Control activities imply three phases: definition of the control procedures, implementation of such procedures, and control of their effective implementation. ASL's main control activities focus on the liquidity evolution monitoring, of the financial markets, and the good Company business performance. The current Company size does not allow appointing a person to a position fully dedicated to internal control, but controls are carried out at three hierarchical levels:

- **First Hierarchical Level:** These operational controls linked to the performance of operational activities are carried out by the operational personnel of each department either on a regular basis or when necessary.
- **Second Hierarchical Level:** These controls aim at ensuring the correct performance of activities of the operative units and are carried out by the persons responsible for the control of each department on a monthly basis or, in particular cases, annually.
- **Third Hierarchical Level:** These controls aim at controlling the accomplishment of the risk objectives and effectiveness and are carried out by the Management when needed but, by principle, at least once a year.

If deficiencies of the first level control procedures are revealed the responsible of the department must ensure that these deficiencies are corrected. The regular maintenance of the control process is ensured by the responsible for the second level control through annual certification.

The BoD is responsible for the definition, implementation control and the maintenance of a running and updated internal control system, the management is in charge of the implementation of the policies and the auditors verify the presence of the Internal Control System.

B.6 INTERNAL AUDIT FUNCTION

Due to its structure ASL has no internal audit function. However, internal audits at ASL are performed by the internal audit function of AIG Inc.

B.7 ACTUARIAL FUNCTION

The Actuarial function is held by the external actuary Sacha Bottoli, who is professionally qualified and performs its activities with personal integrity in compliance with the requirements according to art. 40 of the Insurance Supervision Act (ISA) and art. 7 of the Insurance Supervision Ordinance (ISO). The external actuary works closely with the company's general managers and reports directly to him. Under Solvency II, the Actuarial function's responsibilities include the following tasks:

- Coordinating the calculation of the technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of the technical provisions;
- Comparing best estimates against experience.

Responsible Actuary of ASL is Luca Matasci of Ernst & Young AG. Luca Matasci performs his activities as Responsible Actuary according to art. 41 of ISA, art. 8 of ISO and the Form “Vorgaben zum Aktuarsbericht”.

B.8 OUTSOURCING AGREEMENTS

ASL is committed to high standards of business conduct and the policies and guidelines in place define the way in which ASL wants to do business and the standards of conduct required. Where ASL entrusts a third party with undertaking core business activities on its behalf, ASL retains responsibility for such activities and requires that they be carried out in line with ASL's standards.

ASL has an Outsourcing Policy in place which provides definitions as to the type of arrangement that would be classified as an Outsourcing arrangement or a Service Provider. The Policy also provides guidance regarding the general principles to consider and the approach to due diligence and ongoing monitoring of performance.

As such ASL remains responsible for any activities that are outsourced and requires that robust governance arrangements are in place in relation to the selection and management and oversight of all outsourced arrangements.

ASL will only enter into an outsourced arrangement where there is an agreed sound business rationale for doing so and with a provider that is competent financially sound, and has good relevant knowledge and experience of the service it is required to supply.

ASL has outsourced the following functions/activities to outsourcing partners:

Outsourced Function/Activity	**Outsourcing Partner**
Policy administration	AIG Life Insurance Company (Switzerland)
IT	Eusphere
Compliance	AIG Life Insurance Company (Switzerland)
Actuarial support (Responsible Actuary)	EY (Luca Matasci)
Actuarial support (Actuarial function)	Akt2Fit Sagl (Sacha Bottoli)
Investment management	AIG Life Insurance Company (Switzerland)

The main outsourcing agreements have been approved by FMA.

Regarding the outsourcing of the policy administration and the investment management AIG Life Insurance Company (Switzerland) Ltd ("AIG CH") and ASL entered into an Insurance Services Administration Agreement on 28 February 2012 pursuant to which AIG CH intended to provide certain administration services to ASL, among others the management of the investment and the liquidity of ASL. On 31 December 2015 with the consent of AIG CH, ASL has concluded a Discretionary Investment Management Agreement with AIG Asset Management (Europe) Limited, London, UK, which provides that the investment and liquidity of ASL shall be managed in the future by AIG Asset Management (Europe) Limited, London, UK, while AIG CH continues to provide the other administration services outsourced to it by the Insurance Service Administration Agreement of 28 February 2012.

The „Business Partner Risk Management & Governance Policy (302)" of AIG Inc. is applicable to the outsourcing of functions and activities of ASL. This policy establishes the minimum requirements, which are supplemented by specific standards for each Business Unit ("302 Life & Retirement

Business Partner Risk Management & Governance Standards", "302 Property Casualty Business Partner Risk Management & Governance Standards", "302 UGC Business Partner Risk Management & Governance Standards", "302 AIG Business Partners – Business Partner Risk Management & Governance Standards"). While ASL maintains a risk-based Business Partner Risk Management & Governance Program, ASL retains ultimate responsibility for activities delegated to Business Partners unless otherwise dictated by industry or local practices. The Business Partner Governance Program encompasses the following minimum requirements:

- **Risk Assessments:** Assessment of Business Partners for risk and assignment of a risk rating (inherent risk)
- **Due Diligence:** Due Diligence of Business Partners to assess and confirm their ability to properly carry out interactions
- **Relationship Managers:** Relationship managers are responsible for establishing, maintaining and managing the relationship, as well as monitoring and assessing the performance of the Business Partner
- **Control Assessments:** Risk-based assessment of Business Partner's controls to determine the residual risk
- **Contracts:** Preparation, Review and Execution of all contract or legal documentation in accordance with AIG Legal requirements
- **Inventory:** Maintenance of Information on Business Partners
- **Monitoring:** Risk-based monitoring to assess the Business Partner's quality of service, financial condition, risk management practices and business controls, as well as compliance with AIG policies and legal and regulatory requirements
- **Termination:** Procedures related to the termination of the relationship or engagement
- **Record Retention:** Records must be retained and disposed of in accordance with the AIG Recording requirements

B.9 ADEQUACY AND APPROPRIATENESS OF THE SYSTEM OF GOVERNANCE

ASL has a full governance structure in place. The members and attendees have specific experience and expertise, allowing them to provide appropriate coverage of the various Business functions. ASL's Board is responsible for the adequacy and appropriateness of the system of governance which reviews at least annually.

As with all functions there is a desire for ASL to continuously improve its risk, compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems. Changes in regulation and legislation are monitored and actions taken to implement the new requirements. Finally ASL uses internal audits and external audits to provide independent evaluation of the company's system of governance. Recommendations from these audits are considered by the management and implemented proportionate to the business' risks.

American
Security Life

B.10 ANY OTHER MATERIAL INFORMATION

As at 31st December 2016, there is no other material information regarding its System of Governance.

C. RISK PROFILE

The Risk Profile section of the report captures the complexity of the overall risk status of the company, taking into account all the material risks to which the company is exposed. For each major risk grouping, this section provides a description of:

- Risk exposure;
- Measures used to assess the risk;
- Risk concentration; and
- Risk sensitivities.

ASL is in run-off. As the last Wealth Builder policy will mature in 2017 and the last PVL policy surrendered at the beginning of 2017 the company's risk exposure related to the insured portfolio comes from the following remaining products:

- Money Multiplier: as of 31st December 2016, 32 policies and statutory reserve of CHF 0.6 Mio
- Universal Life: as of 31st December 2016, 27 policies and statutory reserve of CHF 5.0 Mio, Insurance and market risk fully reinsured at ALICO

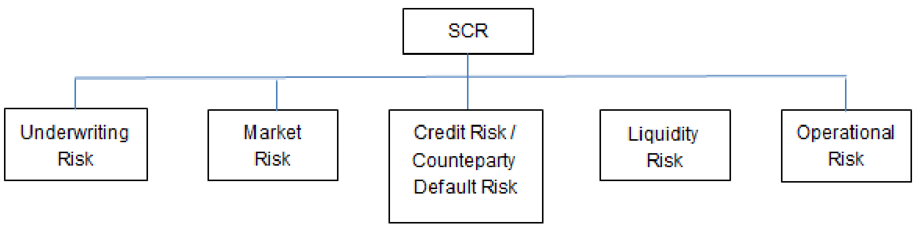
ASL calculates its Solvency Capital Requirement (SCR) using the Standard Formula and applying the following simplification: reserves are set at the policies' sum assured as maximum benefit to be paid by the company so that insurance risk is irrelevant within the solvency 2 valuation.

It is also worth noting that the risk exposure and the impact of the risk mitigating measures in place are reviewed annually as part of the Own Risk and Solvency Assessment (ORSA).

Risk Profile, Measurement and Assessment

ASL's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the five major risk groupings the Company is exposed to, including:

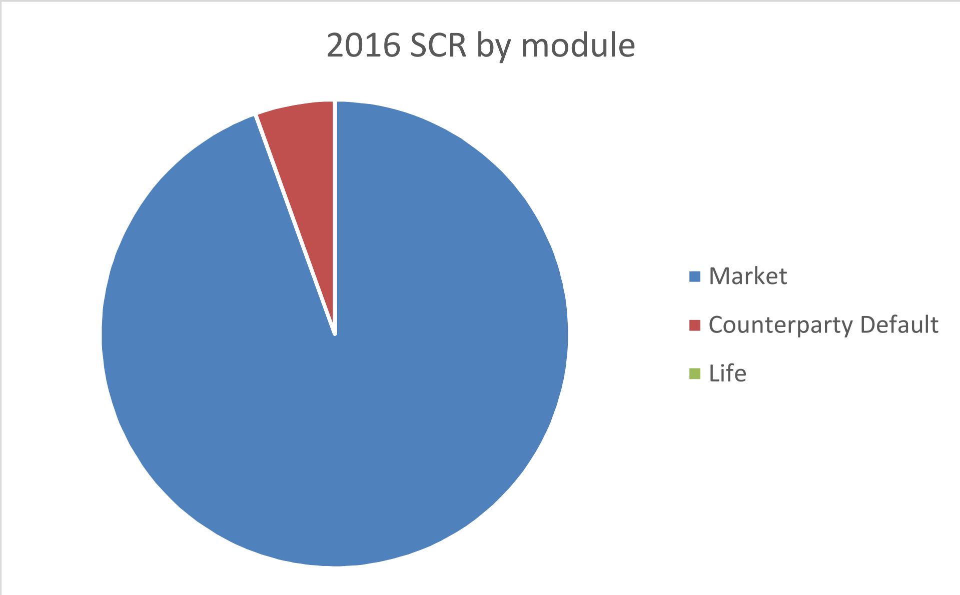
- Insurance risk (Underwriting Risk);
- Market Risk;
- Credit Risk (Counterparty default);
- Liquidity Risk; and
- Operational Risk.



Liquidity risk is not a risk module in the Standard Formula but is considered under Solvency II Pillar 2 capital assessments. For ASL liquidity risk is monitored and managed by Finance with reporting at the Investment Committee where Market risk is discussed.

ASL review annually its risk profile as part of the ORSA process.

AIG LIFE 2016 SOLVENCY CAPITAL REQUIREMENT BY MODULE



The SCR for ASL as at 31st December 2016 was analysed into the key components shown in the diagram above. As can be seen from the diagram market risk is the dominant risk of the solvency capital requirement for ASL accounting for 90% of the Standard Formula Solvency Capital Requirement (SF-SCR) at 31st December 2016. Due to the simplification applied in the calculation of the technical provisions the Life risk (insurance risk) is nil (see C.1) whereas the counterparty default risk accounts for 8% and the operational risk for 2% of the SF-SCR at 31st December 2016.

Risk sensitivities

As part of the ORSA assessment risk stress scenarios are performed annually in order to inform the Board about any changes in its risk appetite, to assist the management in efficient use of the Company's capital resources and to make recommendations to the Board regarding additional risk mitigation measures and dividend payments. Various tests are conducted to identify the implications of a wide-range of risks over the three years business planning period. This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented in advance or through timely remedial measures.

Stress Scenario Testing is a key risk management tool used within the Company. The stress scenarios and specific parameters used are reviewed and approved by the Management prior to execution with the outcomes included in the ORSA report.

C.1 INSURANCE RISK (UNDERWRITING RISK)

The last Wealth Builder policy matures in 2017 and the last PVL policy will surrender in 2017as well. As result, 32 Money Multiplier policies (CHF 0.6m statutory reserves at 31st December 2016) and 27 Universal Life policies (CHF 4.8m statutory reserves at 31st December 2016) will remain in the portfolio at the end of 2017. As all the Universal Life policies are fully ceded to ALICO the insurance risk is low at ASL. Therefore a simplified approach is used in the solvency II valuation using sum assured as Solvency II technical provisions so that the technical provisions do not change in values applying the stresses as set in market and insurance risk Solvency II standard model. As result insurance risk is set to 0 for Solvency II purposes.

C.1.1. INSURANCE RISK EXPOSURE FOR ASL

Insurance Risk corresponds to the risk arising from the insured portfolio the Company is exposed to. ASL portfolio is exposed to mortality, lapse and expense risk. As assets and reinsurance agreements are sufficient for covering policies' sums assured both mortality and lapse risk are not material. The expense risk is the material risk for ASL managing the run-off of the insured portfolio and is analysed within the ORSA assessment. The expense risk is that expenses could be higher than planned mainly due to additional requirements from the stakeholders, and the duration of the insured portfolio could be longer than expected.

C.1.2. CHANGES IN INSURANCE RISK OVER THE REPORTING PERIOD

There were no changes in 2016 in the insurance risk. In particular the portfolio duration has decreased as expected.

C.1.3. INSURANCE RISK MITIGATION TECHNIQUES

Reinsurance agreement with ALICO is used to cede all reinsurance and market risk related to the Universal Life product to ALICO.

The company manage the expense risk as follows:

- Incurring expenses are reviewed for consistency with the amounts planned within the run-off plan
- Activities are conducted for reducing the portfolio duration.

C.1.4. MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES

Management performs regular monitoring of the incurred expenses and of the activities related to the management of the insured portfolio. In particular outcomes of the stress scenario performed as part of the ORSA are fundamental for identifying elements undermining the realization of the run-off plan and defining if the case addition measures supporting the run-off targets.

C.1.5. STRESS SENSITIVITIES FOR INSURANCE RISK

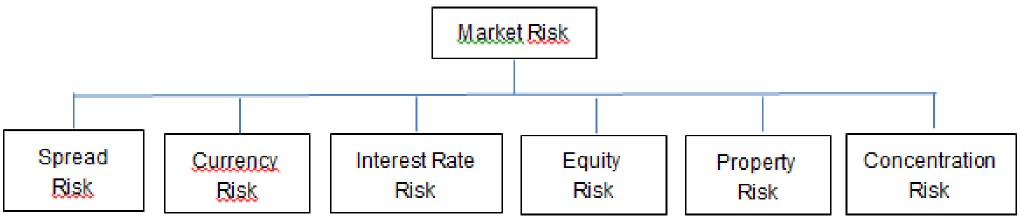
The following stress scenarios were performed within the ORSA assessment:

- Increase in the fees charged to the company for the outsourced activities. The increase is assumed to be driven by additional work necessary to fulfil additional requirements of the regulator. The outcome was that no additional capital resources would be required over the planning period.
- Extension of the portfolio duration assuming that no lapses will incur in the future. Also on this scenario no additional capital resources would be required over the planning period.

C.2 MARKET RISK

Market risk is the risk that the Company is adversely affected by movements in the fair value of its financial assets arising from market movements, for example due to credit spreads, interest rates and foreign exchange rates or other price risks. ASL is exposed to Market Risk on both the asset and the liability sides of its balance sheet. However the market risk on the liability is mostly ceded to ALICO as most of the risk lies on the Universal Life product.

Market risk accounted for 90% of the SF-SCR for ASL as at 31st December 2016. The sub risks associated with Market risk are shown below:



C.2.1. MARKET RISK EXPOSURE

ASL is subject to most aspects of market risk with no exposure to property risk. The most material element of market risk for ASL is currency risk making up approximately 84% of the total market risk under the SF-SCR at 31st December 2016. The remaining elements of market risk are (1) interest rate risk at 7%, (2) concentration risk at 6% and spread risk at 3% associated with the investment assets held as at December 2016. Exposure to equity risk is below 1%..

Investment assets are mainly held in government and corporate bonds, and cash equivalent. For liquidity purposes bonds maturities are selected to fund policies maturities.

C.2.2. MARKET RISKS AND CHANGES OVER THE REPORTING PERIOD

The Market Risk is driven by risks inherent within the Company's assets portfolio. During the reporting period the market risk profile has increased from CHF 4.2m to CHF 5.3m consistently with the significant increase in the bonds portfolio related to the investment of the available liquidity into bonds done in 2016.

C.2.3. MARKET RISK CONCENTRATION

ASL has very low exposure to market risk concentration due to the use of high rating bonds (AAA – AA) and limits within the investment policy which strictly limit exposure to the type of assets held. Furthermore, due to the small amount of the liabilities, most of the investments are related to the own funds.

C.2.4. MARKET RISK MITIGATION TECHNIQUES

ASL manages its market risk primarily through the AAMEL team which monitors and manages the impacts of external economic factors, ASL's investment portfolio and through the Investment Administrator who manages the company's liquidity position and forecasts. The investment portfolio is managed with respect to the market risk profile of its liabilities in order to minimise the impact on its solvency position due to adverse market movements. Risk mitigation of market risk is executed through the combined use of investment limits, guidelines and principles detailed below.

- ASL monitors market risk via reviewing the regular management information at the AAMEL team and oversees the investment activity within the Investment agreement and investment strategy as approved by the Board.
- The Investment Administrator does monthly and annual analyses of the economic markets and performance of the assets held.
- Assets needed for the liabilities are held to similar duration to the liabilities to mitigate interest rate risk
- Stress and scenario testing is carried out as part of the ORSA process.

C.2.5. RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE

The Company's investment policy ensures its compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC. Through execution of permissible asset classes and investment limits, the Company is able to ensure that it:

- Only invest in those assets whose risks it can properly identify, measure, monitor, control and report.
- Invest the assets covering Minimum Capital Requirement (MCR) and SCR in such a manner that ensures the security, quality, liquidity and profitability of the portfolio.
- Invest assets held to cover the Technical Provisions (TPs) in a manner appropriate to the nature and duration of the insurance liabilities and in the best interest of policy holders and beneficiaries.
- Keep the investment in assets which are not admitted to trading on a regulated market to prudent levels
- Properly diversify its investments so that it can avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.
- Not expose itself to excessive risk concentration that arises from investments in assets issued by the same issuer or by issuers belonging to the same group.

- Invest in a short-term to reduce the long-term risk of issuer bankruptcy and to always have enough liquidity available to support the run off strategy of the Company.

The Company's investment policy guidelines set out its processes and procedures to manage its investment portfolio. The investment policy guidelines are approved by the Board and implemented, via the investment agreement, by AAMEL and ASL's investment administrator.

Assets categories that are included in the investment policy guidelines (which is aligned to the investment strategy) are those that are suitable for the Company's liabilities profile by nature, term and currency and for which AAMEL (the investment team) could assess, monitor and control risks. The Company does not invest in any asset category that is not included in the Investment policy guidelines.

Tactical deviations from the limits imposed by the policy guidelines to maximise investment returns are only permitted on prior approval by the Board of Directors and are limited to changes in allocation of asset categories covered by the policy guidelines only.

C.2.6. PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

The Investment Committee is chaired by the ASL Investment Administrator; the primary purpose of the Investment Committee is to monitor and manage the Market Risk profile of the Company against the Board approved Investment Policy Guidelines. The Investment Committee regularly reviews the latest market risk developments and requests more precision when needed.

The following monitoring activities are performed on a regular basis by the ASL Investment Administrator:

- Asset Liability Matching: ensuring that benefits to the policyholders are funded by bonds maturities and available cash.
- Currency risk exposure: monitoring of the limits set in the Investment Policy Guidelines.
- Investment return: monitoring the realised investment return is within the expected targets.

C.2.7. RISK SENSITIVITIES FOR MARKET RISK

During the ORSA process the following stress scenarios were performed for reviewing ASL's financial strength:

- Yields were assumed to increase as for the stress set in the solvency 2 interest rate risk valuation as result the market value of the bonds held dropped. The outcome was that no additional capital resources would be required over the planning period.
- Exchange rate were assumed to drop by 25%, hence applying the stress set in the solvency 2 exchange rate stress. Also on this scenario no additional capital resources would be required over the planning period.

C.3 CREDIT RISK

Credit Risk (Counterparty Default Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors. At 31st December 2016 credit risk or counterparty default risk was 8% of the SF-SCR.

C.3.1. CREDIT RISK EXPOSURE FOR ASL

The reinsurance agreement with ALICO for ceding all risks related to the Universal Life product represent most of the credit risk exposures for ASL. The credit risk relates to the failure of ALICO and hence the inability to recover claims and associated expenses. That scenario was analysed as part of the ORSA assessment. Company's exposure is related to the capital at risk which is significantly smaller than the own funds. Thus Company's assessment of 'Unexpected Credit Loss owing to Reinsurer Failure' is 'Low'.

C.3.2. CREDIT RISKS AND CHANGES OVER THE REPORTING PERIOD

Credit Risk comprises circa 8% of the Company's SF-SCR as at 2016. The SCR has dropped from CHF 2.2m at Q4 2015 to CHF 0.5m at Q4 2016. This is due to the significant decrease of CHF 25.5m in the cash and cash equivalent balance sheet item during 2016 related to the bonds purchase.

C.3.3. MEASURES USED TO ASSESS CREDIT RISK

No specific measures are in place for assessing credit risk related to the reinsurer as the risk exposure decreases with the decrease of the insured portfolio and the low materiality of credit risk.

With respect to the credit risk related to the invested assets the following controls are performed as required by the investment policy guideline:

- Identification of rating downgrades.
- Review of the exposure by single issuers.
- Review issuers' geographical diversification

C.3.4. CREDIT RISK CONCENTRATION

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise either in the form of single name concentration or industry concentration.

ASL's most material Credit Risk concentration relates to type 1 exposure of reinsurance arrangements (reinsurance recoverable and reinsurance receivables).

With respect to the invested assets there is relatively low concentration risk in relation to single issuers' credit risk. Concentration of single issuers does not exceed 6% of the invested assets as at 31st December 2016.

C.3.5. CREDIT RISK MITIGATION TECHNIQUES

ASL has established concentration limits within the investment policy for an effective management of the Credit Risk related to the investments. The Investment Committee in collaboration with AAMEL is responsible for compliance with the investment policy.

C.3.6. PROCESS FOR MONITORING THE EFFECTIVENESS' OF CREDIT RISK MITIGATION TECHNIQUES

The Investment Administrator ensures on a regular basis that concentration limits of the invested assets are respected. In the case the thresholds are exceeded the investment committee is informed and measures are taken to comply with the investment policy guidelines.

C.3.7. STRESS TEST SENSITIVITIES FOR CREDIT RISK

During the ORSA process the following stress scenarios were performed for identifying possible significant losses resulting from credit risk:

- Reinsurer default: The default of ALICO was analysed within the stress scenarios that ASL has to fully recognize the reserves and the assets backing the portfolio within the balance sheet. The additional exposure the company should take over can be supported by the own funds.
- Bonds' default: The applied concentration limits reduce significantly the exposure to the risk of default of bond's issuers. The outcome was that no additional capital resources would be required over the planning period.

C.4 LIQUIDITY RISK

Liquidity refers to the ability to generate sufficient cash resources to meet the Company's payment obligations. It is defined as unencumbered cash and assets that can be monetized in a short period of time at a reasonable cost in both normal and stressed market conditions.

Liquidity risk is defined as the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet its short-term cash or other financial obligations. The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm.

For ASL the risk is that it will have insufficient liquid funds to support payments to policyholders, in particular maturity and surrender benefits.

As mentioned at the start of the risk profile section, liquidity risk is a concept which does not exist within the Standard Formula. Therefore, no equivalent liquidity risk sub-module under Standard Formula is disclosed.

C.4.1. MEASURES USED TO ASSESS LIQUIDITY RISK

Liquidity is assessed and monitored on a weekly basis by the Investment Administrator.

C.4.2. LIQUIDITY RISK CONCENTRATION

ASL has low liquidity risk concentration due to the short duration of the investment aiming bonds maturities in correspondence with payments to policyholders resulting from policies' maturities.

C.4.3. LIQUIDITY RISK MITIGATION TECHNIQUES AND THE PROCESSES FOR MONITORING THE EFFECTIVENESS OF THESE TECHNIQUES

ASL set in the Investment Policy Guidelines the principles and rules for the company to adhere to for managing and thus mitigating the exposure to liquidity risk. The purpose of the guidelines is to establish minimum liquidity requirements that protect the Company's long-term viability and ability to fund its ongoing business and meet short-term financial obligations in a timely manner in both normal and stressed conditions.

Liquidity risk is managed by the Investment Administrator. Liquidity risk is mitigated through investment in predominately liquid financial assets and constant monitoring of expected asset and liability maturities.

The Investment Policy Guidelines prescribe procedures to maintain sufficient liquidity to meet the obligations as they become due and the Company complies with this policy.

C.4.4. STRESS SENSITIVITIES FOR LIQUIDITY RISK

Stress tests for liquidity risk are not performed on a standalone basis under Standard Formula for a Life company. As the risk is classified as low no stress scenario was performed within the ORSA assessment, neither.

C.5 OPERATIONAL RISK

Operational risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events.

Operational risks can have many impacts, including but not limited to unexpected economic losses or gains, reputational harm due to negative publicity, regulatory action from supervisory agencies, operational and business disruptions and damage to customer relationships.

C.5.1. OPERATIONAL RISK EXPOSURE FOR ASL

Operational risk components	Description
Execution, Delivery & Process Management	Risks associated with the failure to execute or process transactions timely and accurately with clients, counterparties and/or external vendors/suppliers.
Clients & Business Practices	Risks associated with the unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product. It also includes non-compliance with laws, rules, regulations, agreements, prescribed practices and ethical standards.
Employment Practices & Workspace Safety	Risks associated with acts inconsistent with employment relation, health and safety and anti-discrimination laws or agreements.
Internal Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy which involves at least one internal party.
External Fraud	Risks associated with acts intended to defraud, misappropriate property or circumvent regulations or the law by one or more third party.
Financial Integrity & Reporting	Risks associated with the disclosure of materially incorrect or untimely information, whether financial or non-financial, or the failure to disclose information to external or internal stakeholders or to the general public.
Business Disruption & System Failure	Risks associated with the interruption of business activity due to system or communication failures, the inaccessibility of information or the unavailability of utilities.
Damage to Physical Assets	Risks associated with the damage or unavailability of physical assets as a result of a natural disaster or other traumatic event.

C.5.2. OPERATIONAL RISK AND CHANGES OVER THE REPORTING PERIOD

There have been no changes in the operational risk exposure.

With respect to SCR the Company applies the Standard Formula. SF Operational Risk SCR of the Company is driven by technical provisions. Operational Risk comprises circa 2% of the Company's SF-SCR as the company is in run-off the operational risk SCR will decrease as has been the case over the last year.

C.5.3. MEASURES USED TO ASSESS OPERATIONAL RISK

Operational risk is assessed qualitative and (where applicable) quantitative within the ORSA process. Within that assessment risk items are identified and the impact on the Company is analysed through stress scenarios. The following risks were identified in the last year ORSA:

Risk item	Operational Risk Component	Valuation
Not justified payments or claims	Internal Fraud	qualitative
Falsification/ manipulation of the company results	Internal Fraud	qualitative
Replacement of outsourcing resources and related loss of knowhow on AIG CH	Execution, Delivery & Process Management	qualitative
Hardware and software aging	Business Disruption & System Failure	qualitative
Data quality	Financial Integrity & Reporting	qualitative
Fraud within the service providers	External Fraud	qualitative
Not compliance with the law or internal guidelines	Clients & Business Practices	qualitative

C.5.4. OPERATIONAL RISK MITIGATION TECHNIQUES

ASL's Risk Management Framework facilitates the identification, assessment, monitoring, and measurement of operational risk and promotes a culture where each employee has responsibility for managing operational risk. There is an internal controls system in place across all functions including "doer, checker, reviewer" processes where appropriate. As part of the internal controls system process controls are reviewed regularly.

C.5.5. PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES

The effectiveness of the operational risk mitigation techniques is review as follows:

- As part of the internal controls system control results are reviewed on a regular basis
- As part of the ORSA process the effectiveness of the risk measure in place on the operational risk is analysed performing stress scenarios.

C.5.6. STRESS SENSITIVITIES FOR OPERATIONAL RISK

Operational risk is associated with the level of losses associated with a process or system failure or human error, and company's ability of continuing the business.

As part of the ORSA assessment the identified risks were investigated by analysing the impact of stress scenarios. No elements endangering company's ability of continuing the business resulted from the performed analysis.

C.6 OTHER MATERIAL RISKS

There are no other risks that are material to the Company for the year ending 31st December 2016.

D. VALUATION OF SOLVENCY PURPOSES

The 'Valuation for Solvency Purposes' section of the report describes the valuation of assets, technical provisions and other liabilities from a statutory basis to a Solvency basis. This section contains qualitative explanations of the main differences between the figures valued according to Articles 75 to 86 of Directive 2009/138/EC and those accounted for in the statutory balance sheet of ASL. The section also outlines the approach and methodology underlying the valuation.

Key elements of the section include:

- Assets;
- Technical Provisions (TPs);
- Other Liabilities; and
- Any other information

D.1 ASSETS

The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the Solvency II regime, including information on the basis, methods and assumptions utilised.

The assets table below shows the Solvency II Balance Sheet line items, their corresponding statutory values, and the Solvency II adjustments and reclassifications applied.

Assets - Solvency II Balance Sheet	Notes	Statutory Accounts Value	Solvency II Adjustment	Solvency II Value
		In CHF	In CHF	In CHF
Goodwill		-	-	-
Deferred acquisition costs		-	-	-
Intangible assets		-	-	-
Deferred tax assets		-	-	-
Pension benefit surplus		-	-	-
Property, plant & equipment held for own use		161.40	-	161.40
Investments (other than assets held for index-linked and unit-linked contracts)	1	32'925'696.76	(384'039.53)	32'541'657.23
Property (other than for own use)		-	-	-
Holdings in related undertakings, including participations		-	-	-
Equities		38'108.50	-	38'108.50
Government Bonds		23'217'057.14	(336'710.59)	22'880'346.54
Corporate Bonds		9'184'119.07	(47'328.89)	9'136'790.18
Derivatives		-	-	-
Deposits other than cash equivalents		486'412.00	-	486'412.00
Other investments		-	-	-
Assets held for index-linked and unit-linked contracts		273'049.60	-	273'049.60
Loans and mortgages		-	-	-
Reinsurance recoverables	2	4'981'794.14	7'506'391.48	12'488'185.62
Deposits to cedants		-	-	-
Insurance and intermediaries receivables		6'458.10	-	6'458.10
Reinsurance receivables		-	-	-
Receivables (trade, not insurance)		244'472.66	-	244'472.66
Own shares (held directly)		-	-	-
not yet paid in		-	-	-
Cash and cash equivalents	3	1'073'582.70	-	1'073'582.70
Any other assets, not elsewhere shown		-	-	-
Total assets		**39'505'215.36**	**7'122'351.95**	**46'627'567.31**

American Security Life

1. INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

Investments are measured and carried at fair value in accordance with IAS 39 for Solvency II purposes. The following valuation principles are applied to the statutory amounts:

- Bonds and other fixed-interest bearing securities are valued according to the amortized cost-method, which prescribes that the difference between the purchase price and the amount to be repaid should be written off pro rata over the remaining period to maturity.
- Equities at fair value.
- Deposits other than cash equivalents at par value.

The valuation difference of CHF 380k between statutory and Solvency II relates mainly to unrealized losses in the bonds.

2. REINSURANCE RECOVERABLES

Reinsurance recoverables correspond to the technical provisions of the Universal Life product which is fully reinsured at ALICO. No further reinsurance agreement is in place at ASL. The valuation difference of CHF 7.5 Mio between statutory and Solvency II amounts is due to the simplified approach used by ASL for measuring the technical provisions under Solvency II. The Solvency II amount, indeed, corresponds to the sum assured amount as of 31st December 2016 (see section D.2D.2.1 for more details)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises deposits with banks and cash.

Cash and deposits at banks are reported at par.

D.2 TECHNICAL PROVISIONS

The below technical provisions table has been extracted from Solvency II Balance Sheet which summarises the calculation of Technical Provisions using statutory reserves as the starting point.

Technical Provisions - Solvency II Balance Sheet		Statutory Accounts Value	Solvency II Adjustment	Solvency II Value
		In CHF	In CHF	In CHF
Technical provisions - life (excluding index-linked and unit-linked)		12'577'826.95	8'450'021.57	21'027'848.52
Technical provisions – index-linked and unit-linked		273'049.60	-	273'049.60
Total Technical Provisions		**12'850'876.55**	**8'450'021.57**	**21'300'898.12**

D.2.1. VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

The difference in the Technical provisions is due to the following simplification applied in the valuation:

- Technical provisions for life insurance liabilities are assumed to be equal to the sum assured;
- The Risk Margin is considered to be implicitly contained in the value of the technical provisions calculated as above.

The simplification on technical provisions has been defined based on the run-off status of ASL since the Wealth Builder portfolio (traditional endowment), which represents 73% of all the policies in force at year-end 2016, will be matured by the end of 2017 whereas the remaining 27% of the policies

American Security Life

results from the following whole life products: PVL (0.5%, unit-linked without guarantees), Money Multiplier (14%) and Universal Life (12%). In particular, the sum assured is defined as:

- PVL: total fund value as of valuation date
- Money Multiplier: total bonds value as of valuation date (market value of the bonds backing the policies)
- Universal Life: total (guaranteed) insured capital
- Wealth Builder: total (guaranteed) insured capital.

Thus, no best estimate valuation of the interest rate guarantees within the products is performed. The products have the following guarantees:

- PVL: no interest rate guarantees
- Money Multiplier: account value cannot decrease
- Universal Life: minimum 4.5% of the account value
- Wealth builder: 3% interest rate

It is worth noting that the benefits of the Universal Life policies are fully reinsured by ALICO.

As a result of this simplification, the Solvency Capital Requirement for life underwriting risk is nil for ASL at 31st December 2016.

D.2.2. OTHER BEST ESTIMATE COMPONENTS

The Best Estimate line of the Solvency II Balance Sheet also contains the expense overruns ASL expects from managing the run-off. The same expense overruns liability booked within the statutory balance sheet was used within the Solvency II balance sheet.

D.3 OTHER LIABILITIES

The below liabilities table has been extracted from the Economic Balance Sheet (EBS) which details the calculation of Solvency II values from statutory to Solvency II. The below table should be viewed in conjunction with the explanatory notes.

Liabilities - Solvency II Balance Sheet	Notes	Statutory Accounts Value	Solvency II Adjustment	Solvency II Value
		In CHF	In CHF	In CHF
Total Technical Provisions		**12'850'876.55**	**8'450'021.57**	**21'300'898.12**
Provisions other than technical provisions		-	-	-
Pension benefit obligations		-	-	-
Deposits from reinsurers		-	-	-
Deferred tax liabilities		1'200.00	-	1'200.00
Derivatives		-	-	-
Debts owed to credit institutions		-	-	-
Financial liabilities other than debts owed to credit institutions		-	-	-
Insurance & intermediaries payables	1	8'726'574.55	-	8'726'574.55
Reinsurance payables		5'322.38	-	5'322.38
Payables (trade, not insurance)		226'261.17	-	226'261.17
Subordinated liabilities		-	-	-
Any other liabilities, not elsewhere shown		-	-	-
Total liabilities		**21'810'234.65**	**8'450'021.57**	**30'260'256.22**

D.3.1. VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

The valuation of liabilities other than technical provisions is recognised at face value.

1. INSURANCE & INTERMEDIARIES PAYABLE

Insurance and Intermediaries payables comprise the following:

- Commission due to Intermediaries
- Amounts due to customers

Most of the amount results from pending benefit payments to policyholders due to incomplete documentation identified during the benefit payment's due diligence process. Payables (including reinsurance and not insurance payables) can be split by the following ageing:

- Less than one year: CHF 1'629'311
- Between one and five years: CHF 6'578'801
- Greater than five years: CHF 750'046

D.4 OTHER MATERIAL INFORMATION

D.4.1. FUTURE MANAGEMENT ACTIONS

The calculation does not explicitly consider any other future management actions that may be taken to reduce the Company's risk exposure following certain events (e.g. increase in the insured portfolio duration).

E. CAPITAL MANAGEMENT

The 'Capital Management' section of the report describes the internal operational structures/procedures underlying capital management within the Company as well as the projections of capital position over a three year planning horizon. The Capital Plan is updated at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

Key elements include:

- Own Funds;
- SCR and MCR;
- Non-compliance with SCR and MCR.

E.1 OWN FUNDS

The Company's Own funds are comprised of items on the balance sheet which are referred to as basic own funds and off balance sheet items that may be called up to absorb losses referred to as ancillary own funds. ASL has only basic own funds items.

This sub-section of the report aims to provide a view of capital management activities in the Company over the business planning horizon, its capital management methods and the structure, amount and quality of Own Funds.

E.1.1. APPROACH TO CAPITAL MANAGEMENT

Company's General Manager and Investment Administrator are responsible for its capital management. Capital planning is considered pivotal in decision making.

Capital management focuses on two aspects:

- Ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital targets set.
- Ensuring that cash-out resulting from the run-off is adequately funded by the bonds maturities.

The Investment Administrator provides the Board with information on the Company's asset liability management and monitors the surplus over internal and regulatory capital requirements. The Actuarial Function conducts stress scenario testing as part of the ORSA process.

E.1.1.1. CAPITAL MANAGEMENT PLAN

As part of the ORSA, ASL produces an analysis of the capital development over a three year business planning horizon. The intention of the plan is to ensure the Company meets regulatory capital requirements and other business expectation and to identify any significant issues of meeting capital internal and supervisory requirements.

The analysis takes into consideration the following:

- Business plan, budget and goals.
- Applicable regulations.

- Multiple future scenarios involving capital resources and requirements under the Solvency II Standard Formula views.

The analysis is performed by the Actuarial Function and is reviewed by the ASL management. Any changes in the capital planning need to be approved by the Board.

E.1.1.2. CAPITAL MANAGEMENT PROCESS AND POLICY

ASL's capital management process and policy are part of the ORSA process and policy which are annually approved by the Board.

The Company has an adequate capital management process to ensure it meets regulatory capital requirements consistently with the size, complexity and run-off status of the Company.

E.1.2. COMPOSITION AND QUALITY OF OWN FUNDS

Under Solvency II regulation, capital is referred to as Own Funds and the regulation distinguishes between Basic Own Funds (BOF) and Ancillary Own Funds (AOF). Capital under Solvency II starts with the excess of assets over liabilities as determined by the Economic Balance Sheet (EBS). Qualifying subordinated debt is then added to this and the combined amount is known as Basic Own Funds.

The whole amount is classified into tiers of Own Funds. Restrictions are applied to limit the extent to which the various components of Own Funds can be used to meet the capital requirements.

BASIC OWN FUNDS TIER 1

The BOF Tier 1 criteria are met by the following statutory equity balance sheet items:

- Subscribed share capital (CHF 5.0 Mio)
- Organization Fund (CHF 4.9 Mio)

In addition, the reconciliation reserve is classified as BOF Tier 1 capital in accordance with the Solvency II regulations. It is calculated as follows:

Reconciliation Reserve	In CHF
Excess of assets over liabilities	16'367'311
Less	
Subscribed share capital	5'000'000
Organization fund	4'900'000
Net deferred tax assets (Tier 3)	
Foreseeable dividend	
Reconciliation Reserve	6'467'311

BASIC OWN FUNDS TIER 2

ASL has no BOF tier 2 elements.

ANCILLARY OWN FUNDS

ASL has no ancillary own funds elements.

NET DEFERRED TAX ASSETS

As part of the simplification applied within the Solvency II calculation deferred tax assets have not been considered moving from the statutory balance sheet into the Solvency II balance sheet.

ELIGIBLE OWN FUNDS

The classification into tiers is relevant to the determination of eligible own funds. These are the own funds that are eligible for covering the regulatory capital requirements – the solvency capital requirement and the minimum capital requirement. For example, the minimum capital requirement must be covered by Tier 1 and Tier 2 capital and may not therefore be covered by Tier 3 capital. The extent to which the tiers are eligible to cover the capital requirements is set out in the implementing measures (also known as delegated acts).

All ASL Own Funds are eligible for both SCR and MCR as classified as Tier 1.

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

The Solvency Capital Requirement (SCR) reflects a level of eligible own funds that enables the Company to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due.

The minimum capital requirements should ensure a minimum level below which the amount of resources should not fall. It is necessary that it is calculated in accordance with the standard formula, which is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.

The table below presents the ratio of eligible own funds that the Company holds to cover the solvency capital requirement and minimum capital requirement:

Eligible own funds	In CHF
Total eligible own funds to meet the SCR	16'367'311
Total eligible own funds to meet the MCR	16'367'311
SCR	5'504'285
MCR	3'966'400
Ratio of Eligible own funds to SCR	297%
Ratio of Eligible own funds to MCR	413%

E.1.3. STRUCTURE, AMOUNT AND QUALITY OF BASIC ANCILLARY OWN FUNDS

ASL has no Ancillary own funds.

E.1.4. TRANSITIONAL ARRANGEMENTS

ASL did not have any transitional arrangements in place as at 31st December 2016.

E.1.5. MATERIAL DIFFERENCES BETWEEN EQUITY IN THE FINANCIAL STATEMENTS AND THE EXCESS OF ASSETS OVER LIABILITIES

Capital resources are calculated differently under Solvency II and statutory resulting from differences in the valuation under Solvency II compared to statutory valuation basis. Based on the simplified approach used by ASL in setting the Solvency II EBS the following valuation differences apply:

- Technical provisions are recalculated for Solvency II purposes and correspond to the sum assured covered within the policies.
- Bonds are measured at market value whereas amortized cost is used for statutory purposes.

As results the Company's Own Funds position is different from the equity stated in its financial statements.

The following table reconciles the equity in the financial statements to the excess of assets over liabilities under Solvency II. Further details regarding reconciling items are set out in the respective notes identified below:

Excess of assets over liabilities - attribution of valuation differences	
	In CHF
Difference in the valuation of assets	-384'040
Difference in the valuation of technical provisions	-943'630
Difference in the valuation of other liabilities	500'000
Total of reserves and retained earnings from financial statements	7'294'981
Reserves from financial statements adjusted for Solvency II valuation differences	6'467'311
Excess of assets over liabilities attributable to basic own fund items (excluding the reconciliation reserve)	9'900'000
Excess of assets over liabilities	16'367'311

CAPITAL INSTRUMENTS AND RING FENCED FUNDS

During the period, no capital instruments were issued or redeemed. In addition, there were no restricted own funds due to ring fencing.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR requirement section of the report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with the regulatory requirements.

E.2.1. SOLVENCY CAPITAL REQUIREMENT (SCR)

The SCR is the amount of funds that the Company is required to hold in line with the Solvency II Directive issued by the European Union (EU) in 2009. SCR is a formula based figure calibrated to ensure that all quantifiable risks are taken into account, including life and heath underwriting, market, credit, operational, and counterparty risk.

The Company uses the Standard Formula to calculate its Solvency Capital Requirement. ASL does not use any undertaking specific parameters. The following simplification is used:

- Cash-flows projections are not used to measure the best estimate of the technical provisions as the sum assured is used instead. As result technical provisions under Solvency II are not exposed to changes in the economic assumptions nor in the insurance assumptions. Thus insurance risk is at 0.

The amount of the SCR at 31st December 2016 is CHF 5.3m.

The assessment of the SCR using the standard formula approach is based on a modular approach consisting of a core of life; market; health and counterparty default risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. The operational risk component and adjustments for risk absorbing effect of deferred taxes are then allowed for, to give the overall SCR.

Hence, the Solvency Capital Requirement (SCR) is calculated as follows:

$$SCR = BSCR + SCR_{op} - Adj$$

Where SCR is the Overall Standard Formula Capital Charge, BSCR is the Basic Solvency Capital Requirement, Adj corresponds to the Risk Absorbing Effect of Deferred Taxes (0 at ASL) and SCR_{op} is the Capital Charge for Operational Risk.

Here, the “delta-BoF” (ΔBoF) approach is used for capturing the impact of the underlying risk module. Note that the expression ΔBoF has a sign convention whereby positive values signify a loss.

In order to calculate ΔBoF, the base scenario as well as the stressed assets and liabilities will need to be calculated. The difference between the base and the stressed assets and liabilities is the ΔBoF.

The ΔBoF is based on the Solvency II balance sheet. No further risk mitigation techniques in addition to those considered within the EBS (i.e. reinsurance) are used in the calculation of the SCR.

The table below highlights the capital requirements for each risk module with the comparison to the prior year amounts:

CHF		
	YE2016	YE2015
Market risk	**5'271'927**	**4'201'105**
Interest rate up	450'621	132'560
Interest rate down	0	0
Interest rate risk	450'621	132'560
Equity risk	18'125	906
Property risk	0	0
Spread risk	161'501	112'869
Currency risk	5'083'613	4'121'515
Concentration risk	338'030	352'553
Diversification	-779'964	-519'298
Counterparty default risk	**480'508**	**2'160'455**
Type 1 exposure	452'392	2'001'200
Type 2 exposure	36'671	206'574
Diversification	-8'555	-47'319
Life underwriting risk	**0**	**0**
Diversification across risk modules	-340'346	-1'179'379
Basic SCR	**5'412'088**	**5'182'181**
Operational risk	**93'397**	**113'174**
Loss-absorbing capacity of deferred taxes	-1'200	
SCR	**5'504'285**	**5'295'355**

The operational risk capital is calculated based on factors applied to the technical provisions and premiums for each line of business underwritten. This is subject to regulatory minimum capital holdings.

E.2.2. MINIMUM CAPITAL REQUIREMENT (MCR)

The Company uses the Standard Formula to calculate its Minimum Capital Requirement (MCR). The amount of the MCR for the reporting period is CHF 4.0m.

American Security Life

The following table shows the MCR calculation:

MCR calculation	In CHF
Linear MCR	324'048
SCR	5'504'285
MCR cap	2'382'910
MCR floor	1'323'839
Absolute floor of the MCR	3'966'400
Minimum Capital Requirement	3'966'400

Information on the Inputs used to calculate the MCR

The MCR calculation uses inputs as required by the standard formula. In particular, the SCR, Capital At Risk, BEL and Sum Assured are required. This data is provided at the same granularity and accuracy as for the SCR calculation itself.

E.3 USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company did not make use of the duration-based equity risk sub-module in the reporting during the reporting period.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company uses the Standard Formula to calculate the SCR and therefore no differences exist.

E.5 NON-COMPLIANCE

During the reporting period, there were no instances of non-compliance with the Solvency II capital requirements. In addition, the Company held Own Funds in excess of both the SCR and MCR requirements over the reporting period.

Attachment – Templates

S.02.01.02 Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	161
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	32'541'657
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	38'109
Equities - listed	R0110	
Equities - unlisted	R0120	38'109
Bonds	R0130	32'017'137
Government Bonds	R0140	22'880'347
Corporate Bonds	R0150	9'136'790
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	486'412
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	273'050
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	12'488'186
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	12'488'186
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	12'488'186
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	6'458
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	244'473
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1'073'583
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	46'627'567

S.02.01.02 Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	21'027'849
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	21'027'849
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	21'027'849
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	273'050
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	273'050
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	1'200
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	8'731'897
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	226'261
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	30'260'256
Excess of assets over liabilities	R1000	16'367'311

American Security Life

S.05.01.02 Premium, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		188'913							188'913
Reinsurers' share	R1420		65'575							65'575
Net	R1500		123'338							123'338
Premiums earned										
Gross	R1510		188'913							188'913
Reinsurers' share	R1520		65'575							65'575
Net	R1600		123'338							123'338
Claims incurred										
Gross	R1610		6'792'029							6'792'029
Reinsurers' share	R1620		128'490							128'490
Net	R1700		6'663'539							6'663'539
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900		1'319'801	6'632						1'326'433
Other expenses	R2500									
Total expenses	R2600									1'326'433

American Security Life

S.05.02.01 Premium, claims and expenses by country

		Home country	AT	US				Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410		123'338	65'575				188'913
Reinsurers' share	R1420			65'575				65'575
Net	R1500		123'338	-				123'338
Premiums earned								
Gross	R1510		123'338	65'575				188'913
Reinsurers' share	R1520			65'575				65'575
Net	R1600		123'338	-				123'338
Claims incurred								
Gross	R1610	88'423	6'575'116	128'490				6'792'029
Reinsurers' share	R1620			128'490				128'490
Net	R1700	88'423	6'575'116					6'663'539
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900		6'332	3'231				9'563
Other expenses	R2500							1'316'870
Total expenses	R2600							1'326'433

American Security Life

S.12.01.02 Technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees						
		C0020	C0030	C0040	C0050	C0060	C0090	C0100	C0150	C0160	C0210
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
Technical provisions calculated as a sum of BE and RM											

American Security Life

S.12.01.02 Technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees						
		C0020	C0030	C0040	C0050	C0060	C0090	C0100	C0150	C0160	C0210
Best Estimate											
Gross Best Estimate	R0030	21'027'849		273'050					21'300'898		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	12'488'186							12'488'186		
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	8'539'663		273'050					8'812'713		
Risk Margin	R0100										
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200	21'027'849	273'050						21'300'898		

American Security Life

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	5'000'000	5'000'000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	4'900'000	4'900'000			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	6'467'311	6'467'311			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	16'367'311	16'367'311			

American Security Life

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	16'367'311	16'367'311			
Total available own funds to meet the MCR	R0510	16'367'311	16'367'311			
Total eligible own funds to meet the SCR	R0540	16'367'311	16'367'311			
Total eligible own funds to meet the MCR	R0550	16'367'311	16'367'311			
SCR	R0580	5'504'285				
MCR	R0600	3'966'400				
Ratio of Eligible own funds to SCR	R0620	297%				
Ratio of Eligible own funds to MCR	R0640	413%				

American
Security Life

S.23.01.01 Own funds

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	16'367'311
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	9'900'000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	6'467'311
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

American Security Life

S.25.01.21 Solvency Capital Requirement — for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	5'271'927		
Counterparty default risk	R0020	480'508		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-340'346		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	5'412'088		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	93'397
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-1'200
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	5'504'285
Capital add-on already set	R0210	
Solvency capital requirement	R0220	5'504'285
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

American Security Life

S.28.01.01 Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	324'048

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	8'539'663	
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	273'050	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		8'812'712

American Security Life

S.28.01.01 Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity

Overall MCR calculation

		C0070
Linear MCR	R0300	324'048
SCR	R0310	5'504'285
MCR cap	R0320	2'476'928
MCR floor	R0330	1'376'071
Combined MCR	R0340	1'376'071
Absolute floor of the MCR	R0350	3'966'400
Minimum Capital Requirement	R0400	3'966'400