



American Life Insurance Company Ltd.

**Solvency & Financial
Condition Report 2020**

1 April 2021

Contents

EXECUTIVE SUMMARY.....	6
A. BUSINESS AND PERFORMANCE	8
A.1 BUSINESS.....	8
A.1.1. COMPANY INFORMATION	8
A.1.2. POSITION WITHIN THE GROUP LEGAL STRUCTURE	9
A.1.3. MATERIAL PARTICIPATING UNDERTAKINGS	9
A.1.4. MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II ..	9
A.1.5. MATERIAL GEOGRAPHICAL LOCATIONS.....	10
A.1.6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD.....	10
A.1.7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD	10
A.2 UNDERWRITING PERFORMANCE	11
A.2.1. UNDERWRITING PERFORMANCE BY MATERIAL LINES OF BUSINESS	11
A.3 INVESTMENT PERFORMANCE	12
A.3.1. NET INVESTMENT INCOME	12
A.3.2. INVESTMENT ACTIVITIES BY ASSET CLASS AND CHANGES DURING THE REPORTING PERIOD	13
A.3.2.1. INCOME AND EXPENSES ARISING FROM INVESTMENTS BY ASSET CLASS.....	13
A.4 PERFORMANCE FROM OTHER ACTIVITIES	14
A.5 ANY OTHER MATERIAL INFORMATION	14
B. SYSTEM OF GOVERNANCE	15
B.1 OVERVIEW OF THE SYSTEM OF GOVERNANCE	15
B.1.1. MANAGEMENT AND GOVERNANCE STRUCTURE.....	15
B.1.1.1. BOARD OF DIRECTORS.....	16
B.1.1.2. STATUTORY COMMITTEES	16
B.1.1.3. KEY FUNCTIONS, ROLES AND RESPONSIBILITIES.....	16
B.1.2. THE “THREE LINES OF DEFENCE” MODEL	17
B.1.3. MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE DURING THE PERIOD	18
B.1.4. REMUNERATION POLICY	18
B.1.5. MATERIAL TRANSACTIONS DURING THE PERIOD	18
B.2 FIT AND PROPER.....	18
B.3 RISK MANAGEMENT SYSTEM	18
B.4 OWN RISK AND SOLVENCY ASSESSMENT.....	19

B.4.1.	ORSA GOVERNANCE	19
B.5	INTERNAL CONTROL SYSTEM	20
B.6	INTERNAL AUDIT FUNCTION	21
B.7	ACTUARIAL FUNCTION	21
B.8	OUTSOURCING AGREEMENTS	21
B.9	ADEQUACY AND APPROPRIATENESS OF THE SYSTEM OF GOVERNANCE	23
B.10	ANY OTHER MATERIAL INFORMATION	23
C.	RISK PROFILE	24
C.1	INSURANCE RISK (UNDERWRITING RISK)	25
C.1.1.	INSURANCE RISK EXPOSURE FOR ASL	26
C.1.2.	CHANGES IN INSURANCE RISK OVER THE REPORTING PERIOD	26
C.1.3.	INSURANCE RISK MITIGATION TECHNIQUES	26
C.1.4.	MONITORING THE EFFECTIVENESS OF INSURANCE RISK MITIGATION TECHNIQUES	26
C.1.5.	STRESS SENSITIVITIES FOR INSURANCE RISK	26
C.2	MARKET RISK	27
C.2.1.	MARKET RISK EXPOSURE	27
C.2.2.	MARKET RISKS AND CHANGES OVER THE REPORTING PERIOD	27
C.2.3.	MARKET RISK CONCENTRATION	27
C.2.4.	MARKET RISK MITIGATION TECHNIQUES	27
C.2.5.	RISK MITIGATION AND THE PRUDENT PERSON PRINCIPLE	28
C.2.6.	PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES	29
C.2.7.	RISK SENSITIVITIES FOR MARKET RISK	29
C.3	CREDIT RISK	29
C.3.1.	CREDIT RISK EXPOSURE FOR ASL	29
C.3.2.	CREDIT RISKS AND CHANGES OVER THE REPORTING PERIOD	29
C.3.3.	MEASURES USED TO ASSESS CREDIT RISK	30
C.3.4.	CREDIT RISK CONCENTRATION	30
C.3.5.	CREDIT RISK MITIGATION TECHNIQUES	30
C.3.6.	PROCESS FOR MONITORING THE EFFECTIVENESS' OF CREDIT RISK MITIGATION TECHNIQUES	30
C.3.7.	STRESS TEST SENSITIVITIES FOR CREDIT RISK	30
C.4	LIQUIDITY RISK	30
C.4.1.	MEASURES USED TO ASSESS LIQUIDITY RISK	31

C.4.2.	LIQUIDITY RISK CONCENTRATION	31
C.4.3.	LIQUIDITY RISK MITIGATION TECHNIQUES AND THE PROCESSES FOR MONITORING THE EFFECTIVENESS OF THESE TECHNIQUES	31
C.4.4.	STRESS SENSITIVITIES FOR LIQUIDITY RISK	31
C.5	OPERATIONAL RISK	31
C.5.1.	OPERATIONAL RISK EXPOSURE FOR ASL	32
C.5.2.	OPERATIONAL RISK AND CHANGES OVER THE REPORTING PERIOD	32
C.5.3.	MEASURES USED TO ASSESS OPERATIONAL RISK	33
C.5.4.	OPERATIONAL RISK MITIGATION TECHNIQUES	33
C.5.5.	PROCESS FOR MONITORING THE EFFECTIVENESS OF OPERATIONAL RISK MITIGATION TECHNIQUES	33
C.5.6.	STRESS SENSITIVITIES FOR OPERATIONAL RISK	34
C.6	OTHER MATERIAL RISKS	34
D.	VALUATION OF SOLVENCY PURPOSES	35
D.1	ASSETS	35
D.2	TECHNICAL PROVISIONS	36
D.2.1.	VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS	36
D.2.2.	OTHER BEST ESTIMATE COMPONENTS	37
D.3	OTHER LIABILITIES	37
D.3.1.	VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS	37
D.4	OTHER MATERIAL INFORMATION	38
D.4.1.	FUTURE MANAGEMENT ACTIONS	38
E.	CAPITAL MANAGEMENT	39
E.1	OWN FUNDS	39
E.1.1.	APPROACH TO CAPITAL MANAGEMENT	39
E.1.1.1.	CAPITAL MANAGEMENT PLAN	39
E.1.1.2.	CAPITAL MANAGEMENT PROCESS AND POLICY	40
E.1.2.	COMPOSITION AND QUALITY OF OWN FUNDS	40
E.1.3.	STRUCTURE, AMOUNT AND QUALITY OF BASIC ANCILLARY OWN FUNDS	41
E.1.4.	TRANSITIONAL ARRANGEMENTS	41
E.1.5.	MATERIAL DIFFERENCES BETWEEN EQUITY IN THE FINANCIAL STATEMENTS AND THE EXCESS OF ASSETS OVER LIABILITIES	42
E.2	SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT	42
E.2.1.	SOLVENCY CAPITAL REQUIREMENT (SCR)	42
E.2.2.	MINIMUM CAPITAL REQUIREMENT (MCR)	44

E.3 USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT	45
E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED 45	
E.5 NON-COMPLIANCE.....	45
ANNEX: ANNUAL QRTs	46

EXECUTIVE SUMMARY

American Life Insurance Company Ltd. ("ASL" or the "Company") is incorporated in Liechtenstein and was 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. On 31 December 2020, YOUPLUS Assurance AG ("YOUPLUS"), Triesen, Principality of Liechtenstein, acquired American Security Life Insurance Company Ltd. from AIG Inc.. The Liechtenstein Financial Market Supervisory Authority (Finanzmarktaufsicht Liechtenstein, «FMA») has approved this acquisition on 9 December 2020. YOUPLUS Assurance AG (as well its 100% subsidiary, Youplus Insurance International AG) is held by SWISS INSUREVOLUTION PARTNERS Holding (FL) AG, a holding company of the life insurance group SWISS INSUREVOLUTION PARTNERS.

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.

The SFCR is published on the Company's website (www.aslife.li)

Section A to the SFCR provides information on the Company's business, performance and significant events during the year 2020. The change in ownership from AIG Inc. to YOUPLUS did not change Company's internal processes in managing business and risks in 2020. No further significant external events impacted the Company in 2020.

Over the course of 2020, ASL made an overall pre-tax statutory loss of CHF 1.1m which mainly resulted from the following:

- CHF 0.2m of net investment return
- CHF -1.5m of unrealized loss on investments, liquidity and reserves due to the increase of the exchange rate UDS/CHF
- CHF 0.2m of technical profits from the release in the cost 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. The integration procedure in the AIG group began in 2020, with the finalization of the new ICS framework and the new risk management with the creation of the Risk Register Control which replaced the old Risk Management Matrix. A risk committee is organized and a quarterly risk review meeting has been implemented.

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.

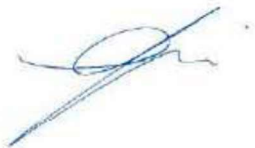
The Company's adherence to its quantified risk parameters is supported by ongoing risk identification. The Company draws together the analysis of its risk profile within its ORSA (Own Risk and Solvency Assessment) documents. This allows management to identify any significant changes in the Company's 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 2020, the Standard Formula SCR is CHF 4.8m covered by CHF 13.2m of capital resources thus providing a healthy 279% (304% in the prior year) coverage ratio.

The Company has been fully compliant with Solvency II since its commencement and during 2020 it remained fully compliant.



ASL General Manager
Claudio Maffucci

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 2020 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 Group framework of the shareholder (YOUPLUS Assurance AG ("YOUPLUS") until 31st December 2020, major lines of business and strategy and objectives.

A.1.1. COMPANY INFORMATION

ASL is incorporated in Liechtenstein and was a wholly owned subsidiary of American International Group, Inc. a company incorporated in the State of Delaware, United States of America with headquarters in New York City. On 31 December 2020, YOUPLUS Assurance AG, Triesen, Principality of Liechtenstein, acquired American Security Life Insurance Company Ltd. from its previous owner, AIG Inc., based in New York. The Liechtenstein Financial Market Supervisory Authority (Finanzmarktaufsicht Liechtenstein, «FMA») has approved this acquisition on 9 December 2020. YOUPLUS Assurance AG (as well its 100% subsidiary, Youplus Insurance International AG) is held by SWISS INSUREVOLUTION PARTNERS Holding (FL) AG, a holding company of the life insurance group SWISS INSUREVOLUTION PARTNERS.

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., a 100%, directly-owned subsidiary of Skandia Leben since 31st December 2020 and thus also part of the SWISS INSUREVOLUTION PARTNERS Holding.

The company is FMA authorised and regulated by the FMA, and own a life insurance license.

Registered Office	Supervisory Authority	External Auditors
American Security Life Insurance Company Ltd Ausstrasse 52 9490 Vaduz (FL) +423 237 68 86	Finanzmarktaufsicht Liechtenstein (FMA) Landstrasse 109 9490 Vaduz (FL) +423 236 73 73	PricewaterhouseCoopers AG Birchstrasse 160 8050 Zürich +41 58 792 44 00

A.1.2. POSITION WITHIN THE GROUP LEGAL STRUCTURE

The company was a 100% subsidiary of AIG Inc. and was thus directly held by AIG Inc. On 31 December 2020, YOUPLUS acquired American Security Life Insurance Company Ltd. from AIG Inc. The company's results are consolidated for the first time as per 31.12.2020 into the consolidated financial results of SWISS INSUREVOLUTION PARTNERS Holding (FL) AG. 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 is a 100% subsidiary of YOUPLUS.

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.
- "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 Wilmington, 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.

Only the UL has policies still in force (eight at yearend 2020). The last WB policy matured in 2017 and the last two MM policies surrendered in 2019. Thus only suspended policies on those two products are still in Company’s portfolio at yearend 2020.

ASL in force products are allocated to Solvency II Lines of Business Insurance with profit participation. There are no policies in force related to Index-linked and unit-linked insurance.

The following table shows the solvency II line of business and the size of policies in force as of 31st December 2020:

Product	S2 LoB	Number of policies in force	S2 technical provisions (in CHF)
Universal Life	Insurance with profit participation	8	2’165’555

In addition to the in force policies ASL has 2’301 suspended policies and no pending claims. Most of those policies are related to the Wealth Builder product. ASL allocated CHF 4.8 m of reserves to the suspended policies.

A.1.5. MATERIAL GEOGRAPHICAL LOCATIONS

ASL operates within Liechtenstein.

A.1.6. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

As part of the strategy of winding-up the Company business as soon as feasible FMA indicated in 2019 its preference for the scenario in which the Company transfers its entire portfolio to another supervised entity within the EEA.

On 31 December 2020, AIG Inc. sold the Company to YOUPLUS, an insurance company underlying the supervision of the Liechtenstein Financial Market Supervisory Authority (Finanzmarktaufsicht Liechtenstein, «FMA»), consistently the FMA expectation outlined in 2019.

Moreover, due to the Coronavirus pandemic, our Company activated its Business Continuity Plan. The person who works in Vaduz is totally active from home and once a week in the office.

On the other hand, the crisis in the financial markets led to a significant decrease in short-term yields, reducing them from 1.60% per year to 0.50%. This fact will impact the asset return on future investments. As an immediate consequence, the market value of the bonds increased slightly.

A.1.7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting period.

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 2020 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.

The following table summarizes the total premiums, claims and expenses for ASL at the 31st December 2020 split by Solvency II Lines of Business.

In CHF	Insurance with profit participation	Index-linked and unit-linked insurance	Total
Premiums written			
Gross	3'704		3'704
Reinsurers' share	3'704		3'704
Net	-		-
Premiums earned			
Gross	3'704		3'704
Reinsurers' share	3'704		3'704
Net	-		-
Claims incurred			
Gross	-		-
Reinsurers' share	-		-
Net	-		-
Expenses incurred	828'936	-	828'936

ASL pre-tax profit for 2020 was

Period ended 31.12.2020	In CHF
Gross Premiums	3'704
Reinsurer's share of premiums	(3'704)
Gross Claims	-
Reinsurer's share of claims	-
Change in technical reserves	1'562'922
Reinsurer's share of change in technical reserves	0
Expenses	(828'936)
Net investment income	216'860
Unrealized capital gains and losses	(2'004'506)
Extraordinary results	(61'048)
Pre-tax statutory profits	(1'114'709)

The 2020 loss results mainly from the following sources:

- CHF 0.2m of net investment return
- CHF -1.5m of unrealized loss on investments, liquidity and reserves due to the decrease of the exchange rate USD/CHF
- CHF 0.2m of technical profits from the release in the cost reserve

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 2020.

Summary of investments

Statutory amounts	2020	2019
	In CHF	In CHF
Bonds (Government & Corporate)	20'181'691	22'848'608
Equities	26'227	35'224
Deposits other than cash equivalents	-	-
Total Investments	20'207'918	22'883'832
Cash and cash equivalents	521'920	770'683

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 2020 Financial Statement, net investment income by material asset class is shown below.

Statutory amounts	2020	2019
	In CHF	In CHF
Bonds - Government	28'295	22'124
Bonds - Corporate	388'944	413'718
Equities	-	-
Deposits other than cash equivalents	-	-
Investment management expenses	-232'579	-74'629
Net investment income	184'660	361'213

Net investment income in 2020 decreased compared to 2019 due to the drop in the market yields on USD experienced in 2020.

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 as at 31st December 2020):

1. Government bonds CHF 1'367'370

The Company invested in one government bond in 2020.

Over 2020, CHF 28'295 of income was earned and CHF 9'454 of realized losses were incurred. CHF 135'743 of unrealized losses incurred in 2020 due to the drop in the currency exchange rate USD/CHF.

2. Corporate bonds CHF 18'827'635

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

Over 2020, CHF 388'944 of income was earned and CHF 129'955 of realized losses were incurred. CHF 1'865'953 of unrealized losses incurred in 2020 due to the drop in the currency exchange rate USD/CHF.

3. Cash and cash equivalents: Bank deposits CHF 521'920

No material income or expenses were incurred in the year ending 31st December 2020 in respect of the cash and cash equivalents.

4. Equity: Private equity CHF 26'227

Since 2016 ASL had outsourced the investment activities to AIG Asset Management (Europe) Limited ("AAMEL"). Expenses for management of the investments amounted at CHF 18'172 in 2020. With the

acquisition by YOUPLUS the investment activities have been outsourced to Swiss Rock Asset Management AG, which will hence support ASL starting in 2021.

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 **Error! Reference source not found.**). The following outsourcing fees were generated in 2020:

- | | |
|--------------------------------------|-------------|
| - Third party agreement with AIG CH: | CHF 558'941 |
| - Actuarial support: | CHF 53'322 |
| - IT support: | CHF 27'456 |

Furthermore, ASL had CHF 28'745 of fees from its legal advisor.

A.5 ANY OTHER MATERIAL INFORMATION

As at 31st December 2020, there is no further material information regarding Business and Performance of the company.

B. SYSTEM OF GOVERNANCE

On 31 December 2020, YOUPLUS acquired American Security Life Insurance Company Ltd. from AIG Inc.

What is described in the 'System of Governance' section is the situation that has applied until the end of the year 2020 and does not take into account any changes that could have taken place starting from 2021. Following the sale of the company, the entire governance system as well as the Internal Control System Framework will undergo major changes to comply and be consistent with the governance framework of the new shareholder YOUPLUS. A good part of them will indeed /be integrated into the processes of the new group and thus revised directives and policies can be expected to be applied.

In addition, the integration procedure in the AIG group governance framework began in 2020, with the finalization of the new ICS framework and the new risk management with the creation of the Risk Register Control which replaced the old Risk Management Matrix. The process was not completely concluded.

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 , Klaus Dieter Stark and Philip Craig Willcock who has been appointed in place of Mr. Mark Bintinger who has resigned from the board of directors as he left AIG Group for another career opportunity during 2020.

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 got support from AAMEL in this regard until the sale to YOUPLUS.

B.1.1.3. KEY FUNCTIONS, ROLES AND RESPONSIBILITIES

Claudio Maffucci is general manager of ASL. The company has one employee who is in customer service located in Liechtenstein and 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.

The responsible Actuary of ASL is Andrew Gallacher of Ernst & Young. Andrew Gallacher performs his activities as the 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 have been performed by the internal audit function of AIG Inc until the sale to YOUPLUS. The internal audit function will be set in 2021 being subsidiary of YOUPLUS.

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 integration procedure in the AIG group began in 2020, with the finalization of the new ICS framework and the new risk management with the creation of the Risk Register Control which replaced the old Risk Management Matrix. The risk committee is organized at group level with the support of the AIG Risk Officer, who is also the chairman of the committee. A quarterly risk review meeting was implemented.

In addition, Mr. Mark Bintinger has resigned from the board of directors as he left AIG Group for another career opportunity.

Mr. Philip Willcock has been appointed in his place.

B.1.4. REMUNERATION POLICY

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

B.1.5. MATERIAL TRANSACTIONS DURING THE PERIOD

Beside the sale of ASL to YOUPLUS, there were no material transactions in 2020.

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 has followed the global AIG Inc. rules and policies which still apply until they will be revised for consistency with the rules and policies of YOUPLUS.

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

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:
 - o **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.
 - o **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.
 - o **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 the new Risk Management Framework. This directive assesses the following risks as key risks:

- Capital
- Liquidity (due to the run-off status of ASL)
- Franchise Value
- Climate Change Risk
- 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.

Further, the following policies of AIG Inc. relating to Compliance applied in 2020 and are still applicable to ASL:

- AIG employee conflict of interest policy

- AIG global anti-money laundering policy
- Anti-boycott policy
- Anti-trust policy
- Global anti-corruption policy
- Economic sanction policy
- Export control
- Insider trading policy
- Handling policy

A good part of those policies will be integrated into the processes of the new group and thus revised directives and policies can be expected to be applied in 2021.

B.6 INTERNAL AUDIT FUNCTION

Due to its structure ASL has no internal audit function. However, internal audits at ASL were performed by the internal audit function of AIG Inc. The internal audit function and approach will be revised in accordance with the YOUPLUS' framework and policies in 2021.

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.

The responsible Actuary of ASL is Andrew Gallacher of Ernst & Young. Andrew Gallacher performs his activities as the 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 (Andrew Gallacher)
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. That agreement was cancelled by the end of 2020 as result of the Company's acquisition by YOUPLUS.

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.

B.10 ANY OTHER MATERIAL INFORMATION

As at 31st December 2020, there is no other material information regarding the System of Governance of the company.

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. The last Wealth Builder policy matured in 2017 and the last two Money Multiplier policies surrendered in 2019 the company's risk exposure related to the insured portfolio comes from the following remaining product:

- Universal Life: as of 31st December 2020, 8 policies and statutory reserve of CHF 2.17 Mio, Insurance and market risk fully reinsured at ALICO

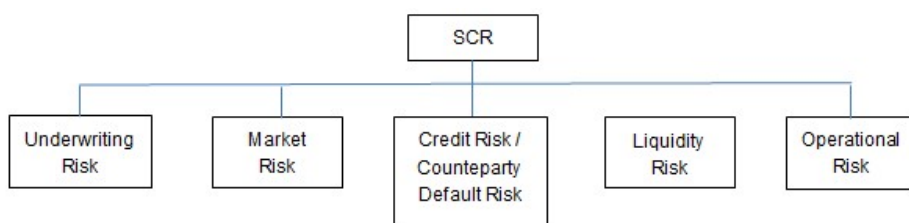
ASL calculates its Solvency Capital Requirement (SCR) using the Standard Formula and applying the following simplification: reserves are set at the policies' sum assured as maximum benefit to be paid by the company so that insurance risk is irrelevant within the solvency 2 valuation.

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:

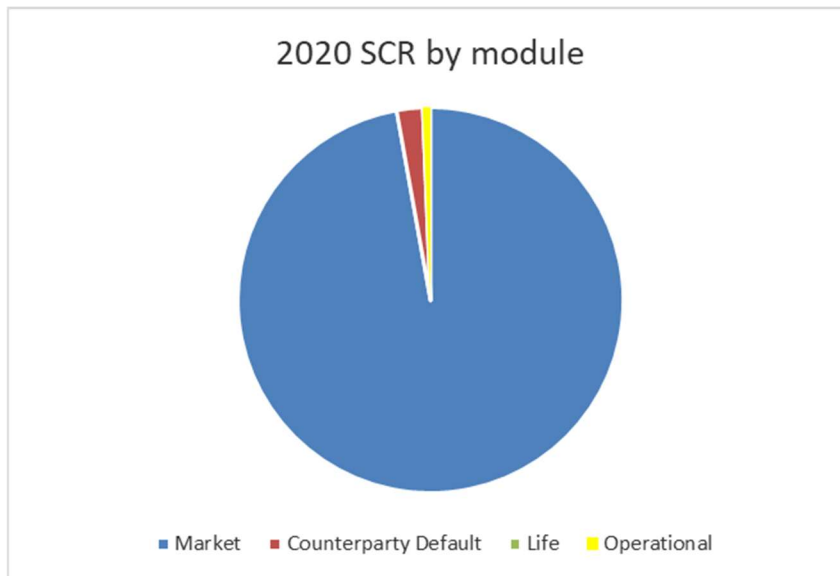
- Insurance risk (Underwriting Risk);
- Market Risk;
- Credit Risk (Counterparty default);
- Liquidity Risk; and
- Operational Risk.



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 2020 SOLVENCY CAPITAL REQUIREMENT BY MODULE



The SCR for ASL as at 31st December 2020 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 97% of the Standard Formula Solvency Capital Requirement (SF-SCR) at 31st December 2020. 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 2% and the operational risk for 1% of the SF-SCR at 31st December 2020. The risk split has not significantly changed since the prior year.

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 matured in 2017 and the last Money Multiplier policies surrendered in 2019. Thus 8 Universal Life policies (CHF 2.2m statutory reserves at 31st December 2020) were in force in the portfolio at the end of 2020. 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 significant changes in 2020 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 insurance 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 financial strength and operational capacity of the Company.

C.1.5. STRESS SENSITIVITIES FOR INSURANCE RISK

The following stress scenarios were performed within the ORSA assessment:

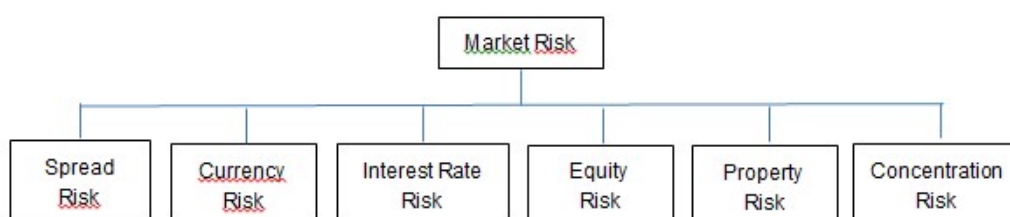
Run-off extension

This scenario foresees the extension of the portfolio duration assuming that the period of notice on the suspended policies is longer than the assumed five years and thus forced lapse have to be postponed accordingly. The analysis indicated that the additional administration burden for the longer run-off period significantly reduces the own funds. The merge into YOUPLUS will eliminate this risk exposure.

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 97% of the SF-SCR for ASL as at 31st December 2020. 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 85% of the total market risk under the SF-SCR at 31st December 2020. The remaining elements of market risk are (1) interest rate risk at 7%, (2) concentration risk at 5% and spread risk at 2% associated with the investment assets held as at December 2020. Exposure to equity risk is below 1%.

Investment assets are mainly held in 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 reduced to approximately CHF 4.1m (CHF 4.7m in the prior year).

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 on a regular basis the market risk and oversees the investment activity within the 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 were implemented, via the investment agreement, by AAMEL and ASL's investment administrator. After the sale to YOUPLUS the implementation of the investment strategy is performed by the 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 risks can be assessed, monitored and controlled. 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:

- 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

As in the first ORSA assessment performed in 2016 market risk items did not result in financial losses undermining ASL's financial strength. Furthermore, as most of the market risk is related to the currency risk and only 7% of that risk results from the interest rate exposure market risk items were not quantitative analysed in the 2020' ORSA.

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 2020 credit risk or counterparty default risk was 2% 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 represents a significant credit risk exposure 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 2% of the Company's SF-SCR as at year-end 2020. The SCR credit risk reduced in 2020 from CHF 0.11m as at yearend 2019 to CHF 0.09m as the amount is mainly related to the cash amount at banks which reduced from CHF 0.8m as at yearend 2019 to CHF 0.5m.

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. The maximum concentration to single issuers was approximately 9% of the invested assets as at 31st December 2020.

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 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

As at yearend the reserve on the Universal Life was CHF 2.2m no stress test sensitivity was performed on the reinsurer default within the 2020 ORSA assessment.

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. Even though the risk is classified as low the ASL analysed in 2017 the impact of all in force policies surrendering in 2018 for fulfil supervisory expectation. The analysis outlined that company assets can fund short term payments to the policyholders. As the reduction in the insured portfolio decreases the exposure to liquidity risk the analysis was not re-performed in 2020.

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 1% 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 within the 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	Execution, Delivery & Process Management	qualitative
Hardware and software aging	Business Disruption & System Failure	qualitative
Data quality (loss of data, inaccurate data extraction)	Financial Integrity & Reporting	qualitative
Increase in provider fees	Execution, Delivery & Process Management	quantitative
Fraud within the service providers	External Fraud	qualitative
Inaccurate data on universal life portfolio	Financial Integrity & Reporting	qualitative
Administration fully performed in Liechtenstein	Execution, Delivery & Process Management	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 2020.

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		43'258	-	43'258
Investments (other than assets held for index-linked and unit-linked contracts)	1	20'207'917	11'331	20'219'248
Property (other than for own use)		-	-	-
Holdings in related undertakings, including participations		-	-	-
Equities		26'227	-	26'227
Government Bonds		1'367'370	(1'983)	1'365'387
Corporate Bonds		18'814'321	13'314	18'827'635
Derivatives		-	-	-
Deposits other than cash equivalents		-	-	-
Other investments		-	-	-
Assets held for index-linked and unit-linked contracts		-	-	-
Loans and mortgages		-	-	-
Reinsurance recoverables	2	2'165'555	-	2'165'555
Deposits to cedants		-	-	-
Insurance and intermediaries receivables		1'616	-	1'616
Reinsurance receivables		-	-	-
Receivables (trade, not insurance)		141'453	-	141'453
Own shares (held directly)		-	-	-
not yet paid in		-	-	-
Cash and cash equivalents	3	521'920	-	521'920
Any other assets, not elsewhere shown		-	-	-
Total assets		23'081'720	11'331	23'093'051

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 41k between statutory and Solvency II relates mainly to unrealized gains 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. There is no valuation difference between statutory and Solvency II amounts as the company adopted the Solvency 2 reserve amounts within the statutory balance sheet. The Solvency II amount, indeed, corresponds to the sum assured amount as of 31st December 2020 and those is calculated with a conservative approach which complies with the statutory requirement (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 In CHF	Solvency II Adjustment In CHF	Solvency II Value In CHF
Technical provisions - life (excluding index-linked and unit-linked)	6'072'658	-	6'072'658
Technical provisions – index-linked and unit-linked	-	-	-
Total Technical Provisions	6'072'658	-	6'072'658

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 and thus Technical provisions are calculated on a whole.

The simplification on technical provisions has been defined based on the run-off status of ASL since the portfolio is composed only by the eight Universal Life policies. In particular, the sum assured is defined as the Universal Life's total (guaranteed) insured capital.

Thus, no best estimate valuation of the interest rate guarantees within the products is performed. The Universal Life product has a minimum 4.5% guaranteed technical rate on the account value

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, same as in the prior year, nil for ASL at 31st December 2020.

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 In CHF	Solvency II Adjustment In CHF	Solvency II Value In CHF
Total Technical Provisions		6'072'658	-	6'072'658
Provisions other than technical provisions		-	-	-
Pension benefit obligations		-	-	-
Deposits from reinsurers		-	-	-
Deferred tax liabilities		1'800	-	1'800
Derivatives		-	-	-
Debts owed to credit institutions		-	-	-
Financial liabilities other than debts owed to credit institutions		-	-	-
Insurance & intermediaries payables	1	4'812'443	-	4'812'443
Reinsurance payables		(560)	-	(560)
Payables (trade, not insurance)		103'714	-	103'714
Subordinated liabilities		-	-	-
Any other liabilities, not elsewhere shown		-	-	-
Total liabilities		10'990'055	-	10'990'055
Excess of assets over liabilities	R1000	12'091'665	11'331	12'102'996

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 93'242
- Between one and five years: CHF 1'298'611

- Greater than five years: CHF 3'523'744

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	12'102'995
<u>Less</u>	
Subscribed share capital	5'000'000
Organization fund	4'900'000
Net deferred tax assets (Tier 3)	
Foreseeable dividend	
Reconciliation Reserve	2'202'995

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	12'102'995
Total eligible own funds to meet the MCR	12'102'995
SCR	4'184'866
MCR	4'001'550
Ratio of Eligible own funds to SCR	289%
Ratio of Eligible own funds to MCR	302%

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 2020.

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	11'331
Difference in the valuation of technical provisions	-
Difference in the valuation of other liabilities	500'000
Total of reserves and retained earnings from financial statements	1'691'664
Reserves from financial statements adjusted for Solvency II valuation differences	2'202'995
Excess of assets over liabilities attributable to basic own fund items (excluding the reconciliation reserve)	9'900'000
Excess of assets over liabilities	12'102'995

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 health 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 2020 is CHF 4.2m.

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 :

	YE2020	YE2019
Non-life underwriting risk	-	-
Market risk	4'135'161	4'693'708
Interest rate up	330'047	318'344
Interest rate down	-	-
Interest rate risk	330'047	318'344
Equity risk	12'725	15'028
Property risk	-	-
Spread risk	111'156	85'400
Currency risk	4'000'588	4'572'282
Concentration risk	251'580	238'681
Diversification	(570'935)	(536'027)
Counterparty default risk	92'828	111'321
Type 1 exposure	92'364	110'857
Type 2 exposure	617	618
Diversification	(153)	(154)
Life underwriting risk	-	-
Diversification across risk modules	(68'650)	(82'261)
Basic SCR	4'159'339	4'722'768
Operational risk	27'327	33'211
Loss-absorbing capacity of deferred taxes	(1'800)	(1'800)
SCR	4'184'866	4'754'179

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 (CHF 4.0 in the prior year).

The following table shows the MCR calculation:

MCR calculation	In CHF
Linear MCR	147'298
SCR	4'184'866
MCR cap	1'883'190
MCR floor	1'046'217
Absolute floor of the MCR	4'001'550
Minimum Capital Requirement	4'001'550

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.

ANNEX: ANNUAL QRTs

The quantitative reporting templates (QRTs) as required by the regulator for the reporting date 31.12.2020 are disclosed in the document “**Solvency and Financial Condition Report Disclosures**”. The report sheets contain cell coordinates in the form of row and column location of a data point in a certain table, such as RO010 and C0020. With these cell coordinates in combination with the spreadsheet notation (such as S.02.01.01), the interested reader can learn the exact requirements of the individual contents according to the Commission Implementing Regulation (EU) 2015/2452.

The following QRTs are disclosed: S.02.01.02, S.05.01.02, S.05.02.01, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01