

# NN Insurance Belgium 2024

## Solvency and Financial Condition Report

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## Summary

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### NN Insurance Belgium's approach to the Solvency and Financial Condition Report

This Solvency and Financial Condition Report (SFCR) provides public quantitative and qualitative disclosures on Solvency II as required by the Solvency II legislation. In order to ensure the most transparent and user-friendly approach, the information that is already included in the Annual accounts (including the annexes, the report of the Board of Directors and the social balance reporting) is in general not duplicated in this SFCR. Therefore, this SFCR is prepared as a supplement to NN Insurance Belgium's Annual Report. It includes all information required to be disclosed in the SFCR, either through a specific reference to the Annual Report or as supplemental information.

As required by the Solvency II legislation, this SFCR follows the required standard chapter layout:

- Chapter A 'Business and performance' describes the overall business profile and structure of NN Insurance Belgium. It also provides insight into the underwriting and investment performance of NN Insurance Belgium.
- Chapter B 'Governance system' explains the organizational governance structure and looks into the role and execution of key Solvency II functions.
- Chapter C 'Risk profile' analyses NN Insurance Belgium's exposure to financial and non-financial risks and explains the risk mitigation techniques in place.
- Chapter D 'Valuation for solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and statutory Belgian GAAP standards (Belgian Generally Accepted Accounting Principles).
- Chapter E 'Capital management' discusses the composition of available and eligible own funds and the calculation of the Solvency Capital Requirement ('SCR').

The amounts disclosed in this SFCR are in millions of euros unless stated otherwise.

NN Insurance Belgium is required to submit so-called Quantitative Reporting Templates ('QRTs') to its supervisor, namely, National Bank of Belgium (NBB). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2024, are included in the appendix to this SFCR. To comply with the Solvency II legislation, the amounts in these QRTs are in thousands of euros.

The Solvency ratios, as well as the amount of own funds and Solvency Capital Requirement disclosed in the SFCR are not final until filed with the regulators.

Reference is made to <https://www.nn.be/en/about-nn/publications>

## Material changes in 2024

NN Insurance Belgium and ING Belgium have agreed to a new Bank Distribution Agreement (BDA) covering a 10 year period until 2034. During this period, ING Belgium will continue to distribute NN Insurance Belgium's insurance products to its retail customers.

As of Q4 2024, NN Insurance Belgium no longer includes the benefit from the mass lapse reinsurance treaty in its Solvency Capital Requirement calculations.

## NN Insurance Belgium's Solvency II Capital ratio

As of 1 January 2016, NN Insurance Belgium (NNIB) complies with Solvency II, the solvency framework and prudential supervisory regime.

	2024	2023
Solvency II Eligible OF	1,122	1,008
SCR	724	665
<b>Solvency Ratio</b>	<b>155%</b>	<b>152%</b>

The Eligible Own Funds of NN Insurance Belgium increased over the reporting period from EUR 1,008 million to EUR 1,122 million on the 31st of December 2024. This increase was primarily driven by the Operating Capital Generation of EUR 108 million, followed by the agreement with NN group for a Tier 2 subordinated loan of EUR 70 million. Additionally, model and assumptions changes resulted in a decrease of EUR -27 million, and non-operating variance decreased by EUR -30 million due to the exclusion of Solvency II capital requirements (SCR) benefit from the mass lapse reinsurance treaty.

The SCR increased to EUR 724 million due to an increase in life underwriting risk through the mass lapse risk, as the lack of recognition of SCR benefit from the reinsurance treaty affected this aspect. This increase was partially offset by a decrease in market risk, attributed to better asset and liability cash flow matching and a partial divestment in the real estate fund, reducing the real estate risk.

As a result of the evolution of the own funds and the SCR, the Solvency II ratio increased from 152% at 31 December 2023 to 155% at 31 December 2024.

We refer to the dedicated sections in this report for an analysis on the movements.

NN Insurance Belgium's risk and balance sheet management as well as strategy realization are performed within the quantitative and qualitative boundaries of the Risk appetite as set by the Board of Directors. Efficient and disciplined capital management is the foundation of the strong solvency position of NN Insurance Belgium.

# Business and performance

## Geopolitical developments

Throughout 2024, NN Insurance Belgium navigated a complex geopolitical landscape that significantly influenced its operations and strategic decisions. Increasing global geopolitical tensions, and a looming tariff war created an environment of uncertainty. In addition, costs are rising due to inflationary pressures and governments are enacting new taxes to deal with rising deficits.

Combined, these changes necessitate continuous strategic adjustments, including enhancing digital improvements, refining actuarial models, and embracing ESG principles to align with evolving market expectations and regulatory requirements.

After a brief period of rising rates, the reduction in interest rates by the European Central Bank means traditional savings products are again losing attractiveness, prompting NN Insurance Belgium to stick to its preference to favour unit-linked products that offer long term value for our clients. Nevertheless, some market share is lost as a direct result of this strategic positioning.

NN Insurance Belgium continues to carefully monitor its assets-liabilities matching and maintain adequate capital buffers and liquidity.

The rapid advancement of artificial intelligence and its integration into various sectors, including insurance, posed both opportunities and challenges. NN Insurance Belgium invested in AI-driven solutions to enhance customer service and operational efficiency, while also addressing the associated cybersecurity risks.



## A. Business and Performance

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### Introduction

This chapter of the SFCR contains general information and the Financial performance over 2024 on NN Insurance Belgium. NN Insurance Belgium is an insurance company under Belgian law. NN Insurance Belgium has the legal form of a public limited company and is listed in the Register of Company under the number 0890.270.057.

NN Insurance Belgium's history dates back to 1906. In 2001, ING merged the insurance companies De Vaderlandsche, RVS and BBL Insurance (which were each acquired by ING in the past) to form ING Insurance Belgium. This was followed by the separation from ING a few years later and the birth of NN Insurance Belgium, part of the NN insurance group. On 30 March 2018, NN Insurance Belgium completed the merger with Delta Lloyd Life NV, becoming a top 10 player in the Belgian life insurance market.

The corporate purpose of NN Insurance Belgium is the practice, conclusion and handling of all types of insurance and policies to cover all types of risks which, in accordance with the relevant insurance legislation, belong to the branches of activity that form part of the "Life" group of activities, as well as capitalization operations.

NN Insurance Belgium may manage, purchase or divest insurance portfolios or reinsurance portfolios which, in accordance with the relevant insurance legislation, belong to the branches that form part of the group of "Life" activities.

NN Insurance Belgium may, for its own account or on behalf of third parties, act as an intermediary in insurance, co-insurance and reinsurance.

NN Insurance Belgium may carry out any actions in respect of movable and immovable property, as well as industrial, commercial and financial transactions that could contribute to the accomplishment, promotion or expansion of the corporate purpose.

NN Insurance Belgium is accredited by the NBB under code number 2550 to operate on the Belgian market in the following branches: 1a, 2, 21, 22, 23, 25 and 26.

NN Insurance Belgium is also a mortgage lender, licensed by the FSMA.

## A.1. Business

### A.1.1. General

NN Insurance Belgium's registered office and operational headquarters are located at:

Fonsnylaan 38

1060 Brussels

BE0890270057

Insurance number 2550

The supervisory authority responsible for prudential supervision of NN Insurance Belgium:

National Bank of Belgium (NBB)

de Berlaimontlaan 14

1000 Brussels

Belgium

The contact details of NN Insurance Belgium's external auditor are:

KPMG Bedrijfsrevisoren

Mr. Jean-François Kupper

Luchthaven Brussel Nationaal 1K

1930 Zaventem

Belgium

The supervisory authority responsible for prudential supervision of NN Group N.V. (NN Group):

Dutch Central Bank (DNB)

Spaklerweg 4

1096 BA Amsterdam

The Netherlands

The contact details of NN Group's external auditor are:

Dick Korf RA

KPMG Accountants N.V.

Laan van Langerhuize 1

1186 DS Amstelveen

The Netherlands

## A.1.2. Qualifying holdings

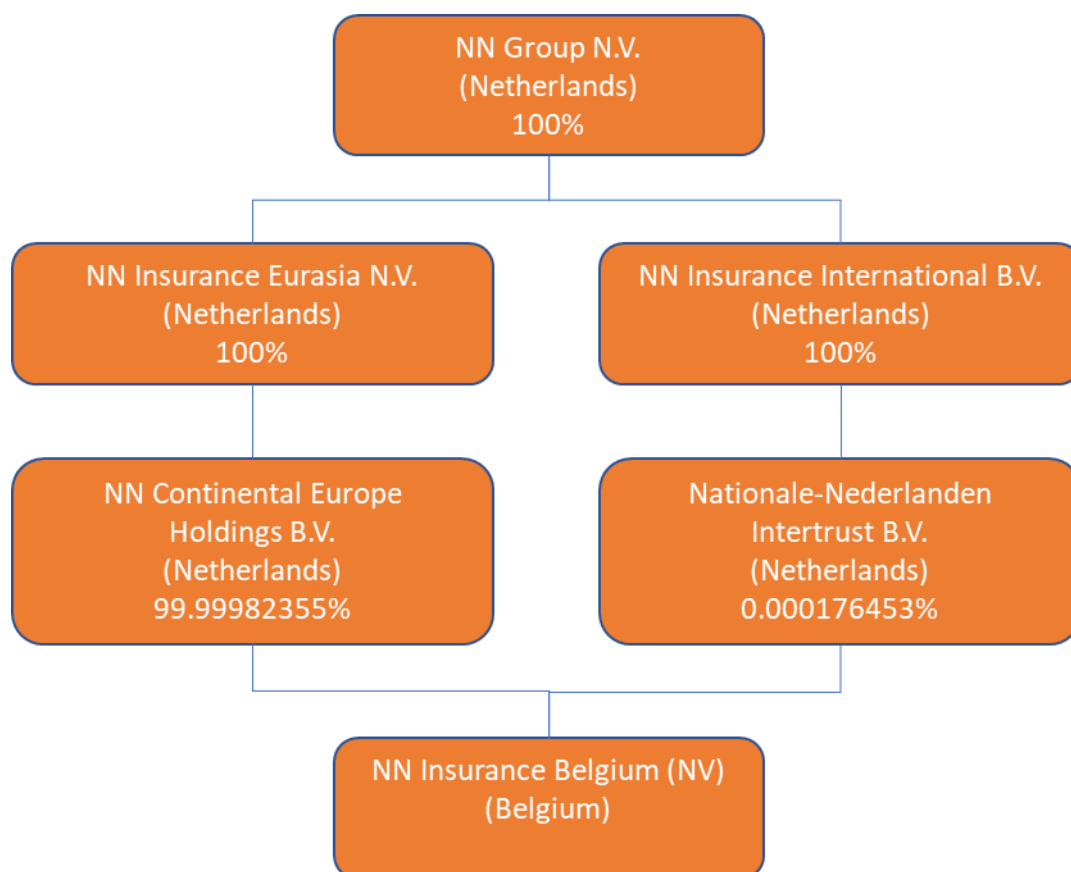
At the end of 2024 NN Insurance Belgium owned the following participations above the threshold of 10% or more of the capital or of the voting rights or where NN Insurance Belgium exercises a significant influence over the management as indicated in article 13 (21) Directive 2009/138:

- REI Diaphane Holding B.V (90.92%)
- Kebek II Private Equity (NN Insurance Belgium has 20% of the shares and is represented in the advisory board).

NN Insurance Belgium is part of the NN Group.

## A.1.3. Simplified shareholders structure of NN Insurance Belgium

NN Insurance Belgium is an indirect subsidiary of NN Group. N.V. NN Insurance Belgium's majority shareholder is NN Continental Europe Holdings B.V., which in its turn is a wholly-owned subsidiary of NN Insurance Eurasia N.V. The simplified NN Group structure as at 31 December 2024 is as follows:



The shareholding structure of NN Insurance Belgium is as follows:

- NN Continental Europe Holdings B.V., Schenkkade 65, 2595 AS Den Haag, the Netherlands: 88,408,796 shares.
- Nationale-Nederlanden Intertrust B.V., Schenkkade 65, 2595 AS Den Haag, the Netherlands: 156 shares.

NN Group is a mixed financial holding company and subject to Solvency II group supervision by the Dutch Central Bank. NN Insurance Eurasia N.V., NN Continental Europe Holdings B.V. are holding companies falling within the

scope of consolidated group supervision by the Dutch Central Bank. Nationale-Nederlanden Intertrust B.V. is part of NN Group and as such also in scope of group supervision by the Dutch Central Bank. None of the aforementioned entities carry a license.

NN Continental Europe Holdings B.V. has the following corporate purpose: the acquisition, ownership, financing, management and divestment of companies, property/real estate, securities and other assets, which by their nature may be a source of income, as well as the conclusion of loan agreements both in the capacity of borrower and in the capacity of lender, and the operation of one or more commercial enterprises, all this in the broadest sense.

Nationale-Nederlanden Intertrust B.V. has the following corporate purpose: both for its own account and on behalf of others, the acquisition, ownership, financing, management, operation and divestment of property/real estate, securities and other assets, which by their nature may be a source of income, as well as the conclusion of loan agreements both in the capacity of borrower and in the capacity of lender, all this in the broadest sense. In acting on behalf of others, the company may act both in its own name and in the capacity of an authorised administrator or trustee.

NN Group is a public limited liability company (naamloze vennootschap) incorporated under the laws of, and domiciled in, the Netherlands. The Company has its statutory seat (statutaire zetel) in Amsterdam, the Netherlands.

NN Group is listed on the Amsterdam stock exchange.

NN Insurance Belgium has 522 full-time equivalent salaried employees as of 31/12/2024.

#### A.1.4. Material lines of business

NN Insurance Belgium offers a range of life insurance products for the retail, self-employed and corporate clients, with a focus on the following insurance products:

- Traditional policies: single and recurring premium saving plans and saving plans for pensions and pension products for self-employed/corporate clients and single premium investment products and mortality riders linked to saving plans.
- Unit-linked policies: single premium annuity products with a minimum guarantee, offering a guaranteed minimum lifelong benefit and traditional unit branch 23 products.
- Protection policies: single and recurring premium term life insurances, mostly linked to mortgages and personal loans, and recurring premium personal accident and disability policies and disability riders.

NN Insurance Belgium's insurance products are sold mainly through brokers and bancassurance. The bancassurance channel is predominantly allocated to ING Bank Belgium under the ING Bank brand.

## A.2. Underwriting Performance

NN Insurance Belgium's operating result is analysed through a margin analysis, which includes investment margin (investment performance), fees & premium-based revenues and the technical margin (underwriting performance). For information on underwriting performance, reference is made in the QRT S.05.01.01.02 'Premiums, claims and expenses by line of business'.

NN Insurance Belgium's **BE GAAP result before tax for 2024** was EUR 27.5 million.

**The 2024 BE GAAP result is composed as follows:**

- The technical result Life amounts to EUR 65.2 million with positive contributions mainly from Branch 21.
  - Branch 21 results are historically driven by term life whereas universal life business is negatively affected by the long period of low interest rates during 2015-2022. The result from Branch 21 (EUR 77.6 million) has increased with EUR 15.7 million compared to last year, in part from a negative revaluation on REI Diaphane participation during 2023 which was to an extent reversed in 2024, and in part from movements of commission provisions related to 2023 broker production (paid in 2024) benefiting Branch 21 at the expense of Branch 23 (one-off effect). The mortality and morbidity result are lower than in 2023, in part offset by higher surrender penalty fees in Employee Benefits, and lower allocated acquisition commissions in the broker portfolio from updates in partner plans and provision movements. Branch 21 is also responsible for the majority of the premium inflow. Inflow is lower than previous years though as NNIB steers sales towards Branch 23 products.
  - The result from Branch 23 (EUR -12.4 million) is lower than last year, primarily from high sales in regular premium products with upfront acquisition commissions (timing effect). Also movements of commission provisions related to 2023 broker production (paid in 2024) benefiting Branch 21 at the expense of Branch 23 (one-off effect; see also branch 21 result above).
- The technical result Non-Life amounts to EUR 1.5 million. In-line with 2023, the Personal Accidents portfolio is the main contributor as shown in Table 2. The Non-Life result has increased with EUR 3.9 million compared to last year due to a lower claims ratio for Personal Accident and Disability products and an update of the cost-allocation model reducing allocated costs to this portfolio. The result "Other NL" is related to branches 14, 15 and 17.
- The Non-technical Result (EUR -39.2 million) of 2024 is lower than last year, primarily from higher interests paid on subordinated loans and lower cash amount.

BE GAAP FY 2024	Technical Result Life				Non-technical	
	Total	Branch 21	Branch 23	Re Accept	Non-Life	Result
Earned/Written premiums	866.9	457.6	408.4	0.9	18.0	0.0
Allocated investment income	489.6	215.0	274.7	0.0	1.2	-10.3
<b>Total income</b>	<b>1,356.6</b>	<b>672.6</b>	<b>683.1</b>	<b>0.9</b>	<b>19.2</b>	<b>-10.3</b>
Claims	1091.0	716.2	374.4	0.4	8.3	0.0
Change in technical provisions	-5.6	-260.0	254.4	-0.1	0.6	0.0
Other technical result	6.9	3.0	3.9	0.0	0.1	0.0
Acquisition costs	127.4	79.7	47.6	0.2	3.7	0.0
Administration & other costs	71.6	56.0	15.3	0.4	4.9	29.0
<b>Total expenses</b>	<b>1,291.3</b>	<b>595.0</b>	<b>695.5</b>	<b>0.9</b>	<b>17.7</b>	<b>29.0</b>
<b>Total NN Insurance Belgium</b>	<b>65.2</b>	<b>77.6</b>	<b>-12.4</b>	<b>0.1</b>	<b>1.5</b>	<b>-39.2</b>

Table 1: BE GAAP result by Branch, driven by term-life, accepted re-insurance and personal accidents.

	Accounting year 2024				
	Personal Accident	Health	Other NL	TRIP	Non-Life
Earned/Written premiums	9.8	8.0	0.2	0.0	18.0
Allocated investment income	0.2	1.0	0.0	0.0	1.2
<b>Total income</b>	<b>10.0</b>	<b>9.0</b>	<b>0.2</b>	<b>0.0</b>	<b>19.2</b>
Claims	0.7	7.3	0.1	0.3	8.3
Change in technical provisions	0.1	0.8	-0.1	-0.1	0.6
Other technical result	0.0	0.1	0.0	0.0	0.1
Acquisition costs	2.7	1.0	0.0	0.0	3.7
Administration & other costs	4.2	0.7	0.0	0.0	4.9
<b>Total expenses</b>	<b>7.7</b>	<b>9.9</b>	<b>-0.1</b>	<b>0.1</b>	<b>17.7</b>
<b>Result Non-Life</b>	<b>2.3</b>	<b>-0.9</b>	<b>0.2</b>	<b>-0.1</b>	<b>1.5</b>

Table 2 : Breakdown of Non-life BE GAAP result.

## A.3. Investment performance

In 2024, all categories of assets included in NN Insurance Belgium's BE GAAP investment portfolio contributed positively to the BE GAAP income.

Compared to 2023, we see the following evolutions:

- A decrease of the recurring revenue of the bonds due to a lower overall size of the bond portfolio.
- A small increase of derivatives-income from a spread volatility hedging program.
- An increase of the result on equity due to a partial reversal of an impairment on REI Diaphane in 2024 (participation in a real-estate vehicle managed by NN Group).
- Higher mortgage results from an increase in the portfolio duration.
- A positive income on Unit-Linked from favourable market movements (borne by policyholders) but no bottom line P&L impact from an offsetting increase of mathematical reserves.

Investment income BE GAAP	2024	2023	Δ
Bonds	106.4	110.3	-3.9
Equity	32.4	18.1	14.4
Loans & Mortgages	80.0	78.3	1.7
Derivatives	11.9	11.5	0.4
Other (incl. Unit linked)	259.6	257.3	2.3
Investment expenses	-9.8	-9.8	0.0
<b>Total NN Insurance Belgium</b>	<b>480.6</b>	<b>465.7</b>	<b>14.8</b>

Table 3: BE GAAP investment performance

## A.4. Performance of other activities

No material other income and expenses to report during the period.

## A.5. Any other information

Reference is made to the Risks and uncertainties in the 2024 Financial Report of NN Insurance Belgium for any other material information regarding the business and performance of NN Insurance Belgium.

## B. System of governance

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### Introduction

This chapter of the SFCR contains information on the system of Governance of NN Insurance Belgium.

The main responsibilities within NN Insurance Belgium are held at the following levels:

- The General Meeting of Shareholders.
- The Board of Directors.
- The Executive Committee.
- The Managers of the business units and the corporate and support functions, who report to a member of the Executive Committee.
- The Team Leaders of the business units who report to a Manager.
- The employees.

NN Insurance Belgium ensures that duties and responsibilities are assigned, divided and coordinated in accordance with company policy, and that they are set out in the descriptions of duties and responsibilities. NN Insurance Belgium ensures that all important duties are fulfilled, and that unnecessary overlaps are avoided. NN Insurance Belgium encourages effective cooperation between its employees.

### B.1. Structure of Governance

#### B.1.1. Board of Directors

The Board of Directors is the highest decision-making body in the company. The Board of Directors acts as a collegial body, and is authorized to carry out any actions that are necessary or conducive to the accomplishment of the company purpose, with the exception of any actions that only the General Meeting of Shareholders is legally authorized to carry out (see the company's Articles of Association).

The Board of Directors bears the ultimate responsibility for the company.

The Board of Directors determines the company's general strategy and objectives and its risk policy, including the general risk tolerance limits and the company's integrity policy. The Board of Directors supervises the company's activities and regularly evaluates the effectiveness of the governance system.

The Board of Directors appoints the CEO and the members of the Executive Committee and monitors their performance.

#### B.1.2. Executive Committee (or effective management)

The Board of Directors is authorized to establish an Executive Committee in accordance with Article 45 of the law of 13 March 2016 concerning the supervision of insurance (or reinsurance) companies and the company's Articles of Association.

The Executive Committee manages the company in accordance with the general policy guidelines laid down by the company's Board of Directors, and indirectly by the Board of Directors of NN Group.



## ➤ The CEO

The CEO holds the following special responsibilities:

- Tasked with the day-to-day management of the company, together with the other members of the Executive Committee.
- Acts at the company's most important spokesperson, articulating its mission, objectives and values.
- Chairs the Executive Committee.
- Initiates the assignment of responsibilities among the members of the Executive Committee.
- Leads and supports the members of the Executive Committee, advising them on the fulfilment of their individual operational responsibilities.
- Proposes the main strategic options to the Board of Directors and ensures that all decisions made by the Board of Directors are implemented in practice. Regularly reports to the Board of Directors on the actions undertaken by the Executive Committee, and is held accountable for its performance.
- Enables the Board of Directors to fulfil its responsibilities by providing all relevant information.
- Maintains a constant close relationship with the chair of the Board of Directors.
- Collaborates with the chair of the Board of Directors to prepare the agenda for meetings of the Board of Directors.

## ➤ The Executive Committee

The effective management and the day-to-day running of the company have been entrusted to an Executive Committee since 27 June 2013.

The membership of the Executive Committee exists of three executive directors (CEO, CFO and CRO) and 5 effective managers (CHRO, CIO, CXO, CCO Broker Channel and CCO Institutional Partners).

The Executive Committee is responsible for the actual management of the company's activities, the implementation of the risk management system, and the establishment of an organisational and operational structure.

The Executive Committee is a collegial body.

These duties may be divided among the members of the Executive Committee and each member of the Executive Committee has been assigned responsibility for a particular domain, but this division of duties does not detract from the Committee members' collegial responsibility. The NBB shall be informed of any division of duties among the members of the Executive Committee.

### B.1.3. Specialised committees established by the Board of Directors

The Board of Directors may establish the necessary specialised committees in order to discharge its duties and responsibilities more efficiently. These committees are charged with preparing the decisions made by the Board of Directors, and play an advisory role only. The Board of Directors remains responsible for the actual decision-making.

The Board of Directors formulates the rules that apply to each committee and determines their composition, powers and functioning including minute-taking in a Charter, taking into account both the company's Articles of Association and the relevant legal provisions that apply to committees of this kind.

The Board of Directors appoints the members of the committees. The Board of Directors must pay particular attention to the composition of each committee, and must ensure that it takes into account the needs and qualifications required for the optimal functioning of the committee in question when appointing its members.

The Board of Directors receives a report on the findings and recommendations of every committee meeting.

At present there is a combined Audit & Risk Committee, which is responsible for the specific duties of the Audit Committee as well as the specific duties of the Risk Committee.

## ➤ The Audit & Risk Committee

The Board of Directors of NN Insurance Belgium established an Audit Committee on 17 October 2007 in order to ensure the appropriate exercise of its supervisory function.

The Board of Directors of NN Insurance Belgium has decided not to establish a separate Risk Committee. The Audit & Risk Committee will be responsible for both the specific duties of the Audit Committee and the duties of the Risk Committee. On 30 November 2016, the NBB permitted NN Insurance Belgium to combine the Audit Committee and the Risk Committee into a single committee.

The most important duties of the Audit & Risk Committee are:

- To inform the Board of Directors of the results of the statutory audit of their annual accounts and, where applicable of the consolidated accounts and the result of the assurance of sustainability information, and explaining to the Board of Directors how the statutory audit of the annual accounts, the annual report, and, where applicable, the consolidated annual accounts and the assurance of consolidated sustainability information, have contributed to the integrity of the financial reporting and sustainability reporting, respectively, and the role the audit committee has played in that process;
- To monitor and supervise the financial reporting process and the integrity of financial reporting;
- To supervise the effectiveness of company's internal control and risk management systems;
- To monitor the activities of the internal audit function;
- To supervise the statutory audit of the Annual accounts and the consolidated financial statements including following up on questions and recommendations raised by the statutory auditor pursuant to their statutory audit duties;
- To discuss audit-related matters with the recognised statutory auditor and to take note of any important questions that come to light during the discharge of their statutory audit duties;
- To evaluate and monitor the impartiality of the recognised statutory auditor, paying particular attention to the provision of additional services to the entity being monitored;
- To make recommendations to the Board of Directors regarding the selection, the appointment and reappointment of the statutory auditor, as well as their impartiality and remuneration;
- The duties of the Audit Committee in its function as a Risk Committee are also to advise the Board of Directors on all matters relating to the company's current and future risk tolerance and risk strategy. In this regard, the Audit & Risk Committee supports the Board of Directors in its supervision of the implementation of this strategy by the Executive Committee.

## ➤ Remuneration committee

There is currently no formal Remuneration and Appointment Committee within NN Insurance Belgium. On 30 November 2016, the NBB granted NN Insurance Belgium a derogation from the obligation to establish a remuneration committee. The general policy on the remuneration of directors, persons charged by the Board of Directors with the effective management and day-to-day running of the company, and the independent control functions is outlined in the NN Insurance Belgium Remuneration framework.

### B.1.4. Other committees

In order to discharge its duties and responsibilities more efficiently, the Executive Committee may, on the initiative of the CEO, establish the necessary specialized committees whose remit is to examine specific questions and provide advice on them. Committees of this kind play an advisory role only. Decision-making on such matters remains the collegial competency of the Executive Committee.

This description does not refer to the specialised committees that can be established by the Board of Directors.

The Executive Committee draws up the rules that apply to each committee and determines their composition, powers and functioning, taking into account both the company's Articles of Association and the relevant statutory provisions that apply to committees of this kind.

## ➤ Assets & Liabilities Committee (ALCO)

An Assets & Liabilities Committee (ALCO) has been organised within NN Insurance Belgium.

The purpose of the ALCO is to support and advise the Executive Committee in the fulfilment of their responsibilities relating to the management of risks (Insurance Risk, Market Risk, Investment Risk and Sustainability Risk). The ALCO is a forum in which business managers and asset managers come together.

All financial and investment risks associated with insurance activities are discussed and evaluated, together with the specific responsibilities, with the aim of managing these risks effectively. The ALCO specifies the Strategic Asset Allocation within the limits of the company's risk appetite. This is translated into the NN Insurance Belgium investment mandate. The ALCO defines the limits and approves any deviations from this.

The ALCO monitors investment performance and decides on investment strategy, investment mandates as well as investment proposals within risk limits as set by ALCO on Head Office level. The local Portfolio manager informs the ALCO on the investment transactions done on the portfolio of NN Insurance Belgium.

## ➤ Non-Financial Risk Committee (NFRC)

The NFRC is a formal forum to discuss and review non-financial risks, as well as the quality of the internal control framework, within business operations and service lines in order to timely address risks above the risk appetite and initiate remediating actions when required.

Non-financial Risks are defined in accordance with NN's Risk Management and Internal Controls General Principles as:

The risk of direct or indirect loss resulting from:

- People (business conduct)
- Inadequate or failed internal processes, including technology and communication systems (business operations), and/or
- External events (business continuity & security)

## ➤ Pricing Committee (PC)

A Pricing Committee has been organised within NN Insurance Belgium.

The main scope of the PC is to decide upon and monitor the proposals made by the sales department to deviate from the standard tariffs as established by NN Insurance Belgium in its contracts with clients and brokers. These requests for deviations are treated on a case by case basis where the final decision is taken based on the overall profitability of the case. The decisions are also checked on the operational feasibility (operations and IT systems).

The Pricing Committee also monitors the pricing trends in the market and can trigger revisions for standard tariffs to ensure that NN Insurance Belgium remains competitive within its different market segments.

The Pricing Committee also looks at possible exceptions to the standard conventions with brokers in the case of different interpretations on the wording or calculations approach embedded within the broker convention.

## ➤ Product Risk Committee (PRC)

A Product Risk Committee (PRC) has been organised within NN Insurance Belgium.

The main purpose of the PRC is product risk management, including product approval. The primary responsibility of the PRC is to supervise the product approval governance of NN Insurance Belgium, which includes product planning and product approval. The PRC also ensures proper implementation of the PARP process, both in its practical governance aspects and in the monitoring of compliance with customer suitability rules, whenever a new product is developed or an existing product is updated. The PRC also assesses trends and product risks for the entirety of NN Insurance Belgium, and keeps the Executive Committee and the ALCO informed of these.

The PRC was set up in order to advise the Executive Committee, the ALCO and the NFRC on risks that NN Insurance Belgium is exposed to in the context of insurance. This includes (but is not limited to) risks relating to pricing, reserves, profit participation, reinsurance, profitability, solvency, sustainability and economic capital. Operational Risk, Business Risk and Legal/Compliance Risk also fall under the scope of this committee.

The PRC is additionally responsible for approving changes to models and assumptions related to products. These functions have been delegated to the PRC by the ALCO.

## ➤ Model Committee (MoC)

The Model Committee (MoC) advises the Product Risk Committee (PRC) on the approval of methodologies, models and parameters used to measure risk, determine required capital and make market-based valuations that are used within NN Insurance. The MoC is a committee of insurance risk managers.

The committee holds discussions, makes decisions and – where necessary – provides the PRC with recommendations on everything relating to the following items:

- The approval of risk, required capital and market valuation methodologies, models, parameters, and amendments to models or parameters
- Monitoring the implementation of the approved models and amendments, strategies, policy and parameters
- Monitoring the suitability of parameters and economic and actuarial assumptions
- The identification of problems and shortcomings in models, parameters etc. and deliberation on how far it is desirable to correct these
- The setting of priorities and the monitoring of the model validation processes (in conjunction with model validation)

## ➤ Credit Committee (CC)

A Credit Committee has been organised within NN Insurance Belgium.

The main scope of the CC is to decide upon requested “Bullet Loans” for the client based on the detailed analyses (“beslissingsfiche”) from the Credit Analyst. All decisions are documented and stored on a secured drive.

## ➤ High Capital Committee (HCC)

A High Capital Committee has been organised within NN Insurance Belgium.

The main scope of the High Capital Committee is to decide upon the pricing for individuals that underwrite high capitals, monitor the underwriting decision made and to decide upon the acceptance of claims in high death capitals.

## ➤ High Disability Committee (HDC)

A High Disability Committee has been organised within NN Insurance Belgium.

The main scope of the High Disability Committee is to decide upon the pricing for individuals that underwrite high disability annuities (or disability capitals), monitor the underwriting decisions made and to decide upon the acceptance of claims in high disability annuities (or disability capitals).

## ➤ Commercial Steering Committee (CSC)

A Commercial Steering Committee has been organised within NN Insurance Belgium, and has been put in place to pre-discuss and advise the Executive Committee on commercial decisions.

The main scope of the CSC is to follow up on commercial initiatives and give approval on key commercial decisions. This includes but is not limited to Product renewal (planning), commercial calendar validation such as local or national events, trainings and campaigns, commission exceptions approval.

## B.1.5. Remuneration

NN Insurance Belgium has a framework in place that provides the policy regarding to the remuneration and performance management of Employees and members of the executive committee having an independent status, including Identified Staff, staff in Control Functions (including the independent Control Functions), Key Functions and Employees who are identified as “Risk Takers”.

The Remuneration Policies and the NN Insurance Belgium Remuneration Framework:

- are aligned with NN Insurance Belgium ’s business strategy, objectives, values and risk appetite;
- support a focus on the long term value for NN Insurance Belgium and its shareholders and the interests of NN Insurance Belgium 's customers and other stakeholders in order to ensure a strong risk alignment by all NN Insurance Belgium staff;
- promote robust and effective risk management including risk management of sustainability risks (such as environmental, society governance and staff related matters) in the integration thereof in the risk management system and procedures. It supports balanced risk taking, long term value creation and protection of a sound capital base;
- contribute to an inclusive working environment by ensuring equal opportunities, working conditions and equal pay for equal work of equal value for all staff, irrespective of their gender;
- Raises awareness of the role of the financial sector in society;
- ensure all staff is remunerated in line with their responsibilities based on job grading, seniority and relevant benchmarks in line with local market practices and for different groups NN Insurance Belgium aims to set competitive total compensation levels in line with the local markets;
- wants to strike the balance between competitive pay to ensure attracting and retaining qualified staff and doing business with the future in mind, resulting in a prudent pay practice in line with relevant laws;
- aim to sustainably attract, motivate and retain staff;
- aim to avoid improper treatment of customers and employees and
- comply with and support the spirit of the (inter)national regulations on remuneration policies.

NN Insurance Belgium will when appropriate, engage in dialogue with its stakeholders to understand their perspectives when determining pay practices.

NN Insurance Belgium applies a proper balance between fixed and variable remuneration, aligned with relevant responsibilities, risk impact and level of the specific function. Variable remuneration does not exceed 100% of fixed remuneration. This limiting ratio includes actual levels of awards covering “above target” or exceptional performance and do not only reflect “on target” or expected performance.

The variable remuneration:

- is adequately linked to NN Insurance Belgium ’s financial performance as well as to team and individual performance;
- shall only be awarded or paid (including payment of variable remuneration that was deferred) if this reconciles with the financial situation of NN Group and NN Insurance Belgium and is justified on the basis of the performance of NN Group, NN Insurance Belgium and the individual performance of the staff member and
- the variable remuneration is neither paid through vehicles nor are methods employed which aim to artificially evade the regulations.

For control functions, in addition to these principles, the following general principles of remuneration are applicable:

- the level of fixed remuneration of the control functions is sufficiently high to ensure that qualified and experienced staff can be employed;
- the ratio of fixed remuneration to variable remuneration is weighted in favour of fixed remuneration and
- the variable remuneration is predominantly (i.e. at least 50%) based on function-specific objectives that include qualitative criteria, but is not determined by the financial performance of the business unit directly monitored by the control functions.

For identified staff, more specifically for the members of the Board of Directors, members of the executive committee the variable remuneration is always delivered subject to a deferral scheme to ensure that a material portion of variable remuneration remains subject to ex post risk adjustments.

The Remuneration framework is published to all employees on the intranet of NN Insurance Belgium . The NN Insurance Belgium Remuneration Framework is reviewed annually by the Board of Directors to keep it aligned and compliant with new legislative and regulatory developments and any codes and best practices and/or directions of any financial supervising authorities.

## B.1.6. Material transactions with shareholders

Please note that in the normal course of business, NN Insurance Belgium enters into various transactions with related parties, which are mainly NN entities that are delivering services towards NN Insurance Belgium. These transactions take place on an arm's length basis and are mainly related to Investment Management, Reinsurance and Group Head Office and IT services. Nationale-Nederlanden Bank N.V. (NN Bank) originates and services Dutch Mortgage Loans on behalf of NN Insurance Belgium. Furthermore, NN Insurance Belgium is shareholder of REI Investment I B.V. (Real Estate) and REI Diaphane Holding B.V. (Real Estate).

There are three material transactions between NN Insurance Belgium and its shareholders for which the characteristics are described below.

The first transaction is a subordinated loan between NN Group NV (previously Delta Lloyd N.V.) as the lender and NN Insurance Belgium (previously Delta Lloyd Life) as the borrower. An amount of EUR 80,000,000 (eighty million Euro) has been made available to Delta Lloyd Life on the 28th of June 2013. The Lending agreement had a duration of 30 years, meaning the subordinated loan will have as maturity date the 28th of June 2043. In June 2023 this Tier 2 subordinated loan has been called and refinanced by a new Tier 2 subordinated loan for an amount of EUR 80,000,000 with NN Group until June 2043, with a first call date in June 2033.

The second transaction is a subordinated loan between NN Group (previously Delta Lloyd N.V.) as the lender and NN Insurance Belgium (previously Delta Lloyd Life) as the borrower. An amount of EUR 75,000,000 (seventy-five million Euro) has been made available to Delta Lloyd Life on the 9th of January 2015. The lending agreement is one with a perpetual character, and therefore the loan can only be redeemed at the option of the borrower. However, every year, starting in 2016, the 9th of January will be the "interest payment date" where NN Insurance Belgium (previously Delta Lloyd Life) will pay all due interest to NN Group (previously Delta Lloyd N.V.) on the outstanding amount. This Tier 1 subordinated loan (subject to article 662, §1 of the Belgian Supervision Act, of 13 March 2016 concerning the status and supervision of insurance and reinsurance undertakings) has reached its first call in January 2024. This call was not exercised and the interest switched from a fixed to a floating rate coupon. The loan is callable by the borrower at the end of each interest rate period.



The third transaction is a subordinated loan between NN Group as the lender and NN Insurance Belgium as the borrower. An amount of EUR 70,000,000 (seventy million Euro) has been made available to NN Insurance Belgium on the 19th of December 2024. The lending agreement has a duration of 10 year, with the possibility of interest deferral and early repayment with a first call date after 5 years. The loan qualifies as Tier 2 basic own funds under the Capital Adequacy Regulations.

As in connection with the merger by takeover between NN Insurance Belgium and Delta Lloyd Life, whereby NN Insurance Belgium is the acquiring or absorbing company and Delta Lloyd Life is the acquired or absorbed company, DLL is automatically dissolved and has ceased to exist and all the assets and liabilities of Delta Lloyd Life have been automatically by operation of law transferred to NN Insurance Belgium.

There are no material transactions between NN Insurance Belgium and the persons exercising significant influence on the company and/or the members of the Board of Directors and to related persons as described in circular NBB\_2017\_21 of 7 July 2017.

## B.2. Fit and proper requirements

### B.2.1. General

NN Group overall, and NN Insurance Belgium specifically, consider it of great importance that their employees and contractors have the necessary skills, knowledge and experience to adequately fulfil their duties and responsibilities in addition to demonstrating the highest professional behaviour and integrity.

This is even more critical for senior management, and holders of one of the independent control-functions (Risk Management Function, Actuarial Function, Audit Function and Compliance Function) whether executive or not. Requirements regarding the senior leadership appointment (both internal and external) are laid down in a specific Group policy "**Human Resources Framework Standard**". The rules issued by NN Group in this standard are followed at all times.

Furthermore, the "*Pre- and In-Employment Screening Policy*" specifically addresses the "Propriety" dimension of the Solvency II Fit and Proper requirements.

Next to these policies, NN Group and NN Insurance Belgium have established a "*Remuneration Framework*" that explicitly conditions compensation to not only the achievements of specific objectives (including regarding developmental objectives - skills acquisition) but also to the way these are met, among others the professional behaviour. Furthermore, the Remuneration Framework facilitates the embedment of effective Risk Management principles across the organization.

### B.2.2. Board of Directors

#### ➤ *Competency requirements - Selection criteria*

With respect to the exercise of a director's mandate, NN Insurance Belgium has no formal exclusion criteria other than those provided by law or by circulars issued by the supervisory authorities.

The composition of the Board of Directors must guarantee that decisions are made in the interests of the company. The composition is determined on the basis of the required diversity and complementarity with regard to knowledge, competencies and experience.



The proposed candidate members of the company's Board of Directors are thoroughly screened for their "Fit & Proper" character in accordance with the communication NBB\_2022\_34: update of the Fit & Proper Manual 'Manual on the assessment of suitability (fit & proper) of 20 December 2022'.

A Director is considered "suitable" or "fit and proper" if the Director meets the following conditions:

- a) he/she has the necessary knowledge, experience and skills (expertise);
- b) he/she acts with professional integrity, i.e. there is no evidence to the contrary and no reason to reasonably question his/her good reputation;
- c) he/she is able to devote sufficient time to the performance of his/her duties (time commitment);
- d) he/she is able to make his/her own decisions in a reasoned, objective and independent manner and is free from conflicts of interest that could affect his/her conduct (independence of mind); and
- e) as the position involves membership of a multi-person management body, he/she contributes to the collective understanding and management of NN Insurance Belgium's activities and risks (collective suitability).

So Directors are chosen based on their impeccable integrity; their competencies, expertise and knowledge of the insurance industry; and their knowledge, experience and expertise in the areas of life and non-life insurance, of Belgian law and regulations concerning insurance, , of strategic planning and understanding of business strategy, of the marketing and sale of insurance products, of planning and control, of audits in the field of insurance, of investment management, of financial management, of risk management, of financial and accounting regulations of insurance companies, of ICT, of human resource management, etc.

When appointing a new director (whether executive or not) or when renewing their mandates, account is also be taken of the composition and operation of the body as a whole. This means that NN Insurance Belgium checks whether the fitness within the body is sufficiently guaranteed with this person, in view of his or her knowledge and specific experience, skills and professional behaviour.

The nomination procedure for the members of the Board of Directors is always subject to the rules specified by the NN Group in the "NN Human Capital Standard" 2017 01 01 and its appendices.

## ➤ Required knowledge

The newly appointed directors are informed about the general policy and the strategic objectives of NN Insurance Belgium. They are also informed about the evolution of the company's activities, the organisational structure and the risk management procedures.

Directors are expected to update and improve their competencies and their knowledge of the company on a permanent basis. They may seek clarification whenever they deem this necessary.

## ➤ Rules of conduct

The rules of conduct that apply to the members of the Board of Directors, and in particular the rules concerning integrity, conflicts of interest and the exercise of external appointments or mandates, are described in further detail in a "Charter of the Board of Directors".

## ➤ Integrity

Members of the Executive Committee demonstrate the highest personal integrity and, in terms of integrity and ethics, must subscribe to the policies of the NN Group as set out in the "NN Statement of Living our Values, NN's

Code of Conduct, Managers Annex, and Belgian Supplement regarding Conflicts of Interests". This contains NN's core values and rules of conduct, which apply to all NN employees worldwide.

## ➤ Conflict of interest

Each director undertakes, during the term of their mandate, to refrain, whether directly or indirectly, from carrying out activities or perform acts that are in conflict with the activities of NN Insurance Belgium NV or its subsidiaries.

If a director has a conflict of interest of a patrimonial nature with regard to a decision or act of the Board of Directors, the director must report this to the other directors for deliberation by the Board of Directors. The explanation provided by the director in question along with the reasons that explain this conflict of interest must be stated in the minutes of the meeting of the Board of Directors at which a decision on this situation is made. Furthermore, the director in question must inform the statutory auditor of this. With a view to its publication in the annual report, the Board of Directors specifies in the minutes the nature of the decision made or action taken along with an explanation of the decision made and the proprietary consequences for the company. The annual report of the Board of Directors contains the complete minutes stated above.

A director who has declared that they have a conflict of interest may not be allowed to participate in the deliberations of the Board of Directors on these operations or decision, nor may not be allowed to take part in the associated vote.

Where all directors have a potential conflict of interest, the activities must be presented to the general meeting, which should decide upon these. Should the general meeting approve the activities or the decision, the governing body can then carry it out.

### B.2.3. Executive Committee

#### ➤ Competency requirements

The proposed candidate members of the Executive Committee are thoroughly screened for their "Fit & Proper" character in accordance with the guidelines set out in the communication NBB\_2022\_34: update of the Fit & Proper Manual 'Manual on the assessment of suitability (fit & proper) of 20 December 2022'.

A candidate member of the Executive Committee is considered "suitable" or "fit and proper" for a specific function if this candidate meets the following conditions:

- a) he/she has the necessary knowledge, experience and skills (expertise);
- b) he/she acts with professional integrity, i.e. there is no evidence to the contrary and no reason to reasonably question his/her good reputation;
- c) he/she is able to devote sufficient time to the performance of his/her duties (time commitment);
- d) he/she is able to make his/her own decisions in a reasoned, objective and independent manner and is free from conflicts of interest that could affect his/her conduct (independence of mind); and
- e) as the position involves membership of a multi-person management body, he/she contributes to the collective understanding and management of the institution's activities and risks (collective suitability).

The proposed candidate members of the Executive Committee must have the right profile to manage the company.

They have experience in the management of companies and in supervisory duties, and they have suitable knowledge of and experience in all important operating domains of the company, particularly in those domains for which they are directly responsible.

The composition of the Executive Committee must guarantee that decisions are made in the interests of the company. The composition is determined on the basis of the required diversity and complementarity with regard to knowledge, competencies and experience.

When appointing a new member of the Executive Committee or when renewing their mandates, account is also be taken of the composition and operation of the body as a whole. This means that NN Insurance Belgium checks whether the fitness within the body is sufficiently guaranteed with this person, in view of his or her knowledge and specific experience, skills and professional behaviour.

➤ Rules of conduct

The rules of conduct that apply to the members of the Executive Committee, and in particular the rules concerning integrity, conflicts of interest and the exercise of external appointments or mandates, are described in further detail in a "*Charter of the Executive Committee*".

➤ Integrity

Members of the Executive Committee demonstrate the highest personal integrity and, in terms of integrity and ethics, must subscribe to the policies of the NN Group as set out in the "**NN Statement of Living our Values, NN's Code of Conduct, Managers Annex, and Belgian Supplement regarding Conflicts of Interests**". This contains NN's core values and rules of conduct, which apply to all NN employees worldwide.

➤ Conflict of interest

In case of a conflicts of interest of a patrimonial nature by an executive committee member related to a decision or act of the executive committee, this decision or act must take place at the Board of Directors where if necessary the procedure of conflict of interests will be applied and whereby the executive committee will be required to implement the decision taken by the Board of Directors.

#### B.2.4. Persons responsible for an independent control functions

Persons responsible for an independent control function must have the required professional integrity and appropriate expertise in order to exercise their function at all times and are organized in accordance with the applicable Solvency regulations. All the Solvency II independent control functions are able to carry out their duties objectively and free from undue influence and can report relevant findings directly to the relevant Board(s).

Proposals to appoint persons responsible for an independent control function are thoroughly screened for their "Fit & Proper" character in accordance with the guidelines set out in the communication NBB\_2022\_34: 'update of the Fit & Proper Manual 'Manual on the assessment of suitability (fit & proper) of 20 December 2022 and thus require prior approval by the NBB.

Following persons responsible for independent control functions are identified:

- responsible person internal audit
- responsible person risk management
- responsible person actuarial function
- responsible person compliance

## B.2.5. Senior managers at “N-1” level (managers who exercise a direct and decisive influence on the management of NN Insurance Belgium but who are not members of the executive committee)

Senior managers at “N-1” level (managers who exercise a direct and decisive influence on the management of the company but who are not members of the management committee) do not have to be approved by the NBB. Of course, this does not mean that these persons should not have the fitness and propriety required for their position (the principles of the ‘update of the Fit & Proper Manual’ Manual on the assessment of suitability of 20 December 2022 also apply to them).

## **B.3. Risk management system including the own risk and solvency assessment**

### B.3.1. Description of NN Insurance Belgium’s Risk Management System

Risk management is a fundamental part of insurance business that must be addressed appropriately to enable NN Insurance Belgium to successfully meet obligations towards clients, regulators and other stakeholders. Accepting and managing risk is an integral part of NN Insurance Belgium: having the right functions and systems in place to manage risks is therefore important.

NN Insurance Belgium’s risk management system takes into account the relevant elements of risk management, including its integration into the strategic planning cycle, the management information generated and a granular risk assessment. This includes a comprehensive set of risk management policies, standards and processes. These are updated regularly to align with market leading practices, applicable laws and regulations and to changes in NN Insurance Belgium’s business and risk profile. These risk management policies, standards and processes apply throughout the whole organization and are used by NN Insurance Belgium to establish, define and evaluate NN Insurance Belgium’s risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated within the company.

The Risk Management System is not a serial process but a dynamic and integrated system. The system is structured around three elements (in reverse order), which need to be in place:

- A risk control cycle, embedded in
- An appropriate organization, following
- The business strategy and (risk) objectives, set in alignment with the environment.

NN Insurance Belgium’s business environment exposes NN Insurance Belgium to inherent risks and obligations. As such, the environment determines the playing field and rules on which to calibrate all risk management activities. These activities shall be carried out within an internal environment reflected by NN Insurance Belgium’s governance and operating model, as well as NN Insurance Belgium’s risk philosophy (or: risk culture).

In this philosophy, every employee has a role in identifying risk in their domain and the role of management is to decide how to manage them. It is paramount to know which risks we take and why, have our eyes wide open for both the biggest risks and everyday risks and ensure an adequate return for risk.

With risk management, we do not try to predict the future but manage possibilities. It encompasses all our risks to all key business objectives.

When assessing and managing risks, we work systematically, aim for completeness and document what we do. Each risk analysis performed shall be focused and relevant. It thus becomes clear and transparent throughout the organization for the benefit of management and stakeholders alike.

## Risk control cycle

NN Insurance Belgium's risk control cycle consists of four steps executed in a sound risk culture. The risk control cycle starts with business processes that support business and risk objectives setting (the latter resulting in a risk strategy: risk appetite, policies and standards), followed by business processes aimed at realization of those objectives, leading to risks which need to be managed by identifying/assessing them, effective mitigation through controls and continuous monitoring effectiveness of controls, including reporting of risk levels. The risk control cycle, combined with the Business Plan / financial control cycle and performance management / HR cycle, enables realization of business objectives through ensuring NN Insurance Belgium operates within the risk appetite.



## Integration in the organizational structure

The responsibility for the Risk Management organisation is organised across several levels:

- The **Board of Directors** is responsible for defining, installing and monitoring the risk management organization in order to ensure its control systems are effective. They are responsible for determining the risk appetite of NN Insurance Belgium in accordance with the approved strategy and mission and the available capital. The Board of Directors, or its (sub) committees, approves all risk management policies as well as the quantitative and qualitative elements of NN Insurance Belgium's risk appetite. The Board of Directors reports and discusses these topics with the Audit Committee in its function as Risk Committee on a regular basis. The Board of Directors regularly evaluates whether the company has an adequate risk management function that ensures that risk management within NN Insurance Belgium is tailored to the risk appetite approved by the Board of Directors
- While the Board of Directors retains responsibility for NN Insurance Belgium's risk management, it has entrusted the day-to-day- management and the overall strategic direction of the company, including the structure and operation of NN Insurance Belgium's risk management and control systems, to the **Executive Committee**.

- The **Chief Executive Officer** (the CEO), the chairman of the Executive Committee, bears responsibility for NN Insurance Belgium's risk management but has entrusted the day-to-day risk management to the Chief Risk Officer.
- The **Chief Risk Officer**, being the head of the Risk Management function, is a member of the Executive Committee and is appointed by the Board of Directors.

Furthermore, in order to ensure that the risk management function is involved in making decisions that impact the risk profile of NN Insurance Belgium, a number of committees have been established.

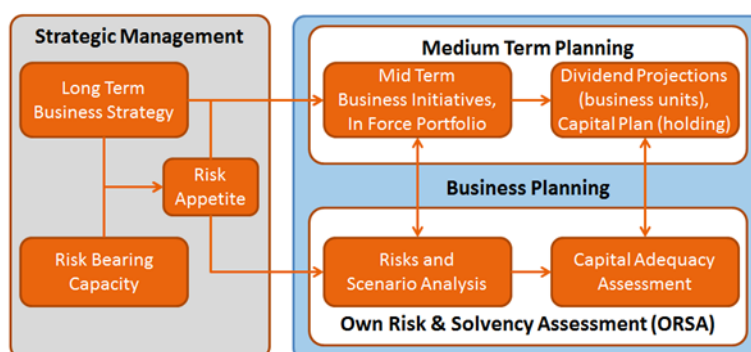
Through the participation to the various governance committees Risk Management in their 2nd Line of Defence role challenge the Executive and Senior Management whenever decisions could be made that go beyond the Company agreed risk appetite.

## B.3.2. ORSA policy

Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the ORSA in synchronization with the yearly business plan. The ORSA report supports the Board of Directors and the Management Team in assessing the overall risk and capital profile of the business under a wide range of scenarios. The ORSA is a specific instrument within NN's risk management system and it is documented in the NN Group's **"ORSA Standard"**.

The ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks a (re)insurance legal entity faces or may face and to determine the Own Funds necessary to ensure that the entity's overall solvency needs are met at all times. In particular, ORSA:

- Is a specific instrument within NN's risk management system: it is a high level forward looking analysis on capital adequacy under a wide range of scenarios based on the current and emerging risk profile of an entity, given its strategy and risk appetite.
- Does not serve to calculate the capital requirement, although capital add-ons can be considered as a result of ORSA.
- Shall be an integral part of business planning. As such, ORSA is linked to the strategic management process and related decision-making framework as pictured below.



## ➤ **Regular frequency**

NN Group and subsequently NN Insurance Belgium prepares an ORSA at least once a year. In the ORSA, NN Insurance Belgium:

- articulates its strategy and risk appetite;
- describes its key risks and how they are managed;
- analyses whether or not its risks and capital are appropriately modelled;
- and evaluates how susceptible the capital position is to shocks through stress testing and scenario testing.

Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Insurance Belgium. Stress testing can also be initiated outside ORSA, either internally or by external parties such as NBB and European Insurance and Occupational Pensions Authority ('EIOPA'). The ORSA includes a forward looking overall assessment of NN Insurance Belgium's solvency position in light of the risks it holds.

## ➤ **Triggers**

To the extent necessary, the outcomes of ORSA are translated in ad-hoc ORSA triggers (i.e. events that lead to a significant shock in the risk profile and/or capital position), relevant metrics and/or indicators and management actions for identified material risks. Monitoring of the same is part of the regular (Finance & Risk) control cycle. Developments are documented in internal Finance & Risk reports and discussed during board and/or delegated committee meetings. The CRO is responsible for identifying the need of a (partial) ad-hoc ORSA. NN Group will be informed as soon as possible when the decision for a (partial) ad-hoc ORSA is made in a business unit ('BU'). In such cases, the local supervisory authority (NBB) is also informed.

## ➤ **The ORSA Process**

The ORSA of NN Insurance Belgium is conducted based on the expected regulatory (reporting) frameworks of his businesses for the related year onwards. Own Funds are calculated and projected on a Solvency II basis and the solvency capital requirements (SCR) are calculated based on the Standard Formula.

The regular ORSA process as undertaken within NN Insurance Belgium (and within NN Group) contains the following steps:

- **Strategy and risk appetite**  
A thorough re-assessment of strategy is usually done once every 3-5 years or when material developments in the (external or internal) environment give rise to an earlier re-assessment. Yearly assessments are made in the first half of the year whether to adjust the strategy for developments in the past year and/or revised assumptions on the future. Setting (and adjusting) the risk appetite is inextricably part of strategy setting (and adjusting).
- **Risk Assessment**  
Key to ORSA is the identification of potentially solvency threatening risks for legal entities by management boards, given their strategy and risk appetite. Basis for this risk assessment is NN Group's risk taxonomy. Modelled risks are subject to an appropriateness test (see below) and additional statistical stress testing (see below), both contributing to adequate capitalisation of these risks. Focus is therefore on non-modelled risks.
- **Appropriateness test of regulatory capital calculation**  
The assumptions and models for calculating regulatory solvency requirements are assessed against the actual risk profile. Differences are analysed in terms of future model improvements and/or non-modelled risks. The outcome of the analysis may lead to mitigating actions to overcome model shortcomings. If the



deviations or uncertainties are considered material, quantification of the deviation is necessary in order to consider a (temporary) self-imposed capital add-on.

- **Capital and capital projections**

The recognition and valuation bases for internal capital projections are the same as those used for regulatory solvency reporting and consistent with the best-estimate assumptions and parameters used for the Business Plan best estimate financial forecasts, among others the yearly updated Macro Economic Scenario.

The Actuarial Function is to confirm that the base-case and projected technical provisions represent a true and fair view of future liabilities. The Actuarial Function also provides input concerning the risks arising from the calculation of technical provisions.

Regulatory solvency is at the heart of ORSA: NN Insurance Belgium must ensure that it is able to meet regulatory required solvency ratios at all times. In addition, NN Insurance Belgium assesses:

- The quantity and quality of Own Funds over the Business Plan period
- The composition of Own Funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the Business Plan period

Note that the process steps as described above are not meant to be followed consecutively, but iteratively, as this will foster the proper discussions on the trade-off between risk, return and capital

➤ **Stress testing and overall assessment of capital adequacy**

Based on the Business Plan and the outcomes of the ORSA risk assessment, (reverse) stress scenarios and their parameters are developed and documented. The Executive Committee is responsible for identifying the key uncertainties and the related scenarios.

Scenario testing, as well as (reverse) stress testing is required within the ORSA. When the outcomes of performed stress tests show solvency ratios dropping below 100%, realistic strategies for recovering solvency ratios will be considered and documented in the ORSA report. For NN Insurance Belgium business units, a capital downstream can only be considered if there is no other feasible management option left.

Ultimately, after all assessments and considerations (including formulated management actions) the ORSA is to conclude whether, going forward, NN Insurance Belgium is adequately capitalised under a wide range of scenarios over the planning horizon.

➤ **Management Actions**

Based on the results of the former steps management has to consider its response, both risk and capital response, and reach a conclusion. The process step results in an advice from support functions to management which are to be discussed during an Executive Committee. Responses that lead to management actions shall be documented, including the person accountable for that action, in the ORSA Internal Report. Those actions are limited to:



- accept risks, when they are within the BU's risk appetite;
- mitigate risks: e.g. de-risking, improve key internal controls, develop a plan of action in case certain events emerge (contingency and/or recovery plans) or adjust the business plan;
- share or transfer risks through e.g. reinsurance, co-insurance and/or hedging;
- terminate the risk generating activity (divesting).

## B.3.3. Risk Management Function

### Tasks and responsibilities

While the Board of Directors retains responsibility for NN Insurance Belgium's risk management, it has entrusted the day-to-day- risk management to the Executive Committee. The Board of Directors appoints a chief risk officer (the CRO) from among the members of the Executive Committee, who is entrusted with the day-to-day responsibility for NN Insurance Belgium's risk management function.

The CRO steers an independent risk organisation which supports the first line in their decision-making, but which also has sufficient countervailing power to prevent excessive risks. The CRO must ensure that both the Executive Committee and the Board of Directors are at all times informed of, and understand the material risks to which NN Insurance is exposed.

Within the executive committee, the CRO is responsible for the following tasks:

- Ensuring an adequate risk governance framework is provided and maintained
  - Setting risk policies
  - Formulating NN Insurance Belgium's risk management strategy and ensuring that it is implemented throughout the company.
  - Ensuring that the risk limits applied internally are in line with the risk appetite of the company
- Monitoring compliance with NN Insurance Belgium's overall risk policies.
- Supervising the operation of NN Insurance Belgium's risk management and business control systems
- Reporting of NN Insurance Belgium's risks and the processes and internal business controls.
- Ensuring that the risk criteria and value creation of the portfolio of NN Insurance Belgium and their sensitivities are monitored and communicated to management.
- Making risk management decisions with regards to matters which may have an impact on the financial results of NN Insurance Belgium or its reputation, without limiting the responsibility of each individual member of the Executive Committee in relation to risk management.
- Ensuring that management understands the risk measures applied within the company, and that they have the insight required to use these in management decisions
- Ensuring that the products and portfolios of NN Insurance Belgium are priced, endorsed and managed in accordance with internal and external rules and guidelines.
- Ensures an adequate risk governance framework is provided and maintained at the BU.
- Is responsible for the Risk Function within NN Insurance Belgium, having:
  - The necessary qualifications, knowledge and experience;
  - Appropriate standing and authority within the BU;
  - Access to the organisation at all levels;
  - Sufficient independence from commercial activities in order to perform its duties objectively; and

- A risk-based operational year plan and a detailed control monitoring plan, based on the business priorities, key risks and risk profile, as well as specific requirements from Head Office and basic hygiene, resulting in meaningful business support and risk-based countervailing power activities, leaving room for ad-hoc activities as needed.
- Maintains where required Solvency II internal models for non-market risks, including maintaining documentation on these models
- Participates in meetings of the Executive Committee and of the Board of Directors including relevant committees of these boards (where and when applicable), providing independent expert analyses, advices and opinions.
- Ensures Risk management formally participates in Business Planning, Business Performance Reviews, financial reporting, significant business initiatives, PARPs, Periodic Product Reviews, NACAs, ALM/SAA studies, and risk transfer programmes (“review role, unless”).
- Ensures a good (documented) view on the quality of the internal control over non-financial risks (including quality of iRisk data), and acts/reports as needed.
- Ensures risk and incident reporting to the Executive Committee and Board of Directors (where applicable), and ensures these boards are timely and adequately informed of all material risks.
- Provides a second line opinion on the periodical ECF Report, stating that the ECF report presents overall a true and fair view of NN Insurance Belgium’s risk profile versus risk appetite, and if not: where and why not.

In the relation with NN Group Risk, the CRO:

- Is accountable for the above through the functional line.
- Informs, without delay, Group Risk of any material risk, material incident or risk limit breach.
- Manages regular required incident reporting to Group Risk.
- Participates in, and timely deliver upon, group-wide risk activities and/or initiatives, to the extent requested by Group Risk.
- Consults with Group Risk in case
  - a. Solvency II Internal Models for non-market risks are used for regulatory reporting
  - b. Local business initiatives are anticipated with a material impact on NN’s risk profile, in any case those that are stipulated in NN Group’s Decision Structure;
  - c. significant weaknesses in the local ECF framework are identified;
  - d. significant local delays in group-wide risk activities and/or initiatives are expected;
  - e. important emerging/sustainability risks, or risks that are gradually materialising, are identified.
- The CRO informs the MB and SB of formal ad-hoc interactions performed, through an appendix to the ERM-ECF Report. Three types of formal ad-hoc interactions are recognised:
  - (i) Second Line opinions,
  - (ii) Risk reviews, and
  - (iii) Thematic risk deep-dives.

Furthermore, if the Executive Committee makes decisions that are not in line with the risk profile of the company, the CRO has a right of veto within NN Insurance Belgium and the issue is escalated to the next hierarchical level within NN Group. The CRO has the option to inform the chairman of the Board of Directors and/or the Audit Committee directly, on his own initiative, of all issues relating to the risk management function.

The Board of Directors regularly evaluates whether the company has an adequate risk management function that ensures that risk management within NN Insurance Belgium is tailored to the risk appetite approved by the Board of Directors.

## Authority and organisation

### **Organisation:**

#### At Group Level

The Risk Management activities are fully embedded in the organisational structure of NN Group. NN has a matrix organisational structure that consists of a decentralised business organisation and a functional risk line. The governance of this functional network is described in and governed by the “Risk Management & Internal Control General Principles” of NN Group which has the objective to:

- clarify the scope of Risk Management,
- clarify what an Effective Control Framework (“ECF”) to manage risks entails,
- provide requirements for one common ECF, and
- define one common language across NN Group on ECF.

Within NN Group, the functional line is organised across 2 levels: Corporate and Business Unit with a Chief Risk Officer (CRO) at each level. As a member of the Executive Committee, the CRO reports to the Executive Committee and reports functionally to the CRO of NN Insurance International. This organisational structure with functional lines guarantees the independence of the risk management function within NN.

#### Within NN Insurance Belgium

Risk Management within NN Insurance Belgium is organised according to the principle of the 'three lines of defence'. The Risk Management Function forms part of the Solvency II system of governance, together with the other 3 independent control functions: Actuarial Function & Compliance Function (2nd line of defence) and the Audit Function (3rd line of defence). The control functions are all independent of the company's business units and operational functions and are all exclusively natural persons.

As a member of the Executive Committee, the CRO reports to the Executive Committee and reports functionally to the CRO of NN Insurance International.

The following domains are distinguished: Risk Management Product, Financial & Insurance Risk Management and Operational & ORM risk management.

- The duties of Risk Management Product fall under the scope of the first line of defence, and are established within the 'Product Development' department; they have a functional line to the CRO and a hierarchical line to the CMO.
- The duties of Financial and Insurance Risk Management form part of the scope of the second line of defence; they are established within the 'Risk Management' department and report hierarchically to the CRO.
- Supervision of the management of "operational risks" and "information risks" has been entrusted to the ORM & Compliance department. This is also within the responsibility of the CRO.

Furthermore, NN Insurance Belgium received a waiver from the local regulator (NBB) to organize the Actuarial Function and the Compliance Function within the Risk department with a direct hierarchical line to the CRO. The 2<sup>nd</sup> line control functions are organized independently from each other. This is in conformity with the requirement set by the local regulator in the circular “nbb\_2016\_31\_governancesysteem”.

## Embedding of the Risk management Function

In order to ensure that the risk management function is involved in making decisions that impact the risk profile of NN Insurance Belgium, a number of committees have been established.

The **table below** provides an overview of these committees, their purpose and a summary of their powers.

If the Executive Committee makes decisions that are not in line with the risk profile of the company, the CRO has a right of veto within NN Insurance Belgium, and the issue is escalated to the next hierarchical level within the NN Group

Body	Chair	Purpose	Powers
Board of Directors	Chair of Board of Directors		<ul style="list-style-type: none"> <li>• Risk appetite (approval of Risk Appetite Framework).</li> <li>• Approving ORSA report.</li> </ul>
EC (Executive Committee)	CEO	Decision-making body tasked with the day-to-day policy of NN Insurance Belgium.	<ul style="list-style-type: none"> <li>• Approving strategic asset allocation (SAA).</li> <li>• Approving new product launches (PARP).</li> <li>• Approving changes to product design (PARP or addendum).</li> <li>• Approving reinsurance policy.</li> </ul>
ALCO (Asset and Liability Management Committee)	CRO	Supporting and advising the EC in the fulfilment of their responsibilities relating to the management of financial risks.	<ul style="list-style-type: none"> <li>• SAA proposals.</li> <li>• Approval of NN Insurance Belgium Investment Mandate.</li> <li>• Specifying the tactical asset allocation.</li> <li>• Monitoring the key risk indicators.</li> <li>• Making decisions or formulating proposals to the Executive Committee in order to remain within the limits of the Risk Framework.</li> <li>• All proposals approved by the ALCO that do not fall under the authority of the CRO must be submitted to the Executive Committee for approval.</li> </ul>

Body	Chair	Purpose	Powers
PRC (Product and Risk Committee)	CRO	Product risk management	<ul style="list-style-type: none"> <li>Product risk management, i.e. product approval.</li> <li>Ensuring proper implementation of the PARP process (both governance and compliance with customer suitability rules) when developing new products or updating existing products.</li> <li>Assessing trends and product risks for NN Insurance Belgium.</li> <li>Formulating advice on risks to which NN Insurance Belgium is exposed in the context of insurance. (This includes – but is not limited to – risks relating to pricing, reserves, profit participation, reinsurance, profitability, solvency and economic capital).</li> <li>Approving model and assumption changes.</li> </ul>
MOC (Model Committee)	CRO	Advising the PRC on model and assumption changes.	<ul style="list-style-type: none"> <li>Preparing the planning for model changes.</li> <li>Validating model and assumption changes and submitting them to the PRC for approval.</li> </ul>
CC (Credit Committee)	CFO	To decide upon requested “Bullet Loans” for the client	<ul style="list-style-type: none"> <li>Validation of the proposal done by the Credit Analyst based on his detailed analysis (“beslissingsfiche”).</li> </ul>
HCC (High Capital Committee)	CRO	Approval of underwriting and claims of high capital policies	<ul style="list-style-type: none"> <li>Underwriting decisions of individual cases beyond a certain threshold.</li> <li>Approve and review the pay-out of individual death claims beyond a certain threshold.</li> </ul>
HDC (High Disability Committee)	CRO	Approval of underwriting and claims of high disability annuities (or disability capitals)	<ul style="list-style-type: none"> <li>Underwriting decisions of individual cases beyond a certain threshold.</li> <li>Approve and review the pay-out of individual disability claims beyond a certain threshold.</li> </ul>

Body	Chair	Purpose	Powers
NFRC (Non-Financial Risk Committee)	CRO	Monitoring non-financial risks, as well as the quality of the internal control framework, within business operations and service lines in order to timely address risks above the risk appetite and initiate remediating actions when required.	<ul style="list-style-type: none"> <li>Focus on risks resulting from people (business conduct), inadequate or failed internal processes, including technology and communication systems (business operations), and/or External events (business continuity &amp; security).</li> <li></li> </ul>
PC (Pricing Committee)	CRO	To decide upon and monitor the proposals made by the sales department to deviate from the standard tariffs as established by NN Insurance Belgium in its contracts with clients and brokers.	<ul style="list-style-type: none"> <li>a decision role on individual case level to deviate from standard tariffs</li> <li>an advisory role for the PRC on any changes in pricing trends that require a change in standard tariffs</li> </ul>
CSC (Commercial Strategy Committee)	CXO	Advising the Executive committee on commercial product and marketing strategy.	<ul style="list-style-type: none"> <li>Complementary to PRC.</li> <li>Commercial calendar and plan on campaigns, events</li> <li>Exceptions of Commission schemes</li> <li>Product calendar and actions to be taken to improve sales, margins, and/or efficiencies</li> <li>Sales management steering</li> </ul>

## B.4. Internal control system

### B.4.1. Description internal control system

The three lines of defence model, on which NN Insurance Belgium's (and NN Group's) risk management structure and governance is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Executive Committee, ratified by the Board of Directors and cascaded throughout NN Insurance Belgium.

#### ➤ First line of defence

Overall, the First Line of Defence includes the CEO of NN Insurance Belgium as well as the Executive Committee. They have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the (insurance) products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Insurance Belgium's best interests.

## ➤ Second line of defence

The Second Line of Defence includes independent oversight functions with a major role for the Risk management -, Actuarial – and Compliance function. The CEO and CRO steer a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions include:

- Developing the policies and guidance for their specific risk and control area
- Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinate the reporting of risks
- Supporting the first line of defence in making proper risk-return trade-offs
- Escalation power in relation to business activities that are judged to present unacceptable risks to NN Group

## ➤ Third line of defence

The Third Line of Defence concerns Corporate audit services (CAS). CAS provides an independent assessment of the standard of internal control with respect to NN Insurance Belgium's business and support processes, including governance, risk management and internal controls.

### B.4.2. Compliance Function

As an independent control function, the Compliance function is part of the second line within NN Insurance Belgium. The purpose of this function is to supervise compliance with applicable laws and regulations in order to safeguard NN Insurance Belgium against any negative impacts resulting from a failure to abide by these provisions or codes of conduct. The protection of the integrity of the company and its personnel plays a central role in this regard.

The Compliance function and its activities are governed by a Charter approved by the Board of Directors of NN Insurance Belgium.

The Compliance Officer's responsibilities specifically consist in proactively

- identifying, evaluating, monitoring and reporting on the compliance risks facing NN Insurance Belgium;
- assisting, supporting and advising the Executive Committee and management in the fulfilment of their responsibilities relating to integrity and compliance;
- providing advice to all employees with regard to their (personal) integrity and compliance obligations.

The activities of the Compliance function are described annually in an action plan. This action plan is approved by the Executive Committee and confirmed by the Audit and Risk Committee (acting on behalf of the Board of Directors).

Annually the effectiveness of the Compliance function is assessed by the Board of Directors.

## B.5. Internal Audit Function

Corporate Audit Services (CAS), the internal audit department within NN Insurance Belgium, is an independent assurance function and its responsibilities are established by the Executive Committee and approved by the Board of Directors/ Audit & Risk Committee. CAS provides an independent assessment of the standard of internal control

with respect to NN entities and support processes, including governance, risk management and internal controls. CAS is an essential part of the corporate governance structure of NN Insurance Belgium. CAS NN Insurance Belgium operates in a so-called co-operation model with CAS NN Group with shared specialist audit services and central oversight from CAS NN Group. This model is chosen to safeguard specialist expertise and efficiency for NN Insurance Belgium and is formalised in an SLA.

In compliance with local corporate governance and Solvency II, the Audit Manager of CAS NN Insurance Belgium is accountable to the CEO of NN Insurance Belgium as well as the Head of CAS NN Group and has a reporting line to the chair of the Audit Committee of NN Insurance Belgium. This reporting set-up is an important element in maintaining independence for CAS NN Insurance Belgium.

CAS is responsible for executing the internal Audit function in a NN entity provided NN has 100% ownership, has a majority stake and management control or has no majority stake but effectively has management control. The area of work (Audit Universe) is defined as every activity, department and office of a NN entity, including branches, subsidiaries as well as outsourced activities (with a "right-to-audit" clause). CAS performs its assignment on its own initiative. CAS is maintaining its objectivity by not participating in any activity or relationship that may impair or be presumed to impair its unbiased assessment.

CAS performs its work in accordance with the International Standards for the Professional Practice of Internal Auditing Standards and Code of Ethics set by the Institute of Internal Auditors (IIA), and with other relevant authorities or professional associations. These professional standards and internal CAS methodology/procedures are incorporated in the CAS Audit Manual. Compliance to the audit manual is embedded at various levels in the audit process and includes review by the independent positioned Professional Practices Management team within CAS NN Group. On a periodic basis CAS globally is also subject to an independent external assessment, most recently in Q4 2024.

## B.6. Actuarial Function

In accordance with statutory and regulatory requirements, NN Insurance Belgium has established an Actuarial Function position and has designated the Actuarial Function Holder (AFH) who has the required actuarial knowledge to fulfil this position.

The proposal to appoint the AFH requires prior approval by the NBB, and the guidelines and the procedure contained in the NBB 2013-02 "Fit & Proper" Circular of 17 June 2013 must be followed. The Actuarial Function (AF), as an independent control function, should devote the necessary time to exercise this function in the company and, if she/he performs external functions, avoid conflicts of interest and take into account a number of incompatibilities.

If the appointment of the AFH changes or if this person's appointment is discontinued, the NBB must be notified accordingly and the guidelines and the procedure contained in the NBB 2013-02 "Fit & Proper" Circular of 17 June 2013 must be followed.

To guarantee the independence of the actuary, an appointment as actuary is incompatible with an appointment as:



- member of the executive management;
- approved auditor of the same company;
- director in the same company in which he exercises his mandate;
- Internal Auditor.

The Actuarial Function (AF) is responsible for the duties and activities set out in the NBB Circular 2016-31 of 5 July 2016 (reviewed September 2018) regarding the governance system requirements for the insurance sector. It regards the following activities, as also stated in the S II law:

- controlling/supervision of the calculations of the technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions;
- assessment of the sufficiency and quality of data;
- comparing best estimates against experience;
- assessing sufficiency of technical provisions (TP) and consistency of calculation with legal requirements;
- informing the Executive Committee of NN Insurance Belgium and the Board of Directors (or Audit & Risk Committee) on the key components of the Solvency II technical provisions such as data quality, assumption setting, models and methods.
- provide an opinion on the underwriting policy and the appropriateness of reinsurance arrangements considering the risk appetite of the insurance entity.
- contribution to the risk management system in the following domains: the modelling of the risks and the assessment made in the context of the ORSA.

Furthermore, the Actuarial Function has the following tasks related to the Annual Accounts (BE GAAP):

- assess whether calculation and level of TP as mentioned in the statutory accounts are compliant with Accounting Royal Decree (RD 17,11,1994);
- validate the calculation of the “Flashing Light provision” in case no exemption is granted by NBB. The AFH must check if the “Flashing Light provision” is calculated according to the RD of 17/11/1994.
- perform an annual analysis of the profitability of the products based on the statutory accounts.

It is the responsibility of the AFH to ensure that these tasks of the Actuarial Function are executed.

The Actuarial Function Holder produces a written report with an opinion on the above matters and submits it to the Executive Committee of NN Insurance Belgium, the Corporate Chief Actuary (CCA), the Board of Directors (or Audit & Risk Committee) and, where appropriate, to the local regulator (NBB) at least annually.

At least once a year, the Actuarial Function Holder presents a written activity report to the Board of Directors (or Audit & Risk Committee) and for information to the Executive Committee. The report describes all the material tasks performed by the actuary and the corresponding results, and clearly identifies any shortcomings and makes recommendations on how these shortcomings can be remedied. Furthermore, a technical documentation on the analysis and the checks done by the AF (to form an opinion) is added as appendix to the activity report.

Furthermore, the AFH reports periodical to the Board (or Audit & Risk Committee), e.g. in case of the following events:

- Launch or modification of a product with significant impact on the profitability of the undertaking;
- introduction of new reinsurance arrangements

- actuarial opinion on underwriting, reinsurance or profit sharing policies
- all other events where intervention or validation of the AF is required

The AFH should in any case inform the Executive Committee and the Board of Directors (or Audit & Risk Committee) when specific risk developments have or could have a negative impact or could be harmful to the reputation of the undertaking.

## B.7. Outsourcing

In the event of outsourcing, the principles of the NBB Circular 2016-31 – updated version of 13 September 2018 and 5 May 2020 and the rules issued by NN Group must be followed at all times. The guidelines that must be followed in this regard are listed in a specific policy of NN Insurance Belgium which is approved by the Board of Directors.

When outsourcing specific functions, activities or operational duties, NN Insurance Belgium considers the following points (among others):

- prior approval by the Executive Committee for the function, activity or operational duty being outsourced, based on in-depth analysis of the exact description of the outsourced function, activity or operational duty, as well as a cost/benefit analysis and an analysis of the financial and operational risks.
- maintaining full control in respect of monitoring of services and results of the outsourced function, activity or operational duty, in order to allow any future adjustments to be made that may be required.
- verifying the reputation and the capacities of the service provider(s), as well as the risks relating to continuity and to the level of dependence on the service provider(s), before and during the term of the contractual relationship.
- that the functions, activities or operational duties are outsourced to service providers located in the European Economic Area (EEA) and who, in the case of sub outsourcing, only rely on subcontractors in the EEA (unless otherwise agreed in writing between NN Insurance Belgium and the service provider) for delivering the services described in the agreement.

When outsourcing operational duties, the Executive Committee guards against:

- the quality of the company's governance system being materially compromised during outsourcing;
- unnecessary increases in operational risk;
- any impediment to the ability of the NBB and the FSMA to assess whether NN Insurance Belgium is meeting its statutory obligations;
- the continuity and adequacy of the service provided to policyholders, insured individuals and beneficiaries of insurance agreements being undermined.

Whenever an intermediary who is not an employee of NN Insurance Belgium is authorised to conclude insurance agreements and/or claims payments, the Executive Committee must ensure that the activities carried out by that intermediary meet the outsourcing requirements.

Outsourcing of critical or important operational functions or activities are subject to more demanding and regulated rules than outsourcing activities considered as non-critical or non-important. This distinction is clearly made in NN Insurance Belgium's Outsourcing Policy and Intra-Group Outsourcing Policy. Consequently, prior to the outsourcing

an analysis is performed to determine if the concerned functions or activities are considered as critical or important or not. The Executive Committee notifies the NBB in advance and in a timely manner of the outsourcing of any functions, activities or operational duties that are important or critical, and of any later significant developments relating to these outsourced duties. NN Insurance Belgium uses the templates as requested by the NBB.

The outsourced function, activity or operational duty is the subject of a contract that is signed between NN Insurance Belgium and the service providers. NN Insurance Belgium particularly pays particular attention to the use of subcontractors, audit rights, security of data and systems, termination rights (for cause, convenience, or if imposed by a regulator) and the exit strategies. NN Insurance Belgium ensures that the service providers particularly abide by the rules concerning the confidentiality of the information they have access to while carrying out the outsourced activity. This is covered by means of a non-disclosure agreement signed by the concerned parties before the contractual negotiations and the contractual clauses related to confidentiality, data protection and security. Further guidelines are included in NN Insurance Belgium's Outsourcing Policy for data transfer outside the EEA.

NN Insurance Belgium also performs annual checks on the business continuity of the service provider. Joint action plans between NN Insurance Belgium and the service provider are set up, executed and evaluated in case the execution of the business continuity test reveals shortcomings or needs to be updated (for instance due to technical requirements). Business continuity also implies that there is/will be no impact on NN Insurance Belgium's operational activities in case of a contract termination. Exit strategies are defined by both parties and are also evaluated on an annual basis.

Outsourcing agreements of critical or important services are monitored on a regular basis. Depending on the type of agreement, the governance system varies and is clearly defined in the agreements. The service delivery is measured against a set of key performance indicators and remediation plans are set up and executed if this is required.

The outsourced activities and services fall under the purview of both the Internal Audit and the Compliance function. The recognised statutory auditor may access the outsourced activity or service at any time in order to carry out their audit.

The following important or critical services are currently outsourced externally:

- Investment Management - Asset management
- IT infrastructure
- Use of Sales Force (Cloud)
- Use of O365 (Cloud)
- Archives
- Digital handling documents
- Financial services
- Third party administration
- Cloud providers

The independent control functions have not been outsourced by NN Insurance Belgium.

## B.8. Any other information

The previous sections contain all the material information regarding to the system of governance of NN Insurance Belgium.

## C. Risk profile

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### Introduction

This chapter of the SFCR contains information on the risk profile of NN Insurance Belgium and information on the ‘prudent person principle’ used when investing.

General information on the risk governance used within NN Insurance Belgium is available in section B.3 and B.4.

NN Group and subsequently, NN Insurance Belgium has defined and categorized its generic risk landscape in a mutually exclusive and collectively exhaustive risk taxonomy that consists of 50 main risk types clustered in three risk classes.

# Risk Profile

Business and performance
System of governance
<b>Risk profile</b>
Valuation for Solvency purposes
Capital management

	Risk Class	Level 1 Risk Type	
Strategic Risks	External Strategic Risks	Macro-economic & Technology Risk	
		Political & regulatory Risk	
		Environmental & Societal Risk	
	Internal Strategic Risks	Business Model Risk	
		Strategic HR Risk	
		Model risk	
Financial Risks	Market Risks	Asset Risk	
		Equity Risk	
		Real Estate Risk	
		Credit Spread Risk	
		FX Risk	
		Inflation Risk	
		Basis Risk	
		Interest Rate Risk	
		Counterparty Default Risks ("CPD")	Counterparty Default Risk
			Issuer Concentration Risk
	Underwriting & Pricing Risks	Life Risk	
		Property & Casualty Risk	
		Morbidity Risk	
		Expense Risk	
		Customer Behavior Risk	
		Premium Re-rating Risk	
	Non-Financial Risks	Liquidity Risks	Product design risk
		Business Conduct Risks	Liquidity Risk
			Terrorist financing, Money Laundering and Sanctions Risk
			Tax evasion risk
Market abuse risk / Unfair competition risk			
Business Partner Sustainability risk			
Improper handling of inside information or personal data risk			
Corruption & Bribery risk			
Interaction risk			
Internal Fraud Risk			
People Conduct Risks			Professional behaviour risk
		Personal conflicts of interest risk	
Product Suitability Risks		Dealing with confidential information risk	
		Product customer value risk	
	Product mis-selling risk		
	Product / client information risk		
Business Operating Risks	Product maintenance risk		
	Operational Control Risk		
	Business Partner Control Risk		
	Operational Execution Risk		
	Reporting Risk		
	Operational Change risk		
	Legal Risk		
	External Fraud Risk		
	Business Technology Risks	IT Risk	
		Technology Innovation Risk	
Business Continuity Risks	Continuity & Physical Security Risk		
	Personal Security Risk		

- **Non-market risk (Underwriting and Pricing Risks):** Insurance risks are the risks related to the events insured by NN Insurance Belgium and comprise actuarial and underwriting risks such as mortality, longevity, morbidity and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.
- **Business risks:** Business risks are the risks related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks occur because of internal, industry, regulatory/political, or wider market factors.

## ➤ Market and Counterparty Default Risks

- Market and credit risk: Market risk is the risk of potential losses due to adverse movements in financial market variables. Counterparty default risk (credit risk) is the risk of potential losses due to default by counterparties. Market and credit risks include (i) equity risk; (ii) real estate risk; (iii) interest rate risk; (iv) credit spread risk; (v) counterparty default risk and (vi) foreign exchange risk. In relation to market and credit risk, a distinction is made between own account business and separate account business.
  - **Own account business:** in the case of own account business, NN Insurance Belgium directly bears the market and credit risk of its invested assets and liabilities. Own account business includes NN Insurance Belgium's life insurance and non-life insurance business, as well as other invested assets and direct liabilities.
  - **Separate account business:** in the case of separate account business, the policyholder bears the market and credit risk. NN Insurance Belgium's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and in some Unit-Linked products, NN Insurance Belgium retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities (VA) portfolio, and (ii) other separate account business, primarily the unit-linked business.

## ➤ Liquidity risk

Liquidity risk is the risk that NN Insurance Belgium does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner.

## ➤ Non-Financial Risks

- Operational risk: Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed business processes (internally, or externally performed by Business Partners, including because of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.
- Compliance risk: Compliance risk is the risk of impairment of NN Insurance Belgium's integrity. It is a failure (or perceived failure) to comply with NN Group Statement of Living our Values and the Compliance Risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Insurance Belgium's and hence NN Group's reputation and lead to legal or regulatory sanctions and financial loss.

NN Insurance Belgium manages the level of risk exposures by measuring and limiting the impact of a 1-in-200 year adverse scenario on the Solvency II Own Funds. The loss of Own Funds in a 1-in-200 year scenario is referred to as

the Solvency Capital Requirement ('SCR'), the metric used to describe the risk profile throughout the remaining section.

Within this section, the SCR is used to elaborate on the risk profile of NN Insurance Belgium. The table below provides an overview of the SCR per major risk category. The SCR increased from EUR 665 million (2023) to EUR 724 million (2024). The increase of SCR is mainly due to the benefit from mass lapse reinsurance treaty being no longer included in its current form as of Q4 2024. This see is partially compensated by a decrease in the market risk.

Capital Requirement per risk type	2024	2023
Life underwriting risk	518	401
Market risk	331	380
Counterparty default risk	26	37
Health underwriting risk	42	41
Non-Life underwriting risk	1	1
Diversification	-214	-216
<b>Basic Solvency Capital Requirement</b>	<b>704</b>	<b>645</b>
Operational Risk	34	35
LAC TP	-14	-15
<b>Solvency Capital Requirement (SCR)</b>	<b>724</b>	<b>665</b>
LAC DT	0	0
<b>SCR Post Tax</b>	<b>724</b>	<b>665</b>

## C.1. Non-market risk - Underwriting risk

Underwriting risks are the risks related to the events insured by NN Insurance Belgium ('Insurance Risk') and the risks related to the management and development of the insurance portfolio ('Business Risk').

**Insurance Risks** comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.

**Business Risks** includes policyholder behaviour risks and expense risks. Business risks occur because of internal, industry, regulatory/political, or wider market factors.

For the non-life underwriting risk, NN Insurance Belgium uses a simplified method based on premium and reserve volumes. This risk is not material.

### C.1.1. Insurance risk

- **Risk profile**

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like Own Funds. Longevity risk exposes NN Insurance Belgium primarily to mortality improvements and the present value impact is larger when interest rates are low.



The risk of morbidity of NN Insurance Belgium is captured in health insurance that pays a fixed amount or annuity or covers waiver of premiums. Disability risk is also taken into account in health underwriting risk.

- Risk mitigation

Proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for insurance risks.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Insurance Belgium underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Insurance Belgium's underwriting standards, product design requirements, and product approval and review processes.

Additionally, Insurance Risk is managed through concentration and exposure limits and through reinsurance:

- Tolerance limits for life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics.
- Reinsurance is used to manage risk levels (such as the mortality risk on the risk protection business of NN Insurance Belgium).
- Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN Group.

## C.1.2. Business risk – Policyholder behaviour risk

- Risk profile

Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Insurance Belgium. Depending on the terms and conditions of the insurance policy, and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, extend their contracts and take out policy loans, or even change contract details. Policyholder behaviour therefore affects the profitability of the insurance contracts. The risk that policyholders maintain their contracts longer than NN Insurance Belgium has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds and the higher interest rate guaranteed savings business. The risk that policyholders hold their contracts for a shorter period than NN Insurance Belgium has assumed relates to the risk protection business.

Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers. For instance, changes in tax treatment may affect the tax efficiency of the savings products.

The SCR calculations for policyholder behaviour risk take into account the present value impact of changes in policyholder behaviour assumptions.

- Risk mitigation

Policyholder behaviour risks – such as persistency and premium risk – are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, NN Insurance Belgium has put several programs in place to own and improve the customer experience. These programs improve the match between customer needs and the benefits and options provided by NN Insurance Belgium's products. Over time, NN Insurance Belgium's understanding and anticipation of the choice's policyholders are likely to make, will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Lapse risks are mitigated by means of the surrender penalties (covering extra expenses due to surrenders) and the tax treatments.

## C.1.3. Business risk – Expense risk

- Risk profile

Part of the total administrative expenses are variable, depending on the size of the business and sales volumes, and parts are fixed and cannot immediately be adjusted to reflect changes in the size of the business. Expense risk relates primarily to the fixed part of NN Insurance Belgium's expenses, and is the risk that future actual expenses per policy exceed the expenses assumed per policy. NN Insurance Belgium is exposed to the risk that the overhead expenses relating to IT administration systems will remain constant, or even increase, while the number of policies in the in-force book gradually decreases, leading to a per policy expense increase.

- Risk mitigation

Ongoing initiatives are in place to manage expense risk (more efficient processes, simplification of IT landscape). Company targets are in place to reduce expenses in the future, thus, lowering expense risk going forward.

- Risk measurement

The total life underwriting capital requirement for NN Insurance Belgium is mainly driven by expense risk and policyholder behaviour risk (early cancellation rights).

## C.2. Market Risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Market risk is disclosed in Note 48 'Risk management' in the 2024 Consolidated annual accounts of NN Group. Through counterparty default risk it also recognizes potential losses due to default by NN Insurance Belgium's debtors, trading counterparties or mortgage holders. Reference is made to section C.3 for an explanation on counterparty default risk.

Market risks include (i) equity risk; (ii) real estate risk; (iii) interest rate risk; (iv) credit spread risk; and (v) foreign exchange risk. In relation to market risk, NN Insurance Belgium distinguishes between own account business and separate account business. In the case of own account business, NN Insurance Belgium directly bears the market risk of its invested assets and liabilities. In the case of separate account business, the policyholder bears the market risk, while NN Insurance Belgium has equity risk via the fees received.

### – own account business

Own account business includes NN Insurance Belgium's life insurance, as well as other invested assets and direct liabilities. NN Insurance Belgium takes on market and credit risk for its Own account business in pursuit of returns. These returns are used to fulfil policyholder obligations with any surplus return benefitting the Group and its

shareholders. Accordingly, optimization within the risk appetite is paramount to generating returns for both policyholder and shareholder.

Within NN Insurance Belgium's Own account, market risks are driven by the fixed income portfolio that generates spread risk and interest rate risk for duration mismatches. While it constitutes a smaller asset allocation, equity and real estate investments also generate risks as these risks cannot be directly offset by the liabilities.

The SCR for most fixed income bonds is calculated within spread risk and interest rate risk, and SCR for the fixed income loans including mortgages within counterparty default risk. SCR for non-fixed income assets such as equity and real estate are addressed in the respective risk categories.

NN Insurance Belgium holds a diversified asset portfolio for its own account business. Reference is made to section D.1. Assets containing a description of the asset class values of NN Insurance Belgium as at 31 December 2024.

## C.2.1. Equity risk

- Risk profile  
Equity plays a role in the Own account business by providing diversification and up-side return potential. This does present a risk which is measured as the impact of changes in prices of directly held equities and equity derivatives such as futures and options.
- Risk mitigation  
Exposure to equities provides for additional diversification and up-side return potential in the asset portfolio of an insurance company with long-term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates. As mentioned, there is no natural hedge for equity risk on the liability side of the balance sheet. Since 2020 NN Insurance Belgium categorized its investments in REITS (Real Estate Investment Trusts) as Long Term Equity. The investment in Kebek II is treated as a strategic participation because we are represented in the Advisory Board.
- Risk measurement  
The sensitivity of the Solvency II ratio to changes in the value of equity is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -25% applied to the value of direct equity and equity mutual funds. If applicable, derivatives like equity options or equity forwards which have equity as underlying are also revalued using the same shock applied to the underlying equities or equity indices.

## C.2.2. Real estate risk

With the long-term nature of the liabilities of NN Insurance Belgium's Own account, illiquid assets such as real estate can play an important role in the strategic allocation. Real estate risk is the risk of loss of market value of real estate assets. Market values are driven by a change in rental prices, required investor yield, and/or other factors.

NN Insurance Belgium applies a look through approach, which consist in calculating the Solvency Capital Requirement on the basis of each underlying asset of collective investment undertakings.

- Risk profile  
NN Insurance Belgium's real estate exposure originates from the investment in associates which concerns our investment in the shareholders capital of the real estate entity within the group. The real estate position held by NN Insurance Belgium can include leverage, and therefore the actual real estate exposure is larger than NN Insurance Belgium's actual real estate assets.

The real estate portfolio is held for the long-term and is illiquid. Furthermore, there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

- Risk mitigation  
Exposure to real estate provides for additional diversification for the asset portfolio. The concentration risk on individual issuers is mitigated under relevant investment mandates and monitored through the Strategic Asset Allocation.
- Risk measurement  
The sensitivity of the Solvency II ratio to changes in the value of real estate is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -10% to the value of direct real estate exposures and real estate within mutual funds.

## C.2.3. Interest rate risk

Interest rate risk is the impact of interest rate changes on Own Funds as a result of the associated change in the value of the assets and liabilities.

- Risk profile  
NN Insurance Belgium's liabilities have a material amount of long-term liability cash flows, which related primarily to the pension and long term savings business.
- Risk mitigation  
NN Insurance Belgium hedges its economic interest rate exposure by investing in long-term bonds and mortgages. The remaining interest rate gap may be further reduced through purchases of financial derivatives such as interest rates swaps or swaptions. Interest rate risk management focuses on matching asset and liability cash flows as much as possible. Compared with the economic interest rate matching, especially the interest rate sensitivity for maturities beyond 20 years is impacted by the UFR, only applied to liabilities
- Risk measurement  
For purposes of discounting liabilities under Solvency II, NN Group uses a swap curve less Credit Risk Adjustment plus Volatility Adjustment. In line with Solvency II, NN Group extrapolates the EUR swap curve from the 20 year point onwards to the Ultimate Forward Rate (UFR) – as defined under Solvency II. The SCR for interest rate risk primarily depends on the level of cash flow matching between assets and liabilities up to the 20 year point, and the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows.

## C.2.4. Credit Spread Risk

Credit spread risk reflects the impact of credit spreads widening (or narrowing) due to changes in expectation of default, illiquidity and any other risk premiums priced into the market value of bonds.

- Risk profile  
NN Insurance Belgium invests mainly in government bonds. These long-term government bonds are sensitive to sovereign credit spread movements versus EUR swap rates. Under the Solvency Standard Formula, government bonds do not contribute to credit spread risk.

## Risk Profile

- Risk mitigation

NN Insurance Belgium aims to maintain a low-risk, well diversified fixed income portfolio. NN Insurance Belgium has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. The concentration risk on individual issuers is managed using rating-based issuer limits on one (group of related) single name(s), effectively managing the default risk of the issuers.

Additionally, the acquisition of a spread lock in 2018 aims to hedge the spread risk of "non-AAA" government bonds positions, limiting this way the volatility of the solvency II ratio.

- Risk measurement

The SCR for credit spread risk reflects, with 99.5% level of confidence, the risk of Own Funds to spread movements – impacting fixed income assets held in the Own account. Fixed income assets are shocked with severity linked to a 1-in-200 year event (or 99.5% level of confidence) and depending on the investment type, rating and duration.

### **– Separate account business**

In the case of separate account business, the policyholder bears the market and credit risk. NN Insurance Belgium's earnings from the separate account businesses are primarily driven by fee income.

#### ***Variable annuity portfolio***

- Risk profile

NN Insurance Belgium has been selling variable annuity ('VA') products since 2009. The products have minimum guaranteed living benefits such as survival benefits or withdrawal benefits.

- Risk mitigation

NN Insurance Belgium has a reinsurance agreement with NN RE in place for its VA business. This agreement targets both market and underwriting risk.

#### ***Other separate account business***

- Risk profile

The other separate account business consists of unit-linked insurance policies, which provide policyholders with fund selection combined with an insurance cover. In a unit-linked policy, the investment risk is borne by the policyholder, although there are some unit-linked products where NN Insurance Belgium has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN Insurance Belgium to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds.

- Risk mitigation

The market risks of the unit-linked and other separate account business are managed at the design of the product. Currently NN Insurance Belgium does not hedge the market risks related to the present value of future fee income derived from this business.

## Risk Profile

- Risk measurement

NN Insurance Belgium determines SCR for the market and credit risks of the separate account business through modelling the risks of the fee income and the guarantees.

### C.2.5. Currency Risk- Foreign exchange risk

Foreign exchange (FX) risk measures the impact of losses related to changes in currency exchange rates.

- Risk profile

NN Insurance Belgium has limited exposure to foreign currencies through bond and loan exposure and due to its exposure towards the real estate entity of Group where part is invested in non-EUR currencies.

- Risk mitigation

NN Insurance Belgium limits the investment in foreign currencies and has no appetite for increasing exposure in foreign currency related to debt instruments.

### C.3. Counterparty Default risk

Counterparty default risk is the risk of loss of investments due to unexpected default of the counterparties and debtors of NN Insurance Belgium. The SCR for counterparty default risk is primarily based on the associated issuer's probability of default (PD) and the estimated loss-given-default (LGD) on each individual asset combined with diversification across assets.

The Counterparty Default Risk module covers any credit exposures which are not covered in the spread risk sub-module. For each counterparty, the Counterparty Default Risk module takes account of the overall counterparty risk exposure pertaining to that counterparty.

The Counterparty Default Risk Exposure is split in Type I and Type II exposures. The class of Type I exposures covers the exposures which may not be diversified and where the counterparty is likely to be (externally) rated, e.g. reinsurance contracts, derivatives and money market exposures. The class of Type II exposures attempts to cover the exposures which are usually diversified and where the counterparty is likely to be unrated, predominantly residential mortgages, but also other forms of term lending not covered in Type I. These two classes form the basis for the respective capital treatment in the Counterparty Default Risk module.

- Risk profile

NN Insurance Belgium's Counterparty Default Risk exposure is the highest in Type II assets, due to the residential mortgage portfolio. Other sources of Counterparty Default Risk include other loans (like Debtors), reinsurance and the claims on counterparties from over-the-counter derivatives.

- Risk mitigation

NN Insurance Belgium uses different credit risk mitigation techniques. For retail lending portfolios, pledges of insurance policies, or retaining the investment accounts of clients are all important elements of credit risk mitigation. For OTC derivatives, the use of International Swaps and Derivatives Associations master agreements accompanied with credit support annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral. For cash and money market funds, limits per counterparty are put in place.

For its mortgage portfolio, NN Insurance Belgium insures to invest in high quality portfolios and closely monitors the performance of the book. Both the Loan-to-Value (LTV) for residential mortgages, which is based on the net average loan to indexed value, as the credit performance are followed up regularly. This way, troubled assets are identified early and managed properly. The loan is categorized as a non-performing loan (NPL) if the arrear still exists after 90 days. A loan is re-categorized as a performing loan again when the amount past due has been paid. All loans not classified at initial recognition as being either (1) assets at market value through profit-and-loss, (2) assets held for trading, or (3) assets available-for-sale are measured against amortized cost and are subject to impairment review.

- Risk measurement

The Counterparty Default module comprises two sub-modules:

- CDR Type I: applicable to exposures which might not be diversified and where the counterparty is likely to be (externally) rated. The underlying model is the Ter Berg model (basis for Standard Formula under Solvency II).
- CDR Type II: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated. The underlying model is based on the Basel regulatory model.
- The capital charges for CDR Type I and CDR Type II exposures are calculated separately and aggregated using a diversification effect.

Note that fixed income bonds are also subject to counterparty default risk, but this risk is included in credit spread risk.

## C.4. Liquidity risk

Liquidity risk is the risk that NN Insurance Belgium does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due. NN Insurance Belgium manages liquidity risk via a liquidity risk framework: ensuring that – even after shock – NN Insurance Belgium can meet immediate obligations.

- Risk profile

NN Insurance Belgium identifies three related liquidity risks: funding liquidity risks, market liquidity risks and funding risk. Funding liquidity risk is the risk that a company will not have the funds to meet its financial obligations when due. Market liquidity risk is the risk that an asset cannot be sold without significant losses. Funding risk is the risk that higher funding cost will lead to a lack of funds to finance investments. The connection between these risk stems from the fact that when payments are due, and not enough cash is available, investment positions need to be converted into cash or funding with higher cost is engaged. When market liquidity is low, this would lead to a loss.

- Risk mitigation

Liquidity Risk Management Policy of NN Insurance Belgium include the following principles:

- Interbank funding markets should be used to provide liquidity for day-to-day cash management purposes.
- A portion of assets must be invested in unencumbered marketable securities that can be used for collateralized borrowing or asset sales.

- Strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities.
- Adequate and up-to-date contingency liquidity plans should be in place to enable management to act effectively and efficiently in times of crisis.

NN Insurance Belgium defines three levels of Liquidity Management:

- Short-term liquidity or cash management covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk.
- Long-term liquidity management considers business conditions, in which market liquidity risk materializes.
- Stress liquidity management looks at the company's ability to respond to a potential crisis situation.

Two types of liquidity crisis events can be distinguished: a market event and an NN Insurance Belgium specific event. The market event can be caused by an increase in collateral requirements for financial derivatives. On the other hand, the idiosyncratic event is produced by an accelerated payments of the liabilities.

The Chief Risk Officer at NN Insurance Belgium is responsible for liquidity risk management, the Chief Financial Officer at NN Insurance Belgium is responsible for day-to-day Liquidity Management.

Liquidity limits are in place at NN Insurance Belgium.

- Risk measurement

Liquidity risk is measured through several metrics including the required sales ratio, liquidity coverage ratio, cash buffer for derivatives and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. NN Insurance Belgium manages liquidity risk via a liquidity risk framework ensuring that – even after shock – NN Insurance Belgium can meet immediate obligations.

## C.5. Operational risk

Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed business processes (internally, or externally performed by Business Partners, including because of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events. The operational risk management areas can be defined as given below:

- Control and processing risk: the risk of financial or reputational loss due to non-adherence with business policies or guidelines as well as the risk of loss due to unintentional human error during (transaction) processing.
- Fraud risk: the risk of financial or reputational loss due to abuse of procedures, systems, assets, products or services of NN Insurance Belgium by those who intend to unlawfully benefit themselves or others.
- Information (technology) risk: the risk of financial or reputational loss due to inadequate information security, resulting in a loss of data confidentiality, integrity and availability.
- Continuity and security risk: the risk of threats that might endanger the continuity of business operations and the security of our employees.
- Unauthorized activity risk: the risk of misuse of procedures, systems, assets, products and services.



- Employment practice risk: the risk of financial or reputational loss due to acts inconsistent with employment, health or safety laws, agreements and from payment of personal injury claims or diversity/discrimination events.

- Risk mitigation

For operational risk NN Insurance Belgium has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting operational risks.

Operational risk assessments are done based on historic data as well as on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of operational risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

NN Insurance Belgium conducts regular operational risk and control monitoring to measure and evaluate the effectiveness of key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards. Operational risks are monitored in the Effective Control Framework (ECF) report at all levels in the organization. With this ECF report, NN Insurance Belgium manages all risks against the risk appetite of the company. The exposure of NN Insurance Belgium to non-financial risks is regularly assessed through risk assessments, incident analysis and monitoring. After identification of the risks, each risk is assessed as to its likelihood of occurrence as well its potential impact, should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated and is within tolerance. The business process owners are responsible for the effective execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of the Control framework and underlying components.

- Risk measurement

NN Insurance Belgium follows a factor-based approach, where the amount of technical provisions, premiums earned and expenses incurred during the previous 12 months, are considered an appropriate measure to capture this risk. Operational risk is considered an adjustment to the BSCR, therefore, it should be considered as net of diversification between other NN Insurance Belgium risks.

## C.6. Other material risks

Any other information relevant to the risk profile of NN Insurance Belgium.

### C.6.1. Compliance risk

Compliance risk is the risk of impairment of NN Insurance Belgium's integrity. It is a failure (or perceived failure) to comply with NN Group Statement of Living our Values and the Compliance Risk-related laws, regulations and

standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Insurance Belgium reputation and lead to legal or regulatory sanctions and financial loss.

- Risk profile

Through NN Insurance Belgium's insurance and investments products, NN Insurance Belgium is committed to helping our customers secure their financial future. To fulfil this purpose, we base our work on three core values: care, clear, commit. Our Values set the standard for conduct and provide a compass for decision making. Further, NN Insurance Belgium is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates ('Compliance Risk').

All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for embedding the compliance related rules. Compliance is therefore an essential ingredient of good corporate governance. NN Insurance Belgium continuously enhances its compliance risk management program to ensure that NN Insurance Belgium complies with international standards and laws.

- Risk mitigation

Compliance related risks are mainly mitigated through the set-up of controls and measures based on NN Insurance Belgium's policies, standards and guidelines and the inclusion of the compliance domain within the Effective Control Framework. In addition to this framework, NN Insurance Belgium has installed a whistle blower procedure which protects and encourages people to 'speak up' if they know of or suspect a breach of external regulations, internal policies or our values. NN Insurance Belgium also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, prevention of fiscal abuse, gifts and entertainment, product suitability, conflicts of interest, and confidential and inside information, as well as a code of conduct for its personnel and tied agents. Furthermore, NN Insurance Belgium designates specific countries as 'ultra-high risk' and prohibits client engagements and transactions (including payments or facilitation) involving those countries. Conform its Product policy, NN Insurance Belgium performs a product approval and review process when developing and reviewing products in which customer interest is a main area of attention.

- Risk measurement

There is no specific compliance risk capital calculated for SCR, however, it is considered to be part of the Operational Risk SCR.

Reference is made to Note 48 'Risk management' in the 2024 Consolidated annual accounts of NN Group for information on compliance risk.

## C.6.2. Concentration risk

NN Insurance Belgium does not have an appetite for risk concentration and manages concentration risk with a limit structure. During the year no active limit breaches occurred. More information on the mitigation of several types of concentration risk is included in the relevant risk types.

## C.6.3. Investing assets in accordance with the 'Prudent person principle'

### Acceptable investments

NN Group maintains a Global Asset List, which contains all asset classes in which the subsidiaries, like NN Insurance Belgium are allowed to invest. Before an asset class is approved for this list, a New Asset Class Assessment Procedure ('NACA') must be followed.

The NACA should describe all relevant considerations on return, risk and operational consequences that are relevant to the decision whether NN Insurance Belgium should invest in the proposed investment class.

The NACA request does not describe a specific transaction, but is a proposal for the potential investment in an investment class. The NACA should nevertheless address the quantitative impact of potential future investments and include proposed portfolio limits for the product. This should always be in line with NN Group internal policies as well as external constraints (such as regulatory limits).

### Governance of investments

Within the Three Lines-of-Defence model, investments are managed in the first line through a dedicated Local Portfolio manager, reporting directly to the CFO. The second line function Financial and Insurance Risk Management reports to CRO. Both lines of defence meet regularly in several risk and finance committees, notably the Asset and Liability Committee ('ALCO') for the most material issues. Operational activities regarding investments are performed by Goldman Sachs Asset Management, who also provides (unsolicited) advice on proposed or current investments.

All investments related activities are performed within the boundaries as set by NN Insurance Belgium. These include among others the following:

- Asset Class Standard (NACA)
- Strategic Asset Allocation Standard
- Investment Management Policy
- Concentration Risk Standard
- Asset-Liability Management (ALM) Policy
- Financial Regulations Standard
- Interest Rate Risk Management Standard
- Investment Mandate Standard
- Liquidity Risk Management Standard
- Responsible Investment framework Policy

## Local Portfolio Manager

Based on market views, local Business Unit requirements, input from its assets managers, the Local Portfolio Managers:

- Propose Investment Strategies
- Prepare proposals for mandates and for delegated approval levels for the Asset Managers
- Propose Investment ideas to the ALCO
- Prepare Performance Measurement Guidelines of all investment decisions taken under the delegated approval authorities
- They are supported by NN Group's Investment Office (NN IO).

NN Group's Investment Office is responsible for defining the long-term investment strategy within NN Group, and to introduce new asset classes and enhancing existing ones.

### C.6.4. Own Funds sensitivity analysis

NN Insurance Belgium prepares an 'own risk and solvency assessment' ('ORSA') at least once a year. In the ORSA, NN Insurance Belgium articulates its strategy and risk appetite; describes its key risks and how they are managed; analyses whether or not its risks and capital are appropriately modelled; and evaluates how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Insurance Belgium. Stress testing can also be initiated outside ORSA, either internally or by external parties such as the local regulator (National Bank of Belgium (NBB)) and the European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes a forward looking overall assessment of NN Insurance Belgium's solvency position in light of the risks it holds.

Reference is made to the EIOPA Stress Test report delivered towards the NBB as in accordance with the EIOPA regulation.

### C.6.5. Risk exposure from off-balance sheet positions and transfer of risk to special purpose vehicles

NN Insurance Belgium has off-balance sheet positions regarding the security lending positions, the notional amounts of the interest rate swaps, the forward interest swap and forward bond. No other off-balance sheet positions or transferred risk to special purpose vehicles are identified.

## **C.7. Any other information relevant to the risk profile of NN Insurance Belgium**

Risk mitigation techniques used at NN Insurance Belgium are described in above sections. No other material information is relevant to the risk profile of NN Insurance Belgium.

# Valuation for Solvency Purposes

## D. Valuation for Solvency Purposes

### Introduction

This chapter of the SFCR contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of NN Insurance Belgium and explains the differences with their valuations in the NN Insurance Belgium 2024 BE GAAP annual accounts.

#### Accounting principles, methods and main assumptions used

In general, Solvency II valuation requires a market consistent approach to the valuation of assets and liabilities. Within NN Group the default reference framework for valuing assets and liabilities, other than technical provisions, is IFRS as endorsed by the European Union ('IFRS-EU'). As such NN Insurance Belgium produces a full set of accounting figures under IFRS. Nevertheless, for prudential and local reporting purposes the reference framework is Belgian GAAP. The exception is that the BE GAAP valuation principle does not reflect a market consistent valuation (e.g. amortized cost). For main assumptions used in fair valuing assets, reference is made to Note 3 'Fair value of the investments' in the 2024 annual accounts of NN Insurance Belgium.

#### Reconciliation BE GAAP Balance sheet to Solvency II Balance sheet

Reference is made to the 2024 annual accounts of NN Insurance Belgium for more detailed information on the BE GAAP Balance sheet and to QRT SE.02.01 'Balance sheet'.

The valuation and presentation differences between BE GAAP and Solvency II are resulting from differences in accounting principles and differences in the presentation of these. Main differences are the clean versus dirty market valuation. These differences are explained in the sections below. For items where no valuation difference occurred, reference is made to Note 20 'Accounting policies' in the NN Insurance Belgium annual accounts.

# Valuation for Solvency Purposes

Business and performance
System of governance
Risk profile
Valuation for Solvency purposes
Capital management

As at 31 December 2024	BE GAAP	Valuation differences	Presentation differences	Solvency II
<b>Assets</b>				
Cash and cash equivalents	268	0	0	268
Investments, including assets held for index-linked and unit-linked funds	7,360	-24	53	7,389
Loans	3,999	-378	-20	3,602
Reinsurance contracts	58	-52	-20	-14
Associates and joint ventures	0	0	0	0
Real estate investments	0	0	0	0
Property and equipment	4	1	0	4
Intangible assets	6	-6	0	0
Deferred acquisition costs	0	0	0	0
Other assets	143	65	-61	147
<b>Total assets</b>	<b>11,838</b>	<b>-394</b>	<b>-46</b>	<b>11,398</b>
<b>Equity</b>				
Shareholders' equity (parent)	487	367	41	895
Minority interests	0	0	0	0
Undated subordinated notes	0	0	0	0
<b>Total equity</b>	<b>487</b>	<b>367</b>	<b>41</b>	<b>895</b>
<b>Liabilities</b>				
Subordinated debt	225	2	5	232
Debt securities issued	0	0	0	0
Other borrowed funds	0	0	0	0
Insurance and investment contracts	10,720	-825	-71	9,824
Deposits from reinsurers	30	0	0	30
Derivatives	0	1	0	1
Other liabilities	376	60	-21	416
<b>Total liabilities</b>	<b>11,351</b>	<b>-761</b>	<b>-87</b>	<b>10,503</b>
<b>Total equity and liabilities</b>	<b>11,838</b>	<b>-394</b>	<b>-46</b>	<b>11,398</b>

# Valuation for Solvency Purposes

## D.1. Assets

### D.1.1. Cash and cash equivalents

In the BE GAAP balance sheet, cash and cash equivalents are reported at the notional amount. In the Solvency II balance sheet, cash and cash equivalents are reported at market value. There are no valuation differences between BE GAAP and Solvency II for cash and cash equivalents as the market value is not different from the notional value.

### D.1.2. Investments, including assets held for index-linked and unit-linked funds

In the Solvency II balance sheet, investments are reported at market value which represents a valuation difference of EUR -24 million with BE GAAP, the main differences are explained as follows:

- Under BE GAAP, bonds are valued at amortized cost (reimbursement value at maturity date). Indications for a more permanent decrease in value of the investments will lead to an impairment, under Solvency II the valuation is at market value.
- Shares are valued at cost, indications for a more permanent decrease of value will be evaluated and can lead to an impairment whilst the valuation under Solvency II is market value based.
- Perpetual loans are valued at Locom<sup>1</sup> under BE GAAP against market value under Solvency II.
- Investment in the shareholders capital of the real estate entity within the group. This investment is booked in the BE GAAP balance sheet at acquisition value, under Solvency II this is recognized as investment in associates according to the equity valuation method.

Reference is made to the detailed valuation rules in Note 20 'Accounting policies' of the NN Insurance Belgium annual accounts.

Presentation differences of EUR 53 million as at 31 December 2024 are caused by:

- Presentation of accrued interest as part of the investments, instead of a separate presentation as accrual under BE GAAP. Solvency II requires accrued interest to be presented as part of the investments ('dirty market value') and not separately as other assets as in the annual accounts of NN Insurance Belgium ('clean market value').

### D.1.3. Loans and mortgages

In the BE GAAP balance sheet, loans and mortgages are reported at amortized cost. In the Solvency II balance sheet, loans are reported at market value. For loans that are repriced frequently and have had no significant changes in credit risk, the carrying values in the annual accounts represent a reasonable estimate of the market value for Solvency II. For other loans the market value is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The market value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Valuation differences between BE GAAP and Solvency II for loans represents the difference between amortized cost and market value of EUR -378 million as at 31 December 2024.

Presentation differences of EUR -20 million as at 31 December 2024 are caused by

<sup>1</sup> Locom: Lower Of Cost Or Market (the lowest of the cost of the asset or the market value of the asset).

## Valuation for Solvency Purposes

- the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the loans ('dirty market value') and not separately as other assets as in the annual accounts of NN Insurance Belgium ('clean market value')
- Settlement account related to construction deposits Mortgages.

### D.1.4. Reinsurance contracts

Reference is made to section D2 'Technical provisions'.

### D.1.5. Property and equipment

In the BE GAAP balance sheet, equipment is reported at cost less depreciation. In the Solvency II balance sheet, equipment is reported at market value. There are no significant valuation differences between BE GAAP and Solvency II for equipment, as market value is generally not significantly different from depreciated cost.

### D.1.6. Intangible assets

Other intangibles including software can be recognized and measured at a value other than nil if they can be sold separately and if there is a quoted market price in an active market for the same or similar intangible assets. As there is no quoted market price for NN Insurance Belgium's other intangible assets, it is valued at nil for Solvency purposes.

### D.1.7. Other assets

In the BE GAAP balance sheet, other assets are reported at their notional amounts. In the Solvency II balance sheet, other assets (with the exclusion of deferred taxes) are reported at market value. There are no significant valuation differences between BE GAAP and Solvency II for other assets as the market value is not significantly different from the notional value.

Valuation differences between BE GAAP and Solvency II for Other assets represents the deferred tax asset of EUR 65 million as at 31 December 2024.

Presentation differences of EUR -61 million as at 31 December 2024 consist of the different presentation of accrued interest, cash collateral and reinsurance receivables. Solvency II requires accrued interest to be presented as part of the interest bearing investments ('dirty market value') and not separately as other assets as in the BE GAAP annual accounts of NN Insurance Belgium ('clean market value').

No deferred tax assets are recognized under Belgian GAAP. Reference is made to Note 15 'Taxation' of the 2024 annual accounts of NN Insurance Belgium for more information on the origin of the recognition of deferred tax assets and the amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized in the BE GAAP balance sheet.

In the Solvency II balance sheet, deferred tax assets (in case of net DTA) and liabilities (in case of net DTL) are part of the respectively other assets or other liabilities. In the Solvency II balance sheet, deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.



# Valuation for Solvency Purposes

## D.1.8. Changes in valuation bases

No other material changes were made to the recognition and valuation bases, or estimations used, in the measurement of assets on the Solvency II balance sheet.

## D.2. Technical provisions

### D.2.1. Value of the technical provisions

The value of technical provisions, including the amount of the Best Estimate of Liabilities (BEL) and the Risk Margin (RM) is disclosed below separately for each material line of business as at 31 December 2024.

**As at 31 December 2024**

Technical provisions per line of Business	BEL	Risk margin	Technical provisions
1. Non-Life	2	0	2
2. Health similar to Non-Life	7	0	7
3. Life	6,530	196	6,726
4. Health similar to Life	98	14	112
5. Index-linked and Unit-linked	2,923	54	2,977
<b>Total</b>	<b>9,559</b>	<b>265</b>	<b>9,824</b>

### D.2.2. Bases, methods and main assumptions used for solvency valuation

Technical Provisions are measured for Solvency II purposes as the sum of the Best Estimate of Liabilities (BEL) and Risk Margin (RM). The BEL is equal to the probability-weighted average of the present value of the future liability cash flows. The RM is defined as the amount that an empty (re)insurance entity is expected to require in excess of the BEL in order to take over and meet the (re)insurance obligations.

#### Best estimate of liabilities (BEL)

NN Insurance Belgium uses cash flow models and best estimate assumptions to determine the BEL under Solvency II. Premiums, benefits, expenses and other relevant cash flows are projected for the policy term – subject to contract boundaries – and discounted at the currency specific risk-free interest rate term structure to allow for financial risk with currency specific Credit Risk Adjustments (CRA) and country specific Volatility Adjustment (VOLA). This is the full-cash flow approach for all NN Insurance Belgium modelled products. Cash flows are either projected on a per policy basis or individual policies are grouped into representative model points.

Solvency II contract boundaries specify to which extent cash flows should be recognized in the Solvency II technical basis. Overall, cash flows where NN Insurance Belgium has the unilateral right to adapt the conditions of the agreement (by repricing for example) are not to be considered under Solvency II. This means that NN Insurance Belgium does not recognize the profits of its yearly renewal risk protection business, or the obligations arising from future premiums on its savings business, for as far as these are subject to dynamic pricing in future time periods.

Cash flows are projected along a sufficiently large number of future risk-free interest rate scenarios to allow for one-sided financial options and guarantees. This is typical for traditional business with a fixed interest rate guarantee. The best estimate risk-free interest rate term structure (with CRA and VOLA, if applicable) is used in those instances where there are no embedded options or guarantees.

# Valuation for Solvency Purposes

The cash flow projections consider future management actions that can be taken to mitigate the loss to NN Insurance Belgium, management policy covering the distribution of future discretionary benefits and the predictability and profit sharing of liability cash flows. The cash flow projections used in the calculation of the BEL are based on the best estimate assumptions. The cash flow projection reflects the expected realistic future demographic, legal, medical, technological, social, environmental and economic developments that will have a material impact on the BEL.

Assumptions underlying the BEL are portfolio-specific rather than entity-specific.

The Actuarial Function Report ('AFR') contains an analysis on the methods and main assumptions used for the calculations of the BEL for each material line of business. The cash flow projections used in the BEL calculations for life insurance obligations are done by grouping policies into homogeneous risk groups. The impact of the grouping of contracts on the calculation of the BEL is followed up on regular basis.

NN Insurance Belgium reports a relatively small portion of unmodelled Technical Provisions. For unmodelled business, Technical Provisions are estimated either by scaling of modelled business or by setting Solvency II Technical Provisions equal to BE GAAP provisions. Where these approaches are taken, the AFR has provided an opinion that the approaches are acceptable given the materiality of the Technical Provisions.

## Reinsurance and other recoverables

The BEL are estimated gross, without deduction of the amounts recoverable from reinsurance contracts. The amounts recoverable from reinsurance contracts and expected losses due to counterparty default are calculated separately. The principles used to calculate the amounts recoverable are consistent with those underlying the calculation of the gross BEL.

## Risk margin

In addition to the BEL a RM is held to allow for non-hedgeable market and non-market risks. The calculation of the RM is performed by either explicitly calculating the SCR for each future year or by using a driver approach. Long term guarantee ('LTG') measures are excluded from the calculation of the SCRs and in the discounting, when calculating the RM.

With the driver approach, the relevant sub-risk SCRs are projected using appropriate risk drivers, multiplied by the cost of capital of 6%, then discounted at the relevant risk free rate term structure. The sub-risk market value margins are aggregated at each future point in time.

The simplification level 3 of the EIOPA technical specification is applied. The SCRs for each future year are approximated using a proportional approach.

## Non-financial assumptions

Best estimate assumptions are set for expenses, mortality, morbidity and other relevant insurance risks using historical experience of the insurance portfolio. Assumptions are challenged by a back-testing process and the results of this exercise can lead to potential review of assumptions. In this case the assumptions are submitted to the Chief Actuary Office of NN Group ('CAO') for review and sent to the Group Model Committee ('MoC') for approval or for information, depending on materiality, following NN Insurance Belgium's model governance.

Policyholder behaviour regarding lapses, partial and full surrenders and paid-ups are taken into account for individual life business for traditional and unit-linked portfolios subject to the boundaries of the contracts.

Management actions are reflected in the cash flow projections and approved by the Board of Directors.

Boundaries of insurance contracts are set by the business units based on a detailed investigation of terms and conditions of their portfolios. These assessments were reviewed and acknowledged at Head Office without comparing the different practices.

## Financial assumptions

NN Insurance Belgium follows EIOPA requirements in determining the basic risk-free rates and the volatility adjustment ('VOLA') to determine the relevant currency specific risk free rate term structure for valuation of Technical Provisions. Because EIOPA curves are not available in time for NN Insurance Belgium to start its valuation, NN Group follows the EIOPA methodology to independently produce the curves. These are then compared to the published EIOPA curves when these are made available to ensure consistency between the EIOPA and the NN Group manufactured curves. At year-end 2024, the EIOPA and NN Group curves were consistent.

## Changes in assumptions

Throughout 2024 the main changes in assumptions and methodology related to the update of the expense and lapse assumptions.

## Options and guarantees

When establishing technical provisions, all material financial guarantees and contractual options included within the boundary of insurance and reinsurance policies are taken into account. In doing so, factors which may affect likelihood that policyholders will exercise contractual options or realize the value of financial guarantees are analysed.

The intrinsic value of financials options and guarantees is reflected in the single (deterministic) cash flow projection of technical provisions. These include the interest rate guarantees implicit in traditional products as well as policyholder options such as paid-up, cancellation, etc. where material.

A stochastic model is required to determine the time value of options and guarantees ('TVOG') where cash flows vary asymmetrically with market returns. The stochastic model uses a number of Monte Carlo simulations (typically, 1,000 to 3,500) to project future cash flows under various economic scenarios. The number of scenarios is set in order to reduce the simulation error to within the tolerance level. Currently, such error should be less than 1% of the best estimate liabilities, as determined by taking 80% confidence interval of the mean standard error of the simulations. NN Insurance Belgium performs a test to ensure the simulation error is within the established limits and increase number of scenarios used if the test does not satisfy the requirements.

Dynamic policyholder behaviour has been reflected where it is deemed material to the valuation under the different economic environments reflected in the stochastic scenarios. Where future profit sharing is dependent on economic conditions, the variability is taken into account in the TVOG. Where management actions have been taken into account, these are consistent with policies signed-off by the respective boards.

# Valuation for Solvency Purposes

The actuarial function holder has assessed the allowances made in respect of options and guarantees in the technical provisions and the underlying assumptions, and came to the conclusion that such allowances are appropriate.

## D.2.3. Level of Uncertainty

For the level of uncertainty associated with the value of the technical provision, reference is made to section D.5.1.

## D.2.4. Main differences between BE GAAP and Solvency II valuation of technical provisions

Technical provisions per line of Business	BE GAAP	Valuation differences	Solvency II
1. Non-Life	1	1	2
2. Health similar to Non-Life	5	2	7
3. Life	7,033	-307	6,726
4. Health similar to Life	135	-23	112
5. Index-linked and Unit-linked	3,090	-113	2,977
6. Other Technical Provisions	455	-455	0
<b>Total</b>	<b>10,720</b>	<b>-896</b>	<b>9,824</b>

At 31 December 2024, the valuation differences between the insurance and investment contracts recognized in the BE GAAP balance sheet and the technical provisions recognized in the Solvency II balance sheet of NN Insurance Belgium amounted to EUR -896 million. Methods and models used in calculating Solvency II technical provisions and BE GAAP reserves differ substantially. Main valuation differences between BE GAAP and Solvency II are outlined below:

- NN Insurance Belgium applies accounting standards generally accepted in Belgium (Belgium GAAP, Accounting Royal Decree (RD 17,11,1994)) for their provisions for liabilities under insurance contracts.
- The BEL in Solvency II is calculated for all entities as the expected present value of future liability cash flows using best estimate assumptions
- A RM for non-hedgeable risks is added to the BEL to establish the Solvency II technical provisions
- For Solvency II a risk-free interest rate curve with credit risk and volatility adjustment where applicable is used. NN Insurance Belgium does not apply a matching adjustment.
- The present value of future profits is recognized in Solvency technical provisions but not in BE GAAP reserves
- The difference between BE GAAP and Solvency II provisions is primarily reflected in the Life lines of Business: BE GAAP provisions largely reflect accrued benefits for the customer, where for Solvency II the discounted expected future cash flows are taken into account.
- For index-linked and unit-linked insurance the BE GAAP provisions are equal to the fund value of these contracts. For Solvency II Technical Provisions, the present value of the margins is deducted from the fund value.
- The valuation differences between BE GAAP reserves and Solvency II technical provisions described in the above paragraph also apply to reinsurance contracts.

## Valuation for Solvency Purposes

- The other technical provisions concerns the Flashing Light reserve, the aging reserve and the reserve for TRIP (“Terrorism Reinsurance and Insurance Pool”<sup>2</sup> to which NN Insurance Belgium participates). The Flashing Light reserve is valued at nil for Solvency purposes and the others are reclassified by line of business under Solvency II.

### D.2.5. Matching and volatility adjustment, transitional measures, and transitional risk-free interest rate-term structure

NN Insurance Belgium applied the volatility adjustment (VOLA) and did not apply a matching adjustment, Transitional Measures on Technical Provisions (TMoTP) or transitional deduction in its insurance portfolio.

The quantification of the impact of a change to zero of the volatility is included in QRT S.22.01.01.01. ‘Impact of long term guarantees and transitional measures’.

### D.3. Other liabilities

As at 31 December 2024	BE GAAP	Valuation differences	Presentation differences	Solvency II
Provisions other than technical provisions	29	18	0	47
Deferred tax liabilities	0	0	0	0
Insurance, reinsurance & intermediaries payables	98	0	71	169
Payables (trade, not insurance)	47	0	0	47
Any other liabilities	201	42	-92	152
<b>Total other liabilities</b>	<b>376</b>	<b>60</b>	<b>-21</b>	<b>416</b>

#### D.3.1. Pension benefit obligations

The employees of NN Insurance Belgium have been granted pension plans under the form of Defined Benefit and Defined Contribution. For these Pension plans the future liability in accordance with the interest assumptions are taken up in the BE GAAP figures. On top of this, for Solvency II purposes additional liabilities are calculated based on a broader set of assumptions such as increase of future wages.

Pension benefit obligations are part of the line “Provisions other than technical provisions” in the above table.

#### D.3.2. Any other liabilities

Differences in the presentation of the other liabilities are linked to cash flow hedge reserve classified in equity under Solvency II, to settlement account related to construction deposits Mortgages presented as part of loans and mortgages under Solvency II and to accrued interest on subordinated loans presented as part of subordinated debt.

<sup>2</sup> Terrorism Reinsurance and Insurance Pool is intended to cover the consequences of a terrorist act in accordance with the guarantees supplied by its members (insurance companies). The insurance companies share the claims costs between each other, and a solidarity mechanism guarantees extra protection by grouping together the resources of the insurance sector and the Belgian State. In the event of a terrorist act, the members (insurance companies) will first support each other so as to be able to compensate insured parties who are victims of the act. If the cost of the claims is very high, the Belgian State also provides assistance.

## Valuation for Solvency Purposes

### D.3.3. Expected profits in future premiums

For existing business, expected profits included in future premiums are reflected in the technical provisions and therefore contribute to the Own Funds. For more information on the expected profits in future premiums, reference is made to QRT S.23.01.01 'Own Funds' available on the website ([www.nn.be](http://www.nn.be)).

### D.3.4. Changes during 2024

No significant changes were made to the recognition and valuation bases nor on estimations of the other liabilities during the reporting period.

## D.4. Alternative methods for valuation

Alternative valuation methods (models) are used by NN Insurance Belgium to determine the fair value of assets and liabilities if quoted market prices in active markets are unavailable. Reference is made to Note 3 "Fair value of financial assets" of the annual accounts of NN Insurance Belgium.

## D.5. Any other information

### D.5.1. Estimation uncertainties

Reference is made to 'risks and uncertainties' in the 2024 Annual Report of NN Insurance Belgium for assumptions and judgments used including those about the future.

### D.5.2. Other information

Reference is made to the Annual Report 2024 for detailed information on the non-trading derivatives. No other material information regarding the valuation of assets and liabilities for Solvency II purposes is relevant.

## E. Capital Management

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### Introduction

This chapter of the SFCR contains information on the capital management of NN Insurance Belgium, including the reconciliation of BE GAAP equity to Solvency II Own Funds and NN Insurance Belgium's Minimum Capital Requirement (MCR).

#### Objective

The goal is to adequately capitalize NN Insurance Belgium at all times to meet the interests of our stakeholders, including our customers and shareholders. The balance sheet is managed in line with the capital management framework which is based on regulatory and economic requirements. NN Insurance Belgium closely monitors and manages the following metrics: Own Funds/SCR, capital generation and liquidity.

#### Governance

Reference is made to section "B" of this SFCR report.

#### Capital management and framework

As a first principle, NN Insurance Belgium aims to be capitalized adequately at all times. To ensure adequate capitalization, NN Insurance Belgium is managed to a commercial capital level, which is set in accordance with commercial requirements and other relevant factors. Capital adequacy is ensured through the capital planning process which starts with the annual budgeting process in which a capital plan is prepared for NN Insurance Belgium. NN Insurance Belgium's risk appetite statements, Capital positions are closely monitored and, if necessary, measures are taken to ensure capital adequacy.

### E.1. Own funds

Solvency II Basic Own Funds comprises the following items:

- Paid-in ordinary share capital and the related share premium account
- Surplus fund
- Subordinated liabilities
- Net deferred tax assets
- A reconciliation reserve. The purpose of the reconciliation reserve is to reconcile the value of the above items to the total amount of the excess of assets over liabilities

#### E.1.1. Impact of long-term guarantees and transitional measures

The quantification of the impact of a change to zero of the volatility adjustment on technical provisions on NN Insurance Belgium's financial position, represented by an adjustment on the amount of technical provisions, the SCR, the basic own funds and the amounts of own funds eligible to cover the SCR is included in QRT S.22.01.01 'Impact of long term guarantees and transitional measures' available on the website ([www.nn.be](http://www.nn.be)).

## E.1.2. Items deducted from own funds

As can be observed in the table below (section E.1.7), the excess of assets over liabilities is reduced by foreseeable dividends, distributions and charges. The foreseeable charge relates to the accrued coupons on the eligible subordinated debt.

## E.1.3. Additional ratios

No additional ratios are disclosed in the Solvency and Financial Condition Report other than the ratios included in QRT S.23.01.01 'Own funds' available on the website ([www.nn.be](http://www.nn.be)).

## E.1.4. Analysis of significant changes in own funds

The Own Funds increased by EUR 114 million to EUR 1,122 million at the end of 2024, mainly driven by:

- Operating capital generation of EUR 108 million.
- Subordinated loan of EUR 70 million.
- Impact of model and assumption changes during 2024: EUR -27 million.
- Other Non-Operating Variances during 2024: EUR -30 million.

## E.1.5. The principal loss-absorbency mechanism

During 2024, NN Insurance Belgium used the loss-absorbing capacity of technical provisions ('LAC TP'). The adjustment for LAC TP shall reflect potential compensation of unexpected losses through a simultaneous decrease in technical provisions, taking into account the risk mitigating effect provided by future discretionary benefits of insurance contracts, to the extent insurance and reinsurance undertakings can establish that a reduction in such benefits may be used to cover unexpected losses when they arise. The risk mitigating effect provided by future discretionary benefits shall be no higher than the sum of technical provisions and deferred taxes relating to those future discretionary benefits. The value of future discretionary benefits under adverse circumstances shall be compared to the value of such benefits under the underlying assumptions of the best-estimate calculation.

## E.1.6. Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the following key elements:

- Paid-in ordinary share capital and related share premium account
- Surplus Fund
- The amount equal to the value of net deferred tax assets
- Foreseeable dividends, distributions and charges

The reconciliation reserve is included in QRT S.23.01.01 'Own funds' (available on the website [www.nn.be](http://www.nn.be)).



## E.1.7. Reconciliation BE GAAP equity to Solvency II Basic Own Funds

Basic own funds	2024	2023	Δ
Ordinary share capital	207	207	0
Reconciliation reserve: Legal Reserves	21	21	0
Reconciliation reserve: Other Surplus Reserves	194	166	27
Other	66	66	0
<b>BE-GAAP</b>	<b>487</b>	<b>460</b>	<b>27</b>
Reconciliation reserve: Other Surplus Reserves	779	692	87
<b>IFRS</b>	<b>1,266</b>	<b>1,151</b>	<b>115</b>
Reconciliation reserve: Other Surplus Reserves	408	392	16
<b>Solvency II Excess of Assets over Liabilities</b>	<b>895</b>	<b>852</b>	<b>43</b>
Subordinated Liabilities	232	164	68
Foreseeable dividends	-5	-8	3
<b>Solvency II Total Available Own Funds</b>	<b>1,122</b>	<b>1,008</b>	<b>114</b>
Own funds eligible for distribution	260	232	27
Own funds non eligible for distribution	227	227	0

The differences between BE GAAP Shareholders' Equity in NN Insurance Belgium's 2024 annual accounts and Solvency II Basic Own Funds at 31 December 2024 are mainly caused by the following valuation differences:

- Intangible assets such as software are not recognized under Solvency II
- Loans and advances are measured differently on the BE GAAP and Solvency II balance sheets
- Reinsurance contracts are measured differently
- Insurance and investment contract liabilities are measured differently
- The other adjustments mainly consist of the recognition of net Deferred Tax Assets or Deferred Tax Liabilities caused by using different valuations for some Solvency II balance sheet items whilst the tax base of these items remained the same.
- Other differences:
  - Subordinated loans which are recognized as Solvency II capital are included;
  - Foreseeable dividends and distributions are recognized for Solvency II purposes when determining the Basic Own Funds.

Reference is made to section D 'Valuation for Solvency Purposes' for more information on the valuation and consolidation differences between BE GAAP and Solvency II.

### Eligibility, transferability and fungibility of Own Funds

Next to the Tier 1 Own Funds, NN Insurance Belgium has also Tier 2 Own Funds and Tier 3 Own Funds which meet the requirements under Solvency II and are therefore available to cover the SCR. For the eligible amounts of Own Funds we refer to the Quantitative Reporting template S.23.01.01 on the website ([www.nn.be](http://www.nn.be)).

## E.2. Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1. SCR

Reference is made to QRT S.25.01.01 and section C. Risk Profile for the amount of the SCR split by risk categories.

	2024	2023
<b>Eligible Own Funds to cover SCR</b>	<b>1,122</b>	<b>1,008</b>
of which Tier 1 unrestricted	825	772
of which Tier 1 Restricted	77	80
of which Tier 2	155	84
of which Tier 3	65	72
<b>Solvency Capital Requirements</b>	<b>724</b>	<b>665</b>
<b>NN Insurance Belgium Solvency II ratio</b>	<b>155%</b>	<b>152%</b>

NN Insurance Belgium determined the SCR including:

Loss-absorbing capacity of technical provisions ('LAC TP'). LAC TP is the part of the technical provisions that can be used to absorb some of the SCR shock losses, as the expected future profit sharing to policyholders will be reduced if actual losses would arise. LAC TP is applicable to insurance policies with discretionary profit sharing. NN Insurance Belgium estimated the LAC TP to be EUR 14 million at 31 December 2024.

- Loss-absorbing capacity of deferred taxes ('LAC DT'): this is an adjustment that can be applied to the Basic Solvency Capital Requirement (reference is made to the table in chapter C). It is a tax recovery that can partly offset the total loss in a 1-in-200 event (SCR). It reduces the SCR by the value of tax relief on a loss equal to the pre-tax SCR. NN Insurance Belgium estimated the LAC DT to be EUR 0 million at 31 December 2024. The LAC DT methodology depends on whether there is a net DTA or a net DTL position on the Solvency II balance sheet.
  - In case of a net DTL position, the LAC DT is determined by the economic recoverability test
  - In case of a net DTA position, there is a cap on the DTA position:
    - Corporate tax rate applied on maximum 10 years of taxable profit (based on the internal strategic business plan), with haircuts applies as from year 6, in accordance with the NBB circular (NBB\_2022.27).

### E.2.2. Deferred tax under Solvency II

The total deferred tax amount in Solvency II arises from:

- Taxable or deductible temporary differences because the carrying amount of assets or liabilities in the Solvency II balance sheet differs from the tax base of those assets or liabilities. These differences multiplied by the tax rate are recognized as a net deferred tax liability or a net deferred tax asset (per legal entity) in the balance sheet. Reference is made to section D.1.7 'Other Assets' for the deferred tax asset recognized in the Solvency II balance sheet.
- The LAC DT on the SCR.
- Unused tax losses that are available for carry forward for tax purposes.

Not all valuation differences between the tax basis and Solvency II and SCR shocks will lead to deferred tax as certain elements are exempt for tax. For example: valuation differences on equity securities and the equity shock in the SCR would normally not result in a deferred tax effect when equity returns are exempt from tax. Therefore, these

are excluded from the valuation differences and SCR amounts in order to arrive at the deferred tax balances for Solvency II.

The total deferred tax amount for Solvency II is therefore built up in a number of steps:

- deferred tax assets on unused tax losses
- +/- deferred tax assets/liabilities from valuation differences between IFRS and tax basis (except for non-taxable items)
- = deferred tax asset/liability in the IFRS balance sheet (deferred tax for IFRS)
- +/- deferred tax assets/liabilities from valuation differences between Solvency II and IFRS (except for non-taxable items)
- = deferred tax asset/liability in the Solvency II balance sheet (deferred tax for Own Funds)
- + deferred tax on SCR (LAC DT on the SCR) (except for non-taxable items)
- = total deferred tax amount for Solvency II

The 'total deferred tax amount for Solvency II' represents the deferred tax position that would be reflected in a Solvency II balance sheet that is fully shocked in line with the SCR shock. Any net deferred tax asset/benefit - whether for IFRS, Own Funds or SCR - must be tested for recoverability. The general guidance on assessing recoverability is summarized as follows:

- Tax assets can only be recognized when it is concluded that their recoverability is probable. This applies to both deferred tax assets from timing differences, deferred tax assets from unused tax losses carried forward and the LAC DT on the SCR.
- Deferred tax assets are recoverable when:
  - There are sufficient deferred tax liabilities relating to the same taxation authority and the same taxable entity. These deferred tax liabilities must be expected to reverse either in the same period as the tax asset or in periods into which a tax loss can be carried back or forward.
  - It is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward)
  - Tax planning opportunities are available

Deferred taxes in Solvency II balance sheet are nominal, undiscounted, amounts. Therefore, recoverability testing also only considers nominal, undiscounted, amounts.

Specific guidance applies under Solvency II in respect of item 'Sufficient taxable profit' as, different from BE GAAP, this refers to Solvency II based profits (before and after a shock event) and not to regular (BE GAAP-based) profits.

In order to assess the recoverability of deferred tax, the total deferred tax amount for Solvency II (i.e. deferred tax in the Solvency II balance sheet plus the LAC DT on the SCR) must be equal to or lower than the total recoverable deferred tax amount in a Solvency II environment.

The deferred tax liabilities in the IFRS balance sheet at 31 December 2024 amounts to EUR 59 million.

At 31 December 2024, NN Insurance Belgium holds a deferred tax asset of EUR 65 million in the Solvency II balance sheet. As the total deferred tax amount for Solvency II (i.e. the deferred tax asset that exists in a fully shocked SCR balance sheet) is the highest amount, it acts as starting point for the recoverability test. This total amount reflects the differences between the tax values and the Solvency II values for all assets and liabilities and the tax benefit on

the SCR. Only if the total deferred tax is non-recoverable, the recoverability of the deferred tax in Own Funds becomes separately relevant.

NN Insurance Belgium ensured compliance with the new NBB circular (NBB\_2022.27):

- NN Insurance Belgium projected the future DTA/DTL positions and demonstrated that the reversals of taxable and deductible timing differences occur within the same period.
- Usage of (5 years of) new business contribution, excess return profits and risk free return as future taxable profits.
- Projection period of 10 years is used, with haircuts applies as from year 6, in line with the circular.

## E.2.3. MCR

The following table reports on the MCR for NN Insurance Belgium.

	2024	2023
<b>Eligible Own Funds to cover MCR</b>	<b>964</b>	<b>912</b>
of which Tier 1 unrestricted	825	772
of which Tier 1 Restricted	77	80
of which Tier 2	62	60
<b>Minimum Capital Requirements</b>	<b>310</b>	<b>299</b>
<b>NN Insurance Belgium MCR ratio</b>	<b>311%</b>	<b>305%</b>

The MCR is calculated as linear Minimum Capital Requirement. NN Insurance Belgium's MCR arises to EUR 310 million at 31 December 2024.

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

NN Insurance Belgium does not use the duration-based equity risk sub-module, but classifies part of its equity portfolio as Long Term Equity.

## E.4. Differences between the standard formula and any internal model used

NN Insurance Belgium does not use an internal model.

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

NN Insurance Belgium complied with the MCR and the SCR during the reporting period.

## E.6. Any other information

Reference is made to the Note 49 'Capital and liquidity management' in 2024 annual accounts of NN Group for any other material information regarding the capital management of NN Insurance Belgium. Reference is made to the annual report of the Board of Directors in the 2024 annual accounts of NN Insurance Belgium for the nature and the effect of material events arising after the balance-sheet date which are not reflected in the balance-sheet, if any.