2023
SFCR Report

Solvency and Financial Condition Report
Liechtenstein Life Assurance AG

Liechtenstein Life

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List of abbreviations

AG	Public limited company
CF	Compliance Function
CHF	Swiss franc
EIOPA	European Insurance and Occupational Pensions Authority
EUR	Euro
ICS	Internal control system
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PGR	Law on Persons and Companies
SFCR	Solvency and Financial Condition Report
SCR	Solvency Capital Requirement
TCHF	Thousand Swiss francs
VMF	Actuarial Function

Summary

Solvency and Financial Condition Report (SFCR)

The new regulatory provisions for insurance under Solvency II came into force in the European Union (EU) and the European Economic Area (EEA) with effect from 1 January 2016. They require insurers and reinsurers to focus more on risk measurement and risk management. The rules and regulations lead to intensive internal and external communication on risks. The aim is to improve and harmonise risk management standards throughout the industry. As an important part of the Solvency II Directive's extensive reporting requirements, all life, non-life and reinsurance undertakings subject to Solvency II are required to publish a Solvency and Financial Condition Report (SFCR). The publication of the SFCR is intended to increase the transparency of insurance undertakings and to make important information on the financial condition of the undertaking publicly available. The SFCR provides quantitative and qualitative information in a format that enables readers to obtain a comprehensive and accurate picture of the solvency and financial situation of the insurance undertaking. Within the Solvency II regulatory framework, the solvency ratio is one of the most frequently observed key figures for comparing the capital strength of companies. The solvency ratio considered on its own, however, bears the risk of simplifying the situation too much. Whether a company has a solid capital base, good risk management and a low probability of default should not be assessed solely on the basis of a single key figure. It is therefore important to acquire a sound understanding of various aspects in this context in order to gain a more realistic view of the company's situation. We therefore recommend that you take a closer look at various key figures.

Publication

The subject of this SFCR is the reporting year 2023. The quantitative information in this report refers accordingly (unless otherwise stated) to the reporting date as at 31 December 2023.

Core business of Liechtenstein Life Assurance AG

Liechtenstein Life Assurance AG is an innovative life insurance company that concentrates primarily on the sale of unit-linked life insurance policies, with optional guarantees. This significantly reduces the corporate risk compared with traditional life insurers and offers clients maximum product flexibility. As a modern company, Liechtenstein Life Assurance AG attaches great importance to maximum transparency and digitalised services. The company's range of services includes an app solution and an online portal through which clients, sales partners and Liechtenstein Life Assurance AG are connected digitally. This enables fast and interactive communications with clients and allows efficient administration of the insurance contracts. What's more, the app and the online portal offer enormous development potential for digital distribution approaches.
Details of the business activities and results of operations are provided in Chapter A.

Governance System Liechtenstein Life Assurance AG

Within the Solvency II regulatory framework, numerous requirements are placed on insurance companies regarding their governance system. Liechtenstein Life Assurance AG has developed an appropriate governance system based on the rules and

regulations and tailored to the business model and size of the company. This is being expanded with the continued growth of the company. For the reporting period, all required guidelines and internal regulations were already available and were found to be appropriate in the regular monitoring cycle. Key components of the governance system of Liechtenstein Life Assurance AG are the risk management team and the internal control system, including the compliance function.
Details on the governance system of Liechtenstein Life Assurance AG are explained in Chapter B.

Risk mitigation measures have been effectively implemented

The risk to which Liechtenstein Life Assurance AG is most exposed is the underwriting risk. In the 2023 reporting year, the existing risk mitigation techniques prove as effective, enabling the company to manage the risks entered into at all times.
Details of Liechtenstein Life Assurance AG's risk profile are provided in Chapter C.

Asset and liability calculations as per standard formula

According to Solvency II regulations, market-oriented calculations of assets and liabilities may be carried out according to a model developed in-house or according to the prescribed standard formula. Due to the size and business structure of the company, Liechtenstein Life Assurance AG has decided to strictly adhere to the requirements of the Solvency II standard formula for its calculations. All stress tests were therefore carried out exactly according to this model. **No volatility adjustments, transitional measures or management rules were applied.**
The report also contains explanations on the main differences in accounting under Solvency II and local accounting under Liechtenstein Law on Persons and Companies (PGR), including their bases, methods and underlying assumptions.
Details of the valuation for solvency purposes of Liechtenstein Life Assurance AG are explained in Chapter D.

Own funds and SCR ratio

The own funds situation was assessed as very good. In the reporting period, Liechtenstein Life Assurance AG continuously complied with both the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The own funds of Liechtenstein Life Assurance AG are reported within the scope of this report in accordance with the Solvency II balance sheet and in accordance with the Liechtenstein Law on Persons and Companies (PGR). According to the Solvency II balance sheet as at 31 December 2023, Liechtenstein Life Assurance AG has own funds of **CHF 231,653 thousand**, which are exclusively in the Tier 1 category and are therefore available without restriction. According to PGR, Liechtenstein Life Assurance AG has own funds of **CHF 57,468 thousand**. As at 31 December 2023, the coverage ratio of the Solvency Capital Requirement (SCR ratio) – without the application of adjustments, transitional measures or management rules – was **200 %**. The coverage ratio of the Minimum Capital Requirement (MCR ratio) is **801 %** The coverage ratios thus meet the requirements of Solvency II. The current risk situation is within the company's risk-bearing capacity.
Details on Liechtenstein Life Assurance AG's capital management are explained in Chapter E.

In CHF thousand	31.12.2023
Own funds according to Solvency II	231,653
Own funds according to PGR	57,468
In per cent	**31.12.2023**
SCR ratio	200 %
MCR ratio	801 %

A
Business activity and results

A.1. Business activity

Liechtenstein Life Assurance AG succeeded in increasing profit after tax by **40 %** to **CHF 13.1 million**. There was also decent growth in gross premiums written, which rose **17 %** to just below **CHF 300 million**. Because of the increase in gross premiums, which was largely due to regular premiums, the Annual Premium Equivalent went up **21 %** to **CHF 223 million**.
The insurance portfolio expanded to over 100,000 policies in the first half of 2023. The number of policies under management increased by 16,721 contracts in 2023, an increase of **18 %**. At the end of the year Liechtenstein Life Assurance AG had 108,280 policies in its portfolio.
Following an only marginal rise in client assets under management in 2022, which was due to negative market and currency developments, the stock market environment improved somewhat in 2023. The upward trend in the stock market offset the downward trend in the currency market when viewed from the perspective of the Swiss franc. Thanks to continued high premium income, client assets under management increased by **25 %** to **CHF 857 million**.

Digitalisation and development

Digitalisation continues to be an extremely high priority for Liechtenstein Life Assurance AG. To attract new clients, the company is now connected to various portals that make it possible to offer insurance solutions to a wider group of people. In the past financial year, digital sales opportunities available to partners were also increased.

Another digital milestone is the connection to the bLink platform. bLink is an open banking platform provided by SIX Banking Services that enables efficient and uncomplicated processing of fund orders. This efficient and uncomplicated processing of fund orders not only represents a competitive advantage for Liechtenstein Life Assurance AG, but also a unique selling point for a life insurance company. Liechtenstein Life Assurance AG is the first insurance institution in the Principality of Liechtenstein and Switzerland to utilise the potential of this OpenWealth interface.

Payment transactions are also constantly evolving. In 2023, eBill was added as a payment method for clients in Switzerland and the Principality of Liechtenstein. eBill is the Swiss financial industry standard for electronic invoices. The invoice issuer can send the invoice digitally to the policyholder’s online banking system. They can then check and approve it with one click.

Business segment and product portfolio

For the Swiss and German markets, Liechtenstein Life Assurance AG sells unit-linked life and pension insurance policies that are tax-privileged. The products may contain guarantees. This offers clients a real opportunity for attractive returns on the financial markets while maintaining the tax benefits. The so-called “Nettopolice” (net policy) is also very popular on the German market. All products of Liechtenstein Life Assurance AG impress with their high level of transparency for clients.

The unit-linked product world of Liechtenstein Life Assurance AG offers the following product variants:

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

Extension to the product landscape

In Switzerland, a new generation of KOKOON value plus 2023 has been offered since 1 January 2023. The new generation offers significantly higher sums at risk for pension and/or premium waivers due to occupational disability, as well as for death benefit insurance. It is possible to continue a 3A contract beyond the Federal Old Age and Survivors' Insurance (AHV) entry age, as long gainful employment is continually pursued.

Several new products were launched on the German market, with exciting innovations from Liechtenstein Life Wealth and Liechtenstein Life Invest. Retirement planning, inheritance and gifts are topics that are becoming increasingly important due to demographic changes. Liechtenstein Life Wealth offers a tax-efficient solution for passing on financial savings to future generations, in compliance with country-specific regulations, thanks to various product advantages. The capital ends up exactly where the testator wants to transfer it in a tax-optimised manner. In order to facilitate estate planning, up to two policyholders and insured persons can be taken into account.
Liechtenstein Life Invest is a pension insurance policy that offers deferred, lifelong pension payments and death benefit insurance during the deferment period. It is a unit-linked policy. After the deferment period has expired, a one-off lump-sum payment can also be chosen instead of a pension. What is particularly exciting about this is the type of remuneration. Unlike other insurance solutions, this contract does not include any acquisition costs. Instead, a percentage-based fund management fee will be deducted throughout the insurance term. This enables clients to benefit more from the fund's performance from the outset, as the higher acquisition costs are not incurred in the early years of the policy.

Outlook for the future – focus on client needs

Inflation, interest rate fluctuations, geopolitical conflicts and changing regulatory frameworks are just some of the factors that suggest that another strong financial year will not be a given. In these times of events beyond our control, Liechtenstein Life Assurance AG is proud to have a stable financial position, an efficient and established distribution network and a broad and satisfied client base. And these are precisely the areas we will continue to prioritise in 2024.

The focus will be on an even better understanding of client needs. In the past financial year, various surveys and analyses were conducted looking at cooperation with brokers, the demand for sustainable investments and knowledge about the possibilities of reduced inheritance tax liability through tax-optimised life insurance policies. The knowledge gained was applied to tailor insurance solutions even more closely to the needs of clients. This approach will be rigorously maintained.

In addition, the intention is to leave it up to the brokers and their clients to decide which type of remuneration is the most appropriate for them. Brokers and policyholders should have the freedom to choose the right remuneration model in every situation. The range of different remuneration options will therefore be extended further. This means that the real value of a consultation will be more prominent. This entrepreneurial approach makes brokers less dependent on government intervention, creates flexibility in remuneration and ensures both business success and the best value for money for policyholders.

Satisfied clients and a growing number of new clients, supported by high-quality brokers, are an important part of the economic success of Liechtenstein Life Assurance AG, which means the company can continue to be a reliable partner for clients.

Facts and figures – Liechtenstein Life Assurance AG

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

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

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

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

The external audit of the annual financial statements is performed by Ernst & Young (AG)

Ernst & Young AG
Maagplatz 1
8010 Zürich

Shareholders and ownership structure

The prosperity company AG, Industriering 40 in 9491 Ruggell has been the sole shareholder in Liechtenstein Life Assurance AG since 31 December 2019.
Since 31 January 2023, the Portuguese insurance group Fidelidade – Companhia de Seguros, S.A. has held **70 %** of the shares in the prosperity company AG.

The prosperity group

Liechtenstein Life Assurance AG, as a **wholly owned** subsidiary, is the central part of the insurtech group the prosperity company AG. To actively shape digital transformation within the industry instead of simply following it, the Group comprises various companies that contribute to the successful development of the Group as a whole. The colleagues of prosperity solutions AG in Ruggell provide support in gaining additional sales channels and marketing insurance solutions. prosperity solutions GmbH in Berlin plays an important part in developing and improving the Group's digital channels – the prosperity app for end-clients and the Partner Life portal. prosperity cashtech AG develops and supports technically and administratively innovative remuneration solutions for the European market. Products with no acquisition commission – known as net products – form a major pillar of the product range. Together with high-return gross products, brokers are provided with an extensive offering to meet client demands for fair remuneration and good advice on pension planning.

A.2. Underwriting performance

Liechtenstein Life Assurance AG generated a net profit of **CHF 13,138 thousand** for the 2023 financial year. The following table shows the main actuarial accounting components according to PGR:

	In CHF thousand
1. Gross premiums written	296,405
2. Claims expenses	−37,330
3. Operating expenses	
a) Acquisition expenses	−84,508
b) Administration expenses	−9,663
4. Expenses for capital investments	−1,101
5. Income from capital investments	7,275

Periodic gross premiums amounted to **CHF 214,597 thousand** and increased by **22 %** compared to the previous year. Single premiums increased by **6 %** to **CHF 81,808 thousand** in the same period. Expenses for insurance claims amounted to **CHF –37,330 thousand** in the financial year, **46 %** higher than the previous year. The increase is mainly due to higher redemptions and maturity benefits.
Within the operating expenses for own account, acquisition costs amounted to **CHF –84,508 thousand (+2 %)** and administration expenses **CHF –9,663 thousand (+2 %)**.

A.3. Investment performance

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

	In CHF thousand
Income from capital investments	7,275
Unrealised gains from capital investments	120,767
Expenses for the administration of capital investments	–1,101
Unrealised losses from capital investments	–110,854
Total	**16,088**

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

	In CHF thousand
Current income from other capital investments	352
Reversal of impairment losses	–
Gains on the disposal of capital investments	32
Expenses for the administration of capital investments	0
Depreciation, amortisation and impairment losses on capital investments	–19
Losses from the disposal of capital investments	–
Total	**365**

A.4. Performance of other business activities

No other business activities requiring disclosure were performed in the 2023 financial year.

A.5. Other disclosures

All material information on Chapter A “Business activity and results” can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for 2023.

B
Governance system

B.1. General information on the governance system

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

The organisational structure is supported by an effectively implemented and established process organisation. At Liechtenstein Life Assurance AG, these include:

- The Organisation and Business Regulations
- Allocation of responsibilities within the Management Board
- Job descriptions
- Process descriptions
- Distribution of tasks in writing
- Internal guidelines
- Documented digital internal control system
- The Fit and Proper Guideline, strict application of which ensures the professional qualifications and personal reliability of the employees of Liechtenstein Life Assurance AG

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

The Administrative Board and Management Board of Liechtenstein Life Assurance AG are presented in more detail below.

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

- The overall management of the company, including the determination of the company's objectives and the means to achieve them
- The preparation of the regulations and guidelines required for orderly business operations
- The appointment and dismissal of persons entrusted with the management of the company and the regulation of signing authority
- The preparation of the annual report
- The resolution on the business plan of the Management Board
- The fulfilment of the legal duties of orientation and action
- The adoption of a concept for the introduction of corporate governance as a constitution for the company and regulate checks and balances in order to ensure responsible corporate governance

The Administrative Board of Liechtenstein Life Assurance AG is composed as follows:

- Miguel Barroso Abecasis (Chair)
- Reto Mathias Näscher (Vice Chair)
- Luís Jaime Marques (Member)
- Christoph Böckle (Member)
- Dr Wei Sun (Member)

There were no changes in 2023.

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

The following standing committees exist:

- Audit Committee
- Risk Committee
- Compliance Committee
- Personnel Committee
- Investments Committee

Audit Committee

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

Risk Committee

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

Compliance Committee

This committee is responsible for introducing, monitoring and further developing the compliance system, which satisfies the legal requirements. It monitors the Management Board and the compliance function and informs and advises the Administrative Board on compliance with laws and regulations.

Personnel Committee

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

Investments Committee

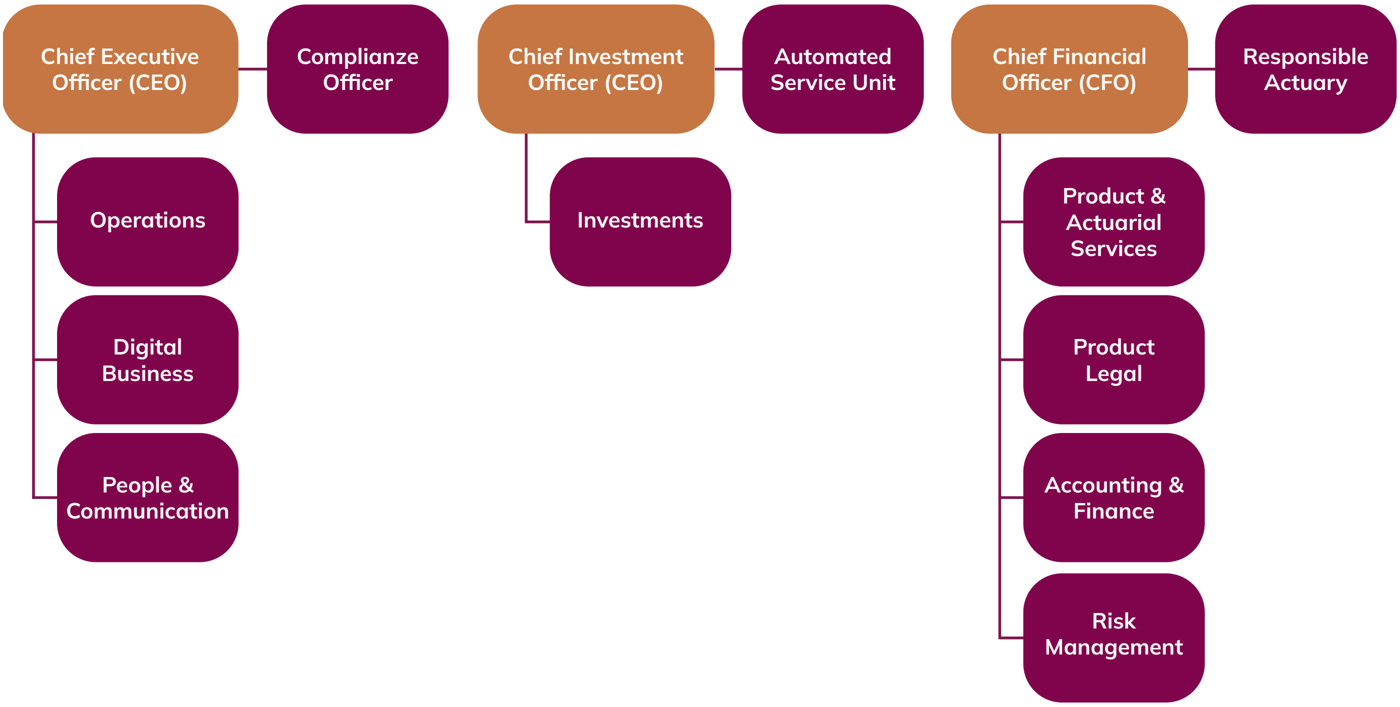
The Investments Committee is primarily responsible for determining the asset allocation in relation to the Group's own investments and for determining the principles for reviewing the range of funds portfolio available to policyholders.

Management Board

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

- Dr Aron Veress, Chief Executive Officer
- Michael Jochen Blank, Chief Financial Officer
- Dr Marcel Vaschauner, Chief Investment Officer

An experienced management team, which is responsible for the management of the individual departments, reports to them. The structure with the distribution of tasks and responsibilities can be seen in the following organisation chart:



The decision-making processes as well as the actual management are carried out by the members of the Management Board. Decisions are taken democratically. The detailed allocation of responsibilities as well as the duties, obligations and responsibilities of the managing directors are defined in the Organisation and Business Regulations of Liechtenstein Life Assurance AG.

Remuneration policy and practices

Remuneration is in line with the business and risk strategy as well as the risk profile of Liechtenstein Life Assurance AG. The remuneration policy is aligned with the company's long-term interests and performance. The Administrative Board, in particular the Personnel Committee, is responsible for designing the remuneration system. The remuneration of all employees and the Management Board consists of a fixed salary.

B.2. Fit & Proper requirements

At Liechtenstein Life Assurance AG, employees play an important role in the governance system. Their professional qualifications ("fit") and personal integrity ("proper") are elementary prerequisites for professional business operations and are of great importance to Liechtenstein Life Assurance AG.

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

Fit and proper grouping

- Members of the Administrative Board
- Members of the Management Board
- Holders of key functions
- Other employees

The Administrative Board and the Management Board of Liechtenstein Life Assurance AG act as collegial bodies and they must be sufficiently qualified to fulfil their statutory, legal and regulatory duties.
The members of the Administrative Board, the Management Board and the holders of key functions must meet the following qualifications:

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

For Liechtenstein Life Assurance AG it is essential that the fulfilment of fit and proper requirements be reviewed regularly for all positions within the company. For this reason, in addition to hiring-related tests, assessments of aptitude are conducted on a regular and ad hoc basis.
For proof of personal integrity, Liechtenstein Life Assurance AG requires all employees to be of impeccable criminal and operational reputation.

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

Risk management structure, roles and responsibilities

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

Risk strategy

The risk strategy at Liechtenstein Life Assurance AG is derived from the business strategy and is therefore the responsibility of the Administrative Board. The Management Board of Liechtenstein Life Assurance AG is responsible for operational implementation. The risk strategy describes the risks arising from the business strategy with regard to their influence on the economic, financial and earnings situation. In order to be able to deal appropriately and consciously with these risks, the risk appetite is defined according to risk category (see Chapter C).

The most important points from the risk strategy are:

- The definition of the risk categories and the appetite for them, which is consciously entered into by Liechtenstein Life Assurance AG
- The risk mitigation strategy for each risk category
- The effectiveness of the risk management system
- The definition of the risk-bearing capacity of Liechtenstein Life Assurance AG

Risk management culture

The risk culture prevailing in a company is essential for an effective risk management system. This describes the employees' awareness of emerging risks and their attitude to them. At Liechtenstein Life Assurance AG, great importance is attached to maintaining a stable risk culture. Combining the internal control system and risk management ensures an audit-proof bought-in programme (GRC) in which employees are directly involved in risk management and mitigation. This serves to promote the risk awareness of all Liechtenstein Life Assurance AG employees.

Risk management organisation

The individual operational departments are aware that they act as a “first line of defence”. Challenges when a risk occurs in the day-to-day business are monitored, assessed and, if possible, remedied in the departments.
As a rule, the person responsible for risk management in the individual departments is also the head of department. The department-specific challenges and risks are reported in weekly team meetings. Risks that cannot be resolved within the department (cross-departmental risks, emerging risks, risks that require support, etc.) are passed on to the “second line of defence” (Risk Panel) so they can be coordinated and dealt with permanently. The “third line of defence” (Internal Audit) regularly reviews the entire governance system as well as all other activities of Liechtenstein Life Assurance AG, and acts independently of the Management Board.

Own Risk and Solvency Assessment Guideline

Liechtenstein Life Assurance AG's Own Risk and Solvency Assessment (ORSA) Guideline regulates the procedure of the ORSA process including the triggering events for an ad hoc ORSA, the responsibilities and mandatory elements of the ORSA report. Furthermore, the risk categories defined within Liechtenstein Life Assurance AG (see Chapter C) are defined.

ORSA process

One of the tasks of risk management is the execution of the annual ORSA process, which appropriately identifies, analyses, evaluates and documents the company's own risks. To be able to ensure this within the company, a survey is carried out and the risks arising from the risks included in the GRC tool are reviewed by the relevant department heads to confirm they are up to date and material. New risks are added. The risk management department is responsible for the consolidation and discussion of all results. The verification of completeness is one of the responsibilities of the Risk Panel. The results of the ORSA process and the risk management function's recommendations for action are recorded in the ORSA report. The Management Board approves the ORSA report. It is then submitted to the Liechtenstein Financial Market Authority.

B.4. Internal control system

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

The aim of an effective ICS at Liechtenstein Life Assurance AG is to safeguard and protect the claims of clients and the assets of Liechtenstein Life Assurance AG, to prevent and detect errors and irregularities, and to comply with laws and regulations. These fundamental requirements are implemented to an appropriate extent in accordance with the principle of proportionality. The functionality of the ICS requires the participation of the management, executives and employees of Liechtenstein Life Assurance AG at all levels. The Management Board is responsible for the ICS. It is supported in this by the ICS specialist unit, which reports directly to the Management Board. During implementation, care is taken to ensure that the ICS is understood to mean a network spanning the entire organisation, the elements of which are integrated in a variety of ways into the organisational and technical processes.

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

- The multiple-control principle
- The separation of responsibilities within the Management Board
- Here in particular the separation between
  a) Operations, Digital Business, People & Communication, Compliance
  b) Risk Management, Investments, Product & Actuarial Service, Product Legal, Accounting & Finance
- The documentation of the control within the processes
- Regular technical plausibility checks and access authorisations in the IT systems

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

This is done using the GRC tool (see B.3.1.4), which also ensures a connection with Risk Management. The ICS of Liechtenstein Life Assurance AG has a function for monitoring compliance with the requirements.

B.5. Internal audit function

Internal Audit provides independent and objective audit and advisory services aimed at creating added value and improving business processes. It supports Liechtenstein Life Assurance AG in achieving its goals by using a systematic audit approach to assess the effectiveness of the risk management, compliance, internal management and control, and governance processes and by helping to improve them. Its duties, powers and responsibilities are outlined in the guideline on Internal Auditing.
Internal Audit reports directly to the Administrative Board and the Audit Committee respectively and is coordinated administratively by the outsourcing officers. It has defined auditing, reporting and documentation duties, is not subject to instructions in the exercise of its mandate and has unrestricted information, access and inspection rights. As such, it can perform its duties in full without limitation, objectively and independently.

In addition to the individual audit reports, which present the results of each audit defined in the audit plan, Internal Audit prepares an annual report. This gives an account of the fulfilment of tasks, the implementation of the annual planning, compliance with the guideline as well as the independence and integrity of the Internal Audit. The report recipients of the individual reports and the annual report are the members of the Audit Committee and the Administrative Board, the Management Board, the outsourcing officer of the Internal Audit as well as the external auditors. The individual reports deal with the specific audit objectives, the audit results and the recommendations of the Internal Audit as well as the defined measures of the audited entity. The individual reports are submitted to the entity audited so the findings can be discussed before finalisation.
Each year, Internal Audit prepares or updates the rolling annual plan, which is discussed with the risk management and compliance function and the scheduling coordinated with the Management Board. The audit plan is then submitted to the Audit Committee for discussion and the Administrative Board for approval. A risk-based approach is adopted for defining and prioritising audit areas. The scope of the audit and the audit objectives are defined for each audit.

B.6. Actuarial function

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

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

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

B.7. Outsourcing

By outsourcing, Solvency II means an agreement in any form whatsoever concluded between an insurance undertaking and a service provider, which may be a regulated or unregulated entity, under which the service provider provides, directly or through further outsourcing, a process, service or activity which would otherwise be provided by the entity itself.
The annual review of the service providers is carried out within Liechtenstein Life Assurance AG by the outsourcing officers as part of a quality review and with an additional questionnaire for the outsourcing officers.

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

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

B.8. Other disclosures

All essential information on Chapter B “Governance system” can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for 2023.

C
Risk profile

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

The risk profile of Liechtenstein Life Assurance AG is characterised by its business activities as a life insurance company, which mainly offers unit-linked life insurance and annuity products with or without guarantees.

For the quantification of risks, various stress and scenario analyses on the one hand and empirical values or expert assessments within the framework of the company's own risk and solvency assessment (ORSA process) on the other are taken into consideration. These methods are reviewed by the respective risk managers to ensure that they are up to date and are modified as necessary.
The Solvency II standard model is used to calculate the Solvency Capital Requirement in accordance with EIPOA requirements.

C.1. Underwriting risk

Underwriting risk in life insurance is the risk of changing cash flows due to unfavourable developments in the underlying actuarial basis.

Significance for Liechtenstein Life Assurance AG
At Liechtenstein Life Assurance AG, the underwriting risk consists of the following sub-modules:
- Cost risk
- Cancellation risk
- Biometric risks

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

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

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

Biometric risks
Biometrics includes all underwriting risks associated with the life or health of the insured. These are mortality risk, disability risk and longevity risk.

Applied risk mitigation techniques

Expenditure within the company is monitored on an ongoing basis. Liechtenstein Life Assurance AG has its own operations team that strives to further increase client satisfaction and loyalty as a way of keeping lapse risk low. Various review processes in the underwriting are used to mitigate the biometric risks – including reinsuring certain events.

C.2. Market risk

Market risk is the risk of a loss or adverse changes in the financial position arising directly or indirectly from fluctuations in the amount and volatility of market prices of assets, liabilities and financial instruments.
The market risk plays a less important role for a life insurance policy with primarily unit-linked policies as the investment risk is borne by the policyholders. This is in contrast to the classic life insurance products with interest rate guarantees.

Significance for Liechtenstein Life Assurance AG

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

- Investment risks
- Exchange rate
- Interest rate risk

Investment risks

For Liechtenstein Life Assurance AG, the market risk is reflected directly in a change in the value of its own capital investments, and indirectly in the change in client assets.

Exchange rate

A risk arises for Liechtenstein Life Assurance AG if the cost income from insurance policies falls due to a negative change in the exchange rate. Liechtenstein Life Assurance AG identifies a second exchange rate risk, which arises due to discrepancies between the contract currency of policyholders and the potential investment of premiums in foreign currency.

Interest rate risk

Liechtenstein Life Assurance AG rewards cooperation partners for taking contracts out. This creates a need for liquidity that is met by reinsurers in exchange for a premium (refinancing). As interest rates go up, so do premium payments. Changes in the value of own investments and indirect changes due to movements in interest rates are included in investment risks. Liechtenstein Life Assurance AG also invests some of its equity in instruments that are sensitive to interest rates. A shift in the yield curve can have a negative impact of the price performance of such assets.

Applied risk mitigation techniques

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

Investment risk management

Investment risk for client investments is managed by thoroughly reviewing the funds before they are included in the Liechtenstein Life Assurance AG fund range, as well as by ongoing fund monitoring. This involves comparing the funds with the respective peer group at regular intervals and checking whether they meet the internal minimum criteria.
In making its own investment decisions, value is placed not only on creditworthiness (rating) and liquidity but also on compliance with internal investment directives. Furthermore, Liechtenstein Life Assurance AG also considers the weighting of the investment in the overall portfolio in order to avoid high risk concentrations.

Currency risk management

With regard to currency risk, care is taken to ensure that revenue and expenditure are, as far as possible, denominated in the same currency. Liechtenstein Life Assurance AG's revenues are denominated mainly in Swiss francs, as are its costs (salaries, administration expenses).
Where related income and expenses are incurred within Liechtenstein Life Assurance AG, efforts are made to ensure these are currency-matched.
Furthermore, care is also taken to ensure as little foreign currency as possible is held in cash.

Interest rate risk management

Refinancing is based on an interest rate fixed in advance. This gives planning security and prevents a sudden increase in premium payments. Liechtenstein Life Assurance AG works with several refinancing partners, which promotes competition and ensures that if one partner drops out another one can be used.
Investments at own risk are always held to maturity if possible.

C.3. Credit risk

Credit risk is the risk of a possible loss or adverse change in the value of the company's original funds arising from an unexpected default or a deterioration in the credit rating of its counterparties and debtors.

Significance for Liechtenstein Life Assurance AG

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

1) Default or deterioration in the creditworthiness of cooperation partners with whom Liechtenstein Life Assurance AG cooperates closely.
2) Default or deterioration in the creditworthiness of banks, reinsurers or issuers.

Applied risk mitigation techniques

1) Since the cooperation partners of Liechtenstein Life Assurance AG are among the most important business partners, great importance is attached to the selection, evaluation and support of the partner.
2) When deciding on and reviewing a financial partner, the partner is carefully checked against predefined criteria.

C.4. Liquidity risk

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

Significance for Liechtenstein Life Assurance AG

Liquidity risk is a minor component of Liechtenstein Life Assurance AG's risk profile. Nevertheless, risk monitoring is not neglected.

Applied risk mitigation techniques

In order to monitor the liquidity risk, a weekly liquidity report is sent to the Management Board showing the status of liquidity, the change and the liquidity expected to be needed over the coming quarter. This enables a rapid response in the event of an imminent shortfall.

C.5. Operational risk

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

Significance for Liechtenstein Life Assurance AG

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

- Technical and personnel risks
- Legal and compliance risks
- IT risks (hardware, software, internet)
- Outsourcing
- Facility

Applied risk mitigation techniques

For Liechtenstein Life Assurance AG, it is of great importance to sensitise all employees to the risks that may arise in their own area of responsibility and thus to minimise possible operational risks.
Substitutes are designated for staff activities and documentation is used to actively avoid knowledge islands in order to minimise the personnel risk. In order to ensure that new appointments are made as quickly as possible, there are clearly defined job descriptions, guidelines and the Organisation and Business Regulations that describe the tasks to be performed and the responsibilities by function/position.
Internal guidelines and manuals and work instructions derived from them therefore play a central role within the entire business organisation.
The GRC tool for the internal control system mentioned in Chapter B serves to ensure the completion of all defined control tasks. Working according to regulations and regular monitoring reduce the technical, personnel and legal and compliance risks.
To protect itself against IT risks, Liechtenstein Life Assurance AG always uses the most effective measures available on the market.
Furthermore, at Liechtenstein Life Assurance AG, the outsourcing risk falls into the operational risk category. You can find out more about this in Chapter B.7.

The remaining operational risks are mitigated by means of the internal control system. This contains the following checks:

- Strict multiple-control principle
- Documentation of essential business processes
- Weekly report from all department and team leaders
- Weekly meeting of all department and team leaders to raise awareness of risks
- Access controls, protection of IT systems, multi-factor authentication, etc.
- Documentation of the control within the processes

The analyses and controls regularly carried out by Internal Audit and the compliance officer are aimed, among other things, at examining the appropriateness of the internal control system.
Business continuity management additionally ensures that there is an adequate response to unexpected events (system failure, employee failure, crisis scenarios, etc.).

C.6. Other material risks

Reputational risk

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

Significance for Liechtenstein Life Assurance AG

With the increasing size of Liechtenstein Life Assurance AG and its membership of the prosperity company Group, as well as the expansion of the shareholder base to include large, globally operating companies, the reputational risk is rising and is therefore becoming an increasingly important factor in risk assessment.

Applied risk mitigation techniques

Liechtenstein Life Assurance AG attaches great importance to minimising any possible causes of reputational risks within the framework of its internal control system. Due to the existing interaction with other risk categories and their risks, the avoidance of reputational damage in many processes and control mechanisms is already part of day-to-day business operations.

Strategic risk

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

Significance for Liechtenstein Life Assurance AG

Liechtenstein Life Assurance AG is exposed to strategic risk due to changes in the legal framework, ongoing technological progress and changing needs of target groups, and pays particular attention to these issues.

Applied risk mitigation techniques

The experience and expertise of the Management Board and other decision-makers ensure sustainable future planning and business orientation. Appropriate measures are taken to ensure that the strategic risks mentioned above are under control. Continuous distribution partner diversification prevents dependence on one distribution partner.

C.7. Other disclosures

All material information on Chapter C "Risk profile" is provided in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the 2023 reporting year.

D
Valuation for solvency purposes

In order to prepare the balance sheet in accordance with Solvency II (hereinafter also referred to as the solvency balance sheet), all assets and liabilities must be valued at their market value. For this purpose, certain positions from PGR (hereinafter also referred to as local statutory accounting) are recalculated according to the requirements from Solvency II for the near-market valuation. This applies in particular to underwriting liabilities for which market values are not directly available.

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

- **Level 1:** Use of market prices quoted on active markets for identical assets or liabilities
- **Level 2:** Use of market prices quoted on active markets for similar assets and liabilities, taking into account differences in the valuation object
- **Level 3:** Application of alternative valuation methods based on appropriate input factors and valuation techniques

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

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

D.1. Assets

This chapter contains the presentation and explanation of significant assets. The underlying assumptions according to Solvency II and local accounting for the calculation are also shown.
The differences between the two accounting standards lie, on the one hand, in the valuation of individual assets and, on the other, in the structure of the solvency balance sheet. For this reason, a direct comparison of all balance sheet items is difficult in some places.
As a matter of principle, the requirements of the implementing provisions and the technical specifications of EIOPA are taken into account when determining fair value in accordance with Solvency II. In the period under review, no methodological changes were made in the valuation.
The total assets as at 31 December 2023 in the valuation for solvency purposes are as follows: **CHF 768,402 thousand**.
The total assets as at 31 December 2023 in the valuation under PGR are as follows: **CHF 977,179 thousand**.
Compared to the statutory valuation, the total assets in the valuation for solvency purposes are therefore **CHF 208,777 thousand** or approximately **21 %** lower.

The reduction is mainly attributable to the following items:

1) Amounts recoverable from reinsurance contracts

2) Deferred acquisition costs
3) Intangible assets
4) Own investments

The following table shows the main assets with their valuations in the Solvency II balance sheet and the local balance sheet as at 31 December 2023.

Assets as at 31 December 2023 in CHF thousands	Solvency II	Solvency II Local accounting according to PGR	Difference[1]
Deferred acquisition costs	–	30,604	–30'604
Intangible assets	–	260	–260
Property, plant and equipment held for own use	135	135	–
Own investments	39,958	39,912	46
Assets for index- and unit-linked contracts	856,952	856,952	–
Amounts recoverable from reinsurance contracts	–177,959	–	–177,959
Receivables from policyholders and intermediaries	4,862	4,862	–
Receivables from reinsurers	6,830	6,830	–
Receivables (trade, not insurance)	38	38	–
Cash and cash equivalents	35,554	35,554	–
Other assets not disclosed elsewhere	2,033	2,033	–
Total assets	**768,402**	**977,179**	**–208,777**

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

Deferred acquisition costs

The item prepaid expenses within the scope of the statutory valuation includes in particular deferred acquisition costs. Under Solvency II, these are taken into account in the cash flow projection for calculating insurance reserves. Capitalised acquisition costs are therefore not shown under assets in the solvency balance sheet.
The Solvency II value as at 31 December 2023 is **CHF 0 thousand**.
The PGR value as at 31 December 2023 is **CHF 30,604 thousand**.

Intangible assets

Intangible assets mainly consist of software and licenses. Intangible assets are valued at zero under Solvency II. The reason for this is that intangible assets may only be recognised if they could be sold individually. In addition, they must have a price on active markets for identical assets.
The Solvency II value as at 31 December 2023 is **CHF 0 thousand**.
The PGR value as at 31 December 2023 is **CHF 260 thousand**.

Property, plant and equipment held for own use

Property, plant and equipment, such as furniture, etc., are valued under PGR on the basis of acquisition costs less depreciation. As the value is not material, it was included in the solvency balance sheet. This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 135 thousand**.
The PGR value as at 31 December 2023 is **CHF 135 thousand**.

Own investments

Under Solvency II, the market price is used for listed securities. Under PGR, capital investments are recognised in the balance sheet in accordance with the lower of cost or market principle.
The Solvency II value as at 31 December 2023 is **CHF 39,958 thousand**.
The PGR value as at 31 December 2023 is **CHF 39,912 thousand**.

Assets for index- and unit-linked contracts

The assets for index- and unit-linked contracts include investments for the benefit and at the risk of life insurance policyholders. For the Solvency II valuation, the market value of the funds for the index-linked life insurance policies is used. This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 856,952 thousand**.
The PGR value as at 31 December 2023 is **CHF 856,952 thousand**.

Amounts recoverable from reinsurance contracts

This is an item that relates only to the solvency balance sheet.
This is the total net present value of Liechtenstein Life Assurance AG’s future receivables from reinsurers based on anticipated claims, less the expected premium payments to reinsurers from the resinsurance contracts. Under Solvency II this leads to a negative reinsurance balance.
The Solvency II value as at 31 December 2023 is **CHF –177,959 thousand**.
The PGR value as at 31 December 2023 is **CHF 0 thousand**.

Receivables from policyholders and intermediaries

Receivables from insurance policyholders and insurance brokers include amounts due in the short term from balances due from insurance policyholders and insurance brokers, which are not included in the calculation of technical provisions or in the item receivables (trade, not insurance). This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 4,862 thousand**.
The PGR value as at 31 December 2023 is **CHF 4,862 thousand**.

Receivables from reinsurers

The item accounts receivable from reinsurance business includes the very short-term balances of receivables from ceded reinsurance business resulting from current settlements with reinsurers. This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 6,830 thousand**.
The PGR value as at 31 December 2023 is **CHF 6,830 thousand**.

Receivables (trade, not insurance)

Other receivables include receivables from affiliated companies and other debtors. This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 38 thousand**.
The PGR value as at 31 December 2023 is **CHF 38 thousand**.

Cash and cash equivalents

Cash and cash equivalents mainly comprise current balances with banks and cash on hand. The statutory valuation is carried out at nominal amounts and corresponds to the market value.
The Solvency II value as at 31 December 2023 is **CHF 35,554 thousand**.
The PGR value as at 31 December 2023 is **CHF 35,554 thousand**.

Other assets not disclosed elsewhere

Other assets not disclosed elsewhere include prepaid expenses (e.g. accrued interest, commission). This valuation is identical to that in the local financial statements.
The Solvency II value as at 31 December 2023 is **CHF 2,033 thousand**.
The PGR value as at 31 December 2023 is **CHF 2,033 thousand**.

D.2. Technical provisions

Liechtenstein Life Assurance AG does not apply any facilitations such as volatility adjustments, transitional measures or management rules for the calculation of technical provisions.
The technical provisions under Solvency II are the sum of the best estimate (BE) of the actuarial commitments and the risk margin (RM). Replication of actuarial cash flows using financial instruments and thus a valuation as a whole is out of the question.

Best estimate

The BE is a probability-weighted average of future cash flows taking into account the time value of money (expected net present value of future cash flows) and using the relevant risk-free yield curve without volatility adjustment.
The BE for unit-linked products is calculated indirectly by deducting from the PGR provision for unit-linked products the present value of expected future profits from existing insurance contracts.

Risk margin

The RM reflects the cost of capital that another insurer would incur when assuming its obligations, as it would also have to meet the regulatory capital requirements for this. It is the theoretical premium on the BE which a receiving company would require for the non-insurable risks contained in the commitments.
The RM is calculated as the present value of the costs incurred for the provision of eligible own funds in the amount of the Solvency Capital Requirement (see Chapter E.2) to cover non-insurable risks until the expiry of the portfolio. The RM is intended to ensure that insurance obligations can be transferred to another insurance undertaking.

Methods and assumptions used

The policies of the existing portfolio are converted into model points for the models of technical provisions and in particular for Solvency II valuations. Each policy is displayed as its own model point. The basis for discounting future cash flows is the risk-free yield curve derived from current market data and prescribed by the regulatory authorities without volatility adjustment. Financial guarantees are also taken into account in the valuation.
To determine the technical provisions, the cash flows are discounted accordingly using this curve. The risk-free base rate curve without volatility adjustment is calculated separately for each currency and maturity on the basis of all relevant data and information about that currency and maturity.
Liechtenstein Life Assurance AG did not apply for the transitional measures for risk-free interest rates and technical provisions permitted by supervisory law and therefore did not make use of them.

Differences between Solvency II values and statutory values

The value of the technical provisions under Solvency II differs significantly from the valuation of the technical provisions for unit-linked products in the PGR financial statements due to the procedure described above (deduction of the present value of future profits from existing insurance contracts). The aggregate reserve for unit-linked life insurance policies in the PGR financial statements is calculated on the basis of individual contracts using the retrospective method from the existing share units of the individual insurance policies, which are measured at fair value on the balance sheet date.
The value of the technical provisions under Solvency II corresponds to the current amount that insurance undertakings would have to pay if they were to transfer their insurance obligations immediately to another insurance undertaking.

Degree of uncertainty associated with the value of the technical provisions

There are always uncertainties in the estimation of assumptions about future developments. In order to keep these as low as possible, they are continuously monitoring and, if necessary, updated. In particular, this also applies to the exercise probability of contractual options, such as premium reductions, premium dynamics or (partial) annuity options, which for reasons of proportionality are not shown or are only shown in simplified form in the individual contractual projection of the actuarial cash flows.
In the estimation of Liechtenstein Life Assurance AG, the uncertainties presented by the simplified assumptions do not lead to a material uncertainty in the assessment of the value of the technical provisions.

D.3. Other liabilities

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

The following table shows the valuations in the solvency balance sheet and the local statutory financial statements as at 31 December 2023.

Assets as at 31 December 2023 in CHF thousands	Solvency II	Local accounting	Deviation
Provisions other than technical provisions	4,634	10,353	–5,719
Deposits from reinsurers	928	928	–
Deferred tax liabilities	31,162	–	31,162
Liabilities to other creditors	58,250	58,250	–
Liabilities to reinsurance companies	14,771	14,771	–
Liabilities (trade, not insurance)	862	862	–
Other liabilities not disclosed elsewhere	2,020	2,020	–
Other liabilities total amount	**112,627**	**87,184**	**25,443**

Provisions other than technical provisions

This item includes other provisions, in particular tax provisions, provisions for additional payments to sales partners and other provisions. As Solvency II value, the statutory value is mostly adopted on the basis of the principle of proportionality for simplification purposes.
The difference results from a provision for precautionary reasons to avoid a future underfunding within the framework of the contribution guarantee in the PGR balance sheet. In the solvency balance sheet, this value is set at 0 because the value of the guarantees is already taken into account in the calculation of the technical provisions (stochastic simulation).

The Solvency II value as at 31 December 2023 is **CHF 4,634 thousand**.
The PGR value as at 31 December 2023 is **CHF 10,353 thousand**.

Deposits from reinsurers

Deposits from reinsurers include items from ceded reinsurance business. It is the capital for current occupational disability insurance benefit cases. This valuation is identical to that in the local financial statements.

The Solvency II value as at 31 December 2023 is **CHF 928 thousand**.
The PGR value as at 31 December 2023 is **CHF 928 thousand**.

Deferred tax liabilities

Deferred tax liabilities are recognised if asset items in the economic balance sheet are higher or liabilities items are lower than in the tax balance sheet and if these differences are equalised again in the future as to the tax effect (temporary differences).

The Solvency II value as at 31 December 2023 is **CHF 31,162 thousand.**.
The PGR value as at 31 December 2023 is **CHF 0 thousand**.

Liabilities to other creditors

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

The Solvency II value as at 31 December 2023 is **CHF 58,250 thousand**.
The PGR value as at 31 December 2023 is **CHF 58,250 thousand**.

Liabilities to reinsurance companies

The liabilities to reinsurance companies relate to settlement balances that are not paid until the new year. This valuation is identical to that in the local financial statements.

The Solvency II value as at 31 December 2023 is **CHF 14,771 thousand**.
The PGR value as at 31 December 2023 is **CHF 14,771 thousand**.

Liabilities (trade, not insurance)

The statutory valuation is carried at the settlement amount. These are liabilities from taxes, social security and to other creditors. This valuation is identical to that in the local financial statements.

The Solvency II value as at 31 December 2023 is **CHF 862 thousand**.
The PGR value as at 31 December 2023 is **CHF 862 thousand**.

Other liabilities not disclosed elsewhere

Other liabilities include those items that cannot be allocated to the aforementioned items. The statutory balance sheet contains accruals and deferrals, which are also shown in the solvency balance sheet. This valuation is thus identical to that in the local financial statements.

The Solvency II value as at 31 December 2023 is **CHF 2,020 thousand**.
The PGR value as at 31 December 2023 is **CHF 2,020 thousand**.

D.4. Alternative methods for valuation

No alternative valuation methods were applied for the 2023 reporting year.

D.5 Other disclosures

All material information on Chapter D “Valuation for solvency purposes” can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the 2023 reporting year.

E
Capital management

E.1. Own funds

Own funds situation

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

As at 31 December 2023, Liechtenstein Life Assurance AG had own funds amounting to **CHF 231,653 thousand**.

The own funds of the solvency balance exceed the **CHF 57,468 thousand** of equity in the statutory balance sheet by **CHF 174,185 thousand**.

These are entirely “Tier 1” own funds, and thus core capital. Core capital can be used without restriction to cover the Solvency Capital Requirement and the Minimum Capital Requirement.

The own funds of Liechtenstein Life Assurance AG as at 31 December 2023 consist of the following components:

In CHF thousand	Solvency II	PGR
Paid-in share capital	20,000	20,000
Establishment fund	6,500	6,500
Legal reserve	–	1,496
Reconciliation reserve	205,153	–
Profit/loss carried forward	–	16,335
Annual earnings	–	13,138
Total own funds	**231,653**	**57,468**

The reconciliation reserve includes the net profit for the year of **CHF 13,138 thousand** and a planned dividend payout of **CHF 2,400 thousand**.

The breakdown of Liechtenstein Life Assurance AG’s own funds by individual classes (“Tiers”) as at 31 December 2023 is shown in the following table (figures in CHF thousand):

In CHF thousand	31.12.2023
Tier 1 – unrestricted	231,653
Tier 1 – restricted	–
Tier 2	–
Tier 3	–
Own funds	**231,653**

Differences between the surplus in the solvency balance sheet and the equity according to PGR

The amount of the share capital or the establishment fund is identical in the PGR balance sheet and the Solvency II balance sheet.

The statutory reserve should only be applied in accordance with PGR.

The reconciliation reserve only exists under Solvency II. Future income is taken into account and discounted as at 31 December 2023. This future income is recognised as own funds and does not apply under PGR.

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

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement (SCR)

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

The SCR of Liechtenstein Life Assurance AG as at 31 December 2023 is composed as follows:

Composition of Solvency Capital Requirement (in CHF thousands)	
Market risk	45,734
Counterparty default risk	4,307
Life underwriting risk	113,317
Diversification	–29,624
Basic Solvency Capital Requirement	**133,734**
Operational risk	2,434
Loss-absorbing capacity of deferred taxes	–20,425
Solvency Capital Requirement (SCR)	**115,742**

Minimum Capital Requirement (MCR)

In addition to the SCR, the Minimum Capital Requirement (MCR) represents a minimum level below which the capital resources must not fall. The MCR must not be less than **25 %** and not more than **45 %** of the SCR, including any applicable capital add-ons. In addition, the MCR must not be less than **EUR 4,000 thousand** or the equivalent in Swiss francs for life insurance companies. The MCR for the scope of business of Liechtenstein Life Assurance AG as at 31 December 2023 amounts to **CHF 28,936 thousand**.

The coverage ratios are calculated as the quotient of eligible own funds and the Solvency or Minimum Capital Requirement. The following coverage ratios apply to Liechtenstein Life Assurance AG as at 31 December 2023:

SCR ratio	200 %
MCR ratio	801 %

This means that, on the one hand, the requirements of the coverage ratios according to Solvency II are fulfilled and, on the other hand, the current risk situation is within the risk-bearing capacity of Liechtenstein Life Assurance AG. There are no risks known to Risk Management and the Management Board that would lead to non-compliance with the Minimum or Solvency Capital Requirement of Liechtenstein Life Assurance AG.

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

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

E.4. Differences between the standard formula and internal models used

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

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

In the reporting period, Liechtenstein Life Assurance AG continuously complied with both the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6. Other disclosures

All essential information on Chapter E “Capital management” can be found in the previous sections. Liechtenstein Life Assurance AG is therefore not required to make any further significant disclosures for the 2023 reporting year.

Appendices

S.02.01.01.01 (in CHF thousand) Balance sheet

Assets		Solvency II Value C0010
Goodwill	R0010	–
Deferred acquisition costs	R0020	–
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Surplus in retirement benefits	R0050	–
Property, plant and equipment held for own use	R0060	135
Investments (except assets for index-linked and unit-linked contracts)	R0070	39,958
Real estate (except for own use)	R0080	–
Participations in affiliated companies, including shares	R0090	30
Shares	R0100	–
Shares – listed	R0110	–
Shares – unlisted	R0120	–
Bonds	R0130	169
Government bonds	R0140	–
Corporate bonds	R0150	169
Structured debt instruments	R0160	–
Collateralised securities	R0170	–
Undertakings for collective investment	R0180	140
Derivatives	R0190	–
Deposits other than cash equivalents	R0200	39,619
Other investments	R0210	–
Assets for index- and unit-linked contracts	R0220	856,952
Loans and mortgages	R0230	–
Policy loans	R0240	–
Loans and mortgages to private individuals	R0250	–
Other loans and mortgages	R0260	0
Amounts recoverable from reinsurance contracts:	R0270	–177,959
Non-life insurance and health insurance policies of the non-life type	R0280	–
Non-life insurance other than health insurance	R0290	–
Health insurance policies of the non-life type	R0300	–
Life insurance and health insurance with similar to life technique with the exception of unit-linked and index-linked health insurance	R0310	320
Health insurance policies of the life type	R0320	–

Assets		Solvency II Value C0010
Life insurance other than health insurance and unit-linked and index-linked insurance	R0330	320
Life insurance, unit-linked and index-linked	R0340	–178,278
Deposits with cedants	R0350	–
Receivables from insurance companies and brokers	R0360	4,862
Receivables from reinsurers	R0370	6,830
Receivables (trade, not insurance)	R0380	38
Own shares (held directly)	R0390	–
Contributions due in respect of own funds items or funds originally called but not yet paid in	R0400	–
Cash and cash equivalents	R0410	35,554
Rounding to CHF thousands may result in rounding differences	R0420	2,033
Total assets	**R0500**	**768,402**

S.02.01.01.01 (in CHF thousand) Balance sheet

Liabilities		Solvency II Value C0010
Technical provisions – non-life insurance	R0510	–
Technical provisions – non-life insurance (except health insurance)	R0520	–
Technical provisions calculated as a whole	R0530	–
Best estimate	R0540	–
Risk margin	R0550	–
Technical provisions – health (similar to non-life technique)	R0560	–
Technical provisions calculated as a whole	R0570	–
Best estimate	R0580	–
Risk margin	R0590	–
Technical provisions – life (except unit- and index-linked insurance)	R0600	–503
Technical provisions – health (similar to life technique)	R0610	–
Technical provisions calculated as a whole	R0620	–
Best estimate	R0630	–
Risk margin	R0640	–
Technical provisions – life (except unit- and index-linked insurance)	R0650	–503
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	–924
Risk margin	R0680	421
Technical provisions – unit- and index-linked insurance	R0690	422,226
Technical provisions calculated as a whole	R0700	–
Best estimate	R0710	339,461
Risk margin	R0720	82,764
Other technical commissions	R0730	–
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	4,634
Pension obligations	R0760	–
Deposits from reinsurers	R0770	928
Deferred tax liabilities	R0780	31,162
Derivatives	R0790	–
Liabilities to banks	R0800	–
Financial liabilities other than liabilities to banks	R0810	–
Liabilities to insurance companies and brokers	R0820	58,250
Liabilities to reinsurance companies	R0830	14,771
Liabilities (trade, not insurance)	R0840	862
Subordinated liabilities	R0850	–
Subordinated liabilities not in basic own funds	R0860	–
Subordinated liabilities included in original own funds	R0870	–
Other liabilities not disclosed elsewhere	R0880	2,020
Total liabilities	**R0900**	**534,349**
Surplus of assets over liabilities	**R1000**	**234,053**

S.05.01.02.02 (in CHF thousand)

Premiums, receivables and expenses by business segment

		Business segment for: Life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index- and unit-linked insurance	Other life insurance	Pensions under non-life insurance contracts and in connection with health insurance obligations	Pensions under non-life insurance contracts and in connection with other insurance obligations (with the exception of health insurance obligations)	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410			295,838	566					296,405
Reinsurers' share	R1420			69,126	132					69,258
Net	R1500			226,712	434					227,146
Premiums earned										
Gross	R1510			295,830	566					296,396
Reinsurers' share	R1520			69,126	132					69,258
Net	R1600			226,704	434					227,138
Claims expenses										
Gross	R1610			37,651	–					37,651
Reinsurers' share	R1620			554	–					554
Net	R1700			37,098	–					37,098
Change in other actuarial provisions										
Expenses incurred	R1900			9,645	18					9,663
Other expenses	R2510			–	–					–
Total expenses	**R2600**			–	–					–
Total amount of surrenders	**R2700**			**32,956**	–					**32,956**

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

		Five main countries (by amount of gross premiums written) – non-life insurance liabilities				
		Switzerland	Germany	Austria	Italy	Liechtenstein
Premiums written						
Gross	R1410	189,429	104,758	813	285	1,119
Reinsurers' share	R1420	61,485	7,347	128	45	253
Net	R1500	127,944	97,412	686	240	865
Premiums earned						
Gross	R1510	189,420	104,759	813	285	1,119
Reinsurers' share	R1520	61,485	7,347	128	45	253
Net	R1600	127,935	97,412	686	240	865
Claims expenses						
Gross	R1610	18,240	13,290	1,769	3,604	748
Reinsurers' share	R1620	552	–	–	–	1
Net	R1700	17,689	13,290	1,769	3,604	746
Changes in the remaining actuarial provisions						
Gross	R1710	110,163	67,114	–538	–3,326	218
Reinsurers' share	R1720	463	–	–	–	2
Net	R1800	109,700	67,114	–538	–3,326	217
Expenses incurred	R1900	78,087	16,936	44	52	152
Other expenses	R2500					
Total expenses	**R2600**					

S.12.01.02.01 (in CHF thousand)

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

		Insurance with profit participation	Index- and unit-linked insurance			Other life insurance			Total (life insurance excl. health insurance, incl. unit-linked business)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010								
Total amounts recoverable from reinsurance policies/special purpose entities and financial reinsurers calculated after adjustment for expected losses on counterparty defaults on technical provisions as a whole	R0020								
Technical provisions calculated as the sum of best estimate and risk margin									
Best estimate									
Best estimate (gross)	**R0030**			**386,030**	**–46,568**		**–924**		**338,537**
Total amounts recoverable from reinsurance policies/special purpose entities and financial reinsurers calculated after adjustment for expected losses on counterparty defaults	R0080			–91,750	–86,528		320		–177,959
Best estimate less amounts recoverable from reinsurance treaties/special purpose entities and financial reinsurance – total	R0090			477,780	39,960		–1,244		516,496
Risk margin	R0100		82,764			421			83,185
Amount on application of the transitional measure for technical provisions									
Technical provisions – total	**R0200**		**422,226**			**–503**			**421,723**

S.23.01.02.01 (in CHF thousand)
Own funds

		Total	Tier 1 – not tied	Tier 1 – tied	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Original own funds before deduction of participations in other financial sectors as defined in Article 68 of the Delegated Regulation (EU) 2015/35						
Share capital (without deduction of own shares)	R0010	20,000	20,000			
Issue premium attributable to share capital	R0030					
Initial fund, member contributions or equivalent basic own fund item of mutual associations and similar undertakings	R0040	6,500	6,500			
Subordinated member accounts of mutual insurance associations	R0050					
Surplus funds	R0070	–	–			
Preference shares	R0090					
Premium on issue of preference shares	R0110					
Reconciliation reserve	R0130	205,153	205,153			
Subordinated liabilities	R0140					
Amount equal to the value of deferred net tax assets	R0160	–	–			
Other own funds items not listed above approved as original own funds by the supervisory authority	R0180					
Own funds shown in the annual accounts which are not included in the reconciliation reserve and which do not meet the criteria for being classified as Solvency II own funds						
Own funds shown in the annual accounts which are not included in the reconciliation reserve and which do not meet the criteria for being classified as Solvency II own funds	R0220					
Deductions						
Deductions for investments in financial institutions and banks	R0230					
Total amount of original own funds after deductions	**R0290**	**231,653**	**231,653**			
Supplementary own funds						
Unpaid and uncalled share capital, which may be called in upon request	R0300					
The initial fund, member contributions or equivalent basic own fund item of a mutual or similar undertaking which has not been paid in and has not been called in but which may be called in upon request	R0310					
Preference shares not paid up and not called up that can be called up on demand	R0320					
A legally binding obligation to subscribe to and settle subordinated debt on demand	R0330					
Letters of credit and guarantees pursuant to Article 96(2) of Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than such as referred to in Article 96(2) of Directive 2009/138/EC	R0350					
Additional payment requests to members pursuant to the first subparagraph of Article 96(3)(1) of Directive 2009/138/EC	R0360					
Additional payment requests to – other than those referred to in the first subparagraph of Article 96(3)(1) of Directive 2009/138/EC	R0370					
Other supplementary own funds	R0390					
Total supplementary own funds	R0400					
Available and eligible own funds						
Total amount of own funds available to meet SCRs	R0500	231,653	231,653			

		Total	Tier 1 – not tied	Tier 1 – tied	Tier 2	Tier 3
Total amount of own funds available to meet MCRs	R0510	231,653	231,653			
Total amount of own funds eligible for SCR compliance	R0540	231,653	231,653			
Total amount of own funds eligible for MCR compliance	R0550	231,653	231,653			
SCR	R0580	115,742				
MCR	R0600	28,936				
Ratio of eligible own funds to SCR	**R0620**	**2.0015**				
Ratio of eligible own funds to MCR	**R0640**	**8.0058**				

S.23.01.02.02 (in CHF thousand)
Reconciliation reserve

		C0060	
Reconciliation reserve			
Surplus of assets over liabilities	R0700	234,053	
Own shares (held directly and indirectly)	R0710	–	
Predictable dividends, distributions and remunerations	R0720	2,400	
Other basic own fund items	R0730	26,500	
Adjustment for tied equity components in Matching Adjustment portfolios and special associations	R0740		
Reconciliation reserve	R0760	205,153	

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

		Net Solvency Capital Requirement	Gross Solvency Capital Requirement
		C0030	C0040
Market risk	R0010	45,734	45,734
Counterparty default risk	R0020	4,307	4,307
Life underwriting risk	R0030	113,317	113,317
Health underwriting risk	R0040		
Non-health underwriting risk	R0050		
Diversification	R0060	–29,624	–29,624
Risk of intangible assets	R0070		
Basic Solvency Capital Requirement	R0100	133,734	133,734

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

Calculation of the Solvency Capital Requirement		**C0100**
Operational risk	R0130	2,434
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	–20,425
Capital requirement for operations referred to in Article 4 of Directive 2003/41/EC	R0160	–
Solvency capital requirement without capital add-on	R0200	115,742
Capital add-on already fixed	R0210	–
Solvency Capital Requirement	R0220	115,742
Further information on the SCR		
Capital requirement for the duration-based sub-module equity risk	R0400	–
Total notional Solvency Capital Requirement for the remainder	R0410	–
Total notional Solvency Capital Requirement for special associations	R0420	–
Total notional Solvency Capital Requirement for Matching Adjustment portfolios	R0430	–
Diversification effects due to the aggregation of notional solvency balance sheet require-ments for specialised associations under Article 304	**R0440**	–

S.28.01.01
Minimum Capital Requirement – only life insurance or only non-life insurance or reinsurance business

S.28.01.01.03 (in CHF thousand)
Component of the linear formula for life insurance and reinsurance obligations

		C0040
MCR_L – results	R0200	5,528

S.28.01.01.04 (in CHF thousand)
Total risk capital for all
life (re)insurance obligations

		Best estimate (after reinsurance/ special purpose entity deduction) and technical provisions calculated as a whole	Total risk capital (after reinsurance/ special purpose entity deduction)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	–	
Obligations with profit participation – future profit participation	R0220	–	
Obligations from index- and unit-linked insurance	R0230	517,740	
Other obligations from life (re)insurance and health (re)insurance	R0240	–	
Total risk capital for alllife (re)insurance obligations	R0250		2,719,986

S.28.01.01.05 (in CHF thousand)
Calculation of the total MCR

		C0070
Linear MCR	R0300	5,528
SCR	R0310	115,742
MCR upper limit	R0320	52,084
MCR lower limit	R0330	28,936
Combined MCR	R0340	28,936
Absolute lower limit of the MCR	R0350	3,719
Minimum Capital Requirement	R0400	28,936

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