



Solvency and Financial Condition Report Financial Year 2019 Groupe VYV

GROUPE
vyv
Entrepreneur du
mieux-vivre

May 2020



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Introduction

General information

The Solvency and Financial Condition Report provides information on Groupe VYV and its solvency for the reporting period from 1 January 2019 to 31 December 2019.

The report was drawn up in accordance with Articles 290 to 303 and Articles 359 to 371 of Delegated Regulation (EU) 2015/35 (called the “Delegated Regulation” in this report) supplementing Directive 2009/138/CE commonly known as the Solvency II Directive. Furthermore, it complies with the structure specified in Annex XX of the Delegated Regulation as well as the procedures, formats and templates provided by the Implementing Regulation (EU) 2015/2452 for drawing up the Solvency and Financial Condition Report.

Unless otherwise stated, the figures in this report are in millions of euros.

It was approved before being published on 12 May 2020 by the Board of Directors of Groupe VYV.

Preliminary information linked to the Covid-19 epidemic

The start of 2020 is marked by the emergence and expansion on a worldwide scale of the health crisis linked to Covid-19. The exceptional measures introduced by the various governments are leading to a general slowdown in the economy that is destabilising all financial markets.

In accordance with Article 54 paragraph 1 of the Solvency II Directive, this epidemic constitutes a “major development” after the reference period. Consequently, this report provides (on page 22) additional information stating the operational response of Groupe VYV and the impacts on the group’s business and solvency as anticipated on the date of approval of the report.



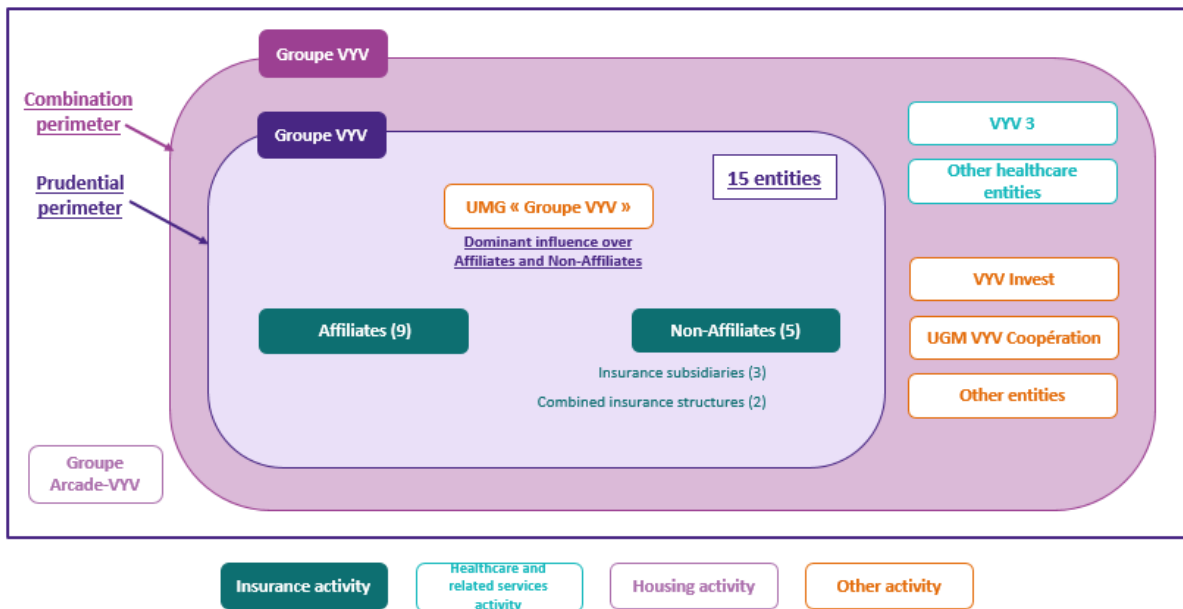
Perimeter

Groupe VYV was created in September 2017 and is both the leading player in health insurance in France and the leading national private non-profit operator for healthcare and related services. As a creator of improved living standards, it wants to ensure that everyone has the right to genuine social protection, thereby contributing to the general interest.

The strength of Groupe VYV lies in its approach to integration and increasing solidarity. Its policies revolve around several organisations that coordinate relations between the group and the mutual insurance companies:

- A strategic and prudential group mutualist union (UMG Groupe VYV): the umbrella entity that manages the overall strategy of Groupe VYV, coordinates its implementation and carries out audit missions;
- A healthcare and related services union (VYV 3¹ union) which defines the group’s strategy for the health, social and medico-social businesses;
- A group mutualist union (UGM VYV Cooperation) that provides policy coordination and exchange of resources and experience between the members of the UGM;
- Groupe Arcade-VYV, the housing pillar of Groupe VYV created in 2019, combining expertise in housing, health and improved living standards.

In the remainder of the report, unless otherwise indicated, “Groupe VYV” refers to the prudential perimeter of the group as shown in the figure below:



Simplified structure of Groupe VYV and of its different perimeters at 31 December 2019

¹ VYV 3 is the new name of YV Care from 1 January 2020. The number 3 symbolises its businesses (governed by Book 3 of the French mutual insurance code (Code de la mutualité), its organisation (3 divisions) and its position within the group (3rd pillar).



Summary

This report was drawn up based on financial and regulatory data at 31 December 2019. Information relating to the Covid-19 health crisis that arose after the balance sheet date is given on page 22 of this report.

Groupe VYV had the following key figures:

<i>In €m</i>	31 December 2019	31 December 2018	Variation
GROUPE VYV's business (combination perimeter)			
Groupe VYV's revenue	9,485.0	8,686.0	9.2%
<i>including Insurance premiums</i>	7,604.1	6,933.1	9.7%
Groupe VYV's income	(48.5)	67.3	-172.0%
<i>including Insurance income</i>	(0.6)	78.9 ^[A]	-100.7%
GROUPE VYV'S SOLVENCY (prudential perimeter ^[B])			
Solvency Capital Requirement (SCR)	2,723.0	2,446.9	11.3%
Solvency II own funds	4,861.2	3,919.9	24.0%
Solvency ratio ^[C]	178.5%	160.2%	11.4%
Groupe VYV "aggregated own funds"	5,795.1	5,519.6	5.0%
"Aggregated" ratio ^[C]	212.8%	225.6%	-5.7%
FINANCIAL STRENGTH OF GROUPE VYV			
Rating	On 3 December 2019 Fitch Ratings renewed the rating "A+ Outlook stable" assigned to Groupe VYV's main operating entities ^[D]		

Additional information

^[A] Pro-forma compared with similar information presented in the SFCR report for financial year 2018 after including the income from property investment partnerships (SCI) held by the affiliated mutual insurance companies (previously included in income from "Other activities" of Groupe VYV).

^[B] The prudential perimeter is organised via a Group Mutualist Union (UMG) The UMG organises substantial and long-term financial solidarity links between its affiliates which are explicitly mentioned in the articles of association and formalised in an affiliation agreement. At 31 December 2019 the prudential perimeter comprised 15 entities: the UMG Groupe VYV, nine affiliated members and five non-affiliated entities that have combination or capital links with the UMG Groupe VYV.

^[C] The current affiliation agreement between the UMG Groupe VYV and its affiliates introduces a limit to the own funds that are eligible to cover the Groupe VYV's SCR: not all of the affiliates' own funds are automatically available for the solidarity mechanism. It should be noted that the affiliation agreement was modified on 31 December 2019, strengthening the solidarity links between affiliates. The solvency ratio takes this limit into account and is calculated in accordance with prudential requirements. A second ratio, called the "aggregated" ratio takes into account all of the own funds held by Groupe VYV without taking into account the limit introduced by the affiliation agreement.

^[D] The Fitch Ratings financial strength rating of "A+ stable outlook" concerns: Harmonie Mutuelle, MGEFI, MGEN, MNT and Mutex.



A - Business and Performance

Groupe VYV wants to prove the economic and social effectiveness of its non-profit model, and to represent mutualistic performance in tomorrow's world.

With revenue of €9,485m including €7,604m for the prudential perimeter, Groupe VYV is the leading health insurer in France and the leading national private non-profit operator for healthcare and related services. At 31 December 2019, Groupe VYV's net income amounted to -€48m (including -€1m for the prudential perimeter), due to the current environment of prolonged low rates.

Indeed, the drop in interest rates became more marked in 2019 with the appearance in the second half of the year of negative interest rates for 10-year loans by France. This context of unprecedented rates led to a reduction in the discount rate leading to a considerable reinforcement of the technical provisions of the group's components and of the retirement benefits. It should be specified that Groupe VYV's insurance income would have shown a profit in 2019 without this strengthening of provisions, which made it possible to secure its commitments to its subscribers.

B - System of governance

The governance of the UMG Groupe VYV is based on:

- The Board of Directors which is responsible for defining the group's strategic guidelines and the methods of implementing them, as well as approving the written policies;
- The effective managers, the Chairman of the Board of Directors and the Operational Manager (Chief Executive Officer), who implement the strategy defined previously and can commit the UMG Groupe VYV towards third parties;
- The four holders of the key functions who take part in the management of the risk management system and supervision of the business, in their respective fields;
- A committee procedure that favours discussion, coordination and complementarity between the different players.

In accordance with the Solvency II Directive, it respects two basic principles:

- Four eyes principle: all important decisions are examined by two people at least (in this case, the Chairman of the Board of Directors and the Operational Manager);
- Prudent person principle: Groupe VYV ensures that the risks taken are measurable and implements an appropriate system for monitoring and controlling them.

The UMG Groupe VYV has a dominant influence over the components of the prudential group. In particular, it ensures compliance with the rights and obligations resulting from the articles of association and affiliation agreements for its affiliates.

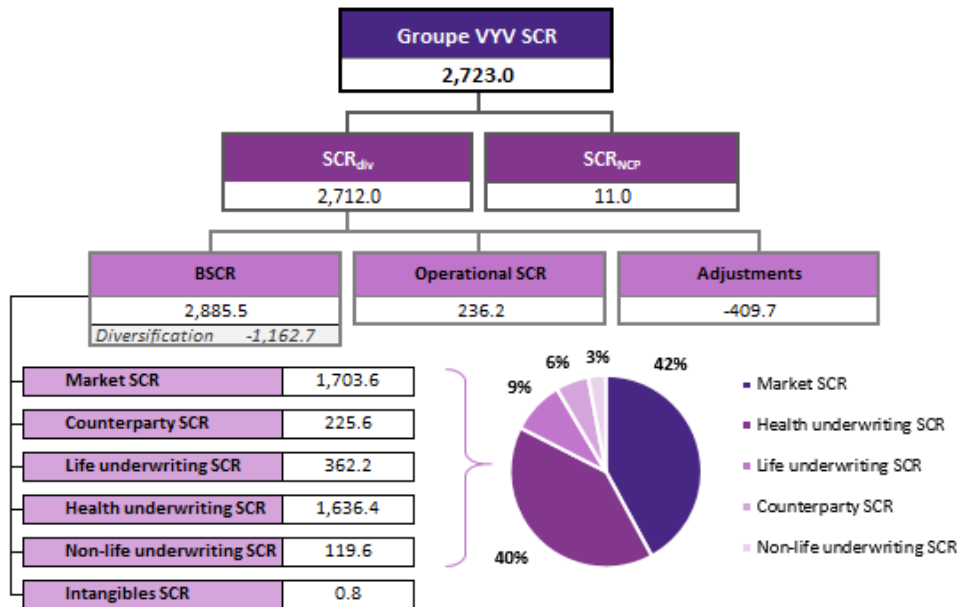


C - Risk profile

The risks borne by Groupe VYV are inherent in its insurance business. Groupe VYV is thus particularly exposed to the risks linked to adverse variations in the financial markets as well as to the various technical risks linked to commitments towards its subscribers (increase in the number of claims, unsuitable pricing, regulatory changes etc.).

Groupe VYV has organised a centralised risk management system to identify the risks to which it may be exposed and ensure they are brought under control.

The solvency capital requirement (SCR) of Groupe VYV and the associated distribution of risks at 31 December 2019 was:



Breakdown of Groupe VYV's SCR at 31 December 2019

Groupe VYV's main risks are the market and health underwriting risks:

- The market risk represents the risk relating to investments made representing obligations to insured people or the own funds of the components of the group and the UMG Groupe VYV;
- The health underwriting risk is characteristic of the group's business, based on coverage of health risks (74% of the earned premiums) and protection (19% of the earned premiums).



D – Valuation for solvency purposes

The valuations carried out under prudential standards to calculate the solvency ratio comply with the Solvency II Directive, i.e. the amounts applied are those for which the assets and liabilities could be exchanged, transferred or settled under an arm's length transaction between informed and consenting parties.

Groupe VYV's Solvency II balance sheet at 31 December 2019 can be summarised as follows:

In €m	Solvency II value	In €m	Solvency II value
ASSETS		LIABILITIES	
Intangible assets	1.0	Technical provisions (gross of reinsurance)	11,954.7
Deferred tax assets	319.5	Deferred tax liabilities	688.6
Property, plant & equipment for own use	366.3	Other liabilities	3,119.0
Investments	17,118.6	TOTAL LIABILITIES	15,762.3
Reinsurance recoverables	1,221.3	EXCESS OF ASSETS OVER LIABILITIES	6,214.4
Loans and receivables	2,294.1		
Other assets	655.9		
TOTAL ASSETS	21,976.7		

Summary of Groupe VYV's Solvency II balance sheet at 31 December 2019

E - Capital management

Groupe VYV's capital is managed in a way that ensures that it always meets the solvency requirements of Groupe VYV and of each of its components. To calculate its solvency ratio, Groupe VYV uses the Standard Formula specified by the Solvency II Directive, applying the first method defined by the regulations, called the "consolidation method".

At 31 December 2019, with eligible own funds therefore of €4,861m (of which over 99% are classified as Tier 1²), for a capital requirement of €2,723m, the solvency ratio amounted to 179%.

During 2019, Groupe VYV strengthened the financial solidarity links between its affiliated members, thereby increasing the effectiveness of the solidarity mechanism in force on 31 December 2019 within the group.

Other factors contributed to the variation in Groupe VYV's solvency ratio compared with the end of 2018 (when it amounted to 160%), including the change in Groupe VYV's prudential perimeter (affiliation of SMACL Assurances and Chorum, as well as the merger of Harmonie Mutuelle and Harmonie Fonction Publique), inclusion of a change in the method of calculating its SCR, and the economic context of a general fall in interest rates.

² Tier 1 own funds are the highest quality own funds as defined in the Solvency II Directive.



In accordance with the Solvency II Directive, only own funds that can be mobilised under the solidarity mechanism for affiliated members are deemed to be eligible to cover the capital requirement for the purpose of the solvency ratio. However, Groupe VYV has greater financial strength. For instance, taking into account all of the group's own funds, i.e. €5,795m, Groupe VYV has more than twice its capital requirement and had a ratio, called the "aggregated" ratio of 213% at 31 December 2019.

Furthermore, on 3 December 2019 the rating agency Fitch Ratings renewed the rating "A+ Outlook stable" assigned on 28 January 2019 to Groupe VYV's main operating entities (Harmonie Mutuelle, MGEFI, MGEN, MNT and Mutex), thereby confirming the group's financial strength.

Finally, on 2 July 2019 Groupe VYV carried out a bond issue for a nominal amount of €500m maturing in 10 years. This issue, rated A- by Fitch Ratings, shows the confidence of investors and will enable Groupe VYV to finance its ambitious transformation project. It should be noted that this senior debt is not eligible to cover its SCR.



A. Business and Performance

The purpose of Part A - Business and Performance is to present the business and main results of Groupe VYV at 31 December 2019.

In the introduction it presents Groupe VYV's structure* and the differences in perimeter between the combination perimeter within which the earnings are achieved, and the prudential perimeter which meets the requirements of the Solvency II Directive, including this report.

A.1 Business

A.1.1 Organisation of Groupe VYV

The following organisation chart shows the organisation of Groupe VYV's combination perimeter at 31 December 2019:

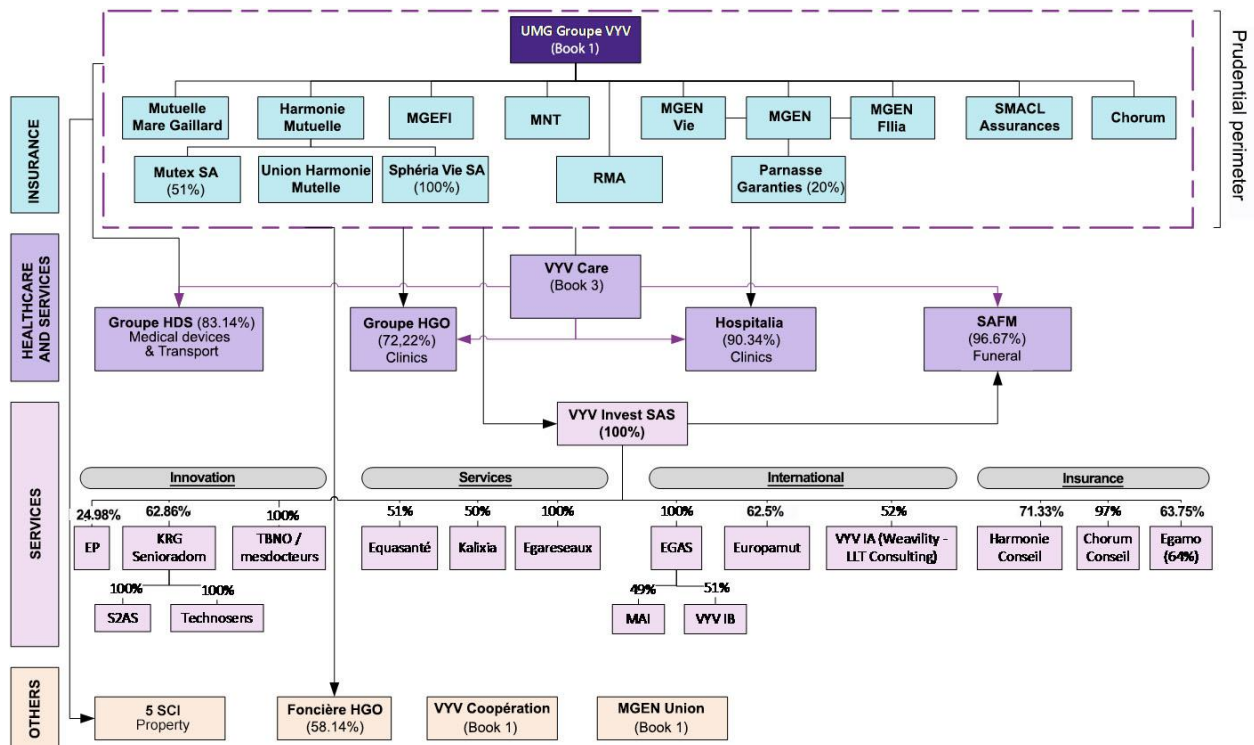


Figure 1 - Organisation chart of Groupe VYV's combination perimeter at 31 December 2019

* Groupe VYV in the widest sense which includes: the prudential perimeter (i.e. the insurance business), the healthcare and related services business, the services and assistance business, the housing business and the other businesses



A.1.1.1 Prudential perimeter

Groupe VYV is a prudential group as defined in the Solvency II Directive:

- it has a **dominant influence** over the decisions of the affiliated entities. This influence results in:
 - An affiliation agreement governing its articles of association and its relations with its affiliates;
 - The introduction of a centralised risk management system;
 - The definition of the group’s risk management policies by its components.
- It is characterised by **strong and lasting financial relations** between the group and its various entities, shown by the introduction of a financial solidarity mechanism.

Furthermore, given its prudential nature, Groupe VYV draws up combined financial statements, a prudential balance sheet and an annual report on the group’s management, and is subject to the supervision of the French banking and insurance authority (ACPR).

The prudential perimeter of Groupe VYV comprises the following fifteen French entities:

- UMG Groupe VYV;
- Nine affiliated members:
 - Eight mutual insurance companies, as governed by Book II of the French mutual insurance code (*Code de la mutualité*):
 - Harmonie Mutuelle;
 - Mutuelle Générale de l’Économie des Finances et de l’Industrie (“MGEFI”);
 - Mutuelle Générale de l’Éducation Nationale (“MGEN”);
 - MGEN Filia;
 - MGEN Vie;
 - Mutuelle Mare Gaillard;
 - Mutuelle Nationale Territoriale (“MNT”);
 - Chorum³;
 - A mutual insurance company subject to the French Insurance Code (*Code des assurances*) :
 - SMACL Assurances.
- Five non-affiliated entities that have combination or capital links with the UMG Groupe VYV:
 - Three insurance subsidiaries:
 - Mutex SA, in which Harmonie Mutuelle has a 51% share and Chorum has a 0.37% share, and which is fully consolidated in the group’s accounts;

³ It should be specified that a substitution entered into force from 1 January 2020: Chorum was replaced by Harmonie Mutuelle, effectively resulting in the withdrawal of Chorum from the UMG Groupe VYV on that date.



- Sphéria Vie SA, wholly-owned by Harmonie Mutuelle and fully consolidated in the group's accounts;
- Parnasse Garanties SA, in which MGEN has a 20% share and which is accounted for in the group's accounts using the equity method;
- Two combined insurance structures:
 - Ressources Mutuelles Assistance ("RMA");
 - Union Harmonie Mutualité, controlled by Harmonie Mutuelle.

The businesses of all of Groupe VYV's insurance entities are described in their own Solvency II report.

A.1.1.2 Combination perimeter

The combination perimeter of Groupe VYV includes:

- The prudential perimeter detailed above;
- The healthcare and related services offering (in particular via VYV 3);
- Services and assistance;
- The other businesses except for housing⁴.

The UMG Groupe VYV has a dominant influence over 129 entities in Groupe VYV that fall within the combination perimeter rather than the prudential perimeter.

A.1.2 General information

Groupe VYV's head office is located at Tour Montparnasse, 33 avenue du Maine, BP 25, 75755 Paris Cedex 15, France.

As a prudential group, Groupe VYV is supervised by the French banking and insurance authority (ACPR), located at 4 place de Budapest, CS 92459, 75436 Paris Cedex 09, France, and prepares its combined financial statements according to French accounting standards.

The statutory auditors of Groupe VYV are:

- Mazars, represented by Pascal Parant, whose offices are located at 61, rue Henri Regnault, 92075 La Défense Cedex, France;
- Tuillet Audit, represented by Valérie Dagannaud, whose offices are located at 29, rue du Pont, 92200 Neuilly-sur-Seine, France.

⁴ In accordance with accounting standards, Groupe Arcade-VYV is not included in the combination perimeter of Groupe VYV.



A.1.3 Presentation of Groupe VYV's business

A.1.3.1 Main coverage offered by the group

This section only describes the insurance businesses within the prudential perimeter. These are divided into five categories:

- Health business, which includes all of the coverage linked to supplementary health insurance products;
- Protection business, mainly including coverage for death, incapacity/disability, dependency and funerals;
- Savings/Pensions business comprising euro-denominated and unit-linked (UL) life insurance type products;
- PCI business⁵ comprising property damage, motor vehicle and third-party liability insurance;
- Other businesses which mainly include surety coverage and assistance.

The links between the main types of coverage of Groupe VYV and the Solvency II lines of business are indicated in Appendix A.

A.1.3.2 Key figures

The table below shows the premiums earned (gross of reinsurance and excluding intra-group acceptances) by Groupe VYV at 31 December 2019 by type of business:

<i>In €m</i>	Earned premiums (gross of reinsurance)	Proportion
Health	5,609.3	73.8%
Protection	1,479.8	19.5%
Savings/Pensions	120.1	1.6%
PCI	354.2	4.7%
Other businesses	40.8	0.5%
Total	7,604.1	100.0%

Table1 - Presentation of Groupe VYV's business at 31 December 2019

The premiums earned by Groupe VYV at 31 December 2019 amounted to €7,604m with almost 66% from Harmonie Mutuelle and MGEN. They were up by €671m (i.e. an increase of 9.7% compared with the previous year) of which €419m was due to the inclusion of SMACL Assurances and Chorum in Groupe VYV.

⁵ In the field of insurance, the abbreviation PCI refers to "Property and Casualty Insurance"



The premiums earned at 31 December 2019 can be analysed by type of business:

- For supplementary health insurance, for which Groupe VYV is the leading player in France, 96% of the premiums were from the affiliated mutual insurance companies Harmonie Mutuelle, MGEN, MNT and MGEFI. Individual policies constitute 71% of subscriptions at group level.
- The proportion of the protection business within Groupe VYV remained stable (in spite of the emergence of the PCI business within the group in 2019). Half of this business is from Mutex via life and sick leave coverage, and the other half is mainly from MGEN and MNT.
- Groupe VYV's savings/pensions business is provided almost exclusively by Mutex.
- The introduction in 2019 of the PCI business (€354m i.e. almost 5% of the premiums earned) within Groupe VYV is a direct result of the affiliation of SMACL Assurances.
- The increase in Groupe VYV's other businesses was driven by the rise in RMA's premiums for assistance.

Groupe VYV conducts most of its business in France, and only a small part of its business (less than 1% of earned premiums) is carried out abroad: MGEN's business carried out under the freedom to provide services in Portugal (via Europamut), by VYV IB which offers cover for expatriates throughout the world and via the Italian subsidiary of Harmonie Mutuelle.

A.1.4 Operations and transactions within Groupe VYV

Introduction of reinsurance treaties within Groupe VYV

An internal reinsurance treaty entered into force on 1 January 2019 between RMA (which cedes the risk) and MGEN (which reinsures it). This quota share treaty relates to the assistance services included in the health policies of MGEN. This treaty is added to the treaty in force since 1 January 2018 between RMA and Harmonie Mutuelle, that relates in the same way to the health policies of Harmonie Mutuelle for which assistance services are provided by RMA.

Furthermore, MNT completed its reinsurance system with the introduction of the following internal reinsurance treaties on 1 January 2019:

- With Mutex, an initial quota share reinsurance treaty for protection participation agreements, and a second quota share treaty for all individual subscriptions for protection;
- With Harmonie Mutuelle, a quota share reinsurance treaty for all subscriptions to the mutualistic regulations of the group's territorial offering.

Finally, on 1 January 2019 MGEN and MGEN Vie changed the method of calculating the reinsurance commission received by MGEN for reinsuring the business of MGEN Vie.



Other reinsurance treaties within Groupe VYV

The internal reinsurance treaties described above are in addition to the treaties that already exist between:

- MGEN, reinsurer of MGEN Vie and MGEN Filia;
- Harmonie Mutuelle, reinsurer of Mutex, Sphéria Vie and Union Harmonie Mutualité;
- Mutex, reinsurer of MGEN and Harmonie Mutuelle;
- Sphéria Vie, reinsurer of Mutex.

Intra-group transactions between the components and the UMG Groupe VYV

On 24 July 2019, the UMG Groupe VYV subscribed to a subordinated bond issued by SMACL Assurances for a total of €10m.

A.1.5 Highlights of 2019

In 2019, Groupe VYV acquired the means to fulfil its mutualistic promise and demonstrate its positioning as an entrepreneur for improved living standards, by defining its strategic business plan, Force VYV. This plan helps to create synergies between all of the group's entities that are already affiliated, and with those that continue to join it. It also creates dynamics within the group's four business lines, which offer unprecedented complementarity in terms of their know-how.

A.1.5.1 Highlights relating to the prudential perimeter

Affiliations of Chorum and SMACL Assurances to the UMG Groupe VYV enter into effect

The respective affiliations of Chorum and SMACL Assurances to the UMG Groupe VYV were approved in 2018 by the General Assembly of Groupe VYV, and entered into effect on 1 January 2019.

Chorum is a mutual group dedicated exclusively to Social and Solidarity Economy (SSE) professionals who are the original partners of all of Groupe VYV's components. Chorum offers companies and employees in the SSE sector a comprehensive range of coverage and services suited to their protection, health, savings, PCI, pensions and social engineering requirements.

SMACL Assurances was set up in 1974 and is the mutual insurance company for authorities and public institutions, elected representatives and territorial officials. It also covers the risks of companies, associations, private individuals and economic players in all regions. SMACL Assurances is the original partner of MNT, and thereby supports Groupe VYV's offering thanks to 40 years' expertise in PCI.

Merger of Harmonie Fonction Publique and Harmonie Mutuelle

At their respective general assemblies held on 20 June 2019 and 27 June 2019, the delegates of Harmonie Fonction Publique and of Harmonie Mutuelle approved the planned merger between the two mutual insurance companies.



Harmonie Fonction Publique and Harmonie Mutuelle have been collaborating for over 10 years. These links were gradually strengthened, initially in connection with Groupe Harmonie, and then in connection with the forming of Groupe VYV, in several key areas:

- Pooling of branches and cooperation with regard to development;
- Services for subscribers such as the Kalixia state health service contract, assistance by RMA, and the magazine for subscribers “Essentiel Santé Magazine”;
- Development of access to healthcare in connection with VYV 3.

This merger consolidates the shared development aims of the two mutual insurance companies, as well as a decade of successful cooperation between these two mutualist players in the service of their subscribers.

Issue by the UMG Groupe VYV of a bonded debt of €500 million

On 2 July 2019 Groupe VYV carried out an inaugural bond issue for a nominal amount of €500m maturing in 10 years, with a yearly coupon of 1.625%. This issue, which was rated A- by Fitch Ratings, was carried out at the level of the umbrella entity UMG Groupe VYV, and will enable Groupe VYV to finance its ambitious transformation project, that aims both to develop and diversify its insurance offering, and to extend its healthcare and related services activity.

The success of this operation which was oversubscribed almost 2.7 times, half in France and half in other European markets, particularly in England and Germany, shows the confidence of investors in the strategy implemented by the group and in its credit profile.

It should be specified that this issue constitutes a “senior debt”⁶ that is not eligible to cover the regulatory solvency requirements of Groupe VYV (i.e. coverage of the SCR defined by the Solvency II Directive)

A.1.5.2 Highlights relating to the combination perimeter and excluding the prudential perimeter

Definition and implementation of the Force VYV plan

After a considerable amount of collaborative work involving elected representatives and managers throughout the first half of 2019, Groupe VYV drew up a strategic transformation plan: Force VYV. This plan was ratified by all its components, and aims to keep the commitments made in its mutualistic promise, its founding text, and to embody the group’s values.

Force VYV comprises 21 strategic plans that focus on three key themes:

- Meet the expectations of subscribers, customers, patients and residents, and **develop concrete solutions that promote improved living standards**, in particular by deploying an approach involving widespread service.
- Guarantee stakeholders an **increase in performance**, by optimising and developing the distribution capacities, bringing the group’s tools into general use, and sharing practices and tools, thereby perpetuating the group’s model which combines economic performance with social impact by optimising the social dividend.

⁶ A senior debt is a specific debt contracted in a standard manner by a company with financial institutions and/or investors. It differs from other types of debts, in particular subordinated debts, due to the priority of its repayment and its specific guarantees.



- **Encourage transformation** by developing common frameworks for operational excellence, financial management and infrastructures.

Creation of Groupe Arcade-VYV

After over a year of exclusive discussions, Groupe VYV (leading health and social protection mutual insurance player in France) and Groupe Arcade (non-specialised housing insurance and 4th largest social landlord in France) officialised their new alliance on 1 July 2019. This original and powerful alliance targets social and technological innovation and puts people first.

The aim of the new organisation is to pool housing and social protection expertise by relying on three strong convictions: housing and health are inseparable; housing must be innovative; people come first.

Based on these convictions, numerous synergies and growth factors will help to make Groupe Arcade VYV a unique and effective group that supports social utility.

A.2 Underwriting results

The following table shows Groupe VYV's income and expenses during 2019, broken down by the main Solvency II lines of business⁷ and according to several aggregates:

- **Premiums earned:** this aggregate corresponds to the earned premiums gross of reinsurance;
- **Claims paid:** this aggregate includes the claims paid for the financial year;
- **Other expenses:** this aggregate includes the expenses related to the underwriting business (claims management fees, administrative costs, acquisition expenses and general expenses related to underwriting);
- **Reinsurance:** this aggregate shows the balance relating to reinsurance operations, apart from technical provisions/reversals of technical provisions, ceded to reinsurers (which are included in the following aggregate);
- **Variation in provisions:** this aggregate is equal to the difference (net of reinsurance) of the amounts of technical provisions between the start and the end of the financial year.

⁷In the following table alone, the names used for the Solvency II lines of business include the line named and the equivalent in proportional reinsurance. For example: "Income protection" refers both to line of business No. 2 ("Income protection") and No. 14 ("Income protection (PR)").

The column "Other lines of business" groups together the lines of business that represent less than 1% of earned premiums at 31 December 2019 (there are 12: Workers' compensation insurance; Other motor insurance, Marine, aviation and transport insurance, General liability insurance; Credit and suretyship; Legal expenses insurance, Assistance, Miscellaneous financial loss insurance; Index-linked and UL life insurance; Life and non-life annuities; Health reinsurance; Life reinsurance) as well as unassigned amounts for each line of business.



<i>In €m</i>	Medical expenses	Income protection	Other life insurance	Damage to property	Life insurance with PP	Health insurance	Motor vehicle liability insurance	Non-life and health annuities	Other lines of business	TOTAL 2019	TOTAL 2018
Premiums earned	5,609.3	807.4	385.3	147.3	122.2	101.8	85.7	85.5	259.5	7,604.1	6,933.1
Claims paid	(4,491.4)	(385.4)	(309.3)	(91.3)	(251.6)	(39.3)	(88.5)	(364.3)	(227.9)	(6,249.1)	(5,684.9)
Other expenses	(1,017.7)	(86.9)	(65.6)	(33.1)	(28.1)	(13.3)	(12.3)	(34.7)	(84.4)	(1,375.9)	(1,375.6)
Reinsurance	(11.9)	(102.4)	24.0	(27.3)	2.4	(27.6)	14.4	34.6	(5.1)	(98.9)	(77.2)
Variation in provisions	9.7	(74.0)	16.6	0.0	42.6	(45.6)	0.0	(77.5)	25.2	(103.1)	37.5
Total	97.9	158.7	51.0	(4.3)	(112.5)	(24.0)	(0.6)	(356.3)	(32.8)	(222.9)	(167.1)

Table 2 – Groupe VYV underwriting income and expenses at 31 December 2019

At 31 December 2019 Groupe VYV saw an increase in earned premiums of €671m (9.7% of earned premiums in 2018) of which €419m was linked to the inclusion of SMACL Assurances and Chorum in Groupe VYV, and €252m was linked to growth in revenue by the other components of Groupe VYV.

Groupe VYV's 2019 underwriting result was down compared with the previous year, and was marked by:

- An improvement in the underwriting result for the health business. For the first year after the entry into force of the "100% Santé" (comprehensive health insurance) reform, this increase was due to a lower number of claims, price adjustments and increased efforts to control expenses.
- A further drop in interest rates in the second half of 2019. In accordance with the regulations, this context of unprecedented rates led to historically low technical rates⁸ resulting in a considerable reinforcement of the technical provisions of the group's components.

Furthermore, it should be specified that:

- The underwriting income and expenses in the "Income protection" and "Non-life and health annuities" lines of business should be analysed jointly, since most of the premiums relating to claims for "Non-life and health annuities" are classified under "Income protection" in accordance with the Solvency II Directive.
- The underwriting income and expenses for the year do not include all of the income items, such as for example the financial income related to insurance in force for "Life insurance with PP" or the amounts of technical provisions already existing at the start of the financial year.

⁸ A technical rate is the financial rate of return that an insurance company can expect when calculating a specific accounting provision. At each year-end closing, the maximum technical rates applicable for each coverage type are calculated in accordance with the regulations. The more a technical rate decreases, the more the amount of the associated provision increases (and vice versa).



A.3 Investment Performance

By their nature, the businesses carried out by Groupe VYV expose it to long-term risks. Consequently, the group invests a large proportion of its assets in stable, long-term products, mainly interest rate products (sovereign and corporate bonds). Its portfolio also comprises other assets (equities, property investments, units in collective investment undertakings etc.) which boost its profitability. The asset portfolio is characterised by prudent management suited to the portfolio risks.

The following table shows the income from Groupe VYV's investments at 31 December 2019, broken down by asset class and according to two aggregates:

- Income from assets: this aggregate corresponds to the dividends on equities, units in collective investment undertakings and property investment partnerships (SCI), interest on interest rate products, and rent from real estate;
- Net gains and losses: this aggregate corresponds to the profits and losses generated by the sale or maturity of assets during the year.

<i>In €m</i>	Government bonds	Corporate bonds	Other interest rate products	Equities & Collective investment undertakings	Property, plant and equipment	Cash and deposits	Derivatives	TOTAL 2019	TOTAL 2018
Income from assets	34.7	131.9	5.2	98.8	14.6	12.8	0.0	298.0	240.9
Net gains and losses	22.6	60.9	(0.4)	38.1	(0.6)	0.3	0.0	120.9	45.5
Total	57.3	192.8	4.7	136.9	14.0	13.1	0.0	418.9	286.3

Table 3 – Gains/Income from Groupe VYV's investments at 31 December 2019

The gains and income from investments recorded during financial year 2019 amounted to almost €419m and was mainly from coupons from bonds held in the portfolio. This is due to the predominance of interest rate products in Groupe VYV's portfolio.

The increase in income from investments compared with the previous financial year is due to:

- The positive balance for "Net gains and losses" generated by purchases/sales of corporate bonds;
- Exceptional capital gains on equity and collective investment undertakings in 2019, in particular by Mutex.



A.4 Performance of other activities

At 31 December 2019, Groupe VYV did not have any businesses other than those described in the two previous sections. Consequently, Groupe VYV's income includes firstly the non-technical income and expenses, and secondly the corporate tax income or expense.

Corporate tax represented an expense in 2019 amounting to almost €60.0m, which differed from the previous financial year: tax in 2018 represented income of €10.1m. The expense recognised at 31 December 2019 includes:

- An income tax expense due (entered in the individual financial statements) equal to €46.6m, partly linked to the taxation of collective investment undertakings as securities (UCITS) in particular at Harmonie Mutuelle and Mutex (taxation of unrealised capital gains due to the fall in rates and the strong performance of the equity markets);
- An expense due to the variation in deferred tax (resulting from combination adjustments in the accounts) equal to €13.6m.

A.5 Any other information

A.5.1 Renewal of Groupe VYV's rating

On 3 December 2019 the rating agency Fitch Ratings renewed⁹ its initial rating "A+ Outlook stable" assigned on 28 January 2019 to Groupe VYV's main operating entities (Harmonie Mutuelle, MGEFI, MGEN, MNT and Mutex), in respect of their financial strength. The outlooks are stable.

In its assessment, Fitch emphasised some of Groupe VYV's strengths:

- "strong business profile";
- Its position as the "leading franchise in health insurance in France" combined with "strong franchises in protection, healthcare and related services";
- "very strong capitalisation and leverage";

This reaffirmed rating, like the success of the bond issue in July 2019, shows the dynamics of Groupe VYV's project and the pertinence of the mutualistic model. It also represents proof of confidence for all of its partners, subscribers and customers.

⁹ Fitch Ratings (3 December 2019). "Fitch Affirms Groupe VYV IFS 'A+'; Outlook Stable" (<https://www.fitchratings.com/research/insurance/fitch-affirms-groupe-vyv-ifs-a-outlook-stable-03-12-2019>)



A.5.2 Information concerning the Covid-19 pandemic

In response to the time difference between the reference period and the Covid-19 pandemic, this subsection aims to provide further information about the effects and impacts of Covid-19 on Groupe VYV as identified on the date of approval of the report.

Groupe VYV's business continuity is ensured

From Thursday 12 March to Monday 16 March 2020 the French government introduced exceptional measures to stop the spread of the virus in France: travel reduced to only absolutely essential journeys, schools closed, ban on gatherings of people and shutdown of commercial activities not essential to the nation.

In this context, Groupe VYV continued to speed up its business continuity plan, already deployed before these announcements: setting up of a daily crisis unit, use of teleworking whenever possible (new equipment was made available to employees) and systematization of remote means of communication. Implementation of this business continuity plan made it possible in particular for Groupe VYV's main authorities to function (in particular the Board of Directors) and to maintain relations with subscribers (continuity in the management of policies and provision of benefits).

Increased monitoring of risks and impacts

The response of governments in France and around the world to the spread of Covid-19 have resulted in the disruption of Groupe VYV's insurance business, as well of the financial environment in which it operates.

In these unusual conditions, Groupe VYV's risk management system was strengthened to detect emerging risk factors, increase the risk monitoring already identified and implement the appropriate risk control measures. Furthermore, all of Groupe VYV's components help to assess and monitor the technical impacts on all of the insurance businesses (health, protection, savings/pensions and PCI).

Groupe VYV remains strong in spite of a disrupted financial environment

The slowdown in global production since the emergence of Covid-19 at the start of 2020 has caused a significant decline in all of the stock markets. Combined with the general drop in interest rates in 2019, it is resulting in a greatly disrupted financial environment.

In this uncertain financial context, it is necessary to note not only the size of Groupe VYV's own funds (its financial capacity is more than twice the size of its capital requirement at 31 December 2019) but also the conclusions of the previous ORSAs in which the group's strength was affirmed, including in stress scenarios comparable to the fall in the equity markets noted since the start of the year.

On 9 April 2020 the rating agency Fitch Ratings confirmed¹⁰ its rating "A+" assigned to Groupe VYV's main operating entities (Harmonie Mutuelle, MGEFI, MGEN, MNT and Mutex), in respect of their financial strength. In view of the uncertainty created by the Covid-19 pandemic damaging market conditions (increase in volatility on the equity markets combined with low interest rates) the outlook has been revised from "Stable" to "Negative".

¹⁰ Fitch Ratings (9 April 2020). "Fitch Revises VYV's Outlook to Negative; Affirms at IFS 'A+' " (<https://www.fitchratings.com/research/insurance/fitch-revises-vyv-outlook-to-negative-affirms-at-ifs-a-09-04-2020>)



B. System of governance

Since the creation of Groupe VYV, various authorities were gradually set up to meet regulatory obligations, enable the smooth functioning of the group in institutional terms, and favour subscribers' representation within its governance.

Part B - System of governance, presents the governance of Groupe VYV, its risk management system (including the system for the own risk and solvency assessment) and the objectives and operating framework of the four key functions defined by the Solvency II Directive.

B.1 General information on the system of governance

B.1.1 System of governance

Groupe VYV's system of governance is based on a Board of Directors and the General Management, to which specific committees are attached dedicated to compliance with the regulatory framework and compliance with good governance practices.

In accordance with the provisions of the Solvency II Directive and in particular the "Four eyes principle", Groupe VYV has at least two effective managers, i.e.:

- The Chairman of the Board of Directors of Groupe VYV, Mr Thierry BEAUDET.
- The Operational Manager (called the Chief Executive Officer in the remainder of the report), Mr Stéphane DEDEYAN.

Furthermore, the four key functions have a direct link to the effective managers, in particular via their own dedicated committees.



The following diagram shows a simplified version of Groupe VYV's system of governance at the end of 2019:

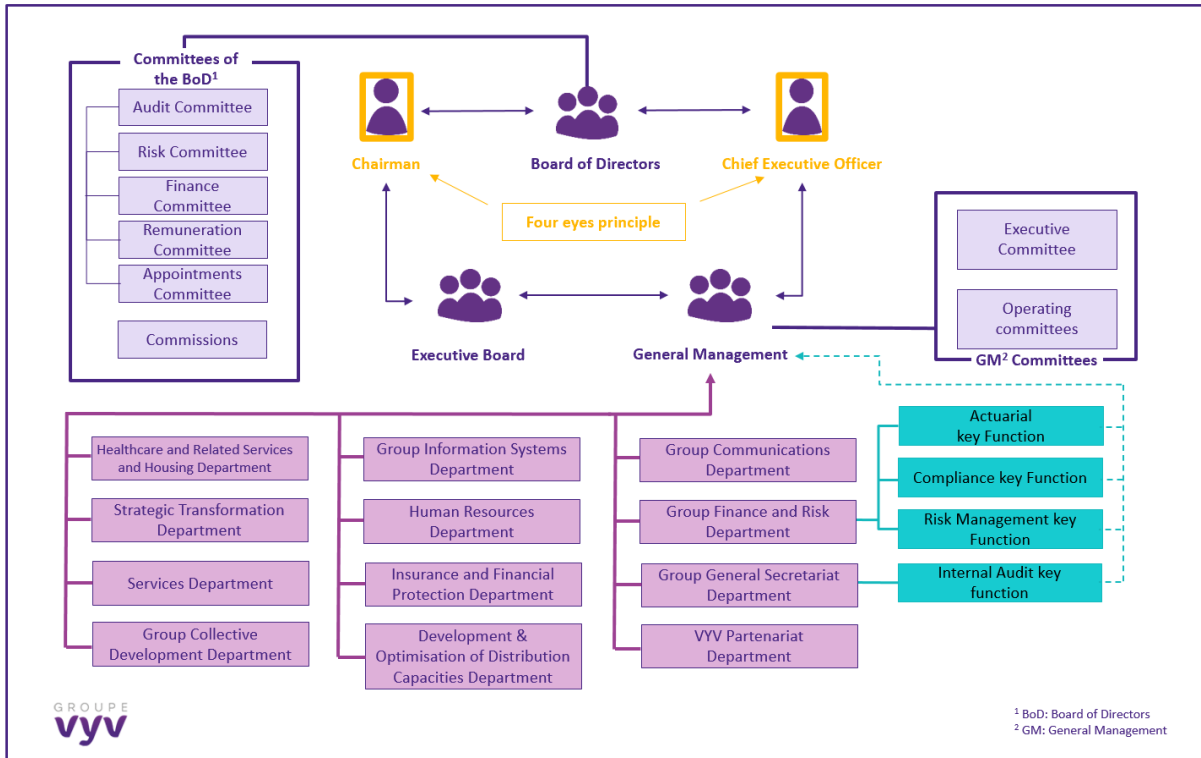


Figure 2 - Simplified presentation of Groupe VYV's system of governance at 31 December 2019

B.1.1.1 Board of Directors

Composition and roles of the Board of Directors

At 31 December 2019 Groupe VYV was managed by a Board of Directors made up of 28 directors.

The Board of Directors makes all of the decisions that it considers necessary for the management and development of Groupe VYV, within the limits of the regulations in force and the articles of association, and ensures that they are implemented. It deals with any issues that concern the smooth running of the group, settles matters that concern it via its decisions, and conducts the controls and checks that it considers appropriate.

In addition, the Board of Directors has the power to:

- Approve, prior to their appointment, the appointment of the operational manager and effective managers employed by each affiliate, appointed by its board of directors on the proposal of its chairman;
- Approve, prior to their appointment, the appointment of the key function managers of each affiliate, appointed by its board of directors on the proposal of its chairman.

Subject to the powers expressly assigned to General Assemblies, the following decisions fall within the competence of the Board of Directors:



- Defining and controlling the implementation of a centralised governance system in particular for key functions (Risk Management, Compliance, Actuarial and Internal Audit key functions);
- Defining and controlling the implementation of group policies including in particular the compliance, internal control, internal audit, risk management, ORSA, operational risk management and investment risk management and asset & liability management (ALM) policies;
- Implementing common businesses between the affiliates;
- Drawing up the annual budget for day-to-day running and investments;
- Decisions regarding non-current investments and equity investments;
- Determining the methods of implementing the financial solidarity mechanism.

The Board of Directors also has the power to control and impose penalties on the affiliated entities.

Executive Board of the Board of Directors

An Executive Board is formed within the Board of Directors with a maximum of 14 members chaired by the Chairman of Groupe VYV and comprising the Deputy Vice-President, vice-presidents, members of the Board of Directors, and the Chief Executive Officer, the effective manager of Groupe VYV.

The Executive Board meets whenever required, and its role is to:

- Investigate matters submitted to it and prepare a doctrinal or policy position which will be presented to the Board of Directors;
- Express any opinions or positions to the Board of Directors;
- Monitor the implementation of policy decisions made by the Board of Directors.

Committees of the Board of Directors

The Board of Directors also relies on the work of various committees. These are subcommittees of the Board of Directors and solely comprise directors of the UMG Groupe VYV (apart from the audit committee which may include experts who are not directors). They are dedicated to compliance with the regulatory framework and in particular the Solvency II Directive, and compliance with good governance practices.

The Board of Directors has five committees: the audit committee, the risk committee, the finance committee, the remuneration committee and the appointments committee.



Audit committee

The audit committee meets whenever necessary and in particular in order to:

- Monitor the process of drawing up financial reports;
- Monitor the effectiveness of the internal control and risk management systems (policies, procedures, methods and tools) used by Groupe VYV and its components;
- Monitor the statutory audit of the annual financial statements and combined financial statements by the statutory auditors;
- Examine the independence of the statutory auditors.

It is also responsible for:

- Deciding on the internal audit plan of Groupe VYV;
- Making sure there is an internal audit plan for each of the components and reading it;
- Reading the findings and recommendations of the audit missions conducted in the components;
- Conducting audits of the components under the conditions specified in the affiliation agreement.

In addition, it is given the annual business report of the Internal Audit key function of Groupe VYV.

Risk committee

The risk committee meets at least four times a year, and more often if necessary. It prepares the decisions of the Board of Directors. The information dealt with by this committee concerns the following two aspects: the group's risk management, and risk monitoring for its components.

The work linked to Groupe VYV's risk management comprises:

- Defining the group's risk appetite;
- Approving and updating the risk management policies;
- Monitoring risk identification, control and management at group level in particular by regularly examining the risk mapping;
- The process of drawing up the annual ORSA and the ad hoc ORSAs of the group, and approving the associated reports;
- Reviewing the financial reports and the key function reports;
- Reviewing the narrative reports.

The work linked to monitoring the risks of components includes:

- Monitoring the main indicators of the components;
- Preparing prior agreements (if necessary reading the associated ad hoc ORSA reports);
- Monitoring preventive audits;
- Preparing the methods of implementing financial solidarity;
- Monitoring the implementation of financial solidarity and the associated recovery plan.



Finance committee

The finance committee meets at least four times a year, in particular for the following deadlines: budgetary process, closing process (individual and combined financial statements).

With the support of the group Finance and Risk Department, it prepares the decisions of the Board of Directors in the following fields:

- Budgetary aspects: budget guidelines of the group, monitoring the drawing up of the UMG Groupe VYV's budget as well as forecasts for the year-end and actual results;
- Review of the background note for the budgetary process of the components;
- Monitoring the drawing up of the business plan of the UMG Groupe VYV and the group;
- Monitoring the closing of the individual and consolidated financial statements and the combination perimeter;
- Management of the UMG Groupe VYV's assets: analysis of results of investments, determining the asset allocation, checking the implementation of the investment and ALM risk management policy and, if necessary, suggesting changes to this policy;
- Analysing equity investments;
- Study of the financing of major projects.

Remuneration committee

The remuneration committee meets once a year. It reviews:

- The awarding of exceptional compensation to the directors of the UMG Groupe VYV in connection with their term of office at the UMG;
- The structure and level of remuneration of the members of the Executive Committee of the group, as well as of the chief executive officers of the affiliated members of the UMG Groupe VYV and of certain subsidiaries;
- The directors and officers liability insurance arrangements for Groupe VYV's managers.

Appointments committee

The appointments committee meets at least twice a year, in particular for the general assemblies of the affiliated members. Its role is to:

- Control, mediate and propose solutions to matters raised by the federal cohabitation of the representative unions under the aegis of the group;
- Assign, monitor and coordinate the terms of office and representatives of Groupe VYV within the group's subsidiaries, participations and authorities;
- Draw up the report to the Board of Directors on the terms of office (report on the terms of office held).

Commissions

In addition to the committees described above, there are also commissions whose aim is to promote Groupe VYV's policy and encourage all of the components to adopt the group's issues. They are made up of directors of



members of Groupe VYV, elected representatives or activists from the regions or specialised in topics linked to the commission.

Groupe VYV has six commissions which deal with the following topics: territorial coordination and training of elected representatives, social protection influence and policies, services for subscribers, young people, sustainable development and innovation.

B.1.1.2 General management

The general management of Groupe VYV is carried out by the Operational Manager, a natural person who cannot be a director and who has the title of Chief Executive Officer. The Board of Directors appoints the Operational Manager on the proposal of the Chairman of the Board of Directors and sets the conditions under which it delegates to him the powers required for effective management of Groupe VYV.

General management is divided into specific committees which include:

- The General Executive Committee, comprising 12 members at 31 December 2019, which is responsible for the operational implementation of the strategy defined by the Board of Directors;
- Several operating committees: the Chief Executive Officer relies on operating committees which include the four committees dedicated to each of the key functions (Risk Management, Compliance, Actuarial and Internal Audit key functions) and the committee comprising the holders of the key functions.

B.1.1.3 Key functions

The Risk Management key function of Groupe VYV is responsible for leading the group's risk management system. As such, it is in charge of identifying major risks, monitoring the risk profile, and conducting the ORSA of Groupe VYV. In association with its counterparts in the components, it is responsible for coordinating methods and drawing up the group's regulatory reports (SFCR/RSR and ORSA).

It manages the Risk Management Key Function Holders Committee, an operating committee which brings together each month the Risk Management key function holders of the components of Groupe VYV and manages and coordinates the risk management systems.

This function is held by Mrs Mathilde JUNG, Economic and Risk Management Director of Groupe VYV.

The main aim of **Groupe VYV's Compliance key function** is to protect the reputation and image of the company, ensure the continuity of its values, guarantee compliance by the company with changes in laws and regulations, and avoid the risk of legal, administrative or disciplinary penalties, in association with internal control and the Risk Management key function.

It manages and coordinates the systems for managing the risks of non-compliance by leading the Compliance Key Function Holders Committee, an operating committee which brings together the Compliance key function holders of the main components of Groupe VYV.

This function is held by Mr David KRIST, Internal Control and Compliance Director of Groupe VYV.

Groupe VYV Actuarial key function ensures that technical risks are properly controlled. It has direct access to the resources and tools required to enable it to ensure compliance with the policies (underwriting, reserving and



reinsurance), methods and procedures implemented by the components. It produces the Groupe VYV actuarial report including specific focuses for each of the components.

It leads the Actuarial Key Function Holders Committee, an operating committee which brings together the holders of the Actuarial Key Function of the non-affiliated combined entities as well as the technical departments of the affiliated entities. The aim of this committee is to manage and coordinate the missions of the Actuarial key function within the UMG Groupe VYV and the components of the group.

It is held by Mrs Sandrine CLEMENT, Groupe VYV Actuarial Director.

The Groupe VYV Internal Audit key function is responsible for periodic control as an independent, objective and autonomous player; it makes the group's resources available to each Internal Audit key function holder appointed by the components.

It leads the Key Function Holders and Internal Audit Correspondents Committee, an operating committee responsible for coordinating the Internal Audit key function holders of the components of Groupe VYV.

It is held by Mr Hervé LAURENT, Groupe VYV Internal Audit Director.

B.1.2 Remuneration policy and practices

B.1.2.1 General principles of the remuneration policy

Groupe VYV's remuneration policy:

- Aims to attract, develop the loyalty, motivate and reward the contribution of employees to the development of Groupe VYV;
- Aims to promote the lasting commitment of employees;
- Does not encourage risks to be taken above the company's risk tolerance limits;
- Guarantees consistent and fair treatment of employees (in particular gender equality).

Groupe VYV takes into account the general interest of the group and market practices to determine employees' salaries. The remuneration system consists of a fixed component, a possible variable component and various benefits (health, protection and employee savings contracts) structured in a balanced manner.

In the event of a variable component, it aims to reward individual and collective performance (e.g. profit-sharing). This possible variable component remains lower than the fixed component. Depending on the employee's role, it is linked to achieving targets or may take the form of an exceptional bonus to reward an occasional contribution.

B.1.2.2 Salary of managers and members of the Board of Directors

The duties of directors of entities governed by the French mutual insurance code (*Code de la mutualité*) are unpaid. Pursuant to Article L.114-26 of the French mutual insurance code, the General Assembly decided to allocate compensation to the Chairman of the Board of Directors or to directors who have been entrusted permanent responsibilities.



For the members of the Executive Committee, the variable component of their salary is designed in such a way that it remains lower than the fixed component.

The salary of the managers and directors is examined by the remuneration committee.

B.1.2.3 Salary of the key function holders

For the holders of the key functions, the salary is similar to that of the other Groupe VYV employees. The variable component is not linked to the targets of the business lines whose operations they approve or check in accordance with the regulations.

B.1.3 Material transactions with related parties

Merger of the affiliated members Harmonie Mutuelle and Harmonie Fonction Publique

The respective general assemblies of Harmonie Fonction Publique and Harmonie Mutuelle approved the planned merger between the two mutual insurance companies. This project takes the form of a merger by acquisition with retroactive effect from 1 January 2019 for tax and accounting purposes.

Substitution of Chorum by Harmonie Mutuelle and disaffiliation from the UMG Groupe VYV on 1 January 2020

During 2019, Chorum redefined the scope of its activities, in close collaboration with Groupe VYV. This work on the future of Chorum resulted in a draft substitution agreement with the mutual insurance company Harmonie Mutuelle, which is also affiliated to the UMG Groupe VYV. This substitution operation will be effective from 1 January 2020 and will in fact result in Chorum leaving the UMG Groupe VYV on that date.

B.2 Fit and proper requirements

B.2.1 Perimeter

Groupe VYV assesses the “fit and proper” nature of the people who exercise or will exercise the following duties within the group: those of directors (members of the Board of Directors), effective managers (Chairman of the Board of Directors or Chief Executive Officer) or key function managers (Risk Management, Compliance, Actuarial and Internal Audit key functions).

Fit and proper requirements apply from the time of their appointment and throughout the performance of their duties.



B.2.2 Policy and process to guarantee that key persons meet the fit and proper requirements

All of the guidelines for the checks to be carried out on managers, directors and managers of key functions to verify and certify that they are fit and proper are presented in the fit and proper requirements policy of Groupe VYV. This policy is approved by the Board of Directors and updated each year.

B.2.2.1 Assessment of fitness

The analysis of fitness by Groupe VYV is mainly based on the curriculum vitae (CV) of the aforesaid persons, which is requested from each of them.

The principle of individual fitness applies to the effective managers and the managers of key functions for their area of responsibility. Furthermore, their fitness is assessed according to the following criteria:

- Knowledge and expertise which is assessed based on their training and diplomas (in particular in the fields of insurance, finance, actuarial profession, management etc.);
- Experience acquired in the course of previous duties (term of office, nature and complexity of the company etc.).

The fitness of the members of the Board of Directors is mainly assessed at collegial level, making sure that whenever there is a new appointment or reappointment, the Board of Directors collectively still meets the fitness requirements.

However, individual fitness is also assessed on an individual basis for directors who carry out specific missions (e.g. chairman of the audit committee).

B.2.2.2 Assessment of propriety

The propriety of a member of the Board of Directors is defined in accordance with the regulations according to their reputation and integrity.

Before they take up their duties, Groupe VYV ensures that they meet the propriety requirements by obtaining the following information:

- The person's identity (photocopy of valid proof of identity);
- Proof of lack of a criminal record, company director disqualification, administrative or disciplinary penalty from a supervisory or professional authority or suspension or expulsion from a professional organisation in France or abroad, and lack of proceedings in progress (declaration on honour of lack of a criminal record and no financial and/or disciplinary penalties; extract of Section 3 of the police record less than three months old).

In addition, for members of the effective management, an extract from police records is requested when they are appointed or their term of office is renewed. Similarly, the police records of employees who are key function holders are checked every three years.

Finally, the people concerned by the fit and proper regulatory requirements must notify any potential conflict of interests before they take up their duties and throughout the time that they exercise their duties.



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

B.3.1 Description of the risk management system

B.3.1.1 Principles of the risk management system

The centralised risk management system of Groupe VYV and its components is part of an overall system based on three lines of defence. The roles and responsibilities of the players involved in these three lines of defence were defined based on the Solvency II Directive.

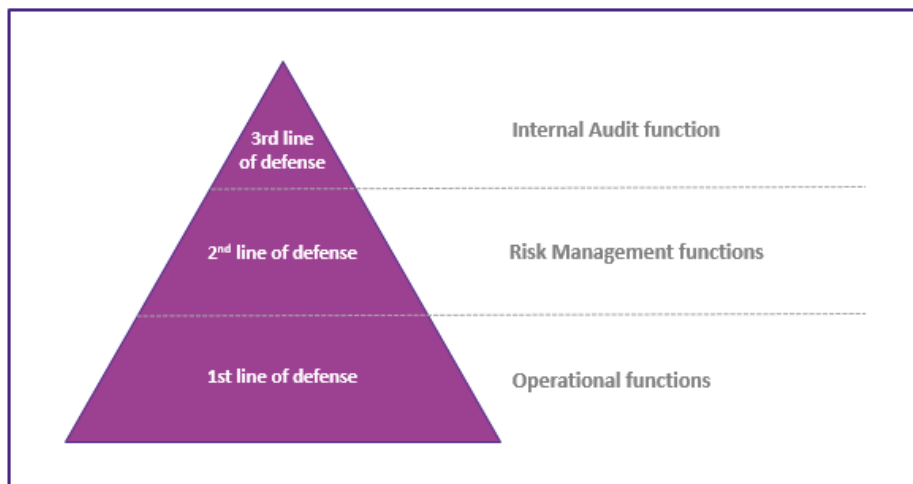


Figure 3 - Presentation of the three lines of defence of Groupe VYV's risk management system

1st line of defence: operational functions

The players responsible for controls for the first line of defence are the Operational Managers: they are responsible for the implementation of the risk assessment, monitoring and management systems within their area of authority. Their knowledge gives them a key role in identifying risks inherent in their business, maintaining the risk mapping and deploying the essential checks to control the operations. Within this context, they are responsible for organising continuous monitoring of the legality, security and validity of the operations that they carry out in the course of their activities, in particular by conducting internal audits and cross-checks.

2nd line of defence: risk management functions

The coordination of the 2nd line of defence involves in particular the Risk Management and Compliance key function holders and the Internal Control manager. These are independent of the operational functions and are responsible for organising and coordinating the internal control system in their organisation in compliance with the Solvency II Directive and the framework principles specified by the UMG Groupe VYV. The same applies to the Actuarial key function which assesses the appropriateness of the procedures and checks put in place by the components with regard to technical aspects.



3rd line of defence: the internal audit function

The Internal Audit key function coordinates the 3rd line of defence of the Groupe VYV risk management system. It is responsible for periodic control as an independent, objective and autonomous player. It pools all of the audit teams of the Groupe VYV components and makes available to each Internal Audit key function holder appointed in Groupe VYV's components the resources required to assess the effectiveness of the first two lines of defence.

B.3.1.2 Risk appetite framework

Regarding the level of results expected, reflected in a multi-annual scheme of operations, the risk management strategy ensures that Groupe VYV's risk profile is maintained at an acceptable level in view of the risk appetite framework set. This monitoring is carried out in connection with the own risk and solvency assessment.

Risk appetite refers to the level of aggregate risk that the group accepts. This represents the right balance between the targets for development and return, and the risks caused by the business of the group's components, to ensure they maintain their respective solvencies.

The risk appetite framework of the various components of Groupe VYV is in line with the one set at group level. For the affiliated entities, it is defined to prevent any triggering of the group solidarity mechanism.

B.3.1.3 Own Risk and Solvency Assessment (ORSA)

The own risk and solvency assessment (commonly called ORSA) is a major process in the risk management system and a source of data for the group's strategic and decision-making process. It is controlled by the group's ORSA policy, approved by Groupe VYV's Board of Directors and updated annually. There is an operating committee for the own risk and solvency assessment, the ORSA Committee, made up of the Chief Executive Officer, several members of the General Executive Committee, the Risk Management key function holder and the Actuarial key function holder.

The own risk self-assessment is carried out regularly and its purpose is to:

- Make sure that the identification of risks to which Groupe VYV is exposed is relevant;
- Assess the resistance of Groupe VYV's solvency to stressed scenarios and define appropriate corrective action.

Identification and assessment of risks

The methodological framework for assessing and identifying risks comprises:

- A quantitative method: this method is implemented via the exercises specified in the Solvency II Directive (1st Pillar calculations and ORSA) and the assessment of technical and financial sensitivities carried out in addition to the ORSA. This method targets the risks in the Standard Formula (underwriting, market, operational and counterparty) as well as those not or poorly taken into account in the Standard Formula (spread risk for euro zone sovereign bonds);
- A qualitative method: this method is implemented via the mapping of major risks. Mapping of Groupe VYV's risks makes it possible to identify, assess and rank the main risks and ensure that they are controlled.

Systematic perception of risks is carried out using two separate and complementary approaches:



- Top-down approach: this involves obtaining from the managers the risks that may limit or prevent the achievement of the strategic targets of Groupe VYV and its components, or damage their values;
- Bottom-up approach (or process approach): this aims to analyse the risks linked to the processes implemented within the UMG Groupe VYV and its components.

A risk exposure assessment is carried out by analysing their probability of occurrence, potential cost and the effectiveness of the associated control measures.

Mapping of major risks of the group's components provide data for the mapping of major risks of Groupe VYV for all risks deemed to be material according to the group scale or that may result in a risk of contagion at group level (e.g. reputational risk).

Assessment of resilience

The ORSA system aims to assess Groupe VYV's ability to continually cover, for the length of the business plan, its overall solvency requirement by its own funds, by conducting separate assessments. It makes it possible to check, in spite of the occurrence of shocks:

- Capital requirements are continuously met, showing Groupe VYV's ability to maintain a coverage rate of its solvency capital requirement of over 100%, throughout the projection horizon of its business plan;
- Compliance with the risk appetite framework.

If necessary, the ORSA system identifies the corrective action to be taken.

ORSA report

Each year, the work relating to the Groupe VYV ORSA is presented in a report submitted to the Board of Directors of the group for approval.

The second ORSA report of Groupe VYV report based on the data for the period to 31 December 2018 was drawn up in the second half of 2019. It was presented to the Board of Directors and approved by it on 24 September 2019.

B.3.1.4 Risk management policies

Risk management policies are drawn up by the UMG Groupe VYV for each risk category. These policies are defined by the group's components and aim to detail the composition of the risk management system.



These policies make it possible to ensure:

- The identification of responsibilities for risk management;
- The consistency of the risk management system with the strategic targets and the risk appetite framework determined by the Board of Directors;
- The existence of alert mechanisms;
- The continuity of risk management and its integration in all of the operational tasks and decision-making processes;
- The coherence of the risk management system of Groupe VYV's components.

At 31 December 2019 there were 17 risk management policies in force which are revised annually. The framework principles stated in Groupe VYV's risk management policies are defined by the group's components in their own written policies, within a maximum time limit of six months, under the responsibility of the effective managers of the entities.

All of Groupe VYV's risk management policies in force have been approved by the Board of Directors.

B.3.1.5 Appropriateness of Groupe VYV's risk management system

Groupe VYV's risk management system is part of an overall framework involving various players and authorities, in accordance with the requirements of the Solvency II Directive.

The General Executive Committee has a cross-functional view and receives regular reports on all of the group's businesses. Groupe VYV's Board of Directors also has an overall view and ensures that the strategy defined is implemented in each component. Finally, Groupe VYV's key functions provide overall coordination of the work carried out in the other components, in particular by the dedicated committees.

The risk management policies are subject to the approval of the Board of Directors and are intended to define an efficient risk management system by defining a proportionate framework for monitoring ex-ante and ex-post risks. These policies include procedures for informing and reporting to the Risk Management key function so that it has the information needed to monitor the risk profile and risk exposure. The articulation of the responsibilities of the UMG Groupe VYV and the components is specified in each of the written policies.

B.4 Internal control system

B.4.1 The internal control system

Internal control is a component of the risk management system responsible for identifying, assessing, controlling and managing operational risks.

The guidelines for the organisation of Groupe VYV's internal control system are specified in Groupe VYV's internal control policy, transposed by the group's components.

This policy is approved by the Board of Directors and revised each year.



B.4.1.1 Aims of internal control

Internal control is a component of the risk management system and contributes to control of the businesses by appropriately taking into account the related operational risks.

B.4.1.2 Internal control system and process

The internal control system introduced by Groupe VYV is based on the following elements:

Control environment

A favourable control environment exists thanks to the strong commitment of the managers of Groupe VYV and its components to deploy and regularly monitor and assess the internal control system and allocate the resources required.

The aim is to establish a control culture and introduce practices that make it possible to have greater control of the operations.

As such, the internal control environment is based on:

- An organisation and internal rules that determine the responsibilities and powers granted to the effective managers, the employees and the elected representatives, which are essential to exercise governance and to control the operations;
- Expressing in the internal procedures principles such as the separation of duties;
- An ethical approach in conducting operations, guiding both the behaviour and the actions of employees, effective managers and the boards of directors of Groupe VYV and its components;
- An information system suited to the objectives of the components, designed to meet Groupe VYV's current and future challenges.

Identification and assessment of risks

Risk identification and assessment is based on various tools including risk mapping. These tools are interdependent and complementary, and are essential for managing the internal control system and more generally the risk management system, insofar as they provide the framework for permanent control of the businesses.

Permanent control mechanisms

The control mechanisms are defined as all of the procedures and measures put in place to control risks and increase operational efficiency.

They are based on several systems:

- Control plan;
- Incident management;
- Action (or optimisation) plans;
- Framework procedures.



Circulation of information

The internal control system depends on adequate circulation of information. The information must be relevant for the recipients. The information resulting from the internal control system is also used to produce the reports required by the regulations.

Management of the internal control system

All internal control systems require permanent coordination, and regular reviews of their operation to check that they are effective and appropriate for the specified objectives. At this level, it involves assessing and reporting on the strengths and weaknesses observed to the stakeholders (in particular to the boards of directors and the effective managers of Groupe VYV and of its components).

B.4.1.3 Roles and responsibilities

Internal control and risk management are two interdependent systems: internal control helps to achieve the targets set for the group's risk management policy by covering the operational risks. The same is true at the level of Groupe VYV's components: the internal control missions include in particular:

- Identifying and classifying the operational risks inherent in the processes in place;
- Assessing these risks according to their probability of occurrence and the associated impact;
- Assessing the corresponding level of control and deducing the level of net exposure to these risks;
- Determining corrective action and drawing up improvement plans to optimise risk control and prevent any major incidents;
- Defining relevant management indicators, as well as the related monitoring and reporting methods.

B.4.2 Compliance key function

The Compliance key function aims to provide reasonable assurance of compliance with the standards applicable to the businesses of Groupe VYV and its components, as well as regarding the level of control of the associated risks.

Groupe VYV's compliance policy provides all of the guidelines for organising management of the risk of non-compliance by the group, in accordance with the Solvency II Directive.

This policy is revised once a year, validated by the Board of Directors and transposed by Groupe VYV's components within a time limit of six months.

The Compliance key function holders of the group's components meet once a month, in the Compliance Key Function Holders Committee.

B.4.2.1 Aims of the Compliance key function

The role of the Compliance key function is to ensure compliance with legal, statutory and administrative provisions, to protect the company's reputation and image, to coordinate all of the Compliance key functions of the group's entities and ensure compliance with internal standards.



It provides legal watch, consulting (prevention of the risk of non-compliance), prevention, and impact analysis of any new regulations.

Each year the Compliance key function draws up a compliance plan which it submits for approval to the Board of Directors, in line with the compliance policy. This plan lists and schedules for the year those fields and businesses that will be subject to a compliance audit. The Compliance key function has the resources and means required to carry out the missions and actions specified in this programme and the full collaboration of the people responsible for the fields and businesses audited.

B.4.2.2 Compliance key function system and process

Depending on the field, the Compliance key function carries out its mission:

- By direct management: compliance is managed by the Groupe VYV Internal Control and Compliance Department in association with its counterparts in the components. This concerns:
 - Customer protection (including conflicts of interests, information and advice, unclaimed policies, claims, compliance of products and services);
 - Combating money laundering and the financing of terrorism;
 - Combating corruption;
 - Combating internal fraud (employees and agents).
- By co-management: compliance is managed by the Groupe VYV Internal Control and Compliance Department in association with its compliance counterparts in the components jointly with other functions. This concerns in particular:
 - Protection of personal data (including medical data): articulation with the Data Protection Officer (DPO), defined by the General Data Protection Regulation (GDPR);
 - Code of ethics (including fit and proper requirements): articulation with the Human Resources Department, the Risk Management key function and the General Secretariat Department;
 - The responsibility of the managers (including delegations of powers and signatures): articulation with the General Secretariat Department;
 - Intermediation: articulation with the group Legal Department;
 - Financial code of ethics (including access to the financial markets): articulation with the Accounts-Consolidation Department and the Investments Department.

For other fields, compliance lies within the remit and expertise of other functions in the following fields: insurance law, labour law, social law, corporate social responsibility, competition law, accounting standards, taxation, business continuity, subcontracting (including delegations) and financial communications.

The Groupe VYV Internal Control and Compliance Department is nevertheless asked for assistance and/or associated by these functions:

- In the event of changes in the legislative/regulatory framework, in the impact analyses and corresponding action plans;
- In order to draw up/update internal standards for compliance;
- As an expert, for issues where this is necessary.



At the end of the financial year under review, an adjustment to the organisation in place was adopted, with the data protection division of the UMG Groupe VYV, managed by the Groupe VYV DPO, being attached to the Internal Control and Compliance Department of the group. This decision entered into effect on 1 January 2020.

B.4.2.3 Roles and responsibilities

Management of the risk of non-compliance is entrusted to the Compliance key functions put in place within Groupe VYV and its components.

As such, the organisation defined provides for the appointment of a holder of the group's Compliance key function who manages the risk of non-compliance by coordinating the associated systems, taking responsibility for regulatory intelligence for Groupe VYV and its components, and relying on his counterparts in the components who have most of the resources required to work as closely as possible to the business lines.

The group's Compliance key function relies in particular on the work of the group's Legal Department relating to company law and law watch on behalf of all of the components. It also relies on its counterparts appointed within the components and their teams.

B.5 Internal Audit key function

B.5.1 Presentation of the Internal Audit key function

Internal audit is an independent and objective activity which provides the Board of Directors and the Operational Manager assurance of the quality and effectiveness of the internal control and risk management system, and the system of governance, thereby helping to protect Groupe VYV's interests and reputation.

By convention, the term "internal audit" refers to all of the participants in the Groupe VYV Internal Audit Department and the Internal Audit key function holders of the components who contribute to the functioning of Groupe VYV's overall internal audit system.



B.5.1.1 Organisation

The group's Internal Audit Department has the following organisation:

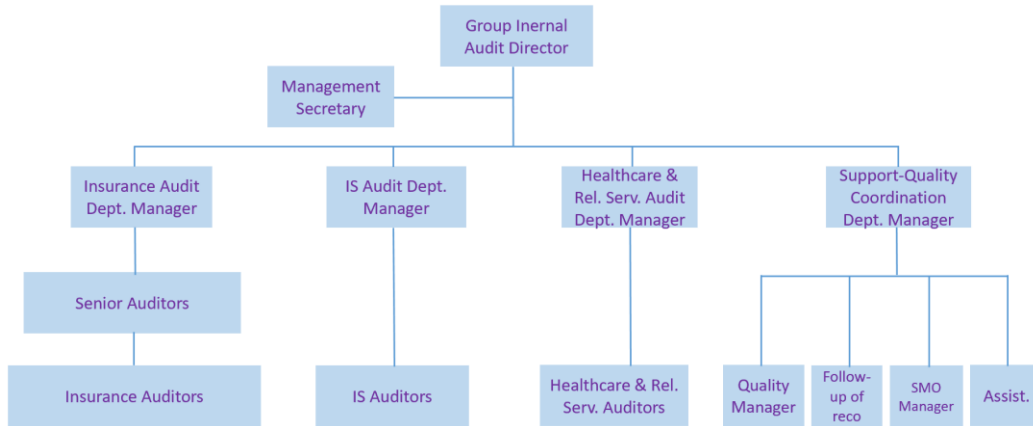


Figure 4 - Organisation of the group Internal Audit Department

Furthermore, each Internal Audit key function holder of the group's components has a functional link to the Groupe VYV Internal Audit key function holder. In particular, the Internal Audit key function has cross-functional managerial dynamics thanks to the Internal Audit Key Function Holders and Correspondents Committee, an operating committee held monthly made up of the holders of the Internal Audit key function of Groupe VYV's components.

B.5.1.2 Perimeter and responsibilities

All of the businesses, processes, systems and components of Groupe VYV and of its agents, subcontractors and strategic suppliers, lie within the scope of internal audit, without reservations or exceptions.

Internal audit is responsible for:

- Proposing to the Board of Directors the internal audit strategy and policy and its implementation in all of Groupe VYV's components;
- Defining and applying a common audit methodology (including conducting engagements and monitoring the recommendations made);
- Drawing up audit plans;
- Carrying out audit plans: the audit plan for the UMG Groupe VYV and audit plans for each of its components;
- Monitoring the recommendations of internal and external audits (statutory auditors, French banking and insurance authority (ACPR), etc.);
- Allocating skills, training requirements, and coordinating the training plans of the audit teams;
- Implementing a programme for the quality of the audit standard and maintenance of the certifications gained;
- Reporting to the Chief Executive Officer, the audit committee and the Board of Directors.



B.5.2 Operational deployment of internal audit

B.5.2.1 Group internal audit policy and internal audit charter

The basic principles governing the Internal Audit key function are set out in the following two reference documents:

- The internal audit policy, resulting from close collaboration and consultation with the components, approved by the Board of Directors and revised annually. It may be modified during the year under the same conditions.
- The group internal audit charter, approved by the Board of Directors and revised annually.

These documents are intended in particular to indicate and identify the participants and contacts for the audit activities, and the practical and technical details of these activities.

B.5.2.2 Groupe VYV audit plan

Each Groupe VYV component draws up its audit plan according to the guidelines and principles decided on in the internal audit policy and the group internal audit charter and according to the methodology defined in the Groupe VYV quality manual listing all of the internal audit procedures and processes.

It is subject to the approval of the Chief Executive Officer and the audit committee before being approved by the Board of Directors of the component. It is then notified to the component's executive committee.

The Groupe VYV audit plan is drawn up by the Internal Audit key function holder of Groupe VYV by consolidating the audit plan engagements of the of the group's various components and the audit plan of the UMG Groupe VYV.

It is subject to the approval of the Chief Executive Officer and the Groupe VYV audit committee before being approved by the Board of Directors of the group. It is then notified to the executive committee of each component.

The audit plan includes the titles of the missions and the projected schedules for implementing them. Missions that are not specified in the plan can be carried out by the group Internal Audit Department at the request of the Chief Executive Officer of Groupe VYV, in particular following specific incidents or on the proposal of the Groupe VYV audit committee.

B.5.2.3 Internal audit activities

Internal audit carries out the following activities:

- UMG Groupe VYV audit plan, approved by the group's Board of Directors;
- The missions included in the annual audit plan of each of the components, approved by their respective authorities: the components decide to outsource the implementation of their audit plan to Groupe VYV;
- The financial audits specified in the articles of association and the affiliation agreement, in coordination with the group Finance and Risk Department if necessary.



B.5.3 Independence and objectivity of the Internal Audit key function

B.5.3.1 Independence of the Internal Audit key function

Group Internal Audit Director

The group Internal Audit Director reports hierarchically to the group General Secretariat Director who is a member of the executive committee of Groupe VYV, and functionally to the Chairman of the group audit committee.

As holder of the group Internal Audit key function, he gives an account of his activities to the Chief Executive Officer (Operational Manager), the audit committee and the Board of Directors of Groupe VYV.

He does not carry out any other duties within the group and therefore carries out his work with complete independence.

Internal Audit key function holders of the group's components

The Internal Audit key function holders of the components subject to the Solvency II Directive report hierarchically either to a member of the General Management, or to the Operational Manager of their entity, and functionally to the Chairman of the audit committee of their entity.

As the Internal Audit key function holder, they give an account of their activities to the Chief Executive Officer, the audit committee and the Board of Directors of the entity that they belong to.

They do not carry out any duties within Groupe VYV that are incompatible with their internal audit activity, and carry out all of their work independently.

B.5.3.2 Objectivity of the Internal Audit key function

The members of the group internal audit team show the highest level of professional objectivity when collecting, assessing and passing on information relating to the business or process audited. They assess all of the relevant elements fairly and do not allow their judgement to be influenced by their own interests or by others. To avoid any conflict of interest, they must not audit work units that they were involved in during the previous 12 months.

They must not take part in activities or establish relationships that may compromise or risk compromising the impartial nature of their judgement. They must not accept anything that might put them in a situation that is inappropriate for the exercise of their work.

They must reveal any physical facts that they are aware of and which, if they were not revealed, would falsify the report on the businesses audited.



B.6 Actuarial key function

B.6.1 Aims of the Actuarial key function

Groupe VYV Actuarial key function contributes to the second line of defence of the group risk management system. Its missions mainly focus on the following themes:

- Coordinating the calculation of technical provisions under prudential standards, and assessing the appropriateness of the methods and assumptions applied and whether the data used are appropriate, accurate and complete;
- Giving an opinion on underwriting, in particular concerning the assumptions and methods used for pricing, the sufficiency of the premiums to be earned, and the risk monitoring carried out;
- Giving an opinion on the reinsurance framework, in particular concerning the appropriateness of the reinsurance programme for the risk appetite framework, the choice of reinsurers, the credit quality of reinsurers, and the calculation of reinsurance recoverables;
- Contributing to the deployment and continuous improvement of the risk management system in association with the Risk Management and Compliance key functions.

Furthermore, the group Actuarial key function ensures that the analyses carried out in Groupe VYV's components are consistent.

All of the work carried out by the Actuarial key function and its conclusions are presented in an annual report (the Group Actuarial Report) to the effective managers and the Board of Directors, and made available to the French banking and insurance authority (ACPR). The Group Actuarial Report includes a specific focus on each of the components of Groupe VYV.

B.6.2 Organisation and committee procedure of the Actuarial key function.

Organisation and reporting line

The Groupe VYV Actuarial key function carries out its work in the Actuarial Key Function division under the responsibility of the group Actuarial Director.

The group Actuarial Director reports hierarchically to the Finance and Risks Director, who is a member of the Groupe VYV general executive committee.

Committee procedure

The Actuarial Key Function has its own committee, the Actuarial Key Function Committee. This committee is organised at group level and is made up of the holder of the Actuarial key function of the group and the affiliates, his counterparts in the related and controlled insurance entities¹¹ and the technical departments of the affiliated components.

Its missions are:

- Leading the Actuarial key function within Groupe VYV and its components;

¹¹ At the end of December 2019, the Groupe VYV Actuarial key function and the Actuarial key functions of the affiliated entities were held by the same person.



- Ensuring compliance with the regulations;
- Sharing results with all of the technical departments of the components;
- Coordinating and aligning the methods of reserving within the group;
- Monitoring the main recommendations and the associated action plans;
- Discussing revisions to the reserving, underwriting, reinsurance and data quality policies.

It is also the role of the committee to define the group's guidelines and notify alerts to the effective managers concerning the reserving, underwriting, reinsurance and data quality policies.

The Actuarial key function also takes part in the following committees:

- The group key functions committee;
- The finance and risk executive committee;
- The ORSA committee.

B.6.3 Operational deployment of the Actuarial key function

The Groupe VYV Actuarial key function has defined a certain number of guidelines presented in the group reserving, underwriting, reinsurance and data quality policies. In addition, it ensures that the components' reserving, underwriting and reinsurance policies are in line with the guidelines defined in Groupe VYV's policies.

In the framework of the reserving, underwriting and reinsurance processes, the Actuarial key function makes sure that practices are standardised in particular by informing the components of the guidelines. For example, the aim of the models committee (set up in 2019 in connection with the deployment of a modelling tool shared by the group) is in particular to standardise and validate the methods of calculation associated with the models used by the components to assess their Solvency II technical provisions.

The review activities of the Groupe VYV Actuarial key function are based on the work carried out by the holders of the components' Actuarial key function. The coordination and compliance of the reviews with the reserving, underwriting and reinsurance practices are reinforced by the fact that the holder of the group Actuarial key function is also responsible for the Actuarial key function of the affiliated components.

B.7 Outsourcing

B.7.1 General framework

Groupe VYV outsourcing policy falls within Groupe VYV's general framework for risk management. It presents the guidelines for organising the outsourcing management system of Groupe VYV and its components, in order to cover all of the risks related to outsourcing to which the group and its components are exposed. It complies with the requirements of the Solvency II Directive.

In spring 2019 a working party was set up to examine the practices of Groupe VYV's components, determine where appropriate the common approaches, rules or criteria and/or share the best practice identified. Within this framework, a consolidated inventory process was introduced for the outsourced activities. This approach was enhanced at the end of 2019, and has made it possible to identify the areas of study to be examined in greater detail or the action plans to be carried out to achieve maximum consistency of the approaches (e.g.:



“important or critical” definition, monitoring and control of subcontractors) and compliance of the systems with the regulations.

B.7.2 Outsourcing management system

The system for outsourcing businesses is presented in the outsourcing policy. This sets out in particular the rules regarding initialization of outsourcing, selecting the service provider, contractualisation, and reporting to the UMG Groupe VYV.

For important or critical activities, outsourcing is mainly used for the purposes of quality of service provided (business or technological skills), synergies and/or cost control. In this context, the businesses outsourced mainly concern:

- IT services (including use by the group of the specialised organisations of Harmonie Mutuelle and MGEN);
- Financial asset management with the subcontractors concerned, including EGAMO, a subsidiary of Groupe VYV.
- Management of contracts (covering all or part of the process concerned, depending on the case, from premiums to benefits), for the group’s components (Groupe MGEN, MNT) or companies outside Groupe VYV.

Almost all of Groupe VYV’s outsourcing is carried out in France.

B.8 Any other information

Groupe VYV does not have any other information to be notified to the reader.



C. Risk profile

At 31 December 2019, the specific risk profile of Groupe VYV includes:

- Risks taken into account in the Standard Formula¹², exposure to which is measured using the various solvency capital requirement (SCR) risk modules.
- Risks that are not assessed by the Standard Formula (strategic risks, reputational risk etc.), exposure to which is assessed by analyses carried out at the level of the group and its components.

Part C - Risk Profile, summarises Groupe VYV's risk profile in its introduction. Each section analyses a risk to which the group is exposed, and presents the system for controlling and monitoring the corresponding risk.

Summary of Groupe VYV's risk profile

Groupe VYV's insurance business exposes it to several different kinds of risk factors. The distribution of Groupe VYV's risks at 31 December 2019 according to the groups and quantifications specified by the Standard Formula (health underwriting risk, market risk etc.) is shown below:

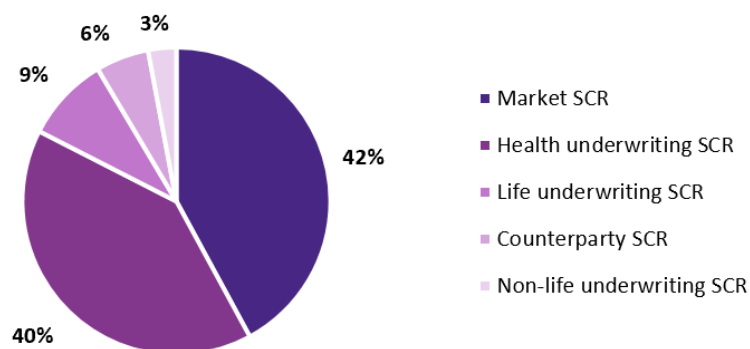


Figure 5 - Breakdown of the basic solvency capital requirement (BSCR) of Groupe VYV by risk module before diversification at 31 December 2019

The Market SCR and Health Underwriting SCR represent almost 82% of the basic solvency capital requirement (BSCR) before the diversification effect:

- The market SCR represents the risk relating to investments made representing obligations to insured persons or the own funds of the components of Groupe VYV and the UMG Groupe VYV;
- The Health Underwriting SCR is characteristic of the group's business based on coverage of individual and collective health and protection risks.

¹² The Standard Formula specifies the methods, assumptions and parameters provided for by the Solvency II Directive to calculate the capital requirements. The Standard Formula applies by default to all insurance organisations.



C.1 Underwriting risk

The underwriting risk is defined by the regulations as the risk of loss or an adverse change in the value of the insurance obligations due to inadequate pricing and reserving assumptions.

C.1.1 Exposure to underwriting risk

C.1.1.1 Business and nature of the underwriting risks

Groupe VYV offers various types of coverage for different business sectors via the positioning of its components. Earned premiums had the following breakdown at 31 December 2019:

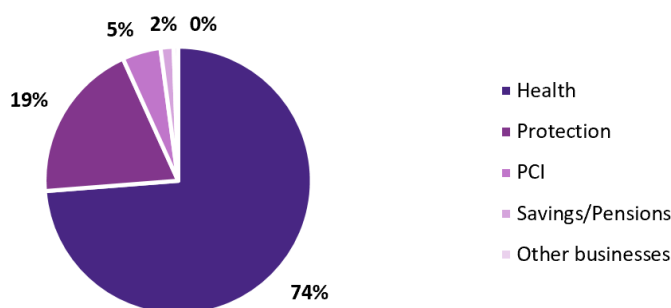


Figure 6 – Breakdown of Groupe VYV's earned premiums (gross of reinsurance) by business at 31 December 2019

With respectively 74% and 19% of the earned premiums at 31 December 2019, the health and protection businesses constitute Groupe VYV's core business. 5% of the earned premiums are linked to the PCI business of SMACL Assurances, affiliated to the UMG Groupe VYV on 1 January 2019.

Each of these businesses involves the risk of financial loss specific to all insurance businesses. They are mainly divided into the following four different types: pricing risk, reserving risk, risk of an increase in the number of claims, and catastrophe risk.

Furthermore, Groupe VYV is subject to risk factors such as changes in the regulations and/or laws.

On this account, the "100% Santé" (comprehensive health insurance) reform introduced in 2019 continues to be deployed, with a range of offerings reimbursed at increasingly higher levels from 1 January 2020, up to full reimbursement (i.e. without co-payment) by 2021 for eyewear, dental costs and hearing aids.

These three items currently represent almost half of the premiums from supplementary insurance policies for health policies. Consequently, the entry into force of this reform:

- Has significant impacts on the balance of the health portfolios;
- Leads to backfitting costs, in particular for upgrades to the information systems;
- Leads to the standardization of health offerings, together with a potentially adverse impact on subscriptions.



An estimate of the potential impact of the “100% Santé” (comprehensive health insurance) reform and a search for levers were carried out by each of the components. Specific actions for each component of Groupe VYV were carried out in 2019 in order to limit its impact.

C.1.1.2 Pricing risk

Description of the risk

The pricing risk corresponds to the risk that the current price proves inappropriate, resulting in a technical imbalance due to underpricing (premiums collected insufficient to cover the claims, expenses and extreme events). It may in particular be caused by regulatory changes.

Risk management system

All Groupe VYV’s components have an annual price review process. This systematic process makes it possible to identify any imbalances and reduce them by offering new rates or by limiting coverage the following year. It therefore makes it possible to adapt the prices to the number of claims in the portfolio, while taking competitors’ prices into account in order to remain competitive.

The Actuarial key function contributes:

- To risk control (ex-ante management): by ensuring good pricing practice for the coverage marketed. Furthermore, any significant changes in underwriting must first be approved by the Actuarial key function, if necessary with the support of the Risk Management key function.
- To risk monitoring (ex-post management): by coordinating at group level the components’ pricing and underwriting risk control and monitoring systems. These systems make it possible to monitor the portfolios in order to identify any deviance and adapt the models accordingly.

Management of the pricing risk is governed by a dedicated risk management policy i.e. the underwriting policy.

C.1.1.3 Reserving risk

Description of the risk

Reserving risk is the risk of loss or an adverse variation in the value of the insurance or reinsurance obligations, resulting from inadequate reserving assumptions. It may correspond to a poor estimate of the final charge (e.g. increase in the risk to long-term risks such as disability) but also to a poor estimate of the provision run-off for claims that have arisen within a period in line with the risk maturity.

Risk management system

In the framework of the reserving system, as far as possible given the nature of the risks, Groupe VYV ensures that the methods to be used within its components are standardised, by giving its components guidelines on reserving.

The Actuarial key function ensures that the methods and assumptions applied are appropriate, and that the data used are appropriate, accurate and complete. The group’s reserving policy defines in particular the methods of informing and obtaining the approval of changes in method from the Actuarial key function in connection with ex-ante reserving risk management.



Furthermore, in connection with ex-post reserving risk management, the Actuarial key function analyses the variations in provisioning from year to year and conducts a review of the reserving methods and assumptions applied.

C.1.1.4 Risk of an increase in the number of claims

Description of the risk

The risk of an increase in the number of claims is linked to changes in the behaviour and/or characteristics of the insured population that are unfavourable to the insurance company. This risk leads to a technical imbalance if there is no change in price, in particular if pricing is based on age at the time of underwriting.

For Groupe VYV, the risk linked to an increase in the number of claims concerns long-term risks, i.e. retirement, disability and dependency. This risk results in an increase in incidence and maintenance for disability and dependency and an increase in life expectancy for pensions.

Risk management system

Appropriate monitoring of the risk linked to an increase in the number of claims is carried out in the components: it was therefore possible to detect increases in the number of claims in the past. The components have several levers to control or mitigate this risk, i.e.:

- The possibility for most of Groupe VYV's components to include price review clauses in the policies making it possible to increase the prices in the event of a high number of claims;
- The existence of equalisation provisions that make it possible to spread the impact on the technical result;
- The possibility, for disability/incapacity coverage, to review at any time the company-specific mortality tables used for reserving, and thereby follow as closely as possible any change in the number of claims.

The risk of an increase in the number of claims is monitored by the group's components via the underwriting and reserving risk management system. It is also monitored by regular analysis of the margins achieved and the change in the claims/premium ratios for each product, as well as by statistical surveys, for example of the impact or ageing of portfolios.

C.1.1.5 Catastrophe risk

Description of the risk

Catastrophe risk is the risk of loss or of an unfavourable variation in the value of insurance obligations due to the occurrence of a catastrophic event due to its intensity or the fact of numerous accidents concentrated in the same geographical zone. These may be climatic events (earthquake, hailstorm, flood, extreme drought etc.), man-made disasters (fire, urban violence etc.) or epidemic phenomena. The premiums received are therefore insufficient to cover the claims, expenses and extreme events that occur in the commitment period.

Catastrophe risk is particularly present in Groupe VYV's PCI business (resulting from SMACL Assurances which mainly insures local authorities) in view of:

- The nature of the risks covered (specific and particularly big risks such as cover of municipal buildings or large fleets of cars);



- Concentration of exposure to the risk in certain geographic zones (in particular regional capitals or prefectures where many members and/or insured assets are concentrated)

For Groupe VYV's other businesses, catastrophe risk corresponds to the risk of a pandemic increasing the frequency of healthcare expenses, sick leave or the payment of death benefit.

Risk management system

For Groupe VYV's main businesses (health and protection), the risk of catastrophic events (epidemics, occurrence of concentrated accidents etc.) is assessed and controlled during the pricing of products and by implementing reinsurance programmes in each component.

In the specific case of Groupe VYV's PCI business, this risk is predominant and is subject to a specific system, i.e.:

- Implementation of a dedicated reinsurance programme readjusted each year, that protects all PCI risks against extreme events and that reduces the overall exposure to the risk;
- Application of underwriting standards during the individual selection of each transaction;
- Continuous monitoring of portfolio risks (in particular the geographic exposure) by drawing up representative indicators (monthly costs linked to disasters, average annual cost per peril etc.).

C.1.2 Underwriting risk mitigation mechanisms

Groupe VYV's underwriting risk is mitigated by means of techniques implemented by each of its components. In particular:

- The implementation of processes for monitoring underwriting, pricing and reserving risks described in the underwriting and reserving policies;
- The signing of reinsurance treaties for its components, to help to mitigate the group's exposure to underwriting risk.

At 31 December 2019, the impact of Groupe VYV's reinsurance system can be assessed via indicators, i.e. the earned premiums, best estimates (corresponding to the assessment under the Solvency II Directive of future cash flows linked to insurance obligations) and the Non-life Catastrophe SCR (which quantifies the exposure to catastrophe risk of non-life coverage under the Solvency II Directive):

- Groupe VYV cedes about 8% of its business and therefore retains a large proportion of its risk;
- The implementation of reinsurance treaties makes it possible to reduce its best estimate by 11%;
- The implementation by Groupe VYV of reinsurance treaties for the non-life catastrophe risk inherent in its PCI businesses makes it possible to reduce the Non-life Catastrophe SCR by 95%.



C.1.3 Concentration associated with underwriting risk

The core business of Groupe VYV is health, representing 74% of premiums earned in 2019. The group therefore presents a risk of concentration in that business, which is nevertheless reduced by the diversity of the insured populations (interprofessional, civil servant, individual, collective) and comprehensive coverage throughout France.

As regards the best estimate, at 31 December 2019 the breakdown of the underwriting risk between Groupe VYV's different types of business was as follows:

In €m	Best Estimate net of reinsurance	Proportion
Health	551.8	6%
Protection	4,599.5	47%
Savings/Pensions	4,349.5	45%
PCI	253.4	3%
Other businesses	5.4	0%
Total	9,759.6	100%

Table 4 - Breakdown of Groupe VYV's best estimate net of reinsurance by business at 31 December 2019

The proportion of the health business is markedly lower for the best estimate (6%) than for the earned premiums (74%). This is due to the fact that the health business is a short-term risk (the premiums cover the claims to be paid for the year) unlike the protection (in particular for permanent coverage) and savings/pensions businesses.

C.1.4 Results and sensitivity analyses

In view of Groupe VYV's businesses and its importance in the risk profile, underwriting risk was the subject of three specific scenarios in the 2019 ORSA:

- A "Technical health" scenario to assess the risk of a regulatory review of the medical expenses business. This scenario assumes a progressive rise in the number of claims over three years and maintenance at the maximum level until the end of the projection horizon.
- A "Technical incapacity/disability" scenario to assess the risk of an increase in the number of claims for incapacity/disability with regard to the size of the corresponding obligations within Groupe VYV. This scenario proposes a continuous drop from 2019 in the exit rates for incapacity and disability.
- A "Technical non-life" scenario to complete the assessment of the group's risk profile in view of the affiliation of SMACL Assurances on 1 January 2019 which introduced the PCI business into Groupe VYV. This scenario involves the occurrence of a disaster in 2019 resulting in an increase in the number of claims (gross of reinsurance) for coverage of damage to property for that year.

Groupe VYV's main businesses (health and protection) are inherently sensitive, with regard to its income and solvency ratio, to the number of claims that it faces. However, its level of own funds remains satisfactory even after a shock, and enables it to meet its regulatory requirements without difficulty.



C.2 Market risk

Market risk is defined as the risk of loss or an adverse change in the financial situation, resulting directly or indirectly from fluctuations in the level and volatility of the realisable value of assets and financial liabilities.

C.2.1 Total exposure and nature of the risks

In view of its business, the group's asset portfolio is made up of:

- Bonds, including both sovereign bonds and corporate bonds;
- Investment funds of various legal forms (UCITS, real estate investment funds (OPCI) etc.) and types (money market funds, diversified funds etc.);
- Company equities (listed and unlisted);
- Property, plant and equipment (mainly business premises);
- Structured notes;
- Collateralised securities
- Loans, mortgage loans and loans on policies;
- Deposits and cash.

At 31 December 2019 Groupe VYV's investment portfolio after macro-look through had the following breakdown¹³:

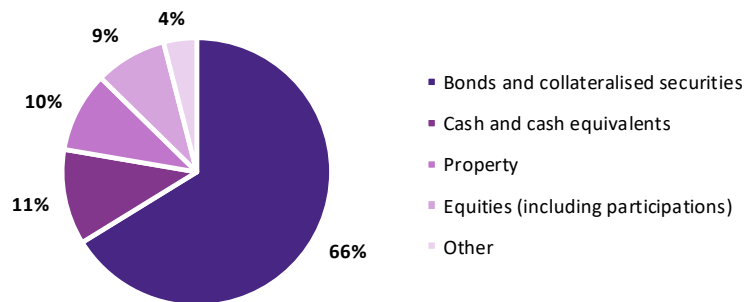


Figure 7 - Breakdown of Groupe VYV's asset portfolio after macro-look through at 31 December 2019 according to the realisable value of the investments

At the end of December 2019, interest rate products (bonds and collateralised securities) represented 66% of Groupe VYV's portfolio, diversified assets (equities, property and other investment vehicles) represented 23%, and cash represented 11%.

¹³ The category "Other" in Figure 7 includes diversified funds not subject to look-through, alternative investment funds, infrastructure funds and structured financial products



Due to the nature of these investments and the business of the group's components, market risk mainly concerns equity risk, spread risk and property risk, the three of which together account for almost 92% of the Market SCR as shown below:

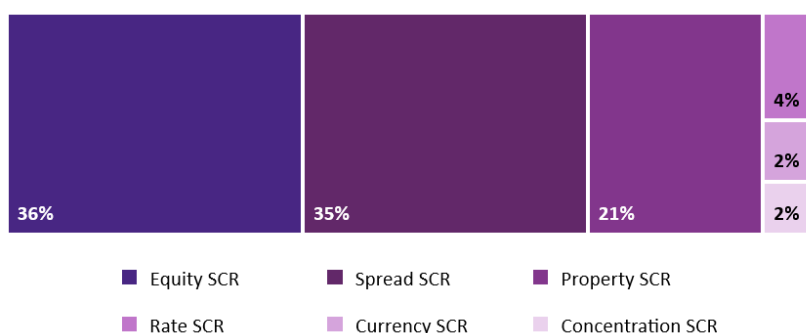


Figure 8 - Composition of the Market SCR (before absorption by the technical provisions) before diversification at 31 December 2019

C.2.2 Market risk control and monitoring system

Groupe VYV endeavours to monitor and control market risk by implementing an investment risk management system. This system is described in the investment and ALM risk management policy, indicates the general principles and minimum levels required regarding financial risk management and where appropriate the information thresholds.

This policy is specified by the UMG Groupe VYV and then defined by the group's components.

The investment risk management system ensures compliance with the prudent person principle pursuant to the Solvency II Directive and meets the following aims:

- Ensure the security of the capital structure of the components and of the UMG Groupe VYV;
- Ensure the profitability of the assets;
- Ensure the liquidity of the asset portfolios of Groupe VYV and its components;
- Assess the quality of the investments in view of the components' obligations;
- Create a portfolio that can withstand the volatility of the different asset classes;
- Meet the risk appetite constraints of each component and of the UMG Groupe VYV as defined in the risk management policy.

To monitor the market risk, the UMG Groupe VYV draws up weekly reports on the group's consolidated investments. Furthermore, the investment and ALM risk management policy establishes guidelines for:

- Defining management indicators to be used in the UMG Groupe VYV's quarterly reports to the risk committee and the finance committee;
- Deploying information thresholds in the components for informing the UMG Groupe VYV. These thresholds differ depending on the aim: ex-ante thresholds in order to manage the investment rules for choosing new securities in terms of credit quality, concentration, liquidity etc., or ex-post thresholds to ensure risk control and monitoring of the current portfolio.



Groupe VYV's components currently delegate the management of some of their assets to numerous agents, the most significant of which are EGAMO and OFI AM.

C.2.3 Equity risk

C.2.3.1 Description of the risk and exposure

Equity risk is due to the sensitivity of the value of the assets and financial liabilities to changes in the level or volatility of the realisable value of the equities. It results in a decline in the return on assets and capital losses in the event of sale. These assets may generate higher returns, but lead to a higher risk of volatility than other asset classes.

Groupe VYV's exposure to equity risk (equities held directly, equity-based UCITS, participations etc.) is mainly incurred via investment funds: only 24% of equities are held directly. Equity SCR represented 36% of the Market SCR before diversification of Groupe VYV at 31 December 2019.

C.2.3.2 Risk control elements

The selection and management of market risks are the operational responsibility of Groupe VYV's components as well as, if applicable, the management companies that provide permanent control on a day-to-day basis, within the limits defined by the management mandates. In particular, they adjust their gross exposure according to market conditions and must ensure that the equity portfolio is diversified.

Moreover, the creation of VYV Invest in November 2018 made it possible to pool the subsidiaries and holdings, to provide strategic management of them at group level.

C.2.3.3 Risk monitoring elements

Market risks are monitored via weekly reports drawn up at group level which make it possible in particular to monitor the impact of variations in the equity markets on the realisable value of Groupe VYV's investments. Special attention is given to the top five securities that have outperformed and underperformed in order to determine the size of the extreme variations.

In addition, the investment and ALM risk management policy helps to reinforce equity risk control by introducing thresholds for the components to inform the UMG Groupe VYV in particular for the share of listed equities and the share of unlisted equities.

These information thresholds must enable Groupe VYV to remain within the limits of its risk appetite by controlling the volatility and liquidity risks that these securities represent.

Quantitative assessments of this type of risk are conducted by carrying out stress tests (in particular of specific sensitivity in connection with the Groupe VYV ORSA) and assessment of the Equity SCR.

C.2.4 Property risk

C.2.4.1 Description of the risk and exposure

Property risk results in a drop in the realisable value of property-type assets, leading to a decline in the return on assets and capital losses in the event of sale.



This asset class offers good visibility over future revenues, enables a diversification effect since it is not correlated to other asset classes and is less volatile.

Property held via investment funds or property investment partnerships (SCI) accounts for 78% of Groupe VYV's exposure to property risk, while tangible property accounts for 22%. Property SCR represented 21% of the Market SCR before diversification of Groupe VYV at 31 December 2019.

C.2.4.2 Risk control elements

Groupe VYV's investment and ALM risk management policy makes it possible to monitor the property risk by making it necessary to inform the UMG Groupe VYV before a component buys any real property whose value (including work) exceeds a concentration threshold set by the group. Similarly, any investment in property outside France must be declared to the group beforehand.

C.2.4.3 Risk monitoring elements

Several indicators make it possible to monitor property risk at group level, and in particular:

- Property SCR;
- Variation in the appraised value of the property (special attention is given in the event of a significant loss in value);
- Conducting stress and sensitivity tests while carrying out the ORSA.

C.2.5 Interest rate risk

C.2.5.1 Description of the risk and exposure

Interest rate risk is the risk of a change in the value of the portfolio following a rise or fall in interest rates. This risk is inherent in all players in the insurance world given the high proportion of bond assets held.

The risk of a fall in interest rates mainly concerns the risk that the rate of return of the insurance company's future investments will be lower than the rate of return of the assets in the portfolio, leading progressively to a decline in the financial result.

The risk of a rise in the interest rates corresponds to the risk of a drop in the realisable value of bond investments. This risk occurs when the decrease in the assets following a rise in rates is bigger than the decrease in liabilities, and therefore when the asset maturity is longer, which is generally the case when liabilities are short-term.

Depending on the nature of the commitments made, the interest rate risk may have more specific characteristics:

- For Savings, the risk of a rise in interest rates may be combined with a liquidity risk, i.e. the risk of having to sell assets at a loss to cover the cost of surrenders, in particular if the insured persons wish to benefit from new and more favourable market conditions;
- For Protection, a decline in the interest rates leads to an increase in the level of provisions with an adverse impact on earnings in view of the methods of calculating the regulatory technical rate.



The bond portfolio, made up of bonds held directly and the bond component resulting from macro look through of funds, represents 66% of the asset portfolio in terms of realisable value. Interest rate assets represent a large proportion of Groupe VYV's allocation, but asset/liability matching, in particular for components that represent a long-term risk, make it possible to keep the Rate SCR at a relatively low level (4% of Market SCR before diversification at 31 December 2019).

C.2.5.2 Risk control elements

At group level, the investment and ALM risk management policy defines an information threshold for differences in duration between assets and liabilities for components with long-term liabilities where matching issues have the biggest impact.

C.2.5.3 Risk monitoring elements

Control and monitoring of the interest rate risk are, like all market risks, the responsibility of Groupe VYV's components.

At group level, several indicators make it possible to monitor interest rate risk, and in particular:

- Rate SCR;
- Analysis of the number of bonds held directly (breakdown by residual par value, rating and duration);
- Impact of the variation in interest rates on bonds thanks to weekly reporting on investments;
- Sensitivities identified in the course of the ORSA in the level of the risk-free interest rate term structure.

C.2.6 Currency risk

C.2.6.1 Description of the risk and exposure

Currency risk is linked to fluctuations in the level or volatility of exchange rates between the currencies of the assets and liabilities.

No direct investments are made in assets that are not denominated in euros. Groupe VYV is only exposed to currency risk via investment funds, within the limit of the management mandates: currency risk is therefore immaterial at group level.

C.2.6.2 Risk control elements

The investment and ALM risk management policy at group level governs the exposure to currency risk and specifies that the group must be informed before any direct exposure to currency risk.

C.2.6.3 Risk monitoring elements

Currency risk is monitored at group level by several indicators, including in particular:

- Foreign exchange rates;



- Proportion of foreign-currency denominated assets.

C.2.7 Concentration risk

C.2.7.1 Description of the risk and exposure

Concentration risk results either from a lack of diversification of the asset portfolio, or from significant exposure to the risk of default by a single issuer of securities or a group of related issuers (for example due to similar businesses). Groupe VYV's investment and ALM risk management policy introduces different exposure limits (by group of issuers, by country etc.) which contributes to the low level of Concentration SCR compared to the other market risks (2% of Market SCR before diversification at 31 December 2019).

C.2.7.2 Risk control elements

Concentration risk is monitored by analysing the dispersion of the asset portfolio, giving special attention to the concentration of the biggest issuers.

C.2.7.3 Risk monitoring elements

Concentration risk is monitored quarterly at group level and is presented at the investments committee. The following elements are analysed in particular:

- Breakdown by asset category;
- Breakdown of investments by asset class;
- Breakdown by business sector;
- Monitoring of the six biggest sources of exposure per business sector;
- Exposure to the main euro-zone sovereign bonds in the portfolio.

C.2.8 Results and sensitivity analysis

The various reports drawn up enable Groupe VYV to regularly monitor changes in the market risk of the different components. Furthermore, and in view of the importance of market risk in the group's risk profile, a specific "Financial crisis" scenario was included in the 2019 ORSA. In this scenario, the financial crisis involved an increase in spreads and a fall in the realisable values of equities and property in 2019.

In the "Financial crisis" scenario, Groupe VYV continued to meet its regulatory requirements and retained a satisfactory level of own funds throughout the planning horizon of its business. Market risk is nevertheless one of the major risks that the group may face.



C.3 Credit risk

Credit risk is defined by the regulations as the risk of loss or an adverse change in the financial situation, resulting from fluctuations affecting the credit quality of issuers of securities, counterparties or any debtors, that represent a counterparty risk to the insurance and reinsurance companies.

This risk is linked to the solvency of the issuer of securities, as well as the perception of this solvency by the financial markets. Credit risk has two components:

- The risk of widening of spreads¹⁴ which leads to a drop in the realisable value of bonds (following impairment or illiquidity). Unlike interest rate risk, the risk of a widening of spreads does not necessarily lead to a general fall in value of the bond portfolio, but only of certain bonds according to the quality of the issuer. The risk of widening of spreads concerns both private sector and sovereign bond issues;
- Counterparty risk results in default by an issuer.

C.3.1 Risk of widening of spreads

C.3.1.1 Risk exposure

Groupe VYV's exposure to the risk of widening of spreads is high in view of the large proportion of interest rate products in the asset portfolio and the context of falling interest rates which became more pronounced in the second half of 2019. Spread risk was the second biggest market risk at 31 December 2019 (35% of Market SCR before diversification).

¹⁴ In finance, a bond's spread is the difference between the actuarial rate of return of the bond and that of a risk-free loan with the same maturity. The better the perception of the bond issuer's solvency, the lower the spread of the bond issued.



The following graphs show the main characteristics (maturity and rating) of the bond assets held directly by Groupe VYV:

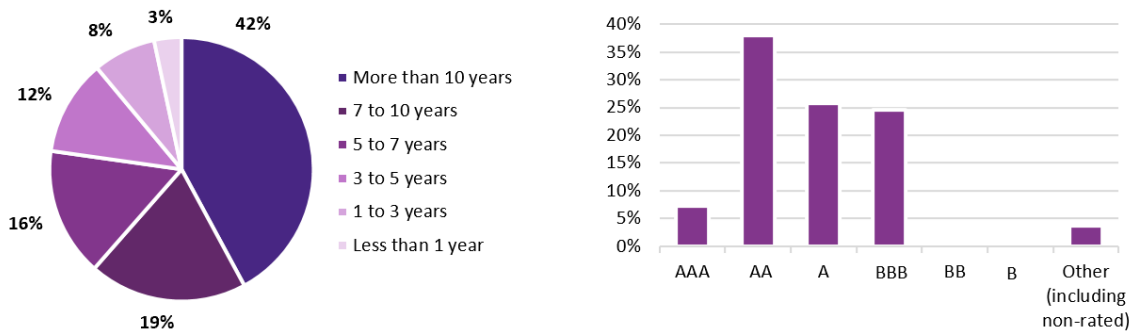


Figure 9 - Breakdown of Groupe VYV's bonds held directly, by maturity and by rating according to realisable value at 31 December 2019

It should be noted that the Standard Formula does not specify any capital requirement linked to exposure to European Union sovereign bonds. On the other hand, spread risk for sovereign bonds:

- Is subject to control in Groupe VYV's investment and ALM risk management policy and to regular monitoring;
- Is considered in the assessment of the Overall Solvency Needs, to take into account the risk profile of the UMG Groupe VYV, in addition to the risks quantified in the Standard Formula.

C.3.1.2 Risk control elements

Control data enable each of Groupe VYV's components to reduce or manage credit risk.

At group level, the investment risk management policy enables monitoring by introducing information thresholds (expressed either as a percentage of the realisable value or according to the duration) for all bonds including high yield¹⁵ securities. Any holding or investment above these thresholds must be notified to the UMG Groupe VYV and a possible risk reduction plan must be discussed. Thresholds are also specified for the unrated debt, certain states (those reputed to be fragile within the euro zone), structured and collateralised investments and complex debt securities issued by financial institutions.

C.3.1.3 Risk monitoring elements

Spread risk is monitored quarterly by the Investments Committee, in particular by monitoring the ratings of the portfolio holdings via the dashboards. The Spread SCR is also assessed when calculating Groupe VYV's capital requirements.

Furthermore, the spread risk is forecast via stress tests for the widening of spreads for corporate bonds and sovereign bonds to assess Groupe VYV's resilience to such shocks.

¹⁵ A bond classified as "High Yield" offers a high return in return for a high level of risk



C.3.2 Counterparty default risk

C.3.2.1 Exposure to counterparty default risk

Counterparty default risk corresponds to all forms of exposure involving a potential loss sufficiently large to threaten Groupe VYV's solvency or financial condition. They are divided into:

- So-called "type 1" exposure linked to reinsurance cessions and cash at banks;
- So-called "type 2" exposure linked to receivables from policy holders, deposits with cedant companies, and all credit risks not covered by spread risk and that are not type 1.

Type 2 Counterparty SCR represents almost 70% of Counterparty SCR before diversification and mainly concerns "receivables from intermediaries due for over three months and non-trade receivables" in the Standard Formula.

C.3.2.2 Counterparty default risk control elements

The implementation of reinsurance treaties with the components is managed at the level of the group which recommends monitoring the system, in particular regarding:

- Choice of the type of reinsurance;
- Selection and choice of reinsurers;
- Clauses of the reinsurance treaties (or agreements).

Groupe VYV presents its counterparty default risk mitigation measures in its reinsurance policy, which is defined for each of the components. In particular, it specifies use of systems to reduce exposure to counterparty default risk, such as collateral or deposits representing the obligations ceded.

C.3.2.3 Counterparty default risk monitoring elements

The implementation of reinsurance programmes is indissociable from a system for controlling and monitoring counterparty default risk within each of the group's components, which includes in particular:

- Monitoring of reinsurers' ratings and the exposure of the reinsurance obligations by each reinsurer in connection with external reinsurance;
- Sufficient level of cover of the treaties and their pertinence (except commercial reinsurance);
- Introduction of dashboards;
- Monitoring of the amounts of collateral/deposits.

At the same time, Groupe VYV makes sure that the existing systems are standardised and reinforced within the components, by disseminating reinsurance guidelines.

C.3.3 Results and sensitivity analysis

In order to quantify the impact of an increase in the likelihood of default by the reinsurers and depositaries of the group's components, Groupe VYV has assessed the impact of a one-level increase in the likelihood of default on its solvency capital requirement.



Such an increase has a very moderate impact (less than 1%) on Groupe VYV's solvency capital requirement at 31 December 2019.

C.4 Liquidity risk

C.4.1 Description of the risk and exposure

For the components, liquidity risk is the risk that they will be unable to realise their investments and other assets in order to meet their financial obligations when they fall due.

Exposure to liquidity risk depends greatly on the type of liabilities and associated insurance businesses:

- Savings: savings appears to be the business that is the most exposed to liquidity risk. This is due to the surrender option offered by most savings products in euro funds that allows early surrender by insured persons, regardless of the reason.
- Pensions: these are contracts held on a long-term basis that are mostly not redeemable. Furthermore, since the duration of the liabilities is generally longer than that of the assets, these businesses are more exposed to a reinvestment risk than a liquidity risk.
- Health: the duration of the liabilities for health is generally shorter than that of the assets that represent the corresponding obligations, and therefore this business is more exposed to a liquidity risk than to a reinvestment risk. On the other hand, premiums constitute recurrent cash flows.
- Protection, PCI and other businesses: the corresponding products are mainly made up of contracts without a surrender value. The liquidity risk is therefore lower even if it may materialise if the number of claims is well above average (pandemic, disaster) but remains limited in view of the geographic diversification of the insured populations.

C.4.2 Risk control elements

The method of liquidity risk management is given special attention in Groupe VYV's components: in particular, this risk is one of the criteria for selecting investments.

At group level, the information thresholds introduced in the investment and ALM risk management policy take into account the liquidity level of the different types of investments. Furthermore, each quarter Groupe VYV analyses all of the consolidated positions, and can therefore detect any possible liquidity problems within a component.

In addition, Groupe VYV has:

- Cash;
- Transferable deposits: these are deposits that can be exchanged for cash on request and used directly to make payments without penalties or restrictions. They are therefore as liquid as cash.

Finally, it should be specified that most of Groupe VYV's investments are managed via management mandates granted to asset management companies to continually monitor the liquidity of the portfolios entrusted to them.



C.4.3 Risk monitoring elements

Liquidity risk is monitored by Groupe VYV's components via:

- Monitoring of cash inflows and outflows;
- Assessment of short and medium-term liquidity requirements;
- Monitoring of the amount of liquid assets.

At group level, specific analyses are carried out to check the liquidity of the assets via various indicators such as the use of haircuts provided by the European Central Bank and analysis of "high quality liquid assets"¹⁶ in the portfolio.

C.4.4 Expected profits included in future premiums

At 31 December 2019, the total amount of expected profits included in future premiums, calculated pursuant to Article 260 paragraph 2 of the Delegated Regulation, was €230m. The main methods and assumptions are presented in Section D.2 of this report.

¹⁶ High Quality Liquid Assets (HQLA) are defined by the Basel III banking regulations and help to quantify a bank's short-term resistance to liquidity risk.



C.5 Operational risk

Operational risk is defined by the regulations as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

As such, operational risk also includes the risk of non-compliance: this risk is defined as the risk of judicial or administrative penalties, significant financial loss or harm to reputation due to failure by the insurance company to comply with legal, statutory or contractual provisions, as well as professional or ethical standards and instructions or guidelines from the company.

Operational risks are assessed by the UMG Groupe VYV quantitatively using the Standard Formula. As such, Groupe VYV's Operational SCR represented almost 9% of its capital requirement at 31 December 2019.

They are also assessed qualitatively and included in the mapping of major risks for those likely to have a significant impact on the group's business.

The following main operational risks were identified:

- Risks linked to security;
- Risks linked to business continuity;
- Risks linked to the control of outsourced businesses;
- Risks linked to distribution.

The risk management system introduced for operational risks is described in Groupe VYV's internal control, operational risk management and compliance policies.

In particular, this system aims to identify, assess and control all of the risks to which Groupe VYV and its components are exposed. In this regard, Groupe VYV aims to define the methodological framework (quantitative and qualitative approaches) applied by its components, in order to guarantee the coherence of the listings and assessments carried out within the group.

Furthermore, the internal control, compliance and internal audit systems help to control the operational risks.

C.5.1 Risks linked to information systems security

Insurance companies, like other companies, are forced to adapt to changes linked to new technologies and their operational implications (digitalisation, dematerialisation of processes etc.). However, these changes lead to risks, such as cybercrime.

For instance, a cyber-attack on one of the UMG Groupe VYV's information systems could result in:

- Disclosure of sensitive and personal data regarding the insured persons (e.g. bank details, medical data);
- Damage to the image of the group and its components due to the contagion effect;
- Loss of confidence by the insured persons, resulting in a decline in revenue and income;
- Possible judicial, administrative and/or disciplinary sanctions (French banking and insurance authority - ACPR, French Data Protection Authority - CNIL).



Processes and ad hoc studies are carried out regarding information systems security within the group's components, the purpose being to ensure the overall consistency of the system in place and coordinate, if necessary, any action plans.

C.5.2 Risks linked to business continuity

The Business Continuity Plan (BCP) is defined (by the decree CRBF 2004-02) as "all of the measures aimed at ensuring, in various crisis scenarios, including during extreme shocks, maintenance, if necessary temporarily in fail-safe mode, of services that are essential for the company, and then the planned business recovery".

It covers the total or partial unavailability of:

- The information system required to carry out critical activities;
- The premises housing the services responsible for the critical activities;
- The staff carrying out the critical activities.

In connection with its coordination of operational risk management within the group, in 2019 the UMG Groupe VYV continued the work aimed at providing an overall view of the systems in place and identifying the main areas for possible standardization and/or pooling.

C.5.3 Risks linked to outsourced businesses

Special attention is given to outsourced businesses since any mismanagement could have operational and financial as well as reputational impacts if it leads to a deterioration in the services for subscribers. Consequently, outsourcing of critical businesses may expose the UMG Groupe VYV to:

- Loss of knowledge and skills in-house, and ultimately loss of mastery of the outsourced businesses;
- Dependence on external subcontractors, in particular if they have a dominant position;
- Deterioration in the quality of service or service less suited to changes in subscribers' requirements;
- Lack of operational risk control by the subcontractor;
- Risk of non-compliance with the laws and regulations in force.

In response to these risks, the group has drawn up and disseminated a dedicated policy setting out guidelines for organising the subcontracting management systems of the UMG Groupe VYV and the components of the group, to cover all of the resulting risks that the group may be exposed to.

This policy deals in particular with the initialization of outsourcing, the methods of selecting the service provider, the methods of contractualisation and monitoring of the outsourced service. Each component is responsible for its outsourced businesses and ensures that it does not compromise the quality of the company's system of governance or harm the continuous provision of a satisfactory level of service for subscribers.

It is the aim of the UMG Groupe VYV to ensure the coherence of the systems in place with regard to the policy in force and the quality of the monitoring, by its components, of the businesses they have decided to outsource.



C.5.4 Risks linked to the distribution of insurance products

This risk inherent in the insurance product design and/or marketing businesses mainly comprises a risk of non-compliance, which has become more acute since the autumn of 2018 with the entry into force of the Insurance Distribution Directive. This concerns in particular:

- The existence of a suitable product governance process (new offerings or significant changes to existing offerings);
- The ability and good repute of the people involved in distributing the products proposed;
- The information provided prior to concluding the contract;
- The relevance of the advice provided regarding a given product (or contract), as well as the methods of monitoring throughout the business relationship;
- Prevention of conflicts of interests due both to the design and marketing of the commercial offerings (including the methods of payment of the people concerned).

The UMG Groupe VYV identifies and if necessary coordinates the compliance measures required within its components.

In this regard, customer protection is identified as a major area for study for the group's compliance function, coordinated by the group Internal Control and Compliance Department (under the responsibility of its Key Function holder). This department acts in close collaboration with the other departments concerned, the most important of which is the group Legal Department.

C.6 Other material risks

Other material risks of Groupe VYV were identified and centralised in the mapping of major risks.

This mapping was carried out at the level of the UMG Groupe VYV. It does not replace the mapping of major risks of the group's components, but supplements it, in particular by identifying risks of concentration and contagion at group level. The mapping of major risks is updated every year in the course of the ORSA and presented to the Board of Directors.

These major risks were obtained from Groupe VYV's managers using a top-down approach, and were identified as those that may limit or prevent the group from achieving its strategic targets. They are divided into different types of risks:

- Strategic risks, for example risk linked to the failure of a major partnership;
- Risks linked to the other businesses of Groupe VYV*, such as the risk relating to the economic model for healthcare and related services offerings.

A risk owner is designated for each of the major risks, to list the risk control measures and if necessary to organise risk control. Assessment of the risk and monitoring of the associated plans are carried out by the Risk Management key function.

* Groupe VYV in the widest sense, i.e. the combined perimeter which includes: the prudential perimeter (i.e. the insurance business), the healthcare and related services business, the services and assistance business, the housing business and the other businesses



C.7 Any other information

Groupe VYV does not have any other information to be notified to the reader.



D. Valuation for solvency purposes

For year-end closing at 31 December 2019, Groupe VYV is subject to two regulations:

- French accounting standards, as established by the French accounting standards authority (ANC), used to draw up financial statements;
- Prudential standards, defined by the Solvency II Directive, that help to assess the group's solvency.

Part D - Valuation for solvency purposes, presents the methods of valuation of the various items that make up the Solvency II balance sheet and indicate the main differences in method between the French standards and prudential standards. Groupe VYV's Solvency II balance sheet at 31 December 2019 can be summarised as follows:

In €m	Solvency II value	In €m	Solvency II value
ASSETS		LIABILITIES	
Intangible assets	1.0	Technical provisions (gross of reinsurance)	11,954.7
Deferred tax assets	319.5	Deferred tax liabilities	688.6
Property, plant & equipment for own use	366.3	Other liabilities	3,119.0
Investments	17,118.6	TOTAL LIABILITIES	15,762.3
Reinsurance recoverables	1,221.3	EXCESS OF ASSETS OVER LIABILITIES	6,214.4
Loans and receivables	2,294.1		
Other assets	655.9		
TOTAL ASSETS	21,976.7		

Table 5 – Summary of Groupe VYV's Solvency II balance sheet at 31 December 2019

Each of the items below is presented in a dedicated subsection in this part.

Groupe VYV uses the data, assumptions and valuations of its components for the financial year to 31 December 2019 to draw up its combined prudential balance sheet.

Subsequently, when the French standards are referred to, the amounts correspond to the items reported in QRT S.02.01.01 which are equal to the sum of the individual balance sheets of the entities in the prudential perimeter after eliminating intra-group adjustments.



D.1 Assets

D.1.1 Main items

At 31 December 2019, the total assets of Groupe VYV amounted to €21,977m under prudential standards, and to €19,328m under French standards. The difference between the two valuations is mainly due to:

- The recognition of investments at realisable value;
- The inclusion of the economic value of the obligations ceded, the deferred taxes and the reclassification of earned but unwritten premiums in the best estimates on the prudential balance sheet.

At the end of 2019, investments represented almost 78% of the total assets of Groupe VYV under prudential standards (i.e. €17,119m). They mainly concerned bonds amounting to €9,981m, and investment funds for a total of €5,992m.

D.1.2 Breakdown of the main items

D.1.2.1 Intangible assets

At 31 December 2019, Groupe VYV recognised intangible assets amounting to €1m in its prudential balance sheet.

This amount shows a difference of €60m compared with the valuation under French standards:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Intangible assets	1.0	61.1	-60.1	-98.4%

Table 6 - Groupe VYV intangible assets at 31 December 2019

The intangible assets of Groupe VYV mainly comprise software packages. They also include leasehold rights, advertising films, rights of way etc.

These fixed assets are recognised in the accounts under French standards at their acquisition or production cost and amortised or written down according to the specific method for each asset.

The Solvency II Directive requires intangible assets to be valued at zero unless it can be proved that a valuation exists for that asset or a similar asset carried out in accordance with a regulatory valuation method. If there is no active market, the value of the software packages and other intangible assets is deemed to be nil under prudential standards. Only the leasehold rights were retained in the prudential balance sheet, for the same amount as that valued under French standards.



D.1.2.2 Deferred tax assets

At 31 December 2019, Groupe VYV had deferred tax assets of €319m in its prudential balance sheet:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Deferred tax assets	319.5	0.0	319.5	-

Table 7 - Deferred tax assets of Groupe VYV at 31 December 2019

Deferred tax assets are amounts of income tax that are recoverable in future periods relating to deductible or taxable temporary differences as well as carry-forwards of unused tax credits.

Two main types of deferred taxes were recognised:

- Deferred taxes corresponding to the difference between the tax value and the prudential balance sheet value of investments, technical provisions ceded and intangible assets;
- Deferred taxes corresponding to temporary tax differences (in particular for retirement benefits).

At 31 December 2019 Groupe VYV used a deferred tax rate equal to 25.83%: this rate corresponds to the longest recoverability period which limits the receivables from deferred tax assets and therefore makes the calculation prudent. Most of the deferred tax assets (over 91%) are linked to differences in the valuation of technical provisions between prudential standards and French standards. Any deferred tax assets linked to loss carry forwards (€7.5m) will be recovered within 5 years.

D.1.2.3 Property, plant & equipment held for own use

At the end of 2019, the amount of property, plant and equipment held for own use by Groupe VYV according to prudential standards amounted to €366m:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Property, plant & equipment for own use	366.3	250.2	116.1	46.4%

Table 8 - Property, plant and equipment for own use of Groupe VYV at 31 December 2019

The property, plant and equipment for own use of Groupe VYV mainly comprise buildings and land.

Under prudential standards, the valuation of the property investments is based on a property appraisal carried out by an independent expert, and therefore Groupe VYV's land and buildings were valued by an expert approved by the French banking and insurance authority (ACPR).

Under French standards, property, plant & equipment held for own use are recognised at their acquisition cost. The acquisition cost, increased by the cost of improvement work, is then depreciated over a fixed period based on the nature of the components, the expected rate of renewal and the technical service life.



D.1.2.4 Investments

At the end of December 2019, Groupe VYV had investments worth €17,119m under prudential standards, compared with €14,383m under French standards:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Property (other than held for own use)	33.4	7.5	26.0	348.4%
Holdings in related undertakings, including participations	449.4	427.3	22.1	5.2%
Equities	161.3	111.4	49.9	44.7%
Bonds	9,981.3	8,295.9	1,685.5	20.3%
Collective investment undertakings	5,992.5	5,040.0	952.5	18.9%
Derivatives	0.0	0.0	0.0	-
Deposits other than cash equivalents	500.6	500.8	-0.2	0.0%
Other investments	0.0	0.0	0.0	-
Total investments	17,118.6	14,382.9	2,735.7	19.0%

Table 9 - Groupe VYV's investments at 31 December 2019

At 31 December 2019, the difference between the two standards for each item was due to the following elements:

Property

Property comprises investments in land and buildings and is valued under prudential standards at its economic value based on appraised property values. At the end of 2019, property under prudential standards showed a value of €33m, which was higher than that entered in the non-consolidated financial statements.

Participations

The value of the participations was €427m under French standards compared with €449m under prudential standards.

Under French standards, the value of participations corresponds to the net book value, i.e. the cost price less any provisions.

Under prudential standards, the method of valuing participations depends on whether there is a listing on an active market, and on the business of the underlying company:

- By default, participations are valued using a listed price on an active market;
- Participations in unlisted insurance companies are valued at the share of Solvency II own funds held in the company;
- Participations in non-insurance companies that are not listed on an active market are valued based on the share of the prudent value of the surplus of assets over liabilities and after eliminating the goodwill and intangible assets.

It should be specified that the valuation of VYV Invest was carried out using the look-through approach which involves valuing at zero the goodwill (both that generated by the investments made by VYV Invest and those linked to intra-group transfers of assets).



Equities

Groupe VYV's investments in equities amounted to €161m under prudential standards compared with €111m under French standards. "Equities" comprise shares in companies held directly totalling less than 10%.

In view of the rise in the equity markets in 2019, the realisable value (under prudential standards) of investments in equities is higher than the book value (under French standards) which generated unrealised capital gains at 31 December 2019.

Bonds

Under French standards, bonds are valued at their net book value for a total of €8,296m.

Under prudential standards, the value of the bonds i.e. €9,981m corresponds to the realisable value indicated by management companies and Bloomberg. The realisable values used include interest accrued but not due.

They represent more than half of Groupe VYV's investment portfolio (58% in realisable value).

Investment funds

Investment funds correspond to UCITS, private equity funds¹⁷ and units in real estate investment trusts (SCPI).

Under French standards, the investment funds are valued at their net book value.

The prudential value applied for investment funds corresponds to the realisable value on the closing date.

At 31 December 2019, Groupe VYV recognised €5,992m in respect of investment funds in its prudential balance sheet, and €5,040m in its non-consolidated balance sheet. They represent 35% of Groupe VYV's investment portfolio in realisable value.

D.1.2.5 Reinsurance recoverables

At the end of 2019, Groupe VYV had reinsurance recoverables totalling €1,221m in its prudential balance sheet compared with €1,678m in its balance sheet under French standards:

<i>In €m</i>	Solvency II	French standards	Difference (amount)	Difference (%)
Reinsurance recoverables	1,221.3	1,678.3	-456.9	-27.2%

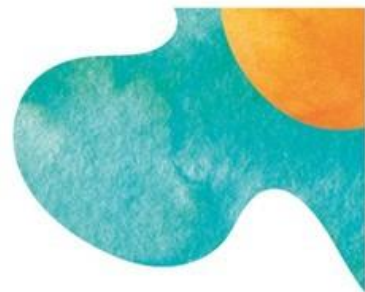
Table 10 - Groupe VYV's reinsurance recoverables at 31 December 2019

Group VYV's reinsurance recoverables are calculated at the level of its components and consolidated by Solvency II line of business at group level. For each standard, they correspond to the sum of all reinsurance recoverables from the components, adjusted for internal reinsurance (i.e. intra-group transactions).

D.1.2.6 Loans and receivables

At 31 December 2019, Groupe VYV had loans and receivables totalling €2,294m in its prudential balance sheet:

¹⁷ Investment funds that invest in unlisted companies.



<i>In €m</i>	Solvency II	French standards	Difference (amount)	Difference (%)
Assets held for index-linked and unit-linked contracts	42.7	42.7	0.0	0.0%
Loans and mortgages	49.4	48.1	1.3	2.7%
Deposits to cedants	608.3	608.3	0.0	0.0%
Insurance and intermediaries receivables	978.9	980.8	-1.9	-0.2%
Reinsurance receivables	33.4	39.2	-5.8	-14.8%
Non-trade receivables (excluding insurance)	581.4	580.8	0.7	0.1%
Total loans and receivables	2,294.1	2,299.9	-5.7	-0.2%

Table 11 - Loans and receivables of Groupe VYV at 31 December 2019

Under prudential standards, the realisable value of loans is calculated using a discounted cash flow method.

The economic value of the receivables, applied under prudential standards, is very similar to the value entered in the non-consolidated financial statements for the following reasons:

- Reinsurance receivables mainly concern the health business (short-term risk);
- There is no discount effect;
- Insurance and non-insurance receivables already include provisions calculated based on age.

D.1.2.7 Other assets

Other assets totalling €656m at the end of December 2019 under prudential standards, mainly comprise Groupe VYV's cash.

<i>In €m</i>	Solvency II	French standards	Difference (amount)	Difference (%)
Other assets	655.9	656.0	-0.1	0.0%

Table 12 - Other assets of Groupe VYV at 31 December 2019



D.2 Technical provisions

D.2.1 Value of technical provisions

Technical provisions are reserves made by Groupe VYV to meet its insurance obligations made to its insured persons in connection with the cover underwritten.

Under prudential standards, the total amount of technical provisions booked by Groupe VYV corresponds to the sum of two amounts:

- A best estimate of the technical provisions, more commonly known as the “Best Estimate”;
- A technical provision risk margin, referred to below as the “Risk Margin”.

Under French standards, the level of technical provisions calculated includes a prudential margin.

At 31 December 2019, Groupe VYV’s technical provisions amounted to €11,955m under prudential standards compared with €11,285m under French standards:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Technical provisions — non-life	2,863.8	2,914.6	-50.8	-1.7%
Technical provisions — non-life (excluding health)	383.0	485.0	-102.1	-21,0%
Best Estimate	362.7			
Risk Margin	20.2			
Technical provisions - health (similar to non-life)	2,480.8	2,429.6	51.3	2,1%
Best Estimate	1,986.3			
Risk Margin	494.5			
Technical provisions — life (excluding index-linked and unit-linked)	9,045.7	8,326.5	719.2	8.6%
Technical provisions - health (similar to life)	3,475.0	3,356.1	118.9	3,5%
Best Estimate	3,236.6			
Risk Margin	238.4			
Technical provisions — life (excluding health, index-linked and unit-linked)	5,570.6	4,970.4	600.2	12,1%
Best Estimate	5,351.7			
Risk Margin	219.0			
Technical provisions – index-linked and unit-linked	45.2	43.6	1.6	3.6%
Best Estimate	43.6			
Risk Margin	1.6			
Total technical provisions (gross of reinsurance)	11,954.7	11,284.7	669.9	5.9%

Table 13 - Technical provisions (gross of reinsurance) of Groupe VYV at 31 December 2019

The technical provisions of €11,955m under prudential standards include recoverables under the various reinsurance contracts in force totalling €1,221m (which represents 10% of the technical provisions under prudential standards).



D.2.2 Valuation methods applied

D.2.2.1 Best Estimate

Best estimates of the technical provisions are the probable current value of future cash flows linked to insurance obligations on the inventory date.

General principles for calculating best estimates

The best estimates gross of reinsurance of Groupe VYV are calculated for each Homogeneous Risk Group at the level of the components and then consolidated at group level by Solvency II line of business. Each one corresponds to the sum of the best estimates gross of reinsurance of the components for which the internal (intra-group) reinsurance is restated.

Groupe VYV's best estimates net of reinsurance are consolidated by Solvency II line of business at group level and correspond, for each Solvency II line of business, to the sum of the components' best estimates net of reinsurance .

The best estimate valuation methods and assumptions applied by each of Groupe VYV's components are described in their own Solvency II reports. They are however based on the following common principles:

- The data used for the best estimate calculations are based on contracts that are binding on the insurance company on the valuation date ("contract boundary" principle of the Solvency II Directive);
- The projected cash flows take into account all cash inflows and outflows required to meet the insurance and reinsurance obligations for the duration of these obligations;
- The cash flows are projected until the end of the obligations and are discounted at the risk-free rate, based on the term structure indicated by EIOPA¹⁸
- Some of Groupe VYV's components have used an adjustment and/or a transitional measure to calculate the best estimate, in accordance with the methods specified in the Solvency II Directive.
- The technical provisions ceded to reinsurance are calculated taking into account, in the cash flow to be recovered, an adjustment intended to cover any default by the reinsurer.

Specific methods for the health, protection and PCI businesses

For coverage relating to the health, protection (excluding "whole-life" coverage) and PCI, the calculations are made separately for the best estimate of claims (linked to losses that have already occurred, regardless of whether they have been declared) and the best estimate of premiums (linked to future claims covered by the insurance obligations falling within the limits of the contracts).

Best estimates of premiums are calculated based on a forecast of claims, expenses and future premiums taking into account the contract boundary. Flows of benefits in the best estimates of premiums are calculated using modelling based either on overall assumptions of the expected number of claims for the next financial year (calculations based on the claims/premiums ratio), or on more subtle methods applied to the populations at risk (calculations using biometric and behavioural laws).

¹⁸ The European Insurance and Occupational Pensions Authority (EIOPA) is a European supervisory authority created to ensure the stability and efficiency of the financial system, particularly in the insurance sector.



Best estimates for claims are calculated using statistical methods aimed at extrapolating the run-off of claims in progress. For health and PCI, these estimates are mainly based on determinist methods that make it possible to plan future payments by year of occurrence (chain-ladder type methods). The same techniques are used in protection for short-term risks. For long-term risks (sick leave and dependency in particular) the estimates of future benefits are made using case-by-case modelling or grouping together insured persons based on the probability that the condition will remain the same, and where appropriate, change to another condition. For all types of coverage, the flows of expenses related to management of obligations are included in the best estimates of claims.

Specific method for the savings/pensions business and for whole-life coverage

For obligations linked to the savings/pensions business and whole-life coverage of Groupe VYV, the best estimates are calculated based on mortality tables and, where appropriate, the average current value of the weighted cash flow according to the likelihood of various economic and financial scenarios.

Review of the methods by the group

In connection with the performance of his mandate, the Actuarial key function holder makes sure that the methods applied by the Group's components to calculate their best estimates are suited to the risks, comply with regulatory requirements and are in line with the guidelines presented in Groupe VYV's reserving policy.

Measures relating to long-term guarantees and transitional measures

At 31 December 2019, Mutex was the only component of Groupe VYV to use a measure relating to long-term guarantees and/or a transitional measure to calculate its technical provisions:

- The volatility adjustment specified in Article 77d of the Solvency II Directive;
- For the perimeter including savings, the transitional measure on technical provisions specified in Article 308d of the Delegated Regulation.

Application of these transitional measures has an impact on Groupe VYV, on its technical provisions, its solvency capital requirement (SCR), its basic own funds and its eligible own funds to cover the SCR. The following table summarises all of these impacts:

<i>In €m</i>	Without volatility adjustment	Without transitional deduction
Technical provisions	33.5	438.2
Basic own funds	(5.0)	(120.1)
Eligible own funds to cover the SCR	(5.0)	(120.1)
SCR	4.3	0.0

Table 14 - Impact of the measures relating to long-term guarantees and transitional measures used by Groupe VYV at 31 December 2019



D.2.2.2 Risk Margin

The Risk Margin ensures that the value of the technical provisions is equivalent to the amount that the insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

In accordance with prudential standards and in line with the consolidation method applied by the group, Groupe VYV's Risk Margin is calculated by adding up the components' Risk Margins for each Solvency II business line (life/health similar to life/health similar to non-life/non-life).

The simplification methods authorised by the regulations and used to assess the Risk Margin differ between Groupe VYV's components, in particular according to their distinctive features and their ability to demonstrate the criteria to be met for the use of the different methods. Each component explains the methods it has chosen in its own Solvency II report.

D.2.3 Valuation differences between French standards and prudential standards

The following table presents the amounts of Groupe VYV's technical provisions net of reinsurance at 31 December 2019, for each Solvency II line of business and according to the different standards:

In €m	Prudential standards			French standards
	Best Estimate	Risk Margin	Solvency II total	
Technical provisions — non-life (excluding health)	261.0	20.2	281.2	347.7
Technical provisions - health (similar to non-life)	1,616.4	494.5	2,110.9	1,989.8
Technical provisions - health (similar to life)	2,664.9	238.4	2,903.3	2,441.5
Technical provisions – life (excluding health and index-linked and unit-linked)	5,173.7	219.0	5,392.7	4,783.8
Technical provisions – index-linked and unit-linked	43.6	1.6	45.2	43.6
Total technical provisions (net of reinsurance)	9,759.6	973.7	10,733.3	9,606.5

Table 15 - Technical provisions (net of reinsurance) by line of business of Groupe VYV at 31 December 2019

The differences between the amounts of the technical provisions under French standards and prudential standards, summarised in the following table, are due to:

- Best estimate of the provisions pursuant to the Solvency II Directive (impact of +€153m), which corresponds to:
 - Eliminating the prudential margin included in the technical provisions under French standards;
 - Calculating the provisions in accordance with the contract boundary principle;
 - Including future revaluations;
 - Discounting future cash flows at the risk-free rate.
- Addition of the Risk Margin, an additional prudential margin specified by the Solvency II Directive (impact of +€974m).

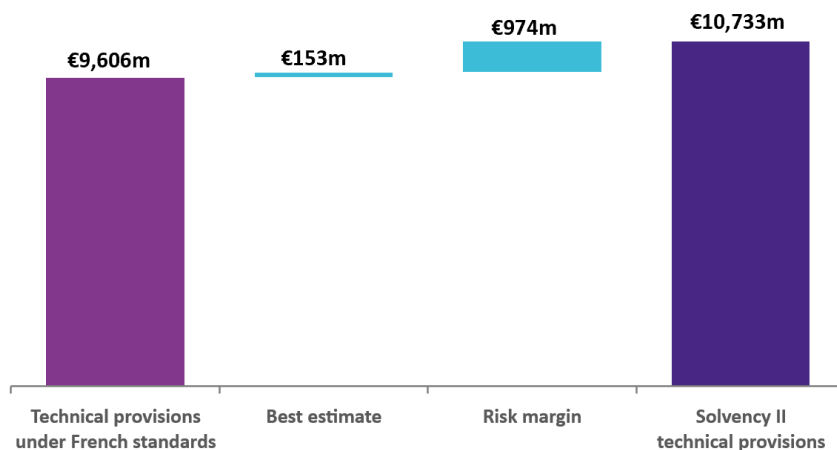


Figure 10 – Difference between the non-consolidated technical provisions and the prudential technical provisions (net of reinsurance) of Groupe VYV at 31 December 2019

D.2.4 Level of uncertainty linked to the amount of the technical provisions

Apart from the uncertainties inherent in estimating the technical provisions and in the underlying methods, other factors of uncertainty are mainly linked to changes in case law that may lead to an increase in the cost and/or frequency of claims.

D.3 Other liabilities

D.3.1 Deferred tax liabilities

At 31 December 2019 Groupe VYV's deferred tax liabilities amounted to €689m as shown below:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Deferred tax liabilities	688.6	0.0	688.6	-

Table 16 - Deferred tax liabilities of Groupe VYV at 31 December 2019

Deferred tax liabilities correspond to future taxes for which Groupe VYV will be liable when it realises the unrealised capital gains recognised in the balance sheet. They are mainly due to:

- The difference between the tax value of the investments and their value in the prudential balance sheet;
- The difference between the tax value of the technical provisions and their value in the prudential balance sheet.

At 31 December 2019, Groupe VYV applied a deferred tax rate equal to 25.83% or 28.92% depending on the due date of the base of the deferred tax liabilities (long-term/short-term). Most of the deferred tax liabilities (over 93%) are due to investments for which the realisable value is higher than the tax value.



In the prudential balance sheet, deferred tax liabilities are deducted from the solvency margin (whereas deferred tax assets have the opposite effect). At 31 December 2019, deferred tax liabilities (€689m) were higher than the deferred tax assets (€319m): Groupe VYV has a net deferred tax liability.

D.3.2 Other liabilities

The following table shows the value of the other liabilities of Groupe VYV at 31 December 2019:

In €m	Solvency II	French standards	Difference (amount)	Difference (%)
Other liabilities	3,119.0	3,296.8	-177.8	-5.4%

Table 17 - Other liabilities of Groupe VYV at 31 December 2019

Other liabilities mainly comprise:

- Miscellaneous debts totalling €2,297m including €507m corresponding to the senior debt issued by Groupe VYV on 2 July 2019;
- Deposits received from reinsurers totalling €699m;
- Pension obligations totalling €70m.

It should be specified that the prudential valuation of the senior debt from the bond issue of 2 July 2019 was calculated in accordance with the Solvency II Directive: the coupons to be paid and the redemption of the nominal value are discounted at the risk-free rate plus the spread of Groupe VYV when the bond was issued.

D.4 Alternative methods for valuation

The alternative valuation methods do not apply to Groupe VYV.

D.5 Any other information

Groupe VYV does not have any other information to be notified to the reader.



E. Capital management

Groupe VYV's capital is managed in a way that ensures that it always meets the solvency requirements of Groupe VYV and of each of its components.

Groupe VYV reinforced the solidarity links between its affiliated members on 31 December 2019. This change had a direct impact on its solvency ratio. At the end of 2018 the solvency ratio amounted to 160%. At 31 December 2019, with eligible own funds therefore of €4,861m (of which over 99% are classified as Tier 1), for a capital requirement of €2,723m, the solvency ratio amounted to 179%.

In accordance with the Solvency II Directive, only own funds that can be mobilised under the solidarity mechanism for affiliates are deemed to be eligible to cover the capital requirement for the purpose of the solvency ratio. However, Groupe VYV has greater financial strength. For instance, taking into account all of the group's own funds, i.e. €5,795m, Groupe VYV has more than twice its capital requirement and had a ratio, called the "aggregated" ratio of 213% at 31 December 2019.

Finally, it should be noted that:

- On 2 July 2019 Groupe VYV carried out an inaugural bond issue for a nominal amount of €500m maturing in 10 years. This issue, rated A- by Fitch Ratings, will enable Groupe VYV to finance its ambitious transformation project. It is not eligible to cover the SCR but shows the financial flexibility of Groupe VYV.
- On 3 December 2019 the rating agency Fitch Ratings renewed the initial rating "A+ Outlook stable" assigned on 28 January 2019 to Groupe VYV's main operating entities (Harmonie Mutuelle, MGEFI, MGEN, MNT and Mutex), thereby confirming the group's financial strength.

Part E - Capital Management presents in detail Groupe VYV's own funds and capital requirement, as well as other compulsory regulatory elements.

At 31 December 2019, Groupe VYV uses the data, assumptions and valuations for the financial year to 31 December 2019 of its components to calculate its solvency capital requirement and its own funds.

E.1 Own funds

E.1.1 Own funds' management

The main aims and procedures for managing own funds are stipulated in the capital management policy implemented by Groupe VYV and approved by its Board of Directors.

Since Groupe VYV is a mutual insurer, it has no shareholders to pay. As such, the profits generated directly increase its own funds and contribute to the development of its business, for the benefit of its subscribers.



E.1.1.1 Governance

Groupe VYV's capital management system includes several authorities and committees, listed below:

- Groupe VYV's Board of Directors determines the strategic orientations and organises a favourable environment for effective risk management. It therefore has ultimate responsibility for the implementation and effectiveness of the capital management system.
- The Groupe VYV risk committee examines at least once a year the long-term requirements for own funds and their quality for Groupe VYV and all of the insurance organisations that make it up.
- The general executive committee of Groupe VYV implements the strategy and coordinates the group's functions, both regarding Groupe VYV's exercise of a dominant, strategic and prudential influence, and for the management of the group structure itself.

The capital management policy is reviewed annually and approved by the Board of Directors of Groupe VYV. It is also presented to the boards of directors of the components so that they can define it for their own entity.

E.1.1.2 Management of requirements for own funds

Management of Groupe VYV's own funds is based on the following principles:

- The capital management system must meet the targets for the solvency capital requirement coverage ratio defined by the components and Groupe VYV, in line with the risk appetite, the risk management policy and the ORSA policy;
- The own funds eligible to cover the SCR of the components are determined in accordance with the categories defined by the regulations and the associated quantitative limits;
- The own funds eligible to cover Groupe VYV's SCR are determined taking into account the availability of own funds of the entities and the financial solidarity mechanism;
- The estimate of the requirements for own funds must be carried out in line with the forecasts made in the course of the ORSA.

Furthermore, Groupe VYV's aim is to promote strong and lasting financial relations between the different entities. In particular it makes it possible to introduce a financial solidarity mechanism that will be triggered if an affiliate has an SCR coverage ratio of less than 110%.

In its capital management policy, Groupe VYV specifies that where appropriate priority should be given to the use of financial mechanisms that do not require the transfer of own funds (use of reinsurance, introduction of transfers of portfolios etc.).

E.1.2 Assessment of eligible own funds at group level

The eligible own funds to cover the SCR of Groupe VYV are determined using the following process:

- Consolidation of the own funds of components and calculation of the contributory SCRs;
- Application of fungibility and transferability constraints to each category of own funds, in connection with the financial solidarity mechanism and the rules for calculating group own funds laid down by Solvency II;



- Restatement of minority interests using the method indicated in Guideline 14 of EIOPA¹⁹ on calculating group solvency;
- Application, for each level of own funds, of the regulatory quantitative limits for eligibility of own funds.

E.1.3 Composition of own funds

The amount of regulatory own funds, i.e. the own funds eligible to cover the solvency capital requirement, amounted to €4,861m at 31 December 2019.

This amount can be broken down by distinguishing:

- Firstly, the valuation differences between French standards and prudential standards for the items of Groupe VYV's own funds;
- Secondly, application of the process described above for identifying the eligible own funds at group level to cover the solvency capital requirement.

The following table shows the composition of Groupe VYV's own funds at 31 December 2019 and compares them with the same items at 31 December 2018:

<i>In €m</i>		31 December 2019	31 December 2018 ²⁰
Own funds under French standards		4,746.7	4,698.2
<i>Differences between French and prudential standards</i>	Revaluation of financial investments	2,853.2	1,903.5
	Revaluation of technical provisions	(1,123.7)	(520.5)
	Cancellation of intangible assets and goodwill	(60.1)	(38.0)
	Impact of deferred tax	(369.2)	(208.8)
	Other impacts due to differences in the standards	167.5	65.5
	Inclusion of available subordinated liabilities under Solvency II	36.1	8.8
Available own funds under Solvency II standards		6,250.6	5,908.8
<i>Assessment of eligible own funds at group level</i>	Non-fungible and non-transferable items	(942.3)	(1,619.5)
	Restatement of non-available minority interests	(447.1)	(369.4)
	Own funds not eligible due to application of the quantitative limits	0.0	0.0
Eligible own funds of Groupe VYV under Solvency II standards		4,861.2	3,919.9

Table 18 - Difference between own funds under French standards and prudential standards

At 31 December 2019, the difference between the own funds under French standards and prudential standards is mainly due to differences in valuation, in particular regarding technical provisions, financial assets and the related tax impacts. Application of the process used to determine the eligible own funds at group level results in subtracting non-fungible items, as well as items that cannot be transferred to the group (such as deferred taxes). The calculation also respects the terms of the affiliation agreement between the affiliated mutual insurance companies and the UMG Groupe VYV.

¹⁹ The guidelines published by EIOPA are intended to define and standardise regulatory requirements for various themes. Guideline 14 (EIOPA-BoS-14/181 FR) concerns group solvency.

²⁰ Pro-forma compared with similar information presented in the Solvency II report for financial year 2018



It should be noted that with effect from 31 December 2019 Groupe VYV strengthened the financial solidarity links between its affiliates. This results in an increase in the level of contributions by its various affiliates that can be mobilised for the solidarity mechanism defined by the affiliation agreement, thereby favouring the security of its subscribers.

Almost all of the own funds eligible to cover Groupe VYV's solvency capital requirement are classified as Tier 1 unrestricted, which is the highest quality own funds according to the Solvency II Directive as shown in the following table:

<i>In €m</i>	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Eligible own funds to cover the solvency capital requirement	4,861.2	4,822.4	29.7	6.5	2.7
Eligible own funds to cover the minimum solvency capital requirement of the group on a consolidated basis	4,858.5	4,822.4	29.7	6.5	

Table 19 - Composition of the Solvency II own funds of Groupe VYV at 31 December 2019

E.1.4 Clauses and conditions attached to the own funds

No specific clauses are attached to Groupe VYV's own funds. In addition, none of the items of Groupe VYV's own funds are subject to a transitional measure.

E.2 Regulatory capital requirements

E.2.1 Methods of calculating regulatory requirements

Groupe VYV's solvency capital requirement (SCR) comprises:

- The diversified SCR (SCR_{div}), corresponding to the solvency capital requirement calculated based on consolidated data;
- The Non-Controlled Participations SCR (SCR_{NCP}) corresponding to the proportional share of the solvency capital requirement of all of the insurance or reinsurance entities combined according to the equity method.

Parnasse Garanties SA, in which MGEN has a 20% share, is the only component of Groupe VYV in the latter situation, all of the other components of the group are fully consolidated and contribute to the diversified SCR.

At 31 December 2019, Groupe VYV assessed its diversified solvency capital requirement (SCR_{div}):

- Using the Standard Formula without applying its specific parameters;
- Applying the first method decreed by the Solvency II Directive, known as the consolidation-based method, for the SCR.



- Including, from 31 December 2019, the FP_{future} in the calculation of the Premium and reserve SCR²¹ of the two Solvency II sectors, Health similar to non-life and non-life.

E.2.2 Summary of the capital requirements

At 31 December 2019 Groupe VYV's solvency capital requirement amounted to €2,723m with the following breakdown:

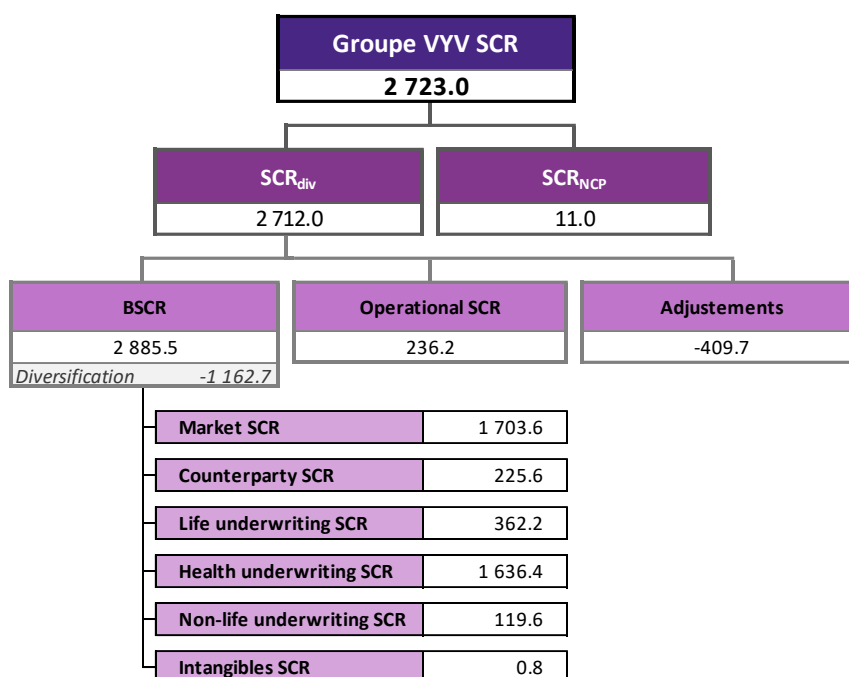


Figure 11 - Composition of Groupe VYV's SCR at 31 December 2019

Furthermore, the minimum solvency capital requirement of the group on a consolidated basis of Groupe VYV at 31 December 2019 was equal to €981m.

²¹ Articles 116 and 147 of the Delegated Regulation provide the definition of the FP_{future} for the respective calculations of the Premium and reserve SCR in Non-life and the Premium and reserve SCR in Health similar to non-life.



The breakdown of the SCR of each component of Groupe VYV is shown below:

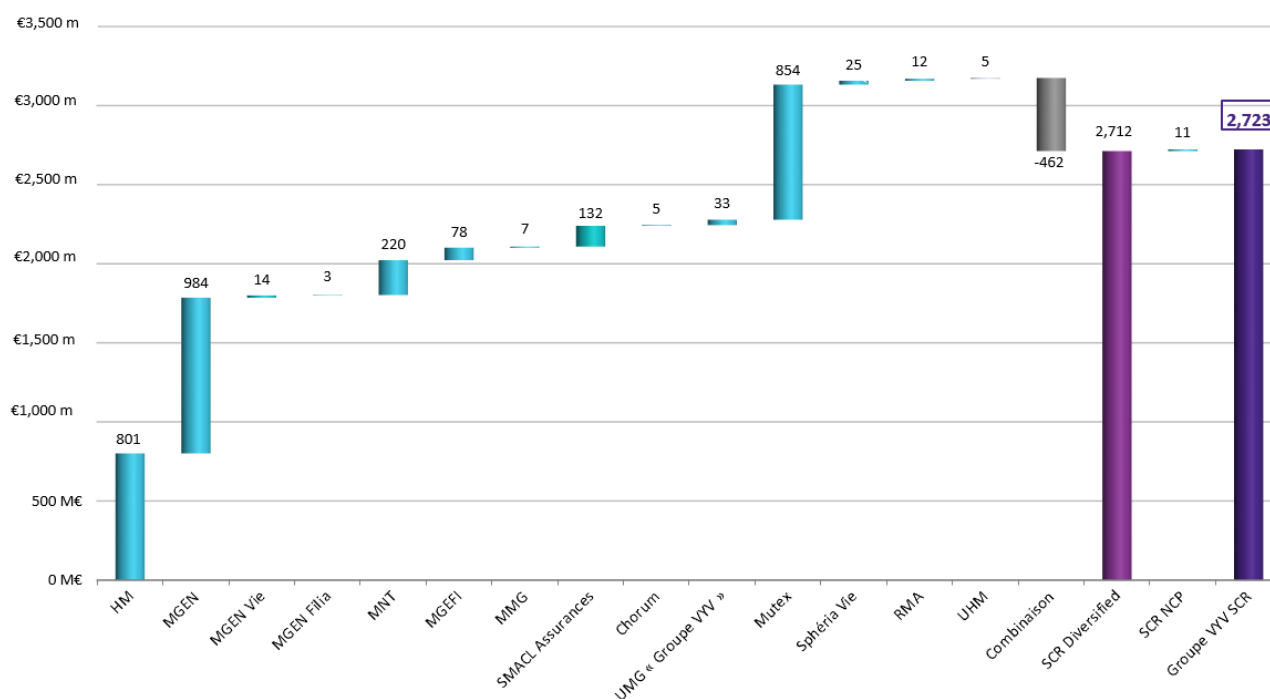


Figure 12 - SCR of Groupe VYV broken down according to the SCR of its components at 31 December 2019

The difference at 31 December 2019 between the sum of the SCR of each of the group's components and Groupe VYV's SCR amounted to €462m. The pooling of different types of businesses (health, protection-savings/pensions and PCI) and the elimination of intra-group transactions are the main sources of diversification effects for Groupe VYV.

Groupe VYV assesses its solvency via two indicators:

- The solvency ratio calculated in accordance with the Solvency II Directive based on the own funds eligible to cover the SCR;
- The "aggregated" ratio, calculated by comparing the SCR with the financial strength of Groupe VYV which corresponds to all of its own funds.

The following table shows Groupe VYV's coverage ratios at 31 December 2019:

In €m	31 December 2019	31 December 2018
Groupe VYV SCR	2,723.0	2,446.9
Solvency II own funds	4,861.2	3,919.9
Solvency ratio	178.5%	160.2%
Groupe VYV "aggregated own funds"	5,795.1	5,519.6
"Aggregated" ratio	212.8%	225.6%

Table 20 - Presentation of the solvency and "aggregated" ratios of Groupe VYV at 31 December 2019



During 2019, Groupe VYV strengthened the financial solidarity links between its affiliated members, thereby increasing the effectiveness of the solidarity mechanism in force on 31 December 2019 within the group. This change had a direct impact on its solvency ratio.

At the end of 2018 the solvency ratio amounted to 160%. At 31 December 2019, with eligible own funds therefore of €4,861m for a capital requirement of €2,723m, the solvency ratio amounted to 179%.

Other events affected Groupe VYV's solvency, including the change in Groupe VYV's prudential perimeter (affiliation of SMACL Assurances and Chorum, as well as the merger of Harmonie Mutuelle and Harmonie Fonction Publique), inclusion of a change in the method of calculating its SCR, and the economic context of a general fall in interest rates. The latter explain the downward variation in Groupe VYV's "aggregated" ratio, equal to 213% at 31 December 2019: taking into account all of its own funds, Groupe VYV had more than twice its capital requirement at the end of 2019.

E.3 Use of the "duration-based equity risk" sub-module

Groupe VYV does not use the "duration-based equity risk" sub-module to calculate its solvency capital requirement.

E.4 Differences between the Standard Formula and the internal model used

Groupe VYV does not use an internal model to calculate the solvency capital requirement.

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

Groupe VYV did not note any failure to comply with capital requirements during the reference period.

E.6 Any other information

Groupe VYV does not have any other information to be notified to the reader.



Appendices

Glossary

The following table lists the acronyms used in this report and gives their definitions.

Acronym	Meaning
Acronyms of the components of Groupe VYV	
HM	Harmonie Mutuelle
HFP	Harmonie Fonction Publique
MGEFI	Mutuelle Générale de l'Economie, des Finances et de l'Industrie
MGEN	Mutuelle Générale de l'Education Nationale
MMG	Mutuelle Mare Gaillard
MNT	Mutuelle Nationale Territoriale
RMA	Ressources Mutuelles Assistance
UHM	Union Harmonie Mutualité
Acronyms relating to the fields of insurance or finance	
ACPR	<i>Autorité de Contrôle Prudentiel et de Résolution</i> – French banking and insurance authority
ALM	<i>Asset and Liability Management</i> (Gestion actif-passif)
DPO	<i>Data Protection Officer</i> (Délégué à la Protection des Données)
EIOPA	<i>European Insurance and Occupational Pensions Authority</i> (Autorité européenne des assurances et des pensions professionnelles)
SSE	Social and Solidarity Economy
PCI	Property and casualty insurance
DTA/DTL	Deferred Tax Assets/Deferred Tax Liabilities
OPCI	Real estate investment fund
UCITS	Undertaking for collective investment in transferable securities
GDPR	General Data Protection Regulation
SCI	Property investment partnership
UL	Unit-Linked
UMG	Group mutualist union (<i>Union Mutualiste de Groupe</i>)
UGM	Group mutualist union
Acronyms linked to the Solvency II Directive	
BE	<i>Best Estimate</i> (Meilleure estimation des provisions techniques)
BSCR	<i>Basic Solvency Capital Requirement</i> (Capital de Solvabilité Requis de base)
ORSA	<i>Own Risk Self Assessment</i> (Evaluation Interne des Risques et de la Solvabilité)
RSR	<i>Regulatory Solvency Report</i> (Rapport Régulier au Contrôleur)
SCR	<i>Solvency Capital Requirement</i> (Capital de Solvabilité Requis)
SFCR	<i>Solvency and Financial Condition Report</i> (Rapport de Solvabilité et de Situation Financière)



Appendix A – Solvency II lines of business & Main types of coverage of Groupe VYV

The Solvency II lines of business are abbreviated throughout this report. The table opposite shows the correspondence between the abbreviations used and the full names as defined by the Delegated Regulation.

Solvency II Line of business	Solvency II line of business Number and abbreviation	Solvency II line of business full name
Health similar to non-life	1 Medical expenses	Medical expense insurance
	2 Income protection	Income protection insurance
	3 Workers' compensation	Workers' compensation insurance
	13 Medical expenses (PR)	Proportional medical expenses reinsurance
	14 Income protection (PR)	Proportional income protection reinsurance
Non-life	4 Motor vehicle liability insurance	Motor vehicle liability insurance
	5 Vehicle damage	Other motor insurance
	6 Marine, aviation and transport	Marine, aviation and transport insurance
	7 Damage to property	Fire and other damage to property insurance
	8 General liability insurance	General liability insurance
	9 Credit and suretyship	Credit and suretyship insurance
	10 Legal expenses	Legal expenses insurance
	11 Assistance	Assistance
	12 Miscellaneous financial loss	Miscellaneous financial loss insurance
	19 Damage to property (PR)	Proportional damage to property reinsurance
Health similar to life	23 Assistance (PR)	Proportional assistance reinsurance
	24 Miscellaneous financial loss (PR)	Proportional miscellaneous financial loss reinsurance
	29 Health insurance	Health insurance
Life	33 Non-life and health annuities	Annuities stemming from non-life insurance contracts and relating to health insurance obligations
	35 Health reinsurance	Health reinsurance
	30 Insurance with PP	Insurance with profit participation
	31 Index-linked and UL insurance	Index-linked and unit-linked insurance
	32 Other life insurance	Other life insurance
	34 Non-life and life annuities	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations
	36 Life reinsurance	Life reinsurance



The following table shows the allocations of Groupe VYV's main types of coverage by Solvency II line of business:

Type of business of Groupe VYV	Groupe VYV's main types of coverage	Solvency II line of business	
Health	Supplementary health insurance	1	Medical expenses
	Supplementary health insurance (acceptances)	13	Medical expenses (PR)
Protection	Whole life funeral costs	30	Insurance with PP
	Death protection/Compensation of funeral costs	32	Other life insurance
	Savings-Pensions/Death protection/Compensation of funeral costs/Whole life funeral costs (acceptances)	36	Life reinsurance
	Daily allowances/Temporary loss of autonomy/Accidental death	2	Income protection
	Daily allowances/Temporary loss of autonomy/Accidental death (acceptances)	14	Income protection (PR)
	Daily allowance (long-term sick leave)/Disability annuities/Annual dependency annuities	33	Non-life and health annuities
	Workers' compensation for accidents at work or occupational disease	3	Workers' compensation
	Dependency/Borrower's insurance (sick leave coverage)	29	Health insurance
	Dependency/Disability annuities/Dependency annuities (acceptances)	35	Health reinsurance
	Childbirth allowance	12	Miscellaneous financial loss
Childbirth allowance (acceptances)	24	Miscellaneous financial loss (PR)	
Savings/Pensions	Life insurance and supplementary pension insurance in euros	30	Insurance with PP
	Life insurance and supplementary pension insurance, unit-linked (UL)	31	Index-linked and UL insurance
PCI	Driver's liability insurance	4	Motor vehicle liability insurance
	Motor vehicle fleet insurance for authorities, Motor vehicle insurance for private individuals	5	Vehicle damage
	Boat insurance	6	Marine, aviation and transport
	Property assets/construction insurance for authorities, Home insurance for private individuals	7	Damage to property
	Property assets/construction insurance for authorities, Home insurance for private individuals (acc.)	19	Damage to property (PR)
	Liability insurance for authorities, Liability insurance for private individuals	8	General liability insurance
	Life annuities paid under motor vehicle liability or general liability insurance policies	34	Non-life and life annuities
Other businesses	Rental deposit & acquisition	9	Credit and suretyship
	Legal expenses insurance	10	Legal expenses
	Assistance	11	Assistance
	Assistance (acceptances)	23	Assistance (PR)

Appendix B – QRT S.02.01.02 – Balance sheet



	In €k	Solvency II value
Assets		
Intangible assets		990
Deferred tax assets		319 460
Pension benefit surplus		0
Property, plant & equipment held for own use		366 301
Investments (other than assets held for index-linked and unit-linked contracts)		17 118 596
Property (other than for own use)		33 441
Holdings in related undertakings, including participations		449 403
Equities		161 322
Equities - listed		63 333
Equities - unlisted		97 988
Bonds		9 981 348
Government Bonds		3 820 172
Corporate Bonds		6 073 380
Structured notes		87 796
Collateralised securities		0
Collective Investments Undertakings		5 992 476
Derivatives		0
Deposits other than cash equivalents		500 607
Other investments		0
Assets held for index-linked and unit-linked contracts		42 724
Loans and mortgages		49 375
Loans on policies		529
Loans and mortgages to individuals		253
Other loans and mortgages		48 594
Reinsurance recoverables from:		1 221 340
Non-life and health similar to non-life		471 678
Non-life excluding health		101 786
Health similar to non-life		369 892
Life and health similar to life, excluding health and index-linked and unit-linked		749 661
Health similar to life		571 721
Life excluding health and index-linked and unit-linked		177 941
Life index-linked and unit-linked		0
Deposits to cedants		608 276
Insurance and intermediaries receivables		978 912
Reinsurance receivables		33 406
Receivables (trade, not insurance)		581 430
Own shares (held directly)		0
Amounts due in respect of own fund items or initial fund called up but not yet paid in		0
Cash and cash equivalents		606 735
Any other assets, not elsewhere shown		49 168
TOTAL ASSETS		21 976 714

	In €k	Solvency II value
Liabilities		
Technical provisions – non-life		2 863 805
Technical provisions – non-life (excluding health)		382 979
TP calculated as a whole		0
Best Estimate		362 747
Risk margin		20 231
Technical provisions - health (similar to non-life)		2 480 826
TP calculated as a whole		0
Best Estimate		1 986 300
Risk margin		494 526
Technical provisions - life (excluding index-linked and unit-linked)		9 045 672
Technical provisions - health (similar to life)		3 475 032
TP calculated as a whole		0
Best Estimate		3 236 612
Risk margin		238 420
Technical provisions – life (excluding health and index-linked and unit-linked)		5 570 640
TP calculated as a whole		0
Best Estimate		5 351 669
Risk margin		218 971
Technical provisions – index-linked and unit-linked		45 203
TP calculated as a whole		0
Best Estimate		43 616
Risk margin		1 587
Contingent liabilities		33 003
Provisions other than technical provisions		20 448
Pension benefit obligations		69 735
Deposits from reinsurers		699 079
Deferred tax liabilities		688 627
Derivatives		0
Debts owed to credit institutions		61 249
Financial liabilities other than debts owed to credit institutions		510 965
Insurance & intermediaries payables		277 141
Reinsurance payables		273 460
Payables (trade, not insurance)		1 131 257
Subordinated liabilities		36 132
Subordinated liabilities not in BOF		0
Subordinated liabilities in BOF		36 132
Any other liabilities, not elsewhere shown		6 521
TOTAL LIABILITIES		15 762 296
EXCESS OF ASSETS OVER LIABILITIES		6 214 419



Appendix C – QRT S.05.01.02 – Premiums, claims and expenses by line of business

In €k	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for: accepted non-proportional reinsurance				TOTAL	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
Premiums written																	
Gross - Direct Business	5 385 800	779 585	13 420	85 586	59 145	544	142 048	52 724	1 264	8 257	38 153	3 183					6 569 708
Gross - Proportional reinsurance accepted	223 895	28 245	0	0	0	0	4 590	109	0	0	5 495	168					262 503
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	193 164	171 589	320	24 494	16 246	136	56 294	14 480	1 222	2 081	480	152	0	0	0	0	480 658
Net	5 416 531	636 242	13 100	61 091	42 899	408	90 345	38 353	42	6 176	43 168	3 198	0	0	0	0	6 351 554
Premiums earned																	
Gross - Direct Business	5 385 417	779 158	13 254	85 736	59 143	544	142 733	53 073	761	8 257	38 153	3 183					6 569 410
Gross - Proportional reinsurance accepted	223 848	28 245	0	0	0	0	4 590	109	0	0	1 915	168					258 875
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	193 161	171 582	317	24 537	16 245	136	56 587	14 896	739	2 082	480	152	0	0	0	0	480 913
Net	5 416 104	635 822	12 937	61 199	42 898	408	90 737	38 286	21	6 175	39 587	3 198	0	0	0	0	6 347 372
Claims incurred																	
Gross - Direct Business	4 310 482	355 515	24 412	88 467	60 689	-20	90 211	35 168	-141	2 331	16 451	3 119					4 986 685
Gross - Proportional reinsurance accepted	180 968	29 887	0	0	0	0	1 079	17	0	0	-1 033	22					210 940
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	167 864	67 413	381	38 924	15 269	-12	29 313	12 157	97	456	0	22	0	0	0	0	331 884
Net	4 323 586	317 990	24 031	49 543	45 420	-9	61 978	23 028	-238	1 875	15 418	3 119	0	0	0	0	4 865 741
Changes in other technical provisions																	
Gross - Direct Business	-2 858	-46 382	0	0	0	0	0	0	0	0	492	0					-48 748
Gross - Proportional reinsurance accepted	12 363	6 541	0	0	0	0	0	0	0	0	0	0					18 904
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	-168	34 207	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34 039
Net	9 673	-74 048	0	0	0	0	0	0	0	0	492	0	0	0	0	0	-63 883
Expenses incurred	1 006 756	86 630	1 582	12 276	10 123	50	33 099	12 156	-172	1 616	14 022	506	0	0	0	0	1 178 645
Other expenses																	25 307
TOTAL EXPENSES																	1 203 952



In €k

	Line of Business for: life insurance obligations						Life reinsurance obligations		TOTAL
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross	101 717	122 231	2 860	385 297	85 527	0	6 193	71 879	775 705
Reinsurers' share	51 031	1 655	0	45 170	4 329	0	0	1 841	104 026
Net	50 686	120 576	2 860	340 127	81 198	0	6 193	70 038	671 679
Premiums earned									
Gross	101 824	122 231	2 860	385 298	85 527	0	6 193	71 879	775 812
Reinsurers' share	51 035	1 655	0	45 178	4 329	0	0	1 841	104 038
Net	50 788	120 576	2 860	340 120	81 198	0	6 193	70 038	671 774
Claims incurred									
Gross	39 295	251 644	1 182	309 339	364 300	-64	7 130	78 643	1 051 469
Reinsurers' share	23 651	4 092	0	69 026	38 907	110	0	2 239	138 026
Net	15 644	247 552	1 182	240 313	325 393	-174	7 130	76 403	913 443
Changes in other technical provisions									
Gross	-24 266	40 334	-1 560	1 820	-69 949	0	6 437	19 944	-27 239
Reinsurers' share	21 340	-2 255	0	-14 802	7 530	0	0	144	11 957
Net	-45 606	42 589	-1 560	16 621	-77 479	0	6 437	19 800	-39 197
Expenses incurred	13 774	28 914	697	66 678	35 022	0	8 650	6 919	160 653
Other expenses									2 032
TOTAL EXPENSES									162 685



Appendix D – QRT S.22.01.22 - Impact of long term guarantees and transitional measures

<u>In €k</u>	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	11 954 680	438 183	0	33 543	0
Basic own funds	4 861 189	-120 118	0	-4 967	0
Eligible own funds to meet Solvency Capital Requirement	4 861 189	-120 118	0	-4 967	0
Solvency Capital Requirement	2 723 006	0	0	4 323	0



Appendix E – QRT S.23.01.22 – Own funds

<u>In €k</u>	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	85 766	85 766	X	0	X
Non-available called but not paid in ordinary share capital at group level	0	0	X	0	X
Share premium account related to ordinary share capital	269 437	269 437	X	0	X
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	1 801 369	1 801 369	X	0	X
Subordinated mutual member accounts	0	X	0	0	0
Non-available subordinated mutual member accounts at group level	0	X	0	0	0
Surplus funds	0	0	X	X	X
Non-available surplus funds at group level	0	0	X	X	X
Preference shares	0	X	0	0	0
Non-available preference shares at group level	0	X	0	0	0
Share premium account related to preference shares	0	X	0	0	0
Non-available share premium account related to preference shares at group level	0	X	0	0	0
Reconciliation reserve	3 235 288	3 235 288	X	X	X
Subordinated liabilities	36 132	X	29 678	6 454	0
Non-available subordinated liabilities at group level	0	X	0	0	0
An amount equal to the value of net deferred tax assets	2 670	X	0	0	2 670
The amount equal to the value of net deferred tax assets not available at the group level	0	X	X	X	X
Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	933 680	933 680	0	0	0
Minority interests (if not reported as part of a specific own fund item)	811 541	811 541	0	0	0
Non-available minority interests at group level	447 065	447 065	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	270	X	X	X	X
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0	0	0	0	X
whereof deducted according to Article 228 of the Directive 2009/138/EC	0	0	0	0	X
Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
Total of non-available own fund items	1 380 745	1 380 745	0	0	0
TOTAL DEDUCTIONS	1 380 745	1 380 745	0	0	0
TOTAL BASIC OWN FUNDS AFTER DEDUCTIONS	4 861 189	4 822 387	29 678	6 454	2 670



<u>In €k</u>	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Non available ancillary own funds at group level	0			0	0
Other ancillary own funds	0			0	0
TOTAL ANCILLARY OWN FUNDS	0			0	0
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0	0	0	0	
Institutions for occupational retirement provision	0	0	0	0	0
Non regulated entities carrying out financial activities	0	0	0	0	
TOTAL OWN FUNDS OF OTHER FINANCIAL SECTORS	0	0	0	0	0
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
Own funds aggregated when using the D&A and combination of method net of IGT	0	0	0	0	0
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	4 861 189	4 822 387	29 678	6 454	2 670
Total available own funds to meet the minimum consolidated group SCR	4 861 189	4 822 387	29 678	6 454	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	4 861 189	4 822 387	29 678	6 454	2 670
Total eligible own funds to meet the minimum consolidated group SCR	4 858 519	4 822 387	29 678	6 454	
MINIMUM CONSOLIDATED GROUP SCR	980 982				
RATIO OF ELIGIBLE OWN FUNDS TO MINIMUM CONSOLIDATED GROUP SCR	495%				
TOTAL ELIGIBLE OWN FUNDS TO MEET THE GROUP SCR (INCLUDING OWN FUNDS FROM OTHER FINANCIAL SECTOR AND FROM THE UNDERTAKINGS INCLUDED VIA D&A)	4 861 189	4 822 387	29 678	6 454	2 670
GROUP SCR	2 723 006				
RATIO OF ELIGIBLE OWN FUNDS TO GROUP SCR INCLUDING OTHER FINANCIAL SECTORS AND THE UNDERTAKINGS INCLUDED VIA D&A	179%				



<u>In €k</u>	TOTAL
Reconciliation reserve	
Excess of assets over liabilities	6 214 419
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	2 970 784
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Other non available own funds	8 347
RECONCILIATION RESERVE BEFORE DEDUCTION FOR PARTICIPATIONS IN OTHER FINANCIAL SECTOR	3 235 288
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	49 209
Expected profits included in future premiums (EPIFP) - Non-life business	181 266
TOTAL EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS (EPIFP)	230 475



Appendix F – QRT S.25.01.22 – Solvency Capital Requirement – for groups on Standard Formula

<u>In €k</u>	Gross solvency capital requirement	Undertaking Specific Parameters (USP)	Simplifications
Market risk	1 703 603		
Counterparty default risk	225 645		
Life underwriting risk	362 222	None	Life catastrophe risk
Health underwriting risk	1 636 377	None	
Non-life underwriting risk	119 647	None	
Diversification	-1 162 739		
Intangible asset risk	792		
BASIC SOLVENCY CAPITAL REQUIREMENT	2 885 546		
Calculation of Solvency Capital Requirement			
Operational risk	236 168		
Loss-absorbing capacity of technical provisions	-191 706		
Loss-absorbing capacity of deferred taxes	-217 988		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
SOLVENCY CAPITAL REQUIREMENT EXCLUDING CAPITAL ADD-ON	2 712 020		
Capital add-ons already set	0		
SOLVENCY CAPITAL REQUIREMENT FOR UNDERTAKINGS UNDER CONSOLIDATED METHOD	2 723 006		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	0		
Total amount of Notional Solvency Capital Requirements for remaining part	0		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
Diversification effects due to RFF nSCR aggregation for article 304	0		
Minimum consolidated group solvency capital requirement	980 982		
Information on other entities			
Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	0		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	0		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	0		
Capital requirement for non-controlled participation requirements	10 986		
Capital requirement for residual undertakings	0		
Overall SCR			
SCR for undertakings included via D and A	0		
SOLVENCY CAPITAL REQUIREMENT	2 723 006		



Appendix G – QRT S.32.01.22 – Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of the undertaking	Legal form	Category (mutual/non-mutual)	Supervisory Authority	Criteria of influence					Inclusion in the score of group supervision		Group solvency calculation	
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if Article 214 is applied	Method used and under method J, treatment of the undertaking
FR	LEI/4851000090X36NOPGA22	LEI	CHORUM	4	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500E016R1LLI4UF62	LEI	GROUPE VYV	5	Union mutualiste de groupe	1	ACPR	0,00%	0,00%	0,00%		0	0%	1		1
FR	LEI/969500JLUSZH89G4TD57	LEI	HARMONIE MUTUELLE	4	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500AZ8RJ9Z9ZECI74	LEI	MUTUELLE MARE GAILLARD	4	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	0,00%	0,00%		1	100%	1		1
FR	LEI/969500ATSJ612RTKX773	LEI	MUTUELLE GENERALE DE L'ECONOMIE DES FINANCES ET DE L'INDUSTRIE	2	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/9695002XFDDIA8FNI325	LEI	MUTUELLE GENERALE EDUCATION NATIONALE	4	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500A0NI2YWPT60318	LEI	MGEN FILIA	2	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/9695001R3ZTUMODNR615	LEI	MGEN VIE	1	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/9695000Q8HEMSMEPF29	LEI	MUTUELLE NATIONALE TERRITORIALE	4	Mutuelle régie par le Code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500QFPFSQ2NP5N926	LEI	MUTEX	4	Société anonyme	2	ACPR	51,37%	100,00%	51,37%		1	100%	1		1
FR	LEI/969500ZL3FBE4ESBW198	LEI	PARNASSE GARANTIES	2	Société anonyme	2	ACPR	20,00%	20,00%	0,00%		2	20%	1		3
FR	LEI/969500YZ86NRB0ATRB28	LEI	RESSOURCES MUTUELLES ASSISTANCE	2	Mutuelle régie par le code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500VARSNWWPS11Q68	LEI	SMACL ASSURANCES	2	Société d'assurance	2	ACPR	0,00%	100,00%	0,00%		1	100%	1		1
FR	LEI/969500KVIUNT6PYRK37	LEI	SPHERIA VIE	4	Société anonyme	2	ACPR	100,00%	100,00%	100,00%		1	100%	1		1
FR	LEI/9695001R7U5JF9T7XE28	LEI	UNION HARMONIE MUTUALITE	4	Mutuelle régie par le code la mutualité	1	ACPR	0,00%	100,00%	0,00%		1	100%	1		1



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