



After each storm glows a sunshine.

R. Piccart 2018



Annual Report 2017 of the Board of Directors and of the Statutory Auditor to be presented at the Annual General Meeting on 26<sup>th</sup> April 2018

Insurance company authorised by decision of the Management Committee NBB (formerly CBFA) on the 6<sup>th</sup> November 2003. to underwrite "Liability" (branch 13) (Moniteur Belge 04.12.2003 - Code 2275)

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# **Financial Highlights**

In euro

Statement of Earnings	2017	2016	2015	2014	2013
Net premium earned	6.476.981	6.132.484	4.995.260	4.921.570	3.144.445
Claims	82.562	0	16.871	-195.549	2
Expenses	-1.732.726	-1.817.647	-1.741.989	-1.452.231	-1.167.688
Other income	268.093	310.013	152.405	197.802	150.174
Net investment result	-110.001	3.195.613	9.461	961.173	1.535
Earnings before distribution to reserve for equalisation and catastrophes	4.984.909	7.820.463	3.432.008	4.432.764	2.128.468
Variation in the reserve for					
equalisation and catastrophes, net of reinsurance	-5.169.436	-5.642.010	-3.457.960	-3.776.172	-2.169.630
Taxes	-18	-343	-348	-21	-284
		5.5	510	2.	201
Earnings after distribution to reserve for equalisation and					
catastrophes	-184.546	2.178.110	-26.300	656.570	-41.446
Balance Sheet					
Assets	102.277.362	93.374.321	78.016.247	76.363.388	71.742.994
Liabilities	-1.121.362	-1.739.075	-1.475.830	-3.265.344	-2.983.181
Guarantee fund	101.155.999	91.635.246	76.540.417	73.098.044	68.759.813
(including reserve for equalisation and o	atastrophes/				

# Content

- 6 Members
- 7. Board of Directors
- 8. Advisory Committees
- 10. Management
- 11. Letter from the Chairman
- 12. Description of Activities
- 15. Report of the Board of Directors
- 19. Corporate Governance Report
- 21. Statutory Auditor's Report
- 27. Balance Sheet and Income Statement
- 31. Notes to the Financial Statements



## Members

**Belgium** Belgoprocess NV Electrabel SA FBFC International NV SCK•CEN

#### Canada

Bruce Power Inc. New Brunswick Power Corporation (\*) Ontario Power Generation (OPG)

#### **Czech Republic** ČEZ a.s.

**Finland** Fortum Power & Heat Oy Teollisuuden Voima Oyj (TVO)

**France** EDF Eurodif SA Orano

**Germany** EnBW Kernkraft GmbH (\*) PreussenElektra GmbH (\*) RWE Power AG (\*)

**Great-Britain** British Energy Ltd Urenco Ltd (\*)

**Hungary** MVM Paks Nuclear Power Plant Ltd (\*) RHK Puram

(\*) non insured member



**Italy** ENEL S.p.A. (\*) Sogin S.p.A. (\*)

**Romania** Societatea Nationala Nuclearelectrica SA (SNN) (\*)

**Slovak Republic** Slovenské Elektrárne a.s.

South Africa Eskom Holdings SOC Ltd

**Spain** Endesa (\*)

#### Sweden

AB SVAFO Forsmarks Kraftgrupp AB OKG Aktiebolag Ringhals AB Svensk Kärnbränslehantering AB (SKB) Studsvik AB Sydkraft Nuclear Power AB

#### Switzerland

Axpo Power AG BKW Energie AG (\*) Kernkraftwerk Gösgen-Däniken AG Kernkraftwerk Leibstadt AG Zwischenlager Würenlingen AG (ZWILAG)

**The Netherlands** Elektriciteits-Produktiemaatschappij Zuid-Nederland NV (EPZ) (\*)

# **Board of Directors \***

B. Svensson
K. Kelly
C. Legrain
B. Alleman
M. Beyens
R. Muscogiuri
A. Shuttleworth
B. Strýcek
J. Toroska
J. Machtelinckx
D. Vanwelkenhuyzen

*Chairman Vice-Chairman Vice-Chairman* 

Executive Committee Executive Committee

\* Status at the time of the Annual General Meeting The external mandates of the Board members can be found on our website.



# **Advisory Committees \***

## **Insurance Advisory Committee**

Chairman

B. Svensson
A. De Bruycker
T. Erb
N. Feldman
P. Haenecour
V. Hronek
J. Javanainen
B.P. Jobse
M. Kautonen
B. Kockum
M. Laguna
M. Mooser
J.D. Treillard
D. Vanwelkenhuyzen
S. Yvon

## Legal Advisory Committee

A. Shuttleworth *Chairman*M. Beyens
R. Danielsson
S. Elhaut
M. Laguna
J. Lasry
L. Luchetti
J. Ortman
J.D. Treillard
G. Vandeputte



\* Status at the time of the Annual General Meeting

# **Advisory Committees \***

## **Finance and Investment Advisory Committee**

B. Strýcek
G. Bunkens
J. Machtelinckx
L. Piekkari
B. Rifaï
A. Roefs
M. Vercammen

## **Audit Committee**

C. Legrain Chairman K. Kelly R. Muscogiuri J. Toroska

## **Risk Committee**

J. Toroska R. Muscogiuri Chairman

Chairman

## **Internal Auditor**

W. Gemis

\* Status at the time of the Annual General Meeting



# Management \*

### **Executive Committee**

D. Vanwelkenhuyzen J. Machtelinckx Managing Director Financial Manager

## **Auditors**

Deloitte Reviseurs d'Entreprise SC sfd SCRL Gateway Building, Luchthaven Nationaal 1 J BE - 1930 Zaventem *Represented by* Mr. R. Neckebroeck

## **Actuarial function**

Nicolaï & Partners Duboisstraat 43 BE - 2060 Antwerpen Mrs. V. Nicolaï

\* Status at the time of the Annual General Meeting



## Letter from the Chairman

Dear Members,

It is a pleasure to present ELINI's 2017 Annual Report.

First of all, it would be fair to give a special tribute to the work performed by the Management of ELINI in making sure that Solvency II requirements are implemented within the Mutual. Those matters are still a major part of our agendas during the different committees and the Management is committed on those aspects to allow ELINI to stand at a World Class position with regard to its internal governance and the control of their Members' financial securities.

On the business activity side during 2017 I would like to point out the following:

- The first is an ongoing growth of activity driven by our management, which has a positive impact on the capacity.
- Further the four Swiss operators (Gösken-Däniken, Zwilag, Leibstadt and AXPO) are now insured members.
- Elini has reached a historical milestone by reaching  $\in$  101million in own funds by the end of 2017.
- Elini managed to achieve a small positive financial income during 2017 (+1,69%) which outperformed the budget.
- Elini is also proud to inform you that our rating A- with AM Best was renewed during 2017.
- The GDPR work was started up and the reviewing of the CHS platform was initiated in connection with this work.
- Elini has been able to prepare a cover for calls protection in cooperation with OTPP and will offer this to its members during 2018.
- There have been some changes in the staff of ELINI to re-in force the future needs. An Assistant Managing Director has been nominated to take over from the current Managing Director in due time.

ELINI's specific loss prevention program, which aims to be systematically tuned amongst the candidates and existing Members, in order to preserve the Mutual as a whole, and each Member's participation individually has continuously been performed during 2017.

ELINI has been recognised as having one of the most advanced Claims Handling System of the Nuclear Third Party Liability insurance market. This aspect is key in the ongoing discussions with some national authorities.

ELINI has also during 2017 continued to put a lot of effort into the project ENEB 2020 which aims to create a common IT platform for all the mutual, the project is estimated to go live during 2018.

Beside the mere business activities, ELINI is continuously recognised as one of the major actors representing the World's Nuclear Industry Community with regard to Nuclear Third Party Liability matters and some of its staff members are regular speakers at seminars related to Nuclear Third Party Liability matters.

2018 will be a challenging year to face more and more governments' decisions to increase the limits of liability for their national nuclear operators, for which ELINI represents one of the key actors.

Yours sincerely,

Bengt Svensson Chairman of the Board of Directors.



# **Description of Activities**

ELINI is a Belgian mutual insurance association formed in December 2002 to provide insurance capacity for nuclear liability risks to its Members. The present Members of ELINI include nuclear facilities in Belgium, Canada, Czech Republic, Finland, France, Germany, Great-Britain, Hungary, Italy, Romania, Slovak Republic, South Africa, Spain, Sweden, Switzerland and the Netherlands.

The capacity provided by ELINI is independent of that provided by the various nuclear Pools.

The main benefits to Members of ELINI include:

- Additional insurance capacity in view of the Revised Paris and Brussels Supplementary Conventions;
- Alternative insurance capacity for terrorism cover and 30 years prescription period;
- Potential for contribution savings;
- o Information exchange and data center for nuclear insurance matters.

#### Underwriting & Claims Handling

ELINI's current portfolio is based on nuclear liability risks cover, in accordance with the decision of the Member, with the existing Pools and any other markets as coinsurer, reinsurer or leader with the exception in those countries where a 100 % policy is taken out by the Member.

The prices of the insurance coverages are in accordance with own rating tables so that Members of the Mutual will derive immediate benefit from reduced contributions.

Few years ago, ELINI has been working on a rating model, based on TPL surveys on-site. In 2011 the Board of Directors agreed to link the results obtained from these surveys to the contribution calculation. The strengths and weaknesses of a site are incorporated in the contribution calculation and represent an incentive for each Member to improve the site safety. This model is applied as of January 1<sup>st</sup>, 2012.

If there is a nuclear incident resulting in offsite release of radiation, ELINI will offer its services to, and in close collaboration with the local competent Authority and its Member, and act in accordance to the instructions given and the expectations formulated by them. It is ELINI's view that, in such a crisis situation, the entire insurance market should show solidarity.

As an insurer, ELINI will contribute to the cost in accordance with the provisions of the Member's insurance policy.

In order to be prepared for a potential nuclear incident, ELINI decided to develop a unique web based platform for claim handling allowing to register claims, manage claims and report in a detailed way to all parties involved and this both on a national and trans boundary basis.

ELINI contracted with highly specialised companies for the set-up of dedicated call centers and dispatching of claim experts and loss adjusters. The individual approach of the Members allows ELINI to take into consideration their expectations.

The implementation of the system is realised in close collaboration with the Members having decided to organise its post incidental management together with ELINI.

Article 25 of the Articles of Association provides for additional contributions from Members if required to meet claims.

#### <u>Reinsurance</u>

ELINI can purchase reinsurance cover to supplement capacity and to spread risk as the Board deems appropriate.

#### Management Structure

ELINI is a mutual association constituted in Brussels under Belgian law and authorised by decision of the Management Committee of the NBB (formerly CBFA) on the 6<sup>th</sup> November 2003.

The strategic management of the Association is the responsibility of the Board of Directors which, with the exception of those powers expressly reserved for the General Meeting, has full managerial authority.

The administration and day to day management of the Association is the responsibility of the Managing Director together with the Executive Committee.



## <u>Membership</u>

Only companies or authorities in the private or public sector operating, controlling or owning nuclear installations, or their representatives, and which have an insurable interest, can be Members of the Association.

Election of a new Member shall be submitted to the Board of Directors and shall become effective when ratified by the General Meeting.

A new Member must take out or have the intention to take out at a later stage at least one insurance policy with unreserved acceptance of the rights and obligations included in the Articles of Association.

There are three kind of Members:

- Non Insured Members who do not take part in the constitution of the guarantee fund but pay an administrative fee;
- Non Insured Members who take part in the constitution of the guarantee fund (Supportive Members);
- Insured Members who have an insurance policy and have contributed to the constitution of the guarantee fund.

## Loss Prevention Services

The ELINI loss prevention division supports the underwriting team as well as the Members to identify potential loss exposures and to assess the adequacy of existing loss prevention measures. Based on onsite evaluations, review of technical documentation and discussions with site responsibles and technical staff, detailed risk reports are made up. The surveyor will evaluate and compare the facility with good engineering practices, legal requirements, insurance standards and similar risks. Strengths and weaknesses of each site will be highlighted. Where required a comprehensive list of suggestions and recommendations will be drawn up with a view to improve safety and to prevent or mitigate losses. An in-house developed grading system supports the underwriting process by contribution rate adjustment and can support the Members' loss prevention programs through contribution reduction.



# Report of the Board of Directors to be presented to the Annual General Meeting of 26<sup>th</sup> April 2018

#### Dear Member,

We are pleased to present for your approval the financial statements of our Mutual for its fifteenth year of operations, which ended on 31st December 2017.

The financial statements include the figures from the ELINI branch in Switzerland.

The Board of Directors of ELINI is responsible for the information contained in the financial statements and other sections of the annual report. The Board considers that the financial statements and related information have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances. These financial statements include amounts that are based on the Board's judgment and best estimates.

ELINI maintains a system of internal accounting controls to provide reasonable assurance that our assets are safeguarded against loss from unauthorized use or disposal and that the accounting records provide a reliable basis for the preparation of the financial statements.

We engaged Deloitte, with your approval, as the independent auditors to audit the financial statements and to express their opinion thereon. Their opinion is based on procedures considered by them to be sufficient to provide reasonable assurance that the financial statements present fairly, in all material respects, the financial position, cash flows and results of operations. Their report is joint with the annual accounts.

## Capacity

The maximum insurance capacity per policy remained at € 130.000.000 in 2017 - unchanged from the gross capacity offered in 2016. Our own retention was also maintained at € 87.300.000.

As from 31 March 2016 onwards, one Member takes a supplementary capacity amounting to  $\in$  110.000.000 bringing the total capacity for this Member to  $\in$  240.000.000. This additional capacity is fully reinsured.

## Contributions

The contributions written, and reinsurance premiums ceded are reflected in earnings on a pro-rata basis over the terms of each policy. Unearned contributions represent the portion of contributions written, which are applicable to the non-expired term of the policies in force.



Gross earned contributions increased from  $\in$  8.089.416 in 2016 to  $\in$  8.822.019 in 2017. This growth can be attributed to a Member who was insured the whole year, whereas in 2016 it was insured for only 9 months and; and a higher capacity offered to the Canadian Members.

Reinsurance costs also increased from € 1.956.933 to € 2.345.038 of which € 1.196.156 was attributed to BlueRe compared to € 1.042.143 in 2016. The capacity ceded to BlueRe slightly increased from € 22.700.000 in 2016 to € 23.000.000 in 2017.

The other substantial part of the increase (147.000 €) results from a reinsurance contract that ran for 12 months in 2017 whereas it ran only for 9 months in 2016.

### Claims

Provisions are made for the estimated cost of incurred losses on the basis of management estimates. These estimates are based on information from the members, their brokers, nuclear pools, claims adjusters, independent consultants and other relevant sources.

The total outstanding claims reserve at the end of the year amounts to  $\in$  411.874, a reduction of  $\in$  359.418 compared to the end of 2016. This reduction results partly from a payout for the Socatri claim ( $\in$  276.856,23) which was deducted from the claims reserve. The other part ( $\in$  82.943) results from the deduction for internal and external claim handling costs which are calculated as twice 15% of the claims reserve. The calculation of this additional reserve remains subject to an annual review but has not been changed since its introduction in 2014. The claims reserve relates to the same 9 notified incidents at the end of 2016.

## General expenses

General expenses decreased from  $\in$  1.817.647 in 2016 to  $\in$  1.732.726 or -4,7% in 2017. This change can be fully attributed to lower acquisition fees, partly thanks to an exceptional reversal of acquisition fees for previous years and another part because of a reinsurance contract that has been ended.

## Investments

The total book value of the investments and liquidities increased from € 84.415.247 in 2016 to € 96.381.916 in 2017. The investment strategy of 10% in shares and the remaining 90% in a mix of fixed income and money market products remained unchanged throughout the year.

The investment yield on the portfolio was calculated at +1.69% for 2017 beating the target of Euro Area inflation which came out at 1,40% for the year 2017.

The accounting financial income amounted to € -110.001 and does not include the unrealized gains as per 31 December 2017. This negative result is mainly due to the hedging cost for the investment funds in Canadian dollars.



Euro		Unrealized capital	
	Book value	gains/losses	Market value
Corporate bond funds	54.501.894	1.152.198	55.654.092
Money market funds	25.157.574	-52.503	25.105.071
Deposits	100.957	0	100.957
Cash	7.007.728	0	7.007.728
Equity fund	9.613.764	639.182	10.252.945
	96.381.916	1.738.877	98.120.794

Book value and estimated fair market value of investments as of 31 December 2017 :

Weighted average credit rating of the total portfolio as of 31 December 2017 :

The overall average credit rating of the portfolio (including equities) is A-.

The weighted average duration of the total portfolio (excluding equity) is 2,82 years.

ELINI Credit quality of total portfolio 31/12/2017



Country Allocation as of 31 December 2017.

Overall portfolio:

AT 0,96% • BE 10,18% • BM 0,04% • CA 5,63% • CH 0,83% • CN 0,30% • DE 5,70% • DK 1,00% • ES 3,42% • FI 0,28% • FR 17,49% • GB 10,72% • IE 1,78% • IT 5,36% • LU 2,50% • NL 6,42% • NO 0,90% • RU 0,17% • TR 0,17% • Europe others 3,45% • US 12,92% • MX 1,09% • Latin America others 0,54% • AU 0,96% • NZ 0,03% • JP 0,66% • Asia others 2,77% • AE 0,27% • Africa/Middle East others 3,49%

#### Result

The € 4.984.909 surplus for 2017 after taxes and before allocation to the equalization fund compares with a € 7.820.120 surplus for 2016.

The technical profit for 2017 of € 5.169.436 will be allocated to the reserve for equalization and catastrophes. Since there is no financial surplus, there is no financial result to be allocated to the reserve for equalization and catastrophes.

In accordance with our Articles of Association, the Board of Directors proposes to the Annual General Meeting that the financial result related to the Belgian activities for 2017 of € -129.031 shall be allocated to the guarantee fund, whereas the loss of € -55.515 in the Swiss branch is deferred to the next financial year, in accordance with the local regulations.

## **Guarantee Fund**

The guarantee fund and reserve for equalization now available to the members to be used as insurance capacity, if you agree to our proposal, will be € 101.155.999 compared to € 91.635.246 at the end of the previous year. It was however agreed that the capital from the Swiss Members will not be used as capacity as long as the insurance license in Switzerland is not granted.

The Guarantee Fund includes the subscribed but not paid capital amounting to € 5.288.768 which is due for almost a quarter in 2018 and the remainder over the next seven years.

## **Discharge from liabilities**

The Board of Directors recommends to the Annual General Meeting to grant discharge to each member of the Board of Directors and to the Statutory Auditor from all liability in respect of the exercise of their duties during the financial year 2017.

We look forward to a good operational year in 2018 and I would like to take this opportunity to thank you for your support.

**Bengt Svensson** 

Chairman of the Board of Directors On behalf of the Board of Directors



## **Corporate Governance Report**

#### CORPORATE GOVERNANCE STRUCTURE

ELINI continues to believe that Corporate Governance is extremely useful and effective in stimulating the use of best governance practices.

All the principles described are covered in the document "Corporate Governance Memorandum". A yearly revision is desirable to account for the changing legal and cultural environment, the new aspirations of our stakeholders and the conduct of Members, Directors and Staff. This Corporate Governance Report is entirely applicable for ELINI and the Swiss Branch.

Following the new EU–wide regulatory regime, known as Solvency II, the company also needs to disclose specific information on their Corporate Governance in the framework named Solvency Financial condition report (SFCR). This Report can be found on our website.

The relevant principles of governance are applied to the Mutual in the following way:

#### MANAGEMENT STRUCTURE

The General Meeting has the powers vested in it by Law and by the Articles of Association, without any prejudice to the laws and regulations in force regarding the control of ELINI.

The Board of Directors is the management body who jointly oversees the activities of the Mutual. There are currently eleven Board members, seven of them are representing the Members and two members are Executive Directors composing the Executive Committee.

The composition of the Board is balanced considering the respective skills, experience and background of each of the Board members. Board members undertake that they have sufficient time to exercise their duties, taking into consideration the number and importance of their other commitments.

The Executive Committee has full authority to undertake the daily management of the Association.

In addition, the Board has appointed specific Advisory Committees being the Risk Committee, Audit Committee, Finance & Investment Advisory Committee, Insurance Advisory Committee and Legal Advisory Committee. These Committees are composed out of representatives of the Members and members of staff. All Advisory Committees have charters that explain their purpose and role as well as their responsibilities.

The mission of these Committees is to analyze specific topics, to prepare matters for consideration and recommendation towards the Board. The existence of the Committees does not replace the ultimate responsibility of the Board.

The Board of Directors and the Committees meet as frequently as the interests of the Mutual require. For instance, the Board meets normally four times a year. Minutes are kept of every meeting.

In line with the requirements applicable in the fit and proper policy, both Board of Directors and Committees perform annually a self-assessment.



#### **OPERATIONAL STRUCTURE AND KEY FUNCTIONS**

The scope of work of the Internal Auditor, is to determine whether ELINI's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and sufficient.

The Compliance Officer acts as an adviser close to the management to take measures within the scope of the integrity policy and ensure the development of the deontology of the Mutual.

The Board of Directors and Executive Committee decide on the risk strategy and design of the risk structure. The Risk Manager, deploys practices to identify, assess, monitor and mitigate various risks to ELINI's business.

The Actuarial function is in charge of the control on the calculations made by the ELINI and to give a level of comfort to the Board of Directors on actuarial processes.

In accordance with Articles 44, 46, 47 and 48 of Solvency II Directive, the Mutual has implemented the following key functions: risk management function, compliance function, internal audit function and actuarial function. Each key function discloses a report as well as for the year to come a plan and are in direct contact with the Board of Directors.

All key functions have a separate policy explain their role and responsibilities. Each key function needs to comply with the fit & proper policy and conducts a self-assessment. In case the key function is outsourced, a check is performed to comply with the guidelines of the outsourcing policy.

#### MONITORING AND CORRECTIVE ACTIONS

The Mutual has internal procedures which provides practical guidance for all staff (1<sup>st</sup> line of defense).

The second line of control performed by the risk management function & compliance function, assures the follow-up of the control of the risks and that corrective actions are taken.

The internal auditor reports to the Audit committee on the effectiveness of the procedures as 3<sup>rd</sup> line of defense.

In achieving its business objectives, ELINI emphasizes the adherence to the highest standards of business integrity and ethics, as well as the respect of and compliance with all applicable national and supra-national laws and regulations.

Employees have the obligation to inform rightful concerns or threats on violation of these values and codes and about unethical or unlawful behavior to the management. Denunciators will be protected against any disciplinary measures.

ELINI has also put in place efficient and transparent procedures for handling complaints. Complaints are considered a vital and essential source of information to improve the internal control systems. Therefore, they are recorded and handled accordingly.

Concerning the IT-infrastructure, a continuity policy and implementation process including proper securities is in place. The IT-department certifies that security, privacy and all other IT management requirements are adequately addressed by the cloud computing vendor. In respect of GDPR, personal data is mapped in a register with restricted access and a privacy policy is put into place.

## Statutory auditor's report to the shareholders' meeting of European Liability Insurance for the Nuclear Industry AAM for the year ended 31 December 2017

In the context of the statutory audit of the annual accounts of European Liability Insurance for the Nuclear Industry AANI (the "company"), we hereby submit our statutory audit report. This report includes our report on the annual accounts together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 22 October 2015, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the annual accounts for the year ending 31 December 2018. We have performed the statutory audit of the annual accounts of European Liability Insurance for the Nuclear Industry AANI for 15 consecutive periods.

#### Report on the audit of the financial statements

#### Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2017 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 102 277 (000) EUR and the income statement shows a loss for the year ended of 185 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2017 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

#### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
The valuation of investments and their accounting treatment	
Per 31 December 2017, the other financial investments amount to 89 734 (000) EUR and represent 87% of the total balance sheet. The investments are valued at acquisition cost, which is based on the information received from the	We have conducted audit procedures over the valuation and accounting treatments of the financial investments held by the company in accordance with to the company's valuation rules and the accounting principles applicable in Belgium.
investments bank. Taking into account the importance of these financial investments on the balance sheet, we consider that the financial investments are a key audit matter.	For a sample of purchase transactions, we have tested the acquisition value based on the reports provided by the investment banks in order to assess the valuation of the financial investments following the FIFO-principle ("First In First Out").
We refer to « C.III.Other financial investments » of the balance sheet, disclosure « N° 3 Market value of the investments » and disclosure « N° 20 Valuation rules - 6. Other ».	Additionally, for a sample of transactions, the results accounted for are validated with the settlement documents received from the investment banks, in order to verify the accuracy of the gains and losses recorded.
	The market value of the financial investments, which is based on the valuation reports provided by the investment managers, are compared against the acquisition value in the company's books, in order to verify if there is any impairment risk.
	The market value reports provided by the investment managers were validated with readily, external and independent market information.



Key audit matters	How our audit addressed the key audit matters
The methodology and assumptions used in setting the insurance reserves	
The insurance reserves includes the company's nuclear claims for 412 (000) EUR. The determination of the insurance reserves requires judgements in the selection of assumptions and methodologies.	We have identified and tested the relevant key internal controls with respect to the insurance reserve business cycle to assess the appropriateness of the insurance reserves and the claims being recognized.
Due to the chosen assumptions and the methodologies in determining the amount of the reserves, we consider these assumptions and methodologies to be a key audit matter.	We have tested all outstanding claims with the underlying documentation to support the insurance reserves, which has been accounted for.
We refer to « C.III. Provisions for insurance claims » of the balance sheet and disclosure « N° 20 Valuation rules – 3. Reserve for risks and charges ».	The insurance reserves are set up based on the available information from external parties, which are considered as experts in the field, and management estimates and assumptions. For all new nuclear claims, we have:
	<ul> <li>analyzed the appropriateness and validity of the assumptions used by management to determine the provision;</li> <li>challenged the management estimates with the report from the experts;</li> <li>reviewed consistency of the procedures with respect to the calculation of the insurance reserves from year to year.</li> </ul>
	For outstanding reserves, we examined the updated external parties' reports and discussed with the management the changes in the insurance reserves.
	In addition, we requested all members to confirm the outstanding claim(s) towards ELINI. We performed an examination of these confirmations and compared the confirmed claims with the current insurance reserve.

Responsibilities of the board of directors for the annual accounts

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

#### Responsibilities of the statutory auditor for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

### Report on other legal, regulatory and professional requirements

#### Responsibilities of the board of directors

The board of directors is responsible for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in accordance with the law of 27 June 1921 on non-profit organizations, foundations and European political parties and foundations.

#### Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, compliance with certain legal and regulatory obligations, without prejudice to the opinion expressed above.

#### Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 100, § 1, 6 / 2 of the Companies Code, includes, both in form and in substance, all of the information required by the Companies Code and is free from any material inconsistencies with the information available to us in the context of our mandate.

#### Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firms has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the annual accounts, as defined in article 17 of the law of 27 June 1921 on non-profit organizations, foundations and European political parties and foundations referring to article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the annual accounts.



Other statements

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.
- We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association or the Companies Code, with the exception that the statutory audit report was not published with the annual accounts for the year ended 31 December 2016.
- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.

Zaventem, 23 April 2018

The statutory auditor

dutel.

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises BV o.v.v.e. CVBA / SC s.f.d. SCRL Represented by Rik Neckebroeck



## Balance sheet as of 31 December 2017 and 2016

(Currency - Euro)

ASSETS	<u>31/12/2017</u>	<u>31/12/2016</u>
C. Investments		
III. Other financial investments		
1. Parts in investment funds	89.273.232	64.080.385
2. Bonds and other fixed interests	0	4.950.000
6. Term deposits	100.957	4.997.199
	89.374.189	74.027.584
D. bis. Part of reinsurance in the technical reserves		
I. Reserve for non-earned premiums and current risks	28.261	51.489
III. Reserve for claim receivable	1.860	1.860
	30.120	53.349
E. Receivables		
I. Receivables from direct insurance		
1. Insurers	46.696	169.280
2. Intermediaries	6.485	3.365
II. Receivables resulting from reinsurance	8.250	0
III. Other receivables	108.186	33.886
IV. Subscribed capital, not paid	5.288.768	8.511.712
	5.458.385	8.718.243
F. Other assets		
I. Tangible Assets	345.015	109.787
II. Liquidities	7.007.728	10.387.663
	7.352.743	10.497.450
G. Transitory accounts		
I. Interest and rent	61.925	77.695
	61.925	77.695
TOTAL ASSETS	102.277.362	93.374.321

The accompanying notes are an integral part of these balance sheets.



## Balance sheet as of 31 December 2017 and 2016

(Currency - Euro)

LIABILITIES	<u>31/12/2017</u>	<u>31/12/2016</u>
<ul> <li>A. Equity</li> <li>I. Subscribed capital or equivalent fund, net of uncalled capital</li> </ul>		
<ul> <li>I. Guarantee fund securities</li> <li>V. Retained earnings</li> </ul>	71.249.827	66.842.994
1. Surplus (Deficit) of the period (Belgium)	0	0
2. Surplus (Deficit) of the period (Switzerland)	-238.840	-183.325
	71.010.987	66.659.669
C. Technical reserves		
I. Reserve for unearned premiums and unexpired risks	360.881	386.284
III. Reserve for claim payable	411.874	771.292
V. Reserve for equalisation and catastrophes	30.145.013	
	30.917.767	26.133.153
G. Payables		
I. Payables resulting from direct insurance business	0	106.302
II. Receivables resulting from reinsurance business	0	8.704
V. Other payables		
1. Fiscal and Social payables		
a) Property tax and VAT	22.545	17.373
b) Social payables	100.236	136.359
2. Other	124.460	234.685
	247.240	503.422
H. Transitory accounts	101.368	78.076
	101.368	78.076
TOTAL LIABILITIES	102.277.362	93.374.321

The accompanying notes are an integral part of these balance sheets.



# Income Statement for the year ended 31 December 2017 and 2016

(Currency - Euro)

		<u>31/12/2017</u>	<u>31/12/2016</u>
1.	Earned premiums, net of reinsurance a) Gross premiums • Premiums written 8.796.615 8.281.123	8.796.615	8.281.123
	Rebates to Members     0     0     b) Reinsurance Premiums     c) Variation of the reserve for uncarped premiums and	-2.321.809	-1.952.976
	c) Variation of the reserve for unearned premiums and unexpired risks, gross of reinsurance (increase -, decrease +)	25.404	-191.707
	d) Variation of the reserve for unearned premiums and unexpired risks, reinsurers part (increase +, decrease -)	-23.229	-3.957
		6.476.981	6.132.484
2bi	<ul> <li>s. Investment Income</li> <li>b) Income from other investments</li> <li>c) Write-back of adjustments on investments</li> <li>d) Realized capital gains</li> </ul>	51.314 0 <u>390.938</u> <b>442.252</b>	56.371 122.736 <u>3.321.936</u> <b>3.501.043</b>
3.	Other technical income net of reinsurance	268.093	310.013
4.	Costs of claims, net of reinsurance a) Net amount paid		
	aa) Gross amount	-276.856	0
	bb) Part of reinsurers b) Variation of the claims services reserve, net of reinsurance aa) Variation of the reserve for claims, gross of	0	0
	reinsurance (increase -, decrease +) bb) Variation of the reserve for claims, part of	359.418	0
	reinsurance (increase -, decrease +)	0	0
		82.562	0
7.	Net operating expenses (-)	11.220	12/ / 55
	a) Acquisition expenses	11.220 -1.743.946	-136.655 -1.680.991
	c) Administrative expenses	-1.732.726	-1.817.647

ELINI annual report 2017

# Income Statement for the year ended 31 December 2017 and 2016

(Currency - Euro) - continued -

	<u>31/12/2017</u>	<u>31/12/2016</u>
7bis. Expenses relating to investments (-)		
a) Expenses for managing investments	-34.112	-102.554
b) Adjustments to investment values	-176.955	0
c) Realized less values	-341.186	-202.876
	-552.253	-305.430
SURPLUS/(DEFICIT) OF THE PERIOD BEFORE VARIATION RESERVE FOR EGALIZATION AND CATASTROPHES	4.984.909	7.820.463
	1.701.707	7.020.105
9. Variation in the reserve for egalization and catastrophes, net	-5.169.436	-5.642.010
Surplus/(DEFICIT) of the period available for Distribution	-184.528	2.178.453
15. Taxes	-18	-343
Result of the period	-184.546	2.178.110

The accompanying notes are an integral part of this income statement



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Currency - Euro)

## 1. ACTIVITY OF THE ASSOCIATION AND SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

The Association's objective is to insure the civil liability (Branch 13) of its insured members in the context of and limited to the responsibility specified in the Convention of Paris or Vienna on civil liability in the area of nuclear energy and/or specified in the national legislations of the countries where the Convention of Paris or Vienna is not applicable but follow the same principles.

By a decision of the Belgian Prudential Authority taken on 6 November 2003, the Association has been granted the agreement to execute insurance activities of the branch "Civil Liability" (Branch 13).

During the year 2017, the maximum insurance capacity of E.L.I.N.I. is 240.000.000 EUR of which:

- For those Members not using the BlueRe capacity :
  - 100% of any amount in excess of 87.300.000 EUR up to 107.300.000 EUR is reinsured by way of treaty reinsurance contract;
  - 100% of any amount in excess of 107.300.000 EUR is reinsured by way of facultative reinsurance contracts.
- For those Members using the BlueRe capacity :
  - The first layer of 30.000.000 EUR is covered by E.L.I.N.I.;
  - 100% of any amount in excess of 30.000.000 EUR up to 53.000.000 EUR is reinsured by way of treaty by BlueRe;
  - 100% of any amount in excess of 53.000.000 EUR up to 110.300.000 EUR is covered by the E.L.I.N.I. capacity;
  - 100% of any amount in excess of 110.300.000 EUR up to 130.300.000 EUR is reinsured by way of treaty.
  - 100% of any amount in excess of 130.300.000 EUR up to 160.043.000 EUR is reinsured by way of facultative reinsurance contracts.
- For two contracts, an additional 80.021.000 EUR is reinsured by way of a facultative reinsurance Quota Share contract as part of a total insured limit of 240.064.000 EUR.

The risk for E.L.I.N.I. is limited to 87.300.000 EUR as of 31 December 2017.

The accounting principles of E.L.I.N.I. can be summarized as follows:

a. Overview of the amortization rates applied

Other assets – tangible fixed assets	% per year
Software (upon evaluation executive committee by project)	20% or 33,33%
Installations, electronic equipment and office tools	33,33
Furniture	10
Vehicles	20



#### b. Technical provisions

The association constitutes technical provisions based on contributions relating to the active, non-expired policies in force at the end of the accounting year, claims payable increased with best estimate of the internal and external claim handling costs and the reserve for equalization and catastrophes in accordance with Articles 10 and 11 of the Royal Decree of 22 February 1991.

#### c. Fixed Income securities

The fixed income securities (straight and convertible bonds) are valued at their acquisition cost. The incidental costs are expensed as incurred.

The differences, if material, between acquisition cost and redemption value of the securities are amortized pro rata to maturity of the securities.

Unless the intention of the association is to sell the securities in the short term, no adjustment is booked to reflect the market value if this market value is below the net book value determined according to the method described above.

Reduction in value on fixed income securities shall be recorded in the income statement when the reimbursement at redemption date is partly or fully uncertain or compromised

d. Shares and other non-fixed income securities

Shares and other non-fixed interest securities are recorded at acquisition cost. The incidental costs are expensed as incurred.

Unrealized losses are recorded in the profit and loss account if there will be a permanent reduction in the value of these securities. In this case, the security will be depreciated to its lower value.

Permanent impairments are determined based on the two following conditions:

- Market value must be below book value for a period uninterrupted of 12 months;
- And the decrease in market value should be at least equal to 20% of the book value at the end of that period.
- e. Foreign exchange rate contracts

The foreign exchange rate contracts are converted in Euro using the exchange rate as of the balance sheet date.

f. Foreign currency translation

The Company maintains its accounts in Euro (EUR) and the annual accounts are expressed in this currency.

The foreign currency denominated accounts, on the balance sheet, are converted in Euro using the exchange rate as of the balance sheet date.

The foreign currency denominated accounts of the income statement are converted into Euro on a monthly basis using the exchange rate in force at the beginning of the month as proxy for the daily foreign exchange rate over the related month.

All exchange gains and losses are recorded in the income statement, as foreign exchange revenues and charges.

g. The integration of assets and liabilities of branches in foreign currencies:

The assets and liabilities of a branch in foreign currency are integrated at closing rate of the period, while the income statement is converted at prevailing average foreign exchange rate of the related period. The difference is recorded in foreign exchange revenues and charges in the income statement.

## 2. GUARANTEE FUND

The Board of Directors proposes to the Annual General Meeting to allocate -129.030,64 EUR, the financial non-technical result of the year 2017, to the Guarantee fund. Note that the result of the year 2017 of the Swiss branch will not be transferred to the Guarantee Fund, but will be reported separately as retained earnings (-55.515,02 EUR).

The evolution of the Guarantee Fund over 2017 is as follows:

Guarantee fund at 31 December 2016	66.842.994,38
Capitalisation members	4.535.863,00
Transfer of the Surplus of the year	-129.030,64
Guarantee fund at 31 December 2017	71.249.826,74

Retained earnings at 31 December 2016	-183.325,20
Loss of the Swiss branch	-55.515,02
Retained earnings at 31 December 2017	-238.840,22

## 3. RESERVE FOR EQUALIZATION AND CATASTROPHES

In application to Article 11, §1, A, 3° of the Royal Decree dated 22 February 1991 on the general rules on the control of insurance companies, the association started in 2004 to build a reserve for equalization and catastrophes. The purpose thereof is to create a reserve that would smooth out variations in claims or would cover exceptional risks. Based on the current regulations, the theoretical target amount that should be provided for within the Associations' equalization and catastrophes reserve is 87.300.000 EUR. The yearly movement however depends on the income or loss of the association before (net) investment income (exclusive the result from the Swiss Branch). An income results in an addition to the reserve for the amount of the income, and a loss results in a usage of the reserve for the amount of the loss. The application of this rule resulted in an addition of 4.984.908,55 EUR for the year 2017 which brings the total reserve up to 30.145.012,92 EUR.



It should however be noted that at the end of 2017 the guarantee fund amounts to 71.010.986,52 EUR (including the result of the Swiss branch) and can be used to cover the obligation of the association. Additionally, the association may call under certain circumstances for additional funds of the members (article 25 of the Articles of Association) to be used to cover the obligations of the association.

#### 4. MANAGEMENT

The investment management of the Association is outsourced.

Reinsurance commissions refunded to E.L.I.N.I. are 46.867,02 EUR for 2017 and 48.147,23 EUR for 2016 and are deducted from the reinsurance premium charges.



# 2 0 1 7 E L I N I

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