

ERGO Life Insurance SE  
Financial Year 2023

**ERGO**

Simple because it matters.

# Solvency and Financial Conditions Report



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# Summary

ERGO Life Insurance SE (hereinafter – ERGO or the company) is presenting the Solvency and Financial Condition Report (SFCR). This report is part of the qualitative (narrative) reporting system that insurance companies must prepare in the course of Solvency II. The report on Solvency and Financial Position is open to the public and is published annually. Its content structure and the information to be reported are laid down in supervisory law, for example in Commission Delegated Regulation (EU) 2015/35 of 10 October 2014. This report relates to the 2023 financial year.

ERGO Life Insurance SE operates in all Baltic countries with a multi distribution channel approach and can rely on own extensive and country wide sales networks in Latvia, Estonia and Lithuania. The company's material lines of business are life insurance and health Insurance according to the IFRS17 standard VFA1 and PAA2 respectively. ERGO maintained the sixth position in the Lithuanian and fifth position in the Baltic life insurance market. In health insurance market ERGO position is fifth in Lithuania and third position in Baltic. In 2023, ERGO's investment activities yielded profitable results, with a positive 4.6 million EUR, resulting in a return of 2.5% on financial investments. More information provided in Chapter A.

ERGO has an effective system of governance that is adequate for the nature, scale and complexity of the risks inherent in its business. The company continuously develops and improves the efficiency of its management and operational processes while keeping in mind the company's strategic goals and criteria of the reasonableness. Composition of the Management Board was changed in 2023. On the basis of the Supervisory Board's decision, CEO, Bogdan Bencak, was revoked from the Management Board and new CEO, Ursula Clara Deschka appointed. The Management board member CFO Maciej Szyszko was revoked from the Management Board.

The remuneration system meets the relevant company and law requirements and is in line with our business and risk strategy. Persons who run the undertaking or perform other key tasks, including the key functions under Solvency II, have the professional qualifications, knowledge and experience to perform the relevant tasks and have the requisite fitness for office.

The four key functions have a particularly important role in the company therefore during 2023 were made structural changes to strengthen these functions. More information provided in Chapter B.

The company is always in a position to manage the risks involved into business. This is demonstrated by the implementation of sound risk management. The Own Risk and Solvency Assessment (ORSA) is an integral part of ERGO's risk management system. The performance of the ORSA is embedded in the relevant processes and capital management. The company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times. More information provided in Chapter C.

Solvency II has rules for the accounting of assets, actuarial provisions and other liabilities. In January 2023 the new accounting standard IFRS17 was implemented that introduces significant changes to the financial reporting methodologies. The report explains the main differences in the accounting according to Solvency II and IFRS17, including their bases, methods and underlying assumptions. More information provided in Chapter D.

The company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times. More information provided in Chapter E.

The qualitative reporting system supplements the quantitative (number-based) reporting. Quantitative Reporting Templates (QRT), which insurance companies must regularly transfer the supervisory authority, are part of the quantitative reporting system. The report contains selected QRTs with information on the 2023 financial year.

As of the compilation of this report, the results have not undergone final auditing procedures.

**This Solvency and Financial Conditions Report for financial year 2023 was approved by the Management Board of ERGO Life Insurance on 08.04.2024.**

1 Variable Fee Approach  
2 Premium Allocation Approach

# Major developments

There are a number of risk drivers and causes which are also be significant, but which cannot be clearly classified in the following risk categories. These include for instance concentration risks, compliance violations or additional regulatory requirements. In general, these are assigned to the category that is most severely affected or are presented in this subchapter.

## Inflation

Inflation has been rising significantly worldwide since Q3 2021. Against the backdrop of significantly increased inflation expectations, the European Central Bank (ECB) has also changed its monetary policy stance and initiated the end of the negative interest rate environment. In this context, the Governing Council of the European Central Bank (ECB) has adjust all its instruments within its mandate to ensure that inflation stabilizes at its 2% target over the medium term. On the basis of its current assessment, the Governing Council considers that the key ECB interest rates are at levels which, if maintained for a sufficiently long period, will make a significant contribution to the timely return of inflation to the target. To this end, future decisions of the Governing Council will also ensure that the key ECB interest rates are kept at a sufficiently restrictive level for as long as necessary. Future decisions on key ECB interest rates will be based, in particular, on the assessment of the inflation outlook in the light of current economic and financial data, developments in underlying inflation and the strength of the monetary policy transmission mechanism.

Current market developments are monitored at regular meetings of the Asset Liability Team (AL Team) with the participation of the Investment Management, Investment Controlling, Actuarial and Risk Management departments, GIM and suitable recommendations for action are derived.

## Geopolitical conflicts and wars

In terms of global capital markets, the current geopolitical conflicts and wars continue to have the potential to drastically increase uncertainty and volatility. Sanctions against Russia that have been initiated may also have further negative effects on the economy in the future. Globally noticeable consequences cannot be ruled out. There could be further secondary effects that could have a negative influence on the risk situation of the company. These could include market risk, credit risk and operational risk (e.g. cyber risk).

With regard to cyber risks, companies are generally seeing an increase in phishing and denial-of-service (DoS) attacks aimed at penetrating IT systems or disrupting online communication channels. To ensure protection against cyber attacks in the future, the first and second lines of defense (1st LoD and 2nd LoD – IT Security and Risk Management) continue to maintain a close dialogue with internal specialists (e.g. IT administrators) and external stakeholders. The aim is to strengthen resistance to attacks and to examine the relevance of attack variants at other companies for the ERGO Group.

According to statements from the governance, gas supply in Baltics is stable. Security of supply is guaranteed. The starting situation for winter 2023/24 is significantly better than a year ago, but residual risks remain. Economical gas consumption remains important.

Potential restrictions in the supply of gas or electricity can have a direct impact on operations at the sites or on the provision of services by third parties. Such failure scenarios are also taken into account in the business recovery plans for time-critical business processes. The company has full readiness to run the operations remotely. The data centers are placed in the external service provide premises in Latvia and Estonia and on premise in Lithuania. IT of the all affected data centers can continue to be maintained via emergency power solutions.

Potential effects from developments in the military conflict and the associated secondary effects on the risk situation are analyzed on an ongoing basis.

The current risk situation of ERGO is as follows: no direct significant impact on solvency from the war in Ukraine. From the point of view of risk management, the risk at the level has decreased compared with the previous year due to a more stable supply situation and thus an improved starting position for the winter of 2023/2024, a significantly lower dependence on Russia for energy products and a lower exposure regarding investments. Nevertheless, Russia's ongoing war with Ukraine may have a further impact on the risk situation, depending on how it develops.

Furthermore, other geopolitical conflicts or wars can potentially influence the risk situation of our company. In particular, the Israel-Gaza conflict that broke out on 7 October 2023 should be mentioned here. In the event of an escalation of the acts of aggression or military intervention by other states in the Middle East, it could have considerable direct and indirect effects on the international economy. The consequences depend on the duration and intensity of the conflicts and could intensify existing geopolitical tensions between different countries. For the company, the market risk and the credit risk could be particularly affected. In the area of market risks, there could be direct and indirect effects. Direct effects could result from the (partial) default of the investments held in Israel. Measured against the total investment portfolio, however, the investments with exposure in Israel is through government bonds is not material (approx. 0.01%).

Indirectly, this conflict could lead to uncertainty and volatility on the capital markets. Furthermore, in the area of credit risks, credit ratings could change, and credit risks could arise. Furthermore, indirect effects on the underwriting of individual companies cannot be ruled out (e.g. in the travel business segment or in marine insurance). Company run the analysis if the high-quality service can be provided in the region can be provided to the clients. As the result of the analysis, it was decided to pause the new sales of insurances in the region.

The instability in the affected region could also lead to price fluctuations for raw materials on the international markets, especially oil and gas. Furthermore, there are other potential political risks. ERGO IRM continuously monitors current events in its risk management cycle.

## Sustainability risks

We define sustainability risks as all events or conditions relating to the environment, social issues or corporate governance, the occurrence of which may have actual or potential significant negative impacts on the net assets, financial position and results of operations, as well as on the reputation of our company. In our company, we counter sustainability risks by systematically considering ESG criteria in our (re)insurance business, investments, procurement activities and our own operations.

In doing so, we distinguish between the perspectives of so-called “dual materiality”: on the one hand, we consider the impact on the environment (“inside out”), and on the other hand, the impact of the environment (“outside in”).

We understand sustainability risks as a partial aspect of the known risk categories. We do not see a separate risk category for sustainability risks, as sustainability risks have an impact on the other risk categories and it would hardly be possible to distinguish them in a meaningful way. This understanding is based on the assessment that the management of sustainability risks – not unlike the other risk categories – is already an original task of business management and therefore does not require a separate and new risk category. Sustainability risks are integrated into risk management and the overall risk management process in the same way as other risk categories. The existing approaches for identifying, assessing, managing and reporting sustainability risks are to be further developed. This relates, for example, to the definition of corresponding risk drivers.

The ESG Committee (ESG-C) is responsible for Munich Re’s cross-Group strategic ESG steering. This committee was established by resolution of the ERGO Group Board of Management on July 1, 2021 and is a sub-committee of the Strategy Committee. The ESG Management Team, which was also newly established, supports the ESG-C and ensures the appropriate implementation of all relevant ESG topics across the Group. For ERGO Group AG, the ESG Advisory Board was also established in 2021. This board is headed by the sustainability unit ERGO Sustainability. On the local level ERGO has established the role of the Sustainability Officer, who is responsible for aligning sustainability issues with the Group and regulatory requirement and will also perform as business risk manager for the domain.

Our Code of Conduct creates a common understanding of values throughout the Group, which ERGO regards as the basis for its actions in terms of good corporate governance. The Code of Conduct is binding for all subsidiaries and employees of the Group. Governance risks, such as corruption or infringements of antitrust or data protection law, are managed by our effective compliance management system. This also includes mandatory training for all employees on compliance topics as well as a whistleblowing portal and an external ombudsman, which ensure secure and anonymous reporting of compliance violations.

With regard to the social dimension (“S”) of sustainability, we take account of this in our own operations, in particular by promoting diversity in our workforce and in management positions. To respect and take into account the specific needs of certain employee groups, company supports numerous internal networks in the business units, such as women’s networks, LGBTIQ+ or networks for the integration of people with disabilities.

Group-wide projects were set up in 2022 to develop central standards for the Group. A key aspect is anchoring respect for human rights in our business processes: Munich Re therefore adopted a guideline on respecting human rights and in 2023 rolled it out to the international entities. The guideline sets out the basic human rights compliance requirements for employees and suppliers throughout the Group and describes how we deal with human rights risks in our business operations. The appointed human rights officers in the companies monitor risk management for compliance with human rights and environmental due diligence obligations under the Supply Chain Due Diligence Act. The human rights officers report to the Board of Management of ERGO Group AG at least once a year on the risk situation, preventive measures taken and their effectiveness. In ERGO a Procurement Officer is responsible for the domain and reports regularly to ERGO Group Human Rights Officer.

With regard to the ecological (environmental) dimension of sustainability, climate change represents the central sustainability risk. Climate-related risks occur in the form of physical and transition risks, with interdependencies between the two types of risk. Physical risks arise as a result of more extreme weather events (heat, drought, storms, hail, etc.). Transition risks arise as a result of political and economic measures to shift to a lower-carbon economy or responses to changing living conditions in specific regions. Both risks not only have long-term effects but can also have short-term disruptive consequences.

In order to better assess the long-term impacts of climate change on the MR Group and its resilience, a scenario analysis project on climate change risk was conducted early in 2021. Specifically, various scenarios of the “Network for Greening the Financial System” (NGFS) were analyzed. The project followed the approach that specifications for scenario analyses should not be developed “stand alone” for individual segments of the MR Group, but that a coordinated approach and interaction between the MR Group and the individual companies and units within the segments is required to ensure adequate risk assessment and management throughout the Group. As a result of these analyses, Group Compliance, among others, examined the risks of legal action against Munich Re in greater detail and identified suitable measures. A Group-wide working group was therefore set up in 2022 under the leadership of Group Compliance & Legal (GCL).

In the area of investments, the Responsible Investment Guideline (RIG) was drawn up to supplement ERGO’s Asset Liability Management Policy (ALM Policy), which contains investment rules on sustainable aspects in asset classes (e.g. equities, fixed-interest securities, real estate and alternative investments). The RIG is regularly adapted to business policy requirements and rolled out within the company.

Joining these two initiatives reflects the Group-wide internal objectives. For example, we are currently developing further concrete plans to reduce the emissions we finance, the coal phase-out plan by 2040 and a complete reduction in oil / gas (upstream) emissions by 2050. Initial targets (for the business areas) have already been set and communicated as part of Group Ambition 2025. Thus, also with regard to company’s own business operations, the target of “net zero” in terms of Scope 1 & 2 CO<sub>2</sub> emissions by 2030 has been set.

With regard to the materiality of sustainability risks for the company, the impact on risk exposures in the planning period for all scenarios has been assessed as non-material, especially with regard to the quantifiable SCR. This is mainly due to the ability to adjust models and risk exposures, if necessary, via internal reinsurance relationships, on a regular basis and also at short notice if required. Although sustainability risks are a component of all risk categories on the basis of which the SCR is determined, a significant influence can only be derived for strategic risk and reputational risk.

Also because of the above analysis, Group Investment Management has initiated a project in 2022 with the following objectives:

- Assess the impact of long-term climate change scenarios on the investment portfolio (based on NGFS scenarios).
- Incorporate the results of a climate change analysis into long-term investment strategy, including the integration of ESG considerations.
- Preparing for potential reporting of climate change impacts.

On the local level company pays a lot of attention to the sustainability risks, integrating the sustainability facet into the business strategy and subsequently into the risk. Climate related risks are also stressed under the ORSA process.

In summary, we consider our structures, processes and methods for dealing with sustainability risks to be appropriate. In order to effectively address sustainability risks in the long term, two factors are of particular relevance: the ability to adapt our business activities and assessment models to a changing environment (strategic risk) and the credibility with which we consistently implement our sustainability strategies (reputational risk).

## A. Business and Performance

In January 2023 the new accounting standard IFRS17 was implemented that introduces significant changes to the financial reporting methodologies. Given the complexity and nuanced framework of this standard, it is imperative to note that transitional measures were employed during the reporting period to facilitate the seamless assimilation of the new standard into management reporting practices. Consequently, for the current reporting period, financial indicators from both IFRS 4 and IFRS 17 are presented, including but not limited to gross written premium, to ensure comprehensive reporting and compliance.

### A.1 Business

ERGO Life Insurance SE, Vilnius, hereinafter referred also as ERGO or the Company, is operated in the legal form of *societas Europaea*, a public company registered in accordance with the corporate law of the European Union. ERGO is operating in the Baltic countries, with the headquarters in Lithuania and branches in Estonia and Latvia.

The Company is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany, which in turn is part of the Munich Re Group (Münchener Rückversicherungs-Gesellschaft AG, Munich). ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

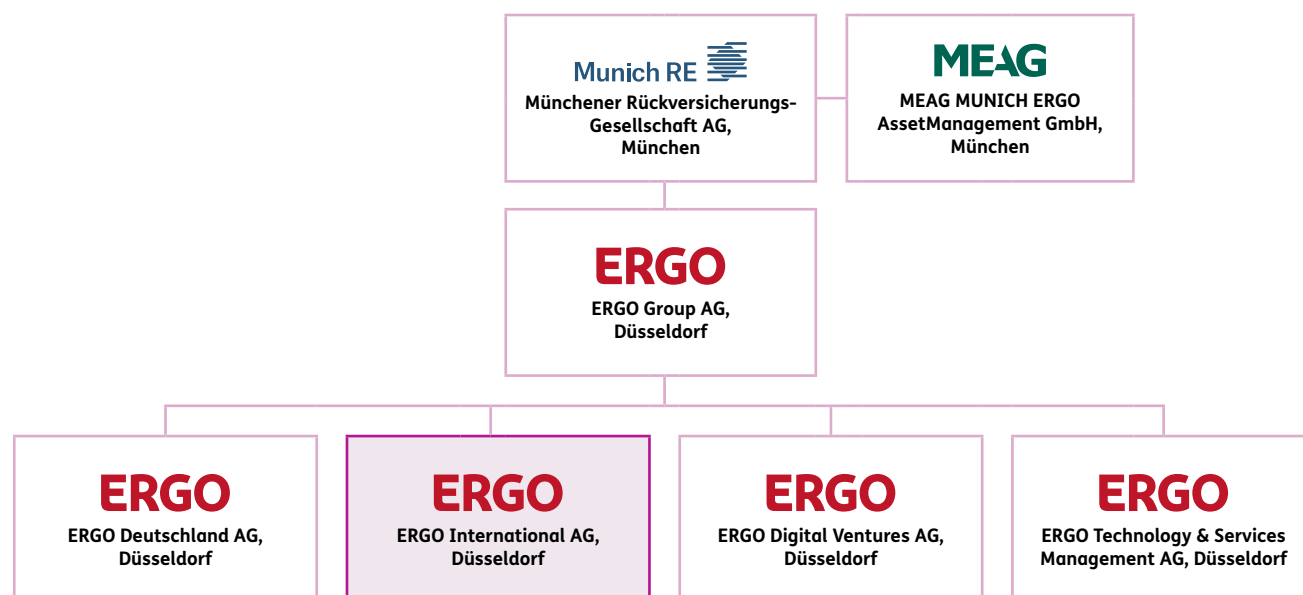


Figure 1. Structure of Munich Re and ERGO Group AG

ERGO operates with a multi distribution channel approach and can rely on own extensive and country wide sales networks in Latvia, Estonia and Lithuania. ERGO maintained the sixth position in the Lithuanian and fifth position in the Baltic life insurance market. In health insurance market ERGO position is fifth in Lithuania and third position in Baltic. ERGO's material lines of business are Life insurance and Health Insurance.

The responsible supervisory authority for the company is Bank of Lithuania (Lietuvos bankas), Gedimino pr. 6, LT-01103 Vilnius. The company is audited by Ernst & Young Baltic UAB Aukštaičių g. 7, LT-11341 Vilnius, Lithuania.

The responsible supervisory authority for the Munich Re and ERGO Groups is the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), Graurheindorfer Str. 108, 53117 Bonn.

Related undertakings – 100 per cent of the shares of the company ERGO Invest SIA, Limited Liability Company, Latvia.



## **A.1.1 Main trends and factors affecting the company's performance**

### **Economic environment**

According to European Commission's economic forecast global growth, after strong beginning of the year is estimated to have slowed down as economic activity moderated in second quarter. Growth was mainly supported by US (continuous expand of domestic demand) and other advanced economies while growth in China slowed. Global GDP (excluding the EU) is projected to set at the level of 3.5% by end of 2023 reflecting strong outturn in the first half of the year. Growth is forecasted slightly down to 3.2% in 2024 and is expected to pick up to 3.5% in 2025. Total global growth (including the EU) is projected to remain a bit more muted, decreasing from 3% in 2023 to 2.9% in 2024, before picking up to 3.2% in 2025. These projections remain below the historical average global (including the EU) growth rate of 3.5% over the period 2010-2019. Emerging Asia and China are expected to contribute about 60% of global growth over the forecast period.

Inflation in the euro area continued its broad-based fall in recent months. It decreased from 5.3% y-o-y in July to 2.9% in October of 2023, the lowest since mid-2021. The decline was supported by energy and food but was broad-based across all main consumption categories.

The labor market remains tight, despite some recent cooling. After reaching a record low of 5.9% in May 2023, the EU unemployment rate stabilized at 6.0% of the active population (ages 15-74) in June 2023, and it stood at that level by September, well below pre-pandemic levels.

Employment growth is forecast at 1.0% in the EU this year, before easing to 0.4% in both 2024 and 2025.

### **Estonia**

In Estonia GDP is forecasted to reach the highest decrease in EU in 2023 at -2.6% driven by weakness in private consumption and sharply falling investments. Real GDP is projected to increase to the level of 1.9% in 2024, as real incomes outpace inflation and external demand gradually improves. Growth is expected to further rise to 2.7% in 2025.

### **Latvia**

Latvia's GDP is projected to decrease by 0.2% in 2023, impacted by high inflation weighing on private consumption and weak export performance. Growth is forecasted to reach 2.4% in 2024 as slowdown in inflation and an acceleration in real wage growth would foster private consumption. Export is projected to rebound as the inflation slowdown elsewhere in the EU boosts foreign demand. Furthermore, government consumption is set to be strong, in particular to support the public wage bill. In 2025 the growth is expected to reach 3% mainly driven by private consumption and exports.

### **Lithuania**

Lithuania's GDP is projected to decrease by 0.4% in 2023 due to high inflation weighing on private consumption and weak global demand. In 2024, GDP is forecast to pick up to 2.5%, as input costs and consumer prices subside and investment and private consumption drive growth. In 2025 GDP is expected to reach 3.4% supported by increased private consumption, helped by easing price pressures and improved purchasing power of households.

## A.2 Underwriting Performance

### A.2.1 Overview of Underwriting Performance

In 2023, ERGO generated insurance revenue of EUR 65.98 million, a 11.7% increase on the year before. The largest classes were life VFA insurance contracts and Health PAA insurance, the revenue of which amounted to EUR 40.59 million or 61.5% and EUR 25.39 million or 38.5% of the portfolio respectively. In terms of premium income, ERGO maintained the sixth position in the Lithuanian and the fifth position in the Baltic life insurance market.

Information reported in the tables are according to IFRS17 which is Company's local GAAP.

Euros	2023		2022		Change	
	Insurance Revenue	Share of class, %	Insurance Revenue	Share of class, %	Insurance Revenue	Share of class, pp
Life insurance contracts	25 393 014	38.5	22 949 112	38.8	2 443 902	-0.4
Health insurance contracts	40 587 799	61.5	36 141 899	61.2	4 445 899	0.4
<b>Total</b>	<b>65 980 813</b>	<b>100,0</b>	<b>59 091 011</b>	<b>100,0</b>	<b>6 889 802</b>	

Table 1: Insurance revenue by line of business

Euros	2023	2022
Lithuania	21 027 909	18 073 835
Latvia	37 426 874	35 640 268
Estonia	7 526 030	5 376 909
<b>Total from insurance activities</b>	<b>65 980 813</b>	<b>59 091 011</b>

Table 2: Insurance revenue by countries

## A.3 Investment Performance

### A.3.1 Overview of Investment Performance

Strategic investment management is the responsibility of the company's asset and liability management team, which includes specialists from Estonia and Germany. In line with the investment management system, tactical investment management has been outsourced to an external service provider. Direct contact for company in all investment related matters is GIM – Group Investment Management department of Munich RE, which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO Life Insurance SE.

In 2023, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The average credit rating of the debt securities portfolio was A.

At the year-end, the investment portfolio comprised investments in associates of EUR 4.7 million (2022: EUR 4.7 million), debt securities of EUR 153 million (2022: EUR 152 million), loans of EUR 21.7 million (2022: EUR 21.7 million), and equities and fund units of EUR 11.6 million (2022: EUR 15.6 million). There were no term deposits.

Income on assets with interest rate risk amounted to 3.3 million euros. Realisation of debt securities produced a loss of 0.04 million euros. The fair value reserve increased by 7.1 million euros while fair value reserve through profit and loss statement increased by 0.4 million euros. Dividend income and income from loans amounted to 1.7 million euros. Investment management expenses accounted for 0.15% of the carrying value of managed investments. Thus, the overall yield of the investment portfolio was 6.45 %.

### A.3.2 Gains and losses recognized directly in equity

The fair value reserve comprises the net change in the fair value of available-for-sale financial assets. When a financial asset is derecognized, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Euros	2023	2022
<b>As at 1 January</b>	<b>-16 550 230</b>	<b>28 964 871</b>
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	472	-96 076
Derecognised from equity and recognised in profit or loss in connection with redemption and impairment	-1 693	-13 903
Net change in fair value recognised in other comprehensive income or expense during the year	7 063 534	-44 145 045
Transition effect from implementation of IFRS9		-1 260 077
<b>As at 31 December</b>	<b>-9 487 917</b>	<b>-16 550 230</b>

Table 3: Gains and losses recognized directly in equity.

## A.4 Performance of other activities

Other income contains fees, commissions, and charges received; interests received from intragroup loans; rental income; and other income not related to insurance activities. The decrease observed in 2023 in other incomes is mainly caused by changes in presentation, income from currency exchange is now a part of investment result.

Other expenses include membership fees to the Financial Supervision Authority and professional associations; audit and legal fees; insurance brokerage expenses; write-offs and other expenses not related to insurance activities. The increase observed in 2023 in other expenses is mainly caused by changes in the principle of cost attribution to the insurance portfolio. Under the new standard increased the volume of expenses not attributable to the portfolio.

Euros	2023				2022			
	Estonia	Latvia	Lithuania	Total	Estonia	Latvia	Lithuania	Total
Other income	67 050	173 999	119 911	360 960	51 725	571 713	428 560	1 051 998
Other expenses	364 259	781 598	1 012 571	2 158 428	103 788	616 643	265 925	986 356
<b>Total result</b>	<b>-297 209</b>	<b>-607 599</b>	<b>-892 660</b>	<b>-1 797 468</b>	<b>-52 063</b>	<b>-44 930</b>	<b>162 635</b>	<b>65 642</b>

Table 4: Other income and expenses

## A.5 Any other information

There is no other information.

## B. System of Governance

### B.1 General information on the system of governance

As the main registered office of ERGO is in Lithuania, the company must comply with European Union laws (f. e. Solvency II directive), Lithuanian Law on Insurance as well as Lithuanian Law on Companies and relevant regulations, approved by Lithuanian Financial Supervisory Authority (the Central Bank of the Republic of Lithuania).

ERGO has functional and administrative structures aimed at supporting the strategic objectives and operations. Structures will be adapted to changes in the strategic objectives, operations or in the business environment. The organizational and operational structure of ERGO is considered appropriate for the complexity and size of operations and the business strategy.

ERGO has following management bodies:

- General meeting of shareholders;
- Supervisory Board (consists of 5 members, elected for a term of 3 years);
- Management Board (consists of 5 members, elected for a term of 5 years);
- Managing Director of ERGO;
- There are established following Committees: AML strategic committee, AML Operational Committee; Operational Sanction Committee, Asset/Liability Team, Unit Link Investment committee, Fit & Proper committee, Compensation Committee, Procurement Committee, Audit Committee.

#### **B.1.1 Management Board**

The Company is managed by the Management Board. The Management Board is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavor to achieve a long-term increase in the Company's value. The Management Board must ensure compliance with statutory requirements and internal company regulations and is responsible for effecting adequate risk management and risk control in the Company.

Management Board is acting in accordance with Rules of Procedure of the Management Board of ERGO.

The Management Board constitutes a council from the Management Board members, to whom the business management has been assigned. Duties are properly allocated between Management Board members, taking also into account the aim to avoid conflict of interest. The performance of its activities requires a sufficient presence in the company.

The Management Board members are elected by the Supervisory Board. The Management Board members elect one from among themselves to be the Chairman of the Management Board (also called here CEO).

The branches of the company are managed by the branch managers. Branch manager is one of the Management Board Members. The branch managers are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers also.

The Management Board members are jointly responsible for the management of the Company and compliance with legal requirements. Notwithstanding this overall responsibility, the individual members independently head the departments assigned to them. There are divisional responsibilities for business segments as well as functional responsibilities.

From the 1st of January 2023 new management Board member (chairwoman CEO) Ursula Clara Deschka was appointed who replaced the Management Board member (chairman CEO) Bogdan Benczak.

On the 4th of October 2023, on the basis of the Supervisory Board's decision, Management board member (CFO) Maciej Szyzsko was revoked from the Management Board and responsibilities were taken over by CEO on the temporary basis.

Management Board members as at the end of 2023 were:

- Ursula Clara Deschka – Chairwoman of the Management Board.
- Marek Ratnik – Management Board member.
- Tadas Dovbyšas – Management Board member.

The roles and responsibilities of the members of the Management Board until 31.12.2023 were as follows:

- Chairwoman of the Management Board (CEO) Ursula Clara Deschka is responsible for the following areas: Marketing, Communication & Customer Experience; HR and office administration; Legal and Compliance (Financial sanctions, Anti-Fraud); Management Board Office; Governance; Claims management, Life underwriting, product development, pricing and analytics, reinsurance. She is acting as Managing Director of ERGO Life. On temporary basis until CFO is appointed CEO also responsible for Accounting; Actuary P&C; Actuary Life & Health; Investments; Risk Management incl. Information Security; IT; Planning & Controlling; Procurement in the Baltics. Until 31.12.2023 she appointed branch manager of ERGO Insurance SE and ERGO Life Insurance SE branches in Latvia.
- Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) in Life & Health in the Baltics. He is also a branch manager of ERGO Insurance SE branch in Lithuania.
- Member of the Management Board (CUO) Marek Ratnik is responsible for P&C insurance operations in the Baltics (underwriting, product development, pricing and analytics, reinsurance). He is also a branch manager of ERGO Life Insurance SE branch in Estonia.

#### **B.1.1.1 Internal regulation, working procedure and delegation of tasks**

Members of the Management Board work together in a spirit of collegiality and inform each other of all business procedures of particular significance within the responsibility of a member of the Management Board, and of such business procedures which affect, or may affect, the responsibility of another member of the Management Board.

In view of the requirement of a consistent business management the Management Board members (including Branch Managers of Company's Branches) conduct their business area independently and on their own responsibility. Any matters of fundamental importance shall be presented to the Management Board for information and/ or deciding. Any matters having impact on another business area shall be decided between the responsible members of the Management Board. In case if the Management Board members are of contrary opinions, final decision shall be taken by the CEO.

In order to ensure the necessary coordination, the matters to be discussed and/or decided by the Management Board are discussed regularly during the Management Board meetings and information Sharing meetings. These are called by the Chairwoman of the Management Board.

Management Board has also established internal signature rights for signing insurance contracts and for disbursement of claims.

There are also special decrees on determining signature rights of executives on concluding agreements for goods and services and approving invoices.

#### **B.1.2 Supervisory Board**

The Supervisory Board of the company is a collegial body supervising the activities. The Supervisory Board of the company consists of 5 members. It is elected by the Company's general meeting of shareholders for a 3-year term. The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible, in particular, for appointing the members of the Management Board, appoints and dismisses the Head of the internal audit, determining the overall remuneration for the Management Board members, succession planning for the Management Board and reviewing the annual financial statements of the Company.

The Supervisory Board also appoints the external auditor for the Company and Group financial statements and for the half-year financial report.

The members of the Supervisory Board shall be elected and removed by the General Meeting of the Shareholders. In order to elect a member of the Supervisory Board, his or her written consent is required.

The Members of the Supervisory Board are obliged to act in the Company's interest and when making decisions may neither pursue personal interests nor make use of the Company's business opportunities for their own purposes.

Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three months. The Chairman summons the meeting of the Supervisory Board.

On the 31 th of August 2023 ERGO Life Insurance SE shareholder taking into account that the term of Supervisory board members was coming to an end took the decision and reelected the members of the Supervisory Board for a new term.

At the end of 2023 members of the Supervisory Board were:

- Dr. Oliver Martin Willmes – member and chairman of the Supervisory Board;
- Maximilian Happacher – member of the Supervisory Board;
- Christine Kaaz – member of the Supervisory Board;
- Ilona Mihele – member of the Supervisory Board;
- Dr. Dirk Schautes – member of the Supervisory Board.

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate charter for the Audit Committee.

### **B.1.3 Committees**

#### **The Asset Liability Team (AL-Team)**

AL-Team is responsible for the annual development (conception and resolution) of strategic asset allocation (SAA) proposal and the resulting Mandate (once a year and as needed) based on liabilities structure, required rate of return, desired risk appetite. AL-Team is also responsible for development of risk management proposal in risk situations.

#### **Fit and Proper Committee**

Fit and Proper Committee responsible for the initial and continuing assessment of Persons who effectively run the business and other Key Persons prior to an appointment and on an ongoing basis, as well as a description of the situations that give rise to a re-assessment of the fit and proper requirements.

#### **Audit Committee**

Audit Committee an advisory body for the Supervisory Board in the matters related to accounting, auditing, risk management, internal control and internal audit, supervision, budgeting and compliance.

#### **Compensation Committee**

Committee ensuring that the decisions made by Compensation Policy are in line with the business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the Company as a whole (sustainable remuneration), and shall incorporate measures aimed at avoiding conflicts of interest; ensuring that remuneration principles consider equal treatment on employees (incl. gender diversity, etc); review of all material and relevant changes of the remuneration system in the Company and for the further development of the remuneration system; monitoring the market situation and draw conclusions on possible changes.

#### **AML Strategic Committee**

Committee seeks to ensure effective and consistent ML/TF risk management and oversight of AML/CTF activities/ processes across ERGO (oversee management of ML/TF risks, monitor the risks; review and address, as appropriate, ERGO ML/TF risk assessment results).

## AML Operational Committee

Committee scope covers operations that are subject to the AML/CTF requirements in accordance with applicable AML/CTF laws and regulations; operations of the third-parties which are not regulated, supervised or monitored for AML/CTF, but to whom ERGO outsources a part of their AML/CTF function, including the distribution of the products (the “Agents”), i.e. when the Agents apply the customer due diligence (the “CDD”) measures on behalf of ERGO in accordance with ERGO procedures and processes; AML/CTF related measures of the operational nature.

## Operational Sanction Committee

Committee scope covers operations of the Company that are subject to the sanctions’ requirements in accordance with applicable Sanction laws and regulations, sanctions related measures of the operational nature.

## Unit-linked Investment Committee

Committee is the body, which is authorized to decide on the offered unit-linked life insurance funds, inclusion/exclusion of funds in/from the Fund List, proposition of Investment Programs and fund selection criteria. The tasks and responsibilities are to review the performance, quality and flows in/out of the funds in the List; to review and approve Fund List Proposal and/or Investment Programs Proposal; to approve which funds to include/exclude into/from the List and/or Programs; to review and decide on the changes in fund selection or diversification criteria (e.g. geographical markets to be covered) including approval of exceptions from criteria if any required; to review interest rates, which are used in performance calculations and provided to customers in offers before contract conclusion.

## Procurement Committee

Committee ensure consistent and correct application of procurement practices.

### B.1.4 Key functions

In accordance to Solvency II Directive, ERGO has in place the following **four key functions**:

- Actuarial function
- Compliance function
- Internal audit function
- Risk Management function

Key functions are incorporated into the organizational structure in a way which ensures that each function is free from influences that may compromise the function’s ability to undertake its duties in an objective, fair and independent manner. All key functions also satisfy a range of requirements, such as fulfilling the “fit and proper” requirements, comply with certain reporting and remuneration requirements.

### Actuarial function

The Head of Actuarial department, which is acting as Appointed Actuary, is the key function holder and part of the second line of defence in relation to reporting, oversight and controlling activities as well as the use of reinsurance.

The Actuarial function performs tasks that are based on regulatory and business requirements and consist of coordination and calculation of technical reserves for accounting and regulatory purposes and other controlling and reporting figures.

The Actuarial Function also supports the Risk Management Function by expressing opinions on key aspects of the business and its operation; contributing to methodologies, models and assumptions used for the assessment of risk and contributing to the overall risk management processes.

The role of the Actuarial Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies.

On the 24th of November 2023, The Head of Actuarial department provided application for dismissal from 15th of December 2023 and responsibilities from the 1st of January 2024 were taken over by new appointed management Board member (CFO) on temporary basis.

For more information please see chapter B.6 for details.

## **Compliance function**

The Head of Legal and Compliance is the Chief Compliance officer and the key function holder who leads the Compliance function, which is part of the second line of defence. The Compliance function is responsible for oversight, detection, prevention and advice with respect to the compliance risk areas of the Company and contributes to the effective implementation of the internal control system. The Compliance function is designed to supplement the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines.

The main objectives of the Compliance function are:

- Support and monitor compliance with applicable laws, regulations and administrative provisions to protect the Company against compliance risks. This includes the identification, assessment and mitigation of these risks.
- Advise senior management, the Board and its Committees on compliance risks, including compliance with laws, regulations and administrative provisions and assess the possible impact of any changes in the legal environment on the Company's operations.

As part of the internal control system, the Compliance function establishes and maintains an adequate and effective compliance management system.

During 2023 to strengthen Compliance function from the 2nd of October 2023 local compliance specialist in Latvia started to work and from the 4th December 2023 the local Compliance Specialist in Estonia. Please see chapter B.4 for details.

## **Internal Audit**

Internal Audit is the internal audit function of ERGO. Internal Audit performs its tasks independently, objectively and under its own responsibility.

Internal Audit supports the Supervisory Board in overseeing, steering and controlling all operations and activities at ERGO. Internal Audit is only directed by the Supervisory Board with regards to the execution of the audit plan and requesting of ad-hoc audits. Please see chapter B.5 for details.

## **Risk Management function**

The Risk Management Function is an integral part of ERGO's corporate management with regard to achieving the goal of turning risk into value. The Risk Management Function is the main operating unit responsible for implementing the risk management system, which is part of the second line of defence. Its main purpose is to assist ERGO Management Board to effectively implement a risk management system and integrate it into business operations. In this respect, the risk management system is understood as meaning the entirety of all measures, on an individual or aggregate basis, serving the regular identification, assessment, monitoring and management of risks taken or potential risks as well as reporting on these. Please see chapter B.3.2 for details.

### **B.1.5 Compensation policy**

ERGO Compensation guidelines set the transparent and common compensation system, that facilitates the implementation of Company strategy and effective risk management as well as equal treatment for pay opportunities. The Company has a compensation system that applies to all employees. Such a system ensures that the Company can attract and retain employees who strive for the best results, develop, learn and share knowledge.



The Company's compensation system is transparent and performance-based in a way that is considered fair and predictable as much as possible. The salary paid corresponds to the agreed results. The bases and principles of determining the remuneration and other office related benefits of employees are:

- clear, transparent and in compliance with prudent and efficient risk management principles;
- based on the business strategy and values of the Company, taking into consideration the economic performance of the insurance undertaking and the legitimate interests of the policyholders, insured persons and beneficiaries;
- take into consideration the long-term objectives of the Company in view of its ability to cope with the changes in the external environment.

### **B.1.5.1 Compensation principles**

The remuneration system is based on two main principles – internal fairness and external competitiveness.

Based upon the legal framework and regulations as well as best human resources practices, the most important principles described by norms are:

- To attract, motivate and retain employees and to ensure a competitive level of remuneration;
- To provide transparency and consistency in the application of remuneration principles in the company, and to ensure a solid foundation for open internal communication;
- To ensure compliance with relevant international and national regulatory requirements, including Solvency II, and alignment with prudent and efficient risk management principles;
- To ensure remuneration principles that are consistent with the long-term strategy of the Company, the corresponding risk strategy and appetite;
- To assure equal treatment of employees in terms of their remuneration.

Exact conditions of the remuneration of Management Board members are set by the Shareholder's authorized person and are reflected in the individual Management Agreement of each Member of the Management Board.

The remuneration shall not be considered as a wage or any other similar payment, which could be connected with the Management Board Member's subordination to the Company or depending solely on the profit (loss) earned by the Company.

The main principle for setting the remuneration is classification of positions and market value. All positions are divided into levels according to the required level of knowledge, problems solving decision and responsibility, clear payment principles, conditions, rules and salary review procedure are established. The remuneration system is based on two main principles – internal fairness and external competitiveness. All job positions within the Company are classified according to remuneration survey provider principles and updated annually. The service providers for counties are Hay (for Lithuania) and Figure (for Estonia and Latvia) Method. The Hay or Figure uses analytic methods to evaluate job requirements by means of defined evaluation criteria. The approach of job evaluation is related with job position not person.

ERGO applies a total compensation approach. The total remuneration contains only fixed remuneration (including control/key function employees), with the exceptions for Sales unit executives (2nd and 3rd managerial level) and employees (having direct sales responsibility) and separate units in the Claims Handling, where the variable incentive is also paid in addition to fixed remuneration.

Variable remuneration depends on results but does not encourage taking unreasonable and/or risks beyond the level acceptable to the Company. The variable part of the salary is not guaranteed, it can be completely free, if the employee, the department and/or the Company did not achieve the goals or did not fulfil their tasks.

The fixed remuneration is determined on the basis of position and respective salary range, considering also personal professional experience, responsibility, job complexity, local market conditions.

Management Board Member receives as a remuneration for his/her activities as a Management Board Member an annual gross fee set forth in the individual Management Agreement (incl. vacation period).

### **B.1.5.2 Other benefits**

Company provides for employees attractive Social package, which includes additional vacations, trainings, insurances, compensations related with employees' health and personal (family) life, recognition for length of service, etc.

Employees are given the opportunity to work flexibly partly from home-office.

In case the Management Board member agreement specifies it, the Company will provide Management Board member with a retirement benefit at the rate of 5% of from 69% of the fixed remuneration.

The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement.

Shares are not part of the remuneration system. Currently, there are no employees in the Company who are allocated shares or are subject to pension or early retirement schemes.

### **B.1.6 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management and supervisory bodies**

The respective fee as stated in the Management Agreement was paid to the former CEO at the moment of the terminating the contract.

## **B.2 Fit and proper requirements**

The Fit and Proper Policy of ERGO documents the criteria and procedures to be applied in order to ensure that all persons who effectively run ERGO or are responsible for other key and important functions within ERGO, at all times meet the “fit and proper” requirements under regulatory laws based on or resulting from the implementation of the Solvency II framework. Fit & Proper Guideline of Company describes overall process and principals to meet the regulatory “fit and proper” requirements.

Persons to whom the fit and proper requirements apply:

- Members of the Management Board of ERGO;
- Members of the Supervisory Board of ERGO;
- Managers of ERGO branches;
- Head of the Internal audit function;
- Head of the Compliance function;
- Head of the Risk management function;
- Head of the Actuarial function;
- Persons who are key function executors (all employees who are performing key functions in actuarial, compliance, internal audit, risk management, including ISO – Information Security Officer in Baltics).
- MLRO for Baltic – Head of Money Laundering prevention department and his/her deputy.

### **B.2.1 Fitness requirements**

A Key Person is considered “fit” if his/her relevant professional and formal qualifications, knowledge and experience within the insurance sector, other financial sectors or other businesses are adequate to enable sound and prudent management as well as to perform the tasks assigned to them in an orderly manner. The respective duties allocated to that Key Person and, where relevant, his/her knowledge and experience in insurance, finance, accounting, actuarial affairs, regulatory framework and management skills need to be taken into account.

The specific fitness requirements further depend on the particular tasks and the responsibilities assigned to a person performing them.

Persons to whom the duties of competence and fitness apply evaluation, must have appropriate comprehensive professional qualifications, knowledge and relevant experience to be able to professionally manage and supervise the Company – both individually and collectively. It is also required that their reputation would be perfect.

The ERGO Board Members collectively shall possess at least qualifications, experience and knowledge about the following:

- Insurance and financial markets;
- the business strategy and business model;
- the system of governance;
- financial and actuarial analysis;
- the regulatory framework and requirements and the internal model (risk model), if applicable, and management.

The respective duties allocated to the individual member shall ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the Company is managed and overseen in a professional manner. When changes occur within the Management Board of ERGO the collective qualification, experience and knowledge of the ERGO Board Members maintained at an adequate level at all times.

Members of the Supervisory Board must always have the experience and knowledge required to exercise appropriate control over and supervise the Management Board, and actively oversee the development of the Company. In order to fulfil that function, they must understand the business conducted by the Company and be able to assess the risks for the Company. Members of the Supervisory Board must be familiar with laws and regulations of relevance to the undertaking. Collectively, the Members of the Supervisory Board must as a minimum possess knowledge in the areas of investment, underwriting/ actuarial practice and accounting.

Persons who have other key functions must have theoretical and practical knowledge required for the respective key function and must be able to demonstrate relevant experience with applicable professional and other standards.

### **B.2.2 Propriety requirements**

A Key Person is considered “proper” if he/she is of good repute and integrity. Inadequate propriety is presumed if generally based on person’s character, personal behavior and business conduct (in any jurisdiction), including any criminal, financial, supervisory aspects, the assumption is justified that hat such circumstances could affect the sound and prudent exercise of their mandate or function. Account is taken of the personal and professional conduct of the Person concerned regarding to criminal, financial, proprietary and regulatory law. Of particular relevance are criminal or administrative offences, other imposed sanctions to the person and circumstances related with it, especially if in connection with corporate activities and breach of legal requirements related to the mandate or the function in question.

The proper requirement also includes Key Persons being expected to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of such conflicts of interest. Key Persons are generally bound by ERGO’s best interests and, accordingly, may not pursue personal interests in their decision-making or utilize business opportunities for personal gain.

Each person concerned must be considered as “proper”. No proportionality can be applied for the propriety requirements because, irrespective of the nature, scale and complexity of the risks associated with the business of the entity, the reputation and integrity of a person concerned must always be at the same appropriate level.

### **B.2.3 Assessment of fitness and propriety**

The assessment must be of the individual’s competence and suitability is carried out prior to appointment carried out prior to a first appointment, election, or assignment of responsibility to perform duties, also periodically by the corresponding Fit and Proper Committee.

Persons whose fitness and propriety are assessed must inform the Company of any changes that may affect them compliance with fitness and propriety requirements.

- Fitness and propriety assessment is carried out based on at least the following information: Candidate ID;
- Employment history and references (CV);
- Education (proved by certificate);
- The presented Questionnaires;
- Certificate of (non)criminal record from a competent authority;
- Information on potential conflicts of interest with details.

When changes occur within the Management or Supervisory Board the collective qualification, experience and knowledge maintained at an appropriate level at all times. Therefore, the collective fitness assessment is always performed in cases of changes on Management or Supervisory Board set up.

Assessment of fitness and propriety of each Supervisory Board member is performed by the Supervisory Board, however it is supported by the report presented by Legal & Compliance on the Assessment of the Supervisory Board members in compliance with the Fit and Proper requirements under the external and internal requirements.

When assessing the propriety of Key Persons, their honesty and financial soundness shall be assessed based on evidence regarding their character, personal behavior and business conduct, including any criminal, financial or supervisory concerns regardless of location.

While criminal convictions, disciplinary or administrative measures or past misconduct are significant, the assessment must be carried out on a case-by-case basis. Hence, consideration must be given to the type of misconduct or conviction, the level of appeal (definitive/final vs. non-definitive/non-final convictions), the lapse of time since the misconduct or conviction, its severity and the Key Person's subsequent conduct.

### **Reassessment**

The fitness and propriety of the Key Persons shall be reassessed on an ongoing basis by the responsible Fit and Proper Committee.

Each Key Person is obliged to contribute to the maintenance of his/her fitness by actively searching for and taking on opportunities to improve their professional qualifications, knowledge and experience.

Reassessment is organized in such cases as:

- indications, that the Key Person might not fulfill the criteria;
- the initial assessment was inaccurate;
- additional or new information which after assessment gives reason to believe that fitness or propriety requirements might not be met anymore by that key person;
- the renewal of a contract if the key person is a Management Board member;
- significant changes in the duties allocated to the key function;
- five years has passed from last assessment.

The need for re-assessment is monitored regularly.

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

### **B.3.1 Description of risk management system**

As part of the Munich Re Group, ERGO is committed to turning risk into value. Risk management is an integral part of our corporate management with regard to achieving this goal. Risk management includes all strategies, methods and processes to identify, analyze, assess, control, monitor and report the short- and long-term risks ERGO faces or may face in the future.

Risk management is performed at all levels of ERGO Group and is organized according to the three "lines of defense": risk takers (1st line), Risk Management Function including Information Security Officer, Actuarial Function, Compliance Function (2nd line), and Internal Audit Function (3rd line).

Risk management is seen as an enterprise-wide discipline by which Company identifies, assess, measures, steers, monitors and reports risks from all potential sources for the purpose of achieving our risk management objectives. The diagram below shows the risk management cycle areas and associated key tasks.

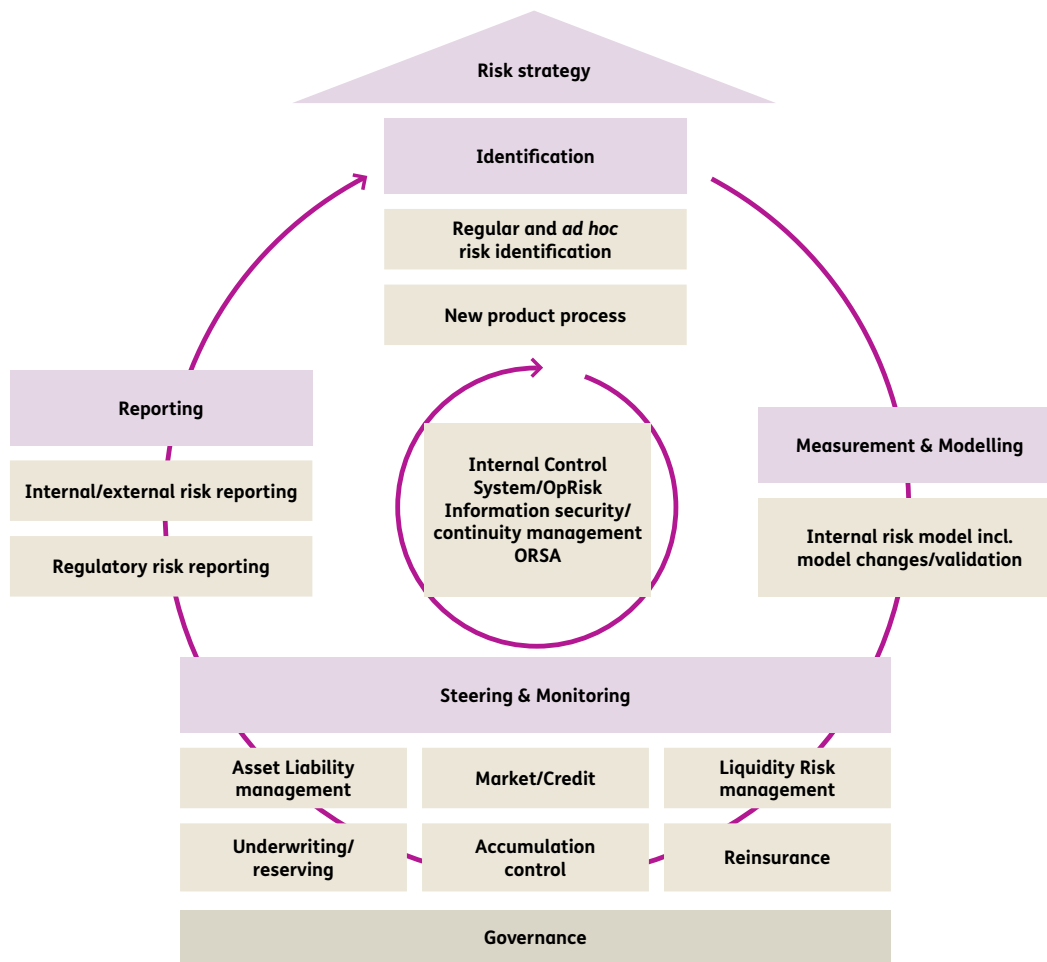


Figure 2: Risk Management Cycle /areas

### B.3.1.1 Risk strategy

The risk strategy is the connection between the business strategy and risk management and is based on the company’s risk profile. It defines the overall framework for the risk appetite and impacts on the general proceedings in the risk management cycle.

The risk strategy complements our business strategy. It describes the extent to which a risk is desirable and, consequently, whether it is acceptable or must be mitigated through risk limits or budgets, risk controls or risk transfer.

The development of the risk strategy is closely aligned with the annual business planning cycle. It starts with a check of actual year-end exposures against tolerances and an initial proposal of tolerances for the next planning year, including an indication of likely exposure bottlenecks and free risk-bearing capacity for strategic asset liability mismatch risk. It concludes with a recommendation of operational limit and trigger amounts, by group/segment or company level, in order to ensure that strategic risk tolerances are respected. Subsequently, the Management Board approves the risk strategy.

To implement and operationalize the risk strategy, a system of relevant risk criteria, limits and triggers are defined. This is described for the ERGO Group and its entities in the “Risk Limit and Trigger Manual for ERGO Group (incl. ERGO International)” (ERGO RLTM). ERGO Integrated Risk Management department (IRM) has the overall responsibility for the content of both documents and ensures that they are reviewed and updated annually in line with the framework set by Munich Re’s RLTM. ERGO also annually reviews and updated the respective norms.

### **B.3.1.2 Risk identification**

Risk identification is performed by means of appropriate systems and indicators (quantitative component) and a number of risk surveys, which are supplemented by expert opinions and assessments by selected, highly experienced managers (qualitative component). Our ad-hoc reporting process provides for staff to report risks to the risk management function at any time.

The regular risk identification process is initiated and coordinated by risk management function. The risk takers (1st line of defense) are responsible for using the methodology established by risk management function to identify risks and to verify previously identified risks within their respective area of responsibility.

### **B.3.1.3 Risk assessment and measurement**

Based on the results from the risk identification, risks can be quantified or assessed qualitatively. The frequency of the assessment may differ dependent on the nature of the risk and the significance of a single risk or group of risks.

ERGO uses the standard formula for risk quantification. For all risks covered by the standard formula, the (sub) module results are used in general as basis for the risk quantification. Risks that are not modelled (e.g. strategic risks, reputational risks, liquidity risks and emerging risks) are evaluated qualitatively with specific assessment methods.

Stress tests and scenario analyses are implemented where appropriate. There are several methods how to implement the analysis, depending on risk type (quantifiable vs. non-quantifiable), time horizon (trend vs. instant) and valuation methods.

### **B.3.1.4 Risk steering and monitoring**

Risk steering measures aim to reduce the probability of the risk occurring or the financial impact and resulting losses and should ensure the achievement of business objectives. The measures have to be within the scope of the risk bearing capacity and relevant regulatory and group requirements (risk strategy, risk management policy and other applicable standards). In general, risks can be taken/accepted, mitigated, transferred or terminated.

We manage risks through underwriting guidelines, tools and processes, investment controlling, and a new product introduction process. The risk appetite and specific risk tolerances are detailed by the RLTM and Entity Specific Appendix to the Risk Management Policy, which describes risk criteria per risk type and specifies limit and trigger amounts.

Within the meaning of an early warning system, the limits and triggers are regularly observed by the respective risk takers and are contained in the regular risk reporting. Appropriate measures are defined and approved by the responsible management.

Risk monitoring focuses on the risk profile and takes into account the respective risk limits, risk triggers, risk accumulation and interdependencies. Not only is the risk profile itself be monitored but also the implementation of risk strategy, the risk relevant methods and processes as well as the overall management of risks. Additionally, the overall solvency position is continuously monitored taken into account the results of the SCR calculation and the risk bearing capacity.

The methods for risk monitoring include comparison of actual with target, analysis of the efficiency of risk measures, analysis of the results of the risk profile analysis and performance measures as well as the monitoring of existing controlling figures linked to risk management. Escalation processes have been defined for limit breaches and are also documented in the RLTM.

The system of Key Risk Indicators ensures early recognition of risks and prepares proposals for suitable countermeasures. Key Risk Indicators focus on risks that could have a sizeable adverse impact on the business or the company and are reported to the Management Board quarterly.

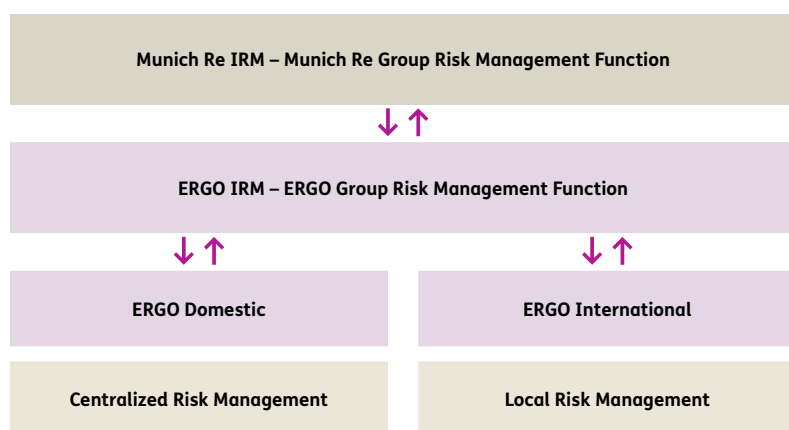
### B.3.1.5 Risk reporting

To ensure continuous monitoring regular reporting process is established. Risk Management Function reports to the Management Board at least on quarterly basis. Input is gained from a variety of sources such as the bottom-up risk assessments, ad-hoc reports, internal audit reports, operational risk event reporting, early warning reporting, quarterly solvency calculations, company results, as well as discussions with the management. The internal risk report contains information about the key risks the company is exposed to and should enable management to evaluate the current risk profile and decide on necessary steering measures.

In case of a significant change in the risk situation, an immediate reporting to the company's management is performed. The ad-hoc risk reporting process complements the regular risk reporting processes thus ensuring that new risks or significant changes to existing risks are reported comprehensively and swiftly. This report includes an appropriate risk analysis and assessment. Ad-hoc reporting on arising risks is to ensure that the involved parties are informed and – where necessary – appropriate measures to steer and control the risk have been initiated.

### B.3.2 Description of Risk Management Function

Methods, standards, processes and policies are defined by ERGO IRM in line with the overall Munich Re Group framework. Local risk management function is responsible for implementing the IRM methodology on a legal entity level. The Management Board of the Company is ultimately responsible for risk management.



**Figure 3: Risk Management Organization within Munich Re and ERGO Group**

In ERGO the risk management function is carried out by Risk Management division. The Head of Risk Management reports directly to the CFO. Reporting lines have been set up between the head of risk management function and ERGO Group CRO.

By the end of 2023 the Risk Management Function was performed by:

- The Head of Risk Management division in the Baltic States;
- Deputy for Head of Risk Management in Baltic States, who is also the Risk Manager in Lithuania;
- Risk Manager in Estonia;
- Risk Manager in Latvia;
- Information Security Officer in Baltic States.
- 2 Information Security specialists positions, that were vacant during the reporting period and recruiting process was ongoing.

The risk management function is the main operating unit responsible for implementing the risk management system in ERGO. Its main purpose is to assist the Management Board to effectively implement a risk management system and integrate it into business operations. Members of the risk management function are not engaged in regular business operations to ensure their operational independence. The risk management function has full and unlimited access to information throughout the company.

Main functions and objectives:

- **Coordination tasks:** The risk management function coordinates the Risk Management activities at all levels and in all business areas. In this role, it is responsible for the development of strategies, methods, processes and procedures for the identification, assessment, monitoring and management of risks, and ensures correct implementation of Risk Management guidelines.
- **Risk control tasks:** The risk management function is responsible for mapping the overall risk situation of the company. Its tasks also include adequate consideration of reciprocal interactions between individual risk categories, the preparation of an aggregated risk profile as well as, in particular, the identification of risks threatening the continued existence of the company/Group.
- **Early warning tasks:** The responsibility of the risk management function also includes implementation of a system that ensures the early recognition of risks and preparation of proposals for suitable countermeasures.
- **Advisory tasks:** The risk management function advises the Board of Management on Risk Management matters and supports strategic decisions in an advisory capacity.
- **Monitoring tasks:** The risk management function monitors the effectiveness of the Risk Management System, identifies possible weaknesses, reports to the Management on these and develops suggestions for improvement.

The risk management function also ensures comprehensive reporting to the Management; in addition to illustrating the current risk situation, this also includes Own Risk and Solvency Assessment (hereinafter ORSA) results and an assessment of the quality of the Risk Management System.

The risk management duties and responsibilities in ERGO are divided among Risk Management, Information Security Officer and Actuarial functions.

In addition to the actuarial activities, Actuarial function is responsible for the risk management system with focus on the projection of the future financial position, development of methods and processes in line with group standards for risk evaluation and monitoring (especially related to quantitative risk evaluation), identifying, assessing and managing risks related to technical provisions, identifying and assessing risks related to underwriting and reinsurance and the assessment of the solvency position.

Information Security Officer is responsible for development, implementation and maintenance of the Information security risk management framework, that includes complete and consistent identification of the need for information protection according to clearly defined categories in the ERGO, identification of existing (or possible) information security and IT security related threats, evaluation on the fulfilment of information security requirements, collection, monitoring and assessment of information security and IT security risks on the Company level and providing recommendations regarding its mitigation and/or elimination. In order to strengthen information security area it was taken decision to add two additional new specialist level FTE in 2023.

Risk management is embedded in relevant steering and business processes. This is ensured by clearly defining processes, roles and responsibilities. It can be stated, that risk management is involved whenever decisions are taken that may lead to a significant change in the risk profile. When decisions are required that lie outside the predefined level of authority of the risk taker, involvement of and approval from risk management is mandatory.

The examples of the processes, where risk management function is involved, are:

- Involvement of the Risk Management in Management Board decisions;
- New products incl. adjustments (insurance products, investments) and new business segments;
- Outsourcing;
- Strategic Planning Process;
- Risk culture.

The activity of the Risk Management function is performed according to number of regulations of which main are:

- Risk Management Policy and its Entity Specific Appendix. The Risk Management Policy gives a guidance on how ERGO views and defines risk management and how individual risk management functions should be organized with respect to structure. The Entity Specific Appendix documents how risk management is setup and embedded at the Company and describes local tasks and responsibilities.



- The ERGO ORSA Policy and its Entity Specific Appendix defines the most important requirements and framework conditions as well as the responsibilities and relevant inputs for the upcoming ORSA cycle.
- The Risk strategy of ERGO Group defines the strategic risk framework for the insurance companies from a group perspective. It is derived from the strategic orientation of ERGO as well as the Munich Re risk strategy. It is binding for all ERGO companies. The respective risk strategies of the individual insurance companies are derived from the risk strategy of ERGO Group, or the sub-holding company and the business strategies of the individual company. Individual limits and triggers, deviations from the ERGO Group and sub-holding risk strategy or additional criteria are documented and explained in an entity specific appendix and approved with the sub-holding risk strategy by Management Board.
- The ERGO Risk Limit & Trigger Manual (ERGO RLTM) operationalizes the risk strategy by defining processes and procedures for risk criteria. The contents of ERGO RLTM are being further developed in coordination and close cooperation with Munich Re to ensure that ERGO's regulations are consistent with Group requirements.

The above documents are reviewed annually.

### **B.3.3 Own risk and solvency assessment**

The Own Risk and Solvency Assessment (ORSA) is an integral part of our risk management system.

The performance of the ORSA is embedded in the relevant processes, e.g. risk management, planning process, capital management. The results and conclusions of the ORSA – documented annually in the ORSA Report – are an important management tool and have to be taken into account in the strategic decisions on an ongoing basis.

The Board of Management has the ultimate responsibility for ORSA. It plays an active role in the set-up of ORSA and has to challenge the ORSA outcome. The objectives of the ORSA and the corresponding roles, responsibilities and processes are described in the ERGO ORSA Policy which has been approved by the ERGO Board together with an Entity Specific Appendix.

The development of the risk strategy is closely aligned with the annual business planning cycle and the corresponding ORSA considerations. The ORSA aims to promote a better understanding of the specific risk profile of the company and to enhance the decision making on board level by using the ORSA results e.g. within the business planning process. The ORSA process also allows disclosure of sufficient and clear information to relevant stakeholders.

The regular ORSA activities associated with the business planning process are conducted annually or more often if necessary (after significant changes in the risk profile). Timeline for annual ORSA is defined in line with the Company's annual planning process. More frequent monitoring is in place for the most relevant risk criteria via quarterly risk reporting as well as ad hoc reporting.

As part of the ORSA, the connection between the risk profile, the risk tolerances and the own solvency needs are outlined. Own solvency needs is determined based on the following processes:

- Definition and annual review of the “Financial Strength” criteria in Risk Strategy;
- The assessment of the quantity and quality of Own Funds;
- Assessment of actual capital adequacy over the business planning horizon;
- Demonstration of main assumptions underlying the projections;
- Performance of stress test and scenario analysis;
- Assessment of the model appropriateness;
- Assessment of the risks not covered in the model.

Within ORSA probable and potential capital needs to manage the capitalization of the company are identified. The risk management function makes proposals if additional measures are necessary together with a statement if additional risk capital is required for the coverage of non-modelled risks. More specifically, the outcome of the ORSA shall feed into the development of a capital management plan over the time horizon of the business plan. The risk management function should propose actions based on the information gathered during the performance of the ORSA if necessary.

## B.4 Internal control system

Our internal control system (ICS) is a system for managing operational risks integrated across all risk dimensions and areas of the company. The ICS meets the requirements of corporate governance as well as the legal and regulatory requirements.

ERGO's ICS functions as an integral component of our group-wide risk management and hence constitutes a key element of ERGO's corporate governance. Within the ICS, the significant operational risks and corresponding controls are identified, analyzed and assessed across all important risk dimensions (financial reporting, compliance and operations) with the aim of achieving a harmonized, holistic approach to risk controls with no overlaps and no gaps.

The ICS is based on the concept of the three lines of defense represented by three roles: risk-takers (those who accept risk), risk controllers (those who monitor risk) and independent assurance (those who are independent of the operating business and examine the design and performance of the risk controls). The overall responsibility for risks and their control, and for setting the overall risk tolerance, lies with the Board (Risk owner).

Organizational responsibility for the system is under the Risk Management. The business units are responsible for the risks and controls within their area. The integration of all departments creates a uniform understanding of risk. This enables us to improve Company's awareness of risks and controls. Clear responsibilities for risks, controls and control measures also create transparency.

By making our risk situation transparent in this way, we can focus on and react rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

Top operational risks derived from the annual Internal Control System review didn't reveal any major changes in comparison to the previous reporting period.

Internal Audit assesses regularly the effectiveness of the ICS in the key processes and applications.

## B.5 Compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive and others. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.

The Compliance function is part of internal control system as it implements the 2nd level of control within the Company. The activity of the Compliance function is regulated by EU and local legal acts, ERGO Group Compliance Policy and the Compliance Policy of ERGO Insurance SE and ERGO Life Insurance SE, which is reviewed and updated at least annually. Fit and proper requirements to persons who perform the Compliance Function are applied as required.

The activity of the Compliance Function is based on the annual compliance plan, approved by the Management Board. The annual compliance plan specifies various activities related to elements of the Compliance Management System, i.e. compliance culture, norms and advisory, risk assessment, monitoring, communication and training, investigation, reporting.

The Compliance Function has these basic responsibilities:

- Compliance risk control: identification and assessment of compliance risks, recommendations for the mitigation and elimination of compliance risks, participation in design of compliance risk control measures.
- Early warning: monitoring of significant changes in the legal environment and provision of relevant information to respective recipients; recommendations regarding compliance risks and escalation.
- Consulting and reporting: consultation on compliance with applicable legal requirements and possible impact of legal changes, compliance trainings, escalation of relevant compliance issues, participation in relations with other subjects.
- Monitoring: monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

## B.6 Internal audit function

Internal Audit of ERGO supports the Supervisory Board and the Management Board in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. These include the management system, internal control system (ICS) and three key functions compliance, risk management and actuarial.

Internal Audit is an independent function. However, it operates within the framework of the standards applicable throughout the Munich Re Group. It is legally assigned to ERGO. The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of ERGO and functionally – to the Supervisory Board. It also has a so-called “dotted reporting line” to the Head of ERGO Group Audit.

The audit mandate of Internal Audit covers all units of ERGO, its branches and subsidiaries.

By the end of 2023 the Internal Audit Function was performed by:

- Head of Internal Audit Division in Baltics;
- 2 Internal Auditors in Lithuania;
- Senior Internal Auditor in Latvia;
- Senior Internal Auditor in Estonia.

### B.6.1 Core tasks of Internal Audit

The core tasks of Internal Audit include:

**Audit Performance:** Internal Audit audits the Governance System, consequently the entire business organization, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of Internal Audit must be carried out objectively, impartially and independently at all times. The audit area of Internal Audit covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls,
- Adherence to external and internal standards, guidelines, rules of procedure and regulations,
- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system,
- Reliability of the IT systems,
- Nature and manner of performance of tasks by the employees.

**Reporting tasks:** A written report is prepared after each audit. At least once per year, Internal Audit will prepare a report addressing Internal Audit’s mandate, principles and other aspects in line with the requirements of international Internal Audit Standards as well as main audit findings for the past financial year. Within the follow-up process, Internal Audit is also responsible for monitoring the rectification of deficiencies.

**Consulting tasks:** Internal Audit can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of Internal Audit is ensured.

### B.6.2 Independence and Objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional conduct of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organizational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of Internal Audit is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the CEO and functionally – to the Supervisory Board. She has direct and unrestricted access to the Management Board and the Supervisory Board of ERGO and all branches and subsidiaries. As a service provider for the company she is independent from all other functions of the company.

In order to ensure independence, the employees of Internal Audit do not assume any non audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, performance of audits, evaluation of audit results and the reporting of the audit results. The right of the Supervisory Board and the Management Board to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal Audit, the function has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of Internal Audit by her behavior.

During 2023, there were some changes in Internal Audit function, including an additional FTE approved to strengthen the 3rd line of defence.

During the reported period the independence and objectivity of the Internal Audit was not impaired at any time.

## B.7 Actuarial function

Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defense. Focal points are the coordination of the calculation of technical provisions, monitoring tasks are related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function.

By the end of 2023 the Actuarial Function was performed by:

- Head of Actuarial Department, who is also the Appointed Actuary, position was vacant since 15th of December of 2023 and since 1st of January 2024 this position on temporary basis was taken by CFO.
- 2 Actuaries for Baltics.
- Junior Actuary for Baltics.

ERGO actuaries have a detailed understanding of economic, financial, demographic and insurance risks in the Baltic States and expertise in developing and using statistical and financial models to facilitate financial decisions, pricing, establishing the amount of liabilities, and setting capital requirements for uncertain future events within ERGO. Actuarial skills are used in establishing premiums, policy and claim liabilities as well as appropriate capital levels.

The role of the Actuarial Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies.

The Actuarial Function performs its tasks independently from the business functions and from risk taking activities of the Management Board and has no responsibility for the company's profits and financial results. The Head of Actuarial Department carries out the Actuarial Function in ERGO and reports to the Management Board member CFO.

In performing the tasks of the actuarial function regarding the Art. 48 Directive, the function is divided between these units:

- In coordinating the technical provisions regarding the legal entity reporting and Munich Re group model Actuarial department performs the tasks according to article 48, in particular parts a)–f) and according to the corresponding article 262 (level II statements), in particular 1)–5);
- Regarding underwriting policy and reinsurance arrangements Actuarial department performs the tasks according to article 48, in particular parts g)–h) and according to the corresponding article 262 (level II statements), in particular 6)–7).

## B.8 Outsourcing

Some of company's functions are outsourced. Despite outsourcing, the Company still bears responsibility for ensuring that the purchased service meets the criteria set for insurance companies.

Guidelines on the Minimum Requirements for Outsourcing for the Companies of the ERGO Group (Outsourcing Policy) and its Entity Specific Appendix regulate the outsourcing of any critical or important operational functions or activities.

An outsourcing arises when a service provider is directly selected by ERGO to carry out certain activities and processes in connection with the performance of insurance, financial or other services that are:

- Otherwise provided by the insurance company itself (insurance-specific), and
- Important for the company.

An activity is insurance-specific only when there is a relation between the outsourced activities and the original insurance business. A transferred task is considered important for the company when it is long-term (usually more than one year) or occurs with a certain frequency (not one-off business or business with occasional external character) and is also of significance for the company (thus not ancillary, preparatory or subordinate activities). This applies also in case of partial transfer of the task.

The important outsourcing (outsourcing of important function or insurance activity) arises when an insurance company would otherwise not be able to provide its services to its policyholders (indispensability) and in the case of a malperformance or an unsuitable service provider the abstract risk would arise that the quality of the business organization would be significantly impaired or the operational risk unreasonably increased.

The following critical or important operational functions or activities are outsourced in ERGO:

- **Sales function** is partially outsourced.
- **Policy administration** is partially outsourced, specifically call centres and printout and sending of dunning letters.
- **Medical advisor** in claims handling is partial outsourced.
- **Investments and/or asset management** is outsourced.
- **Rendering of data storage services** is partially outsourced. Specifically, administration and tuning of Oracle database of ERGO Latvian branch and services related to archiving.
- **Regular maintenance and support for the relevant IT systems** is partially outsourced.
- **Archiving** is partially outsourced.

ERGO has not outsourced any key functions. All of the service providers of above mentioned outsourced or partially outsourced functions are located on the territory of the European Union.

## B.9 Assessment of adequacy for the system of governance

The Company continuously aims to improve its compliance and governance systems by ensuring that they are regularly reviewed and evaluated.

The organizational structure of ERGO is considered appropriate to the complexity and size of the operations as well as to the business strategy. The Organizational Structure Management Policy sets the consistent and transparent principles of organizational structure management, to support management and employees in the development and implementation of effective organizational structure management practices.

The system of governance of ERGO includes an adequate transparent organizational structure with a clear allocation of functions and responsibilities:

- the business organization and all disciplinary and functional reporting lines are documented;
- responsibilities are appropriately segregated in order to ensure the effective operating of the system of governance.

Governance model is described in “Guidelines on Review of System of Governance” and set by the Management Board decision on management view of the governance model. The review of the System of Governance conducted every second year or on an ad hoc basis in case of identification of governance risks or significant changes in business or its structure is foreseen.

The purpose of this review is to evaluate the adequacy and effectiveness of the System of Governance and to address the Management Board to take appropriate measures in case any deficiencies were identified.

A concept of independent governance functions (“1st, 2nd and 3rd lines of defence”) has been implemented within ERGO, ensuring that there is no undue influence, control or constraint exercised on the risk control functions with respect to the performance of their duties by other operational functions. Independent governance functions and business functions which are building up risk positions are clearly segregated at all levels, including the Management Board.

An effective system for ensuring the transmission of information is in place. Clear disciplinary and functional reporting lines ensure prompt transfer of information to all persons who need it.

Requirements for the creation and communication of policies, guidelines and work instructions are laid out in a Guideline (“Guideline for creation and administration of internal norms”), ensuring that all persons are aware of all information necessary for the proper discharge of their responsibilities.

ERGO has established their key functions in an adequate way: the key functions risk management, compliance, internal audit and actuarial function are established in separate organizational units. The Head of each unit has been appointed as key function holder. The organizational set up of the key functions provides independence in performing their control function.

## B.10 Any other information

There is no any other information.

## C. Risk Profile

The risk profile describes the risks ERGO is exposed to. The Management Board considers the risk profile when deciding on steering measures. The overall risk profile is integral part of the annual ORSA report and includes a qualitative and quantitative assessment for modelled and non-modelled risks. When determining the risk profile, ERGO looks at the risks arising from the business portfolio across all risk categories.

The Risk Management Function is responsible for ensuring that adequate processes surrounding the overall risk profile have been established. The risk profile also provides important input for the determination of the risk appetite in the annual risk strategy as well as for internal risk reporting and ORSA. Significant changes to the company risk profile are reported promptly by the Risk Management Function to the management board.

### Description of how assets have been invested in accordance with the „prudent person principle“

Company runs liability-based investment approach i.e. first step in investment process is to establish different characteristics of liabilities (e.g. maturity structure, currency structure etc.). After that, risk neutral portfolio of assets can be established. Risk neutral portfolio is hypothetical asset portfolio which replicates liability structure. In case, Company has sufficient solvency capital available it can deviate from risk neutral asset portfolio. Otherwise, Company will build up asset portfolio which corresponds to liability structure as much as practically possible.

Composition of asset portfolio will take into account appropriate diversification between asset classes and issuers. Proper quality and security of the asset portfolio is ensured by monitoring average rating of fixed income portfolio (as this forms biggest part of the asset portfolio). Company ensures also adequate liquidity of the portfolio – sufficient amount of funds must be available even in most severe circumstances.

### Use of special purpose entities

The Company does not use any purpose companies within the meaning of Directive 2009/138 / EC of the European Parliament and of the Council.

## C.1 Underwriting risk

### C.1.1 Risk exposure

Under the light of current market situation and Company's portfolio movements, key risk drivers remain unchanged since last year:

1. Risk free rate fluctuations. In the light of underwriting risk, risk free rate fluctuations have a significant impact on all life underwriting risks. However, only decrease of risk-free rate results to increase of risk capital. If further increase of risk-free rate is observed, decreases in all life underwriting risks will be present.
2. Mortality assumptions for pension annuities in annuity payment phase. The risk of pricing annuities incorrectly due to incorrect assumptions on longevity. The risk is related mainly to annuity pricing. The result is inadequate premiums, resulting in loss. In case of future experience mortality adjustments, increase in life longevity risk would be present as well.
3. Mortality risk. The risk of pricing life policies incorrectly due to incorrect assumptions on mortality or inappropriate underwriting decisions. The risk is related mainly to life insurance pricing. The result is inadequate premiums, resulting in loss. Any subsequent modelling assumption adjustments would result in life / health SLT mortality risk increase. Regular pricing versus actual mortality outgo comparison is performed. The risk is currently considered small.
4. Morbidity / disability risk. The risk of pricing of life policies with riders incorrectly due to incorrect assumptions on morbidity / disability or inappropriate underwriting decisions. The risk is related mainly to life policies with riders. The result is inadequate premiums, resulting in loss. Any subsequent modelling assumption adjustments would result in life / health SLT morbidity / disability risk increase.

5. Expense risk. Insufficient premium amount to cover the expenses. Increase in actual expenses in comparison to planned expenses. The risk results in lower than planned technical result. Expense risk is monitored regularly: revision and adjustment of business processes to increase efficiency and optimize expenses. Any subsequent modelling assumption adjustments would result in life / health SLT expense risk increase.
6. Health NSLT premiums and costs. The risk that actual expense level is higher than estimated. The calculated premiums do not cover the expenses and claims, resulting in possible negative technical result and loss of customers and market share. Due to soft market the premium level on the market is low, therefore it is difficult to renew existing contracts and attract new customers. Significant part of costs is fixed, therefore loss of customers affects the cost level directly.
7. Health NSLT attritional losses. The risk of a higher number of attritional losses and more severe claims than expected. Due to soft market the risk that the price level does not cover the actual number of losses. The risk can also appear due to low quality risk selection and inadequate risk assessment. The result is unexpected loss and negative technical result also affecting the solvency. Additionally, the risk affects the costs (due to more resources in claims handling).
8. Health NSLT renewal risk. Health NSLT is a product with the duration of one year at most. Therefore, future business volumes depend on contract renewals significantly. In case of decrease in renewals, health NSLT business volumes would decrease on one hand. On the other, it would lead to straightforward decrease in health NSLT reserve and premium risk as well.
9. Health NSLT morbidity. Increase in medical costs that cannot be absorbed through premium adjustments. Increase in claims expenditure due to exceptional, one-off events (e. g. pandemics). This results in the risk of pricing health policies incorrectly due to incorrect assumptions on morbidity / disability or inappropriate underwriting decisions. The result is inadequate premiums, resulting in loss.

### **C.1.2 Measures for risk assessment**

The following criteria are assumed:

1. Reserve risk. Changes in future policyholders' behavior and management actions might lead to necessity to re-evaluate best estimate parameters used for reserving purposes. Latter might cause fluctuations in technical provisions. Therefore, parameter validation is performed on annual basis and if inappropriateness is found, corresponding parameter update procedure is initiated.
2. Loss and expense developments: Life Insurance. Claim and administrative cost ratios are examined on quarterly basis for term life product and riders. If significant deviations from expected claim probabilities were determined, premium rate adjustment for future new business would be initiated.
3. Loss and expense developments: Health Insurance. Claim and administrative costs are examined on quarterly basis as well as for life insurance. However, due to shorter policy duration (health product has a duration of one year the most) premium rate adjustment in case of insufficiency is more effective than for life products. Also, risk of overestimation of premium rates must be avoided due to possible decrease in renewals.
4. Lapse risk. The risk is relevant for life insurance. The analysis is performed on annual basis in order to capture significant actual lapse deviations from best estimate rates. Risk of overestimating lapses for products with guaranteed outgoes is of major importance.
5. Product development and tariff changes. Due to significant changes in interest rate environment in the market in past year, guaranteed investment return revision is required as well as monitoring of products' with guaranteed investment return share in new business to assure fair value for money to the clients.
6. Reinsurance structure. The reinsurance structure is continuously revised and (if needed) updated.



### **C.1.3 Material risk concentrations**

The Company's liability portfolio is considered to be well diversified. However, Latvia's liability portfolio has a concentration of Latvian Railway portfolio, particularly linked to deferred annuity and health insurance portfolios. The exposure of losing this concentration was examined in ORSA 2016 report under exposures to business plan. The impact on Solvency situation was very small and as the Railway portfolio share is slightly decreasing since then, sensitivity to Railway portfolio volume fluctuations was not examined in later years. Currently the risk is managed by direct communication and special offers to the policyholders.

### **C.1.4 Risk reduction techniques**

In the year 2023 the following risk mitigating techniques were present:

1. Reinsurance. Reinsurance program for larger insurance sums as well as catastrophic events is present. The purpose of ERGO Reinsurance program is to mitigate result's volatility due to the large claims. The reinsurance treaties are long term obligatory or/and facultative treaties. These reinsurance contracts are proportional agreements. For catastrophic events reinsurance treaties are renewable annually. The reinsurance program is reviewed at least once per calendar year and, if necessary, supplemented and updated.
2. Profit sharing revision. Due to low investment returns in the market in past years, significant fluctuations in recent months and uncertainty about future development, profit sharing is evaluated cautiously in order not to promise too high rates which might not be acceptable for the company or would be assumed too low from policyholders' perspective.
3. New business value follow-up. New business value is evaluated on annual basis and if the value falls outside acceptable ranges, new business premium rates are adjusted or new product creation procedure is initiated.

### **C.1.5 Description of Stress tests and scenario analyses**

Primary objectives of stress tests and scenario analyses are to enhance the transparency of the risk profile particularly by evaluating the sensitivity of the solvency ratio and the Company's viability. The focus of the stress tests and scenario analyses is set on assessing the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) according to the Standard Formula and Own Funds (OF) impact of scenarios or stresses.

Materiality concept was considered when choosing the stresses and scenarios for testing. According to quantitative criteria, the risk modules that significantly contribute to the SCR are: Market risk concentrations, Spread risk, Equity risk, Health NSLT underwriting premium and reserve risk. Level of life underwriting expense and lapse risks is very close to the level of significantly contributing risks, therefore, stress scenarios cover potential changes in lapse rates as well. In addition qualitative criteria were considered: the analysis also includes risk factors, which might evolve into material risk in the future (e.g. longevity risk) and risks driven by an actual stressed environment (e.g. low interest rates, downgrading of bond ratings, decrease of interest rates).

All the stress situations were modelled using portfolio data as at 30.06.2023. The summary of the conducted stress tests is presented in the table below.

Test	Change in Solvency ratio
<b>Interest rate</b> parallel shift by a) -50 bps b) -100 bps c) -200 bps d) +100 bps e) +200 bps	a) -10 pp b) -22 pp c) -54 pp d) +18 pp e) +32 pp
<b>Equity shock:</b> equity value decrease by 40%	-8 pp
<b>Inflation shock:</b> inflation increase to 5%	-23 pp
<b>4. Lapse risk:</b> a) 1 year 15% absolute b) Persistent +50% from respective lapse rates	a) -20 pp b) -18 pp
<b>5. Premium risk for Health:</b> a) health new business decrease by 5% b) health new business increase by 20% c) health new business decrease by 20%	a) +2 pp b) -8 pp c) +7 pp
<b>6. Spread risk scenario:</b> Rating class is downgraded by one level	-13 pp
<b>7. Change of combined ratio in Health business:</b> increase of a) 5 ppts b) 10 ppts	a) -3 pp b) -7 pp
<b>8. Change of asset duration:</b> Asset modified durations of 7-12 years are tested	-5 pp – -15 pp
<b>9. Change in diversification:</b> Increase in correlations between man risk classes by 0,1, 0,25 absolute	a) -13 pp b) -26 pp
<b>10. Natural catastrophe event:</b> a) Flood b) Storm c) Accident	a) None b) -7 pp c) None
<b>11. Equity + lapse risk:</b> a) 1 year 15% absolute lapse increase and equity value decrease by 40% b) Persistent +50% from respective lapse rates increase and equity value decrease by 40%	a) -30 pp b) -27 pp
<b>12. Low interest rates and increase of longevity:</b> Interest rate parallel shift down by 100 bps Longevity (or death probability) -15%	-27 pp
<b>13. Annuity mortality assumption change:</b> 50% decrease from current best estimate mortality rates	-9 pp
<b>14. Change of Combined ratio and new business volume for Health:</b> Health new business: Increase by 20% Combined ratio: Increase by 10 pp	-16 pp
<b>15. Recession – increase in lapses and decrease in health premiums:</b> Health premiums: decrease by 20% Lapse rates: first year lapse increase to 15%	-21 pp
<b>16. Reverse stress test Solvency ratio 100%, i.e. Own Funds = SCR</b>	Combinations of bond spread and some changes in underwriting assumptions are defined
<b>17. Default of government bonds:</b> Default of Latvian, Lithuanian bonds higher annuity pick-ups	-12 pp
<b>18. Default of government bonds</b>	At least 4 country defaults are needed to bring OF/SCR to 100%
<b>19. Operational risk scenario:</b> Violation of GDPR requirements – penalty 2% of total GWP	-5 pp
<b>20. Operational cyber risk scenario:</b> System hack resulting in no new business for one month, lapse increase to 15% for one year.	-23 pp
<b>21. Climate change: life insurance mortality and morbidity</b> 20% increase in mortality and morbidity rates	-31 pp
<b>22. Climate change: equity risk and credit spread widening</b> Equity value -40%, credit spreads +20 bps	-17 pp

Table 5. Summary of stress tests

The performed stress tests to evaluate the sensitivity of solvency ratio did not reveal any significant impact on Solvency situation. None of the stress tests defined above led to insolvency.

## C.2 Market risk

### C.2.1 Risk exposure

Major part of asset portfolio carries interest rate and credit risk.

Another important risk carrier in asset portfolio is property. Company owns units of real estate funds (Eften and Baltic Horizon) as well as direct participation in Real Estate Company ERGO Invest SIA. Consequently, equity exposure, according to Standard Formula, is significant.

### C.2.2 Measures for risk assessment

The significant market risks are evaluated within the Standard Formula. Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using one internal model. Net Loss Limit (NLL) monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries. Clearly defined processes ensure that the company can respond timely to any significant capital market developments.

The company manages its asset risk by preparing a new investment policy on an annual basis. Implementation of the strategy and adherence to restrictions is monitored by a multi-level structure.

In 2023, tactical decisions were made and implemented by GIM – Group Investment Management department of Munich RE. The compliance of investments with the adopted strategy is monitored by the asset and liability management team (AL Team) which, in addition to GIM representative, consists of company's actuaries, investment officers, risk manager, head of planning and controlling department and Management Board member. If problems arise, AL Team is in position to develop appropriate risk measure which will be then implemented by asset manager. Many ERGO group units are also involved in planning, monitoring, and managing investment risks.

### C.2.3 Material risk concentrations

Below is list of 10 counterparties with highest market exposure.

Counterparty	Total exposure	Rating class	Type of exposure
Federal Republic of German	12 205 025	AAA	6 – Zero risk Art 187_1-3
Republic of France	11 666 495	AA1/AA2/AA3	1 – Standard; 3 – Covered bond exposure, DA §187(1); 6 – Zero risk Art 187_1-3
Kingdom of Belgium	8 474 409	AA3	6 – Zero risk Art 187_1-3
Republic of Austria	7 351 757	AA1	6 – Zero risk Art 187_1-3
Hauck & Aufhäuser Fund Services S.A.	6 106 410	N/A	1 – Standard exposure
EFTEN Capital AS	5 966 475	N/A	1 – Standard exposure
European Investment Bank (EIB)	5 772 936	AAA	6 – Zero risk Art 187_1-3
Republic of Ireland	5 678 173	AA3	6 – Zero risk Art 187_1-3
Republic of Italy	5 675 640	BBB3	6 – Zero risk Art 187_1-3
Kingdom of Spain	4 724 398	BBB1	6 – Zero risk Art 187_1-3

**Table 6: List of counterparties**

### C.2.4 Risk reduction techniques

Company does not have any risk mitigation techniques currently in place.

### **C.2.5 Description of Stress tests and scenario analyses**

Exposure to fluctuations in market value is assessed on an ongoing basis using dedicated internal model. Net Loss Limit (NLL) monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries.

## **C.3 Credit risk**

### **C.3.1 Risk exposure**

Credit risk is defined as the economic loss that can arise if the financial situation of a counterparty changes. When identifying credit risks we look at the risks which are inherent to assets and liabilities. We analyze what impact this risk could have on our financial situation, particularly resulting from a counterparty risk of migration (deterioration of the “credit rating” of the counterparty) and the credit spread risk (price changes within a fixed rating class), be it asset or liability side. The credit risk on the asset side is based on three main components:

- Change of credit quality of a counterparty over the horizon of the analysis.
- Dependency of changes in the credit quality of several issuers.
- Change of market value of an instrument taking into account possible changes in the credit quality of the issuer.

In order to monitor and control our group wide credit risks, the Group has implemented a cross-balance-sheet counterparty limit system valid throughout the group. The liability-driven Investment Process is designed to manage and to limit this risk to an acceptable level.

### **C.3.2 Measures for risk assessment**

Credit risk is not evaluated explicitly in Standard Formula approach. It is only captured implicitly under a combination of market and counterparty default modules. From the perspective of ERGO Group the latter is proved to be reasonable since there are no material differences between corresponding shocks applied in Internal Model and Standard Formula. The proof can be found in “Specification of the adequacy of the standard formula for the risk profile of the ERGO undertakings”. Credit risk reasonableness is proved in “Manual of Methods of Credit Risk”.

In our fixed-income investments, we control the associated credit risk by selecting issuers with appropriate quality and observing counterparty limits. The rating of external rating agencies is just one of the several criteria that we take into account. In addition, we carry out our own analyses. Our very high demands on issuers are also reflected in Group-wide investment principles. The majority of our investments consist of securities issued by issuers with very good credit ratings.

The counterparty credit risk we face is closely monitored and actively managed. In an annual process we analyze our Company’s exposure to reinsurance counterparties, especially for ceded business outside of the Munich Re group. Here, we also benefit from the central credit risk assessment processes of MR Group.

The weighted average rating of fixed-income securities was A at the end of the year (2022: A).

### **C.3.3 Material risk concentrations**

Please see chapter C.2 Market risk.

### **C.3.4 Risk reduction techniques**

We control and monitor our counterparty default risks through a Group-wide counterparty limit system. The limits are based on the financial position of the counterparty and on the risk tolerance defined by the Management Board. Counterparty limits are constantly monitored and adjusted if necessary.

### **C.3.5 Description of Stress tests and scenario analyses**

Please see chapter C.2 Market risk

## C.4 Liquidity risk

### C.4.1 Risk exposure

Considering the size and liquidity characteristics of fixed income portfolio it is reasonable to expect availability of liquid funds even under most severe insurance and market events.

Liquidity needs might be significantly increased because of run-on-the-bank scenario (sudden increase of lapse ratio). Additionally, there is possibility of liquidity squeeze in the financial markets but considering maturing bonds and high share of liquid government bonds, Company should be in position to meet liquidity demands even under most severe circumstances.

### C.4.2 Total amount of the expected profit included in future premiums

In accordance to Article 260 expected profit included in future premiums (hereinafter EPIFP) is recognized for health SLT and other life insurance lines of business for the life company. The split is provided in the table below.

Euros	EPIFP at 31.12.2023	EPIFP at 31.12.2022
Health SLT	7 005 833	5 112 566
Other life insurance	8 762 455	4 958 705
Unit-linked	28 401 918	27 510 293
<b>Total</b>	<b>44 170 207</b>	<b>37 581 564</b>

Table 7: The split in EPIFP

### C.4.3 Measures for risk assessment

Finance and Investment department prepares cash flow report on quarterly basis where both liability and asset side cash flows are forecasted for next 12 months. In case significant shortage or excess is foreseen then appropriate steps on asset side is taken in order to meet upcoming demand or surplus.

### C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

### C.4.5 Risk reduction techniques

Liability based investment approach, where liabilities are matched with assets with similar maturity structure, forms also good foundation for reducing liquidity risks. Additionally, fixed income portfolio consists significant part of government and covered bonds with excellent liquidity characteristics.

### C.4.6 Description of Stress tests and scenario analyses

No scenarios were explicitly calculated for the liquidity risk this year, as the company's good liquidity position is unlikely to lead to any developments that jeopardize the capitalization of the company.

## C.5 Operational risk

### C.5.1 Risk exposure

Operational risks are inevitably connected to the Company's business activities. They should be mitigated or if possible avoided as long as this is economically feasible.

The causes of operational risks are human errors, erroneous processes, inadequate information and telecommunications technology, external influences, such as natural disasters, and legal risks.

Due to turbulent time the Company anticipated the increase in number of operational incidents, e.g. IT incidents, data and security protection incidents and possible external frauds. This is systematically monitored through KRI and regularly reported to the Management Board and Executives in quarterly risk reports. As of the end of 2023 it could be summarized that none of the above-mentioned risks significantly increased. Indeed, security of ERGO systems was assaulted by grown number of phishing attacks. Additional preventive and directive controls were applied as the respond to the increased threat possibility.

### **C.5.2 Measures for risk assessment**

The Company manages the risks which are connected to the business processes with adequate controls in the respective processes and used IT applications. Also, the controls and measures on legal entity level guarantees compliance with the regulatory requirements. The functionality of the single controls is guaranteed via the cooperation of the different functions of the 1st to 3rd line of defense and as well via the interlocking of controls on the different levels within the Internal Control System.

The operational risks are assessed both qualitatively and quantitatively. The qualitative assessment is performed during the annual risk and control assessment, where net risks (net after control/mitigation) are compared with a predefined limit system (heat maps) and significant risks are managed as necessary through (further) reduction, transfer and/or intensive monitoring.

The quantitative assessment of the significant operational risks is carried out using a scenario-based approach.

### **C.5.3 Material risk concentrations**

Weaknesses in the control environment, as well as in the central IT systems, can have an impact on the insurance-related operating process and thus have a cumulative impact.

### **C.5.4 Risk reduction techniques**

The Operational Risk management focuses on the following operative elements:

- Resources, especially information and infrastructure (IT and buildings).
- Human Resources and processes.
- Projects.

We mitigate risks coming from our business processes with controls on process, IT and entity level. Controls on process level can be authorization systems, 4-eyes principle, segregation of duties, guidelines, etc. Examples of IT controls are backup solutions, access controls and corresponding emergency planning. Entity level controls aim to assess whether the regulatory requirements pertaining to an adequate control environment are fulfilled. All employees are regularly trained.

In addition, Business Continuity Management system ensures the continuity of important business processes and systems in emergency or crisis situations. The goal is to be able to continue with normal business operations within ERGO under such circumstances. This is assured by a well-defined emergency management, a proper set-up of crisis management, and adequate recovery management concepts.

### **C.5.5 Operational risk scenario analyses**

During operational risk scenario analyses we looked at scenarios which could have a high impact on the Company, based on the identified risks, which were then assessed by experts using a predefined framework. The monetary impact of the scenarios was assessed via expert judgements.

Scenarios with the highest financial impact to the Company are related to Business Interruption Due to System Failure that might results in massive breach of GDPR regulation, where losses (fine) up to 1.7 million € could be expected. That would impact on Own Funds decrease in the amount of 1.5 million € and decrease in Solvency ratio by -5pp.

In the scenario of possible hacker attack on the company's system losses (loss of 1 month of health business and claims according) up to 0.5 million € could be expected. The combined stress test of loss of new business and lapse increase to 15% showed, that it would impact on Own Funds in the amount of 10.8 million € and Solvency ratio decrease by -23 pp.

### **C.5.6 Methods and assumptions used in the scenario analyses**

The operational risk scenario analysis is based on the ERGO Group Guideline on Scenario Analysis for Operational Risks. During the analyses we look at scenarios which could have a high impact on the company based on the identified risks which are then assessed by experts using a predefined framework.

The identified risks are analyzed in interviews with the relevant experts for the respective scenario category. Significant risks that could lead to a high financial loss are the basis for the scenarios. During the scenario analysis, the impact of the event is discussed, and a potential loss is assessed. The monetary impact and the potential loss of the scenario depends on the trigger and causes of the event. The monetary impact of an operational risk is assessed. All calculations should be based on actual key figures and assumptions which are relevant for the company.

The results of the scenarios are reported annually in the ORSA report as part of the risk profile.

## **C.6 Other material risks**

### **C.6.1. Strategic Risks**

Strategic risks can result from wrong business decisions or inadequate implementation of decisions already made. Additionally, we also reflect the reluctance to adjust to a changing environment (e.g. changes of the legal environment) in the strategic risks.

Despite stable political environment in the Baltic region, potential shifts in regulation and competitive market environment are the key risks that might affect strategy execution:

- Economic turmoil – as inflation and consequentially interest rates rise, this potentially causes inequality and social unease. With less money to spend in consumer pockets, general retail sales fall and profits are adversely affected. As consumer confidence weakens, it cascades to businesses and eventually could lead to a slowdown in real economic activity and increase in lapses.
- Geopolitical tensions – from wars causing supply chain shocks, sanctions, and more generally barriers to free trade being put up – the geopolitical landscape and subsequent market reactions. Supply chain and energy shocks are considered as the driver for the strategic risks.
- Changing regulatory expectations – we operate in a landscape of increased regulatory requirements that requires additional resources and specific competences to be addressed.
- Demographic change and labor constrains – increasingly ageing populations and urban population growth intensified by a range of economic, climate and geopolitical factors.
- Environmental, Social, Governance (ESG) issues – the way companies addressing the ESG factors is coming under increasing scrutiny from stakeholders (investors, regulators and consumers). Companies are anticipated to execute both: manage the risks they are directly exposed to, as well as contribute to broader sustainable economic. A failure to adequately respond to these expectations of the stakeholders can adversely impact brand and reputation.

Strategic risks are addressed by interlocking strategic decision making and risk management processes, especially with regards to preparations and decisions as part of the planning process.

As part of the Management of Strategic Risks' process, top risks are identified, evaluated by the Board of Management and discussed on Board level. If needed, appropriate measures are initiated on Board level. For these risks, a responsible person is defined who is responsible for implementing the measures.

## **C.6.2 Reputational risks**

Reputational risk is the risk that adverse publicity regarding ERGO's business practices and associations, whether accurate or not, will cause loss of confidence in the integrity of the institution. Reputational risks may result from the realization of other risks (e.g. operational, strategic or concentration risk) and / or in conjunction with other risks, hence, reputational risks are controlled indirectly through the control of the respective risks and risk types.

Reputational risk can occur through a number of ways: directly as the result of the actions of the Company itself; indirectly due to the actions of an employee; or tangentially through other third parties.

ERGO has defined three sub-categories of Reputational risk:

- Data and Information.
- Image risks.
- Investment performance.

The reputational risk associated with unauthorized publishing of confidential information is increasing, as society's awareness on disclosure on personal data is growing, also in relation with the implementation of new data protection regulations in EU countries.

The top reputational risks are incorporated into the risk profile of the Company and reported during the quarterly risk reporting. Ad-hoc reporting processes have been implemented to ensure that (potential) reputational risks are communicated promptly.

The control functions – the Compliance function and the Internal Audit – perform the reputational risk assessment process in accordance with their own methodology and report identified real of presumable reputational risks to the Risk Management function as well as other responsible stakeholders.

## **C.7 Any other information**

There is no other information.



# D. Valuation for Solvency Purposes

## D.1 Assets

### D.1.1 Comparison of assets with their Solvency II values and Statutory accounts values

The following table covers information about assets that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i.e. the comparison of assets with their Solvency II values and with their Statutory accounts values, that is for ERGO the IFRS values. Assets in direct conjunction with technical provisions (reinsurance recoverable) are not considered here, but in D.2.

Assets	Solvency II value 2023	Financial statements (IFRS) value 2023	Explanation
Intangible assets	0	3 688 064	Other intangible assets are only shown in the solvency balance sheet if they are both ac-counted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO Life Insurance SE's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.
Deferred tax assets	123 774	123 774	Valuation of deferred tax assets does not differ in Solvency II and Financial statements.
Property, plant & equipment held for own use	1 638 888	1 638 888	SII and IFRS values are equal.
<b>Investments (other than assets held for index-linked and unit-linked contracts)</b>	<b>179 267 672</b>	<b>169 774 733</b>	
Holdings in related undertakings, including participations	14 170 809	4 677 870	Participations to affiliated companies are accounted by equity method. The difference between SII and IFRS values comes from different base values taken for the calculation, because affiliated company's SII and IFRS own funds are not equal.
Bonds	147 010 827	147 006 090	Financial investments are valued at fair value as for Solvency II purposes as for IFRS. Small deviation is present due to structured notes value
Government Bonds	100 508 964	100 508 964	SII and IFRS values are equal.
Corporate Bonds	46 497 126	46 497 126	SII and IFRS values are equal.
Structured notes	4 737	0	The difference between SII and IFRS data comes from the differences in presentation.
Collective Investments Undertakings	18 086 036	18 086 036	SII and IFRS values are equal.
Assets held for index-linked and unit-linked contracts	78 728 126	78 728 126	SII and IFRS values are equal.
Loans and mortgages	<b>21 239 628</b>	<b>21 709 478</b>	
Other loans and mortgages	21 239 628	21 709 478	Loan is presented in IFRS reporting at cost; the difference is 469 850 euros
Insurance and intermediaries receivables	12 212 727	8 904 569	In the balance sheet under IFRS Insurance and intermediaries receivables are mainly part of the Liability for Remaining Coverage, only some other insurance receivables are reported separately while under Solvency II it is still reported. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Reinsurance receivables	370 640	0	In the balance sheet under IFRS Reinsurance receivables are part of the Liability for Remaining Coverage ceded while under Solvency II it is still reported. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Receivables (trade, not insurance)	1 008 203	1 008 203	At the end of reporting period discounting of this item has not been required. SII and IFRS values are equal.
Cash and cash equivalents	5 253 667	5 238 616	The difference of 15 051 euros is caused by the different currency rates applied in Solvency II and IFRS reporting.
Any other assets, not elsewhere shown	205 442	205 442	Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. At the end of reporting period discounting of this item has not been required.
<b>Total assets</b>	<b>300 048 767</b>	<b>291 015 156</b>	

Table 8: Assets that is to be given in the Quantitative Reporting Template

According to the Article 75(1)(a) of Directive 2009/138/EC all assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, that means with their fair values.

According to IFRS a mixed measurement model is established. That means, some assets are also measured with their fair values, others are measured at amortized costs or with their par values. If the valuation basis for Solvency II and IFRS is the same, we use the same fair values for both purposes. If the valuation basis is different, we explain the differences in more detail for the respective asset classes. Only if differences between the fair values and IFRS values are immaterial, assets are measured with the latter values as explained in more detail below.

In addition to the different valuation methods used for individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. The differences are particularly significant for assets shown under investments. In the IFRS balance sheet, loans on policies are included in investments as "loans", whilst under Solvency II they are shown outside investments as a separate item. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we did so.

### **D.1.2 Use of judgements and estimates in recognition and measurement**

Where valuation has to be based on models because no market prices are available for the calculation of the fair values required, discretion must be exercised and estimates and assumptions used, and these affects both the assets and the other liabilities shown in the solvency balance sheet.

Solvency II amounts should be determined as accurately as possible, considering all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

### **D.1.3 Goodwill**

No goodwill is shown in the solvency balance sheet.

Under IFRS, Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. Company additionally carry out ad-hoc impairment tests if there are indications of impairment. For impairment testing, the goodwill is allocated to the cash-generating units or groups of cash-generating units expected to derive benefit from the synergies of the business combination.

In line with accounting principles, company's IFRS balance sheet reflects zero goodwill.

### **D.1.4 Deferred Acquisition Costs**

Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.

With the introduction of IFRS 17, certain items that have previously been presented separately in our financial statements will be omitted, since the resulting cash flows are now recognised as part of the measurement models. This mainly concerns the items deferred acquisition costs and insurance-related receivables and liabilities such as accounts receivable and payable.

### **D.1.5 Intangible assets**

Other intangible assets are only shown in the solvency balance sheet if they are both ac-counted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.

Under IFRS, other intangible assets largely include self-developed and software assets, as well as acquired distribution networks and client bases.

Intangible assets are recognized at acquisition or production cost and depreciated on a straight-line basis over their planned useful life.

### **D.1.6 Deferred tax assets**

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax assets are recognised and valued in accordance with IAS 12.

Deferred tax assets are calculated on the basis of the difference between the values ascribed to assets recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to assets recognised and valued for tax purposes. Deferred taxes are determined on the basis of the tax rates of the countries concerned.

Deferred tax assets are recognised in cases where asset items have to be valued lower, or liability items higher, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences). Also included are deferred tax assets deriving from tax loss carry-forwards.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted. The same deferred tax assets value is used for Solvency II and IFRS purposes.

### **D.1.7 Property, plant & equipment held for own use**

For Solvency II purposes property, plant and equipment held for ERGO own use shall be valued with their fair value. The valuation has to be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

For Solvency II plant and equipment is – for reasons of simplification – measured with its IFRS value that means at amortized costs, subject to scheduled depreciation over the course of its useful life in accordance with the decline in its utility to the necessity of unscheduled depreciation to a lower value. The same method is applied in IFRS for property objects.

### **D.1.8 Investments**

#### **Participations**

This item comprises the associates or such entities over which the company has significant influence but not control. Significant influence is presumed to exist when the company holds directly or indirectly through subsidiaries 20-50% of an entity's voting power.

Investments in associates are accounted for using the equity method. Upon initial recognition, investments in associates are measured at cost. The cost of an investment includes directly attributable transaction charges. The financial statements include the company's share of an associate's profit or loss from the date the significant influence commences to the date the significant influence ceases to exist.

In the Solvency II the value of participations has to be either the market price or the proportional amount of the equity of the participation.

## **Other financial assets**

In the solvency balance sheet, we value all financial assets at fair value. The fair value of a financial instrument is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where a price is quoted in active markets (i.e., a market value), it should be used. If no market value is available, valuation models are used in which observable market parameters are applied as far as possible. The same valuation principles are followed as under IFRS.

### **D.1.9 Determining fair values**

Since market values are not available for all financial instruments, IFRS has a valuation hierarchy with three levels. Though Solvency II does not explicitly name the levels, it does provide for equivalent differentiation in the assessment of the fair values used.

The allocation reflects whether a fair value has been derived from transactions in the market or the valuation is based on models because there are no market transactions.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets which ERGO can refer to at the balance sheet date. A market is deemed active if transactions take place with enough frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. The financial instruments we have allocated to this level mainly comprise equities, investment funds (except property funds) and fixed-interest securities (bearer bonds) for which either a stock market price is available or prices are provided by a price quote on the basis of actual market transactions. We have also allocated derivatives traded on the stock market to Level 1.

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The financial instruments we have allocated to this level mainly comprise borrowers' note loans, subordinated securities and derivatives not traded on the stock market.

For assets allocated to Level 3, we use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data are available. The inputs used reflect ERGO Insurance's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data. The financial instruments allocated to this level of the fair value hierarchy largely comprise investments in private equity, renewable energy and new technologies (RENT), certain credit structures, and investments in affiliated companies and associates measured at fair value. We also allocate insurance derivatives and derivative components that are separated from the host insurance contract to Level 3. Regularly, at each quarterly reporting date, we assess whether the allocation of our investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using parameters that make it necessary to change the allocation – we make the necessary adjustments.

### **D.1.10 Valuation categories according to IFRS**

Pursuant to IFRS9 financial assets are classified as measured at “amortised cost”, “fair value through other comprehensive income” or “fair value through profit or loss”.

The classification is determined based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

## Business model

An entity's business model refers to how the entity manages the financial assets to generate cash flows. The business model is determined by management at the level of groups of financial assets; it is based on several factors, such as the risks that affect the performance of the business model and the way in which those risks are managed as well as how the performance is evaluated and reported to management. A distinction is made between the following business models:

- In the business model “hold to collect”, the financial assets are held with the objective to collect contractual cash flows. The sale of financial assets is not part of the management strategy, but is, under certain circumstances, not incompatible with the application of this business model, for example if there is an increase in the financial asset's credit risk.
- The objective of the business model “hold to collect and sell” is achieved by both collecting contractual cash flows and selling financial assets. The sale of assets is a key aspect of the management of the portfolio.
- The business model “other” applies to financial assets that are managed neither under the “hold to collect” nor under the “hold to collect and sell” business models. This is the case, for example, if the objective of the business model is to realise cash flows by selling assets, or if a group of financial assets is managed based on their fair value.

## Contractual cash flow characteristics

If financial assets are held within the business model “hold to collect” or “hold to collect and sell”, an additional assessment as to whether they pass the “solely payments of principal and interest (SPPI) test” is necessary for the classification for subsequent measurement.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement and pass the SPPI test.

Financial assets managed within the business model “hold to collect” that pass the SPPI test are measured at amortised cost.

Financial assets subject to the business model “hold to collect and sell” that pass the SPPI test are measured at fair value through other comprehensive income.

Financial assets that are managed under the business model “other” or that do not pass the SPPI test are measured at fair value through profit or loss.

In a basic lending arrangement, compensation for the time value of money and for the credit risk are typically the most significant elements of interest. In addition, interest may include compensation for other basic lending risks (such as liquidity risk) and costs (such as administration costs) as well as an appropriate profit margin consistent with a basic lending arrangement.

### D.1.11 Impairment

IFRS 9 sets out an expected credit loss model for recognising loss allowances, under which expected credit losses are anticipated before they arise and must be recognised as an expense. These impairment requirements primarily affect financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables.

A three-stage impairment model is used to recognise and measure impairment losses on financial assets.

**Stage 1:** On initial recognition, financial instruments are always assigned to Stage 1 of the impairment model, and they remain at Stage 1 if their credit risk has not increased significantly since they were initially recognised. The loss allowance is measured at an amount equal to the 12-month expected credit losses, which represents the expected credit losses that result from default events that may occur within 12 months of the reporting date.

**Stage 2:** If the credit risk of a financial instrument has increased significantly since initial recognition but there is no objective evidence of impairment, the loss allowance at Stage 2 of the impairment model is measured at an amount equal to the lifetime expected credit loss.

**Stage 3:** If in addition to a significant increase in credit risk, there is objective evidence of impairment, the instrument is allocated to Stage 3 of the impairment model (credit-impaired financial assets). As in Stage 2, the loss allowance is measured at an amount equal to the lifetime expected credit losses. Interest revenue is calculated by applying the effective interest method – unlike in Stage 1 and Stage 2 – based on the net carrying amount of the financial asset (i.e. after deducting the loss allowance).

As a matter of principle, a significant increase in credit risk is assumed if this risk (measured in terms of the probability of default) has increased by more than two percentage points since the financial instrument was initially recognised.

We assume that the credit risk of a financial instrument has not increased significantly if it has low credit risk as at the reporting date (low credit risk exception).

For financial instruments with an internal MEAG rating, we generally assume that changes in the risk of a default occurring over the next 12 months are a reasonable approximation of the changes in the lifetime risk of a default occurring. If there are indications that only an assessment based on the entire lifetime of the financial instrument is appropriate, such an assessment is made.

We generally make use of the rebuttable presumption that the credit risk has increased significantly since initial recognition if a contractual payment is more than 30 days past due unless we have evidence to the contrary.

Objective evidence of credit impairment includes but is not limited to:

- significant financial difficulty of the borrower;
- a breach of contract (such as a default or past due event);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties.

To measure expected credit losses, we use the probability of default, the loss given default and the exposure at default.

Expected credit losses are equal to the discounted product of these three components. The calculation includes probability-weighted scenarios that take account of reasonable and supportable information that is available without undue cost or effort as at the reporting date and incorporates past events, current conditions, and forecasts of future economic conditions.

Financial assets are written off if, based on a reasonable assessment, it must be assumed that these assets are not recoverable. Indicators for this include a debtor lacking sufficient assets to service their debts or failing to commit to a repayment schedule. Upon completion of insolvency proceedings against a debtor, the financial assets are likewise deemed to be no longer recoverable and are fully derecognised. Such write-offs do not have an impact on profit or loss since the amounts are reflected in the loss allowance and therefore have already been recognised previously through profit or loss.

Our investment guidelines do not provide for the acquisition of purchased or originated credit-impaired financial assets.

We do not exercise the option to measure loss allowances on lease receivables using the simplified approach, i.e. at an amount equal to lifetime expected credit losses.

#### **D.1.12 Insurance & intermediaries receivables**

In the solvency balance sheet Insurance & intermediaries receivables must be measured with their fair values; compared to investments no special requirements must be considered.

Insurance and intermediaries receivables must be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS insurance & intermediaries receivables are the part of Liability for Remaining Coverage and is not presented as separate item in the balance sheet.

### **D.1.13 Reinsurance receivables**

In the solvency balance sheet reinsurance receivables must be measured with their fair values; compared to investments, no special requirements must be considered. Reinsurance receivables must be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS reinsurance receivables are the part of Liability for Remaining Coverage and is not presented as separate item in the balance sheet.

### **D.1.14 Receivables (trade, not insurance)**

Under Solvency II, the Receivables (trade, not insurance) include in particular Receivables from dividends, Receivables from profit pooling or transfer agreements, receivables from taxes or other receivables. Basically, these receivables must be measured with their fair values. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortized costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS receivables is recognized at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

### **D.1.15 Cash and cash equivalents**

For Solvency II, for cash the fair value is the par value. Transferable deposits (including cheques) are valued at amortized cost (usually this is the par value). Credit risk is considered by write off doubtful deposits and doubtful cheques to the envisaged amount attainable.

In IFRS, cash and cash equivalents are financial instruments and are managed within the business model "hold to collect". As a result, they are measured at amortised cost, or at their nominal value due to their short-term nature. If they do not pass the SPPI test, they are measured at fair value through profit or loss.

### **D.1.16 Any other assets, not elsewhere shown**

Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. In contrast to our Financial Reporting, in the solvency balance sheet activated deferred premium refunds are included in the valuation of the technical provisions.

As a basic principle, under Solvency II all other assets are to be measured with their fair values. However, similarly to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. Contrary to IFRS, the prepayments are discounted, considering the actual relevant risk-free interest rate as well as relevant interest rate spreads, unless the effect from discounting is immaterial.

## D.2 Technical provisions

### D.2.1 Value of Technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions shall be calculated in a prudent, reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

In general, the value of technical provisions is equal to the sum of a best estimate and a risk margin as set out below.

The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions and performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the best estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. Those amounts are calculated separately.

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The best estimate and the risk margin are valued separately. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.

The rate used in the determination of the cost of providing that amount of eligible own funds (Cost-of-Capital rate) is the prescribed rate. In addition to the cash flows outlined above, when calculating technical provisions, the following is taken account of:

1. all expenses that will be incurred in servicing insurance and reinsurance obligations;
2. inflation, including expenses and claims inflation;
3. all payments to policy holders and beneficiaries, including future discretionary bonuses, which insurance and reinsurance undertakings expect to make, whether or not those payments are contractually guaranteed.

We segment our insurance and reinsurance obligations into homogeneous risk groups, and as a minimum by lines of business, when calculating technical provisions.



Company's technical provisions for life products on Solvency II basis as at 31.12.2023 were as follows:

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	Contracts with options or guarantees	
<b>Technical provisions calculated as a whole</b>	0	78 728 126			0			78 728 126	0			0
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole</b>	0	0			0			0	0			0
<b>Technical provisions calculated as a sum of BE and RM</b>												
<b>Best Estimate</b>												
<b>Gross Best Estimate</b>	141 949 668		0	-24 826 690		0	-8 340 295	108 782 683		0	-5 398 835	-5 398 835
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	25 956		0	-83 912		0	-3 529 742	-3 587 699		0	-344 225	-344 225
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	141 923 712		0	-24 742 778		0	-4 810 553	112 370 382		0	-5 054 609	-5 054 609
<b>Risk Margin</b>	1 721 395	2 938 275			563 890			5 223 559	898 461			898 461
<b>Amount of the transitional on Technical Provisions</b>												
Technical Provisions calculated as a whole	0	0			0			0	0			0
Best estimate	0		0	0		0	0	0		0	0	0
Risk margin	0	0			0			0	0			0
<b>Technical provisions – total</b>	143 671 063	56 839 710			-7 776 405			192 734 368	-4 500 373			-4 500 373

Table 9: Technical provisions for life products on Solvency II basis

Health similar to non-life technical provision is as follows:

	Medical expense insurance
<b>Technical provisions calculated as a whole</b>	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0
<b>Technical provisions calculated as a sum of BE and RM</b>	
<b>Best estimate</b>	
Premium provisions	
Gross	12 687 384
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0
Net Best Estimate of Premium Provisions	12 687 384
Claims provisions	
Gross	1 812 122
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0
Net Best Estimate of Claims Provisions	1 812 112
<b>Total Best estimate – gross</b>	14 499 496
<b>Total Best estimate – net</b>	14 499 496
<b>Risk margin</b>	258 237
<b>Amount of the transitional on Technical Provisions</b>	
Technical Provisions calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – total	
Technical provisions – total	14 757 733
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	0
<b>Technical provisions minus recoverable from reinsurance/SPV and Finite Re – total</b>	14 757 733

**Table 10: Health similar to non-life technical provision**

ERGO's financial statements meet the requirements of IFRS.

Company began recognising insurance contracts as per the provisions set out in IFRS 17, Insurance Contracts, in the 2023 financial year.

IFRS 17 is applicable to all primary insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk.

IFRS 17 provides a consistent accounting model for all insurance contracts. A distinction is made here between insurance contracts issued if significant insurance risk is assumed, and reinsurance contracts held if significant insurance risk is ceded.

The basic measurement approach consists in applying the general measurement model (GMM), which is mainly used in life reinsurance and in parts of property-casualty primary insurance business. The measurement rules for the general measurement model are essentially based on a “building block approach”, which is made up of a fulfilment cash flow,

which comprises the discounted expected future cash flows and a risk adjustment for non-financial risk, and a contractual service margin.

In view of the GMM's high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the premium allocation approach (PAA). We apply this simplified measurement approach particularly for our health insurance business.

IFRS 17 also provides for a modified measurement model, the variable fee approach (VFA), for certain participating primary insurance contracts. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items. The Unit-linked life insurance is a case for application of the VFA in our company. The reinsurance contracts held, and the reinsurance contracts issued are excluded from the scope of this measurement approach.

For all measurement models, there is a distinction between a pre-claims stage (liability for remaining coverage – LRC) and a claims stage after the occurrence of an insured event (liability for incurred claims – LIC).

Measurement is not made at the individual contract level, but on the basis of portfolios that are subdivided into specified groups based on their profitability and on contracts concluded in annual cohorts. Nearly all cash flows resulting from the rights and obligations under the insurance contracts must be taken into account.

Following the application of IFRS 17, deposits retained are no longer presented separately, but are included in the insurance items.

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin in the GMM. If at initial recognition the present value of expected inflows exceeds the present value of expected outflows plus the risk adjustment for non-financial risk, the expected profit from the insurance cover is initially recognised as a contractual service margin, and taken into account when measuring the liability for remaining coverage. On subsequent measurement, the change in the contractual service margin is recognised in the consolidated income statement as part of insurance revenue. By contrast, for groups of insurance contracts where the sum of the present value of the cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected cash inflows, the expected loss is recognised directly as an expense in the loss component that is part of the present value of the expected net cash flows and the risk adjustment for non-financial risk.

Because of the special characteristics of insurance contracts with direct participation features, we consider our share of the income from the underlying items to be a variable fee, which we recognise in accordance with the requirements of the VFA. This variable fee comprises our share of the fair value of the underlying items, and is our compensation for administering and managing them. While the initial measurement of participating contracts is the same as under the GMM, special rules apply under IFRS 17 for subsequent measurement of the LRC. For example, we offset against the contractual service margin any and all effects that have an impact on the fair value of the underlying items and consequently on our variable fee.

The LRC in the PAA is determined by recognising an LRC for a group of insurance contracts, equal to the premiums received less acquisition costs paid, on initial recognition. For subsequent measurement of a profitable group of insurance contracts, the carrying amount of the LRC is updated as follows. First, the carrying amount is either increased with no impact on profit or loss by adding the further premium payments received or decreased by subtracting directly attributable acquisition costs paid – provided that we do not make use of the option to recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. By contrast and consistent with the GMM, we explicitly determine risk-adjusted net cash flows for onerous groups of insurance contracts and following the occurrence of an insured event.

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for other insurance contract services already provided. All three measurement approaches involve calculating the present value of the risk-adjusted future cash flows: it therefore comprises net cash flows, discounting and a risk adjustment for non-financial risk.

### **D.2.2 Uncertainty Associated with the Amount of Technical Provisions**

In general, when calculating technical provisions, we take account of the value of financial guarantees and contractual options included in insurance and reinsurance policies. Any assumptions made with respect to the likelihood that policy holders will exercise contractual options, including lapses and surrenders, are realistic and based on current and credible information. The assumptions take account, either explicitly or implicitly, of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.

There is a risk of insured benefits payable in life or health insurance business being higher than expected. Of particular importance are the biometric and lapse risks. We differentiate between risks that have a short-term or long-term effect on our portfolio.

Random annual fluctuations in insurance benefits or lapse behavior can lead to short-term falls in the value of the portfolio. This applies particularly to expenses, which can rise as a result of exceptional one-off events such as a pandemic.

Changes in client biometrics or lapse behavior are risks that have a long-term effect on the value of a portfolio, making it necessary to adjust the actuarial assumptions. In health insurance, morbidity risks are understandably important, whereas in life insurance mortality, longevity and disability risks are the most significant. Limits are laid down for the short-term pandemic scenarios and the longer-term longevity scenarios in conformity with the risk strategy.

In primary insurance, regular reviews of the actuarial assumptions by actuaries and the requisite amendment of rating rules ensure that risks and processes are effectively controlled.

### D.2.3 Explanation of the qualitative differences between the methodologies used for valuation for solvency purposes and those used for valuation in financial statements

Technical provisions under Solvency II and IFRS are slightly different. The differences are provided in the table below.

	Solvency II value	Statutory accounts value	Difference
Technical provisions – non-life	14 757 733	17 101 865	2 353 133
Technical provisions – non-life (excluding health)	0	0	0
Technical provisions calculated as a whole	0		0
Best Estimate	0		0
Risk margin	0		0
Technical provisions – health (similar to non-life)	14 757 733	17 101 865	2 353 133
Technical provisions calculated as a whole	0		0
Best Estimate	14 499 496		-14 499 496
Risk margin	258 237		-258 237
Technical provisions – life (excluding index-linked and unit-linked)	131 394 284	163 904 710	32 510 426
Technical provisions – health (similar to life)	-4 500 373	1 754 978	6 255 351
Technical provisions calculated as a whole	0		0
Best Estimate	-5 398 835		5 398 835
Risk margin	898 461		-898 461
Technical provisions – life (excluding health and index-linked and unit-linked)	135 894 657	162 149 732	26 255 075
Technical provisions calculated as a whole	0		0
Best Estimate	133 609 373		-133 609 373
Risk margin	2 285 284		-2 285 284
Technical provisions – index-linked and unit-linked	56 839 710	62 520 770	5 681 060
Technical provisions calculated as a whole	78 728 126		-78 728 126
Best Estimate	-24 826 690		24 826 690
Risk margin	2 938 275		-2 938 275

**Table 11: Differences of technical provisions under Solvency II and IFRS**

The differences in valuation principles can be summarized as follows:

**Definition of insurance contract and scope.** In line with Solvency II, technical provisions (and reinsurance recoverables, respectively) are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. This means that Solvency II covers all insurance business.

Under IFRS, contracts that do not transfer significant insurance risk are generally financial instruments and are accounted for in accordance with IFRS 9 requirements. An exception here are investment contracts with discretionary participation features, which fall under the scope of IFRS 17.

**Separating components from an insurance contract.** Insurance contracts can contain one or more of the following components:

- embedded derivatives;
- investment components;
- non-insurance services.

If an insurance contract contains embedded derivatives that are themselves not contracts within the scope of IFRS 17, IFRS 9 requirements are applied when assessing the obligation to separate components and accounting for the given derivative.

Under Solvency II, components may not be separated.

**Recognition.** Under IFRS 17, a group of insurance contracts issued is recognised from the earliest of the following: the beginning of the coverage period, the date when the first payment becomes due, or the date when a group of underlying insurance contracts becomes onerous.

A group of reinsurance contracts held is recognised either at the beginning of the coverage period of the group of reinsurance contracts held, or as of the date when an onerous group of underlying insurance contracts is recognised.

Solvency II requires initial recognition at the date the (re)insurer becomes a party to the contract or the date the (re)insurance contract begins, whichever date occurs earlier.

Deposits retained, as well as receivables from, and liabilities to, reinsurers and insurers, are presented separately under Solvency II, whereas under IFRS 17, they are included in the insurance items for the groups and portfolios set up.

## Measurement of insurance contracts

**Contract boundary.** Cash flows are within the boundary of an insurance contract under IFRS if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services.

The obligation to provide services ends when the entity can reassess the risks and can set a new premium that reflects those risks.

As a result, differences in the actuarial approach between IFRS 17 and Solvency II relate primarily to initial recognition, but can also affect the end of the contract for some insurance products.

**Cash flows.** Under IFRS 17, measuring groups of insurance contracts is based on a current estimate of all cash flows required to fulfil the contract within the contract boundary. Cash flows that need to be taken into account include premium payments, expenses for claims and benefits, acquisition and administration costs, and loss adjustment expenses.

Whereas under IFRS 17, deposits retained, as well as receivables from, and liabilities to, insurers and reinsurers, are not presented separately and are included in the cash flows, these are presented separately under Solvency II.

**Discounting.** Under Solvency II, we use the basic risk-free interest rates, depending on currency and maturity, when discounting technical provisions (EIOPA interest rate). As at the reporting date, we do not make use of any transitional measures regarding the relevant risk-free interest-rate term structure.

Under IFRS 17, discounting under the general measurement model to calculate technical provisions is also based on the EIOPA interest rates. At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using the current discount rates.

**Contractual service margin.** For groups of insurance contracts classified as profitable at initial recognition, a contractual service margin which represents the unearned profit is recognised under IFRS 17 in the GMM and VFA. The latter is recognised over time as insurance contract services are provided over the coverage period.

By contrast, for groups of insurance contracts where the sum of the present value of future cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected future cash inflows, a loss component that is part of the LRC and reflects the expected loss on initial recognition is recognised directly as an expense.

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin.

For subsequent measurement of the LRC, the discounted cash flows and risk adjustment for non-financial risk are remeasured using updated assumptions and inputs. The contractual service margin is adjusted to reflect changes in non-financial assumptions (for example assumptions regarding biometric risks or claims development) of future coverage and new business margins, among other things, and is amortised as insurance contract services are provided over time.

In Solvency II, the expected profit and expected loss from the discounted cash flows and the risk margin are recognised directly in the excess of assets over liabilities.

#### **D.2.4 Matching adjustment**

Matching adjustment referred to in Article 77b of Directive 2009/138/EC is not used.

#### **D.2.5 Volatility adjustment**

Volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.

#### **D.2.6 Transitional risk-free interest rate-term structure**

Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not used.

#### **D.2.7 Transitional deduction**

Transitional deduction referred to in Article 308d of Directive 2009/138/EC is not used.

#### **D.2.8 Recoverables from reinsurance contracts and special purpose vehicles**

The calculation of amounts recoverable from reinsurance contracts shall comply with the rules relating to technical provisions. The amounts recoverable from reinsurance contracts shall be calculated consistently with the boundaries of the underlying insurance or reinsurance contracts to which they relate.

When calculating amounts recoverable from reinsurance contracts, insurance and reinsurance undertakings shall take account of the time difference between recoveries and direct payments.

For the purpose of calculating the amounts recoverable from reinsurance contracts, the cash-flows shall only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims shall be accounted for outside the amounts recoverable from reinsurance contracts and other elements of the technical provisions. Where a deposit has been made for the cash-flows, the amounts recoverable shall be adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

The cash-flows relating to provisions for claims outstanding shall include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash-flows relating to premium provisions shall include all other payments.

#### **D.2.9 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period**

There have been no changes during 2023.

## D.3 Other liabilities

### D.3.1 Comparison of other liabilities with their Solvency II values and Statutory accounts values

The following table covers information about other liabilities that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i.e. the comparison of other liabilities with their Solvency II values and with their Statutory accounts values, that is for ERGO the IFRS values.

Other liabilities	Solvency II value 2023	Financial statements (IFRS) value 2023	Explanation
Financial liabilities other than debts owed to credit institutions	1 443 231	1 443 231	SII and IFRS values are equal.
Insurance & intermediaries payables	3 579 384	2 181 259	In the balance sheet under IFRS <i>Insurance &amp; intermediaries payables</i> are mainly part of the Liability for Remaining Coverage while under Solvency II it is still reported. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Reinsurance payables	208 599	0	In the balance sheet under IFRS <i>Reinsurance payables</i> are part of the Liability for Remaining Coverage ceded while under Solvency II it is still reported. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Payables (trade, not insurance)	5 096 935	5 216 283	At the end of the reporting period, discounting of this item for Solvency II purposes has not been required. The difference between SII and IFRS data comes from the differences in presentation.
<b>Total other liabilities</b>	<b>10 328 149</b>	<b>8 840 773</b>	

**Table 12: Other liabilities that is to be given in the Quantitative Reporting Template**

According to Article 75(1) (b) of Directive 2009/138/EC all the other liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, that means with their fair values. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made. As in general the valuation basis for Solvency II and IFRS is different, is explained the differences in more detail for the respective liabilities classes in next Chapters. Only if differences between the fair values and IFRS values are immaterial, the other liabilities are measured with the latter values as explained in more detail in Chapter D.3.3.

The statutory accounts of the undertaking (financial statements prepared under local requirements) shall be reported in the format of Solvency II. Therefore, items of the statutory financial statements shall be classified into the Solvency II split where possible.

### D.3.2 Provisions other than technical provisions

Both in the solvency balance sheet and for IFRS, we produce a best estimate of the sum that would be required to settle the liabilities as at the balance sheet date, which is the amount we would reasonably have to pay to satisfy them or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the mid-point of the range is used. If the interest rate is a material factor, we value the provision at the present value of the expected expenditure, and if it is immaterial, we disregard it for Solvency II purposes.

### D.3.3 Financial liabilities

#### Insurance & intermediaries payables

Under Solvency II, insurance & intermediaries payables must be recognised at fair value, for IFRS, such payables a part of Liability for Remaining Coverage and are not presented as a separate item.



## Reinsurance payables

Under Solvency II, reinsurance payables must be recognized at fair value, for IFRS, such payables a part of Liability for Remaining Coverage ceded and are not presented as a separate item.

### Payables (trade, not insurance)

In the Solvency balance sheet, the item Payables (trade, not insurance) covers Payables from dividends, Payables from profit pooling or transfer agreements, and Payables from taxes as well as other Payables. Thus, payables (trade, not insurance) shall be measured at their reporting date fair value without considering any upsides or downsides for the own credit risk of the undertaking. However, for reasons of simplification, payables from dividends and payables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortized costs.

Payables from taxes and other receivables are discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. However, the undertaking's own credit risk must not be considered.

### D.3.4 Any other liabilities, not elsewhere shown

Other liabilities, not elsewhere shown, cover all liabilities that cannot be allocated in any other class of liabilities. As a basic principle, under Solvency II, all other liabilities must be measured with their fair values. For IFRS such liabilities are recognized at the amount required to redeem or settle them.

## D.4 Alternative methods for valuation

Alternative methods for valuation applied only for Property measurement. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

### D.4.1 Sales Comparison Approach

The Sales Comparison Approach compares subject property to the recently sold local similar properties. This approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence, or degree of characteristics which influence value.

This principle holds that a prudent person would not pay more for a property than cost of acquiring an equally satisfactory substitute property, in the absence of the complicating factors of time, greater risk, or inconvenience. The Sales Comparison Approach relies upon the development of a value estimate from prices paid in the open market for properties with adequate exposure to ensure that the prices represent fair market value.

### D.4.2 Income Approach

The Income Approach is based on the principle according to which the value of the real estate reflects the present value of NET income to be earned from it in the future. Methods that fall under the income approach include income capitalization and discounted cash flow analysis.

This principle holds that a prudent person would not pay more than expected monetary returns subject property can produce.

Discounted cash flow (DCF) analysis is a technique based on explicit assumptions regarding the prospective income and expenses of a property. Such assumptions pertain to the quantity, quality, variability, timing, and duration of inflows and outflows that are discounted to present value. Upon estimating the value, the following formula is used:

$$V_0 = \sum_{t=1}^n \frac{CF_t}{(1+i)^t} + \frac{CF_{closing}}{(1+i)^n}$$

Where:

$CF_0 \dots CF_n$  – cash flow for the period (upon estimating market value – NOI (net operating income))

$CF_{closing}$  – cash flow by the end of the forecasted period (upon estimating market value – Market Value minus sales expenses)

$i$  – discount rate (rate of return)

$n$  – number of considered periods

Upon estimating the market value all elements of the cash flow as well as the discount rate should be market derived. The duration of the forecasted period depends on the economic environment. If the economic environment is risky, then the forecasted period is shorter and vice versa.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

Both methods are widely used in the world practice and the Company considers them as reliable.

## D.5 Any other information

There is no other information.

# E. Capital Management

## E.1 Own funds

### E.1.1 Differences between IFRS equity and SII excess of assets over liabilities

Material differences between equity shown in ERGO IFRS financial statements and excess of assets over liabilities as calculated for Solvency II purposes arise from differing rules and regulations for valuation and consideration of balance sheet items.

As per Solvency II methodology, fair value principles are applied comprehensively. This means, either a market value is available and applicable (e.g. investments), or a predefined approach determines the fair value of assets and liabilities without an active market (e.g. best estimate and risk margin for technical provisions). The time value of money is considered under Solvency II and requires the discounting of cash flows, which is only the case for selected technical provisions in IFRS. In contrast to the IFRS balance sheet, the Solvency II balance sheet does not include any claims equalization provisions.

In consequence, IFRS equity and SII excess of assets over liabilities differ due to differing total balances for assets as well as liabilities in a Solvency II compliant balance sheet and an IFRS balance sheet.

Excess of assets over liabilities – attribution of valuation differences	31.12.2023	31.12.2022
Total of reserves and retained earnings from financial statements	78 548 574	26 014 205
Difference in the valuation of assets	-9 033 611	-6 985 736
Difference in the valuation of technical provisions	14 754 325	43 775 543
Difference in the valuation of other liabilities	-1 487 376	121 684
<b>Solvency II Excess of assets over liabilities</b>	<b>82 781 912</b>	<b>62 925 696</b>

Table 13: Excess of assets over liabilities – attribution of valuation differences

### E.1.2 Composition of own funds

In the following table presented information on the structure, amount, and quality of the available own funds at the end of the reporting period:

Basic own funds	31.12.2023	31.12.2022	Tier classification
Ordinary share capital (gross of own shares)	4 380 213	4 380 213	Tier 1 – unrestricted
Share premium account related to ordinary share capital	15 129 289	15 129 289	Tier 1 – unrestricted
Reconciliation reserve	59 648 635	39 814 688	Tier 1 – unrestricted
Net deferred tax assets	123 775	101 506	Tier 3
<b>Total basic own funds</b>	<b>79 281 912</b>	<b>59 425 696</b>	

Table 14: Basic own funds

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

### E.2.1 Solvency Capital Requirement

Company's Solvency Capital Requirement as at 31.12.2023 is provided in the table below, simplified calculations are not used.

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Market risk-	21 214 643	21 020 003	0
Counterparty default risk	4 361 465	4 361 465	0
Life underwriting risk	13 648 914	13 649 679	0
Health underwriting risk	11 159 443	11 159 441	0
Non-life underwriting risk	-	-	0
Diversification	-15 461 970	-15 426 295	
Intangible asset risk			
<b>Basic Solvency Capital Requirement</b>	<b>34 922 496</b>	<b>34 764 295</b>	
Adjustment due to RFF/MAP nSCR aggregation	0		
Operational risk	2 770 618		
Loss-absorbing capacity of technical provisions	0		
Loss-absorbing capacity of deferred taxes	0		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>Solvency capital requirement, excluding capital add-on</b>	<b>37 534 913</b>		
Capital add-ons already set	-		
<b>Solvency capital requirement</b>	<b>37 534 913</b>		

Table 15: Company's Solvency Capital Requirement

Undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC are not used. Company's Minimum Capital Requirement is as follows:

Linear MCR	9 265 128
SCR	37 534 913
MCR cap	16 890 711
MCR floor	9 383 728
Combined MCR	9 383 728
Absolute floor of the MCR	6 700 000
<b>Minimum Capital Requirement</b>	<b>9 383 728</b>

Table 16: Company's Minimum Capital Requirement

Minimum capital requirement inputs cover the following:

	MCR components	
	Non-life activities MCR <sub>(L, NL)</sub> Result	Life activities MCR <sub>(L, L)</sub> Result
<b>Linear formula component for non-life insurance and reinsurance obligations</b>	2 581 451	0

**Table 17: MRC components**

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	14 499 496	40 424 984	0	0
Income protection insurance and proportional reinsurance	0	0	0	0
Workers' compensation insurance and proportional reinsurance	0	0	0	0
Motor vehicle liability insurance and proportional reinsurance	0	0	0	0
Other motor insurance and proportional reinsurance	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	0	0	0	0
General liability insurance and proportional reinsurance	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	0	0	0	0
Legal expenses insurance and proportional reinsurance	0	0	0	0
Assistance and proportional reinsurance	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	0	0	0	0
Non-proportional health reinsurance	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0

**Table 18: Background information**

	MCR components	
	Non-life activities MCR <sub>(L, NL)</sub> Result	Life activities MCR <sub>(L, L)</sub> Result
<b>Linear formula component for life insurance and reinsurance obligations</b>	0	6 683 677

**Table 19: MRC components**

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation – guaranteed benefits	0		140 472 980	
Obligations with profit participation – future discretionary benefits	0		1 450 732	
Index-linked and unit-linked insurance obligations	0		53 985 348	
Other life (re)insurance and health (re)insurance obligations	0		0	
<b>Total capital at risk for all life (re)insurance obligations</b>		<b>0</b>		<b>1 691 025 050</b>

**Table 20: Background information**

SCR values in comparison to previous period:

	Gross solvency capital requirement (current year)	Gross solvency capital requirement (previous year)
Market risk	21 020 003	15 616 594
Counterparty default risk	4 361 465	2 347 118
Life underwriting risk	13 649 679	10 477 187
Health underwriting risk	11 159 443	9 508 507
Non-life underwriting risk	0	0
Diversification	-15 426 295	-11 544 540
Intangible asset risk	0	0
<b>Basic Solvency Capital Requirement</b>	<b>34 764 295</b>	<b>26 404 866</b>
Operational risk	2 770 618	3 031 463
<b>Solvency capital requirement excluding capital add-on</b>	<b>37 534 913</b>	<b>29 436 329</b>

**Table 21: SCR values**

SCR growth was due to increased circulation of Puzzle product. Another growth factor was organic changes in liability portfolios linked to current company's business strategy.

SCR by modules:

**Market risk**

	Absolute values after shock	
	Net solvency capital requirement	Gross solvency capital requirement
Interest rate risk	3 211 635	3 226 107
interest rate down shock	0	0
interest rate up shock	3 211 635	3 226 107
Equity risk	12 485 369	12 485 369
type 1 equities	678 381	678 381
Type 1 equity other than long-term		
strategic participations (type 1 equities)		
Long-term equity investments (type 1 equities)		
duration-based (type 1 equities)		
type 2 equities	11 968 518	11 968 518
Type 2 equity other than long-term		
strategic participations (type 2 equities)		
Long-term equity investments (type 2 equities)		
duration-based (type 2 equities)		
qualifying infrastructure corporate equities	0	0
qualifying infrastructure corporate equities, other than strategic and long-term	0	0
strategic participations (qualifying infrastructure corporate equities)	0	0
Long-term equity investments (qualifying infrastructure corporate equities)	0	0
qualifying infrastructure equities other than corporate	0	0
qualifying infrastructure equities other than corporate, other than strategic and long-term	0	0
strategic participations (qualifying infrastructure equities other than corporate)	0	0
Long-term equity investments (qualifying infrastructure equities other than corporate)	0	0
Property risk	0	0
Spread risk	7 814 563	7 572 092
bonds and loans	7 814 103	7 571 632
loans and bonds (qualifying infrastructure corporate investment)	0	0
loans and bonds (qualifying investment infrastructure other than infrastructure corporate)	0	0
loans and bonds (other than qualifying investment infrastructure and infrastructure corporate)	0	0
credit derivatives	0	0
downward shock on credit derivatives	0	0
upward shock on credit derivatives	0	0
Securitisation positions	460	460
Senior STS securitisation	0	0
Non-senior STS securitisation	0	0
resecuritisations	0	0

	Absolute values after shock	
	Net solvency capital requirement	Gross solvency capital requirement
Other securitisation	0	0
Transitional type 1 securitisation	0	0
Guaranteed STS securitisation	0	0
Market risk concentrations	8 484 725	8 484 725
Currency risk	367 279	367 279
increase in the value of the foreign currency	2 765	2 765
decrease in the value of the foreign currency	364 514	364 514
Diversification within market risk module	-11 148 928	-11 115 568
<b>Total market risk</b>	<b>21 214 643</b>	<b>21 020 003</b>

Table 22: Market risk



## Counterparty default risk

	Name of single name exposure	Code of single name exposure	Loss Given Default	Probability of Default	Net solvency capital requirement	Gross solvency capital requirement
<b>Type 1 exposures</b>						2 696 028
Single name exposure 1	SKANDINAVISKA ENSKILDA BANKEN AB	None	1 568 318	0,005		
Single name exposure 2	SWEDBANK AB	None	1 558 528	0,005		
Single name exposure 3	BNP PARIBAS S.A.	None	826 736	0,0001		
Single name exposure 4	NORDEA BANK ABP	None	626 364	0,0024		
Single name exposure 5	HSBC HOLDINGS PLC	None	389 048	0,0001		
Single name exposure 6	NORDDEUTSCHE LANDESBANK GIROZENTRALE	None	294 948	0,0024		
Single name exposure 7	DnB ASA	None	253 048	0,0024		
Single name exposure 8	SWISS RE	549300CJ7L-W6QSGIL444	121 835	0,0001		
Single name exposure 9	BANK OF SIAULIAI AB	None	19 379	0,0024		
Single name exposure 10	PERLO PASLAUGOS PERLAS BANK	None	12 141	0,042		
<b>Type 2 exposures</b>						1 958 228
Receivables from Intermediaries due for more than 3 months			0			
All type 2 exposures other than receivables from Intermediaries due for more than 3 months			13 054 853			
Diversification within counterparty default risk module						-292 791
<b>Total counterparty default risk</b>					4 361 465	4 361 465

Table 23: Counterparty default risk

## Life underwriting risk

	Net solvency capital requirement	Gross solvency capital requirement
Mortality risk	2 987 479	2 988 733
Longevity risk	1 226 822	1 226 822
Disability-morbidity risk	3 202 638	3 202 638
Lapse risk	6 398 918	6 398 918
risk of increase in lapse rates	6 398 918	6 398 918
risk of decrease in lapse rates	661 014	641 824
mass lapse risk	4 908 065	4 908 065
Life expense risk	5 799 931	5 799 984
Revision risk	0	0
Life catastrophe risk	1 515 772	1 516 285
Diversification within life underwriting risk module	-7 482 644	-7 483 700
<b>Total life underwriting risk</b>	13 648 914	13 649 679

Table 24: Life underwriting risk

**Health underwriting risk**

	<b>Net solvency capital requirement</b>	<b>Gross solvency capital requirement</b>
Health mortality risk	60 704	60 704
Health longevity risk	0	0
Health disability-morbidity risk	1 204 122	1 204 122
Medical expense	1 204 122	1 204 122
increase of medical payments	1 204 122	1 204 122
decrease of medical payments	0	0
Income protection	0	0
SLT health lapse risk	1 316 056	1 316 056
risk of increase in lapse rates	1 316 056	1 316 056
risk of decrease in lapse rates	38 917	38 917
mass lapse risk	1 316 056	1 316 056
Health expense risk	1 034 835	1 034 835
Health revision risk	0	0
Diversification within SLT health underwriting risk	-982 771	-982 771
<b>Total SLT health underwriting risk</b>	<b>2 632 946</b>	<b>2 632 946</b>
Diversification within NSLT health underwriting risk	0	0
<b>Total NSLT health underwriting risk</b>	<b>8 253 601</b>	<b>8 253 601</b>
Mass accident risk	521 608	521 608
Accident concentration risk	0	0
Pandemic risk	12 432	12 432
Diversification within health catastrophe risk	-12 284	-12 284
<b>Total health catastrophe risk</b>	<b>521 756</b>	<b>521 756</b>
Diversification within health underwriting risk module	-1 173 088	-1 173 088
<b>Total health underwriting risk</b>	<b>9 508 507</b>	<b>9 508 507</b>

**Table 25: Health underwriting risk**

## Operational risk

	Capital requirement
<b>Operational risk – Information on technical provisions</b>	
Life gross technical provisions (excluding risk margin)	128 210 538
Life gross technical provisions unit-linked (excluding risk margin)	53 901 436
Non-life gross technical provisions (excluding risk margin)	14 499 496
<b>Capital requirement for operational risk based on technical provisions</b>	1 011 932
<b>Operational risk – Information on earned premiums</b>	
Earned life gross premiums (previous 12 months)	20 014 075
Earned life gross premiums unit-linked (previous 12 months)	20 880 768
Earned non-life gross premiums (previous 12 months)	37 725 937
Earned life gross premiums (12 months prior to the previous 12 months)	26 653 420
Earned life gross premiums unit-linked (12 months prior to the previous 12 months)	26 269 962
Earned non-life gross premiums (12 months prior to the previous 12 months)	36 035 246
<b>Capital requirement for operational risk based on earned premiums</b>	1 932 341
<b>Operational risk – calculation of the SCR</b>	
Capital requirement for operational risk charge before capping	1 932 341
Percentage of Basic Solvency Capital Requirement	10 429 288
Capital requirement for operational risk charge after capping	1 932 341
Expenses incurred in respect of unit linked business (previous 12 months)	3 353 107
<b>Total capital requirement for operational risk</b>	2 770 618

Table 26: Operational risk

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

The company does not use duration-based equity risk sub-module.

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

ERGO does not use internal model for calculating solvency capital requirement.

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

Non-compliance with Minimum Capital Requirement or Solvency Capital Requirement was not present in reporting period. There are no signs of possible non-compliance in planning horizon as well. Undertaking-specific parameters or matching adjustments are not used.

### E.6 Any other information

There is no other information.

# Appendices

Appendices according to Commission Implementing Regulation (EU) 2015/2452.

## S.02.01.02

### Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
Intangible assets	R0030	
Deferred tax assets	R0040	123 774
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	1 638 888
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	179 267 671
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	14 170 809
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	147 010 826
Government Bonds	R0140	100 508 964
Corporate Bonds	R0150	46 497 126
Structured notes	R0160	4 737
Collateralized securities	R0170	
Collective Investments Undertakings	R0180	18 086 036
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	78 728 126
Loans and mortgages	R0230	21 239 628
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	21 239 628
Reinsurance recoverables from:	R0270	-3 931 924
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-3 848 012
Health similar to life	R0320	-344 225
Life excluding health and index-linked and unit-linked	R0330	-3 503 786
Life index-linked and unit-linked	R0340	-83 912

		Solvency II value
		C0010
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	12 212 727
Reinsurance receivables	R0370	370 640
Receivables (trade, not insurance)	R0380	1 008 205
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	5 253 667
Any other assets, not elsewhere shown	R0420	205 442
<b>Total assets</b>	<b>R0500</b>	<b>296 116 843</b>

		Solvency II value
		C0010
<b>Liabilities</b>		
Technical provisions – non-life	R0510	14 757 733
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	R0560	14 757 733
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	14 499 496
Risk margin	R0590	258 237
Technical provisions – life (excluding index-linked and unit-linked)	R0600	131 394 284
Technical provisions – health (similar to life)	R0610	-4 500 373
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	-5 398 835
Risk margin	R0640	898 461
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	135 894 657
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	133 609 373
Risk margin	R0680	2 285 284
Technical provisions – index-linked and unit-linked	R0690	56 839 710
Technical provisions calculated as a whole	R0700	78 728 126
Best Estimate	R0710	-24 826 690
Risk margin	R0720	2 938 275
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	15 055
Financial liabilities other than debts owed to credit institutions	R0810	1 443 231
Insurance & intermediaries payables	R0820	3 579 384
Reinsurance payables	R0830	208 599
Payables (trade, not insurance)	R0840	5 096 935
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
<b>Total liabilities</b>	R0900	<b>213 334 931</b>
<b>Excess of assets over liabilities</b>	R1000	<b>82 781 912</b>

## S.04.05.21

## Premiums, claims and expenses by country

## Non-life insurance and reinsurance obligations

		Home country	Estonia	Latvia
		C0010	C0020	C0020
<b>Premiums written (gross)</b>				
Gross Written Premium (direct)	R0020	5 916 542	5 822 093	28 686 348
Gross Written Premium (proportional reinsurance)	R0021			
Gross Written Premium (non-proportional reinsurance)	R0022			
<b>Premiums earned (gross)</b>				
Gross Earned Premium (direct)	R0030	5 632 843	5 719 952	27 886 126
Gross Earned Premium (proportional reinsurance)	R0031			
Gross Earned Premium (non-proportional reinsurance)	R0032			
<b>Claims incurred (gross)</b>				
Claims incurred (direct)	R0040	4 524 761	2 927 363	19 730 827
Claims incurred (proportional reinsurance)	R0041			
Claims incurred (non-proportional reinsurance)	R0042			
<b>Expenses incurred (gross)</b>				
Gross Expenses Incurred (direct)	R0050	1 245 710	1 187 315	5 087 668
Gross Expenses Incurred (proportional reinsurance)	R0051			
Gross Expenses Incurred (non-proportional reinsurance)	R0052			

## Life insurance and reinsurance obligations

		Home country	Estonia	Latvia
		C0030	C0040	C0040
<b>Gross Written Premium</b>	R1020	25 677 432	3 157 934	15 904 119
<b>Gross Earned Premium</b>	R1030	25 677 432	3 157 934	15 904 119
<b>Claims incurred</b>	R1040	18 750 439	2 688 381	9 919 630
<b>Gross Expenses Incurred</b>	R1050	7 616 471	2 924 089	4 478 478

## S.05.01.02

## Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
<b>Premiums written</b>										
Gross – Direct Business	R0110	40 424 984								
Gross – Proportional reinsurance accepted	R0120									
Gross – Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	1 358								
Net	R0200	40 423 625								
<b>Premiums earned</b>										
Gross – Direct Business	R0210	39 238 922								
Gross – Proportional reinsurance accepted	R0220									
Gross – Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	1 358								
Net	R0300	39 237 563								
<b>Claims incurred</b>										
Gross – Direct Business	R0310	27 182 951								
Gross – Proportional reinsurance accepted	R0320									
Gross – Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	697								
Net	R0400	27 182 253								
<b>Expenses incurred</b>	R0550	7 520 693								
<b>Balance – other technical expenses/ income</b>	R1210									
<b>Total expenses</b>	R1300									



		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
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
<b>Premiums written</b>									
Gross – Direct Business	R0110								40 424 984
Gross – Proportional reinsurance accepted	R0120								
Gross – Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								1 358
Net	R0200								40 423 625
<b>Premiums earned</b>									
Gross – Direct Business	R0210								39 238 922
Gross – Proportional reinsurance accepted	R0220								
Gross – Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								1 358
Net	R0300								39 237 563
<b>Claims incurred</b>									
Gross – Direct Business	R0310								27 182 951
Gross – Proportional reinsurance accepted	R0320								
Gross – Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								697
Net	R0400								27 182 253
<b>Expenses incurred</b>	R0550								7 520 693
<b>Balance – other technical expenses/income</b>	R1210								7 447
<b>Total expenses</b>	R1300								7 528 140

		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	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>										
Gross	R1410	2 772 399	13 866 094	24 458 023	3 642 969					44 739 485
Reinsurers' share	R1420	390 413	2 860	253 518	712 039					1 358 830
Net	R1500	2 381 987	13 863 234	24 204 505	2 930 930					43 380 655
<b>Premiums earned</b>										
Gross	R1510	2 772 399	13 866 094	24 458 023	3 642 969					44 739 485
Reinsurers' share	R1520	390 413	2 860	253 518	712 039					1 358 830
Net	R1600	2 381 987	13 863 234	24 204 505	2 930 930					43 380 655
<b>Claims incurred</b>										
Gross	R1610	854 459	21 792 396	8 086 404	625 191					31 358 450
Reinsurers' share	R1620	232 077	-803	6 667	280 532					518 473
Net	R1700	622 382	21 793 199	8 079 737	344 659					30 839 977
<b>Expenses incurred</b>	R1900	1 692 502	4 016 453	6 091 921	2 684 751					14 485 627
<b>Balance – other technical expenses/income</b>	R2510									-61 637
<b>Total expenses</b>	R2600									14 423 989

## S.12.01.02

## Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
<b>Technical provisions calculated as a whole</b>	R0010		78 728 126								<b>78 728 126</b>
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole</b>	R0020										
<b>Technical provisions calculated as a sum of BE and RM</b>											
<b>Best Estimate</b>											
<b>Gross Best Estimate</b>	R0030	141 949 668			-24 826 690			-8 340 295			<b>108 782 683</b>
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	25 956			-60 935			-3 529 742			<b>-3 587 699</b>
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	141 923 712			-22 053 423			-4 810 553			<b>112 370 382</b>
<b>Risk Margin</b>	R0100	1 721 395	2 938 275			563 890					<b>5 223 559</b>
<b>Amount of the transitional on Technical Provisions</b>											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
<b>Technical provisions – total</b>	R0200	143 671 063	56 839 710			-7 776 405					<b>192 734 368</b>

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
<b>Technical provisions calculated as a whole</b>	R0010						
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole</b>	R0020						
<b>Technical provisions calculated as a sum of BE and RM</b>							
<b>Best Estimate</b>							
<b>Gross Best Estimate</b>	R0030			-5 398 835			<b>-5 398 835</b>
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-344 225			<b>-344 225</b>
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090			-5 054 609			<b>-5 054 609</b>
<b>Risk Margin</b>	R0100	898 461					<b>898 461</b>
<b>Amount of the transitional on Technical Provisions</b>							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
<b>Technical provisions – total</b>	R0200	-4 500 373					<b>-4 500 373</b>

## S.17.01.02

## Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
<b>Technical provisions calculated as a whole</b>	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
<b>Technical provisions calculated as a sum of BE and RM</b>										
<b>Best estimate</b>										
Premium provisions										
Gross	R0060	12 687 384								
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140									
Net Best Estimate of Premium Provisions	R0150	12 687 384								
Claims provisions										
Gross	R0160	1 812 112								
<b>Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default</b>	R0240									
Net Best Estimate of Claims Provisions	R0250	1 812 112								

		Direct business and accepted proportional reinsurance								
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
<b>Total Best estimate – gross</b>	R0260	14 499 496								
<b>Total Best estimate – net</b>	R0270	14 499 496								
<b>Risk margin</b>	R0280	258 237								
<b>Amount of the transitional on Technical Provisions</b>										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
<b>Technical provisions – total</b>										
Technical provisions – total	R0320	14 757 733								
<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total</b>	R0330									
<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total</b>	R0340	14 757 733								

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>Technical provisions calculated as a whole</b>	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050								
<b>Technical provisions calculated as a sum of BE and RM</b>									
<b>Best estimate</b>									
Premium provisions									
Gross	R0060								<b>12 687 384</b>
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								
Net Best Estimate of Premium Provisions	R0150								<b>12 687 384</b>
Claims provisions									
Gross	R0160								<b>1 812 112</b>
<b>Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default</b>	R0240								
<b>Net Best Estimate of Claims Provisions</b>	R0250								<b>1 812 112</b>

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>Total Best estimate – gross</b>	R0260								<b>14 499 496</b>
<b>Total Best estimate – net</b>	R0270								<b>14 499 496</b>
<b>Risk margin</b>	R0280								<b>258 237</b>
<b>Amount of the transitional on Technical Provisions</b>									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
<b>Technical provisions – total</b>									
Technical provisions – total	R0320								<b>14 757 733</b>
<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total</b>	R0330								
<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total</b>	R0340								<b>14 757 733</b>



## S.19.01.21

## Non-life Insurance Claims

## Total Non-Life Business

## Accident year / Underwriting year

Z0020	Accident year
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Gross Claims Paid (non-cumulative) – Development year. Total Non-Life Business  
(absolute amount)

		Development year						Current year, sum of years (cumulative)	
		0	1	2	3	4	5	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0170	C0180
Prior	<b>R0100</b>								
N-14	<b>R0110</b>	13 076 865	965 201	1 140	23				14 043 230
N-13	<b>R0120</b>	7 664 056	676 036	471					8 340 563
N-12	<b>R0130</b>	7 781 074	790 035						8 571 109
N-11	<b>R0140</b>	8 542 179	672 067	354					9 214 600
N-10	<b>R0150</b>	9 603 763	722 118	726	228				10 326 835
N-9	<b>R0160</b>	11 741 374	547 101		228				12 288 475
N-8	<b>R0170</b>	15 035 738	693 273	-447					15 728 564
N-7	<b>R0180</b>	17 597 499	770 885	-102					18 368 282
N-6	<b>R0190</b>	20 376 234	893 529	369					21 270 133
N-5	<b>R0200</b>	19 895 032	832 195						20 727 227
N-4	<b>R0210</b>	22 432 324	917 094	733					23 350 150
N-3	<b>R0220</b>	20 753 069	728 093						21 481 162
N-2	<b>R0230</b>	24 125 529	1 164 736						25 290 265
N-1	<b>R0240</b>	27 489 808	1 048 763					1 048 763	28 538 571
N	<b>R0250</b>	26 152 801						26 152 801	26 152 801
<b>Total</b>	<b>R0260</b>							27 201 564	263 691 965

**Gross undiscounted Best Estimate Claims Provisions – Development year. Total Non-Life Business (absolute amount)**

		Development year						Current year, sum of years (cumulative)
		0	1	2	3	4	5	Year-end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0360
Prior	<b>R0100</b>							
N-14	<b>R0110</b>	1 384 650	4 589	286				
N-13	<b>R0120</b>	1 228 492	2 959	3				
N-12	<b>R0130</b>	1 253 670	7 373					
N-11	<b>R0140</b>	1 141 179	6 741					
N-10	<b>R0150</b>	1 315 479	4 329	818				
N-9	<b>R0160</b>	1 234 554	112					
N-8	<b>R0170</b>	1 559 963	600	38				
N-7	<b>R0180</b>	1 368 512	421	106				
N-6	<b>R0190</b>	1 700 560	892	336	24			
N-5	<b>R0200</b>	1 719 930	1 885	319				
N-4	<b>R0210</b>	1 727 285	2 350	222				
N-3	<b>R0220</b>	1 420 034	2 419	308				
N-2	<b>R0230</b>	1 950 410	3 867					
N-1	<b>R0240</b>	1 830 902	4 070					4 070
N	<b>R0250</b>	1 808 041						1 808 041
<b>Total</b>	<b>R0260</b>							1 812 112

## S.23.01.01

## Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	4 380 213	4 380 213			
Share premium account related to ordinary share capital	R0030	15 129 289	15 129 289			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	59 648 635	59 648 635			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	123 774				123 774
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>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</b>						
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	R0220					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	R0290	79 281 912	79 158 138			123 774
<b>Ancillary own funds</b>						
<b>Unpaid and uncalled ordinary share capital callable on demand</b>	R0300					

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
<b>Total ancillary own funds</b>	R0400					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	79 281 912	79 158 138			123 774
Total available own funds to meet the MCR	R0510	79 158 138	79 158 138			
Total eligible own funds to meet the SCR	R0540	79 281 912	79 158 138			123 774
Total eligible own funds to meet the MCR	R0550	79 158 138	79 158 138			
<b>SCR</b>	R0580	37 534 913				
<b>MCR</b>	R0600	9 383 728				
<b>Ratio of Eligible own funds to SCR</b>	R0620	2,11				
<b>Ratio of Eligible own funds to MCR</b>	R0640	8,44				

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	82 781 912
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	3 500 000
Other basic own fund items	R0730	19 633 277
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
<b>Reconciliation reserve</b>	R0760	59 648 635
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) – Life business	R0770	44 170 207
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790	44 170 207

## S.25.01.21

## Solvency Capital Requirement – for undertakings on Standard Formula

## Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	21 020 003		
Counterparty default risk	R0020	4 361 465		
Life underwriting risk	R0030	13 649 679		
Health underwriting risk	R0040	11 159 443		
Non-life underwriting risk	R0050			
Diversification	R0060	-15 426 295		
Intangible asset risk	R0070			
<b>Basic Solvency Capital Requirement</b>	R0100	34 764 295		

## Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	2 770 618
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
<b>Solvency capital requirement excluding capital add-on</b>	R0200	37 534 913
Capital add-on already set	R0210	
Solvency capital requirement	R0220	37 534 913
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

## S.28.02.01

## Minimum capital Requirement – Both life and non-life insurance activity

## MCR components

		MCR components	
		Non-life activities MCR <sub>(NL, NL)</sub> Result	Life activities MCR <sub>(NL, L)</sub> Result
		C0010	C0020
<b>Linear formula component for non-life insurance and reinsurance obligations</b>	R0010	2 581 451	

## Background information

		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	14 499 496	40 424 984		
Income protection insurance and proportional reinsurance	R0030				
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110				
Assistance and proportional reinsurance	R0120				
Miscellaneous financial loss insurance and proportional reinsurance	R0130				
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

### Linear formula component for life insurance and reinsurance obligations

		Non-life activities MCR <sub>(L, NL)</sub> Result	Life activities MCR <sub>(L, L)</sub> Result
		C0070	C0080
<b>Linear formula component for life insurance and reinsurance obligations</b>	R0200		6 683 677

### Total capital at risk for all life (re)insurance obligations

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation – guaranteed benefits	R0210			140 472 980	
Obligations with profit participation – future discretionary benefits	R0220			1 450 732	
Index-linked and unit-linked insurance obligations	R0230			53 985 348	
Other life (re)insurance and health (re)insurance obligations	R0240				
<b>Total capital at risk for all life (re)insurance obligations</b>	R0250				1 691 025 050

### Overall MCR calculation

		C0130
Linear MCR	R0300	9 265 128
SCR	R0310	37 534 913
MCR cap	R0320	16 890 711
MCR floor	R0330	9 383 728
Combined MCR	R0340	9 383 728
Absolute floor of the MCR	R0350	6 700 000
<b>Minimum Capital Requirement</b>	R0400	9 383 728

### Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	2 581 451	6 683 677
Notional SCR excluding add-on (annual or latest calculation)	R0510	10 457 980	27 076 933
Notional MCR cap	R0520	4 706 091	12 184 620
Notional MCR floor	R0530	2 614 495	6 769 233
Notional Combined MCR	R0540	2 614 495	6 769 233
Absolute floor of the notional MCR	R0550	2 700 000	4 000 000
<b>Notional MCR</b>	R0560	2 700 000	6 769 233

