

Solvency and Financial Conditions Report



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Summary

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 Delegate's Regulation (EU) 2015/35 of 10 October 2014.

This report relates to the 2023 financial year. As one of the Baltic's leading insurance companies ERGO Insurance SE offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. In 2023, ERGO Insurance SE generated insurance revenue of 256.8 million euros, showing significant increase comparing to the year before. The largest classes were motor third-party liability and motor own damage insurance.

ERGO strives for and aims to expand its position as an efficient and innovative company that provides the best client service and also performs as socially responsible employer in all three Baltic countries (Chapter A Business and Performance).

Solvency II provides insurance companies with numerous guidelines for their governance system. The company has continued to develop its extensive and appropriate governance system. In this respect, it has paid particular attention to the reliability and suitability of the persons managing the company ("fit and proper") as well as to the appropriate control of the outsourced functions. The four key functions, which we report in detail (Chapter B Governance System), have a particularly important role.

The company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management system (chapter C Risk Profile). Underwriting risk dominates the risk profile of the Company, staying at 86% of the total Solvency Capital Requirement (SCR) by the end of 2023.

Solvency II creates the rules for the accounting of assets, actuarial provisions and other liabilities. We explain the main differences in the accounting according to Solvency II and IFRS, including their bases, methods and underlying assumptions. Our valuation method has not changed in the past financial year (chapter D Valuation for solvency purposes).

The company is adequately capitalized and has met the requirements for the provision of solvency capital and minimum capital at all times during the reporting year. As of end of the 2023 Solvency II ratio achieved 186% (Chapter E Capital Management).

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 Condition Report for the financial year 2023 was approved by the Management Board of ERGO Insurance on 08.04.2024.

Major recent 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 adjusted 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, 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 continue to maintain a close dialogue with internal specialists 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.

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 whether 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 Risk Management 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 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 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, the further concrete plans to reduce the emissions company’s finance, the coal phase-out plan by 2040 and a complete reduction in oil / gas (upstream) emissions by 2050 are under development. 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 CO₂ 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 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 (including but not limited to gross written premium) and IFRS 17 are presented, to ensure comprehensive reporting and compliance.

A.1 Business objectives

ERGO Insurance SE 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 Estonia and branches in Latvia and Lithuania.

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), see *Figure 1* below. ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

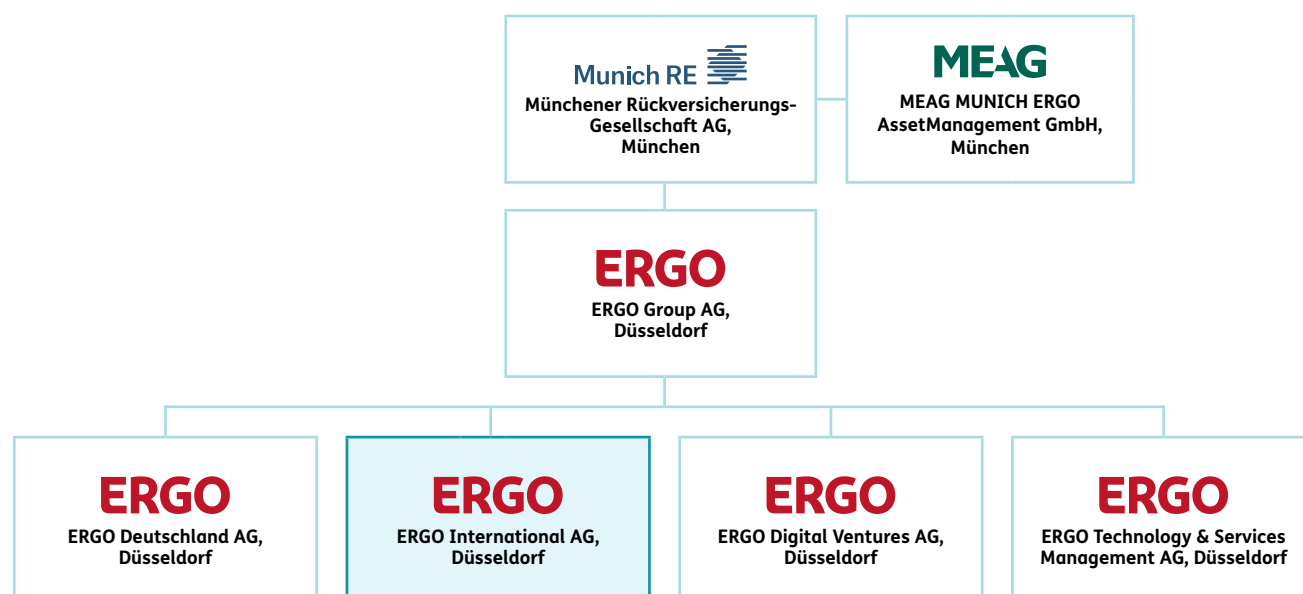


Figure 1. Structure of Munich Re and ERGO Group AG

As one of the Baltic's leading insurance companies ERGO offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. ERGO's insurance revenue for 2023 was 256.8 million euros. ERGO operates with a multi distribution channel approach and can rely on an own extensive and country wide sales network. ERGO underwrites business mainly in Estonia, Latvia and Lithuania.

ERGO's material lines of business:

- Medical expense insurance.
- Income protection 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;

- Assistance;
- Miscellaneous financial loss;
- Legal Protection Insurance.

ERGO Insurance SE's business is determined by the strategic framework of ERGO Group: customer satisfaction is and will be the high priority in the future. Also ERGO is strongly focused on innovation and digitalization.

ERGO strives to be innovative and efficient insurance undertaking in the Baltics that provides the best possible customer service and is a responsible employer in all three countries.

The processes in all three countries are standardized and simplified to enable business effectiveness and offer customers the seamless experience in sales and claims.

The responsible supervisory authority for the company is Estonian Financial Supervision Authority, (Finantsinspektsioon), Sakala 4, 15030 Tallinn, Estonia. The company is audited by Ernst & Young Baltic AS, Ravala 4, Tallinn, Estonia.

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.

ERGO Insurance SE has participations in DEAX Õigusbüroo OÜ, private limited company, Estonia, share of participation 100%.

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, 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.

Economic developments in the Baltic States

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'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'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

In 2023, ERGO Insurance SE generated insurance revenue of 256.8 million euros, i.e. 21.5% increase on 2022. The largest classes were motor liability insurance and motor own damage insurance, which generated insurance revenue of 95.4 million euros and 63.7 million euros, accounting for 37.1% and 24.8% of the total portfolio, respectively. Property insurance contributed 50.3 million euros i.e. 19.6%.

Compared to 2022, the share of motor liability insurance increased by 1.6 pps and its insurance revenue grew by 20.3 million euros i.e., 27.1%. In addition to that, good growths were achieved in other motor, property and credit and suretyship insurance where insurance revenue grew by 9.4, 6.5 and 3.7 million euros i.e., 17.3%, 14.9% and 90.2% respectively.

Table 1. Insurance revenue by line of business

Euros	2023		2022		Change	
	Insurance revenue	Share of class, %	Insurance revenue	Share of class, %	Insurance revenue	Share of class, pp
Medical expense insurance	5 646 148	2,2	3 049 225	1,4	2 596 923	0,8
Income protection insurance	12 110 141	4,7	10 238 238	4,8	1 871 903	-0,1
Motor vehicle liability insurance	95 359 509	37,1	75 052 999	35,5	20 306 510	1,6
Other motor insurance	63 685 364	24,8	54 277 452	25,7	9 407 912	-0,9
Marine, aviation and transport insurance	3 407 355	1,3	3 344 266	1,6	63 089	-0,3
Fire and other damage to property insurance	50 292 577	19,6	43 770 754	20,7	6 521 822	-1,1
General liability insurance	13 062 961	5,1	13 156 813	6,2	-93 852	-1,1
Credit and suretyship insurance	7 753 097	3,0	4 077 272	1,9	3 675 825	1,1
Legal expenses insurance	1 524 017	0,6	1 490 499	0,7	33 518	-0,1
Assistance	4 011 884	1,6	2 859 121	1,4	1 152 762	0,2
Total	256 853 052	100,0	211 316 639	100,0	45 536 413	

Table 2. Insurance revenue by countries

Euros	2023	2022
Estonia	79 631 622	61 745 331
Latvia	43 261 982	35 687 199
Lithuania	133 959 447	113 884 108
Total	256 853 052	211 316 639

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 qualified specialists from Estonia and Germany. In line with the investment management system, tactical investment management is outsourced to an external service provider. Direct contact for the 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.

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 AA- whereas: 53,3% (2022: 47.1%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 22.7% (2022: 24.3%) were rated AA or Aa, 11.7% (2022: 12.6%) had an A rating, 12.4% (2022: 15.5%) had a BBB or Baa rating, and 0% (2022: 0.5%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0.05 million euros (2022: 0.05 million euros), debt securities of 252.6 million euros (2022: 215.3 million euros), and equities and fund units of 5 million euros (2022: 3.1 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 4.1 million euros (2022: 1 million euros). Realisation of debt securities produced a loss of 0.04 million euros (2022: loss of 1 million euros). The fair value reserve increased by 6.7 million euros (2022: decreased by 14 million euros). Investment management expenses accounted for 0.15% of the carrying value of managed investments (2022: 0.15%). Thus, the overall yield of the investment portfolio was 4.3% (2022: -6.7%).

ERGO does not have any investments in securitisation.

A.3.2 Gains and losses recognised directly in equity

Aggressive rate hike cycle of ECB had considerable impact on company's revaluation reserve back in 2022. Despite the continuation of rate hikes in 2023, there was a significant shift in market expectations towards the end of the year, with as many as 6 rate cuts anticipated for 2024. This notable change in market sentiment also had a positive effect on the company's revaluation reserve in 2023.

Euros	2023	2022
At 1 January	-11 943 065	1 408 708
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	54 892	571 258
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	206 729	17 891
Net change in fair value recognised in other comprehensive income or expense during the year	6 116 095	-14 707 366
Change in Expected credit loss (ECL)	-4 266	0
IFRS9 transition effect (first introduction of ECL)	0	766 444
Total change in the value of debt instruments measured at FVOCI	6 373 450	-13 351 773
At 31 December	-5 569 615	-11 943 065

A.4 Performance of other activities

Other income contains fees, commissions, charges received; insurance brokerage income; rental income and other income not related to insurance activities. Compared to the previous period, the structure of other incomes did not change in 2023, but the revenue from all activities was somewhat smaller that resulted in lower level of the total income.

Other expenses contain membership fees to Financial Supervision Authority and professional associations; audit and legal fees; insurance brokerage expenses; write-off and other expenses not related to insurance activities. The increase observed in year 2023 is caused mainly by expenses related to an IT write-off and changes in cost allocation under IFRS17.

Euros	2023				2022			
	Estonia	Latvia	Lithuania	Total	Estonia	Latvia	Lithuania	Total
Other income	853 197	312 070	1 071 002	2 236 269	1 942 025	261 261	1 137 542	3 340 828
Other expenses	11 055 781	5 968 433	2 836 773	19 860 987	2 035 627	233 843	814 672	3 084 142
Total result	-10 202 584	-5 656 363	-1 765 771	-17 624 718	-93 602	27 418	322 870	256 686

A.5 Any other information

There is no other information.

B. System of Governance

B.1 General information on the system of governance

In 2023 changes in the composition of the Management Board were made. From the January 1, 2023 new Management Board member (Chairwoman CEO) Ursula Clara Deschka was appointed who replaced the Management Board member (chairman CEO) Bogdan Benczak. On the basis of the Supervisory Board's decision, CFO Maciej Szyszko was revoked from the Management Board from the 4th of October 2023. New members were evaluated under Fit and Proper procedure and their candidacy was reconciled with Estonian Financial Supervision Authority (FSA).

More detailed information about current composition of the Supervisory and Management Board is provided in Chapters B.1.1. and B.1.2.

As the main registered office of ERGO is in Estonia, the company must comply with European Union laws (e.g. Solvency II directive), Estonian Insurance Activity Act as well as Estonian Commercial Code and relevant regulations, approved by Estonian Financial Supervisory Authority (*Finantsinspektsioon*).

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

The Supervisory Board is a control body of the Management Board, the duties and functions of these bodies are clearly defined and separated. The Supervisory Board oversees the company and its management organ activity, whereas the Management Board's primary responsibility is company management. The Supervisory Board and the Management Board in order to ensure a level of control that corresponds scale and complexity of the company's business and operations, establish committees whose function is to assist the Supervisory Board and Management Board to implement their tasks.

ERGO has following management bodies:

- General meeting of shareholders;
- Supervisory Board (consists of 4 members, elected for a term of 3 years);
- Management Board (consists of 5 members, elected for a term of 5 years);
- Committees.

B.1.1 Management Board

Duties and responsibilities

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 endeavour to achieve a long-term increase in the company's value. The Management Board must ensure compliance with statutory requirements and internal company directives and is responsible for effecting adequate risk management and risk control in the company.

The Management Board is acting in accordance with the 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 Chairman of the Management Board is appointed by the Supervisory Board. According to Rules of Procedure of the Management Board each Management Board member has his/hers own area of responsibility (internal allocation of tasks).

The branches of the company are managed by the branch managers. The branch managers are member of the Management Board and are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers as well.

On January 1, 2023, on the basis of the Supervisory Board's decision, new Chairwoman of the Management Board, Ursula Clara Deschka, was appointed and former CEO, Bogdan Benzczak, was revoked from the Management Board.

On October 4, 2023, on the basis of the Supervisory Board's decision, CFO 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;
- Tadas Dovbyšas – Management Board member;
- Marek Ratnik – Management Board member.

The roles and responsibilities of the members of the Management Board by 31.12.2023 were as following:

- **Chairwoman of the Management Board (CEO)** Ursula Clara Deschka is responsible for the following departments: Marketing, Communication & Customer Experience, HR and office administration, legal and compliance (Financial sanctions, Anti-Fraud); Management Board office; governance; claims management.
- On temporary basis until a new CFO is appointed, CEO is also responsible for accounting; actuary; investments; risk management incl. information security; IT; planning & controlling and procurement in the Baltics. She also is a branch manager of ERGO Insurance SE in Latvia on temporary basis.
- **Member of the Management Board (CDO)** Tadas Dovbyšas is responsible for sales (distribution in the Baltics. He is also a branch manager of ERGO Insurance SE branch in Lithuania.
- **Member of the Management Board (CUO P&C/LPI)** Marek Ratnik is responsible for insurance operations in the Baltics (underwriting, product development, pricing and analytics and reinsurance).

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. These are called by the Chairman of the Management Board.

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

There is also an established authorisation framework on determining signature rights for external transactions including agreements for goods and services and approving invoices.

B.1.2 Supervisory Board

Duties and responsibilities

The Supervisory Board of the company is a collegial body supervising the company and its management activities. The Supervisory Board of the company consists of 4 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 Board of Management, appoints and dismisses a Head of the internal audit, determining the overall remuneration for the Board of Management members, succession planning for the Board of Management, and reviewing the annual financial statements of the company.

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.

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.

All Company business activities beyond the usual framework of daily business require the previous approval of the Supervisory Board. Exact requirements are established by the rules of procedure of the Management Board.

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.

The members of the Supervisory Board are:

- Dr. Oliver Martin Willmes – Chairman of the Supervisory Board;
- Christine Kaaz – member of the Supervisory Board;
- Dr. Dirk Christoph Schautes – member of the Supervisory Board;
- Ilona Mihele – 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 Key functions

In accordance with the 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 organisational 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.

B.1.3.1 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 defence. Focus 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 expressing judgement on key risks 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. The Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B6 for details.

B.1.3.2 Compliance function

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. Please see chapter B.4.2 for details.

B.1.3.3 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 B5 for details.

B.1.3.4 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. Its main purpose is to assist the Management Board to effectively implement a risk management system and to 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. for details.

B.1.4 Compensation policy

ERGO Compensation policy 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 insurance undertaking, taking into consideration the economic performance of the Company 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.

General 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 the 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.

Principles of remuneration of Management Board members

Exact conditions of the remuneration of Management Board members are set by the Shareholder's authorised 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.

Job grading

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 methods used are Hay (for Lithuania) and Figure (for Estonia and Latvia). 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.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration generally contains only fixed remuneration (including control/key functions). The exceptions for Sales unit executives (2nd and 3d 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, 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.

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

Social package

The company provides employees with attractive social package, which includes additional vacations, trainings, insurance, 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 remote office.

Pension scheme for the Management Board

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 members of the Management Board who has allocated shares or are subject to pension or early retirement schemes.

B.1.5 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.

B.2 Fit and proper requirements

Fit & Proper guideline of the company describes overall process and principals to meet the regulatory „fit and proper“ requirements. The Fit and Proper norm 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 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.

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 branches of ERGO (Branch managers are the Management Board Members);
- 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 information security).

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, financial, accounting, actuarial, regulatory framework and management skills should 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, 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 members of the Management Board 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, requirements, internal model used to calculate solvency requirement (risk model) 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 Management Board Members need to be 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 Board of Management, and to actively oversee the development of the company. In order to fulfil that function, they must understand the business conducted by the undertaking 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 company. 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 behaviour 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 with regard 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 utilise 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 of the individual’s competence and suitability must be carried out prior to 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 shall be 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 is assessed based on evidence regarding their character, personal behaviour 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 fulfil 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 have 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, analyse, 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 defence": risk takers (1st line), Risk Management Function, Actuarial Function, Compliance Function (2nd line), and Internal Audit Function (3rd line).

Risk management processes

We view risk management as an enterprise-wide discipline by which we identify, assess, measure, steer, monitor and report risks from all potential sources for the purpose of achieving our risk management objectives. The diagram below shows the risk management cycle and associated key tasks.

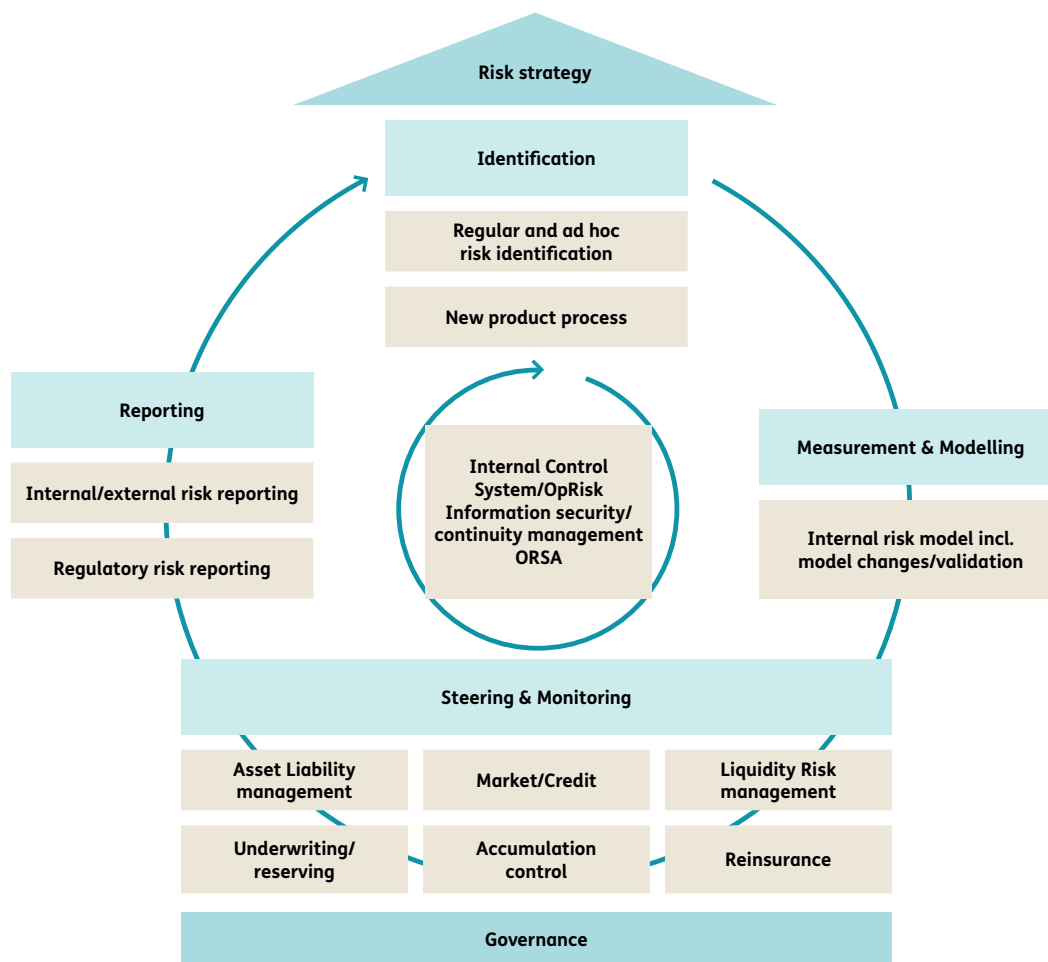


Figure 2. Risk Management Cycle

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 operationalise 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.

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.

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 and liquidity 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.

Risk steering

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

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.

ERGO uses Key Risk Indicators that 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.

Risk reporting

To ensure continuous monitoring regular reporting process is established. 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.

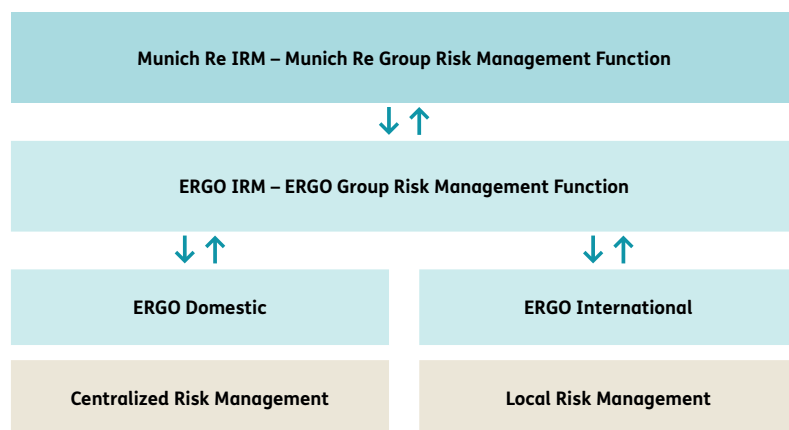


Figure 3. Risk Management organization within Munich Re and ERGO Group

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.

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 between Risk Management 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.

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:

- New products incl. adjustments (insurance products, investments) and new business segments;
- Outsourcing;
- Investment Management;
- Underwriting/Reinsurance;
- Strategic Planning Process.

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 capitalisation 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

B.4.1 Description of the internal control system (ICS)

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, analysed and assessed across all important risk dimensions (financial reporting, compliance and operations) with the aim of achieving a harmonised, holistic approach to risk controls with no overlaps and no gaps.

The ICS is based on the concept of the three lines of defence 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.

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.

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

B.4.2 Compliance function

Description the 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 2d 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, which is reviewed and updated at least annually. All main tasks and responsibilities of persons who perform the Compliance Function are also described in their job descriptions. Fit and proper requirements to persons who perform the Compliance Function are applied as required.

Compliance department is managed by the Head of Compliance department in the Baltic States, who is in the direct subordination to the Head of Legal and Compliance in the Baltic States (the Chief Compliance Officer). Three local Compliance specialist (i. e. in Estonia, Latvia and Lithuania) are appointed to perform their tasks on the country level.

The Head of Legal and Compliance division in the Baltic States reports (functionally) directly to the member of the Management Board, responsible for this area (CEO) and to the Group Compliance (horizontal reporting line). Local Compliance specialists report (functionally) directly to the Head of Compliance.

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, reporting on Compliance topics to the Management Board and Group Compliance;
- **monitoring** – monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

B.5 Internal audit function

The internal audit function 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 risk management system, the internal control system (ICS) and the three key functions compliance, risk management and actuarial.

B.5.1 Organization

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 Insurance SE. 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.

B.5.2 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 must be submitted promptly following each audit by Internal Audit. At least once per year, Internal Audit will prepare a report comprising the 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.5.3 Independence and Objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional standards 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 the 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, the performance of audits, the evaluation of the 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 his/her behavior.

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

B.6 Actuarial function

B.6.1 Set up of Actuarial Function

The Art. 48 of the Solvency II Directive obliges insurance and reinsurance undertakings to set up an effective 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 defence. 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.

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. The role of the Actuary 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 front office 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 (Appointed Actuary) carries out the Actuarial Function in ERGO. Appointed Actuary reports to the Management Board member CFO.

B.6.2 Tasks of Actuarial Function

The Actuarial Function assumes the lead management role in the coordination of all work to the calculation and valuation of technical provisions for purposes of Solvency II and is responsible for the development and appropriateness of corresponding methods and the underlying models, procedures and processes. This includes both the statistical quality of the actuarial valuation as well as the quality of the data used and the validation of the results.

The Actuarial Function informs and advises the Management Board concerning the underwriting policy as well as concerning the appropriateness of the reinsurance agreements. In particular, it indicates the interactions between the reserving, the underwriting and the reinsurance cover, and develops recommendations for optimizing the underwriting, acceptance and reinsurance strategy. At least once a year the Actuarial Function provides a written report to the Management Board.

In addition, the Actuarial Function supports the Risk Management Function in its tasks, in particular terms of concerning risk and solvency assessment, and also provides actuarial expertise.

B.7 Outsourcing

B.7.1 Description of 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.

ERGO has not outsourced any key functions. Most significant outsourced services are the outsourcing of IT maintenance services, the outsourcing of investment operations, the outsourcing of assistance services in claims management.

B.8 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.

The 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 defense”) 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.9 Any other information

There is no other information.

C. Risk Profile

Preliminary information

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“

The company runs a 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, the company has sufficient solvency capital available it can deviate from risk neutral asset portfolio. Otherwise, the company will build up asset portfolio which corresponds to liability structure as much as practically possible.

The 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 the fixed income portfolio (as this forms biggest part of the asset portfolio). The company ensures also an 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

ERGO operates in three Baltic countries with a broad range of products. The Company's underwriting strategy seeks diversity to ensure a balanced portfolio. ERGO analyses its insurance portfolio on permanent basis and has developed sophisticated tariff models to price the products.

ERGO is acknowledging the following underwriting related risks: premium and reserve risk, catastrophe risk and lapse risk. The premium and reserve risk takes into account losses that occur at a regular frequency. Extreme events, which occur very rarely, are taken into account in the catastrophe risk.

Premium risk is related to future claims arising during and after the period for the solvency assessment. The risk is that the expenses plus the volume of (covered but not incurred) losses for these claims (comprising both amounts paid during the period and (incurred but not settled) claim provisions made at its end) are higher than the premiums received. Premium risk is present at the time the policy is issued, before any events occur. Premium risk also arises because of uncertainties prior to issues of policies.

Reserve risk arises from two factors: firstly, the potential misestimation of claims provisions at an absolute level, and secondly, the fluctuation of actual claims around their statistical mean due to the unpredictable nature of future claims payouts. The company is also subject to longevity as well as indexation risk stemming from Motor Third Party Liability pensions.

In case of ERGO, the catastrophe risk includes only man-made catastrophes and no natural catastrophes. As specified in the Delegated Acts, none of the Baltic countries is exposed to specified natural catastrophes (windstorm, earthquake, flood, hail and subsidence). Nevertheless, in order to withstand catastrophes ERGO is purchasing specific catastrophe reinsurance cover.

Future premiums are exposed to significant deviation of actual lapse ratio from the expected lapse ratio. The risk can develop in correlation of general economic environment and unfavourable media coverage resulting in loss of trust by customers.

C.1.2 Material changes in underwriting risk over the reporting period

By lines of business the biggest share of underwriting risk is rising from the Motor portfolio followed by Fire and other damage to property insurance portfolio. In 2023 the underwriting risk decreased mostly in Motor and Marine insurance portfolios where both premium and reserve risks decreased. The pandemic risk was included to the calculations under the Health portfolio.

C.1.3 Measures for risk assessment

The significant Underwriting risks are evaluated within the Standard Formula. Risk capital for underwriting risk is most affected by the quick portfolio growth, the composition of the portfolio, in terms of both quality and line of business balance, and environmental changes.

The company has accumulated enough knowledge and expertise over the years to manage the growth in underwriting risk well. Qualified actuarial skills are used in portfolio pricing to establish adequate premium levels as well as appropriate reserve and capital levels, underwriters and claims handlers of the Company are highly experienced and reinsurance contracts are in place. All assumptions and models are regularly reviewed, actuarial modelling results are compared against experience in both pricing and reserving.

C.1.4 Material risk concentrations

ERGO belongs to Munich Re Group that has defined a methodology applicable to all ERGO Group subsidiaries for performing the accumulation risk management process. The process for accumulation risk management is intended to ensure that all risks that could pose a substantial threat to the business are identified, assessed and steered.

Underwriting risk concentration risk stems from high concentration of risks in one building or small geographical area. In ERGO the risk is the most significant in property lines of business. Additionally, the risk may arise in the motor business, i.e. concentration of risks in the ownership of one customer or higher concentration of special client segments due to anti-selection.

C.1.5 Risk reduction techniques

In order to protect its solvency position ERGO has concluded several reinsurance agreements. The main forms of reinsurance are risk based obligatory non-proportional and risk based obligatory proportional reinsurance, accompanied by catastrophe reinsurance protection for aggregation of net risks deriving from several of lines of business. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

While preparing the obligatory reinsurance program the portfolio structure, available solvency free capital and prudent future development trends are considered. The insurance portfolio is modelled in order to find optimal level of retention as well as the required treaty limits.

ERGO Group internal regulations and reinsurance company ratings are used in the process of choosing the reinsurance partners. The reinsurance program is approved by the ERGO Management board on annual basis. The Company has adopted the reinsurance strategy and process for purchasing facultative reinsurance. In case of deviances from reinsurance programs Risk Management approval is necessary.

C.1.6 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.

The stress tests and scenario analyses should cover all material risks. The materiality concept covers the assessment of the materiality for all quantifiable risks.

The following main objectives are covered by the stress tests and scenario analyses:

- Transparency of the risk profile:
 - Sensitivity of solvency ratio according to the Standard Formula.
 - Identification of scenarios being a threat to the company's viability.
- Risks in the business plan:
 - Analysing the risks in missing targets set in the business plan.

Both instantaneous sensitivity tests as well as long-term tests showed that from the Solvency point of view it is important to manage the profitability, especially in combination with the growth and in the light of potential climate changes and high inflation rates in Baltic countries. Another important impact comes from the reinsurance partners and their potential defaults in case of catastrophes. From operational risks IT related negative scenarios are potentially very impactful.

For the reverse stress test, the qualitative analyses which scenarios may lead to a critical solvency situation, a situation in which the survival of the company is not ensured anymore, were performed. The objective of stresses was bringing Own Funds to the level of SCR and MCR, i.e. $\text{Own Funds} = \text{SCR/MCR}$. Since the Company's Solvency ratio is sufficient, no other single scenario used, except of the default of the main reinsurance partner, would on its own directly lead Own Funds to SCR, there will need to be several.

C.2 Market risk

C.2.1 Risk exposure

Due to the fact that a large portion of our Company's portfolio consists of (fixed-) interest securities, changes of the general interest rates and credit spreads have a considerable effect on the value of our investments.

The following significant risk drivers and risk causes have been identified:

- Interest rate risk (incl. spread risk and interest volatility).
- Property risk.

Aggressive rate hike cycle of ECB had an impact on the company's revaluation reserve in 2022. Despite the continuation of rate hikes in 2023, there was a significant shift in market expectations towards the end of the year, with as many as 6 rate cuts anticipated for 2024. This notable change in market sentiment also had a positive effect on the company's revaluation reserve in 2023.

Company has conservative liability driven investment approach where duration matching between assets and liabilities is aimed as much as practically reasonable.

C.2.2 Measures for risk assessment

The significant risks of the asset portfolio are evaluated within the Standard Formula. Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The detailed description of the models can be found in Chapter C.2.5 "Description of stress tests and scenario analyses".

C.2.3 Material risk concentrations

Below is the list of 10 counterparties with highest market exposure.

Counterparty	Type of exposure	Rating	Total exposure, €
Germany, Federal Republic	6 – Zero risk Art 187_1-3	AAA	47 902 239
France, Republic	1 – Standard exposure 6 – Zero risk Art 187_1-3	AA2/AA3	15 160 652
Hauck & Aufhäuser Fund Services S.A.	1 – Standard exposure	NR	4 961 456
State of North Rhine-Westphalia	6 – Zero risk Art 187_1-3	AA1	4 900 105
Italy, Republic	6 – Zero risk Art 187_1-3	BBB2	4 799 917
Netherlands, Kingdom	6 – Zero risk Art 187_1-3	AAA	4 403 236
Bavaria, Free State	6 – Zero risk Art 187_1-3	AAA	4 304 705
Austria, Republic	6 – Zero risk Art 187_1-3	AA1	4 018 046
State of Hesse	6 – Zero risk Art 187_1-3	AA1	3 900 259
State of Berlin	6 – Zero risk Art 187_1-3	AA1/AAA	3 863 443

C.2.4 Risk reduction techniques

The company does not have any risk mitigation techniques currently in place. At the end of 2023 the company did not have any outstanding risk mitigation contracts.

C.2.5 Description of stress tests and scenario analyses

The exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The first, Net Loss Limit (NLL), monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries. The second, Credit Value at Risk (CVaR) measures the potential loss that a portfolio of assets, exposed to credit risk, could suffer due to a weakening of the issuer's credit rating. The third model, Market Value at Risk (MVaR), measures the possible decrease in value of the existing investment portfolio during one year. The fourth model, Investment Asset/Liability Mismatch (InvALM), combines the two aforementioned models (CvaR, MVaR) with the company's liability side and monitors, how the market events might influence the company due to the risks taken on asset side exceeding the risk neutral position from liabilities.

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. The credit risk includes both the risk of migration (deterioration of the "credit rating" of the counterparty) and the credit spread risk (price changes within a fixed rating class).

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 used for risk assessment

Credit risk is not evaluated explicitly in the 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 Group Internal Model and Standard Formula.

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 demands on issuers are also reflected in Group-wide investment principles. The majority of our investments consist of securities issued by issuers with high credit ratings.

The counterparty credit risk we face is closely monitored and actively managed. In an annual process we analyse 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.

C.3.3 Material risk concentrations

Please see chapter C.2.3 under 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 Stress test and scenario analyses

Please see chapter C.2.5 under the Market risk.

C.3.6 Material changes in credit risk over the reporting period

Under Standard Formula the counterparty default risk module considers two different kinds of exposures – Type 1 and Type 2 exposures. While the Type 1 relates mostly to reinsurance and financial institution counterparties, Type 2 has to do with policyholders' and intermediaries' debts. In 2023 the company did not change its approach to Counterparty Default risk; Solvency Capital Requirement value changes were related to changes in the underlying exposure.

C.4 Liquidity risk

C.4.1 Risk exposure

Liquidity risk refers to the risk that a company is unable to meet its financial obligations at maturity due to the lack of fungibility of existing assets.

Considering the short-term nature and liquidity characteristics of fixed income portfolio it's reasonable to expect availability of liquid funds even under most severe insurance and market events. Liquidity needs might be significantly increased because of insurance event (extraordinarily big claim) but even in that case the pay-out is not immediate but usually according to previously agreed schedule. Therefore, liquidity risk is of minor importance for the Company.

Additionally, there is possibility of liquidity squeeze in the financial markets but considering maturing bonds and high share of liquid government bonds, the 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

According to Article 260(2) of the Commission Delegated Regulation (EU) 2015/35, the expected profit included in future premiums shall be calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The total amount of expected profits included in future premiums is 3.6 million EUR, the value remained at the same level in 2023.

C.4.3 Measures used for risk assessment

The Finance and Investment department prepares a cash flow report on quarterly basis where both liability and asset side cash flows are forecasted for the next 12 months. In case significant shortage or excess is foreseen, appropriate steps on asset side are 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 duration of liabilities is matched with asset with similar duration, forms also good foundation for reducing liquidity risks. Additionally, fixed income portfolio consists of a significant part of government and covered bonds with excellent liquidity characteristics.

C.4.6 Stress test 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 errors in processes, inadequate information and telecommunications technology, external influences, such as natural disasters, and legal risks.

The highest operational risks have been identified in the areas of execution, delivery and process management (errors in data entry, accounting, underwriting, etc.), internal fraud (unauthorized activities of employees) and suitability, disclosure & fiduciary (failed mandatory reporting, actions that could cause violation of Data protection, insurance supervision and contract law). In addition, single high operational loss events might endanger the company's ability to continue with business operations. These events include errors in reserving and underwriting, internal fraud, business interruption due to system failure or fire and disclosure of confidential data.

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 defence 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, the 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. The continuity systems are tested regularly.

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.

The key risks that might affect strategy execution are following:

- 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.

In addition to the above mentioned, the strategic risks stem from quality of IT landscape that could jeopardize achievement of strategic results. The strategy of ERGO continues to address the risk environment adequately.

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 the Management Board level. If needed, appropriate measures are initiated. 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 two sub-categories of Reputational risk:

- Data and Information;
- Image risks.

The reputational risk associated with unauthorized publishing of confidential information is increasing, as implementation of data protection regulations in EU countries sets strict rules for processing the confidential information as well as the society is getting more and more educated regarding (potential) disclosure of personal data.

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 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 recoverables) are not considered here, but in Chapter D.2.

Assets	Solvency II value 2023	IFRS value 2023	Explanations
Intangible assets	0	18 869 799	Other intangible assets are only shown in the solvency balance sheet if they are both accounted 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 Insurance SE's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.
Deferred tax assets	267 548	267 548	Deferred tax assets valuation does not differ in SII and IFRS reporting.
Property, plant & equipment held for own use	15 172 294	10 944 642	The difference of 4 227 652 euros is equal to the difference between property appraisal and book value.
Investments (other than assets held for index-linked and unit-linked contracts)	257 635 830	257 635 830	
Holdings in related undertakings, including participations	50 000	50 000	
Equities	43 443	43 443	SII and IFRS values are equal.
Equities – unlisted	43 443	43 443	SII and IFRS values are equal.
Bonds	252 580 931	252 580 931	SII and IFRS values are equal.
Government Bonds	156 792 345	156 792 345	SII and IFRS values are equal.
Corporate Bonds	95 788 586	95 788 586	SII and IFRS values are equal.
Collective Investments Undertakings	4 961 456	4 961 456	SII and IFRS values are equal.
Insurance and intermediaries receivables	7 082 889	1 934 979	In the balance sheet under IFRS <i>Insurance and intermediaries receivables</i> 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	1 729 324	0	In the balance sheet under IFRS <i>Reinsurance receivables</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.
Receivables (trade, not insurance)	1 228 660	1 348 901	SII and IFRS values usually are very close, the difference of 120'241 is caused by temporary changes in the presentation. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Cash and cash equivalents	17 107 435	17 107 435	SII and IFRS values are equal.
Any other assets, not elsewhere shown	4 610 100	4 610 100	SII and IFRS values are equal. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Total assets without technical provisions	304 834 080	312 719 234	

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. Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. We 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 IFRS17, certain items that have previously been presented separately in our financial statements will be omitted, since the resulting cash flows are now recognized 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 accounted 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 recognised 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

In 2023 the principal temporary differences arise from different property and equipment depreciation rates, as well as from accrued expenses, provisions for doubtful debts and tax losses carried forward.

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 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.

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 must 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 sufficient 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 quoter 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, pfandbriefs, 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

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. 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.

As all assets are carried at fair value in the solvency balance sheet, no impairment regulations are required.

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 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 amortised costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) 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 receivables is recognised 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 of 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 the IFRS, 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. 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

ERGOs technical provision values as at 31.12.2023 are set out in the table below.

Euros	Solvency II value	IFRS17 value
Technical provisions – non-life	156 764 102	144 218 407
Technical provisions – non-life (excluding health)	152 608 203	139 464 566
TP calculated as a whole	0	0
Best Estimate	147 891 776	0
Risk margin	4 797 427	0
Technical provisions – health (similar to non-life)	4 155 899	4 753 841
TP calculated as a whole	0	0
Best Estimate	3 573 617	0
Risk margin	582 282	0
Technical provisions – life (excluding index-linked and unit-linked)	17 519 380	17 519 380
Technical provisions – health (similar to life)	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	17 519 380	17 519 380
TP calculated as a whole	0	0
Best Estimate	17 330 702	0
Risk margin	188 678	0
Technical provisions – index-linked and unit-linked	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0

Life insurance technical provisions in the above table stem only from Motor Third Party Liability annuities, non-life insurance technical provisions are further split into lines of business as in the following table.

Euros	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Medical expense insurance	1 228 983	211 903	1 440 886
Income protection insurance	2 392 013	370 380	2 762 393
Motor vehicle liability insurance, excl. annuities	58 837 424	1 794 706	60 632 130
Other motor insurance	18 090 253	847 274	18 937 527
Marine, aviation and transport insurance	6 238 651	191 537	6 430 188
Fire and other damage to property insurance	25 214 902	1 313 497	26 528 399
General liability insurance	8 607 168	384 269	8 991 438
Credit and suretyship insurance	1 893 422	144 167	2 037 590
Legal expense insurance	38 425	39 921	78 346
Assistance	565 375	82 057	647 431
Total	123 106 617	5 379 710	128 486 327

The value for reinsurance recoverables as at 31.12.2023 is set out below.

Euros	Solvency II value	IFRS17 value
Reinsurance recoverables from:	32 712 445	13 813 043
Non-life and health similar to non-life	28 277 775	9 378 373
Non-life excluding health	28 325 155	9 501 277
Health similar to non-life	-47 380	-122 904
Life and health similar to life, excluding health and index-linked and unit-linked	4 434 670	
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	4 434 670	4 434 670
Life index-linked and unit-linked	0	0

D.2.2 Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders 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.

D.2.3 Calculation of technical provisions

In general, the value of Solvency II 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 and special purpose vehicles. 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. Where 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.

D.2.4 Valuation of financial guarantees and contractual options included in insurance and reinsurance contracts

In general, when calculating technical provisions, the value of financial guarantees and contractual options included in insurance and reinsurance policies are taken into account. Any assumptions made with respect to the likelihood that policyholders 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.

D.2.5 Segmentation

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

D.2.6 Uncertainty Associated with the Amount of Technical Provisions

The estimation of technical provisions is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

We calculate the technical provisions for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving rules guarantees a substantially reliable and consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the technical provisions.

The uncertainty in technical provisions is further analysed by stressing certain assumptions and parameters in the calculations. In addition, we define and monitor scenarios that have the potential to impact the level of technical provisions significantly. Our technical provisions reflect the outcome of these analyses.

D.2.7 Financial statements: Application of International Financial Reporting Standards (IFRS)

ERGOs financial statements meet the requirements of IFRS.

D.2.8 Financial statements: Recognition and measurement of gross technical provisions

The technical provisions are shown as gross figures in the Solvency II balance sheet, i.e. before deduction of the ceded share. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements.

Unearned premiums are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases where the data for a calculation pro rata temporis are not available.

The provision for outstanding claims is for payment obligations arising from insurance contracts in primary insurance and reinsurance where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims whose occurrence is

not yet known (e.g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are known but whose extent has turned out to be different than originally foreseen. Expenses for internal and external loss adjustment expenses are included.

The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e.g. social, economic or technological factors). Future payment obligations are generally not discounted; exceptions are annuities stemming from property-casualty lines of business, which we discount. For determining the provision for outstanding claims, ERGO uses a range of actuarial projection methods, including the chain ladder and the Bornhuetter-Ferguson method. In applying the statistical methods, we consider large exposures separately. The standard actuarial methods we use are applied both to the run-off triangles for the payments and to the run-off triangles for the reported claims, so that we obtain a range of estimates for the ultimate loss. Within this range, a realistic estimated value for the ultimate loss is determined.

The provisions of IFRS17 for insurance contracts are applied in financial year 2023. A contract is classified as an insurance contract within the scope of IFRS17 if it transfers significant insurance risk.

The basic approach consists in applying the general measurement model (GMM). In view of the GMM's high complexity, IFRS17 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 property-casualty (re)insurance business.

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).

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. 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 future cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected future cash inflows, a loss component that reflects the expected loss on initial recognition is recognised directly as an expense.

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.2.9 Financial Statements: Recognition and Measurement of Ceded Share of Technical Provisions

The share of technical provisions for business ceded is determined from the respective technical provisions in accordance with the terms of the reinsurance agreements.

D.2.10 Explanation of the qualitative differences between the methodologies used for valuation for solvency purposes and those used for valuation in financial statements

Definition and scope

Under Solvency II the best estimate for non-life insurance obligations is calculated separately for the premium provision and for the provision for claims outstanding. The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the defined contract boundary. Similarly, to IFRS, the provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

In line with Solvency II, technical provisions and reinsurance recoverables are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. IFRS 17 requires measurement of insurance

contracts to be done in contract groups, which should aggregate contracts with similar characteristics and similar expected profitability.

Contract boundary

When valuating technical provisions under Solvency II, the company has to include obligations relating to existing (re) insurance business and exclude obligations relating to future business. The contract boundary is defined by the policyholder's options to establish, renew, extend, increase or resume the (re)insurance cover and the company's options to terminate the contract or amend premiums or benefits.

The contract boundary under Solvency II and IFRS17 are similar.

There might be cases where the company's processes lead to a differing contract boundary compared to Solvency II requirements. The impact of those differences is not material.

Discounting

Under Solvency II technical provisions are discounted. The company uses the risk-free interest rates depending on currency and maturity published by EIOPA when discounting technical provisions.

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

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

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

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

Risk margin

Solvency II prescribes an explicit risk margin as a part of technical provisions. In order to evaluate the uncertainty about the amount and timing of future cash flows, Risk Adjustment for non-financial risk is calculated also under IFRS17.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the original entity) is taken over by another undertaking. It is required to calculate the risk margin separately for the portfolio of insurance obligations related to life and to non-life activities.

In particular, the risk margin should cover underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policy holders and any other material exposures which are closely related to the insurance and reinsurance obligations, and operational risk. The risk margin is calculated by projecting the SCR under a 1-year risk horizon, covering the above risk categories, by using suitable risk drivers. The present value of the total SCR requirements is then multiplied with a cost of capital rate of 6%. The allocation of the risk margin to lines of business takes fair account of the cause of risk capital cost, by considering both the inherent risk drivers of the SCR and the best estimate technical provisions.

Company uses a simplified calculation of the risk margin as described in Article 58 of the Commission Delegate Regulation (EU) 2015/35.

Non-performance risk

We comply with the Solvency II requirements for the determination of the counterparty default adjustment.

Acquisition costs

Under Solvency II acquisition costs are taken into consideration when calculating technical provisions. Under the IFRS17, entities have a choice to expense all acquisition cash flows immediately and therefore, would not result in a difference with Solvency II.

D.2.11 General requirements for the calculation of reinsurance recoverables

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

A separate calculation shall be carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium provisions and provisions for claims outstanding. 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. For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, 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 special purpose vehicles 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.

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

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

D.2.12 Counterparty default adjustment

The result from the calculation of the best estimate shall be adjusted to take account of expected losses due to default of the counterparty. That adjustment shall be based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

The adjustment to take account of expected losses due to default of the counterparty shall be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty, including insolvency or dispute, at a certain point in time. For this purpose, the change in cash-flows shall not take into account the effect of any risk mitigating technique that mitigates the credit risk of the counterparty. These risk mitigating techniques shall be separately recognised as an asset, without increasing the amount recoverable from reinsurance contracts and special purpose vehicles.

The calculation shall take into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle and the dependence on time of the probability of default. It shall be carried out separately by each counterparty and each line of business, and in non-life insurance also separately for premium provisions and provisions for claims outstanding.

The company uses a simplified calculation of the counterparty default adjustment as described in Article 61 of the Commission Delegate Regulation (EU) 2015/35.

D.2.13 Management actions

Management actions are implemented as rules that reflect management discretion. The aim is to model potential management decisions realistically under various scenarios.

ERGO belongs to the Munich Re Group. A Manual of Methods for Technical Provisions ensures consistent valuation approaches throughout Munich Re Group. The technical provisions are calculated using established principles for actuarial valuation. In this context, requirements regarding segmentation of business, data used, economic and non-economic assumptions as well as methods and models are set out.

Management actions that have a potential to influence technical provisions include setting a reinsurance strategy. Company's management has taken a balanced and stable approach to reinsurance and drastic changes are not assumed.

D.2.14 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

During 2023 Solvency II Best Estimate assumptions were reviewed in both the outstanding claims and the premium provisions. In the outstanding claims provisions the claim development and cash-flow patterns were reviewed. In the premium provision the assumptions about future premiums, claims and expenses were reviewed.

During 2023 the provision for outstanding claims without the reinsurance impact increased by 1.5 million Euros, the premium provision increased by 9.2 million Euros, with reinsurance impact the changes were respectively -6.4 and 8.7 million Euros. The biggest increase was seen in Motor and decrease Marine insurance portfolio.

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 values 2023	IFRS values 2023	Explanations
Financial liabilities other than debts owed to credit institutions	5 494 142	5 494 142	SII and IFRS values are equal. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Insurance & intermediaries payables	27 332 332	35 499 948	The difference of 2 139 105 euros is caused by different approaches to Insurance payables under IFRS and Solvency II. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Reinsurance payables	28 632 740	0	In the balance sheet under IFRS Reinsurance payables 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)	7 553 223	7 553 223	SII and IFRS values are equal. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required.
Subordinated liabilities	21 238 965	21 708 815	
Subordinated liabilities not in Basic Own Funds	208 815	208 815	SII and IFRS values are equal.
Subordinated liabilities in Basic Own Funds	21 030 150	21 500 000	SII presents fair value, while IFRS – is at cost. The difference is equal to 469'850 euros.
Total other liabilities	90 251 402	70 256 128	

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, we explain the differences in more detail for the respective liabilities classes above. 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 above.

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 recognised 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 amortised 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 recognised at the amount actually 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:

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

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 equalisation 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 equity reserves and retained earnings from financial statements	94 538 362	68 699 989
Difference in the valuation of assets	-7 885 154	-56 059 563
Difference in the valuation of technical provisions	-6 353 706	-40 175 708
Difference in the valuation of other liabilities	-19 995 274	1 540 400
Solvency II Excess of assets over liabilities	73 011 640	54 356 534

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)	6 391 391	6 391 391	Tier 1 – unrestricted
Reconciliation reserve	66 352 701	47 729 273	Tier 1 – unrestricted
Subordinated liabilities	21 030 150	19 959 600	Tier 2
Net deferred tax assets	267 548	235 870	Tier 3
Total basic own funds	94 041 790	74 316 134	

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ERGO discloses and safeguards the regulatory needed capitalisation based on the Standard Formula.

E.2.1 Values of Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the Company's Solvency II Capital Requirement (SCR) composition:

Euros	Value 31.12.23	Value 31.12.22
Market risk	6 508 081	7 171 763
Counterparty default risk	3 170 329	3 769 391
Life underwriting risk	414 111	386 774
Health underwriting risk	4 695 663	4 172 655
Non-life underwriting risk	38 437 567	43 812 708
Diversification	-10 388 543	-10 689 458
Intangible asset risk		-
Basic Solvency Capital Requirement	42 837 208	48 623 834
Operational risk	7 773 499	6 335 165
Loss-absorbing capacity of deferred taxes		-
Net Solvency Capital Requirements (SCR)	50 610 707	54 958 999

Minimum Capital Requirement (MCR) is calculated as a maximum of two components: combined MCR and the absolute floor referred to in Article 129(1)(d) of Directive 2009/138/EC. The combined MCR shall be equal to the Linear MCR but not more than 45% of SCR and not less than 25% of SCR.

The Linear MCR is calculate separately for life and non-life obligations and added. For non-life the calculation depends on written premiums and technical provisions without the risk margin, for life technical provisions and capital at risk as described in Articles 250 and 251 of the Commission Delegate Regulation (EU) 2015/35.

The following data is used for Linear MCR calculations:

Euros	Net technical provisions	Net written premiums	α	β	Linear MCR
Medical expenses insurance	1 228 983	4 808 324	4,7%	4,7%	283 753
Income protection insurance	2 392 013	11 598 516	13,1%	8,5%	1 299 228
Motor vehicle liability	58 837 424	50 766 342	8,5%	9,4%	9 773 217
Motor, other classes	18 090 253	34 581 858	7,5%	7,5%	3 950 408
Marine, aviation, transport (MAT)	6 238 651	2 643 745	10,3%	14,0%	1 012 705
Fire and other property damage	25 214 902	44 132 085	9,4%	7,5%	5 680 107
Third-party liability	8 607 169	11 270 597	10,3%	13,1%	2 362 987
Credit and suretyship	1 893 422	4 530 626	17,7%	11,3%	847 097
Legal expense insurance	38 425	1 518 639	11,3%	6,6%	104 572
Assistance	565 375	3 765 513	18,6%	8,5%	425 228
Total Linear MCR for non-life obligations					25 739 303
Linear MCR for life obligations	12 896 033		2,10%		270 817
Total Linear MCR					26 010 119

The value of Minimum Capital Requirement (MCR) is shown below:

Euros	Value 31.12.23	Value 31.12.22
Linear MCR	26 010 119	28 349 280
SCR	50 610 707	54 958 999
MCR cap	22 774 818	24 731 549
MCR floor	12 652 677	13 739 750
Combined MCR	22 774 818	24 731 549
Absolute floor of the MCR	4 000 000	4 000 000
Minimum Capital Requirement (MCR)	22 774 818	24 731 549

The following table shows that ERGO is sufficiently covered under Solvency II:

Euros	Value 31.12.23	Value 31.12.22
SCR	50 610 707	54 958 999
MCR	22 774 818	24 731 549
Eligible Own Funds for SCR coverage	94 041 790	74 316 134
Eligible Own Funds for MCR coverage	77 299 056	59 066 974
SCR Coverage	186%	135%
MCR Coverage	339%	239%

E.2.2 Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

During 2023 Solvency Capital Requirement value decreased by 4.3 million Euros. Capital Requirement for Underwriting risk before diversification decreased by 4.8 million Euros; mainly due to decrease in premium and reserve volume Marine insurance portfolio and Motor reserves.

Minimum Capital Requirement decreased by 2.0 million Euros due to Solvency Capital Requirement decrease. Similar to the last year, the Minimum Capital Requirement was determined by MCR cap value of 45% of SCR, despite the fact that absolute floor for MCR was increased.

E.2.3 Simplified calculations

ERGO uses simplified calculations with longevity risk, lapse risk and catastrophe risk.

Article 88 of the Delegated Regulation (EU) 2015/35 regulates the use of the simplified calculations. The Company assesses that the use of the simplification is justified considering the nature, scale and complexity of the specific risk.

E.2.4 Use of Undertaking-specific Parameters

ERGO does not use Undertaking-specific Parameters (USP) as described in to Article 104 (7) of Directive 2009/138 / EC.

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

As the duration-based equity risk sub-module only applies to life insurance undertakings, ERGO does not use it.

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

As at 31.12.2023 ERGO is compliant with the Minimum Capital Requirement and with the Solvency Capital Requirement.

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
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	267 548
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	15 172 294
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	257 635 830
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	50 000
Equities	R0100	43 443
Equities – listed	R0110	
Equities – unlisted	R0120	43 443
Bonds	R0130	252 580 931
Government Bonds	R0140	156 792 345
Corporate Bonds	R0150	95 788 586
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	4 961 456
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	32 712 445
Non-life and health similar to non-life	R0280	28 277 775
Non-life excluding health	R0290	28 325 155
Health similar to non-life	R0300	-47 380
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	4 434 670
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	4 434 670
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	

		Solvency II value
		C0010
Insurance and intermediaries receivables	R0360	7 082 889
Reinsurance receivables	R0370	1 729 324
Receivables (trade, not insurance)	R0380	1 228 660
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	17 107 435
Any other assets, not elsewhere shown	R0420	4 610 100
Total assets	R0500	337 546 525

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	156 764 102
Technical provisions – non-life (excluding health)	R0520	152 608 203
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	147 810 776
Risk margin	R0550	4 797 427
Technical provisions – health (similar to non-life)	R0560	4 155 899
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	3 573 617
Risk margin	R0590	582 282
Technical provisions – life (excluding index-linked and unit-linked)	R0600	17 519 380
Technical provisions – health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	17 519 380
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	17 330 702
Risk margin	R0680	188 678
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
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	
Financial liabilities other than debts owed to credit institutions	R0810	5 494 142
Insurance & intermediaries payables	R0820	27 332 332
Reinsurance payables	R0830	28 632 741
Payables (trade, not insurance)	R0840	7 553 223
Subordinated liabilities	R0850	21 238 965
Subordinated liabilities not in Basic Own Funds	R0860	208 815
Subordinated liabilities in Basic Own Funds	R0870	21 030 150
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	264 534 885
Excess of assets over liabilities	R1000	73 011 640

S.04.05.21**Premiums, claims and expenses by country****Non-life insurance and reinsurance obligations**

		Home country	Latvia	Lithuania
		C0010	C0020	C0020
Premiums written (gross)				
Gross Written Premium (direct)	R0020	82 811 566	45 317 305	144 502 166
Gross Written Premium (proportional reinsurance)	R0021			
Gross Written Premium (non-proportional reinsurance)	R0022			
Premiums earned (gross)				
Gross Earned Premium (direct)	R0030	79 130 368	42 791 106	134 340 147
Gross Earned Premium (proportional reinsurance)	R0031			
Gross Earned Premium (non-proportional reinsurance)	R0032			
Claims incurred (gross)				
Claims incurred (direct)	R0040	43 657 695	19 266 737	77 517 289
Claims incurred (proportional reinsurance)	R0041			
Claims incurred (non-proportional reinsurance)	R0042			
Expenses incurred (gross)				
Gross Expenses Incurred (direct)	R0050	21 396 332	15 772 256	43 290 552
Gross Expenses Incurred (proportional reinsurance)	R0051			
Gross Expenses Incurred (non-proportional reinsurance)	R0052			

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
Premiums written	Gross – Direct Business	R0110	4 773 538	12 467 551		98 750 461	70 977 212	3 151 751	54 103 672	13 932 205	8 965 393
	Gross – Proportional reinsurance accepted	R0120									
	Gross – Non-proportional reinsurance accepted	R0130									
	Reinsurers' share	R0140	51 607	54 019		45 209 788	32 771 127	446 775	6 293 084	1 941 571	3 651 588
	Net	R0200	4 721 931	12 413 532		53 540 673	38 206 086	2 704 976	47 810 587	11 990 633	5 313 804
Premiums earned	Gross – Direct Business	R0210	4 968 761	11 835 328		93 727 216	65 736 595	3 118 690	50 635 861	13 023 672	7 989 425
	Gross – Proportional reinsurance accepted	R0220									
	Gross – Non-proportional reinsurance accepted	R0230									
	Reinsurers' share	R0240	51 607	54 019		45 192 085	32 748 184	447 293	6 374 644	1 912 474	3 175 990
	Net	R0300	4 917 154	11 781 309		48 535 131	32 988 411	2 671 396	44 261 216	11 111 198	4 813 435
Claims incurred	Gross – Direct Business	R0310	2 415 940	4 316 056		55 203 076	43 263 624	1 780 234	24 263 099	4 499 140	401 736
	Gross – Proportional reinsurance accepted	R0320									
	Gross – Non-proportional reinsurance accepted	R0330									
	Reinsurers' share	R0340				31 268 677	22 741 267	-979 530	-2 675 776	134 680	56 867
	Net	R0400	2 415 940	4 316 056		23 934 399	20 522 357	2 759 764	26 938 875	4 364 460	344 869
Expenses incurred	R0550	2 009 949	4 656 444		15 197 760	10 680 206	982 394	16 626 047	3 752 679	1 431 049	
Balance – other technical expenses/income	R1210										
Total technical expenses	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	C0200
Premiums written	Gross – Direct Business	R0110	1 518 567	3 990 689						272 631 037
	Gross – Proportional reinsurance accepted	R0120								0
	Gross – Non-proportional reinsurance accepted	R0130								0
	Reinsurers' share	R0140								90 419 560
	Net	R0200	1 518 567	3 990 689						182 211 478
Premiums earned	Gross – Direct Business	R0210	1 515 095	3 710 977						256 261 620
	Gross – Proportional reinsurance accepted	R0220								0
	Gross – Non-proportional reinsurance accepted	R0230								0
	Reinsurers' share	R0240								89 956 298
	Net	R0300	1 515 095	3 710 977						166 305 322
Claims incurred	Gross – Direct Business	R0310	166 389	461 267						136 770 561
	Gross – Proportional reinsurance accepted	R0320								0
	Gross – Non-proportional reinsurance accepted	R0330								0
	Reinsurers' share	R0340								50 546 184
	Net	R0400	166 389	461 267						86 224 376
Expenses incurred	R0550	778 032	2 623 102							58 737 662
Balance – other technical expenses/income	R1210									2 575 267
Total technical expenses	R1300									61 312 929

		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
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						3 662 628			3 662 628
Reinsurers' share	R1620						32 085			32 085
Net	R1700						3 630 543			3 630 543
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Other expenses	R2500									
Total expenses	R2600									

S.12.01.02

Life and Health SLT Technical Provisions

				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)
				C0090	C0100	C0150
Technical provisions calculated as a whole			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			R0020			
		Gross Best Estimate	R0030	17 330 702		17 330 702
Technical provisions calculated as a sum of BE and RM	Best Estimate	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	4 434 670		4 434 670
		Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	12 896 033		12 896 033
		Risk Margin	R0100	188 678		188 678
Technical provisions – total			R0200	17 519 380		17 519 380

S.17.01.02
Non-Life Technical Provisions

					Direct business and accepted proportional reinsurance										Total Non-Life obligation	
					Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation, and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance		
					C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120		C0180
				R0010												
				R0050												
			Gross	R0060	368 000	1 231 283	24 937 978	13 231 936	220 525	14 823 928	1 391 844	787 869	-236 243	407 042	57 164 161	
		Premium provisions	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-7 451	-39 929	-440 293	-877 162	-79 836	142 644	-159 138	-232 314	0	0	-1 693 479	
			Net Best Estimate of Premium Provisions	R0150	375 451	1 271 212	25 378 271	14 109 098	300 361	14 681 284	1 550 982	1 020 183	-236 243	407 042	58 857 641	
			Gross	R0160	853 532	1 120 801	53 642 036	7 726 642	6 546 341	13 935 950	8 425 584	1 536 343	274 668	158 333	94 220 231	
		Claims provisions	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			20 182 883	3 745 487	608 051	3 402 332	1 369 397	663 104			29 971 255	
			Net Best Estimate of Claims Provisions	R0250	853 532	1 120 801	33 459 153	3 981 155	5 938 290	10 533 618	7 056 186	873 239	274 668	158 333	64 248 977	
			Total Best estimate – gross	R0260	1 221 532	2 352 085	78 580 014	20 958 577	6 766 866	28 759 878	9 817 428	2 324 212	38 425	565 375	151 384 393	
			Total Best estimate – net	R0270	1 228 983	2 392 013	58 837 424	18 090 253	6 238 651	25 214 902	8 607 169	1 893 422	38 425	565 375	123 106 617	
			Risk margin	R0280	211 903	370 380	1 794 706	847 274	191 537	1 313 497	384 269	144 167	39 921	82 057	5 379 710	
			Technical provisions – total	R0320	1 433 435	2 722 464	80 374 720	21 805 851	6 958 403	30 073 375	10 201 697	2 468 380	78 346	647 431	156 764 102	
			Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	-7 451	-39 929	19 742 590	2 868 325	528 215	3 544 976	1 210 259	430 790			28 277 775	
			Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	1 440 886	2 762 393	60 632 130	18 937 527	6 430 188	26 528 399	8 991 438	2 037 590	78 346	647 431	128 486 327	

**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)
(absolute amount)**

		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											601 281	601 281	601 281
N-9	R0160	57 068 962	27 609 792	2 374 458	1 183 226	436 868	238 240	121 162	447 921	-12 982	-9 456		-9 456	89 458 191
N-8	R0170	69 194 098	29 719 092	3 429 132	1 392 496	638 095	309 208	-15 120	100 889	-21 608			-21 608	104 746 282
N-7	R0180	80 212 828	29 256 067	3 507 008	1 908 891	1 384 975	505 704	183 552	15 797				15 797	116 974 822
N-6	R0190	80 730 249	32 828 157	4 490 536	2 496 910	1 366 317	2 396 306	-277 136					-277 136	124 031 339
N-5	R0200	88 500 207	34 236 636	4 498 489	2 065 916	1 625 516	2 205 838						2 205 838	133 132 602
N-4	R0210	95 022 890	31 462 030	5 319 349	1 607 441	1 824 224							1 824 224	135 235 934
N-3	R0220	99 195 989	39 880 714	7 107 141	2 032 752								2 032 752	148 216 596
N-2	R0230	116 218 313	51 267 219	7 075 295									7 075 295	174 560 828
N-1	R0240	82 020 328	30 786 206										30 786 206	112 806 534
N	R0250	126 074 440											126 074 440	126 074 440
Total	R0260												170 307 632	1 265 838 847

**Gross undiscounted Best Estimate Claims Provisions
(absolute amount)**

		Development year											Year-end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											16 510 404	19 156 572
N-9	R0160	0	12 738 996	10 559 608	6 626 794	5 456 471	5 268 581	4 885 184	3 005 022	2 696 898	2 069 480		1 649 986
N-8	R0170	40 676 054	8 842 976	4 488 961	3 339 132	2 514 160	3 365 650	2 100 060	2 154 769	1 821 672			1 545 168
N-7	R0180	45 535 573	13 857 594	10 746 258	7 934 985	6 130 627	4 246 488	3 425 572	3 602 971				2 786 847
N-6	R0190	52 458 664	16 746 598	11 251 918	8 886 070	5 837 572	4 439 511	2 664 295					2 131 734
N-5	R0200	63 924 341	27 780 075	20 665 242	20 210 934	17 596 125	13 179 212						10 733 156
N-4	R0210	67 106 712	27 543 212	17 325 483	15 428 359	7 324 470							6 149 094
N-3	R0220	64 587 943	18 592 820	10 107 010	6 078 600								5 263 490
N-2	R0230	82 227 210	27 599 707	20 767 416									18 092 166
N-1	R0240	68 055 522	19 567 629										17 929 847
N	R0250	80 694 605											76 710 611
Total	R0260												162 148 670

S.23.01.01 Own funds

			Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Ordinary share capital (gross of own shares)	R0010	6 391 391	6 391 391			
	Share premium account related to ordinary share capital	R0030					
	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	66 352 701	66 352 701			
	Subordinated liabilities	R0140	21 030 150			21 030 150	
	An amount equal to the value of net deferred tax assets	R0160	267 548				267 548
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions	Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions		R0290	94 041 790	72 744 092		21 030 150	267 548
Total ancillary own funds		R0400					
Available and eligible own funds	Total available own funds to meet the SCR	R0500	94 041 790	72 744 092		21 030 150	267 548
	Total available own funds to meet the MCR	R0510	93 774 242	72 744 092		21 030 150	
	Total eligible own funds to meet the SCR	R0540	94 041 790	72 744 092		21 030 150	267 548
	Total eligible own funds to meet the MCR	R0550	77 299 056	72 744 092		4 554 964	
SCR		R0580	50 610 707				
MCR		R0600	22 774 818				
Ratio of Eligible own funds to SCR		R0620	1,8581				
Ratio of Eligible own funds to MCR		R0640	3,3941				

			Value
			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	73 011 640
	Own shares (held directly and indirectly)	R0710	0
	Foreseeable dividends, distributions and charges	R0720	0
	Other basic own fund items	R0730	6 658 939
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760		66 352 701

S.25.01.01

Solvency Capital Requirement – for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk-	R0010	6 508 081		
Counterparty default risk	R0020	3 170 329		
Life underwriting risk	R0030	414 111		
Health underwriting risk	R0040	4 695 663		
Non-life underwriting risk	R0050	38 437 567		
Diversification	R0060	-10 388 543		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	42 837 208		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	7 773 499
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	
Solvency capital requirement excluding capital add-on	R0200	50 610 707
Capital add-on already set	R0210	
Solvency capital requirement	R0220	50 610 707
Other information on SCR		
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.28.01.01**Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity****Linear formula component for non-life insurance and reinsurance obligations**

			C0010
MCR _{NL} Result		R0010	25 739 303
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1 228 983	4 808 324
Income protection insurance and proportional reinsurance	R0030	2 392 013	11 598 516
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	58 837 424	50 766 342
Other motor insurance and proportional reinsurance	R0060	18 090 253	34 581 858
Marine, aviation and transport insurance and proportional reinsurance	R0070	6 238 651	2 643 745
Fire and other damage to property insurance and proportional reinsurance	R0080	25 214 902	44 132 085
General liability insurance and proportional reinsurance	R0090	8 607 169	11 270 597
Credit and suretyship insurance and proportional reinsurance	R0100	1 893 422	4 530 626
Legal expenses insurance and proportional reinsurance	R0110	38 425	1 518 639
Assistance and proportional reinsurance	R0120	565 375	3 765 513
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

		C0040
MCR _L Result	R0200	270 817

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210		
Obligations with profit participation – future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	12 896 033	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	26 010 119
SCR	R0310	50 610 707
MCR cap	R0320	22 774 818
MCR floor	R0330	12 652 677
Combined MCR	R0340	22 774 818
Absolute floor of the MCR	R0350	4 000 000
Minimum Capital Requirement	R0400	22 774 818



ERGO Insurance SE
Registration number 10017013
VAT registration number EE100295906
Veskiposti 2/1, 10138 Tallinn, Estonia
Phone (+372) 610 6500
E-mail info@ergo.ee
www.ergo.ee