

ERGO

Solvency and Financial Conditions Report (SFCR)

ERGO Insurance SE
Financial year 2020



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SUMMARY

ERGO Insurance SE is presenting the Solvency and Financial Condition Report (SFCR) for the third time. 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 2020 financial year.

During year 2020 COVID-19 turned into a worldwide pandemic. It is considered as a “major development” as referred to in article 54(1) in the Solvency II Directive. The pandemic affected all aspects of the people’s life all around the world and in Baltic in particular. Despite the high uncertainty with the further developments of the situation the Company is well prepared for situation. It refers to both: sustainable capital position and ensuring operations running smoothly on daily basis. Further information available in the next chapter of this document.

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 2020, ERGO Insurance SE generated premium income of 194,1 million euros, 0,4% increase on the year before. The largest classes were motor third-party liability and comprehensive motor vehicle insurance.

During 2020 the processes in all three countries have been standardized and simplified to enable business transformation and offer the customers the seamless experience in sales and claims. This is a part of the IT transformation project started in 2019 and due by 2021. ERGO aims to become efficient and innovative company that provides the best client service and also performs as the 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. Our 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.

Our 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).

Solvency II creates new 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).

Our company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times. As of end of the 2020 Solvency II ratio achieved 140% (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 2020 financial year.

This Solvency and Financial Condition Report for financial year 2020 was approved by the Management Board of ERGO Insurance on 06.04.2021.

COVID-19 MAJOR DEVELOPMENTS

The COVID-19 pandemic affects all aspects of the people's life all around the world and in Baltic in particular. Despite the high uncertainty with the further developments of the situation the Company is well prepared for situation. It refers to both: sustainable capital position and ensuring operations running smoothly on daily basis. The great portion of the Company functions switched to working remotely since March 2020. Even fair part of the sales operations used to work remotely for a number of weeks during springtime. By doing this ERGO ensured safety of its employees, business continuity of the processes as well as showed social responsibility towards the common struggle with pandemic.

The crisis showed limited impact on ERGO performance: in 2020 the Company collected 0,4% more insurance premiums than in 2019. This is due to balancing effect from the business lines less affected directly by COVID-19 developments.

COVID-19 somewhat impacted claims reserves during the turbulent period of spring-summer 2020: rapid increase in travel insurance reserves and on the other hand relief in motor claims due to reduced traffic. However, already by the 3Q 2020 the total effect on the claims developments was not significant. The Company anticipates possible future negative impact followed by business interruptions/closures in different business sectors.

ERGO Group Risk Management (IRM) has a significant role in the Company risk governance framework. On the early stages of the crisis IRM coordinated the assessment of current developments conducting specific analyses considering different possibilities for COVID-19 development (e.g. V, U, L scenarios). The Company's risk management processes include measures such as risk assessment, scenario analysis, solvency projections and increased reporting frequency if needed, making the process sustainable for addressing unfavorable changes in the external environment.

Underwriting risk

The COVID-19 pandemic is expected to have an impact through decrease in GWP due to the business interruptions and/or significant decline in companies' turnover and as a result change in strategic directions. Also motor claims have returned on the pre-COVID level while the premiums are considerably lower than previously.

For this type of risk emerging events as COVID-19 are analyzed through a number of specific analysis as well as scenario analysis.

Market and Credit risk

COVID-19 pandemic had an impact on market risk as it caused significant price volatility on financial market. COVID-19 impact on credit risk is mostly associated with investments in fixed-income securities. More information regarding the impact of the COVID-19 developments could be found in the Chapter C.2 and C.3.

Liquidity risk

Under influence of the COVID-19 pandemic the Company's liquidity situation was also affected. However, we carefully monitored the development to ensure that Company has sufficient resources to ensure liquidity. Asset portfolio has been structured in a way that liquidity requirements are met even during extraordinary circumstances – the majority of the Company's asset portfolio consists of liquid instruments (government bonds, covered bonds, cash and other fixed income investments). More information about this could be found in Chapter C.4.

Operational risk

The Company's operational risks associated with the COVID-19 pandemic mainly result from operational delays due to employee health problems as well as operational performance of ERGO partners. Also IT security and data protection is key for operational risk under the current circumstances.

The Company has executed its business continuity plans to ensure safety of employees while operating smoothly as possible for the sake of ERGO clients.

A. BUSINESS AND PERFORMANCE

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

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 gross premium income for 2020 was 194,1 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: the main priority is always customer satisfaction. Globally, ERGO Group is also strongly focused on innovation and digitalization.

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

During 2020 the processes in all three countries have been standardized and simplified to enable business transformation and offer the customers the seamless experience in sales and claims. This is a part of the IT transformation project started in 2019 and due by 2021.

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 economic activity which has been slowing since 2018, was badly hit by the COVID-19 pandemic, resulting in an unprecedented recession in the first half of 2020. The extraordinary macroeconomic policy response helped to cushion the impact and, together with the relaxation of containment measures, spurred a cyclical rebound in the summer. However, the recovery is expected to be very gradual, incomplete and uneven across countries, regions and sectors. The medium-to-long term effects of the COVID-19 crisis, including a looming threat of insolvencies, elevated unemployment and disruptions in global supply chains are likely to hamper global investment, productivity and potential growth in the years to come.

Real global GDP (excluding EU) decreased by 3.2% q-o-q and 6% q-o-q, in the first and second quarter of 2020, respectively, reflecting the spread of the pandemic and the corresponding intensification of containment measures. China re-emerged from its containment phase as early as the second quarter, while real GDP in all other major economies collapsed at unprecedented speed. Global GDP (excluding the EU) is expected to decrease by 3.8% in 2020 as the COVID-19 shock, containment measures, and increased uncertainty took a toll on global consumption, investment and trade. The ongoing cyclical recovery in private demand and the accommodative macroeconomic policy mix should support the global economic rebound, though scars related to the COVID-19 crisis, including looming insolvencies, elevated unemployment and disintegrating global supply chains are likely to moderate growth in the medium term. Thus, the global economy (excluding the EU) is forecast to expand by 4.7% in 2021, boosted by a strong carry-over from the rebound in the second half of 2020. In 2022, real GDP is forecast to increase by 3.7% as output gaps gradually close and growth slows towards its long-term potential.

Economic developments in the Baltic States

In the Baltic countries relatively mild GDP contraction during first half of 2020 was followed by significant rebound during 3rd quarter.

In Estonia GDP is forecasted to drop significantly by 4.5% in 2020 but is set to recover and expected to return to its 2019 level by the end of 2022. In 2021, GDP is set to regain, expanding by 3.5% primarily due to rebound in private consumption and investment. Deflation in 2020 reflects significant falls in energy and tourism-related prices.

Latvia's GDP is projected to decline by 5.5% in 2020 with consumption and exports set to decline the most. It is expected to recover most of the lost ground in 2021 thanks to a rebound in consumption and private investment. Growth should remain solid in 2022 at around 3.5%.

Lithuania's economy cope with initial blow of the COVID-19 pandemic relatively well. Lithuania was the only euro area Member State that did not see real GDP decline in the first quarter of the year. Measures to stem the COVID-19 pandemic and general uncertainty took their toll in the second quarter when real GDP contracted by 5.9%. For the year 2020 as a whole, real GDP was projected to shrink by approximately 2.25%.

A.2 Underwriting Performance

In 2020, ERGO generated premium income of 194,1 million euros, 0,4 % increase since 2019. The largest classes were motor third-party liability (hereafter 'motor liability') insurance and comprehensive motor vehicle (hereafter 'motor own damage') insurance, which generated premium income of 70,2 million euros and 48,9 million euros, accounting for 36,2% and 25,2%

of the total portfolio, respectively. Property insurance contributed 36,8 million euros, i.e. 18,9%. Premiums written in income protection insurance, liability insurance and marine insurance totalled 8,2 million euros, 9,0 million euros and 8,9 million euros respectively and their respective contributions were 4,7%, 4,2 and 4,1%. The total contribution of other insurance classes, which each accounted for less than 3,0%, was 12,1 million euros, i.e. 6,7%.

Compared with 2019, the share of motor liability insurance decreased by 4,0 percentage points and its premium income by 7,4 million euros, i.e. 9,5%. In addition to motor liability insurance medical expense insurance, assistance and legal expenses insurance decreased 40,2%, 14,2% and 4,7% respectively. Opposite to motor liability insurance, growth was also achieved in other lines. Highest increase was in marine insurance where premium income grew by 135,9%, i.e. 4,6 million euros.

Table 1. Gross premium income by line of business

In euros	2020		2019		Change	
	Gross written premiums	Share of class, %	Gross written premiums	Share of class, %	Gross written premiums	Share of class, pp
Medical expense insurance	3 091 896	1,6%	5 174 394	2,7%	-2 082 498	-1,1pp
Income protection insurance	8 151 388	4,2%	7 655 800	4,0%	495 588	0,2pp
Motor vehicle liability insurance	70 229 973	36,2%	77 619 681	40,2%	-7 389 708	- 4,0pp
Other motor insurance	48 855 747	25,2%	48 528 044	25,1%	327 703	0,1pp
Marine, aviation and transport insurance	8 024 850	4,1%	3 401 424	1,8%	4 623 426	2,4pp
Fire and other damage to property insurance	36 755 577	18,9%	34 119 291	17,7%	2 636 286	1,3pp
General liability insurance	9 046 484	4,7%	8 264 961	4,3%	781 523	0,4pp
Credit and suretyship insurance	5 904 137	3,0%	3 969 880	2,1%	1 934 257	1,0pp
Legal expenses insurance	1 561 633	0,8%	1 637 973	0,8%	-76 340	- 0,0pp
Assistance	2 519 549	1,3%	2 937 420	1,5%	-417 871	- 0,2pp
Total	194 141 234	100,0%	193 308 868	100,0%	832 366	

Table 2. Gross Premium Income by countries

In euros	2020	2019
Estonia	64 062 293	61 662 526
Latvia	35 415 521	36 909 953
Lithuania	94 663 420	94 736 389
Total	194 141 234	193 308 868

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 highly qualified specialists from Estonia and Germany. In line with the investment management system, tactical investment management is outsourced to an external service provider: 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 2020, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The credit risk profile of the debt securities portfolio was as follows: 63% (2019: 50.1%)

had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 18,5% (2019: 18.1%) were rated AA or Aa, 7,8% (2019: 13%) had an A rating, 10,6% (2019: 16.3%) had a BBB or Baa rating, and 0% (2019: 2.5%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates of 0,05 million euros, , debt securities of 209,5 million euros), loans of 0 million euros, and equities and fund units of 0,04 million euros. There were no investments in term deposits.

Income on assets with interest rate risk amounted to negative 0,07 million euros. Realisation of debt securities produced a gain of 0,08 million euros. Dividend income amounted to 0.03 million euros. The fair value reserve increased by 0,5 million euros. Thus, the overall yield of the investment portfolio was 0.47%. (Investment management expenses accounted for 0,16% of the carrying value of managed investments.

ERGO does not have any investments in securitisation.

A.3.2 Gains and losses recognised directly in equity

Fair value change is related to developments in fixed income markets – during the year yield curve shifted downwards, causing increased fair value of fixed income portfolio.

<i>In euros</i>	2020	2019
At 1 January	882 201	70 670
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-808 963	-61 963
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	-1 468	-220
Net change in fair value recognised in other comprehensive income or expense during the year	1 325 938	873 714
At 31 December	1 397 708	882 201

A.4 Performance of other activities

Other income contains fees, commissions, charges received; insurance brokerage income; income from currency revaluation; rental income and other income not related to insurance activities. Compared to the previous period, the structure of other incomes did not change in 2020, but all activities' revenue was, to a certain degree, more significant.

Other expenses contain membership fees to Financial Supervision Authority and professional associations; audit and legal fees; expenses related to currency revaluation; insurance brokerage expenses; write-off and other expenses not related to insurance activities. Compared to the previous period, all kind of expenses increased to some extent. A more significant increase observed in the real estate related expenses.

<i>In euros</i>	2020				2019			
	Estonia	Latvia	Lithuania	Total	Estonia	Latvia	Lithuania	Total
Other activities								
Other income	508 983	299 895	1 137 161	1 946 039	533 009	196 914	990 846	1 720 769
Other expenses	1 044 921	244 465	607 938	1 897 324	834 780	221 223	329 811	1 385 814
Total result	-535 938	55 430	529 223	48 715	-301 771	-24 309	661 035	334 955

A.5 Any other information

There is no other information.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In 2020 changes in the composition of the Supervisory Board were made. One Supervisory Board member was recalled from the Supervisory Board at his own request and two new members appointed. New members were evaluated under Fit and Proper procedure and their candidacies were reconciled with Estonian Financial Supervision Authority (FSA). More detailed information about current composition of the Supervisory is provided in 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 (Finantsinspeksioon).

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

ERGO has following management bodies:

- **General meeting of shareholders**
- **Supervisory Board** (consists of 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.

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

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

The Management Board members are elected by the Supervisory Board. The 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 its own area of responsibility (internal allocation of tasks).

The branches of the company are managed by the branch managers. Branch manager is one of the Management Board Members. The branch managers are appointed by the Management

Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers also.

Management Board members as at the end of 2020 were:

- Bogdan Benczak – Chairman of the Management Board
- Ingrida Kirse – Management Board member
- Tadas Dovbyšas – Management Board member
- Maciej Szyszko – Management Board member
- Marek Ratnik – Management Board member.

The roles and responsibilities of the members of the Management Board until 31.12.2020 were as following:

Chairman of the Management Board (CEO) Bogdan Benczak is responsible for the following departments: corporate communication and marketing, corporate development and strategy, HR and office administration, legal and compliance, claims, information security.

Member of the Management Board (CUO Life/ Health) Ingrida Kirse is responsible for life, health insurance operations (UW, product development, pricing, contract management, AML) in the Baltics. She also is a branch manager of ERGO Insurance SE and ERGO Life Insurance SE branch offices in Latvia.

Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) in P&C and Life 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 P&C insurance operations in the Baltics (underwriting, product development, pricing, contract management). He is also a branch manager of ERGO Life Insurance SE branch in Estonia.

Member of the Management Board (CFO) Maciej Szyszko is responsible for accounting, planning and controlling, actuarial, risk management, investments, procurement and IT in the Baltics.

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.

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

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

B.1.2 Supervisory Board

Duties and responsibilities

The Supervisory Board plans the activities of the Company, organises the management of the company, elects and recalls Management Board members and supervises the activities of the Management Board. Certain transactions require its approval, but it is not authorised to take management action in place of the Management Board.

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.

In 2020 shareholder took a decision on revoking Carsten Keune from the position of a member of the Supervisory Board and elected two new members of the Supervisory Board.

The members of the Supervisory Board are:

- Piotr Maria Sliwicki – Chairman of the Supervisory Board
- Grzegorz Szatkowski – member of the Supervisory Board
- Adam Roman – member of the Supervisory Board
- Justyna Wajs – 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 to Solvency II Directive, ERGO has in place the following **four key functions**:

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

Key functions are incorporated into the 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. 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.

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 includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive. 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. 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 ERGO Management Board to effectively implement a risk management system and integrate it into business operations. In this respect, the risk management system is understood as meaning the entirety of all measures, on an individual or aggregate basis, serving the regular identification, assessment, monitoring and management of risks taken or potential risks as well as reporting on these. Please see chapter B.3.2 for details.

B.1.4 Remuneration policy

ERGO Remuneration policy sets the transparent and common remuneration system that facilitates the implementation of Company strategy. The coherent and transparent remuneration system allows bonuses to be aligned with company results.

The bases and principles of determining the remuneration and other office related benefits of employees, shall:

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

General remuneration principles

Based upon the legal framework and regulations as well as best human resources practices, the most important principles of the policy are:

- remuneration policy is in line with the achievement of objectives defined in the Company strategy; in the event of changes of the strategy, the remuneration system structure shall be reviewed and if necessary, amended;
- remuneration policy shall help to avoid negative incentives, especially conflicts of interest, as remuneration will be paid strictly according to this policy;
- remuneration system comprises a fixed component and a variable component, both of which must stand in an appropriate relationship to one another;
- remuneration policy shall ensure internal fairness and external competitiveness;
- employees are offered a competitive and market aligned remuneration package;
- every position is evaluated to determine both its relative internal value and external value based on written position description – job profile.

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.

Where the Management Board Member occupies Other Positions on the basis of employment agreement, the Management Board Member shall receive due remuneration for the performed work pursuant to the procedure and conditions specified in a respective employment contract.

Job grading

All job positions within the Company are classified according to remuneration survey provider principles and updated annually. The basis for classifying a position is the corresponding job evaluation based on Hay or Fontes method. The Hay or Fontes Method is an analytic method to evaluate job requirements by means of defined evaluation criteria. The approach of Hay or Fontes method is related to job position and not person.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration contains not only fixed components, but also variable remuneration. Remunerations ranges are assigned to managerial or non-managerial level of position. Only fixed remuneration is established for the heads of key functions.

Basic remuneration

The fixed remuneration is determined on the basis of the job role, position including professional experience, responsibility, job complexity, local market conditions. It is paid monthly or twice per month according to local legislation.

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). The annual gross remuneration is divided into 12 monthly instalments to be paid in accordance with the local legislation. In addition to fix remuneration Management Board also receives the variable remuneration (short term and long-term).

Where the Management Board Member occupies other positions on the basis of employment agreement and receives a salary under such employment agreement, the overall fixed remuneration payable to the Management Board Member as referred to herein shall cover the salary payable under the employment agreement, so that in any case the overall fixed remuneration to be paid to the Management Board Member does not exceed the annual gross salary set forth in the Management Agreement.

Variable remuneration

The variable remuneration component must reflect overall business performance of the Company. The components of variable remuneration need to adequately take into account company success, particularly in terms of significant risks and their timescales. Therefore a part of the variable remuneration for employees is measured using the value-based key-figure Economic Earnings.

According to the positions', percentage of variable remuneration differs – depending on whether it is managerial position or not.

Additionally there are several motivation schemes in place for sales employees and managers to best meet the market needs and customer expectations.

Depending on the position (executive, non-executive) the annual variable remuneration calculation is based either 100% on Company's annual target achievement or on both Company's annual targets achievements as well as individual annual targets achievements:

- a. Company's targets include 60% and
- b. Individual targets include 40%

Annual targets of the Company are set by the Management Board based on the agreements with the Supervisory Board. The targets are achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Annual individual targets are set in accordance to company's strategy, performance targets, and priorities of the responsibility area and should be achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Short term variable remuneration component (annual bonus)

The target amount for each fiscal year for 100% target achievement is stated in the Management Agreement of the Management Board Member. The short term variable remuneration component (annual bonus) is subject to negotiation and if applicable ERGO Group regulations and is depending on the defined responsibilities and tasks of the respective Management Board Member. The target achievement range is between 0% and 150%. The necessary agreement on targets (corporate goals, individual goals) is to be agreed in the beginning (and at the latest by the end of first quarter) of each fiscal year between the Chairman of the Supervisory Board and the Management Board Member. Individual goals shall be defended to be measurable by objective criteria within evaluation process.

Long term variable remuneration component (long term bonus)

As a part of the variable remuneration, a long term bonus is agreed for a period of three years respectively.

Social package

Company provides for employees attractive social package, which includes additional vacations, trainings, health and life insurance, recognition for length of service, etc.

Pension scheme for the Management Board

The Company contributes a yearly amount at the rate of 5% of the annual gross fixed remuneration of the Management Board Member for the pension scheme, which the Management Board Member has to choose and indicate to the Company. The insurance may also cover benefits in case of invalidity and for surviving family members as well as accident insurance if the latter was agreed in former Management Agreements.

The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement. In case if the contract is terminated before 10 years of service the amount saved stays with the company.

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

There was no such kind of transactions during reporting period.

B.2 Fit and proper requirements

The Fit and Proper Policy of ERGO documents the criteria and procedures to be applied in order to ensure that all persons who effectively run ERGO or are responsible for other key 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
- 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)

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. The respective duties allocated to that Key Person and, where relevant, his/her insurance, financial, accounting, actuarial and management skills should be taken into account.

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

- (i) Insurance and financial markets;
- (ii) the business strategy and business model;
- (iii) the system of governance;
- (iv) financial and actuarial analysis and the regulatory framework and requirements.

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

Members of the Supervisory Board must have the qualifications, experience and knowledge to fulfill their supervisory tasks adequately. Such qualifications, experience and knowledge may have been acquired from functions in other businesses, the public or academic sector or from political institutions, if relevant topics were in the focus of that function for a longer period of time.

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. This is not the case when the assessment of the Key Person’s honesty and financial soundness – based on his/her character, and behaviour and business conduct, including any criminal, financial or supervisory aspects – may justify the assumption that such aspects could affect the sound and prudent performance of his/her duties as a Key Person.

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.

B.2.3 Assessment of fitness and propriety

The assessment is performed, when a Key Person is first appointed or elected, or a responsibility first assigned, and when a reassessment is required. A reassessment must be performed after a maximum of five years if there have been no grounds for an earlier reassessment.

The assessment of each Key Person’s fitness and propriety will be conducted prior to his/her appointment by the corresponding Committee of Assessment.

In order to perform assessment in time and get approval of Financial Supervisory Authority to candidacy of Management Board member, Secretary of Committee on members of the Management Board assessment must be informed in advance (at least 60 days) before planned beginning of office duties.

Assessment of fitness

The fitness assessments shall include, but will not be limited to, a review of employment history, references and educational and professional qualifications in relation to the respective duties allocated to the relevant key function. The fitness assessment shall be based on the definition of the required knowledge, experience and qualification for the allocated duties.

While knowledge and qualification are significant factors, account may be taken of whether further professional training can be arranged in due course to remedy any aspects of the Key Person's qualifications with respect to the fitness requirements that have been identified as deficient during the assessment.

Assessment of propriety

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

The considerations include, but are not limited to, the following:

Criminal offences under the laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited, to laws on money laundering, market manipulation, or insider dealing and usury as well as any offences of dishonesty such as fraud or financial crime. They also include any other criminal offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.

Any other criminal offences in the past may also be relevant, as they can cast doubt on the integrity of the Key Person.

Disciplinary or administrative offences made under an activity of the financial sector, including offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.

Other circumstances than court decisions and on-going judicial proceedings, which may cast doubt on the repute and integrity of the person, including current investigations or enforcement actions, the imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments or any financial services legislation.

Current investigations or enforcement actions by any relevant regulatory or professional body for non-compliance with any relevant provisions could be taken into account.

However, previous infringements do not automatically preclude the Key Person from being assessed as proper for the duties he/she is to perform. 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.

The proper assessments shall include, but will not be limited to, a review of criminal records and personal declaration of no conflict of interest.

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 has passed from last assessment.

The need for re-assessment is monitored regularly, when five years has passed from last assessment and starts the new re-assessment procedure.

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.

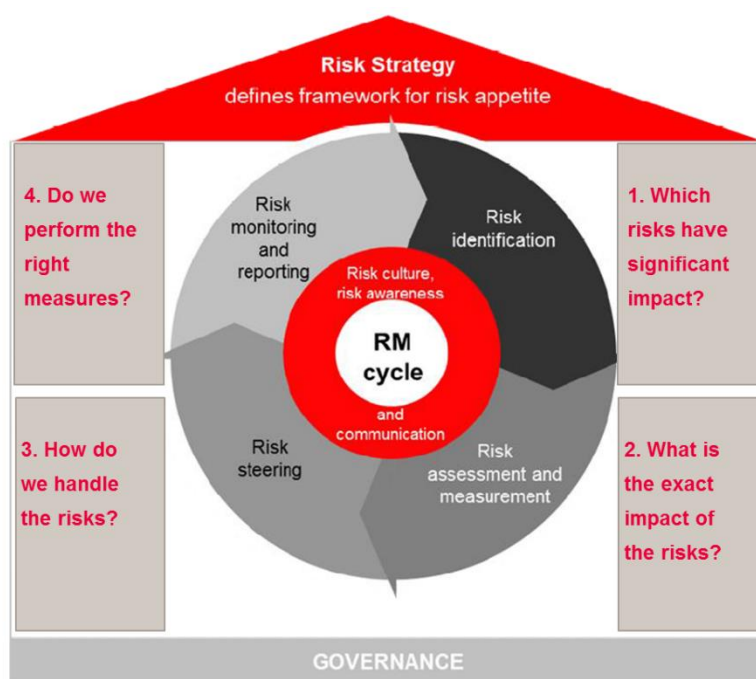


Figure 1. Risk Management Cycle

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.

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 defence) 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 2. 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 (Risk owner).

Organizational responsibility is under the Risk Management. The departments 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 our 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. Considering this obligation, ERGO has established special job positions, related to this function. The Head of Legal and Compliance division in Baltic States is appointed as the Chief Compliance Officer. Three local Compliance Officers (i.e in Estonia, Latvia and Lithuania) are appointed from Legal and Compliance division, local Compliance Officer in Lithuania has additional regional responsibilities.

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 Officers report (functionally) directly to the Chief Compliance Officer.

The activity of the Compliance function is regulated with the Compliance Manual.

Compliance Manual comprises definitions, objectives, principles, instruments and methods for the assurance of compliance in ERGO. All the main principles of the Compliance Manual are also reflected in the job descriptions of persons performing the function.

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 or 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

Internal Audit, 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 and the outsourcing of investment operations.

B.8 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“

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

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

Use of special purpose entities

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

C.1 Underwriting risk

C.1.1 Risk exposure

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 during the time horizon.

Reserve risk stems from two sources: on the one hand, the absolute level of the claims provisions could be mis-estimated. On the other hand, the actual claims will fluctuate around their statistical mean value because of the stochastic nature of future claims pay-outs. The company is also subject to longevity as well as revision (inflation) 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, however unlikely, ERGO is purchasing specific catastrophe reinsurance cover.

Future premiums are affected by significant deviation of actual lapse ratio from the expected. 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

The experience gained by insurance and reinsurance undertakings during the first years of application of the Solvency Capital Requirement standard formula was used by EIOPA to review the methods, assumptions and standard parameters. As a result, in 2019 the Delegated Regulation (EU) 2015/35 was amended by Delegated Regulation (EU) 2019/981 affecting the Underwriting risk calculations of the Company as at 31.12.2019, mostly in respect of premium and reserve risk and catastrophe risk. In the beginning of 2020 few additional, yet minor changes affecting parameters in premium and reserve risk were implemented without material effect to the Company.

By lines of business the biggest share of underwriting risk is rising from Motor portfolio. Year 2020 was affected by world-wide pandemic COVID-19 and this had an effect to the portfolio - premiums as well as claims were affected in Motor portfolios and in Travel insurance. At the same time Company increased its Marine portfolio. As a result, the Underwriting risk slightly decreased in 2020.

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.

Company believes that over the years it has accumulated enough knowledge and expertise 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.

Similarly to last year, the stress test with the highest impact is Nat Cat event and related reinsurance default, would decrease the solvency ratio significantly but not to the point of insolvency (decrease of solvency ratio by 8,5 ppts).

The same event would be one of the scenarios for the reverse stress test, which we use to determine the stress level giving rise to a certain amount of loss. As a first step, we performed qualitative analyses which scenarios may lead to a critical solvency situation, a situation in which the survival of the company is not ensured anymore. The objective of stresses was bringing Own Funds to the level of SCR and MCR, i.e. Own Funds = SCR/MCR. Since the Company's Solvency ratio is sufficiently high, no other single scenario used would on its own directly lead Own Funds to SCR.

Similarly to last year, increase of combined ratio has large impact on company's solvency ratio. Another potentially harmful scenario would be very fast portfolio growth accompanied by increase in combined ratio together with unfavourable development of past claims (e.g. inflation, legal environment).

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 or challenges regarding risk identification and assessment have been identified:

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

During the last years the Company has realized equity positions, emerging market bond positions and participation in Real Estate Company ERGO Invest SIA. As a result of this development, Company is relatively resilient to possible shocks in financial markets.

COVID-19 pandemic had impact on the market risk as it caused significant price volatility in first quarter of 2020. Price volatility impacted mostly the credit risk, whereas together with price impact, liquidity significantly impacted for brief is period for this market segment. ECB took decisive actions in order to ensure smooth functioning of financial markets and consequently the impact witnessed in the first quarter disappeared in next quarters of the 2020.

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, €
Deutschland, Bundesrepublik	6 - Zero risk Art 187_1-3	AAA	41 195 989
Cie Groupe BPCE	3 - Covered bond exposure, DA §187(1)	AAA	16 485 354
Frankreich, Republik	3 - Covered bond exposure, DA §187(1) / 6 - Zero risk Art 187_1-3	AA1/AA2	15 889 708
Hamburg Commercial Bank AG	3 - Covered bond exposure, DA §187(1)	AA2	9 274 708

Counterparty	Type of exposure	Rating	Total exposure, €
C.R.H. - Caisse de Refinancement de l'Habitat S.A.	3 - Covered bond exposure, DA §187(1)	AAA	8 929 617
Commerzbank AG	3 - Covered bond exposure, DA §187(1)	AAA	8 719 713
Landesbank Hessen-Thüringen Girozentrale	3 - Covered bond exposure, DA §187(1)	AAA	8 381 991
Credit Agricole S.A.	3 - Covered bond exposure, DA §187(1)	AAA	7 566 229
Norddeutsche Landesbank Girozentrale	3 - Covered bond exposure, DA §187(1)	AA2	7 191 228
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	3 - Covered bond exposure, DA §187(1)	AAA	6 558 941

C.2.4 Risk reduction techniques

Company does not have any risk mitigation techniques currently in place. At the end of 2020, Company did not have any risk mitigation contracts outstanding.

C.2.5 Description of Stress tests and scenario analyses

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 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.

COVID-19 pandemic impact is described in the chapter C.2.1.

C.3.2 Measures used for risk assessment

Credit risk is not evaluated explicitly in Standard Formula approach. It is only captured implicitly under a combination of market and counterparty default modules. From the perspective of ERGO Group the latter is proved to be reasonable since there are no material differences between corresponding shocks applied in 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 kind of exposures - Type 1 and Type 2 exposures. While the Type 1 relates mostly to reinsurance and financial institution counterparties then Type 2 has to do with policyholders' and intermediaries' debts. In 2020 Company did not change its approach for Credit risk. Credit risk related Solvency Capital Requirement value changes were related to changes in 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, Company should be in position to meet liquidity demands even under most severe circumstances.

COVID-19 pandemic caused brief period of liquidity squeeze in first quarter of 2020. However, the phenomena affected mostly the corporate credit which is not considered as liquid asset.

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

According to Article 260(2) of the Commission Delegate 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 EUR 4 276 000, the value has decreased during 2020 due to changes in profitability as well as portfolio size.

C.4.3 Measures used for risk assessment

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

C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

C.4.5 Risk reduction techniques

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

C.4.6 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 to 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 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, 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.

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

- Political environment – political environment in the Baltic States is currently stable.
- Shifting regulation – current government pays a lot of attention to monitoring the implementation of EU regulation. This requires additional resources, proper analysis, trainings and communication. Failure to be in compliance with the regulations lead to high penalties and reputational impact.
- Competitive market environment – markets continue to be competitive, especially considering ambiguity of the COVID-19 developments. Declined market demand and as a result possible tariff's decrease would end in difficulties to generate positive UW results
- Demographical situation – high migration due to comparably low wages and continuing population aging might trigger a need for different products we offer as well as number of possible clients will decrease constantly.
- The possible impact to the business model of ERGO by changed customers' behaviour and needs in terms of digitalization.

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

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

C.6.2 Reputational risks

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

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

ERGO has defined 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 society's is getting more and more educated regarding 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 the Internal Audit – perform the reputational risk assessment process in accordance with their own methodology and report identified real or presumed 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 2020	IFRS value 2020	Explanations
Deferred acquisition costs	0	7 978 517	Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.
Intangible assets	0	14 081 639	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	264 664	264 664	Deferred tax assets valuation does not differ in SII and IFRS reporting.
Property, plant & equipment held for own use	12 369 681	11 127 857	The difference 1'241'824 469 euros is equal to the difference between property appraisal and book value.
Investments (other than assets held for index-linked and unit-linked contracts)	209 553 206	209 553 206	
Holdings in related undertakings, including participations	50 000	50 000	SII and IFRS values are equal.
Equities	43 443	43 443	SII and IFRS values are equal.
<i>Equities - unlisted</i>	43 443	43 443	SII and IFRS values are equal.
Bonds	209 459 763	209 459 763	SII and IFRS values are equal.
<i>Government Bonds</i>	53 580 881	53 580 881	SII and IFRS values are equal.
<i>Corporate Bonds</i>	155 878 882	155 878 882	SII and IFRS values are equal.
Insurance and intermediaries receivables	4 491 076	19 077 147	In the balance sheet under Solvency II, receivables not due in the amount 14'586'071 are included in the calculation of <i>Technical Provisions</i> . At the end of the reporting period, discounting of this item has not been required.
Reinsurance receivables	1 716 245	1 716 245	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Receivables (trade, not insurance)	1 361 982	1 361 982	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Cash and cash equivalents	10 954 250	10 954 250	SII and IFRS values are equal.
Any other assets, not elsewhere shown	3 896 749	3 896 749	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Total assets without technical provisions	244 607 853	280 012 256	

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.

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.

Whereas under IFRS deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In life business and long-term health primary insurance, acquisition costs are capitalized and amortized over the duration of the contracts.

The deferred acquisition costs are amortized on a straight-line basis over the average term of the policies, from one to five years.

Deferred acquisition costs are regularly tested for impairment.

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.

The other intangible assets mainly comprise self-developed and other software. 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

Deferred income tax is provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculations are based on the tax rates effective on the balance sheet date expected to be effective in the periods when the Company will realize the deferred tax asset or settle deferred tax liabilities. 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.

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.

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 the purpose of 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 in-stance, 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

Unlike in the solvency balance sheet, for IFRS assets are classified into four categories, depending on the purpose of acquisition:

- financial assets at fair value through profit or loss;
- loans and receivables
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets at fair value through profit or loss are financial assets which on initial recognition are designated as at fair value through profit or loss.

Derivatives are classified as held for trading and are designated as at fair value through profit or loss unless they are designated and used as effective hedging instruments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which the company intends and is able to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or are not classified to any of the other categories.

Purchases of financial assets are recognised at the settlement date. A financial asset is derecognised when contractual rights to receive cash flows from the asset expire, or where the asset, together with substantially all the risks and rewards of ownership, has been transferred.

Financial assets are initially measured at their fair value. After initial recognition, the company measures financial assets at fair value through profit or loss and available-for-sale financial assets at their fair value, without any deduction for the transaction costs it may incur on disposal. The fair value of a quoted financial asset is its quoted bid price at the reporting date. If the market for a financial asset is not active, the company determines fair value using valuation techniques. These include the use of recent arm's length market transactions, references to another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the value of equity instruments cannot be measured reliably, they are measured at cost.

Held-to-maturity investments are measured at amortised cost less impairment losses using the effective interest method. Loans and receivables are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all fees paid or received between parties to the contract, direct transaction costs, and all other premiums or discounts.

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income or expense. When available-for-sale financial assets are sold or become impaired, the cumulative gains or losses previously recognised in other comprehensive income or expense are recognised in the income statement. Where these investments are interest-bearing, the interest income calculated using the effective interest rate method is recognised in the income statement.

As the deposits with banks mainly have a period to maturity of less than one year, the fair values largely correspond to the carrying amounts.

D.1.11 Impairment

For IFRS at each balance sheet date, we assess whether there is any substantial objective evidence of impairment in a financial asset or group of financial assets. Impairments in value are recognised as an expense in the income statement. IAS 39.59 contains a list of factors providing substantial objective evidence of impairment of such financial assets. In addition, IAS 39.61 states that for equity investments, a significant or prolonged decline in the fair value of the investment below its acquisition cost is objective evidence of impairment. These rules are given more concrete form by means of internal guidelines. For equities quoted on the stock exchange, we assume a significant decline in fair value if the market value at the re-view date is at least 20% below the average purchase price or has been lower than this amount for at least six months.

In the case of fixed-interest securities and loans, the main basis for establishing impairment is an indication of substantial financial difficulty on the part of the issuer, the current market situation or media reports on the issuer.

We determine acquisition cost on the basis of the average purchase price. In the case of an impairment, a write-down is made to the fair value at the balance sheet date, i.e. generally the publicly quoted market price. If there is a further fall in the fair value of equity investments that have already been written down once, a further write-down recognised in the income statement is made again immediately. Such impairments recognised in profit or loss may not be reversed through profit or loss. If, in a subsequent period, the reasons for the impairment of fixed-interest securities or loans cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the original amortised cost.

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required. For the same reason, no unbundling or hedge-accounting rules are necessary either.

D.1.12 Insurance & intermediaries receivables

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

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

For IFRS insurance & intermediaries 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.1.13 Reinsurance receivables

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

For IFRS reinsurance 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.

Both reinsurance receivables and insurance & intermediaries receivables are included in other receivables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, receivables resulting from reinsurance contracts without significant risk transfer, which do not fall within the scope of IFRS 4, are – notwithstanding IFRS – not reported as receivables, but as part of the technical provisions.

D.1.14 Receivables (trade, not insurance)

Under Solvency II, the Receivables (trade, not insurance) include in particular Receivables from dividends, Receivables from profit pooling or transfer agreements, receivables from taxes or other receivables. Basically, these receivables have to 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) have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS receivables is 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 the purpose of 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. For IFRS, we show cash held at face value.

D.1.16 Any other assets, not elsewhere shown

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

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

D.2 Technical provisions

D.2.1 Value of Technical provisions

ERGOs technical provision values as at 31.12.2020 are set out in the table below.

<i>in Euros</i>	Solvency II value	IFRS value
Technical provisions – non-life	139 932 350	171 398 380
Technical provisions – non-life (excluding health)	136 387 606	165 976 265
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	131 295 812	0
<i>Risk margin</i>	5 091 794	0
Technical provisions - health (similar to non-life)	3 544 744	5 422 115
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	3 216 812	0
<i>Risk margin</i>	327 932	0
Technical provisions - life (excluding index-linked and unit-linked)	15 051 224	14 933 477
Technical provisions - health (similar to life)	0	0
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	0	0
<i>Risk margin</i>	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	15 051 224	14 933 477
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	14 933 477	0
<i>Risk margin</i>	117 747	0
Technical provisions – index-linked and unit-linked	0	0
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	0	0
<i>Risk margin</i>	0	0

Life insurance technical provisions in 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.

<i>in Euros</i>	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Medical expense insurance	671 714	81 934	753 649
Income protection insurance	2 545 098	245 998	2 791 095
Motor vehicle liability insurance, excl. annuities	70 007 605	2 281 641	72 289 246
Other motor insurance	12 140 885	1 138 101	13 278 985
Marine, aviation and transport insurance	6 116 029	229 569	6 345 598
Fire and other damage to property insurance	27 569 488	960 985	28 530 474

<i>in Euros</i>	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
General liability insurance	10 218 009	294 792	10 512 800
Credit and suretyship insurance	4 612 423	92 715	4 705 137
Legal expense insurance	218 917	38 703	257 620
Assistance	412 457	55 288	467 746
Total	134 512 625	5 419 726	139 932 350

The value for reinsurance recoverables as at 31.12.2020 is set out below.

<i>in Euros</i>	Solvency II value	IFRS value
Reinsurance recoverables from:	22 669 254	25 888 511
Non-life and health similar to non-life	20 343 038	23 612 190
Non-life excluding health	20 384 267	23 569 168
Health similar to non-life	-41 229	43 022
Life and health similar to life, excluding health and index-linked and unit-linked	2 326 216	2 276 321
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	2 326 216	2 276 321
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 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. Acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts. The actuarial assumptions are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

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 regard 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.

All technical provisions are regularly subjected to a liability adequacy test in accordance with IFRS 4. If current experience shows that the provisions posted on the basis of the original assumptions – less the related deferred acquisition costs and the present value of the related premiums – are inadequate to cover the expected future benefits, we adjust the relevant technical provisions with recognition in profit or loss and disclose this under impairment losses/unscheduled changes in the notes to the consolidated balance sheet. The appropriateness of unearned premiums and of the provision for outstanding claims is assessed in relation to the realistically estimated future amount to be paid. The appropriateness of the provision for future policy benefits is assessed on the basis of realistic estimates of the actuarial assumptions, the proportional investment result and, for contracts with participation in surplus, the future profit sharing.

D.2.9 Financial statements: Recognition and measurement of deferred acquisition costs

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In property-casualty business and short-term health primary insurance, the deferred acquisition costs are amortised on a straight-line basis over the average term of the policies. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test as per IFRS 4.

D.2.10 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.2.11 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 differs significantly from the IFRS Unearned Premium Reserve described in D.2.8. 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. That means Solvency II covers all business including products or contracts which do not meet the definition of insurance contract under IFRS.

Contract boundary

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

There are no specific differences against IFRS with respect to the boundary for the determination of unpaid claim costs and claims adjustment expenses after insured events occur. There are differences against financial statements about what is considered existing or future business.

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

Discounting

Under IFRS the provision for outstanding claims is generally not discounted; exceptions are annuities stemming from property-casualty business lines of business, which are discounted. Unearned premiums are not discounted.

Under Solvency II technical provisions are discounted. 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. By contrast, actuarial assumptions in line with IFRS include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. In particular, no explicit risk margin is calculated.

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

While the methodology to determine the allowance for credit risk when calculating the ceded share of technical provisions (i.e. reinsurance recoverables in terms of Solvency II) is not prescribed under IFRS, we comply with the Solvency II requirements for the determination of the counterparty default adjustment.

Acquisition costs

According to IFRS, acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts. Under Solvency II acquisition costs are taken into consideration when calculating technical provisions.

D.2.12 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.2.13 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.

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

D.2.14 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.2.15 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

During 2020 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, expenses and lapses were reviewed.

During 2020 the provision for outstanding claims without the reinsurance impact increased by 13,8 million Euros, the premium provision increased by 2,0 million Euros.

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 2020	IFRS values 2020	Explanations
Financial liabilities other than debts owed to credit institutions	5 040 125	5 040 125	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Insurance & intermediaries payables	3 576 179	3 576 179	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Reinsurance payables	3 384 645	3 384 645	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Payables (trade, not insurance)	8 573 408	8 573 412	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Subordinated liabilities	6 006 178	6 006 178	
Subordinated liabilities not in Basic Own Funds	6 178	6 178	SII and IFRS values are equal.
Subordinated liabilities in Basic Own Funds	6 000 000	6 000 000	SII and IFRS values are equal.
Any other liabilities, not elsewhere shown	12 377 167	12 377 167	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Total other liabilities	38 957 702	38 957 706	

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 below. 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 below.

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, at the amount actually required to redeem or settle them.

Reinsurance payables

Under Solvency II, reinsurance payables must be recognised at fair value, for IFRS, at the amount actually required to redeem or settle them.

Both reinsurance payables and insurance & intermediaries payables are included in other payables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, payables resulting from insurance or reinsurance contracts without significant risk transfer, are – notwithstanding IFRS – not reported as payables, but as part of the technical provisions.

Payables (trade, not insurance)

In the Solvency balance sheet, the item Payables (trade, not insurance) covers in particular 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 have to 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:

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

where

CF₀ ... 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	31.12.2020	31.12.2019
Total of reserves and retained earnings from financial statements	80 611 202	67 053 244
Difference in the valuation of assets	-35 404 403	-29 646 178
Difference in the valuation of technical provisions	-28 129 027	-30 693 645
Difference in the valuation of other liabilities	5	548 942
Solvency II Excess of assets over liabilities	73 335 831	68 649 653

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	31.12.2020	31.12.2019	Tier classification
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 - unrestricted
Reconciliation reserve	66 679 776	61 984 811	Tier 1 - unrestricted
Subordinated liabilities	6 000 000	6 000 000	Tier 2
Net deferred tax assets	264 664	273 452	Tier 3
Total basic own funds	79 335 831	74 649 653	

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:

<i>In Euros</i>	Value 31.12.20	Value 31.12.19
Market risk	6 716 465	6 878 838
Counterparty default risk	3 699 942	3 956 756
Life underwriting risk	461 027	381 964
Health underwriting risk	3 030 410	3 155 064
Non-life underwriting risk	46 538 833	46 816 474
Diversification	-9 516 857	-9 764 450
Intangible asset risk	-	-
Basic Solvency Capital Requirement	50 929 820	51 424 645
Operational risk	5 782 757	5 700 981
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirements (SCR)	56 712 576	57 125 626

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:

<i>in Euros</i>	Net technical provisions	Net written premiums	α	β	Linear MCR
Medical expenses insurance	677 508	3 028 369	4,7%	4,7%	174 176
Income protection insurance	2 580 533	8 120 712	13,1%	8,5%	1 028 310
Motor vehicle liability	63 550 971	68 934 919	8,5%	9,4%	11 881 715
Motor, other classes	12 141 384	48 396 873	7,5%	7,5%	4 540 369
Marine, aviation, transport (MAT)	5 846 193	7 333 590	10,3%	14,0%	1 628 860
Fire and other property damage	17 161 930	31 760 146	9,4%	7,5%	3 995 232
Third-party liability	9 101 418	7 614 984	10,3%	13,1%	1 935 009
Credit and suretyship	2 478 275	3 239 666	17,7%	11,3%	804 737
Legal expense insurance	218 917	1 561 633	11,3%	6,6%	127 805
Assistance	412 457	2 519 549	18,6%	8,5%	290 879
Total Linear MCR for non-life obligations					26 407 093
Linear MCR for life obligations	12 607 261		2,10%		264 752
Total Linear MCR					26 671 846

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

<i>In Euros</i>	Value 31.12.20	Value 31.12.19
Linear MCR	26 671 846	25 807 734
SCR	56 712 576	57 125 626
MCR cap	25 520 659	25 706 532
MCR floor	14 178 144	14 281 406
Combined MCR	25 520 659	25 706 532
Absolute floor of the MCR	3 700 000	3 700 000
Minimum Capital Requirement (MCR)	25 520 659	25 706 532

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

<i>In Euros</i>	Value 31.12.20	Value 31.12.19
SCR	56 712 576	57 125 626
MCR	25 520 659	25 706 532
Eligible Own Funds for SCR coverage	79 335 831	74 649 653
Eligible Own Funds for MCR coverage	78 175 299	73 517 508
SCR Coverage	140%	131%
MCR Coverage	306%	286%

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

During 2020 Solvency Capital Requirement value decreased by 0,4 million Euros. Capital Requirement for Underwriting risk before diversification decreased by 0,3 million Euros; mainly due to decrease in premium volume measure in Motor and Medical expense insurance portfolios that was partly offset by Marine portfolio increase. In Market risk the small decrease was related to very well diversified portfolio at 31.12.20.

Minimum Capital Requirement decreased by 0,2 million Euros due to Solvency Capital Requirement decrease.

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 31.12.2020 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

Assets	R	Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	264 664
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	12 369 681
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	209 553 206
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	209 459 763
Government Bonds	R0140	53 580 881
Corporate Bonds	R0150	155 878 882
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
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	22 669 254
Non-life and health similar to non-life	R0280	20 343 038
Non-life excluding health	R0290	20 384 267
Health similar to non-life	R0300	-41 229
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2 326 216
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	2 326 216
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	4 491 076
Reinsurance receivables	R0370	1 716 245
Receivables (trade, not insurance)	R0380	1 361 981
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	10 954 250
Any other assets, not elsewhere shown	R0420	3 896 749
Total assets	R0500	267 277 107

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	139 932 350
Technical provisions – non-life (excluding health)	R0520	136 387 606
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	131 295 812
Risk margin	R0550	5 091 794
Technical provisions – health (similar to non-life)	R0560	3 544 744
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	3 216 812
Risk margin	R0590	327 932
Technical provisions – life (excluding index-linked and unit-linked)	R0600	15 051 224
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	15 051 224
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	14 933 477
Risk margin	R0680	117 747
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	5 040 125
Insurance & intermediaries payables	R0820	3 576 179
Reinsurance payables	R0830	3 384 645
Payables (trade, not insurance)	R0840	8 573 408
Subordinated liabilities	R0850	6 006 178
Subordinated liabilities not in Basic Own Funds	R0860	6 178
Subordinated liabilities in Basic Own Funds	R0870	6 000 000
Any other liabilities, not elsewhere shown	R0880	12 377 167
Total liabilities	R0900	193 941 276
Excess of assets over liabilities	R1000	73 335 831

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	3 091 897	8 151 388		70 229 973	48 810 823	8 138 200	36 730 192	9 003 444	5 904 136
Gross - Proportional reinsurance accepted	R0120									
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	63 528	30 676		1 295 054	413 950	804 610	4 970 047	1 388 460	2 664 470
Net	R0200	3 028 369	8 120 712		68 934 919	48 396 873	7 333 590	31 760 146	7 614 984	3 239 666
Premiums earned										
Gross - Direct Business	R0210	3 297 346	7 900 736		73 252 562	48 455 909	7 554 315	35 534 368	8 491 656	4 281 830
Gross - Proportional reinsurance accepted	R0220									
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	65 249	30 676		1 295 054	441 849	802 777	4 849 126	1 555 111	1 845 569
Net	R0300	3 232 097	7 870 060		71 957 508	48 014 059	6 751 538	30 685 242	6 936 545	2 436 261
Claims incurred										
Gross - Direct Business	R0310	1 149 616	3 211 309		39 842 034	28 845 039	5 950 461	28 781 182	3 415 557	1 619 295
Gross - Proportional reinsurance accepted	R0320									
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	95	0		-50 000	234 809	450 000	8 888 078	445 314	974 981
Net	R0400	1 149 520	3 211 309		39 892 034	28 610 230	5 500 461	19 893 105	2 970 243	644 313

		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
Changes in other technical provisions										
Gross - Direct Business	R0410		-204			-42 083		-2 882		
Gross - Proportional reinsurance accepted	R0420									
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500		-204			-42 083		-2 882		
Expenses incurred	R0550	1 315 230	3 165 361		23 899 155	15 866 460	1 746 997	13 018 099	2 656 880	807 747
Other expenses	R1200									
Total 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	
Premiums written									
Gross - Direct Business	R0110	1 561 633	2 519 549						194 141 234
Gross - Proportional reinsurance accepted	R0120								
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								11 630 795
Net	R0200	1 561 633	2 519 549						182 510 439
Premiums earned									
Gross - Direct Business	R0210	1 564 957	2 470 044						192 803 724
Gross - Proportional reinsurance accepted	R0220								
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								10 885 413
Net	R0300	1 564 957	2 470 044						181 918 311
Claims incurred									
Gross - Direct Business	R0310	65 931	599 449						113 479 872
Gross - Proportional reinsurance accepted	R0320								
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								10 943 278
Net	R0400	65 931	599 449						102 536 594

		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
Changes in other technical provisions									
Gross - Direct Business	R0410								-45 170
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								-45 170
Expenses incurred	R0550	694 715	1 752 822						64 923 465
Other expenses	R1200								
Total expenses	R1300								64 923 465

		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	
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						1 199 506			1 199 506
Reinsurers' share	R1620						-163 945			-163 945
Net	R1700						1 363 452			1 363 452
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Other expenses	R2500									
Total expenses	R2600									

S.05.02.01

Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0080	C0090	C0100	C0140
Gross - Direct Business	R0110	64 062 294	94 663 420	35 415 521	194 141 234
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	3 241 628	5 083 865	3 305 302	11 630 795
Net	R0200	60 820 666	89 579 555	32 110 219	182 510 439
Premiums earned					
Gross - Direct Business	R0210	64 650 942	93 347 461	34 805 320	192 803 724
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	3 334 364	4 801 919	2 749 129	10 885 413
Net	R0300	61 316 578	88 545 542	32 056 191	181 918 311
Claims incurred					
Gross - Direct Business	R0310	34 584 295	52 272 579	26 622 998	113 479 872
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	841 368	1 618 626	8 483 283	10 943 278
Net	R0400	33 742 926	50 653 953	18 139 715	102 536 594

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		LITHUANIA	LATVIA	
Changes in other technical provisions					
Gross - Direct Business	R0410	-25 127	-20 043		-45 170
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500	-25 127	-20 043		-45 170
Expenses incurred	R0550	19 159 915	32 891 617	12 871 933	64 923 465
Other expenses	R1200				
Total expenses	R1300				64 923 465

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0210
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0220	C0230	C0240	C0280
Gross	R1410				
Reinsurers' share	R1420				
Net	R1500				
Premiums earned					
Gross	R1510				
Reinsurers' share	R1520				
Net	R1600				
Claims incurred					
Gross	R1610	298 770	489 198	411 538	1 199 506
Reinsurers' share	R1620	-167 328	3 383		-163 945
Net	R1700	466 098	485 815	411 538	1 363 452
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

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)				Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	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										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030								14 933 477		14 933 477
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								2 326 216		2 326 216
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								12 607 261		12 607 261

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)				Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Risk Margin	R0100								117 747		117 747
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200								15 051 224		15 051 224

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

S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
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	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
<u>Premium provisions</u>										
Gross	R0060	427 457	1 458 610		18 288 979	8 068 515	697 349	7 495 112	1 373 420	2 188 081
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-5 794	-35 435		296 257	-24 340	-196 344	-1 243 780	-302 562	710 713
Net Best Estimate of Premium Provisions	R0150	433 251	1 494 045		17 992 722	8 092 855	893 693	8 738 891	1 675 981	1 477 368
<u>Claims provisions</u>										
Gross	R0160	244 258	1 086 488		51 718 626	4 072 370	5 418 680	20 074 376	8 844 589	2 424 342
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				6 160 376	23 841	466 180	11 651 337	1 419 153	1 423 436
Net Best Estimate of Claims Provisions	R0250	244 258	1 086 488		45 558 250	4 048 529	4 952 500	8 423 039	7 425 436	1 000 906

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensatio n insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Total Best estimate - gross	R0260	671 715	2 545 098		70 007 605	12 140 885	6 116 029	27 569 488	10 218 009	4 612 423
Total Best estimate - net	R0270	677 508	2 580 533		63 550 971	12 141 384	5 846 193	17 161 930	9 101 418	2 478 275
Risk margin	R0280	81 934	245 998		2 281 641	1 138 101	229 569	960 985	294 792	92 715
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total										
Technical provisions - total	R0320	753 649	2 791 095		72 289 246	13 278 985	6 345 598	28 530 474	10 512 800	4 705 137
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-5 794	-35 435		6 456 633	-499	269 836	10 407 558	1 116 591	2 134 148
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	759 443	2 826 531		65 832 612	13 279 485	6 075 762	18 122 916	9 396 209	2 570 989

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0110	C0120	C0130	C0140	C0150	C0160		C0170
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	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
<u>Premium provisions</u>									
Gross	R0060	-140 440	341 424						40 198 505
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								-801 285
Net Best Estimate of Premium Provisions	R0150	-140 440	341 424						40 999 790
<u>Claims provisions</u>									
Gross	R0160	359 356	71 034						94 314 119
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240								21 144 323
Net Best Estimate of Claims Provisions	R0250	359 356	71 034						73 169 796

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0110	C0120	C0130	C0140	C0150	C0160		C0170
Total Best estimate - gross	R0260	218 917	412 457						134 512 625
Total Best estimate - net	R0270	218 917	412 457						114 169 586
Risk margin	R0280	38 703	55 288						5 419 726
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	R0320	257 620	467 746						139 932 350
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330								20 343 038
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	257 620	467 746						119 589 312

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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											382 294	382 294	343 176 558
N-9	R0160	42 708 192	12 406 046	1 543 401	377 596	231 964	192 750	-10 403	-517	7 884	3 852		3 852	57 460 764
N-8	R0170	42 343 372	12 704 570	1 083 818	576 315	227 511	56 631	86 668	126 440	33 162			33 162	57 238 488
N-7	R0180	43 226 799	11 023 949	1 133 053	895 915	714 049	1 863 821	764 910	65 812				65 812	59 688 308
N-6	R0190	40 689 074	19 158 765	1 550 419	774 223	290 988	225 700	79 821					79 821	62 768 990
N-5	R0200	48 538 885	21 536 181	1 781 904	646 034	278 027	164 696						164 696	72 945 727
N-4	R0210	59 849 657	18 286 548	2 108 328	1 058 163	778 133							778 133	82 080 829
N-3	R0220	57 690 659	19 894 788	2 062 393	1 550 128								1 550 128	81 197 968
N-2	R0230	64 172 562	23 320 148	3 172 730									3 172 730	90 665 440
N-1	R0240	70 915 387	22 927 597										22 927 597	93 842 984
N	R0250	72 380 544											72 380 544	72 380 544
Total	R0260												101 538 769	1 073 446 600

**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
Prior	R0100											8 981 332	8 981 332
N-9	R0160					947 884	490 157	420 579	331 192	243 036	192 187		192 187
N-8	R0170				1 930 916	2 093 037	1 632 122	1 558 361	1 392 517	1 253 126			1 253 126
N-7	R0180			16 390 043	13 999 558	7 320 245	5 666 442	4 895 901	4 798 197				4 798 197
N-6	R0190		7 375 679	6 189 683	4 056 935	3 427 352	3 303 015	3 120 541					3 120 541
N-5	R0200	27 799 036	5 592 413	2 859 814	2 171 736	1 654 907	2 001 847						2 001 847
N-4	R0210	30 464 432	8 964 916	7 374 007	5 743 066	4 605 357							4 605 357
N-3	R0220	33 807 211	10 238 069	7 237 004	5 420 574								5 420 574
N-2	R0230	40 114 963	16 458 460	12 289 738									12 289 738
N-1	R0240	44 758 104	18 804 191										18 804 191
N	R0250	46 759 068											46 759 068
Total	R0260												108 226 158

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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	66 679 776	66 679 776			
Subordinated liabilities	R0140	6 000 000			6 000 000	
An amount equal to the value of net deferred tax assets	R0160	264 664				264 664
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	79 335 831	73 071 167		6 000 000	264 664
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	79 335 831	73 071 167		6 000 000	264 664
Total available own funds to meet the MCR	R0510	79 071 167	73 071 167		6 000 000	
Total eligible own funds to meet the SCR	R0540	79 335 831	73 071 167		6 000 000	264 664
Total eligible own funds to meet the MCR	R0550	78 175 299	73 071 167		5 104 132	
SCR	R0580	56 712 576				
MCR	R0600	25 520 659				
Ratio of Eligible own funds to SCR	R0620	1,3989				
Ratio of Eligible own funds to MCR	R0640	3,0632				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	73 335 831
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	6 656 055
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	66 679 776
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	4 276 000
Total Expected profits included in future premiums (EPIFP)	R0790	4 276 000

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Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	6 716 465		
Counterparty default risk	R0020	3 699 942		
Life underwriting risk	R0030	461 027		
Health underwriting risk	R0040	3 030 410		
Non-life underwriting risk	R0050	46 538 833		
Diversification	R0060	-9 516 857		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	50 929 820		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	5 782 757
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	56 712 576
Capital add-on already set	R0210	
Solvency capital requirement	R0220	56 712 576
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	

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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	26 407 093

		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	677 508	3 028 369
Income protection insurance and proportional reinsurance	R0030	2 580 533	8 120 712
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	63 550 971	68 934 919
Other motor insurance and proportional reinsurance	R0060	12 141 384	48 396 873
Marine, aviation and transport insurance and proportional reinsurance	R0070	5 846 193	7 333 590
Fire and other damage to property insurance and proportional reinsurance	R0080	17 161 930	31 760 146
General liability insurance and proportional reinsurance	R0090	9 101 418	7 614 984
Credit and suretyship insurance and proportional reinsurance	R0100	2 478 275	3 239 666
Legal expenses insurance and proportional reinsurance	R0110	218 917	1 561 633
Assistance and proportional reinsurance	R0120	412 457	2 519 549
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	264 752

		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	12 607 261	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	26 671 846
SCR	R0310	56 712 576
MCR cap	R0320	25 520 659
MCR floor	R0330	14 178 144
Combined MCR	R0340	25 520 659
Absolute floor of the MCR	R0350	3 700 000
Minimum Capital Requirement	R0400	25 520 659