ERGO

ERGO Insurance SE

2021. reporting period

Solvency and Financial Condition Report

TABLE OF CONTENTS

SUMMARY

This report is part of the qualitative (narrative) reporting system that insurance companies must prepare in the course of Solvency II. The report on Solvency and Financial Position is open to the public and is published annually. Its content structure and the information to be reported are laid down in supervisory law, for example in Commission Delegate's Regulation (EU) 2015/35 of 10 October 2014.

This report relates to the 2021 financial year. However, in the beginning of the 2022 the geopolitical situation in the region has changed significantly. ERGO Insurance SE including the branches monitors geopolitical situation in the Eastern Europe and carefully assess all circumstances that could have impact to Company activity and risk profile, including operation and cyber risks. The number of analysis of the possible impact of the war situation on the Company's business has been performed.

During year 2021 pandemic had a continuous significant impact on Company's customers, staff and society as a whole. ERGO has prioritized sustaining customer service during these turbulent times and taken active steps to support Company's stakeholder navigating through the challenging period.

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 2021, ERGO Insurance SE generated premium income of 199,8 million euros, showing modest increase on the year before. The largest classes were motor third-party liability and comprehensive motor vehicle insurance.

The processes in all three countries have been standardized and simplified to support 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 2023. 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. The company has continued to develop its extensive and appropriate governance system. In this respect, it has paid particular attention to the reliability and suitability of the persons managing the company ("fit and proper") as well as to the appropriate control of the outsourced functions. The four key functions, which we report in detail (Chapter B Governance System), have a particularly important role.

The company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management system (chapter C Risk Profile). Underwriting risk dominates the risk profile of the Company, staying at 88% of the total Solvency Capital Requirement (SCR) by the end of 2021.

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

The company is adequately capitalized and has met the requirements for the provision of solvency capital and minimum capital at all times during the reporting year. As of end of the 2021 Solvency II ratio achieved 123% (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 2021 financial year.

This Solvency and Financial Condition Report for financial year 2021 was approved by the Management Board of ERGO Insurance on 05.04.2022.

MAJOR RECENT DEVELOPMENTS

Geopolitical situation in the beginning of 2022

ERGO Insurance SE including the branches (further ERGO or Company) monitors geopolitical situation in the Eastern Europe and carefully assess all circumstances that could have impact to Company activity and risk profile, including operation and cyber risks. The number of analysis of the possible impact of the war situation on the Company's business has been performed.

Underwriting risk

ERGO doesn't run direct business in the armed conflict area (Russia, Ukraine, also Belarus). Firstly, it was identified what lines of business could be affected by the geopolitical tensions and where does Company have possible risk exposure. It was revealed that there is no risk exposure in Commercial and Private property and Engineering lines of business. Possible exposure for Marine Cargo exposures and CMR/FFL (war exclusion applies) as well as limited exposure for MOD and Travel lines of business (for policies covering extended region/worldwide, however the war exclusion applies). Additionally, the analysis of the possible impact on the top line was carried out, stating that the potential negative effect is not material.

Additional preventive measures were implemented to reduce the further risk exposure in Ukraine, Russia and Belarus (i.e. underwriting limitations).

Market risk

ERGO has limited market risk exposure in asset portfolio. The direct impact comes through holding bonds of European Union based subsidiary of the company registered in Russia. Share of this investment in total investment assets held by ERGO as of 31.01.2022 was less than 0,61%. Although coupons of bonds were paid duly and in contractual currency (EUR), this investment is the subject to the impairment as market value declined after beginning of the war. Also, there are indirect investments through investment funds that form immaterial share of total investment assets (below 0,003%).

Operational risk

The greatest operational risks derive from sanction management and information and cyber security.

Sanction risks in ERGO are generally managed and grouped into two major categories: targeted and sectoral sanctions. Targeted sanctions are fully covered by automated screening tool implemented in the Company as part of Internal Control System. All insured parties and persons participating in the contract (natural or legal persons), who obtain direct or indirect insurance coverage are checked against the sanction lists by the screening tool. Sectoral sanctions are managed through both: automated screening tool and manual control, performed to all insurance products to which sanctions could possibly apply.

ERGO Insurance SE, being a part of ERGO Group, takes very seriously topic of information and cyber security. Company has established information security management system according to the best international practices (ISO27001). Additionally, there is a cyber security maturity program where ERGO is expected to be on specific cyber security maturity level. These initiatives create background to be properly prepared for cyber risks. Security trends are closely monitored, in order to raise employees' awareness of potential cyber attacks special communication to all employees was performed. In addition to the abovementioned, in the end of February 2022 ERGO has run supplementary evaluation of cyber security measures applied and set additional prevention measures to be implemented.

COVID-19 developments

The COVID-19 pandemic had a continuous significant impact on Company's customers, staff and society as a whole in 2021. ERGO has prioritized sustaining customer service during these turbulent times and taken active steps to support Company's stakeholder navigating through the challenging period.

Financial markets were volatile during 2021 also as a result of the COVID-19 pandemic. Inflation rates worldwide increased significantly and at the moment there is no certainty whether this is short-term or long-term occurrence.

Company portfolio in terms of total gross written premium has been COVID-19 affected but still rather stable development and optimism for the future can be observed.

From an operational perspective, the Company was able to sustain all employees working from home when it was required. While sales services experienced some slippage, in general business remained largely as usual. ERGO prioritized health and welfare of its staff and organized working and training arrangements implementing measures to bring the infection risk to minimum possible level.

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 2021 was 199,81 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.

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 that has started in 2019 and due by 2023.

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 the estimates of the European Commission made in February 2022, European economy is anticipated start on weaker note in 2022 than previously forecasted. Following a strong recovery by 5.3% in 2021, the EU economy is projected to grow by 4.0% in 2022, and by 2.8% in 2023.

Compared to previous forecast from autumn 2021 inflation projections have been revised up, peaking in first quarter of 2022 and remain above 3% until the third quarter of the year. As the pressures from supply constraints and energy prices decrease, inflation is expected to decline markedly in last quarter of the year and settle at below 2% in 2023. In total, inflation in EU is forecasted to increase from 2.9% in 2021 to 3.9% in 2022, before declining to 1.9% in 2023.

Economic developments in the Baltic States

In Estonia GDP is forecasted to increase significantly by 7.5% in 2021 after dropping by 3% in 2020, driven by government stimulus, buoyant exports and private demand. Growth is expected to return to more moderate, but still solid rates of 3.1% in 2022 and 4.0% in 2023, supported by a recovery in employment, sustained wage growth and dynamic foreign demand. Inflation is set to upswing this year, driven by the transitory increases in imported energy prices gradually passing through to other goods and services.

Latvia's GDP is projected to grow by 4.7% in 2021 driven mainly by exports and investment. Consumption held up well due to sizeable government support measures. However, rapidly rising infection rates prompted a tightening of containment measures in October which is expected to set to slow down the economy in final quarter of 2021 and in the beginning of 2022.

Lithuania's GDP is projected to grow by 4.8% in 2021, following a mild decline of just 0.1% in 2020. Lithuania's economy expanded rapidly in the first half of 2021, largely driven by an increase in exports, with an exceptionally strong performance of exports of pharmaceutical products related to COVID-19. Exports are forecast to continue contributing strongly to growth over the rest of the year.

A.2 Underwriting Performance

In 2021, ERGO generated premium income of 199,8 million euros, 2,9% increase since 2020. 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 68,8 million euros and 50,0 million euros, accounting for 34,4% and 25,0% of the total portfolio, respectively. Property insurance contributed 39,0 million euros, i.e. 19,5%. Premiums written in income protection insurance, liability insurance and marine insurance totalled 9,1 million euros, 10,0 million euros and 11,7 million euros respectively and their respective contributions were 4,6%, 5,0 and 5,9%. The total contribution of other insurance classes, which each accounted for less than 3,0%, was 11,1 million euros, i.e. 5,6%.

Compared with 2020, the share of motor liability insurance decreased by 1,7 percentage points and its premium income by 1,4 million euros, i.e. 2,0%. In addition to motor liability insurance medical expense insurance, assistance and credit and suretyship insurance decreased 39,4%, 15,8% and 4,4% respectively. Highest increase was in marine insurance where premium income grew by 46,5%, i.e. 3,7 million euros.

Table 1. Gross premium income by line of business

In euros	2021		2020		Change	
	Gross written premiums	Share of class, %	Gross written premiums	Share of class, %	Gross written premiums	Share of class, pp
Medical expense insurance	1 874 738	0,9	3 091 896	1,6	-1 217 158	-0,7
Income protection insurance	9 126 799	4,6	8 151 388	4,2	975 411	0,4
Motor vehicle liability insurance	68 802 148	34,4	70 229 973	36,2	-1 427 825	-1,7
Other motor insurance	49 959 193	25,0	48 855 747	25,2	1 103 446	-0,2
Marine, aviation and transport insurance	11 752 784	5,9	8 024 850	4,1	3 727 934	1,7
Fire and other damage to property insurance	39 010 643	19,5	36 755 577	18,9	2 255 066	0,6
General liability insurance	9 983 713	5,0	9 046 484	4,7	937 229	0,3
Credit and suretyship insurance	5 643 872	2,8	5 904 137	3,0	-260 265	-0,2
Legal expenses insurance	1 533 554	0,8	1 561 633	0,8	-28 079	0,0
Assistance	2 120 255	1,1	2 519 549	1,3	-399 294	-0,2
Total	199 807 699	100,0	194 141 234	100,0	5 666 465	

Table 2. Gross Premium Income by countries

In euros	2021	2020
Estonia	66 527 044	64 062 294
Latvia	34 701 377	35 415 521
Lithuania	98 579 277	94 663 420
Total	**199 807 699**	**194 141 234**

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. Since 2020, immediate contact for Company in all investment related matters is GIM –Group Investment Management department of Munich RE), which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO.

In 2021, 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: 41,8% (2020: 63%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 20,7% (2020: 18,5%) were rated AA or Aa, 14,8% (2020: 7,8%) had an A rating, 22,1% (2020: 10,6%) had a BBB or Baa rating, and 0,5% (2020: 0%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0,05 million euros, debt securities of 205,2 million euros, loans of 0 million euros, and equities and fund units of 5 million euros. There were no investments in term deposits.

Income on assets with interest rate risk amounted to negative 0,37 million euros. Realisation of debt securities produced a gain of 0,39 million euros. Dividend income amounted to 0.03 million euros. The fair value reserve increased by 0,001 million euros. Thus, the overall yield of the investment portfolio was negative 0,12%. Investment management expenses accounted for 0,15% 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 was minor.

In euros	**2021**	**2020**
At 1 January	1 397 708	882 201
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-387 197	-808 963
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	-466	-1 468
Net change in fair value recognised in other comprehensive income or expense during the year	398 663	1 325 938
At 31 December	1 408 708	1 397 708

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 2021.

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. There are no significant changes compared to the previous period.

In euros	**2021**				**2020**			
Other activities	**Estonia**	**Latvia**	**Lithuania**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Total**
Other income	651 068	431 147	1 065 262	**2 147 477**	508 983	299 895	1 137 161	**1 946 039**
Other expenses	1 115 242	274 917	675 509	**2 065 668**	1 044 921	244 465	607 938	**1 897 324**
Total result	**-464 174**	**156 230**	**389 753**	**81 809**	**-535 938**	**55 430**	**529 223**	**48 715**

A.5 Any other information

There is no other information.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In 2021 changes in the composition of the Supervisory Board were made. One Supervisory Board member was recalled from the Supervisory Board and one new member was appointed. Also a new Chairman of the Supervisory Board was appointed. New member was evaluated under Fit and Proper procedure and the candidacy was 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 (Finantsinspektsioon).

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 2021 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 31.12.2021 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 and fraud management.

Member of the Management Board (CUO Life/ Health) Ingrida Kirse is responsible for life, health insurance operations (UW, product development, pricing and reinsurance, 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 and reinsurance). 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 2021 shareholder took a decision on revoking Piotr Maria Sliwicki from the position of a member of the Supervisory Board and elected a new member of the Supervisory Board.

The members of the Supervisory Board are:

- Grzegorz Szatkowski – Chairman of the Supervisory Board
- Christine Kaaz– 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 with 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 2^{nd} 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 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 described by the guidelines are:

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

Principles of remuneration of Management Board members

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

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

Job grading

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 generally contains only fixed remuneration. The exceptions for Sales unit executives (2 ML and 3ML) and employees having direct sales responsibility and recourse lawyers in the Claims Handling unit in Estonia and Latvia, where the variable incentive is also paid in addition to fixed remuneration.

Basic remuneration

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

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.

Social package

Company provides employees with 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.

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
- Head of Money Laundering prevention department and his/her deputy
- 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, as well as to perform the tasks assigned to them in an orderly manner. The respective duties allocated to that Key Person and, where relevant, his/her knowledge and experience in insurance, financial, accounting, actuarial, regulatory framework and management skills should be taken into account.

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

- Insurance and financial markets;
- the business strategy and business model;
- the system of governance;
- financial and actuarial analysis
- the regulatory framework and requirements and the model used to calculate solvency requirement (risk model).

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 qualification, experience and knowledge of the ERGO Board Members need to be maintained at an adequate level at all times.

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

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

B.2.2 Propriety requirements

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

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

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.

When changes occur within the Management or Supervisory Board the collective qualification, experience and knowledge need to be maintained at an appropriate level at all times. Therefore the collective fitness assessment is always performed in cases of changes on Management or Supervisory Board set up. The collective fitness assessment on Management Board Members shall be performed by the Committee on members of the Management Board.

Assessment of fitness and propriety of each Supervisory Board member is performed by the Supervisory Board, however it is supported by the report presented by Legal & Compliance on the Assessment of the Supervisory Board members in compliance with the Fit and Proper requirements under the external and internal requirements. The formal collective fitness assessment of whole Supervisory Board as the body is also supported by Legal and Compliance division in accordance with the Policy.

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 presented questionnaire with necessary annexes..

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.

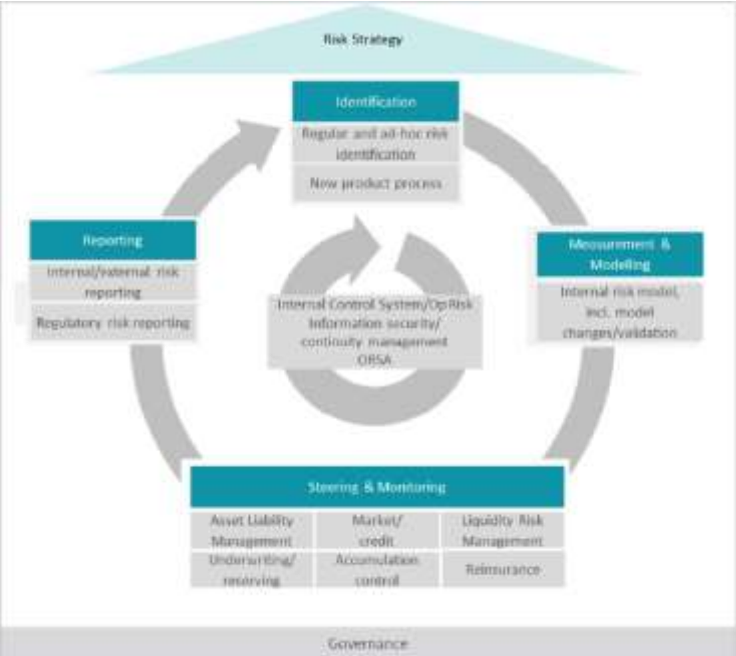

Figure 1. Risk Management Cycle

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

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 Assessment of adequacy for the system of governance

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

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

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

Governance model is described in "Guidelines on Review of System of Governance" and set by the Management Board decision on management view of the governance model.

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

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

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

ERGO has established their key functions in an adequate way: the key functions risk management, compliance, internal audit and actuarial function are established in separate organizational units. The Head of each unit has been appointed as key function holder. The organizational set up of the key functions provides independence in performing their control function. For more information see chapters B.3-B.6.

B.9 Any other information

There is no other information.

C. RISK PROFILE

Preliminary information

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

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

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

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 exposed to 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

By lines of business the biggest share of underwriting risk is rising from Motor portfolio followed by Fire and other damage to property insurance portfolio. In 2021 the underwriting risk increased mostly in Marine and Fire and other damage to property insurance portfolios where both premium and reserve risks increased.

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.

Both instantaneous sensitivity tests as well as long-term tests showed that from the Solvency point of view it is important to manage the profitability, especially in combination with the growth and in the light of potential climate changes. Another important impact comes from the reinsurance partners and their potential defaults in case of catastrophes. After COVID-19 pandemic the inflation rates have been rising and if this would persist, it will have an remarkable impact. From operational risks IT related negative scenarios are potentially very impactful.

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

C.2 Market risk

C.2.1 Risk exposure

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

The following significant risk drivers and risk causes or challenges regarding risk identification and assessment have been identified:

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

In performance terms, financial markets were rather positive during 2021. For example, European equity index EuroStoxx600 delivered 22,5% while US index S&P500 increased 26,9% over the year.

However, rapidly increasing inflation started to erode market confidence in second half of the year. Finally, in December, central banks began to signal tighter financial conditions ahead. This caused significant volatility in financial markets during first months of 2022.

As a response to the moderate solvency ratio, company has maintained relatively low-risk investment portfolio during last years. Since the solvency ratio started to improve in 2020, it was decided to add risker asset classes to the portfolio. Consequently, small equity position was built up in 2021. Additionally, decision was made to invest in infrastructure fund in coming years.

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	1 - Standard exposure 3 - Covered bond exposure, DA §187(1) 6 - Zero risk Art 187_1-3	AAA	19 183 361
Frankreich, Republik	1 - Standard exposure 3 - Covered bond exposure, DA §187(1) 6 - Zero risk Art 187_1-3	AA1/AA2	12 526 128
Cie Groupe BPCE	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	AAA	8 870 772
Hamburg Commercial Bank AG	1 - Standard exposure 6 - Zero risk Art 187_1-3	AA1	5 959 869
Groupe Credit Mutuel	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	AAA	5 774 325
Credit Agricole S.A.	1 - Standard exposure 3 - Covered bond exposure, DA §187(1) 6 - Zero risk Art 187_1-3	AAA	5 690 420
Commerzbank AG	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	AAA	5 586 521
Italien, Republik	1 - Standard exposure 6 - Zero risk Art 187_1-3	BBB2	5 226 069
Landesbank Berlin Holding AG	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	AAA	5 082 694

Counterparty	Type of exposure	Rating	Total exposure, €
C.R.H. - Caisse de Refinancement de l'Habitat S.A.	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	AAA	5 062 745

C.2.4 Risk reduction techniques

Company does not have any risk mitigation techniques currently in place. At the end of 2021, 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.

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 2021 Company did not change its approach to Counterparty Default risk; 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.

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 3,0 million EUR, the value has decreased during 2021 due to changes in profitability as well as portfolio structure.

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 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 threats that might affect strategy execution:

- Political environment – political environment in the Baltic States is currently stable.
- Transposition of EU legal framework to the individual member state level – the countries' governments 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 worlwide 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 overall situation in the world and 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 of presumable reputational risks to the Risk Management function as well as other responsible stakeholders.

C.7 Any other information

There is no other information.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

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

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

ASSETS	Solvency II value 2021	IFRS value 2021	Explanations
Deferred acquisition costs	0	7 635 148	Acquisition costs are not shown as an asset in the solvency balance sheet but are taken into account in the valuation of the technical provisions.
Intangible assets	0	20 561 329	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	150 622	150 622	Deferred tax assets valuation does not differ in SII and IFRS reporting.
Property, plant & equipment held for own use	13 928 143	11 146 055	The difference 2'782'088 euros is equal to the difference between property appraisal and book value.
Investments (other than assets held for index-linked and unit-linked contracts)	**210 371 687**	**210 276 293**	
Holdings in related undertakings, including participations	50 000	50 000	
Equities	43 443	43 443	SII and IFRS values are equal.
Equities - unlisted	43 443	43 443	SII and IFRS values are equal.
Bonds	205 205 709	205 205 709	SII and IFRS values are equal.
Government Bonds	52 992 808	52 992 808	SII and IFRS values are equal.
Corporate Bonds	152 212 901	152 212 901	SII and IFRS values are equal.
Structured notes	0	0	SII and IFRS values are equal.
Collective Investments Undertakings	5 072 535	4 977 141	Units in infrastructure debt funds are presented in IFRS Reporting at cost; the difference is 95'394 euros
Loans and mortgages	**0**	**0**	
Other loans and mortgages	0	0	SII and IFRS values are equal.
Insurance and intermediaries receivables	3 248 610	20 593 100	In the balance sheet under Solvency II, receivables not due in the amount 17'344'490 are included in the calculation of *Technical Provisions*. At the end of the reporting period, discounting of this item has not been required.
Reinsurance receivables	8 514 830	8 514 830	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Receivables (trade, not insurance)	1 911 201	1 911 201	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Cash and cash equivalents	15 940 521	15 940 539	The difference of 18 euros is caused by the different currency rates applied in Solvency II and IFRS reporting.
Any other assets, not elsewhere shown	4 260 493	4 260 493	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	**258 326 107**	**300 989 610**	

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 valuated 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, de-pending 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 prof-it 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 re-wards 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 as-sets 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 de-cline 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 31.12.2021 are set out in the table below.

in Euros	**Solvency II value**	**IFRS value**
Technical provisions – non-life	159 645 464	187 360 955
Technical provisions – non-life (excluding health)	156 505 214	181 685 951
TP calculated as a whole	0	0
Best Estimate	151 557 961	0
Risk margin	4 947 253	0
Technical provisions - health (similar to non-life)	3 140 250	5 675 003
TP calculated as a whole	0	0
Best Estimate	2 825 394	0
Risk margin	314 856	0
Technical provisions - life (excluding index-linked and unit-linked)	14 961 944	14 859 834
Technical provisions - health (similar to life)	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	14 961 944	14 859 834
TP calculated as a whole	0	0
Best Estimate	14 859 834	0
Risk margin	102 110	0
Technical provisions – index-linked and unit-linked	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0

Life insurance technical provisions in 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.

in Euros	**Solvency II Best Estimate**	**Risk Margin**	**Solvency II Technical provision**
Medical expense insurance	443 200	50 158	493 358
Income protection insurance	2 423 763	264 698	2 688 462

in Euros	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Motor vehicle liability insurance, excl. annuities	61 185 060	2 010 190	63 195 251
Other motor insurance	15 554 359	1 066 374	16 620 733
Marine, aviation and transport insurance	13 970 325	413 597	14 383 923
Fire and other damage to property insurance	23 882 143	1 019 521	24 901 664
General liability insurance	7 735 158	267 083	8 002 241
Credit and suretyship insurance	2 096 917	93 512	2 190 429
Legal expense insurance	61 654	34 346	96 000
Assistance	641 908	42 629	684 537
Total	**127 994 489**	**5 262 109**	**133 256 598**

The value for reinsurance recoverables as at 31.12.2021 is set out below.

in Euros	Solvency II value	IFRS value
Reinsurance recoverables from:	28 668 779	28 681 148
Non-life and health similar to non-life	26 388 866	26 387 759
Non-life excluding health	26 430 436	26 385 800
Health similar to non-life	-41 569	1 959
Life and health similar to life, excluding health and index-linked and unit-linked	2 279 913	2 293 389
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	2 279 913	2 293 389
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 2021 Solvency II Best Estimate assumptions were reviewed in both the outstanding claims and the premium provisions. In the outstanding claims provisions the claim development and cash-flow patterns were reviewed. In the premium provision the assumptions about future premiums, claims and expenses were reviewed.

During 2021 the provision for outstanding claims without the reinsurance impact increased by 12,5 million Euros, the premium provision increased by 7,3 million Euros, with reinsurance impact the increases were respectively 10,3 and 3,5 million Euros. The biggest growth were seen in Marine and Fire and other damage to property insurance portfolios.

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 2021**	**IFRS values 2021**	**Explanations**
Financial liabilities other than debts owed to credit institutions	5 396 914	5 396 914	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Insurance & intermediaries payables	3 760 337	3 760 337	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Reinsurance payables	3 286 062	3 286 062	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Payables (trade, not insurance)	10 758 703	10 758 703	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Subordinated liabilities	12 010 539	12 010 539	
Subordinated liabilities not in Basic Own Funds	10 539	10 539	SII and IFRS values are equal.
Subordinated liabilities in Basic Own Funds	12 000 000	12 000 000	SII and IFRS values are equal.
Any other liabilities, not elsewhere shown	14 688 799	14 688 799	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Total other liabilities	**49 901 354**	**49 901 354**	

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:

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

where

CF0 ... CFn – 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 IRFS balance sheet.

Excess of assets over liabilities - attribution of valuation differences	**31.12.2021**	**31.12.2020**
Total of reserves and retained earnings from financial statements	77 548 614	80 611 202
Difference in the valuation of assets	-42 663 504	-35 404 403
Difference in the valuation of technical provisions	-27 601 013	-28 129 027
Difference in the valuation of other liabilities	0	5
Solvency II Excess of assets over liabilities	**62 486 123**	**73 335 831**

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	**31.12.2021**	**31.12.2020**	**Tier classification**
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 - unrestricted
Reconciliation reserve	55 944 109	66 679 776	Tier 1 - unrestricted
Subordinated liabilities	12 000 000	6 000 000	Tier 2
Net deferred tax assets	150 622	264 664	Tier 3
Total basic own funds	**74 486 123**	**79 335 831**	

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:

In Euros	**Value 31.12.21**	**Value 31.12.20**
Market risk	8 692 613	6 716 465
Counterparty default risk	3 537 738	3 699 942
Life underwriting risk	371 662	461 027
Health underwriting risk	3 228 471	3 030 410
Non-life underwriting risk	49 809 926	46 538 833
Diversification	-10 773 643	-9 516 857
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**54 866 767**	**50 929 820**
Operational risk	5 928 584	5 782 757
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirements (SCR)	**60 795 351**	**56 712 576**

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:

in Euros	**Net technical provisions**	**Net written premiums**	**α**	**β**	**Linear MCR**
Medical expenses insurance	443 200	1 812 174	4,7%	4,7%	106 003
Income protection insurance	2 423 763	8 946 220	13,1%	8,5%	1 077 942
Motor vehicle liability	61 185 060	67 430 581	8,5%	9,4%	11 539 205
Motor, other classes	15 554 359	49 499 062	7,5%	7,5%	4 879 007
Marine, aviation, transport (MAT)	13 970 325	10 604 116	10,3%	14,0%	2 923 520
Fire and other property damage	23 882 143	35 140 255	9,4%	7,5%	4 880 441
Third-party liability	7 735 158	8 502 860	10,3%	13,1%	1 910 596
Credit and suretyship	2 096 917	2 956 274	17,7%	11,3%	705 213
Legal expense insurance	61 654	1 533 554	11,3%	6,6%	108 181
Assistance	641 908	2 120 256	18,6%	8,5%	299 617
Total Linear MCR for non-life obligations					28 429 723
Linear MCR for life obligations	12 579 922		*2,10%*		264 178
Total Linear MCR					**28 693 902**

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

In Euros	**Value 31.12.21**	**Value 31.12.20**
Linear MCR	28 693 902	26 671 846
SCR	60 795 351	56 712 576
MCR cap	27 357 908	25 520 659
MCR floor	15 198 838	14 178 144
Combined MCR	27 357 908	25 520 659
Absolute floor of the MCR	3 700 000	3 700 000
Minimum Capital Requirement (MCR)	**27 357 908**	**25 520 659**

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

In Euros	**Value 31.12.21**	**Value 31.12.20**
SCR	60 795 351	56 712 576
MCR	27 357 908	25 520 659
Eligible Own Funds for SCR coverage	74 486 123	79 335 831

In Euros	**Value 31.12.21**	**Value 31.12.20**
Eligible Own Funds for MCR coverage	67 807 082	78 175 299
SCR Coverage	**123%**	**140%**
MCR Coverage	**248%**	**306%**

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

During 2021 Solvency Capital Requirement value increased by 4,1 million Euros. Capital Requirement for Underwriting risk before diversification increased by 3,4 million Euros; mainly due to increase in premium and reserve volume in Marine and Fire and other property damage. In Market risk increase of 2.0 million EUR was related to increase in overall investment portfolio, incl. increased equity portfolio.

Minimum Capital Requirement increased by 1,8 million Euros due to Solvency Capital Requirement increase.

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 31.12.2021 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		Solvency II value C0010
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	150 622
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	13 928 143
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	210 371 687
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**	205 205 709
Government Bonds	**R0140**	52 992 808
Corporate Bonds	**R0150**	152 212 901
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	5 072 535
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**	28 668 779
Non-life and health similar to non-life	**R0280**	26 388 866
Non-life excluding health	**R0290**	26 430 436
Health similar to non-life	**R0300**	-41 569
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	2 279 913
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	2 279 913
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	3 248 610
Reinsurance receivables	**R0370**	8 514 830
Receivables (trade, not insurance)	**R0380**	1 911 200
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**	15 940 521
Any other assets, not elsewhere shown	**R0420**	4 260 492
Total assets	**R0500**	**286 994 886**

Liabilities		Solvency II value C0010
Technical provisions – non-life	**R0510**	159 645 464
Technical provisions – non-life (excluding health)	**R0520**	156 505 214
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	151 557 961
Risk margin	**R0550**	4 947 253
Technical provisions – health (similar to non-life)	**R0560**	3 140 250
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	2 825 394
Risk margin	**R0590**	314 856
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	14 961 944
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**	14 961 944
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	14 859 834
Risk margin	**R0680**	102 110
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**	5 396 914
Insurance & intermediaries payables	**R0820**	3 760 337
Reinsurance payables	**R0830**	3 286 062
Payables (trade, not insurance)	**R0840**	10 758 703
Subordinated liabilities	**R0850**	12 010 539
Subordinated liabilities not in Basic Own Funds	**R0860**	10 539
Subordinated liabilities in Basic Own Funds	**R0870**	12 000 000
Any other liabilities, not elsewhere shown	**R0880**	14 688 799
Total liabilities	**R0900**	**224 508 763**
Excess of assets over liabilities	**R1000**	**62 486 123**

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**	1 874 738	9 126 801		68 802 148	49 881 503	11 840 077	39 001 040	9 983 713	5 643 871
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	62 564	181 135		1 371 567	382 441	1 235 962	3 860 785	1 480 853	2 687 597
Net	**R0200**	1 812 174	8 945 666		67 430 581	49 499 062	10 604 116	35 140 255	8 502 860	2 956 274
Premiums earned										
Gross - Direct Business	**R0210**	2 002 889	8 790 242		69 240 278	49 374 512	12 148 877	38 047 290	9 539 142	5 251 934
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	61 517	181 135		1 358 698	402 832	1 238 939	3 855 422	1 443 047	2 479 032
Net	**R0300**	1 941 373	8 609 106		67 881 581	48 971 680	10 909 938	34 191 868	8 096 095	2 772 901
Claims incurred										
Gross - Direct Business	**R0310**	588 812	4 194 855		41 897 698	34 290 952	18 534 521	34 375 366	2 442 608	433 874
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	725	0		2 702 525	265 144	4 640 617	7 833 489	94 964	326 582
Net	**R0400**	588 087	4 194 855		39 195 173	34 025 808	13 893 904	26 541 877	2 347 644	107 292

		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			30 162	-372 078	2 882		
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**									
Net	**R0500**		204			30 162	-372 078	2 882		
Expenses incurred	**R0550**	953 702	3 536 484		22 502 949	16 400 510	2 690 393	14 934 454	2 927 601	862 267
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**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	1 533 554	2 120 256						**199 807 701**
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**	0	0						**11 262 904**
Net	**R0200**	1 533 554	2 120 256						**188 544 797**
Premiums earned									
Gross - Direct Business	**R0210**	1 532 229	2 030 335						**197 957 729**
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								**11 020 622**
Net	**R0300**	1 532 229	2 030 335						**186 937 107**
Claims incurred									
Gross - Direct Business	**R0310**	-88 136	57 754						**136 728 305**
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								**15 864 046**
Net	**R0400**	-88 136	57 754						**120 864 260**

		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								-338 829
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								-338 829
Expenses incurred	R0550	753 369	1 964 704						67 526 434
Other expenses	R1200								
Total expenses	R1300								67 526 434

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						720 343			**720 343**
Reinsurers' share	R1620						17 068			**17 068**
Net	R1700						703 275			**703 275**
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	66 527 044	98 579 277	34 701 380	**199 807 701**
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	3 529 673	4 646 762	3 086 468	**11 262 904**
Net	R0200	62 997 371	93 932 515	31 614 911	**188 544 797**
Premiums earned					
Gross - Direct Business	R0210	67 094 110	96 300 727	34 562 892	**197 957 729**
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	3 483 679	4 636 103	2 900 840	**11 020 622**
Net	R0300	63 610 430	91 664 624	31 662 052	**186 937 107**
Claims incurred					
Gross - Direct Business	R0310	53 325 348	56 029 026	27 373 931	**136 728 305**
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	7 780 082	2 356 784	5 727 180	**15 864 046**
Net	R0400	45 545 267	53 672 242	21 646 751	**120 864 260**

		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**	-346 951	8 122		**-338 829**
Gross - Proportional reinsurance accepted	**R0420**				
Gross - Non-proportional reinsurance accepted	**R0430**				
Reinsurers' share	**R0440**				
Net	**R0500**	-346 951	8 122		**-338 829**
Expenses incurred	**R0550**	19 821 542	34 092 355	13 612 537	**67 526 434**
Other expenses	**R1200**				
Total expenses	**R1300**				**67 526 434**

		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	27 489	51 991	640 863	**720 343**
Reinsurers' share	R1620	19 815	-2 747		**17 068**
Net	R1700	7 674	54 738	640 863	**703 275**
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**								14 859 834		**14 859 834**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**								2 279 913		**2 279 913**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**								12 579 922		**12 579 922**

		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**								102 110		**102 110**
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**								14 961 944		**14 961 944**

		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										
Premium provisions										
Gross	**R0060**	245 802	1 205 324		17 329 207	9 752 947	3 020 337	12 589 526	1 408 842	1 575 973
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-4 684	-37 271		716 380	-8 171	1 014 475	1 077 481	-187 227	384 562
Net Best Estimate of Premium Provisions	**R0150**	250 486	1 242 595		16 612 827	9 761 118	2 005 863	11 512 045	1 596 069	1 191 411
Claims provisions										
Gross	**R0160**	193 100	1 181 168		52 908 979	5 825 384	13 606 515	23 570 940	7 507 117	1 758 632
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	386			8 336 745	32 142	1 642 052	11 200 842	1 368 028	853 126
Net Best Estimate of Claims Provisions	**R0250**	192 714	1 181 168		44 572 234	5 793 241	11 964 463	12 370 098	6 139 089	905 506

		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**
Total Best estimate - gross	**R0260**	438 902	2 386 492		70 238 186	15 578 331	16 626 853	36 160 466	8 915 959	3 334 605
Total Best estimate - net	**R0270**	443 200	2 423 763		61 185 060	15 554 359	13 970 325	23 882 143	7 735 158	2 096 917
Risk margin	**R0280**	50 158	264 698		2 010 190	1 066 374	413 597	1 019 521	267 083	93 512
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**	489 060	2 651 191		72 248 376	16 644 704	17 040 450	37 179 987	9 183 043	3 428 117
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-4 298	-37 271		9 053 126	23 971	2 656 527	12 278 323	1 180 801	1 237 688
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	493 358	2 688 462		63 195 251	16 620 733	14 383 923	24 901 664	8 002 241	2 190 429

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
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									
Premium provisions									
Gross	**R0060**	-208 267	531 095						**47 450 787**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								**2 955 545**
Net Best Estimate of Premium Provisions	**R0150**	-208 267	531 095						**44 495 242**
Claims provisions									
Gross	**R0160**	269 921	110 813						**106 932 569**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								**23 433 321**
Net Best Estimate of Claims Provisions	**R0250**	269 921	110 813						**83 499 248**

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Total Best estimate - gross	**R0260**	61 654	641 908						**154 383 355**
Total Best estimate - net	**R0270**	61 654	641 908						**127 994 489**
Risk margin	**R0280**	34 346	42 629						**5 262 109**
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								**0**
Best estimate	**R0300**								**0**
Risk margin	**R0310**								**0**
Technical provisions - total									
Technical provisions - total	**R0320**	96 000	684 537						**159 645 464**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								**26 388 866**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	96 000	684 537						**133 256 598**

S.19.01.21

Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0020	Accident year

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											83 325	83 325	83 325
N-9	R0160	42 343 372	12 704 570	1 083 818	576 315	208 296	27 660	34 432	105 002	-2 462	-30 500		-30 500	57 050 504
N-8	R0170	43 226 799	11 023 949	1 133 053	862 094	687 893	1 842 114	745 545	46 902	37 037			37 037	59 605 385
N-7	R0180	40 689 074	19 158 765	1 498 928	705 724	237 650	179 539	21 566	428 013				428 013	62 919 260
N-6	R0190	48 538 885	21 521 020	1 738 804	602 512	257 433	149 328	-58 545					-58 545	72 749 436
N-5	R0200	59 849 041	18 220 806	2 007 557	986 865	721 643	236 330						236 330	82 022 243
N-4	R0210	57 664 207	19 845 886	1 998 184	1 474 617	519 630							519 630	81 502 524
N-3	R0220	64 111 816	23 261 434	3 047 373	999 118								999 118	91 419 741
N-2	R0230	70 915 387	22 893 912	4 128 053									4 128 053	97 937 352
N-1	R0240	72 364 524	27 307 486										27 307 486	99 672 009
N	R0250	89 537 358											89 537 358	89 537 358
Total	R0260												123 187 306	794 499 138

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**	**C0360**
Prior	**R0100**											4 209 911	4 213 014
N-9	**R0160**	0	0	0	1 930 916	1 121 430	647 237	550 578	371 982	229 694	257 470		251 858
N-8	**R0170**	0	0	16 390 043	13 684 613	6 957 050	5 334 765	4 472 549	4 389 563	4 136 622			4 127 549
N-7	**R0180**	0	7 375 679	5 567 947	2 857 435	2 173 353	2 079 121	1 858 824	880 589				864 671
N-6	**R0190**	27 799 036	5 379 584	2 453 300	1 897 943	1 342 793	1 702 988	1 054 127					1 046 798
N-5	**R0200**	30 271 192	7 184 030	5 147 314	3 254 193	2 159 483	1 095 149						1 063 366
N-4	**R0210**	32 892 362	8 723 905	5 773 874	4 200 649	2 368 711							2 335 575
N-3	**R0220**	39 217 454	14 236 406	9 776 685	9 286 945								9 158 558
N-2	**R0230**	44 613 667	18 135 754	11 005 628									10 968 211
N-1	**R0240**	46 343 943	12 361 702										12 342 029
N	**R0250**	60 409 591											60 560 939
Total	**R0260**												106 932 569

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	6 391 391	6 391 391			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	55 944 109	55 944 109			
Subordinated liabilities	**R0140**	12 000 000			12 000 000	
An amount equal to the value of net deferred tax assets	**R0160**	150 622				150 622
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**	74 486 123	62 335 500		12 000 000	150 622
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**	74 486 123	62 335 500	0	12 000 000	150 622
Total available own funds to meet the MCR	**R0510**	74 335 500	62 335 500	0	12 000 000	
Total eligible own funds to meet the SCR	**R0540**	74 486 123	62 335 500	0	12 000 000	150 622
Total eligible own funds to meet the MCR	**R0550**	67 807 082	62 335 500	0	5 471 582	
SCR	**R0580**	60 795 351				
MCR	**R0600**	27 357 908				
Ratio of Eligible own funds to SCR	**R0620**	1,2252				
Ratio of Eligible own funds to MCR	**R0640**	2,4785				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	62 486 123
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	6 542 014
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	55 944 109
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	2 969 504
Total Expected profits included in future premiums (EPIFP)	**R0790**	2 969 504

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	8 692 613		
Counterparty default risk	**R0020**	3 537 738		
Life underwriting risk	**R0030**	371 662		
Health underwriting risk	**R0040**	3 228 471		
Non-life underwriting risk	**R0050**	49 809 926		
Diversification	**R0060**	-10 773 643		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	**54 866 767**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	**R0130**	5 928 584
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**	60 795 351
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	60 795 351
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	28 429 723

		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**	443 200	1 812 174
Income protection insurance and proportional reinsurance	**R0030**	2 423 763	8 946 220
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**	61 185 060	67 430 581
Other motor insurance and proportional reinsurance	**R0060**	15 554 359	49 499 062
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	13 970 325	10 604 116
Fire and other damage to property insurance and proportional reinsurance	**R0080**	23 882 143	35 140 255
General liability insurance and proportional reinsurance	**R0090**	7 735 158	8 502 860
Credit and suretyship insurance and proportional reinsurance	**R0100**	2 096 917	2 956 274
Legal expenses insurance and proportional reinsurance	**R0110**	61 654	1 533 554
Assistance and proportional reinsurance	**R0120**	641 908	2 120 256
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**	264 178

		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**	12 579 922	
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	28 693 902
SCR	**R0310**	60 795 351
MCR cap	**R0320**	27 357 908
MCR floor	**R0330**	15 198 838
Combined MCR	**R0340**	27 357 908
Absolute floor of the MCR	**R0350**	3 700 000
Minimum Capital Requirement	**R0400**	27 357 908